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

Report

of the

Auditor-General

for the

Year ended 30 June 2002

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PART B

Volume III

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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. That list is not exhaustive as many other issues are reported in Volumes I, II and III of Part B of this Report.

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

MINISTER FOR AGRICULTURE, FOOD AND FISHERIES; MINISTER FOR MINERAL RESOURCES DEVELOPMENT; MINISTER FOR ENERGY; MINISTER FOR SCIENCE AND INFORMATION ECONOMY; MINISTER FOR REGIONAL AFFAIRS

PORTFOLIO – PRIMARY INDUSTRIES AND RESOURCES

INTRODUCTION

This section of this Part of the Report contains the financial statements of, and comments concerning, the operations of those agencies under the direction and control of the Ministers, namely:

- Minister for Agriculture, Food and Fisheries
- Minister for Mineral Resources Development
- Minister for Energy
- Minister for Science and Information Economy
- Minister for Regional Affairs

The agency included herein relating to the portfolio of Primary Industries and Resources is the Department of Primary Industries and Resources.

DEPARTMENT OF PRIMARY INDUSTRIES AND RESOURCES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Department of Primary Industries and Resources (PIRSA), a key agency for economic development, is focused on delivering services that increase the prosperity of South Australians and ensuring the sustainable economic development of the State's resource base for future generations.

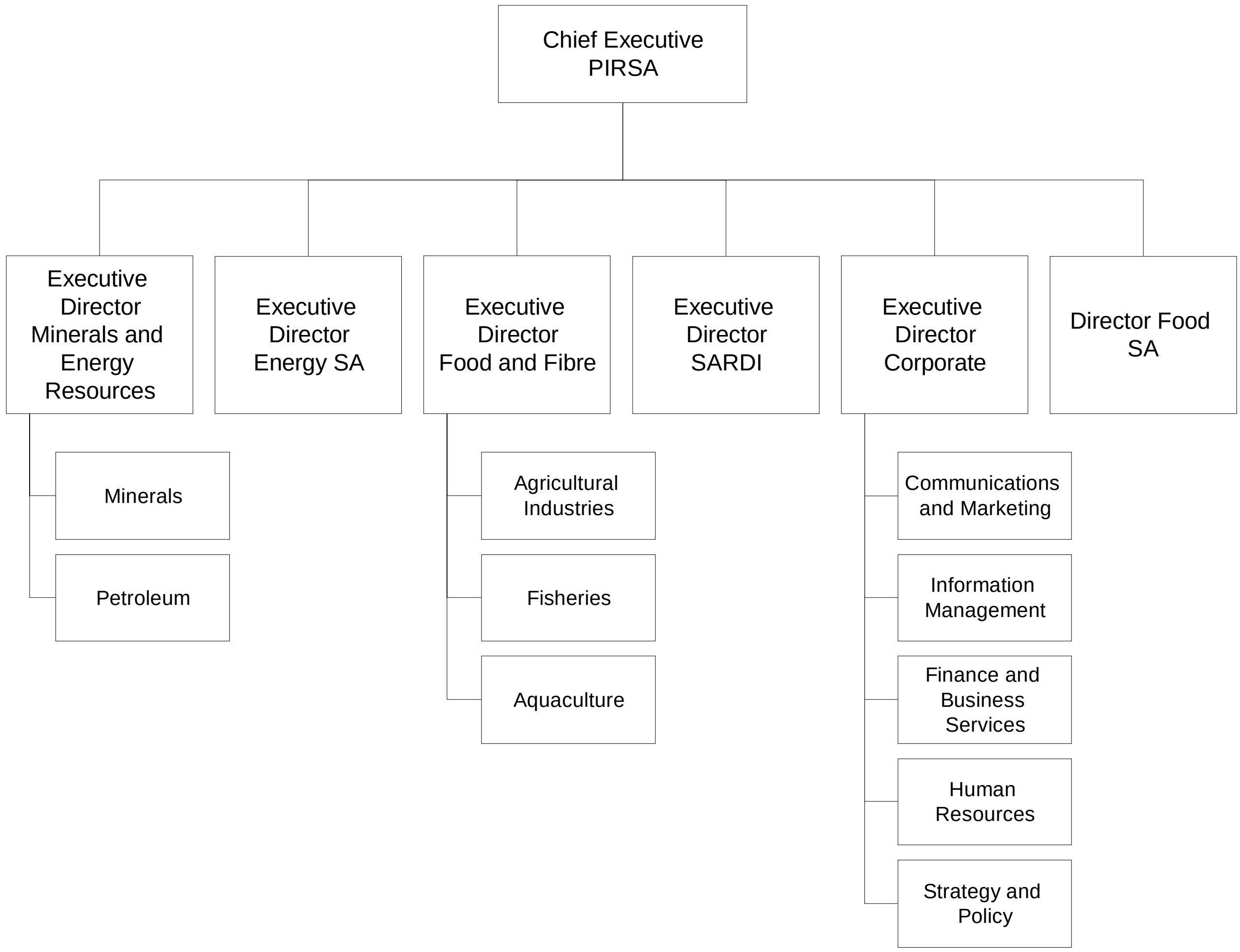
The Department:

- is strengthening its capability across the demand chain to enable the realisation of emerging market opportunities in the food, fibre, resource and energy sectors including biotechnology opportunities derived from primary industries;

- continues to explore ways to better optimise the value of the State's natural assets and increase community capacity, particularly in rural and regional South Australia;

- is utilising emerging opportunities to develop new products and attract new companies and industries through new applications of technology, new product development and marketing of information and expertise.

The organisational structure of the Department is depicted in the following diagram.



SIGNIFICANT FEATURES

- A number of functions previously performed by the Sustainable Resources Group were transferred to the Department of Water, Land and Biodiversity Conservation on 1 May 2002.
- Net cost of services decreased by $7.5 million to $116.5 million.
- Total revenues increased by $11.3 million to $85.1 million.
- $2.9 million was expended on the Ovine Johne's Program.
- Loans to the Rural Sector decreased by $6.6 million to $21.2 million.
- Royalties received were $82.6 million, a decrease of $26.5 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department in respect of each financial year.

Scope of Audit

The audit covered the main areas of financial activity and entailed an assessment of the adequacy of financial accounting systems and processes (including internal control practices) and the test verification of financial transactions processed and recorded during the year. Incorporated into this assessment was a review of the relevant computer processing environments.

During 2001-02 specific areas of audit attention included:

- expenditure, including accounts payable, payroll and corporate credit cards
- revenue, incorporating grants, fees and user charges
- non-current assets, including adequacy of asset register maintenance.

In addition, Audit reviewed certain aspects relating to the Fruit Fly Program.

A review was also undertaken of certain computer processing environments within the Department.

Audit Communications to Management

Issues arising from the audit were communicated in a letter forwarded to the Chief Executive and a satisfactory response was received. Refer to the later heading 'Commentary on Computer Operations and Controls' for issues arising from the review of computer processing environments.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Although the Department's general financial control environment was assessed as satisfactory, a number of areas were identified where internal controls could be further strengthened.

The response received from the Department regarding these issues indicated that appropriate action would be taken to address the matters raised.

Commentary on Computer Operations and Controls

Audit initiated in the latter part of the year a review to document and assess certain computer processing environments (CPEs) of the Department.

The review covered aspects of organisational management, CPEs, systems and associated internal controls for the following areas:

- *Strategic Policy and Planning* — strategic policy and planning for the agency's business operations, including organisation, resource strategy and planning, business continuity planning, security policy and procedures and the use of communications networks and internet/intranets;

- *CPEs (Mid Range, LAN, Stand Alone)* — including information systems operation, relationships with outsourced vendors, logical and physical security, application systems and database implementation and maintenance, and network and systems software support.

A number of important areas were identified that related to planning, policy, procedures, security and control arrangements that were considered in need of management attention to achieve a satisfactory control environment.

The matters raised by Audit had been communicated to the Department at the time of preparation of this Report and the outcomes and action taken by the Department will be included in a subsequent Report to Parliament, along with outcomes relating to other Agency reviews presently in progress.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Department of Primary Industries and Resources included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the Department of Primary Industries and Resources in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Net Cost of Services

The net cost of services decreased by $7.5 million to $116.5 million as a result of an increase in revenues from ordinary activities of $11.3 million offset by an increase in expenses from ordinary activities of $3.8 million.

The principal increases in revenues were from consultancy and service $3.2 million, the Loxton Irrigation Scheme Growers' contribution of $2.1 million and $2.9 million due from the Department of Water, Land and Biodiversity Conservation in relation to the transfer of functions of the Sustainable Resources Group on 1 May 2002.

Advances and grants received were $32.7 million, the same as last year. Note 11 to the Financial Statements details the various funding sources and purpose of specific projects.

An increase of $2.3 million in grants paid was the main reason for the increase in expenses from ordinary activities. Note 6 to the Financial Statements provides full details of grants paid to various recipients.

Adverse Events

Notes 4 and 5 to the Financial Statements make comments on costs of $7.8 million ($12.5 million) for adverse events. The major costs related to the Fruit Fly Eradication Program $2.6 million ($3.1 million) and Ovine Johne's disease $2.9 million ($2.6 million). Expenditure on the Locust Control Program was $36 000 and compares to $6.6 million in 2000-01 when there was a significant plague locust problem. Comments on the programs for the Fruit Fly Eradication Program and Ovine Johne's disease are included under 'Further Commentary on Operations'.

Note 9 to the Financial Statements makes reference to $1.4 million ($Nil) being the State's contribution to national adverse events programs.

Statement of Financial Position

Cash decreased by $15.4 million to $48.3 million. A contributing factor was a GST payment of $7.5 million in relation to a payment to the South Australian Water Corporation. This amount will be recovered in 2002-03 and is reflected in the increase in receivables.

Loans decreased by $6.6 million due principally to repayments from the Rural Sector. Those repayments have also contributed to the decrease of $4.8 million in borrowings from the South Australian Government Financing Authority.

FURTHER COMMENTARY ON OPERATIONS

Fruit Fly Eradication

In May 2001, following community concerns about the health and safety aspects of the Fruit Fly Eradication Program, the Minister for Primary Industries and Resources announced the halt to cover spraying and in June 2001 approved an independent review of the program. The review was to be completed by the end of August 2001 and the findings to be presented to a Reference Panel, constituted of key stakeholders, for final recommendations to be made.

Final recommendations were made in the consultant's report in October 2001. Key recommendations included:

- implementation of a Medfly Sterile Insect Technique Program;
- the Sterile Insect Program to be accompanied by a comprehensive community education and awareness program;
- implementation of specific improvements to equipment, facilities, procedures and training regarding the use of chemical insecticides.

The Department has actioned the major recommendations arising from the review.

Audit also reviewed the purchasing considerations for the supply of the sterile Mediterranean Fruit Fly and ascertained if an evaluation of the Sterile Program had been performed. There were no issues of concern emanating from the purchasing review and Audit notes that an evaluation of the Sterile Program will be undertaken later in the year.

Costs of the Fruit Fly Eradication Program for the year were $2.6 million ($3.1 million) and included $1.2 million ($2.2 million) for contractors, $532 000 ($56 000) for consumable supplies (includes purchase of sterile fruit flies in 2001-02) and $68 000 ($270 000) for purchase of chemicals.

Ovine Johne's Disease

A program aimed at detecting Ovine Johne's disease in sheep commenced in South Australia in 1998. Costs of the program for 2001-02 were $2.9 million ($2.6 million) and included payments of $1.9 million ($1.9 million) relating to assistance to farmers for de-stocking.

Upper South East Dryland Salinity and Flood Management Plan

In June 1995 Cabinet endorsed an integrated catchment management plan to address the problems of dryland salinity and flooding in the Upper South East of South Australia. The Department is responsible for the implementation of the management plan.

The drainage component of the Upper South East Dryland Salinity and Flood Management Plan will be constructed in three stages over six years. Construction of the first stage of the drainage works commenced in October 1997. The project is funded on the basis of the State and Commonwealth each contributing 37.5 percent and the local community contributing 25 percent of the cost.

The estimated cost of $24 million has been revised to $41 million. Increased costs can be attributed to:

- the original estimate was calculated in 1992 and the estimated cost had not been revised to take account of price increases;
- the original scheme was conceptual and more detailed work has been done to refine the drainage alignments. Extra drainage works are required to provide a more equitable service to landholders in the region;

- changes in drain design were necessary in order to avoid unnecessary impacts on environmental features to satisfy Commonwealth conditions of funding;
- excavation costs have been higher than expected due to difficult soil conditions.

Infrastructure works ownership is transferred to the South Eastern Water Conservation and Drainage Board (SEWCDB) at nil consideration at the completion of each stage. At 30 June 2002, total infrastructure assets transferred were $6.5 million.

During 2001-02 expenditure on this project was $4.3 million with total program costs to date being $21 million. Levies received from the local community were $992 000 ($990 000) and Commonwealth funding was $1.3 million ($nil). Commonwealth funding to date totals $6.8 million.

Financial data represents ten months operations as the project became the responsibility of the Department of Water, Land and Biodiversity Conservation on 1 May 2002.

Loxton Irrigation District Rehabilitation

This is a continuing program of refurbishment of the irrigation distribution infrastructure and upgrading the pumps for the existing district and including areas for new development outside the current boundaries of the Loxton Irrigation District.

The estimated total project cost was $39.1 million with the State and Loxton growers' share being estimated to be $24.6 million over the projected construction period of five years. The estimated project cost has been revised to $36.4 million with the State and Loxton Growers' share estimated to be $22.2 million over the revised construction period of four years.

During 2001-02 expenditure on the project was $6.8 million with total program costs to date being $21.7 million. Funding received from the Commonwealth was $4.6 million ($5.2 million). The Commonwealth funding was received by the Department of Water, Land and Biodiversity Conservation. External funding received during 2001-02 was $2.1 million ($nil).

Financial data represents ten months operations as the program became the responsibility of the Department of Water, Land and Biodiversity Conservation on 1 May 2002.

Remote Areas Energy Scheme

The Department has sole responsibility for electricity supply and service to customers in the areas covered by the Remote Areas Energy Scheme (RAES) Electricity Distribution Systems.

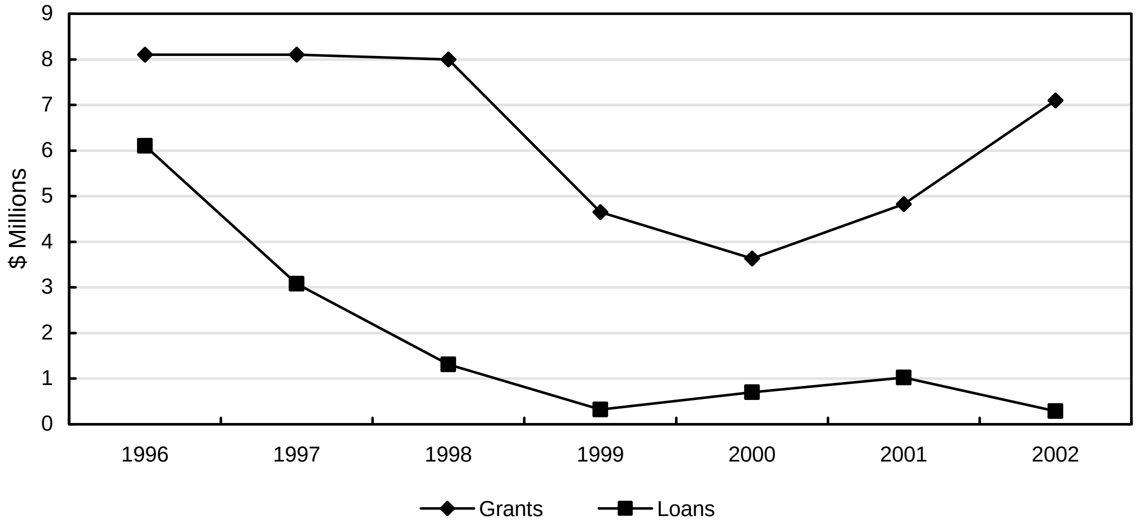
During 2001-02 subsidies paid relating to RAES amounted to $3.9 million ($5 million). In this period RAES electricity sales totalled $1 million ($664 000).

Rural Finance and Development

Assistance to Primary Producers

The following graph shows the level of assistance provided to the rural sector over the last seven years.

Grants and Loans Made Over the Last Seven Years



Assistance to the rural sector was $7.4 million ($5.9 million) comprising:

	2002	2001
	$'000	$'000
Grants (i)	**7 115**	4 824
Loans	**291**	1 027
	7 406	5 851

(i) Includes:

— The FarmBis Programs $4.4 million ($2.9 million). The Programs, which are part of the Commonwealth Government's Agriculture - Advancing Australia package, are a $38.5 million initiative which includes grants and support costs for farmers to improve their business management skills.

— The Riverland Rural Partnership Program $962 000 ($635 000). The Program develops and implements a range of targeted support measures for the sustainable economic development of the region. Producers will have opportunities to improve management practices, improve productivity and resource efficiency, improve quality of products and enhance current export opportunities.

— Property Management Planning $630 000 ($117 000). The grants provide financial support for primary producers to participate in property management planning workshops.

Refer to Note 6 to the Financial Statements.

Loans Outstanding by the Rural Sector

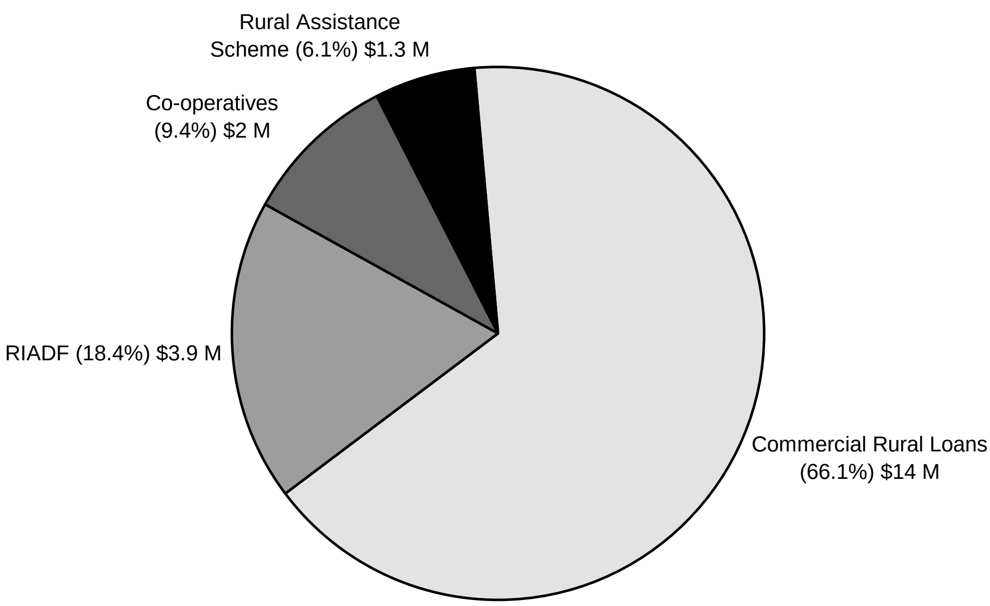
As at 30 June 2002 the rural sector had balances of loans outstanding totalling $21.2 million ($27.8 million).

These loans have been made under various schemes and conditions. For example, Commercial Rural Loans were made on a commercial basis which required equity of at least 60 percent in the security provided. On the other hand, loans made under the Rural Assistance Scheme (RAS) were generally at a concessional rate of interest with a lower level of security being required.

The reduction in the loan portfolio can be attributed to the decision to cease to provide loans under both schemes. The existing loans are being managed to completion. New loans continued to be provided under the loans to Co-operative Scheme and the Rural Industry Adjustment and Development Fund (RIADF) The following chart shows the composition of the outstanding loan portfolio as at 30 June 2002 divided into the schemes under which the loans were made.

Total advances for the year amounted to $291 000 ($1 million) and $6.9 million ($6.6 million) was repaid by the rural sector.

Analysis of Loans Outstanding as at 30 June 2002 by Scheme



Administered Funds

Included in the Program Schedule of Departmental Administered Expenses and Revenues for the 2001-02 financial year are the following:

Natural Heritage Trust

The Natural Heritage Trust of Australia Reserve was established by the *Natural Heritage Trust of Australia Act 1997* (Commonwealth). The Trust is a major capital initiative aimed at conserving and managing Australia's bio-diversity, land, water, vegetation and sea on an ecologically sustainable basis. Funds provided by the Commonwealth will be spent on the environment, sustainable agriculture and natural resources management.

The Commonwealth's objectives are to:

- provide a framework for strategic capital investment, to stimulate additional investment in the natural environment;
- achieve complementary environmental protection, including bio-diversity conservation, sustainable agriculture and natural resources management outcomes consistent with agreed national strategies;
- provide a framework for co-operative partnerships between communities, industry and all levels of government.

For the 2001-02 financial year Commonwealth Grants were $19.2 million ($23.1 million). Expenditure was $15.2 million ($22.5 million).

Financial data represents 10 months operations as the program became the responsibility of the Department of Water, Land and Biodiversity Conservation on 1 May 2002.

Natural Gas Authority of South Australia

On 1 September 1995, the Natural Gas Authority of South Australia (NGASA) became operative pursuant to the provisions of the *Pipelines Authority (Sale of Pipelines) Amendment Act 1995*.

The principal activities of NGASA are:

- the purchase, sale and delivery of gas;
- administration of gas supply contracts with respect to the South Australian Cooper Basin, South West Queensland Cooper Basin and Katnook;
- the administration of downstream gas sale contracts for Terra Gas trader Pty Ltd and Origin Energy;
- gas price reviews, gas nominations, reserves and adequacy, take-or-pay and Trade Practice Commission issues;
- gas billing, gas quality and measurement.

Under the terms of the contracts, NGASA is responsible for invoicing and collecting payments from Terra Gas trader Pty Ltd and Origin Energy for gas purchased and the subsequent forwarding of those monies to the gas producers.

The transactions pertaining to this activity are processed through a Special Deposit Account. During 2001-02 receipts from the major customers were $219.2 million ($220.9 million) and payments to gas producers totalled $219.2 million ($220.9 million).

Trust Funds

Extractive Areas Rehabilitation Fund

The Extractive Areas Rehabilitation Fund (the Fund) was established pursuant to section 63 of the *Mining Act 1971*.

The Fund is operated through a Deposit Account (refer to Notes 2(b) and 30 to the Financial Statements) and is credited with the proceeds of a levy on minerals extracted by mining companies. Funds are applied for the purposes of the rehabilitation of land disturbed by mining operations and also for measures designed to limit damage to the environment caused by such mining operations.

An analysis of operations on account of this Fund over the past five years is as follows:

Financial Year	Receipts	Payments	Funds held at 30 June
	$'000	$'000	$'000
1997-98	1 025	790	5 146
1998-99	887	885	5 148
1999-2000	1 104	1 441	4 811
2000-01	910	1 790	3 931
2001-02	**1 031**	**1 171**	**3 791**

Royalties

Royalties received in respect to mineral and petroleum production and gas licences decreased by $26.5 million to $82.6 million during 2001-02. The decrease is the result of:

- no royalties received from gas licences due to the phasing out of the gas sales levy. In 2000-01, $2.5 million was received;
- a reduction of $19 million in royalties from natural gas/liquids mainly as a result of lost production following an explosion and fire at Moomba in June 2001 and lower petroleum liquids prices;
- a reduction of $4.9 million in royalties from minerals mainly as a result of lost production following a fire at Olympic Dam in October 2001 and lower world prices.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 $'000	2001 $'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee costs	4	**80 816**	78 393
Supplies and services	5	**86 965**	89 293
Grants	6	**23 663**	21 406
Interest		**1 208**	1 564
Provision for doubtful debts	7	**379**	544
Depreciation and amortisation	8	**5 671**	5 694
Other	9	**2 934**	943
Total Expenses		**201 636**	197 837
REVENUES FROM ORDINARY ACTIVITIES:			
User charges, fees and rentals	10	**28 673**	24 173
Advances and grants	11	**32 706**	32 696
Interest	12	**4 673**	5 646
Sales of goods	13	**5 577**	4 905
Other	14	**13 462**	6 416
Total Revenues		**85 091**	73 836
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		**116 545**	124 001
REVENUES FROM GOVERNMENT:			
Pursuant to *Appropriation Act 2001*	2(d)	**115 564**	113 850
DECREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES BEFORE RESTRUCTURING		**981**	10 151
NET EXPENDITURE FROM RESTRUCTURING	36	**2 353**	-
DECREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES AFTER RESTRUCTURING	37	**3 334**	10 151
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER	37	**3 334**	10 151

Statement of Financial Position as at 30 June 2002

	Note	2002 $'000	2001 $'000
CURRENT ASSETS:			
Cash	2(h),33	**48 349**	63 701
Receivables	16	**22 052**	7 627
Loans	17	**2 425**	1 787
Inventories	18	**2 934**	3 659
Other	20	**30**	27
Total Current Assets		**75 790**	76 801
NON-CURRENT ASSETS:			
Loans	17	**16 602**	23 900
Inventories	18	**556**	257
Property, plant and equipment	19	**91 012**	95 149
Other	20	**53**	51
Total Non-Current Assets		**108 223**	119 357
Total Assets		**184 013**	196 158
CURRENT LIABILITIES:			
Creditors and accruals	21	**6 535**	7 904
Borrowings	22	**1 629**	693
Accrued interest on borrowings		**353**	465
Provision for employee entitlements	23	**4 553**	4 511
Other		**-**	517
Total Current Liabilities		**13 070**	14 090
NON-CURRENT LIABILITIES:			
Creditors and accruals	24	**3 236**	3 360
Borrowings	22	**14 521**	20 469
Provision for employee entitlements	23	**13 798**	15 120
Lease incentive	2(f)	**2 416**	2 813
Total Non-Current Liabilities		**33 971**	41 762
Total Liabilities		**47 041**	55 852
NET ASSETS		**136 972**	140 306
EQUITY:			
General reserve	25	**2 000**	2 000
Committed grants reserve	26	**12 297**	13 979
Asset revaluation reserve		**1 753**	1 753
Accumulated surplus		**120 922**	122 574
TOTAL EQUITY	37	**136 972**	140 306
Commitments	27		
Contingent Liabilities	35		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) $'000	2001 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees		**(173 434)**	(167 937)
Grants paid		**(23 663)**	(21 406)
Receipts from customers		**40 151**	36 580
Grants received		**32 706**	33 184
Interest on loans to the rural sector		**2 148**	2 844
Interest paid on loans		**(1 320)**	(1 641)
Interest on cash balances		**2 886**	3 010
GST payments on purchases		**(17 558)**	(10 508)
GST receipts on sales		**2 228**	2 029
GST receipts from taxation authority		**7 644**	6 019
CASH FLOWS FROM GOVERNMENT:			
Pursuant to *Appropriation Act 2001*	2(d)	**115 564**	113 850
Net Cash used in Operating Activities	33	**(12 648)**	(3 976)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(4 077)**	(3 491)
Proceeds from sale of property, plant and equipment		**239**	105
Payment of lease liability		**(397)**	(397)
Loans advanced to the rural sector		**(291)**	(1 027)
Loans repaid by the rural sector		**6 858**	6 619
Net Cash provided by Investing Activities		**2 332**	1 809
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings from Treasury		**93**	914
Principal repaid to Treasury/SAFA		**(5 129)**	(4 796)
Net Cash used in Financing Activities		**(5 036)**	(3 882)
NET DECREASE IN CASH HELD		**(15 352)**	(6 049)
CASH AT 1 JULY		**63 701**	69 750
CASH AT 30 JUNE	33	**48 349**	63 701

Output Schedule of Departmental Expenses and Revenues for the year ended 30 June 2002

	Information Services $'000	State Resource Regulation Services $'000	Coordination and Advice $'000	Facilitation Services $'000	2002 Total $'000	2001 Total $'000
EXPENSES FROM ORDINARY ACTIVITIES:						
Supplies and services	36 878	19 199	4 346	26 542	**86 965**	89 293
Employee costs	40 746	17 817	6 148	16 105	**80 816**	78 393
Grants	3 440	512	58	19 653	**23 663**	21 406
Depreciation and amortisation	2 878	1 259	450	1 084	**5 671**	5 694
Interest	-	-	-	1 208	**1 208**	1 564
Provision for doubtful debts	125	140	2	112	**379**	544
Other	7	1 310	201	1 416	**2 934**	943
Total Expenses	84 074	40 237	11 205	66 120	**201 636**	197 837
REVENUES FROM ORDINARY ACTIVITIES:						
User charges, fees and rentals	11 901	13 261	190	3 321	**28 673**	24 173
Advances and grants	16 536	4 994	396	10 780	**32 706**	32 696
Sales of goods	4 083	390	-	1 104	**5 577**	4 905
Interest	227	227	226	3 993	**4 673**	5 646
Other	7 221	1 218	392	4 631	**13 462**	6 416
Total Revenues	39 968	20 090	1 204	23 829	**85 091**	73 836
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	44 106	20 147	10 001	42 291	**116 545**	124 001
GOVERNMENT REVENUES:						
Pursuant to *Appropriation Act 2001*	42 669	19 687	9 771	43 437	**115 564**	113 850
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES	(1 437)	(460)	(230)	1 146	**(981)**	(10 151)

Program Schedule of Departmental Administered Expenses and Revenues
for the year ended 30 June 2002

	2002							
ADMINISTERED EXPENSES:	Sheep Industry Levy $'000	Grains Industry Levy $'000	Cattle Industry Fund $'000	Gulf St Vincent Prawn Fishery $'000	National Action Plan Water & Salinity $'000	Pig Industry Fund $'000	Fisheries Research & Dvlpmnt $'000	Riverland Wine Industry Fund $'000
Payment to Cooper Basin producers	-	-	-	-	-	-	-	-
Natural Heritage Trust	-	-	-	-	-	-	-	-
National Action Plan for Water	-	-	-	-	4 960	-	-	-
Interest payment	-	-	-	188	-	-	-	-
Fisheries licences	-	-	-	-	-	-	14 004	-
Compensation payments	-	-	68	-	-	-	-	-
Commonwealth levies	-	1 150	-	-	-	-	-	-
Commonwealth rebates	-	-	-	-	-	-	-	-
Salaries costed to administered funds	4	-	3	-	-	-	-	-
Supplies and services	107	-	-	-	-	2	-	-
Sitting fees	35	-	1	-	-	1	-	-
Grants	-	-	-	-	-	-	-	338
Subsidy	3	-	-	-	-	-	-	-
Other	1 443	-	8	-	-	-	-	33
Total Expenses	1 592	1 150	80	188	4 960	3	14 004	371
ADMINISTERED REVENUES:								
Natural gas revenue	-	-	-	-	-	-	-	-
Natural Heritage Trust	-	-	-	-	-	-	-	-
National Action Plan for Water	-	-	-	-	2 522	-	-	-
Fisheries licences	-	-	-	188	-	-	13 556	-
Advances and grants	-	-	-	-	-	-	-	-
Commonwealth levies	-	1 498	-	-	-	-	-	-
Commonwealth rebates	-	-	-	-	-	-	-	-
Stamp duties	1 461	-	141	-	-	156	-	-
Interest on cash balances	42	20	126	1	6	46	-	9
Appropriation	-	-	-	-	2 455	-	-	-
Other	2	-	20	1 195	-	4	-	428
Total Revenues	1 505	1 518	287	1 384	4 983	206	13 556	437
ADMINISTERED REVENUES LESS EXPENSES	(87)	368	207	1 196	23	203	(448)	66
NET EXPENDITURE FROM RESTRUCTURING	-	-	-	-	56	-	-	-
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES AFTER RESTRUCTURING	(87)	368	207	1 196	(33)	203	(448)	66

Program Schedule of Departmental Administered Expenses and Revenues for the year ended 30 June 2002 (continued)

	2002								
ADMINISTERED EXPENSES:	Apiary Industry Fund $'000	Natural Heritage Trust $'000	Renewable Remote Power Generation Program $'000	Photo-voltaic Rebate Program $'000	Natural Gas Authority $'000	Energy Mgmnt Task Force $'000	SA Water Corpor-ation $'000	Other $'000	**Total $'000**
Payment to Cooper Basin producers	-	-	-	-	219 246	-	-	-	**219 246**
Natural Heritage Trust	-	15 182	-	-	-	-	-	-	**15 182**
National Action Plan for Water	-	-	-	-	-	-	-	-	**4 960**
Interest payment	-	-	-	-	-	-	-	-	**188**
Fisheries licences	-	-	-	-	-	-	-	-	**14 004**
Compensation payments	-	-	-	-	-	-	-	-	**68**
Commonwealth levies	-	-	-	-	-	-	-	-	**1 150**
Commonwealth rebates	-	-	2 766	615	-	-	-	-	**3 381**
Salaries costed to administered funds	-	-	-	-	-	-	-	194	**201**
Supplies and services	6	22	-	-	-	1 339	-	65	**1 541**
Sitting fees	2	-	-	-	-	-	-	-	**39**
Grants	-	-	-	-	-	-	-	214	**552**
Subsidy	-	-	-	-	-	-	78 520	-	**78 523**
Other	-	-	-	-	-	-	-	-	**1 484**
Total Expenses	8	15 204	2 766	615	219 246	1 339	78 520	473	**340 519**
ADMINISTERED REVENUES:									
Natural gas revenue	-	-	-	-	219 251	-	-	-	**219 251**
Natural Heritage Trust	-	19 154	-	-	-	-	-	-	**19 154**
National Action Plan for Water	-	-	-	-	-	-	-	-	**2 522**
Fisheries licences	-	-	-	-	-	-	-	6	**13 750**
Advances and grants	101	-	-	-	-	-	-	216	**317**
Commonwealth levies	-	-	-	-	-	-	-	89	**1 587**
Commonwealth rebates	-	-	2 844	589	-	-	-	-	**3 433**
Stamp duties	-	-	-	-	-	-	-	-	**1 758**
Interest on cash balances	2	-	-	-	-	-	-	7	**259**
Appropriation	-	-	-	-	-	-	78 520	-	**80 975**
Other	27	-	-	-	-	1 243	-	356	**3 275**
Total Revenues	130	19 154	2 844	589	219 251	1 243	78 520	674	**346 281**
ADMINISTERED REVENUES LESS EXPENSES	122	3 950	78	(26)	5	(96)	-	201	**5 762**
NET EXPENDITURE FROM RESTRUCTURING	-	7 042	-	-	-	-	-	23 607	**30 705**
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES AFTER RESTRUCTURING	122	(3 092)	78	(26)	5	(96)	-	(23 406)	**(24 943)**

Program Schedule of Departmental Administered Expenses and Revenues for the year ended 30 June 2001

	Sheep Industry Levy $'000	Grains Industry Levy $'000	Cattle Industry Fund $'000	2001 Gulf St Vincent Prawn Fishery $'000	Soil Conser-vation $'000	Swine Compen-sation $'000	Fisheries Research & Dvlpmnt $'000
ADMINISTERED EXPENSES:							
Payment to Cooper Basin producers	-	-	-	-	-	-	-
Natural Heritage Trust	-	-	-	-	-	-	-
Interest payment	-	-	-	99	-	-	-
Fisheries licences	-	-	-	-	-	-	12 188
Compensation payments	-	-	66	-	-	-	-
Commonwealth levies	-	282	-	-	-	-	-
Salaries costed to administered funds	6	-	-	-	-	-	-
Supplies and services	852	-	350	-	-	4	2
Sitting fees	1	-	-	-	-	-	-
Grants	-	-	-	-	-	101	-
Subsidy	9	-	-	-	-	-	-
Other	350	-	-	-	-	-	17
Total Expenses	1 218	282	416	99	-	105	12 207
ADMINISTERED REVENUES:							
Natural gas revenue	-	-	-	-	-	-	-
Natural Heritage Trust	-	-	-	-	-	-	-
Fisheries licences	-	-	-	123	-	-	13 313
Advances and grants	-	-	-	-	-	-	-
Commonwealth levies	-	890	-	-	-	-	-
Stamp duties	1 319	-	223	-	-	86	-
Interest on cash balances	43	7	163	18	1	57	-
Appropriation	-	-	-	-	-	-	-
Other	-	-	25	168	-	-	3
Total Revenues	1 362	897	411	309	1	143	13 316
ADMINISTERED REVENUES LESS EXPENSES	144	615	(5)	210	1	38	1 109

	Egg Industry Dereg-ulation $'000	Natural Heritage Trust $'000	Natural Gas Authority $'000	Energy Mgmnt Task Force $'000	SA Water Corpor-ation $'000	Other $'000	2001 Total $'000
ADMINISTERED EXPENSES:							
Payment to Cooper Basin producers	-	-	220 928	-	-	-	220 928
Natural Heritage Trust	-	22 467	-	-	-	-	22 467
Interest payment	-	-	-	-	-	-	99
Fisheries licences	-	-	-	-	-	-	12 188
Compensation payments	-	-	-	-	-	-	66
Commonwealth levies	-	-	-	-	-	92	374
Salaries costed to administered funds	-	-	-	-	-	220	226
Supplies and services	1	3	-	229	-	462	1 903
Sitting fees	-	-	-	-	-	-	1
Grants	-	-	-	-	-	201	302
Subsidy	-	-	-	-	77 084	-	77 093
Other	-	-	-	101	-	1 356	1 824
Total Expenses	1	22 470	220 928	330	77 084	2 331	337 471
ADMINISTERED REVENUES:							
Natural gas revenue	-	-	220 928	-	-	-	220 928
Natural Heritage Trust	-	23 094	-	-	-	-	23 094
Fisheries licences	-	-	-	-	-	7	13 443
Advances and grants	-	-	-	-	-	40	40
Commonwealth levies	-	-	-	-	-	1 876	2 766
Stamp duties	-	-	-	-	-	-	1 628
Interest on cash balances	-	-	-	-	-	6	295
Appropriation	-	-	-	-	77 084	-	77 084
Other	-	1 075	-	-	-	430	1 701
Total Revenues	-	24 169	220 928	-	77 084	2 359	340 979
ADMINISTERED REVENUES LESS EXPENSES	(1)	1 699	-	(330)	-	28	3 508

Program Schedule of Departmental Administered Assets and Liabilities as at 30 June 2002

2002	Sheep Industry Levy $'000	Grains Industry Levy $'000	Cattle Industry Fund $'000	Gulf St Vincent Prawn Fishery $'000	Pig Industry Fund $'000	Fisheries Research & Dvlpmnt $'000	Riverland Wine Industry Fund $'000
ADMINISTERED ASSETS:							
Current Assets:							
Receivables	-	-	-	137	-	-	-
Cash	522	987	2 990	19	1 177	1 416	66
Total Assets	522	987	2 990	156	1 177	1 416	66
ADMINISTERED LIABILITIES:							
Current Liabilities:							
Creditors and accruals	2	-	-	-	-	-	-
Total	2	-	-	-	-	-	-
Non-Current Liabilities:							
Borrowings	-	-	-	137	-	-	-
Total Liabilities	2	-	-	137	-	-	-
NET ASSETS	520	987	2 990	19	1 177	1 416	66
EQUITY:							
Accumulated surplus	520	987	2 990	19	1 177	1 416	66

	Apiary Industry Fund $'000	Renewable Remote Power Generation Program $'000	Photo-voltaic Rebate Program $'000	Natural Gas Authority $'000	Energy Mgmt Task Force $'000	Other $'000	**2002 Total $'000**
ADMINISTERED ASSETS:							
Current Assets:							
Receivables	-	-	-	2	615	39	**793**
Cash	122	258	204	402	546	878	**9 587**
Total Assets	122	258	204	404	1 161	917	**10 380**
ADMINISTERED LIABILITIES:							
Current Liabilities:							
Creditors and accruals	-	-	-	-	121	8	**131**
Total	-	-	-		121	8	**131**
Non-Current Liabilities:							
Borrowings	-	-	-	-	-	-	**137**
Total Liabilities	-	-	-	-	121	8	**268**
NET ASSETS	122	258	204	404	1 040	909	**10 112**
EQUITY:							
Accumulated surplus	122	258	204	404	1 040	909	**10 112**

Program Schedule of Departmental Administered Assets and Liabilities as at 30 June 2001

	Sheep Industry Levy $'000	Grains Industry Levy $'000	Cattle Industry Fund $'000	2001 Gulf St Vincent Prawn Fishery $'000	Soil Conser-vation $'000	Swine Compen-sation $'000	Fisheries Research & Dvlpmnt $'000
ADMINISTERED ASSETS:							
Current Assets:							
Receivables	-	-	-	-	-	-	-
Cash	611	619	2 785	18	23	974	1 864
Total	611	619	2 785	18	23	974	1 864
Non-Current Assets:							
Property, plant and equipment	-	-	-	-	-	-	-
Total Assets	611	619	2 785	18	23	974	1 864
ADMINISTERED LIABILITIES:							
Current Liabilities:							
Creditors and accruals	4	-	2	-	-	-	-
Total	4	-	2	-	-	-	-
Non-Current Liabilities:							
Borrowings	-	-	-	1 195	-	-	-
Total Liabilities	4	-	2	1 195	-	-	-
NET ASSETS	607	619	2 783	(1 177)	23	974	1 864
EQUITY:							
Accumulated surplus (deficit)	607	619	2 783	(1 177)	23	974	1 864

	Egg Industry Dereg-ulation $'000	Natural Heritage Trust $'000	Natural Gas Authority $'000	Energy Mgmnt Task Force $'000	Pastoral Board $'000	Other $'000	2001 Total $'000
ADMINISTERED ASSETS:							
Current Assets:							
Receivables	-	-	-	133	-	145	278
Cash	465	3 092	399	1 114	-	683	12 647
Total	465	3 092	399	1 247	-	828	12 925
Non-Current Assets:							
Property, plant and equipment	-	-	-	-	23 591	-	23 591
Total Assets	465	3 092	399	1 247	23 591	828	36 516
ADMINISTERED LIABILITIES:							
Current Liabilities:							
Creditors and accruals	-	-	-	111	8	141	266
Total	-	-	-	111	8	141	266
Non-Current Liabilities:							
Borrowings	-	-	-	-	-	-	1 195
Total Liabilities	-	-	-	111	8	141	1 461
NET ASSETS	465	3 092	399	1 136	23 583	687	35 055
EQUITY:							
Accumulated surplus (deficit)	465	3 092	399	1 136	23 583	687	35 055

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Department Purpose and Funding

The Department of Primary Industries and Resources (PIRSA) is a key government agency focused on sustainable economic development.

PIRSA delivers specialist services and advice with the potential to increase the prosperity of South Australians, to improve their quality of life and to ensure the sustainable development of the State's resource base for future generations. PIRSA delivers these services through locations across South Australia.

PIRSA's business is to optimise the return on South Australia's natural assets by:

- fostering the sustainable development of new and existing industries across the food, fibre, minerals and energy sectors;
- facilitating global competitiveness and innovative solutions;
- building partnerships between industry, the community and government;
- providing information and knowledge to help people make the right decisions for themselves;
- regulating to preserve resources for future generations.

The principal sources of funds for PIRSA programs consists of monies appropriated by Parliament, research grants from Industry Research Corporations, licence receipts, Commonwealth grants and trading operations.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements represent the operations of the Department of Primary Industries and Resources for the year 1 July 2001 to 30 June 2002.

This financial report is a general purpose financial report.

The accounts have been prepared in accordance with applicable Australian Accounting Standards, Statements of Accounting Concepts, Urgent Issues Group Abstracts and Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The accounts have been prepared on the accrual basis of accounting. Except for certain assets which are at current cost valuation, the accounts have been prepared in accordance with the historical cost convention.

(b) The Reporting Entity

All funds through which the Department of Primary Industries and Resources (identified in these Notes as the 'Department') controls resources to carry on its functions have been included in these financial statements.

In the process of reporting on the Department as a single unit, all internal transactions have been eliminated in full.

Administered Resources

The Department administers, but does not control, certain resources on behalf of the South Australian Government, the Commonwealth Government, private sector organisations and other State Government Departments. The Department 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. The Department acts only on behalf of the aforementioned bodies. The accrual basis of accounting has been used in accounting for administered resources.

Transactions and balances relating to these administered resources are not recognised as departmental revenues, expenses, assets or liabilities but are disclosed in the applicable program schedules.

Trust Funds

The Department has received monies in a trustee capacity for trusts as set out in Note 30. As the Department performs only a custodial role in respect of these monies, and because the monies cannot be used for achievement of the Department's objectives, they are not brought to account in the financial statements, but are shown in Note 30.

Transfer of Sustainable Resources functions to the Department of Water, Land and Biodiversity Conservation

A number of functions previously performed by the Sustainable Resources Group in the Department were transferred to the Department of Water, Land and Biodiversity Conservation on 1 May 2002. These statements include the expenditure, revenue and cash flows of the functions that were transferred for the period 1 July 2001 to 30 April 2002. The amounts of assets and liabilities transferred on 1 May 2002 are set out in Note 36.

(c) User Charges, Fees and Rentals

User charges, fees and rentals controlled by the Department are recognised as revenues. User charges, fees and rentals are controlled by the Department where they can be deployed for achievement of departmental objectives.

User charges, fees and rentals collected by the Department but not controlled by it are not recognised as revenues, but are reported as administered revenues in the Program Schedule - Administered Expenses and Revenues.

(d) Appropriations, Grants and Other Contributions

All appropriations, grants and other contributions are recognised as revenues when the Department obtains control over the assets, this would normally be upon receipt.

Amounts appropriated to the Department for transfer to eligible beneficiaries in accordance with legislation or other authoritative requirements are not controlled by the Department and therefore not recognised as revenues, but are reported as administered revenues in the Program Schedule - Administered Expenses and Revenues. Similarly, the amounts transferred, are not recognised as expenses, but are reported as administered expenses in the Program Schedule - Administered Expenses and Revenues.

(e) Royalties

PIRSA receives royalties, levied on minerals and petroleum production, on behalf of the State Government. The royalties received are deposited into the Consolidated Account. As PIRSA has no control over these monies and is unable to use the monies to achieve its own objectives, royalties received are not recognised in the financial statements, but are disclosed in Note 15.

(f) Non-Current Assets

Items of property, plant and equipment are recorded in the Statement of Financial Position as detailed below unless otherwise indicated:

(i) Land and Buildings

In accordance with current Accounting Policy Statements issued by the Department of Treasury and Finance, the Department has applied the Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' transitional provisions for the public sector and has elected to apply the same revaluation basis for the financial year.

The Department has adopted the requirements of the Department of Treasury and Finance Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' and Accounting Policy Statement APS 6 'Land and Improvements'.

(i) *Land and Buildings (continued)*

The majority of land and buildings have been independently valued by Valcorp Pty Ltd as at 30 June 1999, on the basis of deprival value being written-down current cost or current market buying price. Some land is brought to account at valuations by the South Australian Valuer-General. Buildings include 'infrastructure' which represents roads, fencing, signage etc. Updated valuations are obtained every three years. The next valuation process is due to occur during 2002-03 and any variations to values will be reflected in the financial statements for the financial year ending 30 June 2003.

(ii) *Plant and Equipment*

Plant and equipment are brought to account at cost. Items of $2 000 and greater are capitalised and amounts less than $2 000 are expensed in the period incurred.

(iii) *Depreciation*

All buildings, plant and equipment having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential.

Depreciation is provided on a straight line basis which is reviewed annually. The major depreciation periods are:

	Years
Buildings	60 - 70
Plant and equipment	3 - 20
Infrastructure	2 - 32

(iv) *Leasehold Improvements*

Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

(v) *Lease Incentives Under Non-Cancellable Operating Leases*

On 1 August 1998, the Department, through the Department for Administrative and Information Services, entered into a 10 year non-cancellable operating lease over part of a property located at 101 Grenfell Street, Adelaide.

The fit-out costs for this leased property were met by the lessor. In accordance with Urgent Issues Group Abstract 3 'Lessee Accounting for Lease Incentives under a Non-Cancellable Operating Lease', this fit-out has been treated as a lease incentive giving rise to both an asset and a liability being the cost of the fit-out. The asset is amortised over the period of the lease and the liability is reduced through lease payments over the term of the lease.

(g) Employee Entitlements

(i) *Salaries and Wages and Annual Leave*

Liabilities for salaries and wages and annual leave 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. Expenses consequential to employment but which are not employee entitlements, for example payroll tax and superannuation on-costs, have been recognised as non-employee entitlement liabilities where the entitlement to which they relate has been recognised as a liability.

(ii) *Long Service Leave*

A liability for long service leave is recognised, and is measured as the current value of payments to be made in respect of employees with eight or more years service up to the reporting date. This base provides a reasonable approximate of the present value of the estimated future cash outflows to be made for these entitlements. Expenses consequential to employment but which are not employee entitlements, for example payroll tax and superannuation on-costs, have been recognised as non-employee entitlement liabilities where the entitlement to which they relate has been recognised as a liability.

(iii) *Superannuation*

The Department does not record a liability for the value of superannuation payments to be made to employees at preservation age, this liability is recorded by the SA Superannuation Board. The Department records a liability for any outstanding employer superannuation contributions payable to the SA Superannuation Board. The Department also recognises a non-employee entitlement liability for the superannuation on-cost on long service leave, annual leave and accrued salaries and wages.

During the year PIRSA paid $6.7 million to the Department of Treasury and Finance towards the accruing government liability for superannuation in respect of its employees.

(iv) *Workers Compensation*

The workers compensation liability is an actuarial estimate of the outstanding liability at 30 June provided by a consulting actuary engaged through the Government Occupational Health and Injury Management Branch of the Department of the Premier and Cabinet. This actuarial estimate provides for the estimated cost of ongoing payments to employees as required under current legislation.

(h) Cash

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

The Department's appropriation from the Department of Treasury and Finance included an accrual component of $2.2 million. As at 30 June 2002 this appropriation had not been expended. In accordance with a directive from the Department of Treasury and Finance this accrual appropriation has been classified as a deposit at call.

(i) ***Inventory***

Inventories are measured at the lower of cost and net realisable value on an item by item basis, as illustrated in Note 18. Where the net market value of an inventory item is less than cost, provision is made for the anticipated loss on realisation.

The Department controlled the following types of assets at the reporting date meeting the definition of self-generating and regenerating assets as defined by Australian Accounting Standard AAS 35 'Self-Generating and Regenerating Assets'. Livestock has been brought to account at net market value in the Statement of Financial Position. Crops, orchards and vineyards are grown primarily for research purposes but also have a commercial element. As these items are not considered to be material in terms of total asset value and are difficult to measure reliably, they have been excluded from the Statement of Financial Position.

(j) ***Provisions for Doubtful Debts***

The collectibility of trade debts is assessed at balance date and provision is made for any doubtful accounts.

In 1997-98 the Rural Finance and Development Steering Committee adopted the policy of calculating the general doubtful debt provision as 5 percent of the balance of the loan portfolio. In addition, review of individual loan balances is undertaken and specific provisions are created where appropriate.

(k) ***Goods and Services Tax (GST)***

The Department is required to comply with the requirements of the Goods and Services Tax (GST) legislation; *A New Tax System (Goods and Services Tax) Act 1999*.

Revenues, expenses and assets are recognised net of the amount of GST, except that receivables and payables are stated inclusive of GST and the amount of GST incurred that is not recoverable from the taxation authority is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

3. Outputs of the Department

(a) ***General***

Information about the Department's output classes is set out in the Output Class Summary.

(b) ***Output Class Summary***

Output Class 1 - Information Services

The focus for this class of service delivery is on services for generation, synthesis and dissemination of information and technology.

Output Class 2 - State Resource Regulation Services

The focus is on services that are required to regulate the use of and protect the State's natural and productive resources. These services are the responsibility of PIRSA through either legislative responsibilities or Cabinet policy.

Output Class 3 - Coordination and Advice

The focus is on coordination of whole-of-government initiatives or services as well as policy advice and development for and on behalf of the Minister.

Output Class 4 - Facilitation Services

This class of outputs includes facilitation services that establish strategic alliances and strategies in the areas of wealth, health, welfare, safety, sustainability or self-reliance of industries, enterprises or communities.

4. Employee Costs**

	2002	2001
	$'000	$'000
Salaries and wages	**69 081**	66 177
Superannuation	**7 081**	7 324
Payroll tax	**4 365**	4 945
Annual and long services leave expenses*	**289**	(53)
	80 816	78 393

* Annual leave and long service leave expenses only include changes in the provision assessed at balance date. In service and lump sum payments are classified as salary expenses.

** 2001-02 figures include costs of $1.3 million ($1.8 million) for adverse events and $202 000 ($204 000) for the Upper South-East Dryland Salinity and Flood Management Plan. Supply and service costs associated with these activities are disclosed in Note 5.

5. Supplies and Services

	2002	2001
	$'000	$'000
Professional services	**18 686**	19 621
Operational and administrative costs	**18 240**	14 074
Utility and property costs	**12 423**	9 446
Computing costs	**5 220**	5 770
Travel	**8 288**	8 176
Vehicle and equipment operating costs	**2 113**	2 060
Adverse events(1)	**6 535**	10 727
Upper South-East Dryland Salinity and Flood Management(2)	**4 030**	4 242
Telephone calls and rental	**2 282**	1 948
Loxton Irrigation Scheme(3)	**6 798**	11 189
Staff training and development	**1 790**	1 536
Other	**560**	504
	86 965	89 293

5. Supplies and Services (continued)

(1) Expenditure on ad-hoc emergencies that affect the agricultural and fisheries sectors (eg fruit fly and locusts). Employee costs associated with adverse events are disclosed in Note 4. The decrease in adverse events expenditure in 2001-02 is due primarily to a significant Locust Control Program which was undertaken in 2000-01.

(2) The drainage component of the Upper South East Dryland Salinity and Flood Management Plan will be constructed over six years. The project is funded on the basis of the State and Commonwealth each contributing 37.5 percent and the local community 25 percent of the cost. The estimated cost was $24 million but has now been revised to $41 million. Infrastructure works ownership will be transferred to the South-Eastern Water Conservation Drainage Board, upon completion of each stage. Employee costs associated with the Upper South East Dryland Salinity and Flood Management Plan are disclosed in Note 4. The responsibility for this project was transferred to the Department of Water, Land and Biodiversity Conservation on 1 May 2002, refer Note 2(b).

(3) Represents a continuing program of refurbishment of the irrigation distribution infrastructure and upgrading of the pumps for the existing district and including areas for new development outside the current boundaries of the Loxton Irrigation District. The total cost of the program was estimated to be $39.1 million with the State and Loxton growers' share estimated to be $24.6 million spread over the projected construction period of five years. The estimated cost of the program has been revised to $36.4 million with the State and Loxton growers' share estimated to be $22.2 million spread over the revised construction period of four years. The responsibility for this program was transferred to the Department of Water, Land and Biodiversity Conservation on 1 May 2002, refer Note 2(b).

6. Grants Paid

	2002	2001
Rural Finance and Development:	$'000	$'000
Eyre Peninsula Regional Strategy	-	590
FarmBis	4 412	2 887
Central North East Farm Assistance Program	435	61
Rural counsellors	259	274
Project funding	192	193
Property management planning	630	117
South East Confined Aquifer Rehabilitation Scheme	101	56
Branched Broomrape	66	11
Kangaroo Island Ovine Johne's Disease	58	-
Riverland Rural Partnership Program	962	635
	7 115	4 824
Other State and Local Government Agencies:		
Animal and Plant Control Commission	3 482	3 451
University of Adelaide	642	642
Roxby Downs Council	490	490
Dog Fence Board	374	367
State Aboriginal Affairs	200	-
Agriculture Fisheries Forestry Australia	-	293
Other	326	459
	5 514	5 702
Private Sector:		
Remote Areas Energy Scheme	3 912	4 971
Collaborative Programs	1 650	2 460
Mount Lofty Ranges Catchment Program	1 331	1 107
SA Food and Beverage Exporters Association	600	600
Anangu-Pitjantjatjara Council	-	100
Stone Industry Association	-	140
Soil Conservation Board	433	228
Solar Hot Water Rebates	636	-
Virginia Horticulture Centre	157	-
Other	2 315	1 274
	11 034	10 880
Total Grants Paid	**23 663**	21 406

7. Provision for Doubtful Debts

Movements in the provision for doubtful debts (refer Note 2(j)) during the period were:

Balance at 1 July	2 380	2 471
Less: Write-offs	-	635
	2 380	1 836
Add: Amount provided	379	544
Balance at 30 June	**2 759**	2 380

8. Depreciation and Amortisation Expenses

Depreciation:		
Plant and equipment	3 629	3 658
Building and improvements	1 629	1 623
	5 258	5 281
Amortisation:		
Leasehold improvements	397	397
Amdel loan	16	16
	413	413
Total Depreciation and Amortisation Expenses	**5 671**	5 694

9. Other Expenses

	2002 $'000	2001 $'000
Capital loss on early repayment of debt to the Department of Treasury and Finance	**-**	21
Guarantee fees	**24**	37
Contributions to external bodies*	**2 594**	504
Other	**316**	381
	2 934	943

* Contributions to external bodies includes $1.4 million ($Nil) for adverse events.

10. User Charges, Fees and Rentals

	2002	2001
Fishing licences*	**8 828**	8 484
Mining and petroleum application fees	**472**	354
Pastoral rents	**612**	-
Gas and electricity licence fees	**2 637**	2 220
Remote Areas Energy Scheme electricity sales	**1 022**	664
Mining and petroleum rentals	**3 781**	4 261
Consultancy and service	**9 329**	6 104
Other licences	**323**	384
Seed analysis and certification	**864**	877
Inspection and registration	**467**	486
Other	**338**	339
	28 673	24 173

* Represents allocation of licence fees from the Fisheries Research and Development Fund.

11. Advances and Grants

The Department received contributions from various funding sources as detailed below, expressly for the purpose of undertaking specific projects. As at 30 June 2002 $7.4 million of those contributions, which have been recognised as revenue in the Statement of Financial Performance are yet to be spent in the manner specified by the contributors.

	2002			2001		
Commonwealth Grants	**Grants Received $'000**	**Expenditure $'000**	**Unexpended Grants $'000**	Grants Received $'000	Expenditure $'000	Unexpended Grants $'000
Eyre Peninsula Regional Strategy	**22**	**20**	**2**	856	856	-
Riverland Rural Partnership Program	**609**	**609**	**-**	385	385	-
FarmBis	**2 981**	**2 981**	**-**	2 462	2 462	-
Central North East Farm Assistance Program	**1 120**	**646**	**474**	83	83	-
Loxton Irrigation Scheme*	**-**	**-**	**-**	5 200	5 200	-
Natural Heritage Trust*	**4 226**	**3 083**	**1 143**	6 027	4 768	1 259
National Action Plan for Salinity and Water Quality*	**1 698**	**13**	**1 685**	-	-	-
Branched Broomrape	**961**	**961**	**-**	634	634	-
Murray Darling Basin Commission	**-**	**-**	**-**	133	133	-
Other	**369**	**369**	**-**	170	170	-
Total Commonwealth Grants	**11 986**	**8 682**	**3 304**	15 950	14 691	1 259
State Grants						
National Action Plan for Salinity and Water Quality	**1 798**	**113**	**1 685**	-	-	-
National Gas Pipelines Advisory Committee	**305**	**305**	**-**	436	388	48
Animal and Plant Control Commission Regions	**320**	**7**	**313**	318	318	-
Farmed Seafood Initiative	**-**	**-**	**-**	50	2	48
Food Plan	**-**	**-**	**-**	431	431	-
Ovine Johne's Disease	**1 184**	**1 184**	**-**	934	934	-
Government Radio Network	**635**	**546**	**89**	-	-	-
Department of Industry and Trade	**350**	**350**	**-**	-	-	-
Department of Water, Land and Biodiversity Conservation	**274**	**-**	**274**	-	-	-
Branched Broomrape	**770**	**770**	**-**	545	545	-
Other	**1 023**	**1 023**	**-**	831	831	-
Total State Grants	**6 659**	**4 298**	**2 361**	3 545	3 449	96
Industry Grants						
Fisheries RDC	**564**	**564**	**-**	1 189	1 189	-
Grains RDC	**4 951**	**4951**	**-**	6 073	6 046	27
Horticulture RDC	**2 242**	**1 568**	**674**	1 234	1 234	-
Pig RDC	**299**	**299**	**-**	448	357	91
Rural Industries RDC	**377**	**312**	**65**	463	438	25
Meat RDC	**65**	**65**	**-**	25	25	-
Dried Fruits RDC	**-**	**-**	**-**	112	86	26
Dairy RDC	**185**	**185**	**-**	221	196	25
International Wool Secretariat	**353**	**232**	**121**	195	195	-
SA Grains Industry Trust Fund	**578**	**526**	**52**	540	412	128
Co-operative RDC	**44**	**44**	**-**	104	104	-
Grape and Wine RDC	**586**	**351**	**235**	302	302	-
CRC for Aquaculture	**54**	**1**	**53**	276	168	108
CRC for Beef	**29**	**29**	**-**	38	38	-
CRC for Viticulture	**248**	**239**	**9**	249	212	37
CRC for Value Added Wheat	**150**	**112**	**38**	-	-	-
Aquafin CRC	**1 146**	**682**	**464**	-	-	-
Other	**2 190**	**2 190**	**-**	1 732	1 732	-
Total Industry Grants	**14 061**	**12 350**	**1 711**	13 201	12 734	467
Total Grants Received	**32 706**	**25 330**	**7 376**	32 696	30 874	1 822

* Responsibility for these grants was transferred to the Department of Water, Land and Biodiversity Conservation on 1 May 2002, as a result the above figures represent the financial transactions for the 10 months to 30 April 2002.

12. Interest Revenue

	2002 $'000	2001 $'000
Loans to the rural sector	**1 939**	2 608
Deposits lodged with Treasury	**2 734**	3 038
	4 673	5 646

13. Sales of Goods

	2002	2001
Plants	**858**	1 367
Livestock	**1 012**	946
Publications, books, maps and compact discs	**628**	478
Milk	**867**	614
Fruit and vegetables	**175**	206
Cereals	**753**	521
Wool and skins	**325**	245
Other	**959**	528
	5 577	4 905

14. Other Revenue

	2002	2001
South-Eastern Water Conservation Drainage Board levies	**992**	990
Loxton Irrigation external contributions	**2 060**	-
Seed royalties	**477**	448
Government Employment Scheme recoups	**174**	194
Contribution from the Department for Water Resources	**1 417**	750
Hire of equipment	**70**	57
Reimbursements of salaries and project costs	**3 371**	2 349
Net receivable owing from Department of Water, Land and Biodiversity Conservation	**2 932**	-
Other	**1 969**	1 628
	13 462	6 416

15. Royalties

The following royalties were received and deposited into the Consolidated Account (refer Note 2(e)):

	2002	2001
Licences:		
Gas licences	**-**	2 527
	-	2 527
Based on production:		
Natural gas/liquids	**49 025**	68 037
Minerals	**32 272**	37 199
Coal	**1 326**	1 327
	82 623	106 563
Total Royalties	**82 623**	109 090

16. Current Assets – Receivables

	2002	2001
Trade accounts receivable	**21 807**	6 854
Less: Provision for doubtful debts	**558**	256
	21 249	6 598
Accrued interest on loans and deposits	**803**	1 029
	22 052	7 627

17. Loans

	2002 $'000	2002 $'000	2001 $'000	2001 $'000
(i) Rural Sector - Rural Finance and Development:				
Balance at 1 July		**27 763**		33 994
Advances during the year	**291**		1 027	
Interest capitalised	**2 148**		2 844	
		2 439		3 871
		30 202		37 865
Less: Principal repayments	**9 006**		9 463	
Principal written off	**-**		635	
Loans converted to grants	**-**		4	
		9 006		10 102
Balance at 30 June		**21 196**		27 763
Other Loans:				
Balance 1 July		**48**		64
Less: Amortisation of loan		**16**		16
Balance at 30 June		**32**		48
Total Loan Balance at 30 June		**21 228**		27 811
(ii) Balance of Loans Outstanding comprises:				
Principal not yet due for repayment		**21 228**		27 811
Principal due but not yet paid		**-**		-
Total Principal Outstanding		**21 228**		27 811
(iii) Balance of Loans Classification:				
Current assets		**2 425**		1 787
Non-current assets		**18 803**		26 024
Less: Provision for doubtful debts		**2 201**		2 124
		16 602		23 900
		19 027		25 687

18. Inventories:

	2002	2001
Current:	**$'000**	$'000
Livestock (Net realisable value)	**2 215**	1 961
Plants and related items (At cost)	**-**	642
Publications and other finished goods (At cost)	**363**	282
Other (At cost)	**356**	774
	2 934	3 659
Non-Current:		
Publications and maps (Net realisable value)	**556**	257

19. Property, Plant and Equipment

	2002	2001
Land:		
Land at independent valuation (30 June 1999)	**9 465**	9 682
Land at valuation (30 June 2000)	**60**	60
Land at valuation (30 June 2001)	**150**	-
Land at cost	**-**	474
	9 675	10 216
Buildings and Improvements:		
Buildings at independent valuation (30 June 1999)	**91 683**	92 996
Buildings at valuation (30 June 2000)	**461**	461
Buildings at cost	**1 507**	1 731
Leasehold improvements	**3 971**	3 971
	97 622	99 159
Less: Accumulated depreciation and amortisation	**32 147**	30 744
	65 475	68 415
Plant and Equipment:		
Plant and equipment at cost	**45 400**	47 740
Plant and equipment at valuation (30 June 2000)	**668**	668
	46 068	48 408
Less: Accumulated depreciation	**30 206**	31 890
	15 862	16 518
Total Property, Plant and Equipment	**91 012**	95 149

2002	Land	Buildings	Leasehold Improvements	Plant and Equipment	**Total**
Gross Carrying Amount:	$'000	$'000	$'000	$'000	**$'000**
Balance at 30 June 2001	10 216	95 188	3 971	48 408	**157 783**
Additions	150	142	-	3 935	**4 227**
Disposals/transfers	(691)	(1 679)	-	(6 275)	**(8 645)**
Balance at 30 June 2002	9 675	93 651	3 971	46 068	**153 365**
Accumulated Depreciation and Amortisation:					
Balance at 30 June 2001	-	29 586	1 158	31 890	**62 634**
Disposals	-	(623)	-	(5 313)	**(5 936)**
Depreciation/amortisation expense	-	1 629	397	3 629	**5 655**
Balance at 30 June 2002	-	30 592	1 555	30 206	**62 353**
Net Book Value:					
As at 30 June 2001	10 216	65 602	2 813	16 518	**95 149**
As at 30 June 2002	**9 675**	**63 059**	**2 416**	**15 862**	**91 012**

2001	Land	Buildings	Leasehold Improvements	Plant and Equipment	Total
Gross Carrying Amount:	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2000	10 216	94 983	3 971	45 644	154 814
Additions	-	205	-	3 818	4 023
Disposals	-	-	-	(1 054)	(1 054)
Balance at 30 June 2001	10 216	95 188	3 971	48 408	157 783
Accumulated Depreciation and Amortisation:					
Balance at 30 June 2000	-	27 963	761	29 207	57 931
Disposals/transfers	-	-	-	(975)	(975)
Depreciation/amortisation expense	-	1 623	397	3 658	5 678
Balance at 30 June 2001	-	29 586	1 158	31 890	62 634
Net Book Value:					
As at 30 June 2000	10 216	67 020	3 210	16 437	96 883
As at 30 June 2001	10 216	65 602	2 813	16 518	95 149

20. Other Assets

	2002	2001
Current:	**$'000**	$'000
Amdel loan	**16**	16
Workers compensation recoveries	**14**	11
	30	27
Non-Current:		
Workers compensation recoveries	**53**	51

21. Current Liabilities – Creditors and Accruals

	2002 $'000	2001 $'000
Employee related	**1 441**	1 065
Creditors and accruals	**4 514**	6 327
Workers compensation	**530**	489
Commonwealth excise funding	**50**	23
	6 535	7 904

22. Borrowings

		2002	2001
(i)	Indebtedness to Department of Treasury and Finance	**2 139**	2 380
	Indebtedness to SA Government Financing Authority	**13 931**	18 690
	Indebtedness to Department of Industry and Trade	**80**	92
		16 150	21 162
(ii)	Balance of Borrowings Outstanding Classifications:		
	Current	**1 629**	693
	Non-current	**14 521**	20 469
		16 150	21 162

23. Provision for Employee Entitlements

	2002	2001
Current:		
Annual leave	**3 985**	3 966
Long service leave	**568**	545
	4 553	4 511
Non-Current:		
Long service leave	**13 798**	15 120
	13 798	15 120

24. Non-Current Liabilities - Creditors and Accruals

	2002	2001
Employee related	**1 552**	1 739
Workers compensation	**1 684**	1 621
	3 236	3 360

25. General Reserve

The General Reserve for PIRSA Rural Finance and Development was previously established to cover unforeseen losses which may arise from the loan portfolio. The need to maintain this General Reserve will be reviewed in 2002-03.

26. Committed Grants Reserve

The Committed Grants Reserve for PIRSA Rural Finance and Development was established to provide for grant commitments which as at 30 June 2002 were committed but not advanced.

27. Commitments for Expenditure

Operating Leases

Commitments under non-cancellable operating leases at the reporting date are payable as follows:

	2002 $'000	2001 $'000
Not later than one year	**3 766**	3 850
Later than one year and not later than five years	**13 152**	12 778
Later than five years	**2 466**	5 227
	19 384	21 855
Other		
Not later than one year	**-**	13 347
Later than one year and not later than five years	**-**	8 334
	-	21 681
Total Commitments for Expenditure	**19 384**	43 536

These operating commitments are not recognised in the financial report as liabilities.

Operating leases relate to property, which are non-cancellable leases, with rental payable monthly in advance. Contingent rental provisions within the lease agreements allow for the review of lease payments every two years. Any changes in lease payments would be based on market rates. Options exist to renew the leases at the end of their terms.

Other in 2000-01 consisted of commitments for the Loxton Irrigation District Rehabilitation project and the Upper South East Dryland Salinity and Flood Management Plan, these items were transferred to the Department of Water, Land and Biodiversity Conservation as of 1 May 2002.

28. Targeted Voluntary Separation Packages (TVSPs)

In accordance with Government policy to reduce the public sector workforce, 56 employees of the Department were paid TVSPs during the period.

These payments were met by the Department and have been recovered from the Department of the Premier and Cabinet.

As at 30 June 2002 payments amounted to $3.8 million and $3.8 million has been recovered. In addition to this $1.3 million was paid in accrued annual leave and long service leave entitlements to those employees who received a TVSP.

29. Consultants Costs

During the reporting period the Department incurred expenses of $1.1 million ($2.5 million) on consultants. The cost of consultants does not include GST.

30. Trust Funds

The Trust Funds of the Department are:

Pleuro Pneumonia Fund

This Fund consists of monies belonging to all State Governments and the Federal Government. The Fund is controlled by the Standing Committee of Agriculture and all expenditure is subject to the approval of the Chairman. Funds are to be used principally for publication of the history of the Pleuro Pneumonia Eradication Campaign and are held in a Section 21 Deposit Account.

Extractive Areas Rehabilitation Fund

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

Fisheries Research and Development Corporation Pro-active Grant Fund

This Fund consists of monies belonging to the Fisheries Research and Development Corporation (FRDC) which were distributed to the South Australian Government in 1992. The Fund is controlled by the FRDC with all project expenditure subject to written approval. The monies, which are held in an interest bearing Section 21 Deposit Account, are used to promote collaboration between the fishing industry, fisheries managers, researchers and other stakeholders through the South Australian Fisheries Research Advisory Body. There were no transactions during the year.

Aggregate details of the transactions and balances relating to these Trust Funds for the year ended 30 June are as follows:

	Pleuro Pneumonia	Extractive Areas Rehabilitation Fund	Total **2002**	Total 2001
Operations:	$'000	$'000	**$'000**	$'000
Receipts	4	1 031	**1 035**	914
Less: Expenditure	10	1 171	**1 181**	1 790
Excess of receipts (expenditure)	(6)	(140)	**(146)**	(876)
Funds:				
Balance of funds 1 July	77	3 931	**4 008**	4 884
Add: Surplus (Deficit) for year	(6)	(140)	**(146)**	(876)
Fund balance at 30 June	71	3 791	**3 862**	4 008
Less: Commitments	-	1 955	**1 955**	2 100
Balance of Funds Available	71	1 836	**1 907**	1 908

As the Department performs only a custodial role in respect of these monies and because the monies cannot be used for the achievement of the Department's objectives, they are not brought to account in the financial statements, but are shown here for information purposes.

31. Employee Remuneration Packages

The number of employees whose total remuneration package was $100 000 or more in relation to the reporting period was as follows:

	2002 Number of Employees	2001 Number of Employees
$100 000 - $109 999	**5**	6
$110 000 - $119 999	**4**	5
$120 000 - $129 999	**4**	2
$130 000 - $139 999	**3**	4
$140 000 - $149 999	**-**	1
$150 000 - $159 999	**1**	1
$160 000 - $169 999	**2**	3
$170 000 - $179 999	**2**	-
$180 000 - $189 999	**1**	1
$220 000 - $229 999	**1**	-
$230 000 - $239 999	**-**	1
Total	**23**	24

Note: These figures do not take into consideration payments of separation packages or payments for accrued annual leave and long service leave on departure from PIRSA. Employees transferred to Department of Water, Land and Biodiversity Conservation are also not included.

Total remuneration received by the above employees was $3.3 million ($3.2 million).

Total remuneration in excess of $100 000 for ten months for employees transferred to Department of Water, Land and Biodiversity Conservation was $245 000 (two employees).

32. Audit Fees

These accounts include $219 000 ($212 000) paid or payable to the Auditor-General's Department during the period.

33. *(a)* *Cash*

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2002 $'000	2001 $'000
Cash	**46 191**	60 165
Deposits at call	**2 158**	3 536
	48 349	63 701

(b) Reconciliation of Net Cost of Services from Ordinary Activities to Net Cash used in Operating Activities

	2002 $'000	2001 $'000
Net cost of services from ordinary activities	**(116 545)**	(124 001)
Cash flows from Government	**115 564**	113 850
Depreciation and amortisation	**5 671**	5 694
Increase in provision for doubtful debts	**379**	544
(Decrease) in provision for employee entitlements	**(1 280)**	(55)
Loss (Gain) on sale of property, plant and equipment	**75**	(28)
(Increase) in receivables	**(14 983)**	(2 165)
(Increase) in workers compensation recoveries	**(5)**	(4)
Decrease (Increase) in inventories	**426**	(998)
Loans converted to grants	**-**	4
Decrease in accrued interest receivable	**256**	343
Restructuring of administrative arrangements	**(108)**	-
SAFA Capital loss	**24**	21
(Decrease) in accrued interest payable on loans	**(112)**	(77)
(Decrease) Increase in unearned revenue	**(517)**	517
(Decrease) Increase in creditors and accruals	**(1 493)**	2 379
Net Cash used in Operating Activities	**(12 648)**	(3 976)

34. Additional Financial Instruments Disclosure

(a) Interest Rate Risk

PIRSA's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on those financial assets and financial liabilities, is as follows:

2002

	Floating Interest Rate $'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-Interest Bearing $'000	**2002 Total $'000**
Financial Assets:						
Cash	48 256	-	-	-	93	**48 349**
Receivables	144	659	-	-	21 249	**22 052**
Loans to Rural Sector	-	10 605	7 132	1 258	-	**18 995**
Loans other	-	-	-	-	32	**32**
Total	48 400	11 264	7 132	1 258	21 374	**89 428**
Weighted Average Interest Rate (percent)	4.4	7.56	8.25	8.39		
Financial Liabilities:						
Borrowings RF&D	-	11 012	5 045	-	-	**16 057**
Borrowings other	-	-	-	-	93	**93**
Payables	-	-	-	-	9 771	**9 771**
Total	-	11 012	5 045	-	9 864	**25 921**
Weighted Average Interest Rate (percent)		5.73	6.18			

2001

	Floating Interest Rate $'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-Interest Bearing $'000	2001 Total $'000
Financial Assets	63 862	13 329	10 766	2 412	6 646	97 015
Weighted Average Interest Rate (percent)	5.77	8.31	8.45	5.25		
Financial Liabilities	-	13 180	8 262	92	11 357	32 891
Weighted Average Interest Rate (percent)		6.48	6.35	6.5		

(b) Net Fair Value

The carrying amounts of financial assets and liabilities at the reporting date all approximate their net fair values.

(c) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

35. Contingent Liabilities

The nature of activities that PIRSA is involved in can create potential exposure to environmental, fisheries and petroleum matters, which PIRSA may be required to remedy in the future. PIRSA has some outstanding litigation in a number of these areas, specifically resulting from interpretation of fishing licences, past mining practices, petroleum exploration and animal health matters. These matters include:

(a) Minerals and Energy Resources

Certain matters associated with contaminants such as contaminated land and hazardous materials have been identified and are managed in accordance with recognised standards. This includes the environmental liabilities of past mining practices where there is no longer an active licence. For new activities, it is a lease condition that rehabilitation be undertaken by the leaseholder before a lease is surrendered. PIRSA's responsibility is to ensure that a lease is not surrendered before appropriate rehabilitation has occurred, thus minimising the likelihood of future environmental risks to Government. Work is progressing to determine any liabilities that may be associated with this role. At this time, the financial impact cannot be reliably estimated.

Since mining ceased at Brukunga in 1972, the residual sulphides in the quarry, two waste rock dumps and tailings storage have been actively oxidising and generating acid water via natural process. Ownership of the Brukunga property was formally transferred to PIRSA during 1999-2000. It has been brought to PIRSA's attention that landowners downstream of the Brukunga mine site are considering a class action against the Minister in respect to loss experienced due to contamination of Dawesley Creek. Settlement in regard to an individual action has recently been reached and is currently being finalised by SAICORP. PIRSA's liability in regard to this action will be limited to its insurance excess of $50 000.

(b) Petroleum

As at 30 June 2002 litigation had commenced in the United States of America as a result of a collapsed rig off the South Australian coast. There has been an attempt to have the matter transferred to Australia, in which case if the application to transfer is successful there is a possibility that PIRSA may be enjoined in the action. At this time, the financial impact cannot be reliably estimated.

(c) Fisheries

As at 30 June 2002, PIRSA was involved in unresolved litigation for claims of unspecified damages for the management of the Gulf of St. Vincent Prawn Fishery. At this time, there exists significant uncertainty as to if any future costs may be incurred. In addition, judgement is pending on a Full Court Appeal in relation to damages claimed for financial loss in the operation and ownership of fishing licences. The potential liability cannot be reliably assessed at this time.

(d) SARDI

As at 30 June 2002, the Minister for Administrative Services on behalf of the Minister for Agriculture, Food and Fisheries was involved in unresolved litigation over the construction of a sea water pipeline at West Beach. The matter was referred to an independent arbitrator who found in an interim final award that the contractor was entitled to delays and direct costs. The Minister has filed a counter claim. At this time, the arbitrator is yet to award costs and therefore the financial impact cannot be reliably estimated.

36. Restructuring of Administrative Arrangements

The following assets and liabilities were transferred to the Department of Water, Land and Biodiversity Conservation on 1 May 2002 and to Bio Innovation SA on 1 July 2001. Generation Lessor Corporation transferred land to PIRSA on 16 August 2001 for no consideration. Plant and equipment and property assets are stated at net book value.

	Transferred from PIRSA 1.7.01 $'000	Transferred from PIRSA 1.5.02 $'000	Transferred to PIRSA 16.8.01 $'000
Assets:			
Cash	1 268	-	-
Inventory	-	598	-
Plant and equipment	8	644	-
Property	-	1 743	150
Total	1 276	2 985	150
Liabilities:			
Payables	6	183	-
Employee entitlements	46	1 523	-
Total	52	1 706	-

In addition to the above controlled items, the following administered items were transferred to the Department of Water, Land and Biodiversity Conservation on 1 May 2002: Natural Heritage Trust, National Action Plan for Water Quality and Salinity, Soil Conservation Fund and Pastoral Board. The Program Schedule of Departmental Administered Expenses and Revenues includes the expenditure and revenue of these funds from 1 July 2001 to 30 April 2002.

	Natural Heritage Trust $'000	National Action Plan for Water Quality & Salinity $'000	Soil Conser-vation Fund $'000	Pastoral Board $'000
Assets:				
Cash	7 042	56	24	-
Property	-	-	-	23 583
	7 042	56	24	23 583

37. Equity

Equity represents the residual interest in PIRSA's net assets. The South Australia Government holds the equity interest in PIRSA on behalf of the community.

	2002				
	Accumulated Surplus $'000	Committed Grants Reserve $'000	General Reserve $'000	Asset Revaluation Reserve $'000	**Total $'000**
Balance at 1 July	122 574	13 979	2 000	1 753	**140 306**
Change in net assets resulting from operations	(981)	-	-	-	**(981)**
Change in net assets resulting from restructuring	(2 353)	-	-	-	**(2 353)**
Transfers to (from) reserves	1 682	(1 682)	-	-	**-**
Balance at 30 June	120 922	12 297	2 000	1 753	**136 972**

MINISTER FOR TRANSPORT; MINISTER FOR URBAN DEVELOPMENT AND PLANNING; MINISTER FOR LOCAL GOVERNMENT; MINISTER FOR THE SOUTHERN SUBURBS; MINISTER FOR THE STATUS OF WOMEN

PORTFOLIO – TRANSPORT AND URBAN PLANNING

INTRODUCTION

This section of this Part of the Report contains the financial statements of, and comments concerning, the operations of those agencies under the direction and control of the Ministers, namely:

- Minister for Transport
- Minister for Urban Development and Planning
- Minister for Local Government
- Minister for the Southern Suburbs
- Minister for the Status of Women

The agencies included herein relating to the portfolio of Transport, Urban Planning are:

- Local Government Finance Authority of South Australia
- Passenger Transport Board
- TransAdelaide
- Transport, Urban Planning and the Arts — Department for

LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Authority, a body corporate, was established under the *Local Government Finance Authority Act 1983* (the Act). It is managed and administered by a Board of Trustees. In accordance with the Act the Board consists of seven members and up to two co-opted additional members.

The functions of the Authority, as specified in subsection 21(1) of the Act, are to develop and implement borrowing and investment programs for the benefit of Councils and prescribed local government bodies; and to engage in such other financial activities as are determined by the Minister, after consultation with the Local Government Association, to be in the interest of local government.

In addition, subsection 21(2a) of the Act provides that the Authority must not make a loan, other than one to a Council or prescribed local government body; make an investment; or enter into a partnership or joint venture or form a company, except with the approval of the Treasurer.

Guarantee by the Treasurer

Liabilities incurred or assumed by the Authority in pursuance of the Act are guaranteed by the Treasurer pursuant to subsection 24(1) of the Act. As a result of this guarantee the Authority pays an annual guarantee fee to the Treasurer.

Net Profit

The net profit (in total or in part) of the Authority may be distributed amongst the Councils and local government bodies with which the Authority has entered into financial arrangements. Distributions are described as bonus payments in the Accounts.

SIGNIFICANT FEATURES

- Activities for the year resulted in a profit from ordinary activities before income tax expense of $2.6 million ($4 million).
- Reserves increased by $0.7 million to $45.7 million.
- Total assets increased by $32.8 million and total liabilities increased by $32.1 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 33(2) of the *Local Government Finance Authority Act 1983* specifically provides for the Auditor-General to audit the accounts of the Authority in respect of each financial year.

Scope of Audit

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

During 2001-02 specific areas of audit attention included:

- interest income, other income and expenses
- council loans, advances, and deposits
- investments, derivatives and investment income
- administrative expenses including payroll
- borrowings, derivatives and interest expense
- budgetary control and management reporting
- computer information systems environment.

Audit Communications to Management

During the year a letter communicating issues arising from the audit was forwarded to the Chief Executive Officer of the Authority and a written response was received. Further details relating to these issues are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The review of the internal control structure of the Authority concluded that an adequate system of internal control, including segregation of duties, delegations of authority and an independent checking activity, was in place and operating effectively.

Commentary on Computer Information Systems (CIS) Environment

The Authority operates the computerised Quantum Treasury Management System which accounts for the majority of the Authority's financial transactions. A review of Quantum was undertaken as part of the audit coverage in 2001-02. The review covered controls over information resource strategy and planning, information systems operations, information security, business continuity planning, applications systems implementation and maintenance, database implementation and maintenance, network, systems software and hardware support.

Controls were assessed and tested and it was concluded that they were adequate, in place and operating effectively.

LGCS — E-Commerce Venture

In addition to the scope of audit previously mentioned, a review was conducted of the investment and loan provided by the Authority to the Ecouncils e-commerce venture, which commenced operations during 2000-01. It was noted that Board approval was given for the Authority to participate in this venture. Approval was also obtained from the Minister for Local Government and the Treasurer, as involvement in the e-commerce proposal constituted an investment of a nature which required approval under the *Local Government Finance Authority Act 1983*.

In monetary terms, the Authority has $50 000 invested in the LGCS Unit Trust (LGCS), the organisation trading as Ecouncils, and a convertible cash advance debenture facility for $700 000 has been approved for LGCS of which $683 000 has been drawn. This results in a total exposure to the LGFA of $733 000. As LGCS has no assets as such, this cash advance debenture is effectively unsecured (unlike council loans which are secured over general revenue of the council). As there is no effective security for the loan, this would indicate a risk as to the recovery of the loan which is dependent upon the success of the venture.

Given the degree of risk inherent in this venture, it was recommended that the Board of the Authority closely monitors the financial position of LGCS in order to assess its ability to make interest payments and to repay its debt when it becomes due. As reporting to the Board of the Authority was only a narrative presentation, it was also recommended that the Board obtain at least quarterly financial statements of the LGCS. This would enable the Board to assess and monitor the valuation and recovery of the investment and loan made to LGCS. It was further recommended that should recovery be doubtful, then consideration be given to either writing down the loan, or establishing a provision for doubtful debts.

In response to the matter raised, the Chief Executive Officer advised that the Board of the Authority had requested to be provided with quarterly financial statements of LGCS so that the Board could monitor progress.

Audit will continue to monitor developments as to the security of the investment and recovery of the loan made.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Local Government Finance Authority included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the Local Government Finance Authority in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

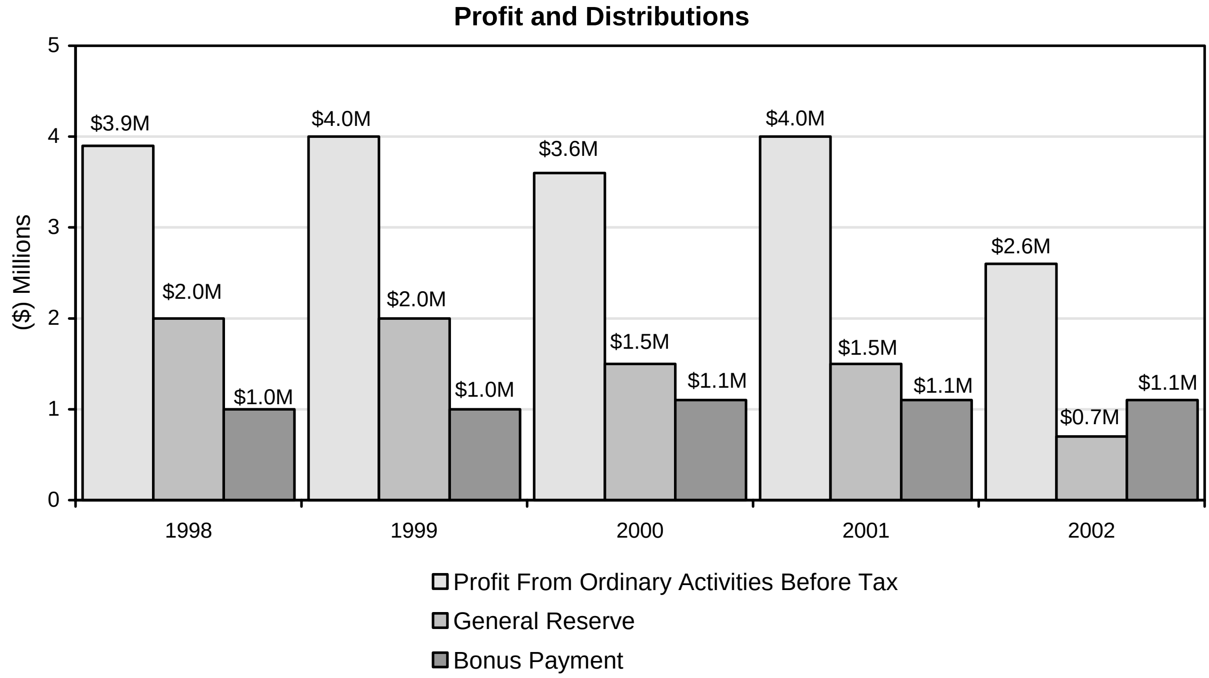
Statement of Financial Performance

Results of Ordinary Activities

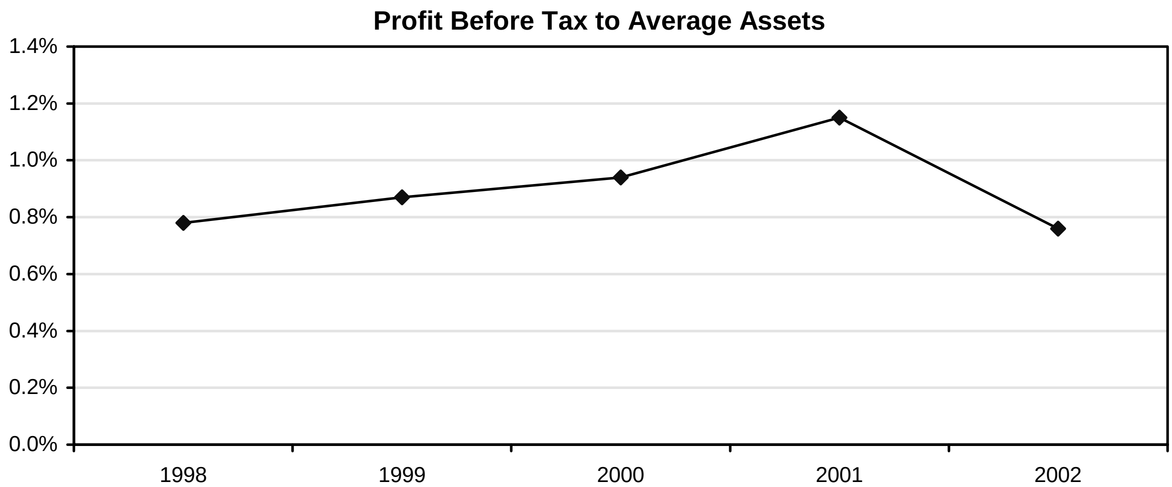
Profit from Ordinary Activities

The Authority achieved a profit from ordinary activities before tax of $2.6 million ($4 million) and a net profit of $1.8 million ($2.6 million) which was available for appropriation.

The profit and principal distributions from the total profit available for appropriation for the past five years are presented in the following chart:



The decrease in profit in 2001-02 shows in the trend of profit before tax to average assets as demonstrated in the following chart.



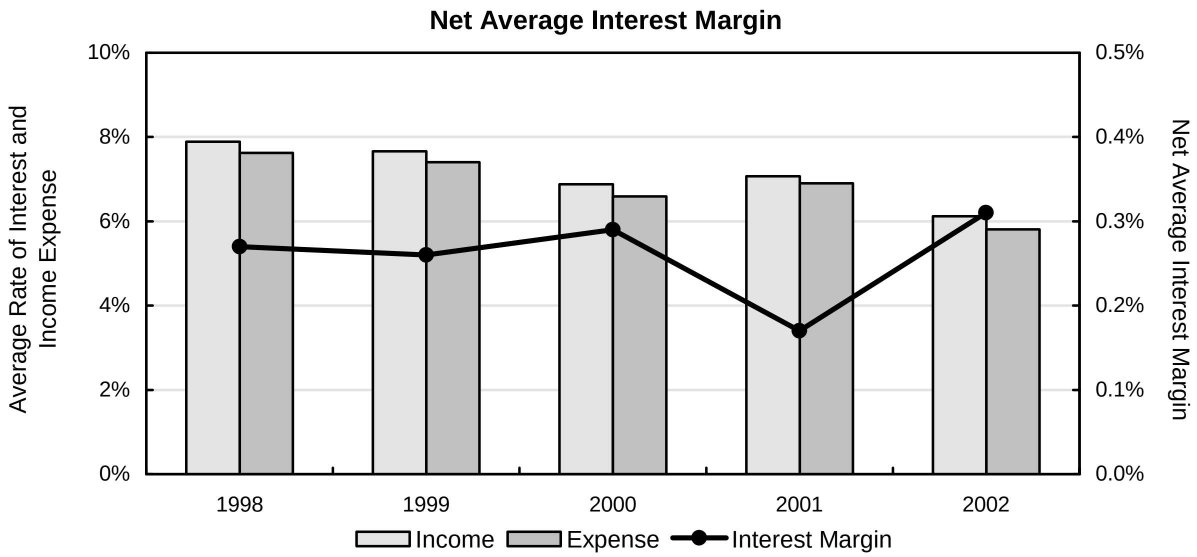
The profit from ordinary activities before tax result (a reduction of $1.4 million) was achieved as revenues from ordinary activities decreased by $6.5 million from the previous year and expenses from ordinary activities decreased by only $5.1 million. The decreases in revenues and expenses were mainly attributed to a general decrease in interest rates (refer Note 21) and a reduction of $1.8 million in other income revenue generated from the final maturity of a structured finance deal which occurred in the previous financial year.

The amount of $1.8 million in 2000-01 was higher (about double) the income generated from this deal in prior years and the effect of that boost in revenue in 2000-01 is clearly evident in the preceding chart.

Future profitability levels, all other things being equal, would be more likely to be in the order of that achieved in 2001-02.

Net Average Interest Margin

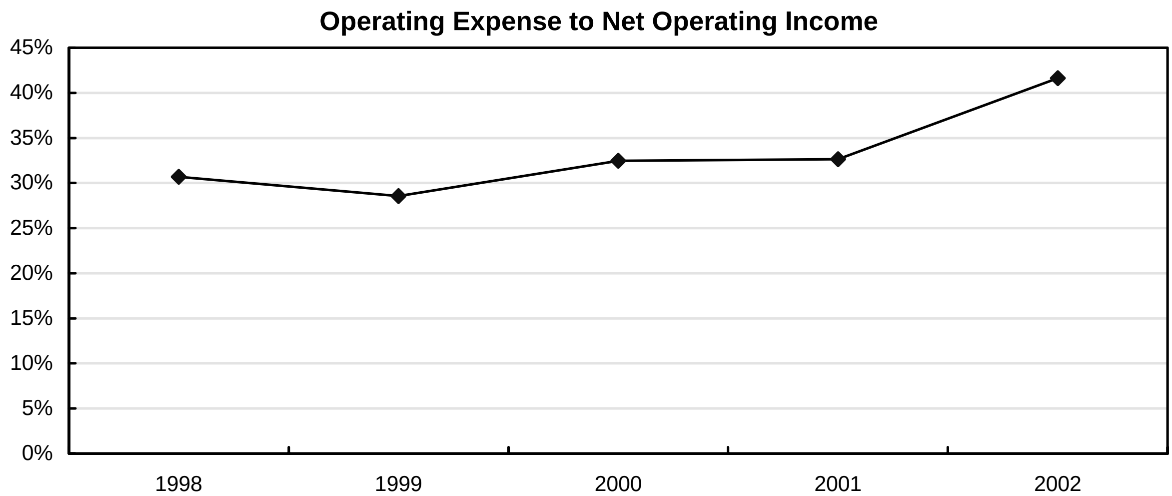
The following chart highlights that in terms of financial performance while profitability has reduced overall, the Authority has re-established a net average interest margin in the order of (but slightly higher) than what was achieved prior to 2000-01.



The net interest revenue in 2001-02 was $331 000 higher than the previous year also in part due to the increase in loans to councils and local government bodies. Margins of this order will be necessary to maintain profitability achieved in 2001-02 in the future. Details of interest margins are provided in Note 21 to the accounts.

Operating Expenses

The following chart indicates that while operating expenses (other than interest expenses) reduced to $1 863 000 from $1 947 000 in 2000-01, as a proportion of net operating revenue (net of interest expenses) there was a substantial rise. This reflects the substantial reduction in net operating revenue from previous years.



Again, with the maturing of the structured finance deal and reduction in related revenue, this ratio is, all other things being equal, likely to remain around the 2001-02 level.

Tax Equivalent Payments

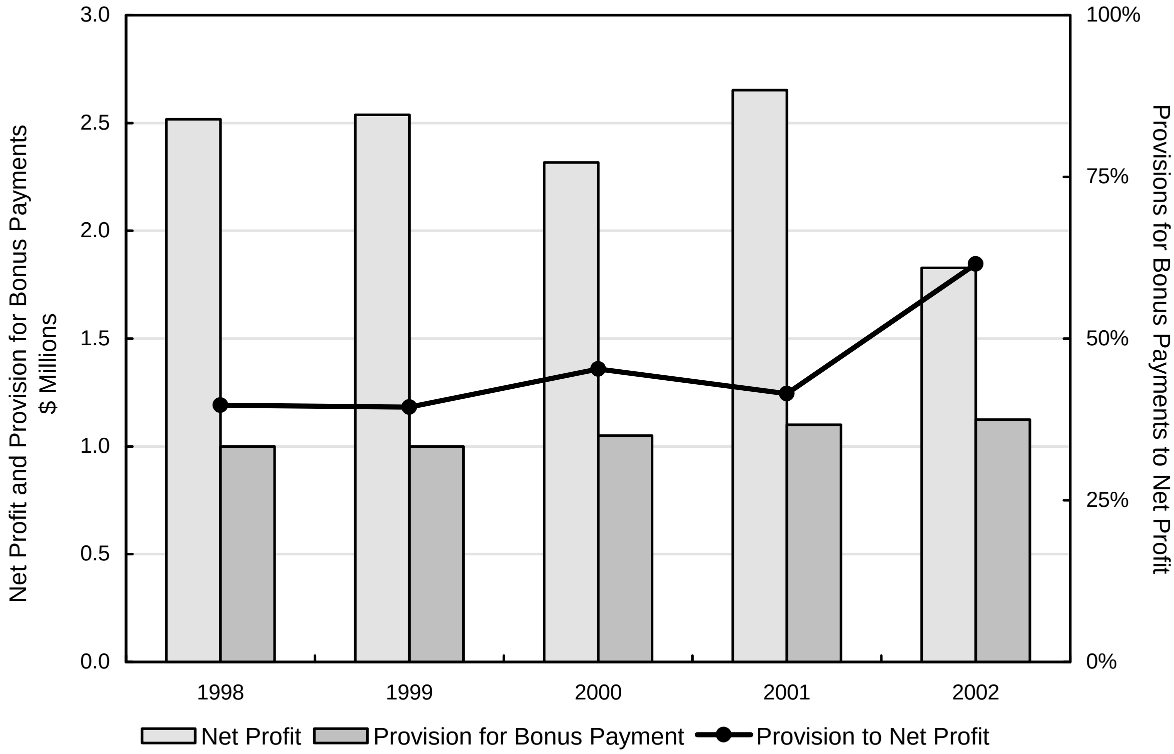
As from 1 June 1996, the Authority came under a Taxation Equivalent Payments System and is required to make payments equivalent to Company Income Tax. The amounts are paid into an account established with the State Treasurer titled the 'Local Government Taxation Equivalents Fund' and the funds are then 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 *Local Government Finance Authority Act 1983*. For this financial year, the amount payable for income tax equivalent was $0.8 million.

Provision for Bonus Payments

Under subsection 22(2) of the *Local Government Finance Authority Act 1983*, 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 2001-02, a provision for a bonus payment of $1.1 million was made which was consistent with amounts provided in the previous year.

The following chart shows net profit, the provision for bonus payments and the ratio of the provision for bonus payments to net profit for the past five years.

Provision for Bonus Payments and Net Profit



This chart highlights the consistency of the amount of the provision for bonus payments, (average of $1.1 million per year) and the net profit up to 2001. As indicated the provision for 2002 represents a substantially higher proportion of net profit than the previous four years.

Statement of Financial Position

Assets and Liabilities

The Statement of Financial Position shows assets of $362.2 million and liabilities of $316 million at 30 June 2002 compared with corresponding amounts of $329.4 million and $283.9 million at 30 June 2001.

The increase in assets and liabilities was due mainly to the following:

- the increase in assets was due to an increase in Loans and Advances made to Councils and Local Government Bodies of $32.6 million (10.4 percent); and

- the increase in liabilities resulted from an increase in Deposits from Councils and Local Government bodies of $41.2 million (25.5 percent).

Asset Quality

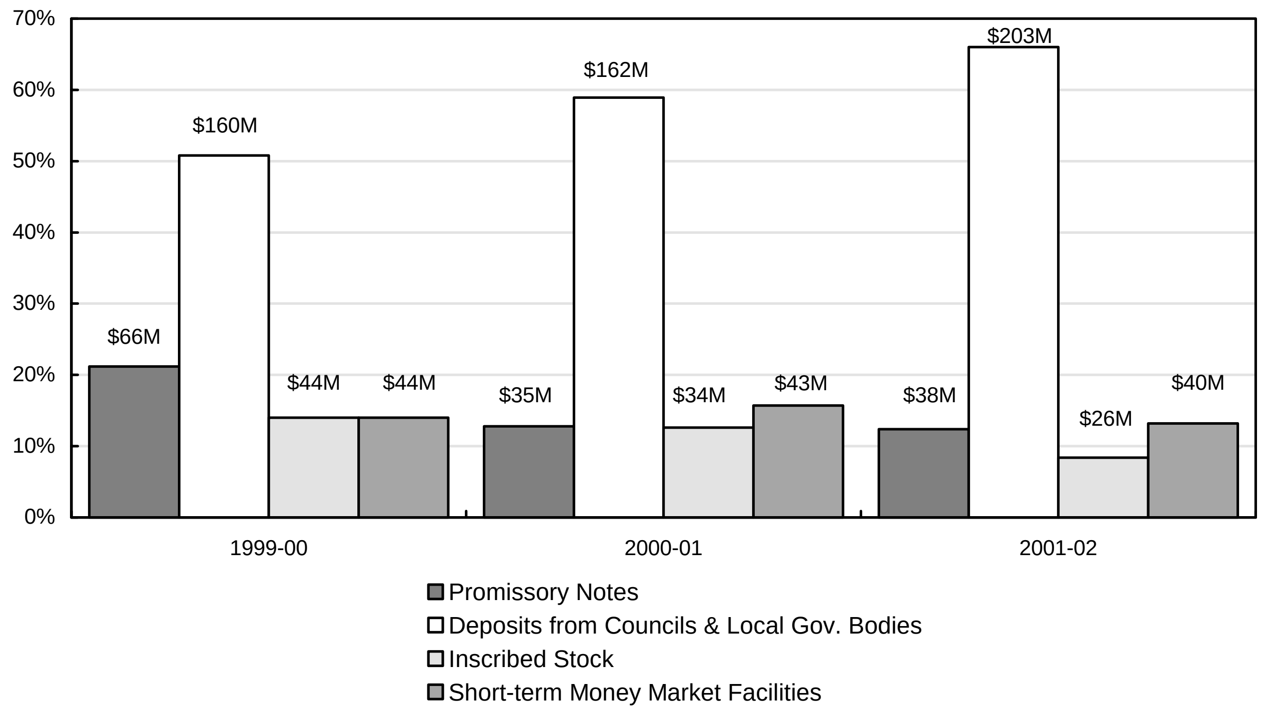
The Authority predominantly lends to councils and local government bodies on a secured basis. The security is by debentures providing a charge over the Council's general revenue. Note 1(g) and Note 8 to the accounts explain the details.

The Authority has not experienced defaults or losses associated with those loans and as a consequence has no provision for doubtful debts against the assets.

Liabilities of the Authority

The following table displays the variations in the composition of major liabilities over the period 1999-2000 to 2001-02. Accrued interest payable, provisions and other liabilities have been excluded from the analysis.

Analysis of Liabilities



The table highlights the trend in the composition of the Authority's liabilities. In recent years reliance is being placed on deposits from Councils and Local Government Bodies and short term money market borrowings to fund the Authority's lending activities.

During recent years, the Authority has moved towards placing 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 20(a) to the Financial Statements refers to interest rate risk management.

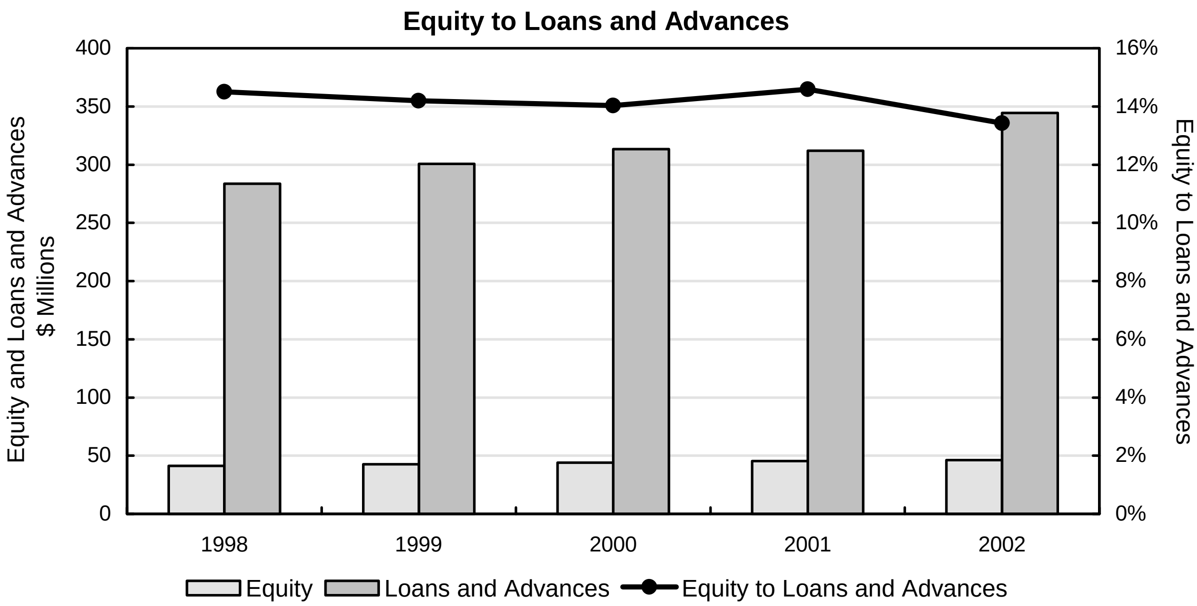
General Reserve and Equity

The Authority appropriated $0.7 million from total profit available for appropriation to the General Reserve, resulting in a balance as at 30 June 2002 of $45.7 million.

Total equity of the Authority amounted to $46.2 million as compared to total assets of $362.2 million. The equity comprises a General Reserve of $45.7 million, and Retained Profit of $0.5 million. In relation to the General Reserve, the earlier produced table titled Profit and Distributions demonstrates the policy of regularly appropriating a significant portion of the profit to that reserve ($7.7 million over the five years to 30 June 2002).

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.

The following chart shows the trend of equity to loans and advances over the past five years.



The chart highlights that notwithstanding the increase in equity through retained profits and transfers to reserves, the ratio has fallen in 2002 with the substantial increase in loans and advances (10.4 percent). As indicated previously, the majority of these loans are secured by debentures.

Statement of Cash Flows

The Statement of Cash Flows shows that the main inflow was from financing activities which provided cash inflows of $31.3 million. The main contributing source for this inflow was from funds received from deposits from Councils and Local Government Bodies of $41.2 million. These inflows from financing activities were used to fund investing activities which had total cash outflows of $32.8 million that included loans to Councils and Local Government Bodies of $32.7 million.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 $'000	2001 $'000
REVENUES FROM ORDINARY ACTIVITIES:			
Interest on investments	21	**2 052**	4 085
Interest on loans and advances	21	**32 875**	35 542
Other income	2	**27**	1 849
Total Revenues		**34 954**	41 476
EXPENSES FROM ORDINARY ACTIVITIES:			
Interest on deposits from councils and local government bodies	21	**9 280**	12 640
Interest on borrowings	21	**21 199**	22 870
Fees for the guarantee of the Treasurer of SA on liabilities		**635**	640
Administration expenses	3	**1 228**	1 307
Total Expenses		**32 342**	37 457
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		**2 612**	4 019
Income tax expense relating to ordinary activities	1(e)	**784**	1 367
NET PROFIT	15	**1 828**	2 652
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE OWNERS AS OWNER		**1 828**	2 652

Statement of Financial Position as at 30 June 2002

	Note	2002 $'000	2001 $'000
ASSETS:			
Cash and liquid assets	4	**6**	123
Accrued interest receivable	5	**6 311**	6 144
Other assets	6	**5 921**	5 739
Investment securities	7	**5 100**	5 100
Loans and advances	8	**344 452**	311 892
Property, plant and equipment	9	**396**	363
Total Assets		**362 186**	329 361
LIABILITIES:			
Deposits from councils and local government bodies	10	**202 847**	161 640
Accrued interest payable	11	**6 405**	6 439
Provisions	12	**1 707**	2 013
Other liabilities	13	**723**	977
Borrowings	14	**104 295**	112 786
Total Liabilities		**315 977**	283 855
NET ASSETS		**46 209**	45 506
EQUITY:			
Reserves	15	**45 700**	45 000
Retained profits	15	**509**	506
TOTAL EQUITY		**46 209**	45 506
Contingent Liabilities	20		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) $'000	2001 Inflows (Outflows) $'000
CASH FLOWS FROM ORDINARY ACTIVITIES:			
Interest and bill discounts received		**34 824**	40 619
Interest paid		**(30 644)**	(37 649)
Fees paid re guarantee provided by the Treasurer of SA		**(630)**	(640)
Cash payments to suppliers and employees		**(1 049)**	(1 140)
Fees received		**26**	31
Income tax paid		**(1 134)**	(1 205)
Payments received under Swap Agreement		**-**	3 363
Net Cash provided by Ordinary Activities	17	**1 393**	3 379
CASH FLOWS FROM INVESTING ACTIVITIES:			
Loans to councils and local government bodies		**(32 720)**	1 368
Proceeds from investment securities		**-**	6 000
Payments for property, plant and equipment		**(299)**	(205)
Proceeds from sale of property, plant and equipment		**77**	64
South Australian Government Financing Authority		**159**	28 693
Net Cash (used in) provided by Investing Activities		**(32 783)**	35 920
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of inscribed stock		**(8 561)**	(9 577)
Repayment of promissory notes		**2 700**	(30 962)
Deposits from councils and local government bodies		**41 207**	2 019
Short-term money market facilities		**(2 630)**	(860)
Bonus payment to councils and local government bodies		**(1 100)**	(1 050)
Other payments		**(343)**	865
Net Cash provided by (used in) Financing Activities		**31 273**	(39 565)
NET DECREASE IN CASH HELD		**(117)**	(266)
CASH AT 1 JULY		**123**	389
CASH AT 30 JUNE	17	**6**	123

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

(a) *Basis of Accounting*

The financial report has been prepared as a general purpose financial report in accordance with applicable Statements of Accounting Concepts, applicable Accounting Standards, and the requirements of the Treasurer's Instructions relating to financial reporting by statutory authorities which are issued pursuant to the South Australian *Public Finance and Audit Act 1987*.

The financial report has been prepared on the basis of historical cost and, except where stated, does not take into account changing money values or current valuations of non-current assets.

The accounting policies have been consistently applied, unless otherwise stated.

(b) *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	6.7

(c) *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.

(d) *Derivative Transactions*

The Authority has entered into agreements with high credit status organisations to swap certain rights and obligations (Note 20(a) - Derivative Financial Instruments refer).

(i) Interest Rate Swaps are recorded in the accounts on the basis of historical cost.
(ii) Futures Contracts are recorded at market value with the resultant change in value recorded in the Statement of Financial Performance.

(e) *Income Tax*

The LGFA 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 invests in fixed interest securities with a view to holding them until maturity. Subsequently all such investments are recorded in the accounts on the basis of historical cost.

(g) *Loans and Advances*

Loans and advances are recorded in the accounts on the basis of historical cost. The majority of loan agreements are secured by debentures, providing a charge over Council general revenue.

Due to the high level of security provided by a debenture over the general revenue of Councils, no specific or general provision for doubtful debts has been made.

The Authority has not incurred any bad debts since its inception in 1984.

(h) *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.

2. Other Income

	2002	2001
	$'000	$'000
Structured finance transaction	**-**	1 822
Fee income	**27**	27
	27	1 849

Of note during the 2001-02 financial year was the reduction in Structured Finance Transaction income due to the maturity of the remainder of a structured finance deal between LGFA, SAFA and other counterparties in the previous financial year.

3. Administration Expenses Comprises

Salaries and on-costs	**614**	596
Depreciation	**138**	132
Financial institution duty	**-**	98
Auditor's fees	**50**	44
Consultancy fees	**21**	26
Other expenses	**405**	411
	1 228	1 307
The amounts received, or due and receivable, in respect of this financial year by the auditors in connection with auditing the accounts	**50**	44

4. Cash and Liquid Assets

	2002 $'000	2001 $'000
Cash at Bank	**6**	123

5. Accrued Interest Receivable

	2002	2001
Interest receivable - Loans to councils and local government bodies	**6 266**	6 099
Interest receivable - Investments	**45**	45
	6 311	6 144

6. Other Assets

	2002	2001
Swap principal receivable	**5 718**	5 556
Sundry debtors and prepayments	**203**	183
	5 921	5 739

7. Investment Securities

	2002	2001
Deposits and securities issued by banks	**5 100**	5 100
Maturity analysis - Investment securities:		
At call	**-**	-
Not longer than three months	**-**	-
Longer than three months and not longer than 12 months	**-**	-
Longer than one year and not longer than five years	**-**	-
Longer than five years	**5 100**	5 100
	5 100	5 100

The above maturity analysis shows the maximum credit risk exposure for investment securities without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments.

The risk is considered minimal as investments are undertaken in accordance with an investment policy which stipulates the credit ratings of the various financial institutions. Since the inception of the Authority in 1984 no default by an investment institution has occurred.

8. Loans and Advances

	2002 $'000	2001 $'000
Advances	**21 995**	27 782
Term loans	**322 457**	284 110
	344 452	311 892
Maturity analysis - Loans and advances:		
At call	**21 995**	27 782
Not longer than 3 months	**23 712**	24 672
Longer than 3 months and not longer than 12 months	**32 865**	35 733
Longer than 1 year and not longer than 5 years	**141 579**	125 335
Longer than 5 years	**124 301**	98 370
	344 452	311 892

The above maturity analysis shows the maximum credit risk exposure for loans and without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments.

As explained in Notes 1(g) and (h) the risk is considered minimal and in addition, a concentration of credit risk also occurs as under the *Local Government Finance Authority Act 1983*, loans and advances made are restricted to Councils and Local Government Bodies. The majority of loan agreements are secured by debentures providing a charge over the Council's general revenue and the Authority has not incurred any bad debts since its inception in 1984.

	2002 $'000	2001 $'000
Commitments not later than one year - Loans and advances:		
Unused cash advance facilities	**112 469**	106 178
Cash advance facilities approved not executed	**-**	2 790
Term loans approved not advanced	**7 957**	6 280
	120 426	115 248

9. Property, Plant and Equipment

	2002	2001
Plant, equipment and motor vehicles:		
At cost	**757**	648
Less: Accumulated depreciation	**361**	285
Total Property, Plant and Equipment	**396**	363
Commitments not later than one year - Property, plant and equipment		
Office refurbishment in progress	**-**	74

10. Deposits from Councils and Local Government Bodies

	2002	2001
Deposits from councils and local government bodies	**202 847**	161 640
Maturity analysis - Deposits from councils and local government bodies:		
At call	**154 800**	108 551
Not longer than 3 months	**38 518**	49 810
Longer than 3 months and not longer than 12 months	**2 547**	985
Longer than 1 year and not longer than 5 years	**6 982**	2 294
Longer than 5 years	**-**	-
	202 847	161 640

11. Accrued Interest Payable

	2002	2001
Interest payable on:	**$'000**	$'000
Deposits from councils and local government bodies	**2 152**	2 301
Borrowings	**4 253**	4 138
	6 405	6 439

12. Provisions

Employee entitlements	**172**	153
Fringe benefits tax	**10**	9
Bonus payment to councils and local government bodies	**1 125**	1 100
Provision for income tax	**400**	751
	1 707	2 013

13. Other Liabilities

Sundry Creditors	**151**	184
Payments due to South Australian Government Financing Authority	**572**	793
	723	977

14. Borrowings

Short-term money market facilities	**40 390**	43 020
Promissory notes	**38 000**	35 300
Inscribed stock	**25 905**	34 466
	104 295	112 786
Maturity analysis - Borrowings:		
At call	**40 390**	43 020
Not longer than three months	**39 658**	37 402
Longer than three months and not longer than 12 months	**5 993**	6 784
Longer than one year and not longer than five years	**16 041**	21 481
Longer than five years	**2 213**	4 099
	104 295	112 786

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*.

15. Retained Profits and Reserves

(a) Retained Profits

	2002	2001
	$'000	$'000
Net profit	**1 828**	2 652
Retained profits at 1 July	**506**	454
Total Available for Appropriation	**2 334**	3 106
Transfer to general reserve	**700**	1 500
Transfer to bonus payment provision	**1 125**	1 100
Retained Profits at 30 June	**509**	506

(b) Reserves

(i) Composition

General reserve	**45 700**	45 000

(ii) Movements during the year

General reserve:		
Opening balance	**45 000**	43 500
Transfer from retained profits	**700**	1 500
Closing Balance	**45 700**	45 000

16. Superannuation Commitments

The LGFA 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.

17. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

		2002	2001
	Note	**$'000**	$'000
Cash at Bank	4	**6**	123

For the purpose of the Statement of Cash Flows, cash includes Cash on Hand and Deposits at Call with the Short Term Money Market. All bank bills are normally held by the Authority until maturity. This treatment ensures that the value of the bills do not fluctuate due to changes in interest rates. Accordingly, bank bills are considered to be ordinary investments with a term facility and, as such cash flows arising from bank bill transactions are treated as flows from the investing activities of the Authority.

(b) Cash Flows Presented on a Net Basis

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

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

(c) Reconciliation of Net Cash provided by Ordinary Activities to Net Profit

	2002	2001
	$'000	$'000
Net Profit	**1 828**	2 652
Decrease in interest payable	**(34)**	(815)
Increase in interest receivable	**(167)**	881
Increase in sundry creditors	**19**	3
Decrease in provisions	**(331)**	191
Decrease in payments receivable from SAFA	**-**	255
Increase in sundry debtors	**(2)**	2
Depreciation	**138**	132
Amortisation	**(67)**	73
Loss on disposal of fixed assets	**9**	5
Net Cash provided by Ordinary Activities	**1 393**	3 379

18. Related Party Information

The Local Government Finance Authority of South Australia 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 John Keough
Councillor Bert Taylor, AM
Ms Ione Brown
Mr Paul Cohen
Mr John Comrie
Councillor Anthony Pederick
Ms Vivienne Pring
Councillor John Sanderson
Mr Peter Fairlie-Jones

Remuneration, Retirement Benefits and Loans

Board members are entitled to receive an attendance allowance for official Board Meetings (normally held monthly). Attendance allowances are not payable (effective from 1.10.97) in respect of those members appointed by the Minister of Local Government or the State Treasurer in accordance with arrangements approved by the Minister and the Treasurer. Amounts payable in respect of the Executive Director of the Local Government Association of SA are paid to the Local Government Association as per section 13 of the *Local Government Finance Authority Act 1983*. The total amount paid in respect of the attendance of Board members for the financial year ended 30 June 2002 was $26 600.

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*
Councillor Bert Taylor, AM	Corporation of the City of Adelaide
Mr John Comrie	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 Peter Fairlie-Jones	City of Salisbury Smithfield Memorial Park Cemetery LGCS Pty Ltd
Councillor Anthony Pederick	Corporation of the Town of Walkerville LGCS Pty Ltd
Ms Vivienne Pring	Department of Treasury and Finance
Councillor John Sanderson	City of Mitcham

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

19. Remuneration of Executives

	2002	2001
Remuneration received, or due and receivable by executive officers, whose remuneration is $100 000 or more.	**Number of Executives**	Number of Executives
The number of executive officers whose remuneration was within the following bands:		
$220 000 - $230 000	**1**	1
$100 000 - $110 000	**2**	1

The remuneration comprises salary, employer's superannuation costs including superannuation guarantee charge, motor vehicle package and associated fringe benefits tax, car parking and associated fringe benefits tax and travel expenditure and associated fringe benefits tax.

20. Contingent Liabilities

The LGFA 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) Derivative Financial Instruments

All derivatives entered into by the Authority specifically match and hedge actual financial transactions. The Authority clearly recognises risks relating to the contractual obligations of derivative counterparties and extremely high importance is placed on the credit standing of such counterparties. There has been no default by any counterparty in derivative transactions undertaken by the Authority.

If a favourable (or unfavourable) financial outcome resulted from derivatives used as hedges it would be accounted for on the same basis as a gain or loss on the underlying physical exposures being hedged.

(i) Notional Amounts and Credit Exposures of Derivatives

The notional amounts of derivatives, as summarised below, represent the contract amount of these derivatives. The notional amounts stated do not represent amounts exchanged by the parties and hence are not a measure of credit exposure and therefore represent off-balance sheet transactions that are not recognised in the financial statements. The actual amounts to be exchanged will be calculated with reference to the Notional Amounts and other terms of the derivatives, which relate to interest rates. The credit exposure amounts represent the estimated credit-related risk that the Authority is subject to on these amounts to be exchanged under the derivative instruments.

Whilst the Authority has exposure in the event of non-performance by counterparties to financial instruments, it does not expect any counterparties to fail to meet their obligations given their high credit ratings.

The Authority has entered into derivatives in managing its interest rate risk profile as indicated in the following table:

	2002		2001	
	Notional Amount (Face Value) $'000	**Credit Exposure $'000**	Notional Amount (Face Value) $'000	Credit Exposure $'000
Interest Rate Swaps	**257 700**	**27 841**	219 764	23 862
Interest Rate Futures Contracts	**-**	**134**	115 000	116

(ii) Interest Rate Risk Management

The Treasurer issued a revised consent dated 18 November 2001, for the Authority to enter into a range of financial arrangements as part of its normal operations of providing borrowing and investments services to Local Government in South Australia.

During the year the Authority used interest rate swaps and interest rate futures contracts to hedge actual financial transactions. All futures contracts are traded on the Sydney Futures Exchange and are closed out on or before maturity without physical delivery of the underlying instrument taking place.

(iii) Liquidity Risk

Liquidity risk can arise if timing differences occur between the receipt of scheduled cash flows and the payment of the Authority's obligation when using derivatives.

Because all cash flows are normally very closely matched and the interest rate risk hedged, it is considered that the Authority has minimal liquidity risk.

(iv) Risk Management Policies

All internal control and hedge activities are conducted within Board approved policy. Comprehensive systems are in place and compliance is monitored closely. The risk management process is subject to regular and close senior management scrutiny, including regular Board and other management reporting.

(b) Financial Guarantee

The LGFA 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 2002 the amount guaranteed was $13.582 million.

21. Interest Income and Interest Expense Analysis

Interest income and interest expense are accounted for on an accrual basis.

The following tables provide the average balance and average rate for the major categories of interest bearing assets and liabilities, both on and off-Balance Sheet. All averages calculated are daily averages.

	2002				2001			
Interest Income:	**Average Notional Balance $'000**	**Average Balance $'000**	**Interest $'000**	**Average Rate Percent**	Average Notional Balance $'000	Average Balance $'000	Interest $'000	Average Rate Percent
Investments	**-**	**36 873**	**1 740**	**4.72**	-	62 076	3 849	6.20
Loans and advances	**-**	**304 327**	**22 382**	**7.35**	-	288 488	23 112	8.01
Hedge receipts	**229 095**	**-**	**10 805**	**4.72**	209 787	-	12 666	6.04
Total Interest Income	**229 095**	**341 200**	**34 927**	**6.12**	209 787	350 564	39 627	7.07

21. Interest Income and Interest Expense Analysis (continued)

	2002				2001			
Interest Expense:	**Average Notional Balance $'000**	**Average Balance $'000**	**Interest $'000**	**Average Rate Percent**	Average Notional Balance $'000	Average Balance $'000	Interest $'000	Average Rate Percent
Borrowings	**-**	**82 444**	**5 494**	**6.66**	-	86 129	7 493	8.70
Deposits	**-**	**216 147**	**9 280**	**4.29**	-	222 169	12 640	5.69
Hedge payments	**225 596**	**-**	**15 705**	**6.96**	206 551	-	15 377	7.44
Total Interest Expense	**225 596**	**298 591**	**30 479**	**5.81**	206 551	308 298	35 510	6.90

22. Net Fair Value of Financial Instruments

The net fair value of financial assets and financial liabilities which are payable on demand as at balance date approximate their carrying values with accrued interest.

The net fair value of all other financial assets and financial liabilities is based upon either of the following methods:

(i) Market prices as at the respective balance date.
(ii) Discounting cash flows using a zero coupon curve.

	2002		2001	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets:	**$'000**	**$'000**	$'000	$'000
Cash and liquid assets	**6**	**6**	123	123
Other assets	**5 921**	**5 921**	5 739	5 739
Investment securities	**5 100**	**4 567**	5 100	4 308
Loans and advances	**344 452**	**360 197**	311 892	326 766
Financial Liabilities:				
Deposits from councils and prescribed bodies	**202 847**	**204 868**	161 640	163 885
Provisions	**1 707**	**1 707**	2 013	2 013
Other liabilities	**723**	**750**	977	1 033
Borrowings	**104 295**	**106 578**	112 786	116 053
Derivative Instruments:				
Assets:				
Interest rate swaps	**-**	**258 966**	-	221 212
Futures contracts	**-**	**-**	-	-
Liabilities:				
Interest rate swaps	**-**	**265 610**	-	226 797
Future contracts	**-**	**-**	-	67

Where financial assets are carried at an amount above net fair value, the Trustees have not caused those assets to be written down as it is intended to retain those assets to maturity.

It should be noted that most of the abovementioned financial instruments are not readily traded on Financial Markets and therefore the fair market value assigned to them are based on a number of assumptions and estimates. Therefore the fair market values provided should in no way be interpreted as the realisable value of the Local Government Finance Authority of South Australia as at 30 June 2002.

PASSENGER TRANSPORT BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Passenger Transport Board (the Board) is a body corporate established under the *Passenger Transport Act 1994* (the Act).

The functions of the Board, as set out by subsection 20(1) of the Act, include:

- overseeing the creation and maintenance of an integrated network of passenger transport services involving all modes of passenger transport by public passenger vehicles within the State;
- determining, monitoring and reviewing passenger transport services and fares payable by members of the public;
- accrediting operators of passenger transport services and the drivers of these vehicles; administering a system of fare subsidies and concessions in appropriate cases;
- establishing and maintaining facilities and various forms of infrastructure for the purposes of the passenger transport network;
- facilitating the use of passenger transport services by people with disabilities;
- establishing, auditing and, if necessary, enforcing safety, service, equipment and comfort standards for passenger transport within the State.

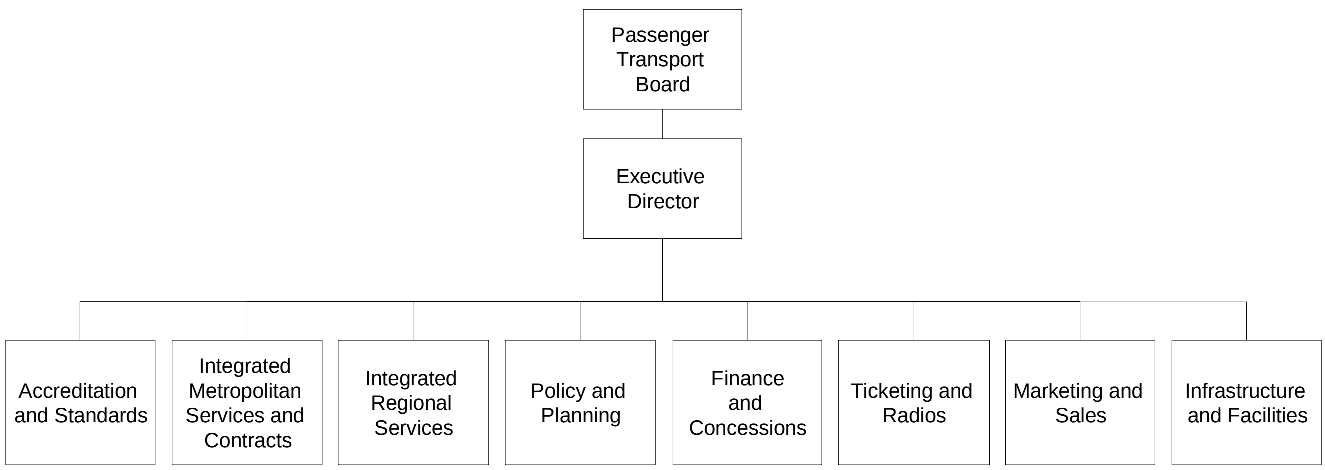
Subsection 20(2) of the Act specifies that the Board itself must not operate a passenger transport service.

The Act requires the Board to establish two committees:

- the Passenger Transport Industry Committee to provide an industry forum to assist the Board as appropriate in the performance of its functions;
- the Passenger Transport User Committee to provide advice to the Board on matters of general relevance or importance to the users of passenger transport services.

The Board has also chosen to establish other committees and panels which include the Passenger Transport Standards Committee, the Taxi Industry Advisory Panel, the Bus Industry Advisory Panel and the Accessible Transport Advisory Panel. These committees and panels form part of the organisational structure and report to the Board.

The organisational structure of the Passenger Transport Board is:



SIGNIFICANT FEATURES

- The deficit from ordinary activities was $9.4 million ($461 000 surplus).
- Revenues from the Government were $161 million, the same as last year. The Government also made an equity contribution of $5.8 million.
- The Board paid $209 million ($197 million) to service contractors in relation to the operation of metropolitan bus, train and tram services.
- Metropolitan public transport ticket sales revenue amounted to $49 million ($45 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 18(3) of the *Passenger Transport Act 1994* specifically provides for the Auditor-General to audit the accounts and the annual statements of account of the Board.

Scope of Audit

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

During 2001-02 the following financial activities of the Board were the subject of Audit attention:

- administration of bus, train and tram service contracts including contract payments
- metropolitan public transport ticketing
- expenditure, including accounts payable and salaries and wages
- revenue, receipting and banking
- budgetary control and management reporting
- Research and Development Fund.

Audit Communications to Management

A management letter communicating the issues arising from the audit was forwarded to the Executive Director of the Board. Satisfactory responses have been received in relation to the matters raised.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

An assessment of the Board's internal control structure identified that internal controls were adequate although there was room for improvement in certain areas of operation.

The main issues identified by Audit relate to:

Contract Management

On-Time Running

On-time running data is used by the Board as a renewal and termination performance benchmark in accordance with the Contracts for the provision of transport services. In addition, the self reported on-time running data provided by the contractors is used by the Board to determine adjustments to payments to contractors.

With respect to early running, to satisfy both the renewal and termination performance benchmark, the Contracts require that less than two percent of services run early. With respect to late running, the Contracts require that less than two percent of services run late to satisfy the renewal benchmark and less than five percent to satisfy the termination benchmark.

On-time running is monitored by the Board in two ways:

- Quarterly Service Quality Audits undertaken by the Board;
- self reported data provided by the contractors on a monthly basis.

On-time running is determined as follows:

- Early running is deemed to be one minute before the scheduled departure time.
- Late running is deemed to be five minutes after the scheduled arrival time.

Audit undertook a comparative analysis of the results of the Service Quality Audits undertaken by the Board against the data reported by the contractors in relation to on-time running for all bus contracts for August and November 2001. The analysis identified significant discrepancies between the audit results and the self reported data.

With respect to 'early running', the Service Quality Audits identified that across the seven contracts, between three percent to as high as 23 percent of buses were departing more than one minute before the scheduled departure time. The self reported data provided by the contractors reported that between 0 percent and 0.02 percent of buses were running early.

With respect to 'late running', the Service Quality Audits identified that between three percent to 12 percent of buses were arriving more than five minutes after the scheduled arrival time. The self reported data provided by the contractors reported that between 0 percent and 0.9 percent of buses were running late.

Audit suggested that the Board collaborate with the contractors to determine the reasons for and validity of the significant variations between the audit results and the self reported data.

In its response, the Board advised that discussions have commenced with the contractors regarding on-time running and that contractors will be required to respond to the issues raised by the Service Quality Audits as part of their monthly reporting to the Board.

Management and Monitoring of Service Quality Audit Results

Audit commented that the Board needs to establish a mechanism which will not only ensure that all issues arising from the audits are reported to the contractors but are adequately followed up to resolve the issue or minimise the likelihood of its re-occurrence.

The Board responded that a process has been put in place to ensure that the contractors receive all Service Quality Reports raised from the audits.

Customer Satisfaction Survey

A key performance benchmark of the contracts is that an independent Customer Satisfaction Survey is undertaken on an annual basis. Such a survey was not undertaken in 2001-2002.

Audit considered that this survey would, given that services provided by the Board have changed since the last survey, assist management in assessing customer satisfaction and enable PTB to assess the contractor performance against the performance benchmark.

The Board advised that the Customer Satisfaction Survey will be undertaken in March 2003.

Service Level Agreement with Transport SA for the Provision of Accounting Services to the Board

Audit identified some issues in relation to the Service Level Agreement between the Board and Transport SA.

The current Service Level Agreement between the Board and Transport SA contains key performance indicators based on the quantity and total amount of transactions performed by Transport SA. Given that a new agreement is due to be negotiated, Audit suggested that the Board consider incorporating key performance indicators in the Service Level Agreement which also measure the accuracy and timeliness of transactions processed by the service provider.

The Board advised that consideration will be given to the issues raised by Audit before the new agreement is finalised.

Other Financial Systems

With respect to the operation of other financial systems, Audit commented that there was room for improvement in the following areas:

- Controls over the issue and destruction of replacement tickets to the Licensed Ticket Vendors.
- Regular review of the supplier master file for ongoing pertinence.
- Clearing of outstanding items on the bank reconciliation in a timely manner.

With respect to the review of the supplier master file and the clearing of outstanding items on the bank reconciliation, the Board has advised that action has been taken to address these issues.

Passenger Transport Research and Development Fund (An Administered Item)

During the year, the Board paid $375 000 from the Fund to the Adelaide Festival Corporation (AFC) for the 2002 Adelaide Festival.

While similar amounts have been paid from the Fund for previous Festivals (a total of $1.1 million has been paid to the AFC for the 1998, 2000 and 2002 Adelaide Festival), Audit understands that the funds provided for the 2002 Festival were not used for all the purposes outlined by the AFC in the 'Application for Grant'.

Audit commented on the need for the Board to ensure that the AFC, in accordance with the project management processes outlined in the 'Grant Submission', provide the Board with a report and acquittal of the use of the funds so as to ensure that the agreed conditions of the Grant Submission are satisfied.

The Board has advised that the AFC has provided a detailed report detailing the promotional material produced in respect of public transport during the 2002 Festival and that it is satisfied that the AFC has satisfied the acquittal requirements of the Research and Development Fund.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Passenger Transport Board included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls in operation were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the Passenger Transport Board in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

The operating result for the year was a deficit of $9.4 million as compared with a surplus of $461 000 the previous year. This was in line with the approved budget and represented a planned reduction in the Board's cash balance. Refer Note 12.

Expenses from Ordinary Activities

Expenses from Ordinary Activities increased by $14.4 million. This increase is mainly attributable to an increase in:

- payments to service contractors of $11.6 million to $208.6 million. This increase is as a result of additional services introduced during the year. Refer Note 4. Payments to service contractors represent 82 percent (82 percent) of total expenses incurred by the Board in 2001-02;

- the infrastructure, administration and service costs of $4.5 million, of which $4.3 million relates to infrastructure costs. Refer Note 6.

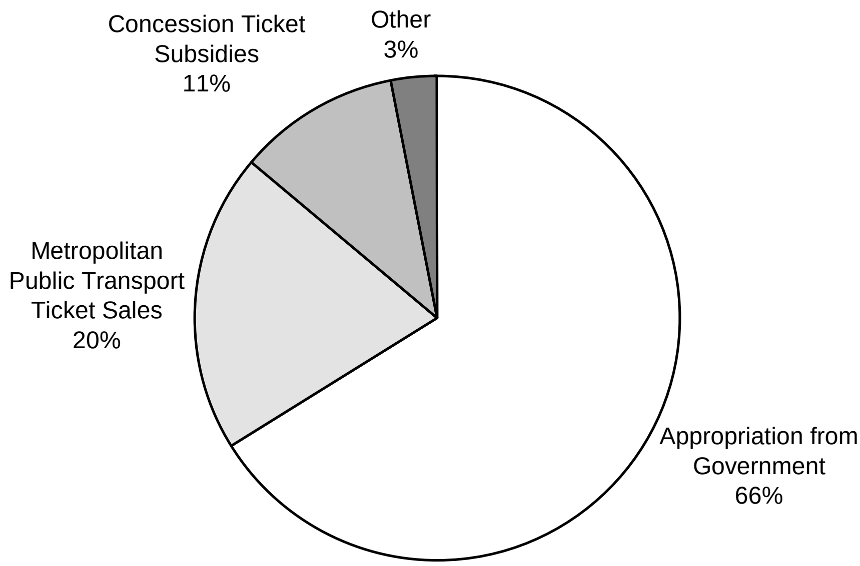
Revenues from Ordinary Activities and Government Revenues

The Board is primarily funded from Parliamentary appropriations, however, it also receives significant monies in relation to metropolitan public transport ticket sales and concession ticket subsidies.

Revenues from Government decreased by $300 000 to $161.2 million. Revenues from Ordinary Activities increased by $4.9 million to $84.3 million, of which $3.9 million relates to an increase in revenue from public transport ticket sales.

The following graph shows the major categories of revenue as a percentage of total revenue of the Board.

Passenger Transport Board Revenues



Cost Recovery from Passengers

The following table shows the extent to which the fares charged to passengers in the metropolitan area covers the outlays by the Board to Metropolitan Service Contractors.

	2002	2001
	$'000	$'000
MetroTicket sales	**48 870**	44 968
Payments to Metropolitan Service Contractors	**208 619**	197 042

	2002	2001
	Percent	Percent
MetroTicket sales as a percentage of payments to Metropolitan Service Contractors	**23.4**	22.8

Statement of Financial Position

Non-Current Assets

The written down value of property, plant and equipment increased by $3.2 million to $11.7 million.

Equity Contribution

The Board received an appropriation for Equity Contribution of $5.8 million. The amount received has been shown as equity in the Statement of Financial Position in accordance with the requirements of Treasurer's Instruction 3 'Appropriation'.

OTHER FUNDS

Deposit Account - Passenger Transport Research and Development Fund

Note 29(a) to the Financial Statements details the purpose and administration of the Fund and transactions for the year. The balance of the Fund at 30 June was $1 383 000 ($1 982 000).

FURTHER COMMENTARY ON OPERATIONS

Access Cabs System

The Access Cabs System is a transport (taxi) service for people with disabilities.

An external review of the Access Cabs System was undertaken during the year to determine whether the system was delivering the outcomes needed by customers.

The review identified a number of issues relating to:

- performance expectations of the system;
- the Board's role as a regulator of the system;
- the role of Yellow Cabs as operator of the Access Cabs Central Booking System;
- customer assessment of performance of the system.

The review resulted in a number of recommendations, the majority of which have been accepted by the Board.

The Board has commenced addressing the issues raised by the review. Audit will continue to monitor the action taken by the Board in addressing the issues raised in this review during 2002-03.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 $'000	2001 $'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Payments to service contractors	4	**208 619**	197 042
Grants and subsidies	5	**12 326**	14 958
Infrastructure, administration and service costs	6	**21 747**	17 296
Employee costs	7(a)	**6 998**	6 484
Depreciation	8	**2 793**	2 293
Accommodation and service costs		**1 630**	1 591
Borrowing costs		**534**	469
Other expenses		**169**	241
Total Expenses		**254 816**	240 374
REVENUES FROM ORDINARY ACTIVITIES:			
User charges, fees and fines	9	**50 397**	46 630
Contributions from other agencies	10	**28 153**	27 750
Investment income		**1 087**	1 145
Other revenues	11	**4 633**	3 858
Total Revenues		**84 270**	79 383
NET COST OF SERVICES		**170 546**	160 991
REVENUES FROM GOVERNMENT:			
Appropriation - Purchase of outputs		**161 153**	161 452
Total Revenues from Government		**161 153**	161 452
(DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES	12	**(9 393)**	461
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net credit to an asset revaluation reserve on revaluation of non-current assets		**-**	26
Total Valuation Adjustment recognised in Equity		**-**	26
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**(9 393)**	487

Statement of Financial Position as at 30 June 2002

	Note	2002 $'000	2001 $'000
CURRENT ASSETS:			
Cash	13	**10 871**	23 593
Receivables	14	**5 894**	3 455
Prepaid expenses		**2 718**	-
Inventories		**183**	237
Total Current Assets		**19 666**	27 285
NON-CURRENT ASSETS:			
Property, plant and equipment	15	**11 689**	8 440
Loan receivable		**40**	40
Total Non-Current Assets		**11 729**	8 480
Total Assets		**31 395**	35 765
CURRENT LIABILITIES:			
Payables	16	**5 857**	6 936
Borrowings	17	**900**	1 100
Provision for employee entitlements	7(b)	**338**	356
Total Current Liabilities		**7 095**	8 392
NON-CURRENT LIABILITIES:			
Payables	16	**112**	104
Borrowings	17	**3 168**	2 749
Provision for employee entitlements	7(b)	**961**	868
Total Non-Current Liabilities		**4 241**	3 721
Total Liabilities		**11 336**	12 113
NET ASSETS		**20 059**	23 652
EQUITY:			
Accumulated surplus	18(a)	**9 606**	18 999
Equity contribution	18(b)	**9 800**	4 000
Asset revaluation reserve	18(c)	**653**	653
TOTAL EQUITY		**20 059**	23 652
Commitments	27,28		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) $'000	2001 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Service contractors		**(210 135)**	(202 475)
Supplies and services		**(23 164)**	(19 328)
Grants and subsidies		**(13 091)**	(13 527)
Employee costs		**(6 974)**	(6 030)
Interest and other finance charges		**(541)**	(484)
GST payments on purchases		**(21 353)**	(19 195)
RECEIPTS:			
User charges, fees and fines		**50 053**	46 752
Contributions from other agencies		**28 481**	27 707
Interest		**1 084**	1 119
Other		**5 035**	2 775
GST collected		**5 142**	4 890
GST refunds from the Australian Taxation Office		**15 294**	12 970
CASH FLOWS FROM GOVERNMENT:			
Appropriation - Purchase of outputs		**158 857**	166 495
Net Cash (used in) provided by Operating Activities	19	**(11 312)**	1 669
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from sale of assets		**-**	7
Payments for property, plant and equipment		**(6 110)**	(1 744)
Net Cash used in Investing Activities		**(6 110)**	(1 737)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash Flows From Government:			
Equity contribution		**5 800**	4 000
Repayment of debt		**(1 100)**	(2 100)
Net Cash provided by Financing Activities		**4 700**	1 900
NET (DECREASE) INCREASE IN CASH HELD		**(12 722)**	1 832
CASH AT 1 JULY		**23 593**	21 761
CASH AT 30 JUNE	13	**10 871**	23 593

Output Class Schedule - Expenses and Revenues for the year ended 30 June 2002

Outputs (Refer Note 3)	1 $'000	2 $'000	3 $'000	4 $'000	5 $'000	6 $'000	7 $'000	2002 Total $'000	2001 Total $'000
EXPENSES FROM ORDINARY ACTIVITIES:									
Payments to metropolitan service contractors	-	-	207 757	862	-	-	-	**208 619**	197 042
Grants and subsidies	-	250	-	4 542	7 534	-	-	**12 326**	14 958
Administration and service costs	883	2 555	12 012	894	100	923	4 380	**21 747**	17 296
Employee costs	1 538	993	2 977	577	197	172	544	**6 998**	6 484
Depreciation	135	2 323	199	45	40	6	45	**2 793**	2 293
Accommodation and service costs	391	309	571	130	80	16	133	**1 630**	1 591
Interest and other finance charges	6	5	518	2	1	-	2	**534**	469
Other expenses	29	31	73	10	6	3	17	**169**	241
Total Expenses	2 982	6 466	224 107	7 062	7 958	1 120	5 121	**254 816**	240 374
REVENUES FROM ORDINARY ACTIVITIES:									
User charges, fees and fines	1 313	-	49 044	40	-	-	-	**50 397**	46 630
Contributions from other agencies	-	-	24 710	3 443	-	-	-	**28 153**	27 750
Interest	-	-	1 087	-	-	-	-	**1 087**	1 145
Other revenues	30	825	3 792	-	(14)	-	-	**4 633**	3 858
Receipts from government	1 639	5 641	136 081	3 579	7 972	1 120	5 121	**161 153**	161 452
Total Revenues	2 982	6 466	214 714	7 062	7 958	1 120	5 121	**245 423**	240 835
SURPLUS FROM ORDINARY ACTIVITIES	-	-	(9 393)	-	-	-	-	**(9 393)**	461
ADMINISTERED REVENUES AND EXPENSES									
Administered expenses	4	-	12	135	-	-	530	**681**	222
Administered revenues	4	-	1	16	-	-	61	**82**	130
ADMINISTERED REVENUES LESS ADMINISTERED EXPENSES	-	-	(11)	(119)	-	-	(469)	**(599)**	(92)
ADMINISTERED ASSETS - CASH	-	-	24	276	-	-	1 083	**1 383**	1 982

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The Passenger Transport Board (the Board) was established under the *Passenger Transport Act 1994* with the overall responsibility for the planning, funding and regulation of public passenger transport services within the State of South Australia. The objectives of the Board are to promote innovation in the delivery of passenger transport services and reduce the cost of operating Adelaide's public transport system.

The Board is predominantly funded by Parliamentary appropriations, and also receives significant revenue from MetroTicket sales.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The general purpose financial report has been prepared in accordance with Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, Accounting Policy Statements issued by the Department of Treasury and Finance, Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views and other mandatory reporting requirements.

The accounts have been prepared on the accrual basis and in accordance with conventional historical cost principles except where detailed in the Notes to the Financial Statements.

(b) The Passenger Transport Board Reporting Entity

Controlled Resources

The financial report encompasses an interest bearing Special Deposit Account. The Board's principal source of funds consists of monies appropriated by Parliament.

Administered Resources

The Board administers but does not control certain resources on behalf of the Minister for Transport and the Attorney-General. It is accountable for the transactions involving these administered resources, but does not have the discretion to deploy these resources for the achievement of the Board's objectives.

Transactions and balances relating to these administered resources are not recognised as Board revenues, expenses, assets, or liabilities, but are disclosed in the Notes to the Financial Statements. (Refer Note 29).

(c) Recognition of Revenues

All revenues are measured at the fair value of the consideration received or receivable.

(i) User Charges and Fees

User charges and fees are recognised when the Board has passed control of the goods or services to the buyer.

(ii) Fines

Revenue from Expiation Notices is recognised when the cash is received, due to the nature of this item.

(iii) Contributions from Other Agencies

Contributions from other agencies are recognised when the Board has passed control of the goods or services to the buyer.

(iv) Interest

Interest revenue earned is recognised when the Board controls a right relating to the income from its investments.

(v) Other Revenues

Other revenues are recognised when the Board has passed control of the goods or services to the buyer.

(d) Appropriations

Appropriations from the Consolidated Account are recognised as revenue when the Board obtains control over the assets comprising the contributions. Control over appropriations is normally obtained upon their receipt.

Appropriations to the Board designated as 'equity contribution' are recognised directly in equity in accordance with Treasurer's Instruction 3 'Appropriation'.

(e) Non-Current Assets

The cost method of accounting is used for the initial recording of all acquisitions controlled by the Board. Cost is determined as the fair value of the assets which is represented by the purchase consideration plus costs incidental to the acquisition. Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Assets acquired at no cost, or for nominal consideration are initially recognised at their fair value at the date of acquisition.

Capital work in progress represents costs accumulated during the construction or development of an asset and is valued at cost.

(f) Revaluation of Non-Current Assets

In accordance with the transitional provisions of Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' the deprival value methodology has continued to be applied as the basis of valuing assets.

Assets are revalued every three years in accordance with the Department of Treasury and Finance Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets'.

Land was last revalued as at 30 June 2001.

Ticketing equipment was last revalued as at 30 June 2000.

(g) Depreciation 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 made on a regular basis for all assets with annual reassessments for major items.

Asset Class	**Useful Lives**
Public Transport Infrastructure	**Years**
Ticketing and radio equipment[(1)]	15
Bus stop information panels	7
Security equipment	7
Modbury Interchange	7
Other Interchanges	15
Plant and equipment:	
Computer equipment	3
Other plant and equipment	5
Furniture and fittings	7
Accessible taxi vehicles	8 - 12

(1) Ticketing equipment will be fully depreciated by November 2002. Equipment components purchased less than 15 years before this date are depreciated over a reduced period.

(h) Leases

The Board has entered into a number of operating lease agreements where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the periods in which they are incurred.

(i) Employee Entitlements

(i) Salaries and Annual Leave

Liabilities for salaries and annual leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employee's service to that date.

(ii) Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by Board employees to balance date. The liability has been calculated at nominal amounts based on current salary rates. The Department of Treasury and Finance have advised that a benchmark of eight years can be used as a shorthand estimation of long service leave liability in accordance with Accounting Standard AASB 1028 'Employee Benefits'. This advice has been adopted and the long service liability has been calculated on that basis.

(iii) Sick Leave

No provision has been made in respect of sick leave. As sick leave taken by employees is considered to be from the current year's accrual, no liability is recognised.

(iv) Superannuation

Contributions are made by the Board to several superannuation schemes operated by the State Government. 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.

(j) Provision for Doubtful Debts

A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date.

(k) Cash

For purposes of the Statement of Cash Flows, cash includes cash on hand and deposits with the Department of Treasury and Finance. Administered cash is reported separately.

(l) Inventories

Inventories consists of tickets held for sale or distribution. Inventories are valued at cost.

(m) Comparative Figures

The Board has adopted the presentation and disclosure requirements of Accounting Standards AASB 1018 'Statement of Financial Performance', AASB 1040 'Statement of Financial Position' and AASB 1034 'Financial Report Presentation and Disclosures'. In accordance with the requirements of these Standards, comparative amounts have been reclassified to comply with changes to the presentation format.

(n) Accounting for Goods and Services Tax (GST)

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST. Receivables and payables are stated with the amount of GST included.

The net GST payable/receivable from the Australian Taxation Office (ATO) has been recognised as a payable/receivable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST components of the cash flows arising from investing activities which are recoverable or payable to the ATO have been classified as operating cash flows.

3. Outputs of the Passenger Transport Board

The identity and purpose of each major output undertaken by the Board during the year is summarised as follows:

Output 1: Driver-Operator/Vehicle/Passenger Regulatory Services

The provision of services to ensure the efficient and effective licensing and accreditation of drivers and vehicles. Regulatory services provided include:

- accreditation of passenger service drivers and operators;
- establishing and enforcing regulations for taxis and passenger carrying vehicles;
- inspection and enforcement of stipulated driver, operator and passenger conduct.

Output 2: Public Transport Asset Maintenance

The provision of services to efficiently and effectively manage public transport infrastructure.

Output 3: Metropolitan Public Transport Services

The development and management of contracted passenger transport services, to ensure the provision of user friendly and affordable regular passenger transport services in the Adelaide metropolitan area.

Output 4: Regional Public Passenger Services

Regulation and partially funding passenger transport services within the country and regional areas, and fostering rural transport initiatives.

Output 5: Accessible Passenger Services

The provision of targeted transport assistance to groups with special needs by subsidising taxi travel (South Australian Transport Subsidy Scheme), provision of fully-accessible passenger transport and the contract management of Access Cabs.

Output 6: Strategic Plans

The development of strategic plans for the provision of passenger transport.

Output 7: Information and Advice to the Public and Industry

The provision of information to the public and industry in respect of all transport services, including the provision to customers of a comprehensive, centralised passenger transport information service that operates across a multi-modal and multi-operator metropolitan passenger transport system.

4. Payments for Service Contractors

Represents payments to Service Contractors to provide bus and rail passenger transport services in the metropolitan area. For the financial year, these payments were made to TransAdelaide, Serco, Torrens Transit, Australian Transit Enterprises and Transit Plus. Payments to the Department for Transport, Urban Planning and the Arts (DTUPA) for the provision of buses and depots to Contractors are included in this item.

The competitive tendering of the bus services in April 2000 resulted in substantial savings made to the cost of providing public transport. The savings achieved have been reinvested by the Board in public transport through the introduction of increased services and improved infrastructure.

The increase in Payments to Service Contractors in 2002 results from an increased and improved public transport services introduced throughout the Adelaide metropolitan area in July and September 2001.

Payments for Service Contractors comprise:	**2002**	2001
	$'000	$'000
Bus contract payments	**93 181**	88 401
Rail contract payments	**82 406**	77 311
Bus and depot leases	**33 032**	31 330
	208 619	197 042

5. Grants and Subsidies

Grants and subsidies comprise:		
Concessions for people with mobility difficulties (Transport Subsidy Scheme)	**7 534**	6 878
Subsidies provided for concessional travel in country route services and regional cities(1)	**2 998**	3 447
Regional cities bus operating subsidies	**1 015**	894
Disabilities Discrimination Act 1992 initiatives	**251**	31
Community passenger networks	**528**	407
Rail safety grant	**-**	3 301
	12 326	14 958

(1) During the year the MetroTicket boundary was extended to include Mt Barker and surrounding Districts. This resulted in a decrease in concessions claimed by the service operator as MetroTicket concessions are a component of the contract price paid to service contractors (Refer to Note 4).

6. Infrastructure, Administration and Service Costs

Infrastructure, administration and service costs include amounts provided to various parties for the provision of public transport infrastructure. These projects include land, Park and Ride facilities, car parks, pedestrian access crossing, various bus shelters, marketing initiatives and general administration and service costs.

Infrastructure, administration and service costs comprise:	**2002**	2001
	$'000	$'000
Infrastructure costs	**8 642**	4 381
Ticket network and timetable costs	**3 257**	2 950
Administration and service costs	**9 848**	9 965
	21 747	17 296

7. Employee Entitlements

(a) Employee Costs

Salaries	**4 688**	4 550
Superannuation and payroll tax expense	**939**	878
Annual leave expense	**439**	446
Long service leave expense	**218**	447
TVSP	**664**	107
Other employee related expenses	**50**	56
	6 998	6 484

(b) Provision for Employee Entitlements

Current Liabilities:		
Annual leave	**311**	313
Long service leave	**27**	43
	338	356
Non-Current Liabilities:		
Long service leave	**961**	868

8. Depreciation

Depreciation was charged in respect of:		
Public transport infrastructure	**2 216**	1 793
Plant and equipment	**565**	485
Accessible taxi vehicles	**12**	15
	2 793	2 293

9. User Charges, Fees and Fines

User charges, fees and fines comprise:		
MetroTicket sales	**48 870**	44 968
Accreditation of drivers and operators of passenger transport services	**1 169**	884
Country bus route licences	**40**	219
Sale of blank tickets to operators	**174**	301
Expiation notices	**144**	258
	50 397	46 630

10. Contributions from Other Agencies

Contributions from other agencies comprise:		
State Government reimbursements(1)	**27 848**	27 463
Home and Community Care	**305**	287
	28 153	27 750

(1) This item represents fare concession receipts from various State Government agencies to fund concessional travel provided to pensioners, the unemployed, and students on passenger transport in metropolitan and regional areas.

11. Other Revenue

Other Revenue comprises revenue derived from advertising on buses, recovery of targeted voluntary separation payments, sponsorship revenue and other minor receipts.

12. Deficit from Operating Activities

Due to savings and efficiencies, a significant surplus has been built up in previous years resulting in a high cash balance. As the Board's contribution to the budget process, a policy decision was taken to reduce the cash balance. This was partly achieved through a reduction in Appropriations from Government and a reduction in cash held by the Board.

13. Cash

Cash comprises:	**2002**	2001
	$'000	$'000
Section 21 Deposit Account	**10 848**	23 571
Cash on hand	**18**	17
Imprest Account held at BankSA	**5**	5
	10 871	23 593

14. Receivables

Receivables consists of:		
Debtors	**5 846**	3 411
Less: Provision for doubtful debts	**38**	38
	5 808	3 373
Accrued interest	**86**	82
	5 894	3 455

15. (a) *Property, Plant and Equipment*

Asset Class:	2002 Cost/ Valuation $'000	2002 Accumulated Depreciation $'000	2002 Written Down Value $'000	2001 Cost/ Valuation $'000	2001 Accumulated Depreciation $'000	2001 Written Down Value $'000
Public Transport Infrastructure assets:						
At valuation	**13 143**	**12 675**	**468**	13 143	11 546	1 597
At cost	**8 023**	**1 923**	**6 100**	3 529	836	2 693
Plant and equipment at cost	**2 947**	**1 651**	**1 296**	2 835	1 401	1 434
Accessible taxi vehicles:						
At valuation	**-**	**-**	**-**	242	242	-
At cost	**48**	**34**	**14**	145	106	39
Land at valuation	**2 129**	**-**	**2 129**	2 129	-	2 129
Land at cost	**1 040**	**-**	**1 040**	-	-	-
Work in progress at cost(1)	**642**	**-**	**642**	548	-	548
Totals	**27 972**	**16 283**	**11 689**	22 571	14 131	8 440

(1) Work in progress comprises costs in respect of public transport infrastructure assets.

(b) *Property, Plant and Equipment Movement Schedule* **2002**

	Land $'000	Public Transport Infrastructure Assets $'000	Plant and Equipment $'000	Accessible Vehicles $'000	Work in Progress $'000	**Total $'000**
Gross Carrying amount 1 July	2 129	16 672	2 835	387	548	**22 571**
Additions	1 040	4 494	427	-	642	**6 603**
Write offs	-	-	(315)	(339)	(548)	**(1 202)**
Balance as at 30 June	3 169	21 166	2 947	48	642	**27 972**
Accumulated depreciation 1 July	-	12 382	1 401	348	-	**14 131**
Accumulated depreciation of assets written off	-	-	(315)	(326)	-	**(641)**
Depreciation expense	-	2 216	565	12	-	**2 793**
Balance as at 30 June	-	14 598	1 651	34	-	**16 283**
Carrying Amount of Assets	3 169	6 568	1 296	14	642	**11 689**

16. Payables

Payables comprise creditors and accruals:	**2002 $'000**	2001 $'000
Service contractors	**2 524**	1 323
Grants and subsidies	**1 002**	1 924
Infrastructure, administration and service costs	**2 174**	2 151
Asset purchase	**269**	1 642
	5 969	7 040
Current liabilities	**5 857**	6 936
Non-Current liabilities	**112**	104
	5 969	7 040

17. Borrowings

The Board is responsible to the Department of Treasury and Finance for the payment of interest and the repayment of principal in respect of all loans. Borrowings relate to the transfer of the Crouzet ticketing equipment and bus radios from TransAdelaide.

The movement in borrowings is:

Balance 1 July	**3 849**	4 949
Borrowings	**1 319**	-
Repayments	**(1 100)**	(1 100)
Balance 30 June	**4 068**	3 849
Current Liabilities	**900**	1 100
Non-Current Liabilities	**3 168**	2 749
Balance 30 June	**4 068**	3 849

18. Changes in Equity

(a) *Accumulated Surplus*

The movement in accumulated surplus is:

Balance 1 July	**18 999**	18 538
(Deficit) Surplus from ordinary activities	**(9 393)**	461
Balance 30 June	**9 606**	18 999

(b) *Equity Contribution*

The movement in equity contribution is:

Balance 1 July	**4 000**	-
Appropriation	**5 800**	4 000
Balance 30 June	**9 800**	4 000

(c) *Asset Revaluation Reserve*

The movement in asset revaluation reserve is:

	Land		Public Transport Infrastructure		Total	
	2002	2001	**2002**	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Balance 1 July	**440**	414	**213**	213	**653**	627
Movement in reserve	**-**	26	**-**	-	**-**	26
Balance 30 June	**440**	440	**213**	213	**653**	653

19. Reconciliation of Net Cost of Services to Net Cash (used in) provided by Operating Activities

	2002	2001
	$'000	$'000
Net cost of services	**(170 546)**	(160 991)
Cash flows from government	**161 153**	161 452
Items not involving cash:		
Depreciation	**2 793**	2 293
Assets written off	**-**	115
Loss (Profit) on sale of assets	**14**	(7)
Asset acquired at no cost	**-**	(792)
Changes in operating assets and liabilities:		
Receivables	**(2 439)**	2 966
Inventories	**54**	10
Prepayments	**(2 718)**	-
Creditors and accruals	**302**	(3 778)
Provision for employee entitlements	**75**	401
Net Cash (used in) provided by Operating Activities	**(11 312)**	1 669

20. Disposal of Non-Current Assets

Proceeds from the disposal of non-current assets	**-**	7
Less: Written down value of non-current assets	**14**	-
Net (Loss) Profit	**(14)**	7

21. Operating Leases

Operating lease expenses comprise:

Bus and depots	**33 007**	31 330
Property	**1 631**	1 466
Motor vehicles	**303**	237
	34 941	33 033

22. Remuneration Benefits

(a) *Board Members' Remuneration*

The number of Members of the Board whose remuneration received or receivable falls within the following bands were:	**2002 Number of Members**	2001 Number of Members
$0 - $9 999	**1**	1
$10 000 - $19 999	**4**	4
$20 000 - $29 999	**1**	1

The aggregate remuneration received by Members was $103 000 ($92 000).

(b) *Executive Remuneration*

The number of employees whose remuneration received or receivable falls within the following bands were:	**2002 Number of Employees**	2001 Number of Employees
$100 000 - $109 999	**2**	2
$110 000 - $119 999	**-**	1
$130 000 - $139 999	**1**	1
$150 000 - $159 999	**-**	1
$180 000 - $189 999	**1**	-

The aggregate remuneration received by these employees was $537 000 ($608 000).

23. Targeted Voluntary Separation Package (TVSP) Scheme

	2002 Number of Employees	2001 Number of Employees
Number of employees paid TVSPs	**8**	1
Amounts paid to these employees:	**$'000**	$'000
TVSP	**664**	107
Accrued annual leave and long service leave	**154**	43
	818	150
Amount recovered from the Department of the Premier and Cabinet	**664**	107

24. Remuneration of Auditors

The amount due to and receivable by the Auditor-General's Department for auditing the accounts for the year was $53 000 ($51 000). The auditors received no other benefits.

25. Related Party Transactions

The names of the persons who were Board Members of the Passenger Transport Board during the financial year are as follows:

D Egen	R J Payze
N J Buddle	G J Crafter
H M I'Anson	J Bell

N J Buddle has declared an interest through her employment by Austereo Pty Ltd, a major sponsor of Skyshow. The Board funds and promotes the use of public transport services to this event. No other Member or employee has declared any interests in contracts involving the Board during the 2001-02 financial year.

The Members of the Board have transactions with the Board that occur within a normal employee, 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 transaction were undertaken with any other entity at arm's length in similar circumstances.

26. Consultancies

During the year the Board engaged 6 (20) consultants to assist in its operations. The cost of these consultancies was $50 000 ($213 000).

The number of consultancies whose payments fell within the following bands were:	**2002 Number of Consultancies**	2001 Number of Consultancies
$0 - $10 000	**5**	16
$10 001 - $50 000	**1**	4

27. Commitments

Operating Leases Payable	**2002 $'000**	2001 $'000
Not later than one year	**30 501**	31 654
Later than one year and not later than five years	**50 491**	106 228
Later than five years	**11 652**	197
	92 644	138 079

The Board leases depots and buses, property for office accommodation and motor vehicles.

Since the commencement of the seven new metropolitan bus contracts, the Board has had the responsibility for payment to DTUPA for the leases of buses and depots. The Board receives as part of its Parliamentary appropriation an equivalent amount of funding to cover these commitments.

Terms for property leases vary up to 40 years with rents payable monthly in advance. Rental provisions within the lease agreements require lease payments be reviewed and amended in line with movements in market rental values or CPI. An option exists to renew some of the leases at the end of the lease term.

Motor vehicles are leased for two or three year terms with lease payments reviewed annually.

28. Agreements Equally and Proportionately Unperformed

The Board has entered into a number of contracts with service providers of metropolitan transport services. The contract areas, service providers and contract expiry dates are as follows:

Contract Area	**Service Provider**	**Contract Expiry Date**
Aldinga Region	Australian Transit Enterprises (ATE)	23 April 2005
Outer South	ATE	23 April 2005
North South	Serco	23 April 2005
Outer North	Serco	23 April 2005
Outer North East	Serco	23 April 2005
East West	Torrens Transit	23 April 2005
City Free	Torrens Transit	23 April 2005
Adelaide Hills	Transit Plus	23 April 2005
Mt Barker Region	Transit Plus	23 April 2005
Rail Services	TransAdelaide	1 July 2005

Agreements equally and proportionately unperformed (AEPUs) as at 30 June are as follows:	**2002 $'000**	2001 $'000
Not later than one year	**172 543**	165 641
Later than one year but not later than five years	**328 084**	480 679
	500 627	646 320

The AEPUs have been calculated by extrapolating contract payments for each contract area during 2001-02 to the contract expiry date. Contract payments are based on the contract funding formula which includes a fixed component plus an incentive component to reward increased patronage.

These AEPUs are not recognised in the financial report.

29. Administered Items

(a) *Passenger Transport Research and Development Fund*

Pursuant to section 62 of the *Passenger Transport Act 1994*, the Board administers on behalf of the Minister for Transport, the Passenger Transport Research and Development Fund (an interest bearing Deposit Account at the Department of Treasury and Finance).

The Fund may be applied by the Minister in consultation with the Board:

(i) for the purpose of carrying out research into the taxi-cab industry; or
(ii) for the purpose of promoting the taxi-cab industry; or
(iii) for any other purpose considered by the Minister and the Board to be beneficial to the travelling public, in the interests of the passenger transport industry, and an appropriate application of money standing to the credit of the Fund.

	2002 $'000	2001 $'000
Balance at 1 July	**1 982**	2 075
Add: Receipts during the year	**78**	119
Less: Payments during the year	**677**	212
Balance at 30 June	**1 383**	1 982

(b) *Criminal Injuries Compensation Levy*

In accordance with the *Expiation of Offences Act 1996*, and on behalf of the Attorney-General's Department, the Board collects criminal injuries compensation levies. For 2001-02, the amount collected and paid to the Attorney-General's Criminal Injuries Compensation Fund was $4 000 ($10 000).

30. Financial Instruments

(a) *Terms, Conditions and Accounting Policies*

Financial Instrument	Note	Accounting Policies and Methods (including Recognition Criteria and Measurement Basis)	Nature of Underlying Instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial Assets			
Cash	13	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	The Board invests surplus funds with the Department of Treasury and Finance in a Special Deposit Account. Interest is paid quarterly on the average daily balance of the account at an interest rate determined by the Treasurer for the balance up to the PTB level of borrowings and at the average 90 day bank bill rate for the balance over the level of borrowings. For the quarter ended 31 May 2002 the interest rate earned was 6.0 percent (the Common Public Sector Interest Rate) and the overnight cash deposit rate was 4.17 percent.
Receivables	14	These receivables are recognised at the nominal amounts due less any provision for doubtful debts. Collectability of debts is reviewed at balance date. Amounts are recognised when services are provided.	Standard credit terms are net 30 days.
Loan Receivable		This loan is recognised at its nominal value.	This working capital loan is repayable on demand and is free of interest.
Financial Liabilities			
Payables	16	Creditors and accruals are recognised at their nominal amounts. Liabilities are recognised to the extent that goods and services have been received.	Creditors are paid within 30 days.
Borrowings	17	Borrowings are recognised at their nominal amounts.	Borrowings relate to borrowings from the Department of Treasury and Finance. Interest is paid quarterly at a rate determined by the Treasurer. For the quarter ended 31 May 2002 the interest rate was 6.0 percent (the Common Public Sector Interest Rate). A guarantee fee charge is also paid to the Department of Treasury and Finance on these borrowings at the annual rate of 0.75 percent. No maturity date exists for these borrowings.

(b) *Interest Rate Risk*

		2002				2001			
Financial Instrument		**Floating Interest Rate**	**Non-Interest Bearing**	**Total**	**Weighted Average Effective Interest Rate**	Floating Interest Rate	Non-Interest Bearing	Total	Weighted Average Effective Interest Rate
Financial Assets (Controlled):	Note	**$'000**	**$'000**	**$'000**	**Percent**	$'000	$'000	$'000	Percent
Cash	13	**10 853**	**18**	**10 871**	**5.8**	23 576	17	23 593	6.4
Receivables	14	**-**	**5 894**	**5 894**	**-**	-	3 455	3 455	-
Loan receivable		**-**	**40**	**40**	**-**	-	40	40	-
Total Financial Assets		**10 853**	**5 952**	**16 805**		23 576	3 512	27 088	
Total Assets				**31 395**				35 765	

(b) Interest Rate Risk (continued)

		2002				2001			
Financial Assets (Administered):	Note	**Floating Interest Rate $'000**	**Non-Interest Bearing $'000**	**Total $'000**	**Weighted Average Effective Interest Rate Percent**	Floating Interest Rate $'000	Non-Interest Bearing $'000	Total $'000	Weighted Average Effective Interest Rate Percent
Cash	29	**1 383**	**-**	**1 383**	**4.3**	1 982	-	1 982	5.7
Financial Liabilities (Controlled):									
Payables	16	**-**	**5 969**	**5 969**	**-**	-	7 040	7 040	-
Borrowings	17	**4 068**	**-**	**4 068**	**6.9**	3 849	-	3 849	8.9
Total Financial Liabilities		**4 068**	**5 969**	**10 037**		3 849	7 040	10 889	
Total Liabilities				**11 336**				12 113	

(c) Net Fair Values of Financial Assets and Liabilities

The net fair values of the financial assets and liabilities in these accounts approximate their carrying values.

(d) Credit Risk Exposure

The Board's maximum credit risk exposure at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

TRANSADELAIDE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

TransAdelaide (Corporate Structure) Act 1998

On 14 January 1999 the *TransAdelaide (Corporate Structure) Act 1998* (the Act) was proclaimed. The Act provides for the continuation of TransAdelaide as a statutory corporation to which the provisions of the *Public Corporations Act 1993* apply.

Pursuant to the Act, TransAdelaide continues in existence and is subject to control and direction by the Minister for Transport.

The Act establishes a Board of Directors as the governing body of TransAdelaide.

TransAdelaide is the ultimate controlling parent entity of AUSTRICS established pursuant to Regulations under the *Public Corporations Act 1993*. Commentary on AUSTRICS' principal business activities and financial results is provided later under the heading 'Controlled Entity Operations'.

On 28 May 2000 a Joint Venture Agreement was established between TransAdelaide and Australian Transit Enterprises Pty Ltd (ATE) to manage a bus contract entered into with the Passenger Transport Board. The joint venture is known as the 'Adelaide Hills' joint venture. Further commentary on the joint venture relationship is included later under the heading 'Joint Venture Relationship'.

Objectives and Functions

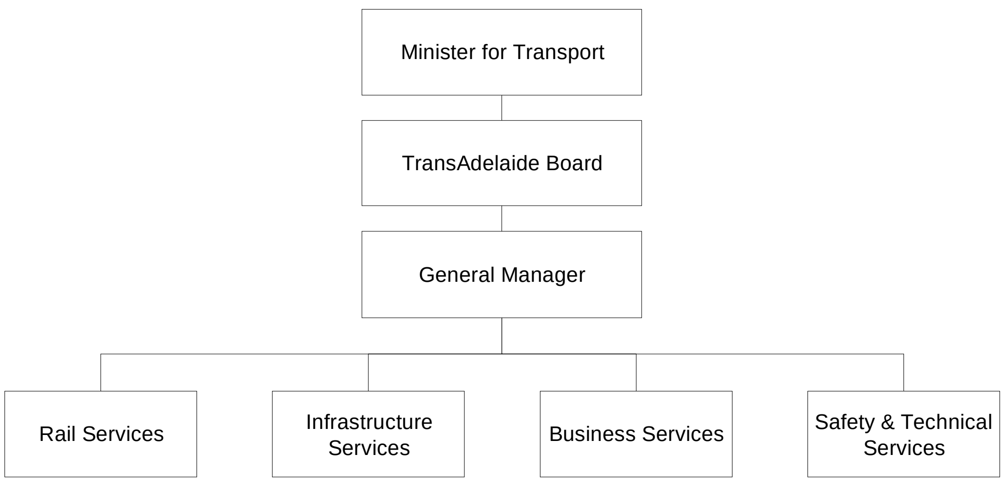
TransAdelaide's primary functions are to provide rail passenger transport services under a rail contract; and to act as the custodian of the State's rail passenger transport infrastructure.

In carrying out these functions, TransAdelaide's key objectives are to:

- ensure efficient, relevant and reliable rail passenger transport services are provided to its customers;
- undertake activities which build customer support and use of the rail passenger transport system;
- maintain infrastructure to a standard that ensures the efficient, safe and reliable delivery of rail passenger transport services.

Organisational Structure

The organisational structure of TransAdelaide is illustrated in the following diagram.



Contract to provide Passenger Transport Services

In December 2000 TransAdelaide re-negotiated an agreement with the Passenger Transport Board for the provision of rail (ie train and tram) passenger transport services. The term of the agreement is five years with a right of renewal for a further five years.

On 23 April 2000 TransAdelaide ceased providing bus transport services in its own right. Notwithstanding this, TransAdelaide retains an interest in one contract with the Passenger Transport Board for the provision of bus passenger transport services through its involvement with the Adelaide Hills joint venture.

Further commentary relating to passenger transport contracts is detailed later under the heading 'Interpretation and Analysis of Financial Statements'.

SIGNIFICANT FEATURES

TransAdelaide

TransAdelaide (the parent entity) made a loss from ordinary activities before income tax expense of $11.5 million ($3.1 million loss).

Net cash provided by operating activities, $17.6 million ($29 million) plus a decrease in cash of $6.3 million was applied primarily towards the:

- purchase of non-current assets $18.8 million ($12.3 million)
- repayment of borrowings $6.7 million ($16.5 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 32(4) of the *Public Corporations Act 1993* provides for the Auditor-General to audit the accounts of TransAdelaide in respect of each financial year. The authority for the Auditor-General to audit the subsidiary of TransAdelaide is provided by subclause 13(3) of the Schedule to the *Public Corporations Act 1993*.

Scope of Audit

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

The scope of the audit for 2001-02 included:

- payroll
- accounts payable including a review of corporate credit cards
- Passenger Transport Board revenue
- other revenue
- receipting and banking
- accounts receivable
- non-current assets
- inventory management.

In addition to the above, a review was undertaken of controls in relation to TransAdelaide's Contract Administration and Procurement functions. This review was undertaken as part of an across government review of procurement arrangements being conducted by the Auditor-General.

Audit Communications to Management

During the year Audit forwarded to the General Manager a management letter conveying the scope of the audit and the findings arising from the audit. The findings were also provided to the Finance and Audit Committee and are further commented on under 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The audit of TransAdelaide's general control environment identified opportunities to enhance existing controls. In particular, Audit noted that TransAdelaide has undergone a significant level of change resulting from the government policy of competitive tendering for public transport services. This change has resulted in:

- a shift in principal business activity;
- a significant reduction in staff numbers;
- changes to key personnel resulting in the loss of experience and knowledge.

Audit observed that the significant reduction in staff numbers and the resultant loss of experience and knowledge impacted on the control environment to the extent that there was scope to enhance independent checking procedures and reconciliation processes relating to some of its financial operations.

Audit Findings — Procurement Review

As mentioned previously, a review was undertaken of controls in relation to TransAdelaide's Contract Administration and Procurement functions. This review was undertaken as part of an across government review of procurement arrangements being conducted by the Auditor-General. The review focused upon the:

- provision and availability of comprehensive policy and procedural guidelines;
- quality of execution of aspects of tendering and contracting;
- extent of waivers of competitive processes and the reporting arrangements associated with this matter.

The review identified that:

- no written policies were established in relation to contract formation and management covering such matters as procurement planning, bid document preparation, invitation process, evaluation, selection and award and contract administration;

- no processes were implemented regarding review of compliance with policies once established;

- the contract register was not reviewed to ensure that it is up to date and contains all current contract information;

- the tender register was not reviewed and updated to reflect the current status of all tenders called;

- no minutes were kept of Tender Evaluation Team Meetings to formally document and support the decisions made.

A satisfactory response was received to the matters raised and the Corporation responded to the effect that it has established procurement policies and procedures, developed procedures to coordinate compliance with policies, the contract register has been updated, the tender register is up to date and minutes will be maintained of the Tender Evaluation Team Meetings.

Finance and Audit Committee

Section 31 of the *Public Corporations Act 1993*, requires a public corporation to establish an Audit Committee and that the composition of the committee include members of the corporation Board.

In accordance with the above requirements TransAdelaide has established a Finance and Audit Committee whose membership comprises TransAdelaide Board members.

The primary function of the Finance and Audit Committee as outlined in the Finance and Audit Committee Charter 'is to assist the Board in effectively fulfilling responsibilities for financial management and reporting, risk management, internal control and achieving good corporate governance'.

The General Manager attends the Finance and Audit Committee meetings in an ex-officio capacity. Audit representatives attend Finance and Audit Committee meetings as observers.

Internal Audit

In accordance with section 31 of the *Public Corporations Act 1993*, TransAdelaide has established an internal audit function. The authority and responsibility of the internal audit function are detailed in the Internal Audit Charter. The objective of the internal audit function, as set out in the Charter, is to provide an independent review of all aspects of TransAdelaide's activities, including administrative controls and procedures, and to assist management in the effective discharge of its responsibilities.

TransAdelaide has contracted out its internal audit function.

In the previous year, internal audit conducted a review of the Corporation's risk profiles and risk mitigation strategies. The outcome of this risk review combined with requirements from the Finance and Audit Committee formed the basis of the internal audit plan. The risk profiles and risk mitigation strategies were revised during the year.

Internal audit reports are provided to the General Manager and the Finance and Audit Committee.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of TransAdelaide included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by TransAdelaide 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 outlined under 'Audit Findings and Comments', were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Contract Income

Passenger Transport Contracts

The passenger transport contracts require TransAdelaide to provide passenger services in the specified service area in return for contract payments. The contract payments are based on a fixed component plus an incentive component based on patronage. There are also penalties for late running. All ticket revenue collected by TransAdelaide is remitted to the Passenger Transport Board.

In addition, under the contracts TransAdelaide must maintain public liability insurance, comprehensive motor vehicle insurance and compulsory third party insurance.

Financial Dependence

Income, $82.9 million ($77.5 million) from the Passenger Transport Board relating to contracts for the provision of passenger services represented 82 percent, (74 percent), of TransAdelaide's revenue from ordinary activities. The reliance on contract payments creates a high degree of financial dependency on the Passenger Transport Board. This dependency has been recognised in Note 1 to the Financial Statements.

Consolidated Statement of Financial Performance

Consolidated Result from Ordinary Activities

The Economic Entity made a consolidated loss from ordinary activities before income tax of $12 million (loss of $3 million). This reflects mainly a loss on sale/disposal of non-current assets of $12.1 million. The loss on sale/disposal includes the transfer of the Corporation's control of its half interest in the Belair line to the Australian Railways Track Corporation for nil consideration, in accordance with an agreement between State and Federal Ministers in 1999.

Consolidated Statement of Financial Position

Assets

Total rollingstock, property, plant and equipment and work in progress non current assets decreased by $13.7 million which reflects additions of $19.5 million, offset by the depreciation charge of $19.9 million and the written down value of assets sold/disposed of $13.3 million.

Liabilities

Interest bearing liabilities decreased by $6.5 million reflecting the repayment of borrowings from the South Australian Government Financing Authority.

Controlled Entity Operations

AUSTRICS

AUSTRICS is a wholly-owned subsidiary of TransAdelaide established by regulations under the *Public Corporations Act 1993*.

Principal Business Activities

The regulations establish AUSTRICS as a body corporate with board members being appointed by TransAdelaide. The functions of the subsidiary are to carry out research and to develop computer software and associated products within TransAdelaide's area of expertise, to market and to promote these products domestically and internationally, to provide consultancy and other services, and any other function conferred by TransAdelaide.

Audit Observations and Comments

The results of the audit indicated that the control environment within AUSTRICS was satisfactory.

Financial Results

For the 2001-02 financial year AUSTRICS achieved a loss from ordinary activities before income tax of $505 000 (profit $38 000).

A summary of AUSTRICS financial performance and financial position is detailed below:

	2002	2001
Financial Performance:	**$'000**	$'000
Revenues from ordinary activities	**2 439**	2 307
Expenses from ordinary activities	**2 944**	2 269
(Loss) Profit from ordinary activities before income tax	**(505)**	38
Income tax benefit (expense) relating to ordinary activities	**119**	(30)
NET (LOSS) PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX	**(386)**	8
Financial Position:		
Total Assets	**1 843**	1 382
Total Liabilities*	**1 880**	1 033
NET (DEFICIENCY) ASSETS	**(37)**	349
TOTAL (DEFICIENCY) EQUITY	**(37)**	349

* Includes borrowings of $500 000 owed to TransAdelaide.

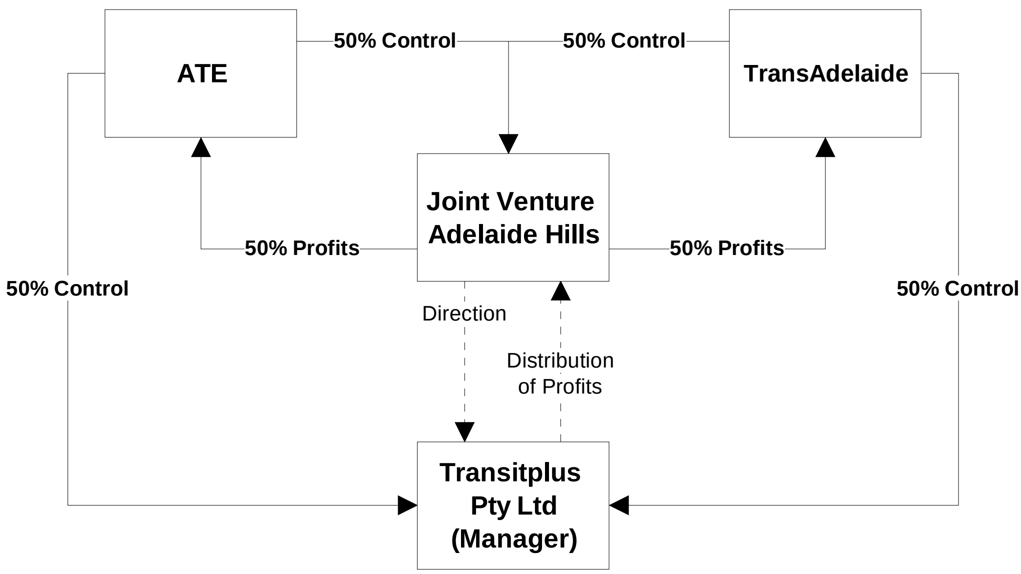
Joint Venture Relationship

ADELAIDE HILLS

In 1999-2000 TransAdelaide and Australian Transit Enterprises Pty Ltd (ATE) equally invested capital to form a company called Transitplus Pty Ltd to bid for passenger service contracts in the Adelaide Hills. Transitplus Pty Ltd was awarded a contract for the provision of bus passenger transport services in the Hills metroticket area and the Mount Barker country area.

Transitplus Pty Ltd's operations are governed by the *Corporations Act 2001* and a Board comprising two representatives each from TransAdelaide and ATE. The nature and scope of its activities are defined within the Transitplus Pty Ltd constitution.

The following diagram illustrates the joint venture relationship:



The economic entity has brought to account $792 000 for its share of net profit from the joint venture.

Statement of Financial Performance for the year ended 30 June 2002

	Note	Economic Entity 2002 $'000	Economic Entity 2001 $'000	Parent Entity 2002 $'000	Parent Entity 2001 $'000
REVENUE FROM ORDINARY ACTIVITIES	4	**102 950**	106 547	**100 646**	104 638
EXPENSES FROM ORDINARY ACTIVITIES:					
Employee benefits expense		**34 136**	43 869	**32 395**	42 696
Other supplies and services expense		**32 227**	24 935	**31 462**	24 456
Separation package and incentive payment		**1 132**	1 772	**1 132**	1 772
Bad and doubtful debts		**(45)**	171	**(80)**	126
Depreciation and amortisation expense	5	**19 879**	17 558	**19 824**	17 514
Loss on sale/disposal of assets	6	**12 095**	1 775	**12 092**	1 775
Movement in employee entitlements provisions	7	**3 803**	3 663	**3 618**	3 567
Other expenses from ordinary activities		**4 983**	5 470	**4 958**	5 457
Borrowing costs expense	8	**7 575**	11 009	**7 575**	10 988
Total Expenses		**115 785**	110 222	**112 976**	108 351
Share of net profits from associates and joint ventures accounted for using the equity method		**792**	687	**834**	641
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		**(12 043)**	(2 988)	**(11 496)**	(3 072)
INCOME TAX BENEFIT (EXPENSE) RELATING TO ORDINARY ACTIVITIES	9	**3 710**	1 110	**3 590**	1 140
PROFIT(LOSS) FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE	11	**(8 333)**	(1 878)	**(7 906)**	(1 932)
Increase (Decrease) in the asset revaluation reserve	10	**88**	88 414	**88**	88 414
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**(8 245)**	86 536	**(7 818)**	86 482

Statement of Financial Position as at 30 June 2002

	Note	Economic Entity 2002 $'000	Economic Entity 2001 $'000	Parent Entity 2002 $'000	Parent Entity 2001 $'000
ASSETS:					
CURRENT ASSETS:					
Cash assets	14	**15 794**	21 825	**15 248**	21 516
Receivables	12	**5 401**	5 714	**5 025**	4 911
Stores inventories	19	**3 146**	2 460	**3 146**	2 460
Work in progress		**70**	59	**70**	59
Dividend receivable		**224**	174	**224**	174
Total Current Assets		**24 635**	30 232	**23 713**	29 120
NON-CURRENT ASSETS:					
Rollingstock	13	**216 074**	219 060	**216 074**	219 060
Property, plant and equipment	13	**406 875**	406 176	**406 220**	406 000
Work in progress	13	**3 974**	15 377	**3 974**	15 377
Investment in related entities	3	**204**	246	**3 779**	3 663
Future income tax benefit		**17 775**	15 300	**17 572**	15 216
Total Non-Current Assets		**644 902**	656 159	**647 619**	659 316
Total Assets		**669 537**	686 391	**671 332**	688 436
LIABILITIES:					
CURRENT LIABILITIES:					
Interest bearing liabilities	15	**5 381**	5 381	**5 381**	5 381
Payables		**17 427**	18 819	**16 379**	18 340
Provisions	18	**9 553**	9 564	**9 435**	9 488
Total Current Liabilities		**32 361**	33 764	**31 195**	33 209
NON-CURRENT LIABILITIES:					
Interest bearing liabilities	15	**101 796**	108 322	**101 796**	108 322
Provisions	18	**18 390**	17 483	**18 239**	17 398
Provision for deferred income tax		**9 294**	10 528	**9 294**	10 528
Total Non-Current Liabilities		**129 480**	136 333	**129 329**	136 248
Total Liabilities		**161 841**	170 097	**160 524**	169 457
NET ASSETS		**507 696**	516 294	**510 808**	518 979
EQUITY:					
Reserves	10	**391 506**	402 158	**391 506**	402 158
Retained profits	11	**116 190**	114 136	**119 302**	116 821
TOTAL EQUITY		**507 696**	516 294	**510 808**	518 979
Commitments	16,17,20				
Contingent Liabilities	28				

Statement of Cash Flows for the year ended 30 June 2002

		Economic Entity		Parent Entity	
		2002	2001	**2002**	2001
		Inflows	Inflows	**Inflows**	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		**(Outflows)**	(Outflows)	**(Outflows)**	(Outflows)
RECEIPTS:	Note	**$'000**	$'000	**$'000**	$'000
Sales of goods and services		**93 713**	99 593	**90 656**	98 096
Government funding		**7 870**	11 338	**7 870**	11 338
Separation packages and incentive payment recoveries		**1 377**	3 903	**1 377**	3 903
Investment revenues		**1 319**	1 724	**1 310**	1 724
Other receipts		**49**	73	**-**	-
Total Receipts		**104 328**	116 631	**101 213**	115 061
PAYMENTS:					
Wages and salaries		**(37 519)**	(45 906)	**(35 824)**	(44 561)
Separation packages and incentive payments		**(1 132)**	(1 772)	**(1 132)**	(1 772)
Goods and services		**(39 648)**	(28 975)	**(38 886)**	(28 496)
Interest on borrowings		**(7 572)**	(11 038)	**(7 572)**	(11 017)
Interest on leases		**(197)**	(175)	**(197)**	(175)
Income tax		**-**	-	**-**	-
Total Payments		**(86 068)**	(87 866)	**(83 611)**	(86 021)
Net Cash provided by Operating Activities	14(a)	**18 260**	28 765	**17 602**	29 040
CASH FLOWS FROM INVESTING ACTIVITIES:					
RECEIPTS:					
Dividend receipts		**784**	467	**784**	467
Increase in lease liability		**193**	170	**193**	170
Proceeds from asset sales		**1 166**	1 575	**1 166**	1 575
Investment in related entities		**27**	50	**27**	148
Total Receipts		**2 170**	2 262	**2 170**	2 360
PAYMENTS:					
Purchase of non-current assets		**(19 362)**	(12 308)	**(18 824)**	(12 259)
Investment in related entities		**(27)**	-	**(144)**	-
Costs associated with property sales		**-**	(134)	**-**	(134)
Total Payments		**(19 389)**	(12 442)	**(18 968)**	(12 393)
Net Cash used in Investing Activities		**(17 219)**	(10 180)	**(16 798)**	(10 033)
CASH FLOWS FROM FINANCING ACTIVITIES:					
PAYMENTS:					
Dividend payments		**(353)**	-	**(353)**	-
Repayment of borrowings		**(6 719)**	(16 503)	**(6 719)**	(16 503)
Total Payments		**(7 072)**	(16 503)	**(7 072)**	(16 503)
Net Cash used in Financing Activities		**(7 072)**	(16 503)	**(7 072)**	(16 503)
NET (DECREASE) INCREASE IN CASH		**(6 031)**	2 082	**(6 268)**	2 504
CASH AT 1 JULY		**21 825**	19 743	**21 516**	19 012
CASH AT 30 JUNE	14	**15 794**	21 825	**15 248**	21 516

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Introduction

TransAdelaide was established as a Public Authority under the *TransAdelaide (Corporate Structure) Act 1998* in January 1999. As a result, the TransAdelaide Board have endorsed the preparation of one set of financial statements and statutory accounts for the financial year ended 30 June 2002. TransAdelaide has one wholly owned subsidiary that was established under the *Public Corporations Act 1993*, being AUSTRICS. TransAdelaide also has a 50 percent interest in Transitplus Pty Ltd, a joint venture entity established for the provision of bus services through the Adelaide Hills.

1.1 Economic Dependency and Going Concern

The Economic Entity is dependent on contract payments from the Passenger Transport Board relating to the provision of train and tram services in the Adelaide metropolitan area.

2. Statement of Significant Accounting Policies

2.1 General

The financial statements are a General Purpose Financial Report which has been prepared in accordance with the Statements of Accounting Concepts, applicable Australian Accounting Standards, other mandatory reporting requirements (Urgent Issues Group Consensus Views), the Department of Treasury and Finance Accounting Policy Statements and Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*. In the case of a conflict between the abovementioned standards and policies, the Department of Treasury and Finance Accounting Policy Statements and Treasurer's Instructions take precedent.

The Financial Report has been prepared in accordance with the historical cost convention, with the exception of non-current assets. Non-current assets are primarily valued applying the deprival method of valuation, as per the Department of Treasury and Finance Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets'. Where the deprival value has not been adopted, historical cost has been used.

These accounting policies have been consistently applied by each Entity in the Economic Entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

2.2 Principles of Consolidation

The consolidated financial statements of the Economic Entity include the financial statements of the Parent Entity, being TransAdelaide and its controlled entity, AUSTRICS (the Economic Entity). All inter-entity balances and transactions have been eliminated as at the reporting date in line with Accounting Standard AASB 1024, 'Consolidated Accounts'.

Joint Ventures

In TransAdelaide's financial statements the investment in the joint venture entity is carried at the lower of cost and recoverable amount. The consolidated entity's share of the joint venture entity's net profit or loss is recognised in the consolidated Statement of Financial Performance from the date joint control commenced.

2.3 Recognition of Revenue

Sales of services represent:

- Contract Income earned from the provision of passenger transport services provided on behalf of the Passenger Transport Board.
- Other revenue earned from the provision of products, advertising and property to entities outside the Economic Entity.

All revenue is recognised when the service is provided.

2.4 Taxation Equivalents

The economic entity adopts the liability method of tax-effect accounting for income tax equivalents whereby the income tax expense is based on the net profit (loss) from operating activities adjusted for any permanent differences. Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the assumption that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by relevant legislation.

The economic entity is also required to pay land tax and council rate equivalents. Land tax and council rate equivalents have been calculated by the Department of Treasury and Finance, based on valuations supplied by the Valuer-General.

2.5 Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

2.6 Financial Instruments Included in Liabilities

All financial instruments included within the liabilities category are recognised when they are incurred.

2.7 Financial Instruments Included in Assets

Receivables are initially recorded at the current value of the sales proceeds.

Provision for doubtful debts is recognised to the extent the recovery of outstanding amounts is less than likely. The provision is based on a review of all outstanding amounts at balance date.

Dividend revenue is recognised when dividends are declared.

Investment in the subsidiary and the joint venture is included at cost.

2.8 Non-Current Assets

(a) Basis of Valuation

Rolling stock, property, rail and tram infrastructure and major plant and equipment are included at deprival value. Minor plant and equipment are included at cost. Valuations are provided by either an independent valuer, by the Valuer-General or at a Directors' valuation in accordance with applicable Accounting Policy Statements.

The cost of property, plant and equipment constructed by the Economic Entity includes the cost of materials and direct labour and an appropriate proportion of fixed and variable overheads.

(b) *Revaluations*

Under Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets', each class of non-current assets are required to be measured on either the cost of fair value basis. No classes of non-current assets were re-valued as at 30 June 2002. Values are based on fair value from previous re-valuations or improvements during 2001-02 at cost.

(c) *Disposal of Revalued Assets*

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the Profit (Loss) from Ordinary Activities in the year of disposal.

Where a revalued asset is disposed of, the balance of the Asset Revaluation Reserve which relates to that asset has been transferred from the Asset Revaluation Reserve to retained profits to convert an unrealised gain to a realised status. (Refer Note 10).

(d) *Depreciation and Amortisation*

Rollingstock, property, plant and equipment, including buildings and leasehold property, but excluding freehold land are depreciated/amortised over their estimated useful lives using the straight-line method.

Assets are depreciated or amortised from the date of acquisition.

Estimated useful lives applicable to each class of asset is detailed below:

	Useful Life Range
Rollingstock:	(Years)
Railcars	30 - 42
Tramcars	20 -80
Buildings	50
Permanent way	20 - 125
Machinery, plant and equipment	3 - 15
Artworks	99

(e) *Leases*

Leases of plant and equipment, under which TransAdelaide or its controlled entity assume substantially all the risks and benefits of ownership, are classified as finance leases. Other leases are classified as operating leases.

(i) Finance Leases

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Capitalised leased assets are amortised on a straight-line basis over the term of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the Statement of Financial Performance. (Refer Note 16).

(ii) Operating Leases

Lease payments for assets under leasing agreements where the risk and rewards incidental to ownership rest with the lessor (operating lease), are treated as expenses. (Refer Note 17).

2.9 Inventories

Stores inventories are valued on a weighted average cost basis. As they are only held for use in providing services, net realisable value, as specified in Australian Accounting Standard AASB 1019, 'Inventories' is not applicable.

2.10 Work in Progress

Work in progress is valued at cost plus on-charges.

2.11 Receivables

Trade Debtors to be settled in 30 days are carried at amounts due. The collectibility is assessed at balance date and specific provision is made for any doubtful amounts.

2.12 Employee Entitlements

(a) *Annual Leave*

Liabilities arising in relation to Annual Leave are accrued on the basis of statutory or contractual obligations. On-costs associated with this provision are included as a payable in the Statement of Financial Position as per the Department of Treasury and Finance Accounting Policy Statement APS 9, 'Employee Entitlements'.

(b) *Long Service Leave*

Entitlements to Long Service Leave are based on legislation applicable to Government employees. Provision has been made for those employees who have completed seven or more years service with Government. In addition, an actuarial based provision for employees with less than seven years service at 30 June 2002 has been made. On-costs associated with this provision are included as a payable in the Statement of Financial Position as per APS 9.

(c) *Retiring and Death Gratuity*

Provision is made for the Retiring and Death Gratuity payable under a scheme, which applies to daily paid employees of the former Municipal Tramways Trust. The amount provided covers benefits accrued to all members of the scheme.

(d) *Workers Compensation*
A provision has been established relating to claims under the *Workers Rehabilitation and Compensation Act 1986* and the repealed *Workers Compensation Act 1971*.

(e) *Superannuation*
During 2001-02 the Economic Entity paid amounts to the Department of Treasury and Finance towards the accruing Government liability for superannuation in respect of its employees.

There is no liability for payments to beneficiaries as they have been assumed by the superannuation funds.

(f) *Sick Leave*
No provision has been made for sick leave as entitlements are non-vesting and it is considered leave is taken from the current year's accrual.

2.13 Insurance
TransAdelaide is self-insured for the following risks:

- Workers compensation claims;
- Public liability claims relating to all self owned assets, except for claims covered by Motor Accident Commission insurance;
- Property claims for all self owned assets.

The above self-insurance (excluding workers compensation) is for amounts up to $1 million for the total of each incident. Insurance cover for amounts above $1 million is arranged through the South Australian Government Captive Insurance Corporation (SAICORP). In addition, insurance cover has been arranged with AON Insurance Services in relation to the Adelaide Railway Station building.

AUSTRICS is externally insured for a proportion of the risks associated with workers compensation.

2.14 Research and Development Costs
Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is deferred.

2.15 Rounding Off
Amounts included in the financial report have been rounded off to the nearest thousand dollars unless otherwise stated.

3. Investment in Related Entities

	Ownership Interest		Investment at Cost	
	2002	2001	**2002**	2001
Controlled Entities:	**Percent**	Percent	**$'000**	$'000
AUSTRICS	**100**	100	**3 079**	3 079
Joint Venture:				
Transitplus Pty Ltd	**50**	50	**200**	200
Loans to Related Entities:				
AUSTRICS			**500**	384
Investment in Related Entities			**3 779**	3 663

Principal Activities
AUSTRICS - Software marketing and development.
Transitplus Pty Ltd - Provision of bus services.

Investment in Transitplus Pty Ltd	Economic Entity		Parent Entity	
	2002	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000
Carrying amount at 1 July 2001	**246**	1 225	**200**	1 225
Valuation increment (decrement)	**-**	(975)	**-**	(975)
Share of net profit less dividends received	**(42)**	46	**-**	-
Capital contributions	**-**	(50)	**-**	(50)
Carrying Amount at 30 June 2002	**204**	246	**200**	200

4. Revenue from Ordinary Activities

From Operating Activities:				
Sale of services	**88 420**	82 552	**86 199**	80 686
Government funding	**7 258**	12 404	**7 258**	12 404
Investment revenue	**1 237**	1 766	**1 247**	1 766
Other revenue	**93**	43	**-**	-
From outside Operating Activities:				
Sale of services	**892**	3 561	**892**	3 561
Property rental	**3 918**	4 449	**3 918**	4 449
Recoveries for separation packages and incentive payments	**1 132**	1 772	**1 132**	1 772
Total Revenue	**102 950**	106 547	**100 646**	104 638

5. Depreciation and Amortisation

	Economic Entity		Parent Entity	
	2002	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000
Railcars	**5 829**	4 718	**5 829**	4 718
Tramcars	**386**	120	**386**	120
Permanent Way	**8 303**	7 752	**8 303**	7 752
Buildings	**2 741**	2 566	**2 741**	2 566
Machinery, plant and equipment	**1 196**	1 277	**1 141**	1 233
Amortisation of railcars	**1 424**	1 125	**1 424**	1 125
	19 879	17 558	**19 824**	17 514

6. Loss on Sale/Disposal of Assets

Gross proceeds from asset sales	**1 166**	1 441	**1 166**	1 441
Less: Written down value	**13 261**	3 216	**13 258**	3 216
Net Loss on Sale/Disposal	**12 095**	1 775	**12 092**	1 775

The loss on disposal includes the loss of Belair Line Assets previously transferred to the Australian Railways Track Corporation (ARTC) in accordance with the Agreement between State and Federal Ministers in 1999.

7. Movements in Employee Entitlements Provisions

Annual leave	**2 809**	2 748	**2 677**	2 663
Long service leave	**985**	908	**932**	897
Retiring and death gratuity	**9**	7	**9**	7
	3 803	3 663	**3618**	3 567

8. Borrowing Costs Expense

Ordinary borrowings interest	**6 567**	9 939	**6 567**	9 918
Treasury guarantee fee	**811**	895	**811**	895
Interest on borrowings	**7 378**	10 834	**7 378**	10 813
Interest on leases	**197**	175	**197**	175
	7 575	11 009	**7 575**	10 988

9. Income Tax Expense (Benefit)

Profit (Loss) for ordinary activities before income tax expense	**(12 043)**	(2 988)	**(11 496)**	(3 072)
Prima facie tax thereon at 30 percent (34 percent)	**(3 613)**	(1 016)	**(3 449)**	(1 044)
Prior year adjustments	**-**	53	**-**	53
Tax effect of permanent differences:				
Non-deductible expenses	**31**	77	**-**	75
Grant funding	**(141)**	(826)	**(141)**	(826)
Restating opening balances due to change in taxation rates	**-**	391	**-**	391
Reduction in current year balances due to change in taxation rates	**-**	211	**-**	211
Tax effect on equity accounting - Transitplus	**13**	-	**-**	-
Income Tax Expense (Benefit) Relating to Ordinary Activities	**(3 710)**	(1 110)	**(3 590)**	(1 140)
Total Income Tax Expense (Benefit) comprises movements in:				
Provision for deferred income tax	**(1 354)**	1 868	**(1 234)**	1 868
Future income tax benefit	**(2 356)**	(2 978)	**(2 356)**	(3 008)
	(3 710)	(1 110)	**(3 590)**	(1 140)

10. Reserves

	2002						
Asset Revaluation Reserve	**Joint Venture**	**Land and Buildings**	**Infrastr-ucture**	**Rolling Stock**	**Plant and Equipment**	**Total 2002**	2001
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	$'000
Balance at 1 July	**-**	**123 063**	**176 204**	**102 891**	-	**402 158**	316 083
Add: Net increments for the year	**-**	**(45)**	**133**	**-**	**-**	**88**	88 414
Less: Amounts transferred to retained profits	**-**	**5 523**	**5 126**	**91**	**-**	**10 740**	2 339
Balance at 30 June	**-**	**117 495**	**171 211**	**102 800**	**-**	**391 506**	402 158

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets in accordance with Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets'.

Amounts transferred to retained profits for 2002 include revaluation increments previously applied to assets transferred to ARTC for the Belair line.

11. Retained Profits

	Economic Entity		Parent Entity	
	2002	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000
Balance at 1 July	**114 136**	113 675	**116 821**	116 414
Add: Transfer from reserves	**10 740**	2 339	**10 740**	2 339
Current year profits	**(8 333)**	(1 878)	**(7 906)**	(1 932)
Dividends provided for or paid	**(353)**	-	**(353)**	-
Balance at 30 June	**116 190**	114 136	**119 302**	116 821

12. Receivables

	Economic Entity		Parent Entity	
	2002	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000
Receivables	**5 588**	6 008	**5 116**	5 205
Less: Provision for doubtful debts	**200**	296	**165**	296
	5 388	5 712	**4 951**	4 909
Add: Prepayments	**13**	2	**74**	2
	5 401	5 714	**5 025**	4 911

13. Non-Current Assets

	Economic Entity 2002 $'000	Economic Entity 2001 $'000	Parent Entity 2002 $'000	Parent Entity 2001 $'000
ROLLINGSTOCK:				
Railcars:				
Railcars - At cost	**6 820**	6 602	**6 820**	6 602
Less: Accumulated depreciation	**1 566**	1 446	**1 566**	1 446
Railcars at Cost	**5 254**	5 156	**5 254**	5 156
At independent valuation 30 June 2001	**236 400**	236 400	**236 400**	236 400
Less: Accumulated depreciation	**71 929**	66 342	**71 929**	66 342
Railcars at Valuation	**164 471**	170 058	**164 471**	170 058
Leased Railcars:				
At cost	**392**	-	**392**	-
Less: Accumulated Depreciation	**16**	-	**16**	-
Leased Railcars at Cost	**376**	-	**376**	-
At independent valuation 30 June 2001	**59 532**	59 600	**59 532**	59 600
Less: Accumulated amortisation	**19 781**	18 395	**19 781**	18 395
Leased Railcars at Valuation	**39 751**	41 205	**39 751**	41 205
Total Railcars	**209 852**	216 419	**209 852**	216 419
Tramcars:				
Spare Parts - At cost	**55**	55	**55**	55
Less: Accumulated depreciation	**15**	12	**15**	12
Spare Parts at Cost	**40**	43	**40**	43
At cost	**11**	-	**11**	-
Less: Accumulated depreciation	**-**	-	**-**	-
Tramcars at Cost	**11**	-	**11**	-
At independent valuation 30 June 2001	**57 960**	57 960	**57 960**	57 960
Less: Accumulated depreciation	**51 789**	55 362	**51 789**	55 362
Tramcars at Valuation	**6 171**	2 598	**6 171**	2 598
Total Tramcars	**6 222**	2 641	**6 222**	2 641
TOTAL ROLLINGSTOCK	**216 074**	219 060	**216 074**	219 060
Land and Buildings:				
Freehold Land:				
At independent valuation 30 June 2001[1]	**90 048**	95 467	**90 048**	95 467
Total Land	**90 048**	95 467	**90 048**	95 467
Buildings:				
At cost	**4 153**	1 427	**4 153**	1 427
Less: Accumulated depreciation	**325**	263	**325**	263
Buildings at Cost	**3 828**	1 164	**3 828**	1 164
At independent valuation 30 June 2001[1]	**71 534**	73 143	**71 534**	73 143
At Directors valuation 30 June 2001	**94 958**	94 958	**94 958**	94 958
Less: Accumulated depreciation	**95 261**	94 370	**95 261**	94 370
Buildings at Valuation	**71 231**	73 731	**71 231**	73 731
Total Buildings	**75 059**	74 895	**75 059**	74 895
Total Land and Buildings	**165 107**	170 362	**165 107**	170 362
Permanent Way:				
At cost	**17 659**	367	**17 659**	367
Less: Accumulated depreciation	**164**	4	**164**	4
Permanent Way at Cost	**17 495**	363	**17 495**	363
At independent valuation 30 June 2001[1]	**339 713**	353 735	**339 713**	353 735
Less: Accumulated depreciation	**122 889**	124 742	**122 889**	124 742
Permanent Way at Valuation	**216 824**	228 993	**216 824**	228 993
Total Permanent Way	**234 319**	229 356	**234 319**	229 356
Plant and Equipment:				
At cost	**19 876**	18 375	**19 077**	18 110
Less: Accumulated depreciation	**12 427**	11 917	**12 283**	11 828
Plant and Equipment at Cost	**7 449**	6 458	**6 794**	6 282
TOTAL PROPERTY, PLANT AND EQUIPMENT	**406 875**	406 176	**406 220**	406 000
TOTAL ROLLINGSTOCK, PROPERTY, PLANT AND EQUIPMENT	**622 949**	625 236	**622 294**	625 060

13.	**Non-Current Assets (continued)**	Economic Entity		Parent Entity	
	Work in Progress:	**2002**	2001	**2002**	2001
	Rollingstock:	**$'000**	$'000	**$'000**	$'000
	Railcars	**416**	800	**416**	800
	Tramcars	**52**	1 174	**52**	1 174
	Corridor infrastructure, machinery and plant	**2 940**	12 441	**2 940**	12 441
	Buildings	**566**	962	**566**	962
	Total Work in Progress	**3 974**	15 377	**3 974**	15 377
	NET ASSETS	**626 923**	640 613	**626 268**	640 437

All non-current assets are required to be revalued every three years on an existing use basis and are included in the financial statements at the revalued amounts. Railway infrastructure and some buildings were revalued at a Directors valuation as at 30 June 2001 by the use of an indexation method using indices provided by the Australian Valuation Office. Land, railcars, tramcars and some buildings were subject to an independent valuation as at 30 June 2001.

(1) Reduction in value for 2002 is as a result of the transfer of control for a proportion of the Belair line assets to ARTC.

(a)	***Non-Current Assets***	Economic Entity		Parent Entity	
	Reconciliation of Carrying Amounts	**2002**	2001	**2002**	2001
	Railcars:	**$'000**	$'000	**$'000**	$'000
	Carrying amount at beginning of year	**175 214**	146 568	**175 214**	146 568
	Additions	**451**	127	**451**	127
	Disposals	**(111)**	-	**(111)**	-
	Revaluation increment/decrement	**-**	33 237	**-**	33 237
	Depreciation	**(5 829)**	(4 718)	**(5 829)**	(4 718)
	Carrying Amount at End of Year	**169 725**	175 214	**169 725**	175 214
	Leased Railcars:				
	Carrying amount at beginning of year	**41 205**	34 152	**41 205**	34 152
	Additions	**392**	-	**392**	-
	Disposals	**(46)**	-	**(46)**	-
	Revaluation increment/decrement	**-**	8 178	**-**	8 178
	Amortisation	**(1 424)**	(1 125)	**(1 424)**	(1 125)
	Carrying Amount at End of Year	**40 127**	41 205	**40 127**	41 205
	Tramcars:				
	Carrying amount at beginning of year	**2 641**	350	**2 641**	350
	Additions	**4 017**	940	**4 017**	940
	Disposals	**(50)**	(6)	**(50)**	(6)
	Revaluation increment/decrement	**-**	1 477	**-**	1 477
	Depreciation	**(386)**	(120)	**(386)**	(120)
	Carrying Amount at End of Year	**6 222**	2 641	**6 222**	2 641
	Freehold Land:				
	Carrying amount at beginning of year	**95 467**	64 032	**95 467**	64 032
	Additions	**-**	-	**-**	-
	Disposals	**(5 419)**	(1 512)	**(5 419)**	(1 512)
	Revaluation increment/decrement	**-**	32 947	**-**	32 947
	Carrying Amount at End of Year	**90 048**	95 467	**90 048**	95 467
	Buildings:				
	Carrying amount at beginning of year	**74 895**	72 103	**74 895**	72 103
	Additions	**4 053**	2 368	**4 053**	2 368
	Disposals	**(1 148)**	(449)	**(1 148)**	(449)
	Revaluation increment/decrement	**-**	3 439	**-**	3 439
	Depreciation	**(2 741)**	(2 566)	**(2 741)**	(2 566)
	Carrying Amount at End of Year	**75 059**	74 895	**75 059**	74 895
	Permanent Way:				
	Carrying amount at beginning of year	**229 356**	226 064	**229 356**	226 064
	Additions	**19 739**	1 007	**19 739**	1 007
	Disposals	**(6 473)**	(110)	**(6 473)**	(110)
	Revaluation increment/decrement	**-**	10 147	**-**	10 147
	Depreciation	**(8 303)**	(7 752)	**(8 303)**	(7 752)
	Carrying Amount at End of Year	**234 319**	229 356	**234 319**	229 356
	Plant and Equipment:				
	Carrying amount at beginning of year	**6 458**	6 431	**6 282**	6 353
	Additions	**2 225**	1 408	**1 688**	1 266
	Disposals	**(38)**	(104)	**(35)**	(104)
	Depreciation	**(1 196)**	(1 277)	**(1 141)**	(1 233)
	Carrying Amount at End of Year	**7 449**	6 458	**6 794**	6 282
	Capital Work in Progress:				
	Carrying amount at beginning of year:	**15 377**	9 898	**15 377**	9 898
	Additions	**18 824**	11 043	**18 824**	11 043
	Transfers to Property, Plant and Equipment	**(30 227)**	(5 564)	**(30 227)**	(5 564)
	Carrying amount at end of year	**3 974**	15 377	**3 974**	15 377
	Total Carrying Amounts	**626 923**	640 613	**626 268**	640 437

14. Reconciliation of Cash

	Economic Entity		Parent Entity	
	2002	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000
Cash as at 30 June	**15 794**	21 825	**15 248**	21 516

(a) ***Reconciliation of Net Cash provided by Operating Activities to Net Profit (Loss)***

Net Profit (Loss)	**(8 333)**	(1 878)	**(7 906)**	(1 932)
Depreciation	**18 455**	16 433	**18 400**	16 389
Amortisation	**1 424**	1 125	**1 424**	1 125
Loss on sale of retired assets	**12 095**	1 775	**12 092**	1 775
Dividend receipts	**(742)**	(467)	**(784)**	(467)
Movements in:				
Receivables	**313**	8 220	**(114)**	8 618
Dividend receivable	**(50)**	(174)	**(50)**	(174)
Payables	**(1 392)**	(2 643)	**(1 961)**	(2 764)
Provisions	**896**	5 263	**788**	5 251
Stores inventory	**(686)**	1 084	**(686)**	1 084
Work in progress	**(11)**	1 275	**(11)**	1 275
Future income tax benefit	**(2 475)**	(2 978)	**(2 356)**	(3 008)
Provision for deferred income tax	**(1 234)**	1 868	**(1 234)**	1 868
Asset recognition	**-**	(138)	**-**	-
Net Cash provided by Operating Activities	**18 260**	28 765	**17 602**	29 040

15. Interest Bearing Liabilities

Current Liability:				
Borrowings	**5 381**	5 381	**5 381**	5 381
Non-Current Liability:				
Borrowings	**100 133**	106 852	**100 133**	106 852
Lease liability	**1 663**	1 470	**1 663**	1 470
	101 796	108 322	**101 796**	108 322
Total Interest Bearing Liabilities	**107 177**	113 703	**107 177**	113 703

16. Finance Lease Commitments

The economic entity's finance lease commitments at 30 June are due as follows:				
Later than one year but not later than five years	**1 960**	1 960	**1 960**	1 960
Minimum lease payments	**1 960**	1 960	**1 960**	1 960
Less: Future financing charges	**297**	490	**297**	490
Lease Liability	**1 663**	1 470	**1 663**	1 470
Classified as:				
Non-Current liability	**1 663**	1 470	**1 663**	1 470

The parent entity leases railcars under two finances leases. Under the lease arrangements there is one final payment due in October 2003 at which time the railcar ownership transfers to the parent entity.

17. Operating Lease Commitments

	Economic Entity		Parent Entity	
	2002	2001	**2002**	2001
The economic entity's operating lease commitments at 30 June are due as follows:	**$'000**	$'000	**$'000**	$'000
Not later than one year	**1 511**	1 946	**1 409**	1 838
Later than one year but not later than five years	**2 226**	3 340	**2 156**	3 218
Later than five years	**125**	250	**125**	250
Minimum lease payments	**3 862**	5 536	**3 690**	5 306
Operating lease expenses paid	**2 284**	2 477	**2 155**	2 385

The economic entity leases property under operating leases expiring from one to seven years. The leases generally provide the economic entity with a right of renewal at which time all terms are negotiated. Contingent rental payments are based on either movements in the Consumer Price Index or operating criteria.

18. Provisions

	Economic Entity		Parent Entity	
Provisions at 30 June 2002 were:	**2002**	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000
Long service leave	**9 056**	8 713	**8 927**	8 628
Annual leave	**4 497**	4 576	**4 385**	4 504
Workers compensation claims	**9 846**	10 586	**9 818**	10 582
Third party accident damage	**3 467**	2 962	**3 467**	2 962
Retiring and death gratuities	**197**	210	**197**	210
Site remediation	**880**	-	**880**	-
	27 943	27 047	**27 674**	26 886
Current Liability	**9 553**	9 564	**9 435**	9 488
Non-Current Liability	**18 390**	17 483	**18 239**	17 398
Total Liability	**27 943**	27 047	**27 674**	26 886

18. Provisions (continued)

	Economic Entity		Parent Entity	
	Estimated to fall due within 1 yr $'000	**Estimated to fall due after 1 yr $'000**	**Estimated to fall due within 1 yr $'000**	**Estimated to fall due after 1 yr $'000**
Long service leave	**1 300**	7 756	**1 300**	7 627
Annual leave	**4 106**	391	**3 994**	391
Workers compensation claims	**1 468**	8 378	**1 462**	8 356
Third party accident damage	**1 766**	1 701	**1 766**	1 701
Retiring and death gratuity	**33**	164	**33**	164
Site remediation	**880**	-	**880**	-
	9 553	18 390	**9 435**	18 239

19. Stores Inventories

	Economic Entity		Parent Entity	
	2002 $'000	2001 $'000	**2002 $'000**	2001 $'000
Stores inventories	**3 385**	2 910	**3 385**	2 910
Less: Provision for obsolescence	**239**	450	**239**	450
Net Stores Inventories	**3 146**	2 460	**3 416**	2 460

20. Capital Commitments

Aggregate capital expenditure commitments contracted for:				
Not later than one year	**380**	2 903	**380**	2 903
Later than one year but not later than two years	**-**	164	**-**	164
	380	3 067	**380**	3 067
Net capital expenditure incurred	**18 849**	11 718	**18 849**	11 718

21. Remuneration of Employees

The number of employees whose remuneration falls within the following remuneration bands were:	Economic Entity		Parent Entity	
	2002 Number of Employees	2001 Number of Employees	**2002 Number of Employees**	2001 Number of Employees
$100 000 - $109 999	**1**	1	**1**	1
$110 000 - $119 999	**3**	2	**2**	1
$120 000 - $129 999	**2**	-	**2**	-
$130 000 - $139 999	**1**	-	**-**	-
$140 000 - $149 999	**1**	-	**1**	-
$190 000 - $199 999(1)	**-**	1	**-**	1
$220 000 - $229 999(1)	**-**	1	**-**	1
	8	5	**6**	4

	Economic Entity		Parent Entity	
	2002 $'000	2001 $'000	**2002 $'000**	2001 $'000
Employee remuneration	**984**	742	**730**	629

(1) Includes termination payments.

22. Remuneration of Auditors

Amounts due and receivable by the Auditors for auditing the accounts of the Economic Entity for the year were $126 000 ($124 000) GST exclusive. The Auditors received no other benefits.

23. Separation Packages

Separation payments totalling $1.132 million ($1.772 million) related to the redeployment of 26 (34) employees during 2001-02. These payments were met by the Parent Entity and recovered from the Department of the Premier and Cabinet. Leave entitlements totalling $0.418 million ($0.685 million) were paid to those employees who received a separation payment.

24. Consultants

During the financial year, the Economic Entity engaged consultants for a total cost of $207 000 ($197 000) GST exclusive.

25. Directors' Remuneration

Income paid or payable to all directors of each entity in the Economic Entity by the entities of which they are directors and any related parties.

	Economic Entity		Parent Entity	
	2002 $'000	2001 $'000	**2002 $'000**	2001 $'000
Income paid or payable to all directors of each entity in the Economic Entity by the entities of which they are directors and any related parties	99	109	-	-
Income paid or payable to all directors of the Parent Entity by the Parent Entity and any related parties	-	-	73	64

25. Directors' Remuneration

Number of Parent Entity directors whose income from the Parent Entity and any related entities was within the following bands:

	2002 Number of Directors	2001 Number of Directors
$0 - $9 999	-	1
$10 000 - $19 999	1	1
$20 000 - $29 999	1	1
$30 000 - $39 999	2	2
	4	5

The names of the parent entity directors who have held office during the financial year are:

Kevin Benger
Elizabeth Kosmala
Susan Law
Rex Phillips

26. Related Party Disclosures

(a) Director Transactions

Details of Directors' remuneration payments are set out in Note 25. The Economic Entity carried out transactions with Directors during the year within a normal customer relationship on terms and conditions no more favourable than those available on similar transactions to members of the public.

(b) Transactions with Related Parties in the Economic Entity

The Parent Entity entered into the following transactions during the year with related parties in the Economic Entity:

	2002 $'000	2001 $'000
Payable to Related Entities:		
AUSTRICS	-	7
Total Payable	-	7
Receivable from Related Entities:		
AUSTRICS	2	2
Total Receivable	2	2
Sales of Goods and Services:		
AUSTRICS	47	173
Total Sales of Goods and Services	47	173
Purchases of Goods and Services:		
AUSTRICS	177	225
Total Purchases of Goods and Services	177	225
Loans to Related Entities:		
AUSTRICS	500	384
Loans to Related Entities	500	384

27. Financial Instruments

Interest Rate Risk Exposure

The Economic Entity is exposed to interest rate risk through primary financial assets and liabilities. The following table summarises interest rate risk for the economic entity, together with effective interest rate as at balance date.

	Cash		Receivables		Payables		Borrowings		Lease Liability(2)	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000	2002 $'000	2001 $'000	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Floating interest rate(1)	15 794	21 825	-	-	-	-	105 514	112 233	-	-
One year or less	-	-	-	-	-	-	-	-	-	-
One to five years	-	-	-	-	-	-	-	-	1 663	1 470
Over five years	-	-	-	-	-	-	-	-	-	-
Non-interest bearing	-	-	5 401	5 714	17 427	18 819	-	-		-
Total	15 794	21 825	5 401	5 714	17 427	18 819	105 514	112 233	1 663	1 470
Weighted average interest rate (percent)	5.95	7.65	-	-	-	-	6.75	8.45	13.39	13.43

(1) Floating interest rates represent the most recently determined rate applicable to the instrument at balance date.
(2) The fixed rate on the lease liability represents the rate implicit in the lease agreements.

Credit Risk Exposure

Credit exposure represents the extent of credit related losses the economic entity may be subject to in respect of amounts to be received from financial assets. The total credit risk on financial assets is the carrying amounts net of any provision for doubtful debts.

The Economic Entity, while exposed to credit related losses in the event of non-performance by counterparties to financial instruments, does not expect any counterparties to fail to meet their obligation.

In addition, the Economic Entity does not have a significant exposure to any individual counterparty.

Receivables due from major counterparties are not normally secured by collateral, however the credit worthiness of counterparties is monitored. Therefore based on the above, no losses are expected.

The concentration of credit risk on financial assets is indicated in the following table by percentage of the total balance receivable from customers in the specified categories:

27. Financial Instruments (continued)

Customer/Industry Classification	**2002 Percent**	2001 Percent
Transport Industry	**3**	13
Federal, State Government and Councils	**96**	83
Private Businesses and Individuals	**1**	4

Net Fair Value of Financial Assets and Liabilities

The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged or a liability settled in a current transaction between willing parties after allowing for transaction costs.

The carrying amounts and estimated net fair values of financial assets and financial liabilities held at balance date are as per the previous table.

The following methods and assumptions were used to estimate the net fair value of each class of financial instrument.

The non-current borrowings are a static amount that changes by the occurrence of specific events, for example, increased borrowings, repayment of borrowings and debt reduction through the transfer of assets to other Government Departments. As such events are not determinable, the carrying amount and the net fair value have been reported as the same.

In relation to the non-current lease liability, the net fair value is estimated by discounting the future cash flow to its present value, based on the interest rate applicable to the lease, and is equivalent to the amount as reported in the table.

28. Contingent Liabilities

TransAdelaide has entered into a financial arrangement in respect of railcar assets with unrelated overseas based investors for which it received a facilitation fee. As part of these arrangements, certain indemnities and undertakings have been agreed to by TransAdelaide with third parties. The risk of these indemnities or undertakings being invoked is considered remote and relates to amounts that might become payable by TransAdelaide to third parties in the event of early termination to the arrangement. No amount has been recognised because it is considered unlikely that any liability will arise.

AUSTRICS has a contingent liability in relation to the warranty of products and the provision of annual support. As at balance date this could not be reliably measured.

29. Events Subsequent to Balance Date

There have been no events subsequent to balance date.

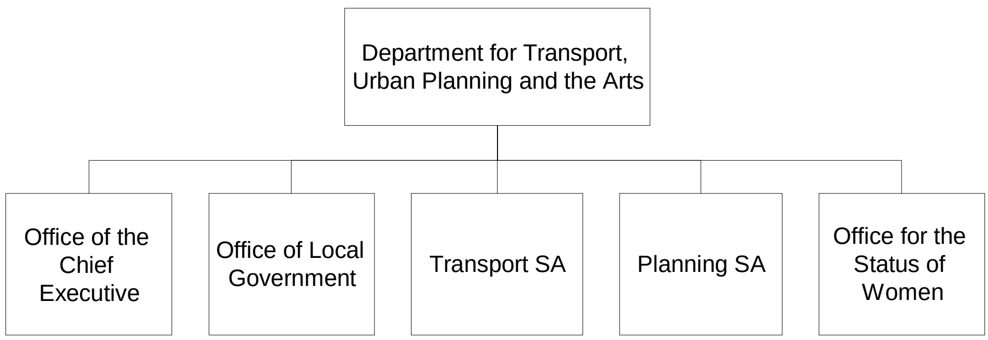
DEPARTMENT FOR TRANSPORT, URBAN PLANNING AND THE ARTS

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Department is an administrative unit established pursuant to the *Public Sector Management Act 1995*. It has a broad ranging role which seeks to integrate urban and regional development, local government initiatives, transport infrastructure and services and cultural and artistic development for South Australia. It also provides services to Aboriginal people to advance economic and community development. The Department has identified the following outcomes which provide direction for departmental activities:

- Urban and regional development that achieves economic development with a specific focus on urban regeneration and rural prosperity.
- Transport accessibility for the community that is efficient, safe and environmentally sound, and supports economic and social development.
- A strong creative arts industry that enhances the State's profile as a world centre for cultural richness and diversity.
- Enhancing the status of women and achieving full and equal participation of women in all sectors of society.
- Availability of information to South Australians at community access sites.
- A revitalised City of Adelaide.
- A stable, democratic and accountable system of local government participating fully in improving the economic and social environment of the State.
- Equality for Aboriginal people.

The following is a diagrammatic representation of the organisational structure of the Department for financial reporting purposes.



The Department for Transport, Urban Planning and the Arts was restructured during the year. The restructure has resulted in the following agencies transferring to other departments:

- Division of State Aboriginal Affairs to the Department for Administrative and Information Services effective from 4 December 2001;
- Arts SA to the Department of the Premier and Cabinet effective from 1 April 2002;
- Environmental Information Function, a division of Planning SA, to the Department for Environment and Heritage effective from 1 January 2002;
- Office of the Status of Women to the Department of Human Services effective from 1 July 2002.

As a result of the restructure, the name of the Department has changed, effective from 1 July 2002, to the Department of Transport and Urban Planning.

SIGNIFICANT FEATURES

- The Department recorded a Deficit from Ordinary Activities after Income Tax of $79.4 million as compared to a surplus of $142 million last year. Last year's surplus is mainly attributable to an asset revaluation increment of $149.5 million which was recognised as revenue.
- Revenue collected from motor registration fees and drivers' licence fees was $236.8 million, an increase of $31.5 million (15 percent).
- An increment of $35 million was recorded in the Asset Revaluation Reserve.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987*, provides for the Auditor-General to audit the accounts of the Department in respect of each financial year.

Scope of Audit

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

During 2001-02 specific areas of audit coverage included:

- motor vehicle registration and drivers' licensing
- asset registers
- contract administration
- revenue, including cash receipting and banking, and debtors
- expenditure, including accounts payable, salaries and wages and grants
- job costing
- budgetary control.

Audit Communications to Management

During the year several management letters communicating issues arising from the audit were forwarded to the Chief Executive. The main issues related to the need for the Department to improve its internal control environment, particularly with respect to key reconciliation processes.

Satisfactory responses have been received in relation to the matters raised. The Department has advised that it would review its management practices and make the necessary procedural changes to ensure reconciliations are performed.

Comments on material issues referred to management are contained in 'Audit Findings and Comments' below .

AUDIT FINDINGS AND COMMENTS

ARTS SA

Commentary on General Financial Controls

The overall internal control environment at Arts SA was assessed as satisfactory although Audit identified that there continued to be opportunities for improvement in relation to the management of grant activities.

TRANSPORT SA

Commentary on General Financial Controls

The review of the specific auditable areas involved an assessment of the adequacy of accounting, record keeping and control, and the test verification of financial transactions processed and recorded during the year. The reviews identified a number of instances where internal control procedures either required improvement or were not applied consistently during the year. The main issues raised by Audit related to:

Network Assets

The audit revealed that:

- reconciliations between the subsidiary fixed assets systems and the general ledger had either not been performed or did not reconcile;
- delays in processing asset capitalisations to the subsidiary systems added to the reconciliation difficulties;
- no review had been undertaken of the 'work in progress' account to ascertain those assets that were in use and therefore needed to be transferred to other asset accounts.

Audit commented on the need for the Department to ensure that:

- asset capitalisation details are processed to the fixed assets systems in a timely manner;
- key reconciliations between the subsidiary fixed assets systems and the general ledger are performed on a regular basis;
- variations between these systems are followed up promptly and rectified in a timely manner;
- a mechanism be developed to ensure that a review of work in progress is undertaken on a regular basis to ascertain assets in use that need to be transferred to other asset accounts.

In response Transport SA advised that reconciliations had either been performed or were to be performed. Further, a report has been developed to assist in identifying and bringing to account all completed works.

Property, Plant and Equipment

The audit revealed that acquisitions and disposals had not been updated to the fixed assets systems. In addition, reconciliations between the subsidiary systems and the general ledger had not been performed.

Audit commented on the need for the Department to ensure that changes to property assets are updated to the fixed assets system on a timely basis and that key reconciliations between the subsidiary systems and the general ledger are performed on a regular basis.

Transport SA advised that procedures have been revised to ensure that changes to property assets are updated and reconciliations are performed on a timely basis.

Accounts Payable and Purchasing

The audit of the accounts payable function revealed that the Disbursement Account bank reconciliation process did not ensure that all payments processed to the account were reflected in the general ledger. In addition, unexplained variations existed between the accounts payable subsidiary system and the general ledger control account.

Audit commented on the need for the Department to review and modify the Disbursement Account bank reconciliation process to ensure that all payments are recorded in the general ledger and that variances be followed up promptly and appropriate correcting entries be processed in a timely manner.

In response Transport SA indicated that it would review the reconciliation process in order to eliminate any deficiencies. In addition, action had commenced on identifying and appropriately accounting for outstanding variances.

Revenue

The audit revealed that the Transport SA Collection Account was not being reconciled and that unexplained variations existed between the accounts receivable system and the general ledger.

Audit commented on the need for the Department to ensure that these reconciliations are performed and discrepancies resolved as a matter of priority.

In relation to controls over revenue from properties held by the Department, the audit identified the need for improvement in the timely review of the lease amounts for commercial properties. Audit also commented on the need for the authorisation of variations to the amounts charged to tenants for lease and other costs.

Transport SA advised that procedures have been revised to ensure that reconciliations are performed on a timely basis and that action has been taken to address the issues raised in relation to revenue from properties.

Contract Management

The audit revealed that the contract for the manufacture and supply of number plates had not been finalised prior to the commencement of the contract.

Transport SA has advised that the contract has since been signed by the Minister.

Registration and Licensing

Audit has over the past few years commented on the need to improve the internal control mechanisms particularly in relation to the various reconciliations undertaken by the Registration and Licensing Section. While improvements had been noted by Audit in previous years, this years audit results indicated that the controls were not functioning in a satisfactory manner.

Issues raised by Audit relate to the need to:

- ensure compliance with the documented Registration and Licensing System Policies and Procedures;
- ensure key reconciliations are performed in a timely manner;
- ensure journals are processed correctly and in a timely manner;
- ensure adequate procedures are in place over the control and issue of accountable documents and items;
- finalise agreements with external parties in relation to the provision of payment facilities for license renewals;
- reassess and revise the Disaster Recovery procedures and establish processes that will ensure staff are adequately trained in the required procedures.

In response the Department has advised that action has been taken to address the issues raised by Audit.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Department for Transport, Urban Planning and the Arts included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls in operation were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the Department for Transport, Urban Planning and the Arts 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 outlined under 'Audit Findings and Comments', were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

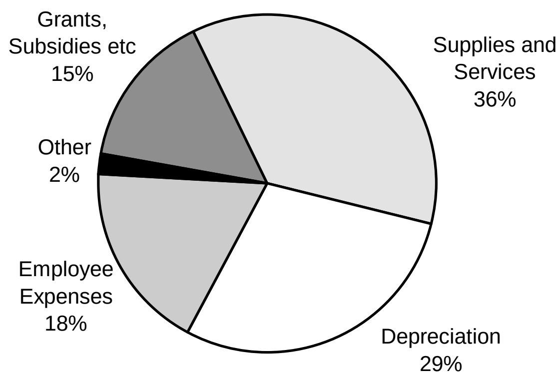
Statement of Financial Performance

The interpretation and analysis of the Statement of Financial Performance includes the activity for Arts SA, Division of State Aboriginal Affairs and Environmental Information Function up to the date prior to the transfer to other agencies. Refer Note 2.

Expenses from Ordinary Activities

Expenses from Ordinary Activities for the year totalled $499.8 million ($485.7 million). The following chart shows the major categories of expenses as a percentage of Total Expenses.

Ordinary Expenses by Category



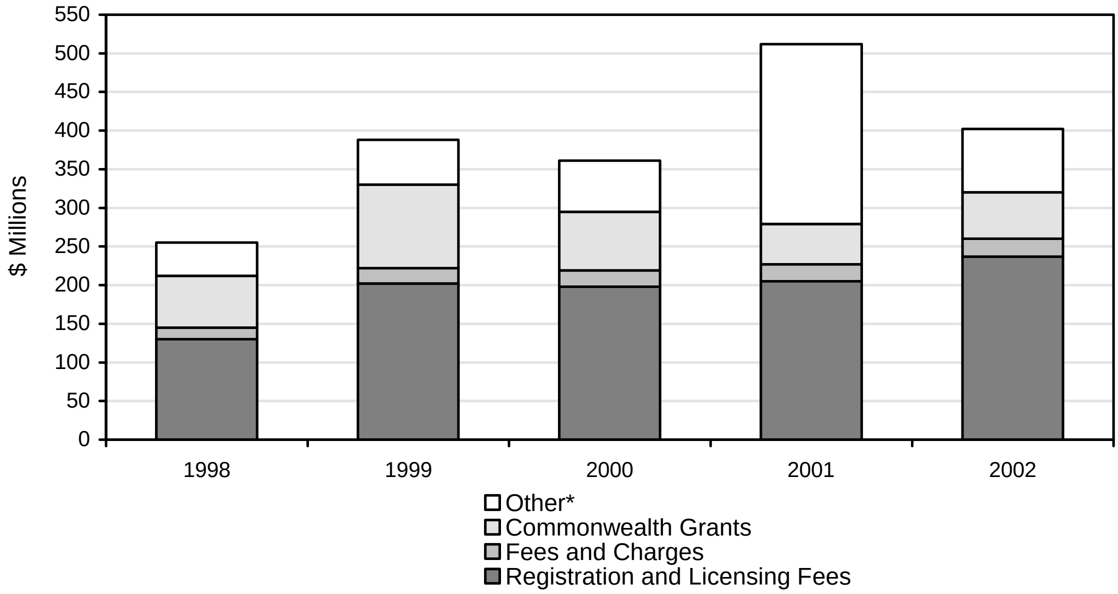
The chart reveals that depreciation expense represents 29 percent (23 percent) of Total Expenses. Grants and subsidies to other organisations represents 15 percent (18 percent) of Total Expenses.

Revenues from Ordinary Activities

Revenues from Ordinary Activities for the year totalled $402.1 million ($511.8 million). The decrease of $109.7 million is due mainly to a decrease in Other Revenues of $147.6 million. This decrease reflects a non-current asset revaluation increment of $149.5 million which has been recorded as revenue in 2000-2001.

The following chart shows the major components of Revenues from Ordinary Activities over the last five years.

Revenue



* Other revenue includes an amount relating to a revaluation increment of $1.7 million in 2001-02 and $149.5 million in 2000-01.

Motor registration and drivers' licence fees increased by $31.5 million (15 percent) to $236.8 million and comprise 59 percent of Revenues from Ordinary Activities.

Revenues from Government

Appropriation from the State Government totalled $117.5 million ($120.6 million), a decrease of $3.1 million from the previous year.

In 2001-02 the Department received an appropriation for Equity Contribution of $39.6 million which has been shown as a direct contribution to Equity in the Statement of Financial Position in accordance with the requirements of Treasurer's Instruction 3 'Appropriation' (refer to Notes 3(q) and 17 to the financial statements).

Statement of Financial Position

Current Assets

Cash Assets

Cash assets increased by $16.2 million to $86.1 million. Note 18 to the financial statements details the Deposit and Special Deposit Accounts which make up this total.

The significant movements in cash assets relates to:

- an increase in the balance of the Highways Fund of $55 million. This increase is mainly attributable to the increase in revenue from motor registration and licensing fees and a decrease in expenditure in investing activities;

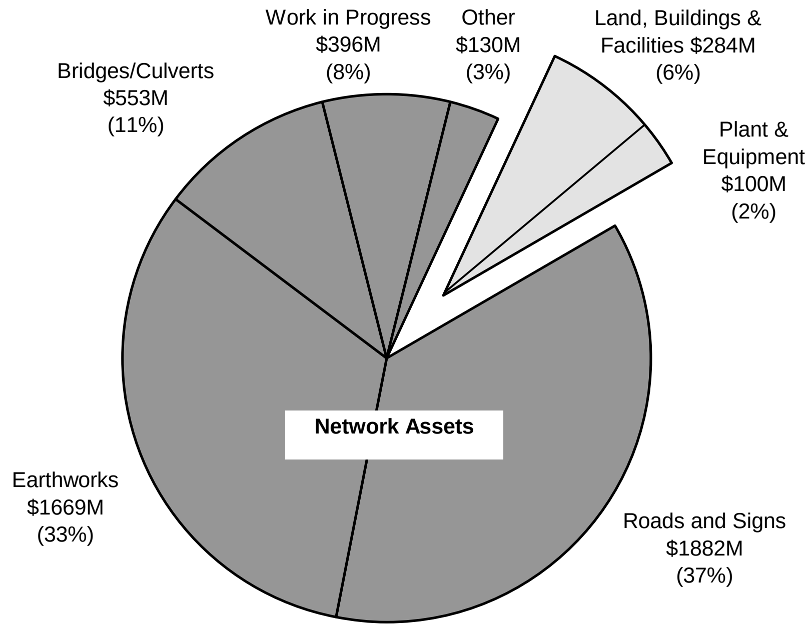
- the transfer of cash assets to other agencies as a result of the restructure.

Non-Current Assets

The written down value of non-current assets totalled $5 billion, the same as last year. A revaluation of certain classes of non-current assets resulted in a revaluation increment of $35 million.

It is relevant to note that a value for land under roads has not been recognised in accordance with the transitional provisions of Accounting Standard AAS 29A 'Amendments to the Transitional Provisions in AAS 29'.

The following chart displays the value of each asset class and the percentage of that class of the total value of non-current assets.



In relation to the dominance of Network Assets it can be observed that the major sources of funding to maintain and develop the network come from the annual collection of registration and licence fees ($236.8 million) and grants from the Commonwealth Government ($59.9 million). This regular source of funding explains the low level of outstanding borrowings ($47.8 million) recorded in the Statement of Financial Position.

Administered Items

The Department collects money through its Registration and Licensing function on behalf of third parties. Such collections include Compulsory Third Party Insurance on motor vehicles on behalf of the Motor Accident Commission and stamp duty on behalf of the Department of Treasury and Finance. In 2001-02 amounts collected on behalf of third parties totalled $534.7 million and included $330.1 million for Compulsory Third Party Insurance, $116 million for stamp duty and $26.5 million for the Emergency Services Levy.

FURTHER COMMENTARY ON OPERATIONS

Rail Transport Facilitation Fund

The *Rail Transport Facilitation Fund Act 2001*, which established the Rail Transport Facilitation Fund, was proclaimed in December 2001. Income derived by the State from the sale or leasing of railway assets and income derived by the State from rail facilitation projects is to be paid into the Fund.

As at 30 June 2002, the Department had not created an account for the Fund. In a letter to the Chief Executive, Audit sought the following:

- clarification as to whether administrative approval processes had been initiated by the Department to establish an account for the Fund;
- notification of the Treasurer's decision on certain determinations relating to what constitutes income and costs arising from activities associated with the rail property assets.

In response the Department advised the following:

- an initial approach was made to the Department of Treasury and Finance to create a Special Deposit Account for the Fund, however, the Department was advised that a formal request was required. The Department advised that a formal request will be made to the Department of Treasury and Finance for the creation of a Special Deposit Account;
- the Treasurer had not, at the time of finalising this report, made a decision on the requested determinations outlined above.

As a result of the uncertainty as to what financial result should be transferred to the Fund, the Department has elected to disclose the activities associated with the sale and leasing of railway assets in a Note to the Financial Statements. Refer Note 39.

Audit will monitor the developments with respect to the above during 2002-03.

In addition, Audit is presently undertaking a review of agency processes covering aspects of the valuation and disposal of rail property returned to the State by the Commonwealth. Any issues that arise from the review process will be communicated to the Department and in a subsequent report to Parliament.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002	2001
EXPENSES FROM ORDINARY ACTIVITIES:	Note	**$'000**	$'000
Employee expenses	5	**91 525**	94 308
Depreciation	6	**143 616**	110 611
Supplies and services	7	**181 103**	185 616
Grants and subsidies	8	**74 553**	85 324
Borrowing costs		**7 534**	8 594
Other expenses		**1 419**	1 271
Total Expenses		**499 750**	485 724
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges for services	9	**23 620**	22 291
Interest and investment revenue		**2 907**	5 643
Commonwealth grants	10	**59 854**	51 969
Registration and licensing fees	11	**236 803**	205 352
Other revenues	12	**78 931**	226 539
Total Revenues		**402 115**	511 794
(DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES		**(97 635)**	26 070
REVENUES FROM GOVERNMENT:			
Operating		**117 435**	120 284
Capital		**75**	310
Total Government Revenues		**117 510**	120 594
NET LOSS ON DISPOSAL OF NON-CURRENT ASSETS	13	**(34 987)**	(3 513)
NET EXPENSES FROM RESTRUCTURING	14	**(62 315)**	-
(DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		**(77 427)**	143 151
INCOME TAX	3(n)	**(1 970)**	(1 208)
(DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES AFTER INCOME TAX		**(79 397)**	141 943
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net credit to recognise previously unidentified assets	15	**13 855**	541
Net credit to recognise prior period errors	15	**606**	-
Net credit to asset revaluation reserve on revaluation of non-current assets	16	**35 045**	963 422
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		**49 506**	963 963
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**(29 891)**	1 105 906

Statement of Financial Position as at 30 June 2002

	Note	2002	2001
CURRENT ASSETS:	Note	**$'000**	$'000
Cash assets	18	**86 148**	69 924
Receivables	19	**14 873**	23 686
Inventories	20	**5 002**	4 894
Investments		**-**	615
Other		**14**	2 545
Total Current Assets		**106 037**	101 664
NON-CURRENT ASSETS:			
Land, buildings and facilities	21	**283 951**	318 745
Plant and equipment	22	**100 443**	97 595
Network assets	23	**4 629 416**	4 612 888
Investments		**-**	968
Total Non-Current Assets		**5 013 810**	5 030 196
Total Assets		**5 119 847**	5 131 860
CURRENT LIABILITIES:			
Payables	24	**54 716**	58 566
Provision for employee entitlements	25	**13 031**	12 249
Other		**2 048**	2 330
Total Current Liabilities		**69 795**	73 145
NON-CURRENT LIABILITIES:			
Payables	24	**2 296**	3 153
Provision for employee entitlements	25	**25 581**	28 074
Borrowings	26	**47 760**	58 683
Other		**-**	331
Total Non-Current Liabilities		**75 637**	90 241
Total Liabilities		**145 432**	163 386
NET ASSETS		**4 974 415**	4 968 474
EQUITY:			
Accumulated surplus	15	**3 667 186**	3 733 873
Reserves	16	**1 186 915**	1 153 892
Equity contributions	17	**120 314**	80 709
TOTAL EQUITY		**4 974 415**	4 968 474
Commitments	27		
Contingent Liabilities	28		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) $'000	2001 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee expenses		**(90 175)**	(91 555)
Supplies and services		**(185 284)**	(179 632)
Grants and subsidies		**(76 756)**	(85 274)
Interest and other financing expenses		**(7 663)**	(8 635)
Other expenses		**(8 813)**	(2 657)
Total Payments		**(368 691)**	(367 753)
RECEIPTS:			
Fees and charges for services		**23 802**	22 353
Interest and investment revenue		**1 635**	5 587
Commonwealth grants		**59 854**	51 969
Registration and licensing fees		**236 803**	205 352
Other revenues		**99 818**	67 076
Total Receipts		**421 912**	352 337
CASH FLOWS FROM GOVERNMENT:			
Appropriation		**105 298**	108 500
Investing appropriation		**12 212**	12 094
Total Cash from Government		**117 510**	120 594
Net Cash provided by Operating Activities	29	**170 731**	105 178
CASH FLOWS FROM INVESTING ACTIVITIES:			
Network assets		**(123 796)**	(131 476)
Land, buildings and facilities		**(2 386)**	(73)
Plant and equipment		**(18 372)**	(30 020)
Proceeds from asset sales		**14 524**	5 188
Proceeds from investments		**(73)**	415
Net Cash used in Investing Activities		**(130 103)**	(155 966)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends		**(3 773)**	(4 150)
Repayment of loan		**(10 900)**	(7 000)
Equity contributions		**39 605**	38 500
Net Cash provided by Financing Activities		**24 932**	27 350
NET CASH FLOWS FROM RESTRUCTURING		**(49 336)**	-
NET INCREASE (DECREASE) IN CASH HELD		**16 224**	(23 438)
CASH AT 1 JULY		**69 924**	93 362
CASH AT 30 JUNE	18	**86 148**	69 924

Output Class Schedule of Departmental Expenses and Revenues for the year ended 30 June 2002

	2002									
Output Class (Note 4)	1 $'000	2 $'000	3 $'000	4 $'000	5 $'000	6 $'000	7 $'000	8 $'000	9 $'000	**Total** **$'000**
Departmental Expenses and Revenues										
Expenses from Ordinary Activities:										
Employee expenses	27 503	43 025	5 287	9 003	1 662	1 138	796	1 424	1 687	**91 525**
Depreciation	462	142 545	123	124	36	155	6	101	64	**143 616**
Supplies and services	27 321	140 038	2 420	6 143	986	1 635	620	1 626	314	**181 103**
Grants and subsidies	(2 032)	3 926	860	20 474	12 895	35 953	7	2 355	115	**74 553**
Borrowing costs	3 574	3 957	1	2	-	-	-	-	-	**7 534**
Other expenses	2 692	(2 082)	129	381	-	-	(9)	-	308	**1 419**
Total Expenses	59 520	331 409	8 820	36 127	15 579	38 881	1 420	5 506	2 488	**499 750**
Revenues from Ordinary Activities:										
Fees and charges for services	4 229	17 702	-	556	840	170	74	49	-	**23 620**
Interest and investment revenue	471	1 060	75	234	282	680	4	83	18	**2 907**
Commonwealth grants	5 055	29 142	-	24 709	-	175	122	651	-	**59 854**
Registration and licensing fees	33 989	195 930	-	6 065	-	-	819	-	-	**236 803**
Other revenues	11 322	61 472	498	3 174	998	1 129	259	45	34	**78 931**
Total Revenues	55 066	305 306	573	34 738	2 120	2 154	1 278	828	52	**402 115**
(Deficit) Surplus from Ordinary Activities	(4 454)	(26 103)	(8 247)	(1 389)	(13 459)	(36 727)	(142)	(4 678)	(2 436)	**(97 635)**
Revenues from Government:										
Appropriation	20 917	10 147	7 772	14 550	16 652	40 164	42	5 040	2 226	**117 510**
Total Government Revenues	20 917	10 147	7 772	14 550	16 652	40 164	42	5 040	2 226	**117 510**
Net Loss from Disposal of Non-Current Assets	-	(34 988)	3	-	-	-	-	(2)	-	**(34 987)**
Net Loss from Restructure	-	-	-	187	292	(59 055)	-	(3 739)	-	**(62 315)**
(Deficit) Surplus from Ordinary Activities before Income Tax	16 463	(50 944)	(472)	13 348	3 485	(55 618)	(100)	(3 379)	(210)	**(77 427)**
Income tax	-	1 970	-	-	-	-	-	-	-	**1 970**
(Deficit) Surplus from Ordinary Activities after Income Tax	16 463	(52 914)	(472)	13 348	3 485	(55 618)	(100)	(3 379)	(210)	**(79 397)**
Non-owner transaction changes in equity:										
Net credit to asset revaluation reserve on revaluation of non-current assets	-	35 045	-	-	-	-	-	-	-	**35 045**
Net credit to recognise previously unidentified assets	-	13 855	-	-	-	-	-	-	-	**13 855**
Net credit to recognise prior period errors	-	606	-	-	-	-	-	-	-	**606**
Total revenues, expenses and valuation adjustments recognised directly in equity	-	49 506	-	-	-	-	-	-	-	**49 506**
Total changes in equity other than those resulting from transactions with the State Government as owner	16 463	(3 408)	(472)	13 348	3 485	(55 618)	(100)	(3 379)	(210)	**(29 891)**

Output Class Schedule of Administered Expenses and Revenues for the year ended 30 June 2002

	2002									
Output Class (Note 4)	1 $'000	2 $'000	3 $'000	4 $'000	5 $'000	6 $'000	7 $'000	8 $'000	9 $'000	**Total** **$'000**
Administered Expenses and Revenues from Ordinary Activities(1)										
Expenses from Ordinary Activities:										
Employee expenses	-	-	-	-	-	-	189	-	165	**354**
Supplies and services	-	-	-	-	-	-	12	5 081	207	**5 300**
Grants and subsidies	-	-	3 690	-	-	-	2 584	-	-	**6 274**
Registration and licensing payments to third parties	-	-	-	-	-	-	534 705	-	-	**534 705**
Transfer payments	617	-	-	-	-	-	320	-	220	**1 157**
Total Expenses	617	-	3 690	-	-	-	537 810	5 081	592	**547 790**
Revenues from Ordinary Activities:										
Fees and charges for services	617	-	-	-	-	-	301	-	-	**918**
Grants	-	-	-	-	-	-	2 584	2 132	-	**4 716**
Reimbursement works	-	-	-	67	-	-	31	-	199	**297**
Registration and licensing receipts for third parties	-	-	-	-	-	-	534 705	-	-	**534 705**
Appropriation	-	-	3 690	-	-	-	189	-	204	**4 083**
Total Revenues	617	-	3 690	67	-	-	537 810	2 132	403	**544 719**
Administered Expenses less Administered Revenues	-	-	-	(67)	-	-	-	2 949	189	**3 071**

(1) Administered expenses and revenues are not recognised in the Statement of Financial Performance but are reported here for information purposes (Refer Note 35).

Output Class Schedule of Departmental Assets and Liabilities and Administered Assets and Liabilities as at 30 June 2002

	2002									
Output Class (Note 4)	1 $'000	2 $'000	3 $'000	4 $'000	5 $'000	6 $'000	7 $'000	8 $'000	9 $'000	**Total** **$'000**
Departmental Assets and Liabilities										
Departmental Assets:										
Current assets	14 977	84 412	3 094	2 936	-	-	353	-	265	**106 037**
Non-current assets	720 510	4 147 255	235	128 476	-	-	17 334	-	-	**5 013 810**
Total Departmental Assets	735 487	4 231 667	3 329	131 412	-	-	17 687	-	265	**5 119 847**
Departmental Liabilities:										
Current liabilities	10 205	55 845	990	2 255	-	-	234	-	266	**69 795**
Non-current liabilities	10 988	60 786	885	2 331	-	-	254	-	393	**75 637**
Total Departmental Liabilities	21 193	116 631	1 875	4 586	-	-	488	-	659	**145 432**
Administered Assets and Liabilities(1)										
Administered Assets:										
Current assets	225	260	-	8	-	-	1	-	-	**494**
Non-current assets	475	2 737	-	85	-	-	11	-	-	**3 308**
Total Administered Assets	700	2 997	-	93	-	-	12	-	-	**3 802**
Administered Liabilities:										
Current liabilities	225	260	-	8	-	-	1	-	-	**494**
Non-current liabilities	475	2 737	-	85	-	-	11	-	-	**3 308**
Total Administered Liabilities	700	2 997	-	93	-	-	12	-	-	**3 802**

(1) Administered assets and liabilities are not recognised in the Statement of Financial Position but are reported here for information purposes (refer Note 35).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Departmental Objectives and Funding

The Department's objectives are:

- urban and regional development that achieves economic development with a specific focus on urban regeneration and rural prosperity;
- transport accessibility for the community that is efficient, safe and environmentally sound, and supports economic and social development;
- a strong creative arts industry that enhances the State's profile as a world centre for cultural richness and diversity;
- enhance status for women and full and equal participation of women in all sectors of society;
- availability of information to South Australians at community access sites;
- a revitalised City of Adelaide;
- a stable, democratic and accountable system of local government participating fully in improving the economic and social environment of the State;
- equality for Aboriginal people.

The Department's principal sources of funds are vehicle registration and driver licence fees, road user charges, State Government appropriations and Commonwealth Government Grants.

2. Departmental Organisation

The structure of the Department for Transport, Urban Planning and the Arts has been established in a manner that provides clear accountabilities and responsibilities for all business areas and enables an open and steady flow of information between the areas.

The seven business areas are:

- Office of the Chief Executive
- Arts SA
- Office for the Status of Women
- Planning SA
- Transport SA
- Division of State Aboriginal Affairs
- Office of Local Government

This year saw a restructure of the Portfolio. The Portfolio is no longer comprised of Arts SA from 1 April 2002, Division of State Aboriginal Affairs (DOSAA) from 4 December 2001 and the Environmental Information Function, a division of Planning SA, from 1 January 2002.

As a result of the restructure, the Department's name has changed to the Department of Transport and Urban Planning from 1 July 2002.

The Executive Directors of the agencies within the Department report to the Chief Executive, Department for Transport, Urban Planning and the Arts.

3. Summary of Significant Accounting Policies

(a) Basis of Accounting

The general purpose financial report has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards, applicable Urgent Issues Group Consensus Views and other mandatory reporting requirements. The report is prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

(b) Transitional Reporting Arrangements

In accordance with Australian Accounting Standard AAS 29A 'Amendments to the Transitional Provisions in AAS 29', certain assets acquired prior to 1 July 1996 have not been recognised as assets in the Statement of Financial Position because it is difficult to reliably measure the value of those assets. The assets concerned are land under roads and within carriageway reserves.

(c) Government Controlled Reporting Entity

All funds which the Department controls in the performance of its functions and which have been transacted through the Deposit and Special Deposit Accounts held at the Department of Treasury and Finance are included in the financial report. The Passenger Transport Board, although part of the ministerial portfolio, is not controlled by the Department.

(d) Administered Resources

The Department 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 the administered resources, the Department does not have the control or discretion to apply these resources to achieve Departmental objectives.

Transactions and balances relating to administered resources are not recognised as departmental assets, liabilities, revenues or expenses, but are disclosed separately in the output class schedules. The types of administered resources are also listed in Note 35.

(e) Comparative Figures

The Department has adopted the presentation and disclosure requirements of Accounting Standards AASB 1018 'Statement of Financial Performance', AASB 1040 'Statement of Financial Position' and AASB 1034 'Financial Report Presentation and Disclosures' in the preparation of this financial report.

(f) Business/Service Provider Unit Operations

Business/Service Provider units are individual work units within the Transport SA agency of the Department operating as service providers on a commercial basis within the overall framework of the organisation. Business/Service Provider units predominantly have as their clients other units of the agency (including other Business/Service Provider units) and may also undertake some work for external parties. Some Business/Service Provider units charge actual costs directly to projects, while others retain actual costs within a working account prior to on-charging those costs. The recurrent or capital nature of the cost is therefore not readily apparent. A reliable means of allocating costs has been established based on the history of work performed or an apportionment relevant to the nature of the units' operations.

Business/Service Provider unit revenue arising from operations with external clients is disclosed in the Statement of Financial Performance. Revenue arising from intra-agency operations has been eliminated.

(g) Revenue

Registration and licence fees and appropriations and grants from Government are recognised as revenues when the Department obtains control over the funds. Control is generally obtained upon receipt.

Fees and Charges and other revenue are recognised as revenues upon the delivery of goods and services to customers.

Revenues collected but not controlled by the Department are not recognised as Departmental revenues but instead are reported as Administered Revenues. Such amounts are required to be paid to the Consolidated Account or funds controlled by other Departments.

Assets received for no consideration during the year have been brought to account based on valuations supplied by the Valuer-General and recognised as revenue.

(h) Inventories

Inventories of roadside materials and stores are valued on a weighted average historic cost basis. Departmental work in progress for clients external to the Department is valued at cost.

(i) Non-Current Assets

The Statement of Financial Position includes those non-current assets where identification, ownership, control and valuations can be reliably determined.

In accordance with the transitional provisions of Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' the Department has continued to apply the deprival value methodology as the basis of valuing its non-current assets.

Assets recognised for the first time have been valued at their acquisition cost or their most recent valuation.

In accordance with Accounting Standard AAS 29A 'Amendments to the Transitional Provisions in AAS 29', Transport SA has elected not to recognise land under roads and land within carriageway reserves as assets in the Statement of Financial Position.

Valuation of Non-Current Assets

- *Land, Buildings and Facilities*

  Held for Departmental Operations

  Land held is valued at market value on the basis of information supplied by the Valuer-General of South Australia. Departmental facilities and public transport facilities are valued at written down replacement cost. Bus depots and associated land was last valued by Colliers Jardine (SA) Pty Ltd in 2000.

  All Departmental land held for departmental operations was revalued as at 30 June 2000 by the Valuer-General of South Australia. All Departmental buildings and facilities held for departmental operations were revalued by independent valuers as at 30 June 2001.

  Held for Road Purposes

  Land and buildings acquired during 2001-02 are valued at cost.

  Residential land and buildings, vacant land, and commercial land holdings acquired prior to 2001-02 are valued based upon the Valuer-General's valuations for the year 2000-01.

  Values for commercial buildings are based upon independent valuations carried out in 2000 by consultant valuers Adderley & Partners Pty Ltd and Elders Real Estate.

  Held for Marine Purposes

  Marine facilities are valued at written down replacement cost determined by independent valuation carried out by Maloney Field Services Property Consultants and Valuers in 2001.

  Land Under Roads

  Land under roads is either held in fee simple in the name of the Commissioner of Highways or designated as Public Road.

  Transport SA has elected not to include a value for land that was acquired as or transferred to Public Road before 1 July 1996 in the Statement of Financial Position in accordance with Accounting Standard AAS 29A 'Amendments to the Transitional Provisions in AAS 29'.

  Land under roads that was acquired and owned in fee simple by the Commissioner of Highways between 1 July 1996 and 30 June 2002 is valued based upon the Valuer-General's latest valuations.

Land Under Roads (continued)
Land under roads that was acquired in the name of the Commissioner of Highways and transferred to Public Road between 1 July 1996 and 30 June 2002 is valued at nil value or at cost (for land that was acquired as Public Road during that period).

Land under roads acquired during 2001-02 is valued at cost.

Held for Rail Purposes
On 7 November 1997, Transport SA took over ownership and control of a number of assets from the Australian National Railways Commission on behalf of the South Australian Government.

In addition, on 1 March 1999, non-metropolitan former railway land was transferred from TransAdelaide to Transport SA.

Rail land sites and buildings have been valued using the latest information provided by the Valuer-General or independent valuations conducted during 2001-02.

- *Network Assets*
  Network assets are valued at written down replacement cost (current replacement cost less accumulated depreciation) and are revalued every three years either by independent valuers, or by suitably qualified officers of Transport SA. The reasonableness of this valuation approach for roads and earthworks was confirmed by an independent engineering consultant (L B Dowling & Associates) in 2001-02.

  A complete revaluation of Roads, Earthworks, Bridges, Culverts, Busway assets (including Busway Interchanges) was undertaken as at 30 June 2001. Revaluations of Traffic Signals and Road Lighting were undertaken as at 30 June 2002. Work on the full identification and revaluation of Major signs is ongoing into 2002-03.

  In the intervening years between complete revaluations, a price index is applied to the replacement cost of network assets. The price index used in 2001-02 is based on the South Australian Road and Bridge Construction index supplied by the Australian Bureau of Statistics.

- *Plant and Equipment*
  Plant and equipment with exception of the bus fleet and ferries are valued at historic cost. The bus fleet was revalued by independent valuers and the ferries by suitably qualified Transport SA officers as at 30 June 2001.

- *Work in Progress*
  All work in progress is valued at cost.

Depreciation
Non-current assets with the exception of land, earthworks, works in progress and the bus fleet component of plant and equipment are depreciated over their estimated useful lives using the straight-line method. Land, Earthworks and Works in Progress are not depreciated. The bus fleet is depreciated using a sliding scale that is representative of the usage pattern of these assets.

Estimates of the useful lives for all assets are made on a regular basis and are outlined by asset class as follows:

Asset Class	**Estimated Useful Life**
Network Assets:	
Roads and signs	39 - 57 years depending on road category
Bridges/Culverts	34 - 128 years based on individual structures
Traffic signals and road lighting	15 years
Busway (including interchanges)	Useful life depends on individual asset items
Other	Useful life depends on individual asset items
Buildings and Facilities	Useful life depends on individual asset items
Plant and Equipment:	
Information Technology equipment	3 years
Buses	20 - 25 years
Other plant and equipment	5 - 99 years depending on individual asset items

Revaluation of Non-Current Assets
Non-current assets within an asset class that are not reported at historical cost are revalued at substantially the same date or are revalued progressively and in a systematic manner on a consistent basis within a three year period.

Revaluation increments are credited direct to the Asset Revaluation Reserve. However, to the extent that the increment reverses a revaluation decrement previously recognised as an expense in the Statement of Financial Performance in respect of that same class of asset, it is recognised as revenue in the Statement of Financial Performance, but only to the extent of the previous expense.

Revaluation decrements are offset against any previous Asset Revaluation Reserve increment for that particular class of asset and any remaining balance is expensed.

(j) Employee Entitlements

(i) Wages and Salaries
Liabilities for wages and salaries are recognised as the amount unpaid at the reporting date and are measured at the current pay rates in respect of employees' services to that date.

(ii) 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.

(iii) *Superannuation*
Contributions are made by the Department to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they occur. The Department is not liable for payments to beneficiaries, as this is the responsibility of the superannuation schemes.

(iv) *Annual Leave and Long Service Leave*
The provision for annual leave and long service leave represents the amount which the Department 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 wages and salaries rates using the Department of Treasury and Finance benchmark of eight years service as a shorthand estimation of long service leave liability in accordance with Accounting Standard AASB 1028 'Employee Benefits'.

Related on-costs of payroll tax, superannuation and workers compensation premiums are shown under the item Payables in the Statement of Financial Position.

(k) ***Provision for Doubtful Debts***
The provision for doubtful debts has been calculated as 4 percent of all accounts receivable for Transport SA, together with an allowance for specific debts that are unlikely to be collected.

(l) ***Leases***
Operating
The Department has entered into a number of operating lease agreements for plant and vehicles, office accommodation, land for stacking roadside materials, land used for rail purposes and office equipment. The lessors effectively retain all the risks and benefits incidental to ownership of the items held under the lease agreements.

Finance
As a result of the Government's recreational jetties divestment program, 29 jetties have been leased to Councils throughout the State. The jetties were previously recognised as Transport SA assets and were valued at $19.6 million with $7.3 million accumulated depreciation, to give a written down replacement value of $12.3 million. The terms of the leases have been assessed as being finance leases due to the passing of risks and benefits to the lessees. While Transport SA retains ownership of these assets, control has passed to councils. As peppercorn rentals of $1 per annum apply over each of the 50 or 99 years lease terms, there is no material revenue income to Transport SA from these leases.

(m) ***Cash***
For the purposes of the Statement of Cash Flows, cash includes cash deposits, which are used in the cash management function on a day-to-day basis.

Administered cash is reported separately in the output class schedules.

(n) ***Income Tax***
In accordance with the National Competition Policy principles, it was agreed that State Government Business Enterprises (GBEs) in competition with private industry would be liable for payment of Commonwealth, State and Local Government taxes. An equivalent payment is made to the Department of Treasury and Finance. The Business Unit within the Department subject to the equivalent taxation regime is the Passenger Transport Asset Management Business Unit.

Payments made in respect of taxes other than income tax are recorded under the item Other Expenses.

(o) ***Accounting for the Goods and Services Tax (GST)***
In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', 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 Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the Australian Taxation Office have however been classified as operating cash flows.

(p) ***Workers Compensation***
A liability has been reported to reflect unsettled workers compensation claims. The amounts recorded are based on an actuarial assessment and reflect an apportionment of the whole-of-government estimate of workers compensation liability according to the Department's experience of claim numbers and payments over the period 1 July 1987 to 30 June 2002. A separate valuation of the liabilities of the Department has not been undertaken and if such a valuation was performed it may result in a different assessed liability.

(q) ***Transactions by the Government as Owner***
Appropriations to the Department designated as 'equity contributions' are recognised directly in equity in accordance with Treasurer's Instruction 3 'Appropriation'.

4. Departmental Output Classes
Output Class 1 ***Regulatory Services***
Provision of registration, licensing, compliance and other regulatory services under legislation committed to the Minister.

4. Departmental Output Classes (continued)

Output Class 2 ***Maintenance and Operation of the Transport System***
The efficient and effective maintenance and operation of marine, rail, road and bridge infrastructure and facilities including public transport assets.

Output Class 3 ***Planning and Development***
The provision of an integrated system of state planning, development policy and development assessment and key strategic plans.

Output Class 4 ***Information Services***
The provision of information to the public, industry and government agencies.

Output Class 5 ***Art, Museum and Heritage Services***
The provision of services that enable the State's cultural, heritage and arts assets to be appropriately maintained and be accessible to the community.

Output Class 6 ***Arts Industry Development and Access to Artistic Product***
The provision of services that enable the development of, and access to, arts activities to the community.

Output Class 7 ***Other Government Services***
The provision of services outside of the transport, planning and arts sector.

Output Class 8 ***Aboriginal Development, Land and Heritage***
The promotion of greater Aboriginal economic and partnership development to create long-term and secure employment that increases prosperity for Aboriginal peoples; provision and maintenance of essential services that contribute to safer and healthier living environments in Aboriginal communities; coordination of State landholding authorities; and monitor and evaluate education and training policies, programs and services.

Output Class 9 ***Local Government Frameworks***
Maintenance and development of the legislative and policy frameworks that support the local government system.

5. Employee Expenses

Employee expenses comprised:	**2002** **$'000**	2001 $'000
Salaries and wages	**65 284**	67 360
Annual leave and long service leave	**8 524**	8 436
Superannuation	**7 569**	8 382
Payroll tax	**4 963**	5 164
Workers compensation and other expenses	**1 840**	3 730
TVSP	**3 345**	1 236
	91 525	94 308

6. Depreciation

Depreciation was charged in respect of:		
Buildings and facilities	**7 436**	4 878
Plant and equipment	**14 290**	13 221
Network assets	**121 890**	92 512
	143 616	110 611

7. Supplies and Services

Materials	**20 822**	21 264
Utilities	**11 508**	12 152
Plant and vehicle hire	**22 780**	23 799
Operating leases	**6 029**	6 279
External consultancy and contract services	**29 669**	29 056
Contribution for policing services	**14 700**	15 896
Administration expenses	**12 671**	16 367
Other supplies and services	**62 924**	60 803
	181 103	185 616

8. Grants and Subsidies

Grants and subsidies comprised:		
Lead Agency Art Grants:		
Museum Board	**5 224**	6 729
Libraries Board of South Australia	**19 570**	23 461
Adelaide Festival Centre Trust	**9 101**	5 548
Art Gallery Board	**4 267**	5 205
Country Arts SA	**3 782**	4 981
South Australian Film Corporation	**3 434**	3 820
History Trust of South Australia	**2 935**	3 356
Adelaide Festival Corporation	**4 174**	4 000
State Opera of South Australia	**1 250**	1 018
South Australian Youth Arts Board	**1 272**	1 647
State Theatre Company of South Australia	**1 327**	1 513
Adelaide Symphony Orchestra	**1 468**	1 627
Jam Factory of Contemporary Craft and Design	**608**	882
Australian Dance Theatre	**480**	912
Carrick Hill Trust	**470**	664
Tandanya	**595**	554

		2002	2001
8.	**Grants and Subsidies (continued)**	**$'000**	$'000
	Arts Industry Development Grants:		
	Project assistance	**3 037**	2 868
	General purpose assistance	**2 195**	2 632
	Other arts grants	**3 555**	4 250
	Other	**5 809**	9 657
		74 553	85 324
9.	**Fees and Charges for Services**		
	Fees and charges comprised:		
	Road and marine related charges	**15 929**	14 154
	Road and marine fees	**5 466**	5 042
	Arts industry related fees	**1 010**	1 669
	Planning related fees	**1 158**	1 275
	Other	**57**	151
		23 620	22 291
10.	**Commonwealth Grants**		
	Commonwealth grants comprised:		
	Australian Land Transport Development Act 1988	**48 603**	45 812
	Interstate Road Transport Act 1985	**3 783**	3 212
	Australia Council	**175**	393
	Other	**6 248**	2 552
	Remediation of rail land	**527**	-
	Greenhouse office grant	**518**	-
		59 854	51 969
11.	**Registration and Licensing Fees**		
	Fees collected comprised:		
	Motor registration fees	**191 843**	181 197
	Drivers' licence fees	**44 960**	24 155
		236 803	205 352
12.	**Other Revenues**		
	Other revenues included:		
	Revaluation increment (Refer to Note 3(i))	**1 745**	149 450
	Fair value of assets received for nil consideration	**5 007**	4 923
	Property rentals	**3 571**	3 754
	Commissions	**5 163**	4 620
	Reimbursement works and external project contributions	**6 622**	9 897
	Business/service provider unit revenues from external sources	**2 915**	3 032
	Registration and insurance contributions	**4 763**	4 673
	Bus and depot leases	**27 910**	26 877
	TVSP recoup	**3 130**	920
	Public transport asset management	**4 383**	2 342
	Sundry revenues	**13 722**	16 051
		78 931	226 539
13.	**Net Loss on Disposal of Non-Current Assets**		
	Gross value of assets	**75 659**	16 183
	Less: Accumulated depreciation	**26 144**	7 480
	Written down value	**49 515**	8 703
	Proceeds received	**14 528**	5 190
	Net Loss	**(34 987)**	(3 513)

14. Net Expenses from Restructuring

With effect from 1 April 2002 for Arts SA, 4 December 2001 for DOSAA and 1 January 2002 for the Environmental Information Function of Planning SA, DTUPA no longer assumes responsibility for their Assets and Liabilities.

The Assets and liabilities transferred are summarised as follows:

	Arts SA	DOSAA	Environmental Information Function	**Total**
Current Assets:	$'000	$'000	$'000	**$'000**
Cash	44 104	4 921	311	**49 336**
Receivables	1 845	465	-	**2 310**
Inventories	16	-	-	**16**
Investments	562	-	-	**562**
Other	351	-	56	**407**
Total Current Assets	46 878	5 386	367	**52 631**
Non-Current Assets				
Land, Buildings and Facilities	13 388	456	-	**13 844**
Plant and Equipment	222	595	72	**889**
Investments	1 094	-	-	**1 094**
Total Non-Current Assets	14 704	1 051	72	**15 827**
Total Assets	**61 582**	**6 437**	**439**	**68 458**

14. Net Expenses from Restructuring (continued)

	Arts SA $'000	DOSAA $'000	Environmental Information Function $'000	**Total $'000**
Current Liabilities:				
Payables	1 024	1 715	18	**2 757**
Provision for employee entitlements	280	209	81	**570**
Other	560	-	203	**763**
Total Current Liabilities	1 864	1 924	302	**4 090**
Non-Current Liabilities				
Payables	94	-	24	**118**
Provision for employee entitlements	838	774	197	**1 809**
Other provisions	23	-	103	**126**
Total Non-Current Liabilities	955	774	324	**2 053**
Total Liabilities	**2 819**	**2 698**	**626**	**6 143**
NET ASSETS	**58 763**	**3 739**	**(187)**	**62 315**

15. Accumulated Surplus

	2002 $'000	2001 $'000
Balance as at 1 July	**3 733 873**	3 637 748
(Deficit) Surplus from ordinary activities	**(79 397)**	141 943
Previously unidentified assets(2)	**13 855**	541
Correction of prior year errors(1)	**606**	-
Dividends paid to Treasury(3)	**(3 773)**	(4 150)
Transfers from restructure	**2 022**	-
Equity contributions(4)	**-**	(42 209)
Balance as at 30 June	**3 667 186**	3 733 873

(1) Adjustments to correct errors detected in previous financial reports.

(2) Assets brought to account for the first time includes former rail land transferred to the Agency from Australian National Railways Commission. In addition, a full global positioning survey across the State network of traffic signals and road lighting assets revealed previously unidentified assets. Ferry modules associated with the State's ferry stocks were also recognised for the first time.

(3) Refer Note 30.

(4) The equity contribution received by the Department in 1999-2000 was recognised as revenue and reflected in the accumulated surplus. From 2000-2001, Treasurer's Instruction 3 requires equity contributions to be disclosed separately in the Statement of Financial Position. As a result, the 1999-2000 equity contribution has been transferred from accumulated surplus to equity contribution. Refer Note 17.

16. Reserves

Asset revaluation reserve	Land, Buildings & Facilities $'000	Plant & Equipment $'000	Network Assets $'000	**2002 Total $'000**
Balance as at 1 July	58 400	3 913	1 091 579	**1 153 892**
Increment (decrement) on revaluation	6 877	-	28 168	**35 045**
Transfers from restructure	(2 022)	-	-	**(2 022)**
Balance as at 30 June	63 255	3 913	1 119 747	**1 186 915**

17. Equity Contributions

	2002 $'000	2001 $'000
Balance as at 1 July	**80 709**	41 695
Appropriation	**39 605**	39 014
Balance as at 30 June	**120 314**	80 709

18. Cash Assets

Balance of cash on hand and in Deposit and Special Deposit Accounts as at 30 June were:

Arts SA Deposit Account	**-**	28 312
Office of the Status of Women Deposit Account	**287**	-
Planning SA Deposit Account	**2 964**	3 849
Highways Fund	**72 635**	17 684
Transport Operating Account	**7 592**	14 362
Recreational Boating Facilities Fund	**1 771**	1 729
Boating Administration Working Account	**668**	162
Division of State Aboriginal Affairs Deposit Account	**-**	3 398
Office of Local Government Deposit Account	**231**	428
Total Cash Assets	**86 148**	69 924

19. Receivables

Receivables comprised:

Gross receivables	**15 608**	24 308
Less: Provision for doubtful debts	**735**	622
Net Receivables	**14 873**	23 686

20. Inventories

Inventories comprised:	**2002 $'000**	2001 $'000
Supplies and stores	**929**	821
Roadside materials	**3 416**	3 416
External work in progress	**657**	657
	5 002	4 894

21. Land, Buildings and Facilities

Land as at 30 June:	**2002 Gross Value $'000**	**2002 Accumulated Depreciation $'000**	**2002 Written Down Value $'000**	2001 Gross Value $'000	2001 Accumulated Depreciation $'000	2001 Written Down Value $'000
Held for cultural purposes	**-**	**-**	**-**	3 050	-	3 050
Held for Departmental operations	**27 648**	**-**	**27 648**	26 836	-	26 836
Held for road purposes	**85 155**	**-**	**85 155**	78 148	-	78 148
Held for marine purposes	**1 664**	**-**	**1 664**	3 614	-	3 614
Land under roads	**7 148**	**-**	**7 148**	5 524	-	5 524
Held for rail purposes	**15 524**	**-**	**15 524**	17 975	-	17 975
Total	**137 139**	**-**	**137 139**	135 147	-	135 147

Land:	Cultural Purposes $'000	Departmental Operations $'000	Road Purposes $'000	Marine Purposes $'000	Land under Roads $'000	Rail Purposes $'000	**Total $'000**
Gross Carrying Amount:							
Balance as at 1 July	3 050	26 836	78 148	3 614	5 524	17 975	**135 147**
Additions	-	-	1 448	-	1 297	9 735	**12 480**
Disposals	-	(597)	(4 891)	(1 991)	(14)	(6 504)	**(13 997)**
Net revaluation increments (decrements)	-	1 409	10 450	41	341	(5 682)	**6 559**
Transfers from restructure	(3 050)	-	-	-	-	-	**(3 050)**
Balance as at 30 June	-	27 648	85 155	1 664	7 148	15 524	**137 139**
Net Book Value:							
Balance as at 30 June 2002	**-**	**27 648**	**85 155**	**1 664**	**7 148**	**15 524**	**137 139**
Balance as at 30 June 2001	3 050	26 836	78 148	3 614	5 524	17 975	135 147

Buildings and facilities as at 30 June:	**2002 Gross Value $'000**	**2002 Accumulated Depreciation $'000**	**2002 Written Down Value $'000**	2001 Gross Value $'000	2001 Accumulated Depreciation $'000	2001 Written Down Value $'000
Held for cultural purposes	**-**	**-**	**-**	17 110	6 594	10 516
Held for Departmental operations	**98 178**	**61 300**	**36 878**	97 310	57 989	39 321
Held for road purposes	**13 586**	**11 077**	**2 509**	14 367	11 707	2 660
Held for marine purposes	**144 566**	**38 744**	**105 822**	181 346	51 509	129 837
Held for rail purposes	**2 140**	**537**	**1 603**	1 365	101	1 264
Total	**258 470**	**111 658**	**146 812**	311 498	127 900	183 598

Buildings and Facilities:	Cultural Purposes $'000	Departmental Operations $'000	Road Purposes $'000	Marine Purposes $'000	Rail Purposes $'000	**Total $'000**
Gross Carrying Amount:						
Balance as at 1 July	17 110	97 310	14 367	181 346	1 365	**311 498**
Additions	-	196	786	-	1 150	**2 132**
Disposals	-	-	(1 567)	(36 780)	(398)	**(38 745)**
Net revaluation increments (decrements)	-	1 331	-	-	23	**1 354**
Transfers from restructure	(17 110)	(659)	-	-	-	**(17 769)**
Balance as at 30 June	-	98 178	13 586	144 566	2 140	**258 470**
Accumulated Depreciation:						
Balance as at 1 July	6 594	57 989	11 707	51 509	101	**127 900**
Additions	-	-	-	-	380	**380**
Disposals	-	-	(1 140)	(15 225)	(8)	**(16 373)**
Net adjustments from revaluation increments (decrements)	-	1 054	-	(1 764)	-	**(710)**
Depreciation expense	155	2 483	510	4 224	64	**7 436**
Transfers from restructure	(6 749)	(226)	-	-	-	**(6 975)**
Balance as at 30 June	-	61 300	11 077	38 744	537	**111 658**
Net Book Value:						
Balance as at 30 June 2002	**-**	**36 878**	**2 509**	**105 822**	**1 603**	**146 812**
Balance as at 30 June 2001	10 516	39 321	2 660	129 837	1 264	183 598

21. Land, Buildings and Facilities (continued)

	2002 Gross Value $'000	2002 Accumulated Depreciation $'000	2002 Written Down Value $'000	2001 Gross Value $'000	2001 Accumulated Depreciation $'000	2001 Written Down Value $'000
Land, buildings and facilities as at 30 June:						
At cost	**2 826**	**226**	**2 600**	560	216	344
At valuation	**392 783**	**111 432**	**281 351**	446 085	127 684	318 401
Total	**395 609**	**111 658**	**283 951**	446 645	127 900	318 745

22. Plant and Equipment

	2002 Gross Value $'000	2002 Accumulated Depreciation $'000	2002 Written Down Value $'000	2001 Gross Value $'000	2001 Accumulated Depreciation $'000	2001 Written Down Value $'000
Plant and equipment as at 30 June:						
Buses	**324 021**	**236 621**	**87 400**	309 354	224 620	84 734
Information technology equipment	**8 681**	**6 273**	**2 408**	10 368	8 304	2 064
Other plant and equipment	**26 977**	**16 342**	**10 635**	27 515	16 718	10 797
Total	**359 679**	**259 236**	**100 443**	347 237	249 642	97 595

Buses were valued in 2001 by the Australian Valuation Office. Ferries (Other plant and equipment asset category) were valued in 2001 by Departmental engineer J. Rositano B.Eng. Mech Eng, MIE Aust.

Plant and Equipment:	Buses $'000	Information Technology Equipment $'000	Other Plant & Equipment $'000	**Total $'000**
Gross Carrying Amount:				
Balance as at 1 July	[(a)] 309 354	10 368	27 515	**347 237**
Additions	15 331	1 127	1 939	**18 397**
Disposals	(664)	(2 244)	(1 210)	**(4 118)**
Other	-	(77)	(67)	**(144)**
Transfers from restructure	-	(493)	(1 200)	**(1 693)**
Balance as at 30 June	324 021	8 681	26 977	**359 679**
Accumulated Depreciation:				
Balance as at 1 July	224 620	8 304	16 718	**249 642**
Additions	-	-	205	**205**
Disposals	(651)	(2 162)	(1 077)	**(3 890)**
Depreciation expense	12 652	360	1 214	**14 226**
Other	-	(34)	(37)	**(71)**
Transfers from restructure	-	(195)	(681)	**(876)**
Balance as at 30 June	236 621	6 273	16 342	**259 236**
Net Book Value:				
Balance as at 30 June 2002	**87 400**	**2 408**	**10 635**	**100 443**
Balance as at 30 June 2001	84 734	2 064	10 797	97 595

(a) Opening balance for buses includes $12.2 million which was categorised in 'Other Plant and Equipment', in 2000-01.

	2002 Gross Value $'000	2002 Accumulated Depreciation $'000	2002 Written Down Value $'000	2001 Gross Value $'000	2001 Accumulated Depreciation $'000	2001 Written Down Value $'000
Plant and equipment as at 30 June:						
At cost	**51 876**	**36 731**	**15 145**	7 408	2 381	5 027
At valuation	**307 803**	**222 505**	**85 298**	339 829	247 261	92 568
Total	**359 679**	**259 236**	**100 443**	347 237	249 642	97 595

23. Network Assets

	2002 Gross Value $'000	2002 Accumulated Depreciation $'000	2002 Written Down Value $'000	2001 Gross Value $'000	2001 Accumulated Depreciation $'000	2001 Written Down Value $'000
Network assets as at 30 June:						
Roads and signs	**4 318 194**	**2 436 233**	**1 881 961**	4 302 091	2 365 635	1 936 456
Earthworks	**1 669 192**	**-**	**1 669 192**	1 641 438	-	1 641 438
Bridges and culverts	**986 993**	**434 549**	**552 444**	962 095	418 826	543 269
Traffic signals and road lighting	**263 165**	**184 671**	**78 494**	181 476	111 671	69 805
Busway	**62 801**	**16 684**	**46 117**	62 399	15 676	46 723
Other	**11 256**	**5 798**	**5 458**	11 189	5 583	5 606
Work in progress	**395 750**	**-**	**395 750**	369 591	-	369 591
Total	**7 707 351**	**3 077 935**	**4 629 416**	7 530 279	2 917 391	4 612 888

Network Assets:	Roads and Signs $'000	Earthworks $'000	Bridges/ Culverts $'000	Traffic Signals and Road Lighting $'000	Busway $'000	Other $'000	Work in Progress $'000	**Total $'000**
Gross Carrying Amount:								
Balance as at 1 July	4 302 091	1 641 438	962 095	181 476	62 399	11 189	369 591	**7 530 279**
Additions	41 371	17 905	20 224	19 112	-	-	26 159	**124 771**
Disposals	-	-	(1 057)	(19 117)	-	-	-	**(20 174)**
Net revaluation increments (decrements)[(b)]	(25 268)	9 849	5 731	81 694	402	67	-	**72 475**
Balance as at 30 June	4 318 194	1 669 192	986 993	263 165	62 801	11 256	395 750	**7 707 351**

23. Network Assets (continued)

Network Assets: Accumulated Depreciation:	Roads and Signs $'000	Earthworks $'000	Bridges/ Culverts $'000	Traffic Signals and Road Lighting $'000	Busway $'000	Other $'000	Work in Progress $'000	**Total $'000**
Balance as at 1 July	2 365 635	-	418 825	111 671	15 676	5 583	-	**2 917 390**
Additions	-	-	-	558	-	-	-	**558**
Disposals	-	-	(1 002)	(5 209)	-	-	-	**(6 211)**
Net adjustments from revaluation increments (decrements)[(b)]	(28 586)	-	2 586	70 171	102	35	-	**44 308**
Depreciation expense	99 184	-	14 140	7 480	906	180	-	**121 890**
Balance as at 30 June	2 436 233	-	434 549	184 671	16 684	5 798	-	**3 077 935**
Net Book Value:								
Balance as at 30 June 2002	**1 881 961**	**1 669 192**	**552 444**	**78 494**	**46 117**	**5 458**	**395 750**	**4 629 416**
Balance as at 30 June 2001	1 936 456	1 641 438	543 269	69 805	46 723	5 606	369 591	4 612 888

(b) Includes $51 million correction in revaluation decrement for 2000-01 and associated $43 million correction in accumulated depreciation.

	2002			2001		
Network assets as at 30 June:	**Gross Value $'000**	**Accumulated Depreciation $'000**	**Written Down Value $'000**	Gross Value $'000	Accumulated Depreciation $'000	Written Down Value $'000
At cost	**486 950**	**-**	**486 950**	31 146	280	30 866
At valuation	**7 220 401**	**3 077 935**	**4 142 466**	7 499 133	2 917 111	4 582 022
Total	**7 707 351**	**3 077 935**	**4 629 416**	7 530 279	2 917 391	4 612 888

24. Payables

Payables as at 30 June comprised:	**2002 $'000**	2001 $'000
Supplies and services	**43 800**	53 239
Employee expenses	**4 368**	5 136
Other	**8 844**	3 344
	57 012	61 719
Current liabilities	**54 716**	58 566
Non-Current liabilities	**2 296**	3 153
	57 012	61 719

25. Provision for Employee Entitlements

	2002	2001
(a) Current Liabilities		
Annual leave	**5 806**	5 673
Long service leave	**5 258**	4 714
Workers compensation	**1 967**	1 862
	13 031	12 249
(b) Non-Current Liabilities		
Long service leave	**19 432**	22 072
Workers compensation	**6 149**	6 002
	25 581	28 074

Annual leave is classified as a current liability as employees are required to take all annual leave within the year of entitlement. Long Service Leave liability has been allocated between current and non-current liabilities using the leave pattern history for the previous year.

26. Borrowings

	2002 $'000	2001 $'000
Balance as at 1 July	**58 683**	65 683
Less: Repayments:		
Public transport assets	**10 900**	7 000
Transfers from restructure	**23**	-
Balance as at 30 June	**47 760**	58 683
Current liabilities	**-**	-
Non-Current liabilities	**47 760**	58 683
	47 760	58 683

27. Commitments

(a) Lease Commitments - Operating

Operating Lease Commitments:		
Payable no later than one year	**9 787**	12 899
Payable later than one year but not later than five years	**9 256**	9 479
Payable later than five years	**1 326**	3 710
	20 369	26 088

(a) ***Lease Commitments - Operating (continued)***

Leases include plant and vehicles, office accommodation, land for stacking roadside materials, land used for rail purposes and office equipment. These commitments are not recognised as liabilities in the financial report.

The plant lease is a non-cancellable lease and an option exists to renew the lease, subject to a formal tender process at the end of the existing term. The lease contains provisions which subject the hire rates to a fixed annual increase as set out in the contract.

The property leases are non-cancellable leases with terms ranging from 1 to 10 years. Rental is payable in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be regularly reviewed and increased by either a CPI factor, to market value, or a fixed percentage. Various options exist to renew the leases at the end of their terms. A number of leases have no option to renew.

The computer equipment leases are non-cancellable leases with the lease term being three years. The lease contains three options at the conclusion of the current three year term being; return equipment, extend the lease at fair market value or purchase the equipment at fair market value.

The motor vehicle and photocopier leases are non-cancellable leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreement and no options exist to renew the leases at the end of their terms.

(b) ***Capital Commitments***

	2002	2001
Aggregate capital expenditure commitment for construction projects relating to road networks as at 30 June 2002 were:	**$'000**	$'000
Payable no later than one year	**18 614**	37 375
Payable later than one but not later than five years	**5 299**	1 650
	23 913	39 025

28. Contingent Liabilities

At year end, the Department had possible material exposures resulting from litigation (or pending litigation) in respect of claims for property damage and personal injury. The Department had also received notification of other cases not yet subject to Court action, which may in future, result in subsequent litigation. In addition, the Department has possible material exposure resulting from the ongoing monitoring and treatment of contaminated land assets (in particular rail).

The Department believes that the extent of these liabilities cannot be reliably measured.

29. Reconciliation of (Deficit) Surplus from Ordinary Activities to Net Cash provided by Operating Activities

	2002	2001
	$'000	$'000
(Deficit) Surplus from Ordinary Activities	**(97 635)**	26 070
Adjustments:		
Depreciation	**143 616**	110 611
Inventories	**(81)**	126
Prepayments	**1 049**	1 321
Receivables	**17 725**	(5 705)
Creditors	**(5 866)**	3 377
Employee entitlements	**283**	3 112
Unearned revenue	**288**	115
Fair value of assets received	**(5 007)**	(4 927)
Appropriations from Government	**117 510**	120 594
Revaluation adjustments	**-**	(149 450)
Other	**(1 151)**	(66)
Net Cash provided by Operating Activities	**170 731**	105 178

30. Indenture Ports

TransportSA manages the indenture and private ports. Funds in regard to cargo services and harbour services charges are collected by TransportSA and applied to the maintenance of the indenture ports. Any remaining funds are paid to the Department of Treasury and Finance by way of a dividend. Assets associated with these ports include land and facilities at Port Bonython, Ardrossan and Whyalla.

The amount paid to the Department of Treasury and Finance in 2001-02 was $3.4 million ($3.9 million).

31. Remuneration of Employees

	2002	2001
The number of employees whose remuneration received or receivable fell within the following bands were:	**Number of Employees**	Number of Employees
$100 000 - $109 999	**10**	10
$110 000 - $119 999	**4**	9
$120 000 - $129 999	**3**	2
$130 000 - $139 999	**3**	-
$150 000 - $159 999	**1**	-
$190 000 - $199 999	**-**	1
$220 000 - $229 999	**-**	1
$240 000 - $249 999	**1**	-
	22	23

The total remuneration received by the 22 employees (23 employees) was $2.7 million ($2.8 million) which included salary and related payments, superannuation benefits and motor vehicle benefits.

A total of 6 employees whose total remuneration exceeded $100 000 were transferred as a result of a restructure. The total annual remuneration received by these employees was $0.8 million.

32. Consultants

The Department paid fees to consultants as follows:

	2002 Number of Consultants	2001 Number of Consultants
$1 - $10 000	**11**	32
$10 001 - $50 000	**9**	12
$50 001 and above	**3**	8
	23	52

The total value of consultancies for the reporting period was $800 000 ($1.1 million).

33. Targeted Voluntary Separation Packages (TVSPs)

In accordance with government policy to reduce the public sector workforce, 42 employees (24) of the Department were paid TVSPs during the year. These payments have been, or will be recovered from the Department of the Premier and Cabinet.

TVSP payments amounted to $3.4 million ($1.2 million) for the year. An amount of $0.4 million ($0.2 million) is owed to the Department as at 30 June 2002, and is included in the item Receivables. Payments are recorded under the item Employee Expenses.

In addition, accrued annual leave and long service leave entitlements amounting to $1.2 million ($0.4 million) were paid to those employees who received a TVSP.

34. Road Safety

In accordance with the *Highways Act 1926,* $7.5 million ($4 million) being 1/6th of drivers' licence collections, was used to fund expenditure on transport safety initiatives. Expenditure on these initiatives is reflected in the Regulatory Services and Maintenance and Operation of the Transport System output classes.

35. Administered Items

Administered items during the reporting period were:

- Aboriginal advancement works
- Bond money from tenants
- Catchment Management Subsidy Scheme
- Contractor deposits
- Development application fees distribution
- Lincoln Cove Marina
- Metropolitan (Woodville, Henley and Grange) Drainage Scheme
- Minister's salary
- Motor Registration disbursements
- Outback Areas Community Development Trust
- Power Lines Environment Committee
- *South-Western Suburbs Drainage Scheme Act 1959*
- Unclaimed salaries and wages
- West Beach Trust - Tax Equivalent Regime (TER)
- Flood mitigation
- Local Government Tax Equivalent Fund

The financial statements for administered items are contained in the Output Class Schedules.

36. Bus and Depot Receivables

Since the commencement of the seven new metropolitan bus contracts, the Passenger Transport Board has had the responsibility under lease arrangements for payments to Transport SA for the use of buses and depots owned by Transport SA.

The following information is provided in respect of those assets:	Buses $'000	Depots $'000	**Total $'000**
Gross value	315 982	27 392	**343 374**
Accumulated depreciation	236 621	1 910	**238 531**
Net Value	79 361	25 482	**104 843**
Depreciation for the year ended 30 June	12 658	951	**13 609**

The Department expects to receive the following income from Buses and Bus Depots under the lease arrangements	Less than 1 year $'000	1 - 5 Years $'000	More than Five years $'000
	28 779	46 254	-

37. Financial Instruments

(a) Terms and Conditions

Financial Instrument	**Note**	**Accounting Policies and Methods**	**Nature of Underlying Instrument**
Financial Assets:			
Cash assets	18	Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis, with only certain funds held within the total cash balance being interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Department are the Transport Operating Account, the Boating Administration Working Account, the Recreational Boating Facilities Fund, Planning SA Deposit Account and the Office of Local Government Deposit Account. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts which is 4.17 percent (as at 30 June 2002).

(a) Terms and Conditions (continued)

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Receivables	19	Receivables are recorded at amounts due to the Department, less a provision for doubtful debts. They are recorded when services have been completed.	Receivables are due within 30 days.
Administered Items:			
Cash assets		Administered cash is recorded at its nominal amount.	Measured as the amount held in separate accounts with the Department of Treasury and Finance on behalf of third parties.
Receivables		Receivables are recorded at the amounts due to the third party.	Receivables are due in line with agreements for the Administered Items.
Financial Liabilities:			
Payables	24	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
Borrowings	26	Borrowings are recorded at the amounts equal to proceeds received less repayments of principal made. Interest expense is recognised on an accrual basis.	Loans are carried at the amounts borrowed. Loans are drawn from the Department of Treasury and Finance and the interest rate is the Treasurer's Common Public Sector Interest Rate of 6.25 percent (as at 30 June 2002). Borrowings swapped for equity are non-interest bearing. Repayments are determined in negotiation with the South Australian Government Financing Authority (SAFA).
Administered Items:			
Payables		Creditors are recorded at the agreed amounts at which the liabilities are to be settled.	Creditors are due in line with agreements for Administered Items.
Borrowings		Borrowings are recorded at the amounts owed.	Loans are carried at the amount borrowed. Repayments are determined in negotiation with SAFA for the particular Administered Items.

(b) Interest Rate Risk

Financial Instrument	**2002 Floating Interest Rate Percent**	**2002 Interest Bearing $'000**	**2002 Non-Interest Bearing $'000**	**2002 Total $'000**	2001 Floating Interest Rate Percent	2001 Interest Bearing $'000	2001 Non-Interest Bearing $'000	2001 Total $'000
Controlled Items:								
Financial Assets:								
Cash assets	**4.17**	**13 513**	**72 635**	**86 148**	5.01	52 266	17 658	69 924
Receivables		**-**	**14 873**	**14 873**		-	23 686	23 686
Investments		**-**	**-**	**-**	5.7	75	1 508	1 583
		13 513	**87 508**	**101 021**		52 341	42 852	95 193
Financial Liabilities:								
Payables		**-**	**57 012**	**57 012**		-	61 719	61 719
Borrowings	**6.25**	**47 760**	**-**	**47 760**	7.65	58 660	23	58 683
		47 760	**57 012**	**104 772**		58 660	61 742	120 402
Administered Items:								
Financial Assets:								
Cash assets		**-**	**180**	**180**	5.01	142	239	381
Receivables		**-**	**3 622**	**3622**		-	3 441	3 441
		-	**3 802**	**3 802**		142	3 680	3 822
Financial Liabilities:								
Bank overdraft		**-**	**36**	**36**		-	-	-
Payables		**-**	**458**	**458**		-	391	391
Borrowings		**-**	**3 308**	**3 308**		-	3 431	3 431
		-	**3 802**	**3 802**		-	3 822	3 822

(c) Net Fair Values of Financial Assets and Liabilities

Financial Instrument:	Note	**2002 Total Carrying Amount $'000**	**2002 Net Fair Value $'000**	2001 Total Carrying Amount $'000	2001 Net Fair Value $'000
Controlled Items:					
Cash assets	18	**86 148**	**86 148**	69 924	69 924
Receivables	19	**14 873**	**14 873**	23 686	23 686
Investments		**-**	**-**	1 583	1 583
		101 021	**101 021**	95 193	95 193
Payables	24	**57 012**	**57 012**	61 719	61 719
Borrowings	26	**47 760**	**47 760**	58 683	58 683
		104 772	**104 772**	120 402	120 402

(c) Net Fair Values of Financial Assets and Liabilities (continued)

		2002		2001	
		Total Carrying Amount	**Net Fair Value**	Total Carrying Amount	Net Fair Value
Administered Items:	Note	**$'000**	**$'000**	$'000	$'000
Cash assets		**180**	**180**	381	381
Receivables		**3 622**	**3 622**	3 441	3 441
		3 802	**3 802**	3 822	3 822
Payables		**458**	**458**	391	391
Borrowings		**3 308**	**3 308**	3 431	3 431
Bank overdraft		**36**	**36**	-	-
		3 802	**3 802**	3 822	3 822

(d) Credit Risk Exposure

The Department's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Department has no significant exposures to any concentrations of credit risk.

38. Auditors' Remuneration

The amount payable to the Auditor-General's Department for audit services during the reporting period was $200 000 ($263 000). The auditors received no other benefits.

39. Rail Transport Facilitation Fund

The *Rail Transport Facilitation Fund Act 2001,* which established the Rail Transport Facilitation Fund, was proclaimed in December 2001.

Income derived from the sale or leasing of railway assets and income derived by the State from rail facilitation projects is to be paid into the Fund.

As at 30 June 2002, the Department had not created an account for the Fund. Income from the sale and leasing of railway land and costs associated with these assets has been transacted through the Transport Operating Account. Income totalled $12 million and expenditure amounted to $3 million.

DEPUTY PREMIER; TREASURER; MINISTER FOR GOVERNMENT ENTERPRISES; MINISTER ASSISTING IN GOVERNMENT ENTERPRISES; MINISTER FOR ENERGY

PORTFOLIO – TREASURY AND FINANCE

INTRODUCTION

This section of this Part of the Report contains the financial statements of, and comments concerning, the operations of those agencies under the direction and control of the following Ministers, namely:

- Deputy Premier
- Treasurer
- Minister for Government Enterprises
- Minister Assisting in Government Enterprises
- Minister for Energy

The agencies included herein relating to the portfolio of Treasury and Finance are:

- Electricity Supply Industry
  - Distribution Lessor Corporation
  - Generation Lessor Corporation
  - Transmission Lessor Corporation
  - RESI Corporation
- Industrial and Commercial Premises Corporation
- Judges' Pensions Scheme
- Land Management Corporation
- Lotteries Commission of South Australia
- Motor Accident Commission
- National Wine Centre
- Parliamentary Superannuation Scheme
- South Australian Asset Management Corporation
- South Australian Forestry Corporation
- South Australian Government Captive Insurance Corporation
- South Australian Government Financing Authority
- South Australian Ports Corporation
  - Ports Corporation Sale/Lease - Proceeds
  - South Australian Ports Corporation
- South Australian Superannuation Board
  - South Australian Superannuation Scheme
  - Southern State Superannuation Scheme
- South Australian Water Corporation
- Superannuation Funds Management Corporation of South Australia
- Treasury and Finance - Department of
- XTAB Pty Ltd

SUPPLEMENTARY REPORT

There are bodies whose financial statements have not been finalised or the audit has not been completed in time for inclusion in this Report. The financial statements for, and commentary on the operations of, the:

- National Wine Centre
- Parliamentary Superannuation Scheme
- Police Superannuation Scheme
- XTAB Pty Ltd

will be included in a Supplementary Report to be presented to Parliament later in this financial year.

ELECTRICITY SUPPLY INDUSTRY

OVERVIEW

STRUCTURE OF THIS SECTION OF THE REPORT

To provide an understanding, and to assist with readability, this section of the Report comments on the organisational arrangements operating in the 2001-02 financial year resulting from the disposal of the South Australian Government owned electricity assets.

Details of the major changes associated with the disposal process were provided in Part B of the Auditor-General's Report for the year ended 30 June 2001 in the section titled 'Electricity Supply Industry'.

OVERVIEW OF CHANGES TO AGENCY ORGANISATIONAL STRUCTURES

In February 1998 the former South Australian Government announced its intention to dispose of its electricity assets and, at the same time, proposed reforms for the South Australian electricity supply industry, including the restructure of the existing government-owned electricity businesses.

To facilitate both the completion of the reform process, and prepare the State's electricity supply industry assets for potential disposal, on 30 June 1998 the former Government announced plans for the restructure of the State's electricity supply industry. This included the 'disaggregation' of the electricity businesses, including:

- subdivision of the generation function into three competing businesses;
- creation of a company to manage the existing gas contracts and to trade in gas;
- establishing the transmission function as an autonomous trading entity;
- establishing the distribution and retail functions as separate subsidiary entities.

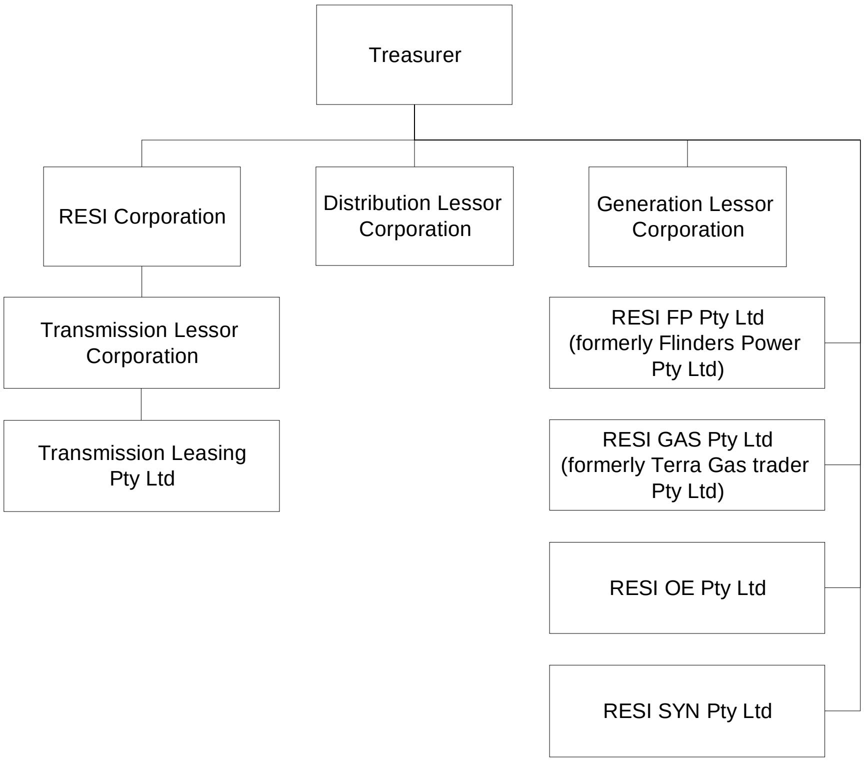
In June 1999, the *Electricity Corporations (Restructuring and Disposal) Act 1999* was passed by Parliament allowing for the long-term lease of the State's distribution, generation, retail and transmission assets.

The disposal process was completed during 2000-01.

To assist with the disposal process and to provide avenues to which residual assets and liabilities of the former electricity entities could be transferred pending settlement of assets and liabilities a number of government-owned electricity entities were formed.

A number of the government-owned electricity entities previously formed having achieved their purpose were deregistered or dissolved during 2000-01.

The structure of the government-owned residual electricity entities as at 30 June 2001 was as follows:

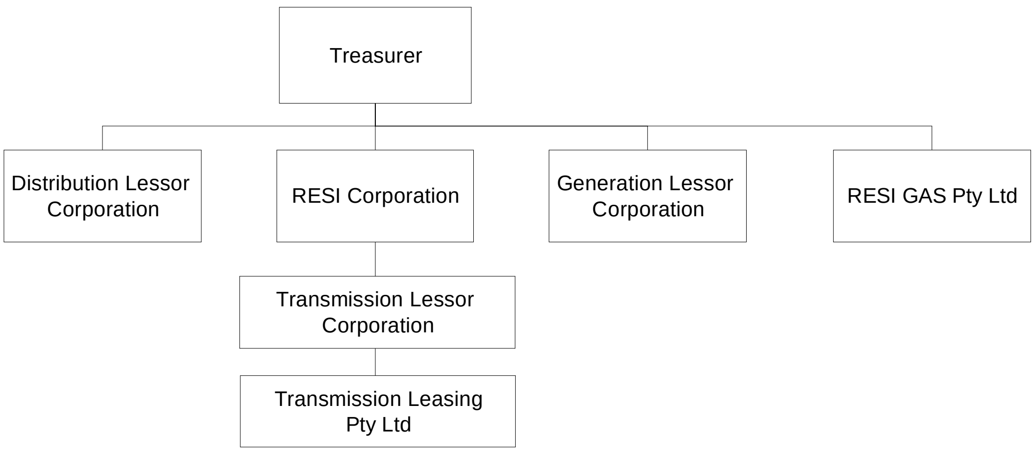


CHANGES TO ORGANISATIONAL STRUCTURE AND FUNCTIONS IN 2001-02

During 2001-02 the Government deregistered a number of non-trading electricity entities, as part of finalising the electricity disposal process. The entities that were deregistered on 11 June 2002 were:

- RESI FP Pty Ltd
- RESI OE Pty Ltd
- RESI SYN Pty Ltd

Thus, the structure of the government-owned electricity supply industry as at 30 June 2002 was as follows:



Audit understands that as part of finalising the electricity business disposal process, the Government proposes to deregister RESI GAS Pty Ltd during 2002-03.

SPECIFIC COMMENTARY ON GOVERNMENT-OWNED RESIDUAL ELECTRICITY ENTITIES

Specific commentary and a summary of financial statements follow for the residual government-owned electricity entities in existence as at 30 June 2002, namely:

- Distribution Lessor Corporation
- Generation Lessor Corporation
- Transmission Lessor Corporation
- RESI Corporation

Specific commentary and a summary of financial statements is not presented within this Report for the following:

- RESI GAS Pty Ltd did not undertake any trading activities and only undertook those functions necessary to wind down any remaining assets and liabilities resulting in it having no assets or liabilities at 30 June 2002;

- Transmission Leasing Pty Ltd did not undertake any trading activities. It is a participant in a cross border lease of transmission assets.

DISTRIBUTION LESSOR CORPORATION

FUNCTIONAL RESPONSIBILITY

Distribution Lessor Corporation (DLC) was established as a subsidiary of the Treasurer in July 1999 pursuant to the Public Corporations (Distribution Lessor Corporation) Regulations 1999.

The principal activity of DLC is as lessor of the prescribed electricity assets consisting of the distribution network and the land on which it is located.

On 28 January 2000, DLC leased the distribution network under a 200 year finance lease and the distribution network land under a 200 year operating lease to the South Australian Utilities Partnership comprising CKI Utilities Development Ltd, HEI Utilities Development Ltd, CKI Utilities Holdings Ltd, HEI Utilities Ltd and CKI/HEI Utilities Distribution Ltd. The leases are linked whereby default under one lease will result in a default in the other.

SIGNIFICANT FEATURE

By way of a Ministerial Transfer Order dated 5 June 2002 made pursuant to the *Electricity Corporations (Restructuring & Disposals) Act 1999* by the Treasurer of South Australia, the land and buildings located at Angle Park with a present value of $5 million were divested to the Minister for Emergency Services. The Transfer Order contained an accounting direction to the Corporation that directed the Corporation to account for the transfer by reducing the amount of the Treasurer's capital contributions (equity) to the Corporation and non-current assets.

AUDIT MANDATE AND COVERAGE

Audit Authority

In accordance with section 31 of the *Public Finance and Audit Act 1987* and subclause 13(3) of the Schedule to the *Public Corporations Act 1993* the Auditor-General may at any time, and must in respect of each financial year, audit the accounts and financial statements of Distribution Lessor Corporation.

Scope of Audit

The audit program was directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal control.

During 2001-02 a specific area of audit attention included accounting for the lease of the prescribed electricity distribution assets.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of Distribution Lessor Corporation included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by Distribution Lessor Corporation in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

- The net present value of lease rentals was fully prepaid or otherwise secured by a lump sum security payment by the lessee on 28 January 2000, which was received by the Treasurer. The major asset is lease rentals receivables which is brought to account over the life of the lease with the major liability being unearned lease revenue. Annual lease rentals amortised comprise the major portion of revenue from ordinary activities.

- DLC wrote off the balance of the Treasurer's Clearing Account which represented a receivable due from the Treasurer which resulted in expenses of $271 000.

- DLC made a loss of $129 000 ($28 000 profit).

ABRIDGED FINANCIAL STATEMENTS

The results of operations for the year ended 30 June 2002 for Distribution Lessor Corporation are set out below:

Statement of Financial Performance for the year ended 30 June 2002

	2002	2001
	$000	$000
TOTAL REVENUE FROM ORDINARY ACTIVITIES	**335**	109
TOTAL EXPENSES FROM ORDINARY ACTIVITIES	**464**	81
NET PROFIT (LOSS)	**(129)**	28
CHANGES IN EQUITY	**(129)**	28

Statement of Financial Position as at 30 June 2002

	2002	2001
	$000	$000
Current Assets	**1 216**	1 180
Non-Current Assets	**302 966**	308 290
TOTAL ASSETS	**304 182**	309 470
Current Liabilities	**67**	121
Non-Current Liabilities	**276 023**	276 076
TOTAL LIABILITIES	**276 090**	276 197
NET ASSETS	**28 092**	33 273
TOTAL EQUITY	**28 092**	33 273

GENERATION LESSOR CORPORATION

FUNCTIONAL RESPONSIBILITY

Generation Lessor Corporation (GLC) was established as a subsidiary of the Treasurer in July 1999 pursuant to the Public Corporations (Generation Lessor Corporation) Regulations 1999.

The principal activity of GLC is a lessor of the prescribed electricity assets which are in the nature of generation plant or the land upon which the generation plant is located, as well as certain other assets that are not prescribed electricity assets including land at Torrens Island and Port Augusta associated with generation operations at those locations and the Leigh Creek Township.

GLC is also the lessee of the Leigh Creek Railway and has granted a sub-lease of the Railway to the operator of the Port Augusta Power Station.

Details of Leases

On 6 June 2000, GLC leased the prescribed electricity assets consisting of generating plant comprising the Torrens Island Power Station (which had been transferred from RESI OE Pty Ltd) under two separate finance leases of 100 years each to TXU (South Australia) Pty Ltd. GLC entered into a separate 100 year finance lease with TXU (South Australia) Pty Ltd in respect of land on which the two generating plants are located.

On 6 June 2000, GLC leased the prescribed electricity assets consisting of generating plant comprising Port Lincoln, Snuggery, Dry Creek and Mintaro Power Stations (which had been transferred from RESI SYN Pty Ltd) under a finance lease of 100 years to National Power Synergen Pty Ltd. GLC entered into a separate 100 year finance lease with National Power Synergen Pty Ltd in respect of the land on which the generating plants are located.

On 8 September 2000, GLC leased the prescribed electricity assets consisting of generating plant comprising the Northern and Playford Powers Stations at Port Augusta (which had been transferred from RESI FP Pty Ltd) under two separate finance leases of 100 years each to the Flinders Power Partnership which comprises NRG Generating Holdings (No 2) GmbH, Flinders Power Labaun (No 1) Ltd and Flinders Labaun (No 2) Ltd. GLC entered into separate 100 year finance leases with the Flinders Power Partnership in respect of the land on which the generating plants are located.

GLC also entered into separate 20 year operating leases with the Flinders Power Partnership for the Leigh Creek Township and Railway assets transferred from RESI FP Pty Ltd.

AUDIT MANDATE AND COVERAGE

Audit Authority

In accordance with section 31 of the *Public Finance and Audit Act 1987* and subclause 13(3) of the Schedule to the *Public Corporations Act 1993*, the Auditor-General may at any time, and must in respect of each financial year, audit the accounts and financial statements of the Generation Lessor Corporation.

Scope of Audit

The audit program was directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal control.

During 2001-02 a specific area of audit attention included accounting for the lease rentals amortised.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of Generation Lessor Corporation included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by Generation Lessor Corporation in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

- Fully prepaid operating lease rentals of $2.86 million for the Leigh Creek Township and $78.31 million for GLC's interest in the Leigh Creek Railway, were received by the State. Prepaid lease rentals are treated as both a receivable (forming the major portion of assets) and as unearned income by GLC and are amortised on a net present value basis over the terms of the leases and the unearned amount forms the major portion of liabilities.
- Amortisation of prepaid lease rentals was $1.5 million ($1.3 million) and this forms the major portion of revenue from ordinary activities.
- Area 3 of Torrens Island was revalued down to $1.3 million resulting in a revaluation decrement of $3.1 million which forms the major portion of expenses from ordinary activities.
- Depreciation of Leigh Creek Railway and Leigh Creek Township was $1 million ($918 000) and this forms a significant portion of expenses from ordinary activities.
- GLC made a loss of $2.6 million ($91.7 million profit which includes profit on extraordinary item from the disposal of electricity generation assets).

ABRIDGED FINANCIAL STATEMENTS

The results of operations for the year ended 30 June 2002 for Generation Lessor Corporation are set out below:

Statement of Financial Performance for the year ended 30 June 2002

	2002	2001
	$'000	$'000
TOTAL REVENUE FROM ORDINARY ACTIVITIES	**1 991**	1 327
TOTAL EXPENSES FROM ORDINARY ACTIVITIES	**4 600**	2 739
PROFIT(LOSS) FROM ORDINARY ACTIVITIES	**(2 609)**	(1 412)
PROFIT FROM EXTRAORDINARY ITEM	**-**	93 100
NET PROFIT (LOSS)	**(2 609)**	91 688
CHANGES IN EQUITY	**(2 609)**	91 688

Statement of Financial Position as at 30 June 2002

	2002	2001
	$'000	$'000
Current Assets	**2 551**	2 651
Non-Current Assets	**96 167**	102 139
TOTAL ASSETS	**98 718**	104 790
Current Liabilities	**1 719**	1 675
Non-Current Liabilities	**76 616**	78 576
TOTAL LIABILITIES	**78 335**	80 251
NET ASSETS	**20 383**	24 539
TOTAL EQUITY	**20 383**	24 539

TRANSMISSION LESSOR CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

ETSA Transmission Corporation was incorporated in 1995 by regulation under the *Public Corporations Act 1993* as a subsidiary of ETSA Corporation (now RESI Corporation). During 1999-2000 the name of ETSA Transmission Corporation was changed to Transmission Lessor Corporation (TLC) in readiness for leasing its prescribed transmission assets.

Although RESI Corporation is the ultimate holding Corporation in terms of the *Public Corporations Act 1993*, TLC was established as an autonomous trading entity, which in substance cannot be directed by RESI Corporation without the approval of the Treasurer.

TLC has a subsidiary titled Transmission Leasing Pty Ltd which is a participant in a cross border lease of transmission assets.

On 20 September 2000 the majority of the assets and liabilities of TLC were sold or leased and TLC ceased trading as a electricity transmission business effective from 31 October 2000.

From 1 November 2000 the principal activity of TLC is as lessor of the prescribed electricity assets consisting of the transmission network and the land on which it is located.

As advised above with effect from 31 October 2000, TLC leased the transmission network prescribed electricity assets under a 200 year finance lease and the transmission network land prescribed electricity assets under a 200 year operating lease to Bluemint Pty Ltd. The leases are linked whereby default under one lease will result in a default in the other.

AUDIT MANDATE AND COVERAGE

Audit Authority

In accordance with section 31 of the *Public Finance and Audit Act 1987* and subclause 13(3) of the Schedule to the *Public Corporations Act 1993* the Auditor-General may at any time, and must in respect of each financial year, audit the accounts and financial statements of Transmission Lessor Corporation.

Scope of Audit

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

During 2001-02 specific areas of audit attention included accounting for the lease of the prescribed electricity transmission assets.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of Transmission Lessor Corporation included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by Transmission Lessor Corporation in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

- The net present value of lease rentals was fully prepaid by the lessee on 31 October 2000. Fully prepaid operating lease rentals of $156.1 million were received by the State. These prepaid lease rentals are recognised as unearned income in the Statement of Financial Position of TLC, form the major balance of liabilities and are amortised on a net present value basis over the term of the lease. The annual amortisation amount does not become significant until year 2100. The major asset is the lease rental receivable which is brought to account over the term of the lease.

- TLC wrote off the balance of the Treasurer's Clearing Account reflecting the reversal of a payable to the Treasurer resulting in revenue of $973 000.

- GLC made a profit after tax of $919 000 ($64.9 million last year which included extraordinary profit from the disposal of the prescribed transmission network assets).

ABRIDGED FINANCIAL STATEMENTS

The results of operations for the year ended 30 June 2002 for Transmission Lessor Corporation are set out below:

Statement of Financial Performance for the year ended 30 June 2002

	2002	2001
	$'000	$'000
TOTAL REVENUE FROM ORDINARY ACTIVITIES	**1 197**	32 225
TOTAL EXPENSES FROM ORDINARY ACTIVITIES	**278**	26 881
PROFIT FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EXPENSE	**919**	5 344
Income tax (benefit) expense relating to ordinary activities	**-**	(8 554)
PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE	**919**	13 898
Profit from extraordinary items after related income tax expense	**-**	50 989
NET PROFIT	**919**	64 887
CHANGES IN EQUITY	**919**	64 887

Statement of Financial Position as at 30 June 2002

	2002	2001
	$'000	$'000
Current Assets	**8 519**	9 754
Non-Current Assets	**169 930**	169 930
TOTAL ASSETS	**178 449**	179 684
Current Liabilities	**15**	74
Non-Current Liabilities	**163 646**	165 741
TOTAL LIABILITIES	**163 661**	165 815
NET ASSETS	**14 788**	13 869
TOTAL EQUITY	**14 788**	13 869

RESI CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

ETSA Corporation was established as a public corporation pursuant to the provisions of the *Electricity Corporations Act 1994*. In February 2000 the name of ETSA Corporation was changed to RESI Corporation.

The primary functional responsibilities of RESI Corporation, as set out in its charter, include the following:

- Manage and administer any residual assets and liabilities, which do not form part of the State's electricity privatisation process.
- Implement pass-through agreements as directed by the Treasurer.
- To, as directed, become and remain a party to a number of agreements including:
  - US Cross Border Lease transaction over the electricity transmission assets,
  - gas haulage and gas purchase agreements with Epic and the South Australian Cooper Basin Producers.
  - power purchase and gas sale agreements with Osborne Cogeneration Pty Ltd.
- To act as the parent entity of a number of subsidiary entities until they are wound up, deregistered or dissolved.

AUDIT MANDATE AND COVERAGE

Audit Authority

In accordance with subsection 32(4) of the *Public Corporations Act 1993*, the Auditor-General must audit the accounts of RESI Corporation (formerly ETSA Corporation) in each year.

Scope of Audit

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

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of RESI Corporation included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by RESI Corporation in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

- RESI Corporation made a loss of $2.1 million ($1.6 million loss).
- In 2001-02 the Corporation wrote off a receivable due from the Treasurer to fund future public liability and workers compensation claims. The receivable is no longer required as RESI Corporation will fund those claims from its own resources. The write-off resulted in an expense of $2.05 million. This comprised a major component of expenses from ordinary activities.
- The current assets consist mainly of cash and deposits and liabilities comprise mainly provision for outstanding claims for uninsured losses, public liability and workers compensation.

ABRIDGED FINANCIAL STATEMENTS

The results of operations for the year ended 30 June 2002 for RESI Corporation are set out below:

Statement of Financial Performance for the year ended 30 June 2002

	2002	2001
	$'000	$'000
TOTAL REVENUES FROM ORDINARY ACTIVITIES	**408**	1 063
TOTAL EXPENSES FROM ORDINARY ACTIVITIES	**2 549**	2 702
NET LOSS	**(2 141)**	(1 639)
CHANGES IN EQUITY	**(2 141)**	(1 639)

Statement of Financial Position for the year ended 30 June 2002

	2002	2001
	$'000	$'000
Current Assets	**7 378**	12 513
Non-Current Assets	**415**	415
TOTAL ASSETS	**7 793**	12 928
Current Liabilities	**1 886**	2 285
Non-Current Liabilities	**1 760**	4 355
TOTAL LIABILITIES	**3 646**	6 640
NET ASSETS	**4 147**	6 288
TOTAL EQUITY	**4 147**	6 288

INDUSTRIAL AND COMMERCIAL PREMISES CORPORATION

FUNCTIONAL RESPONSIBILITY

The Industrial and Commercial Premises Corporation (the Corporation) is established as a subsidiary of the Minister for Government Enterprises, pursuant to regulations under the *Public Corporations Act 1993* (the Act).

The Corporation is involved in the development of new factory and commercial properties and the management of established factories and commercial properties as part of the Government's program for assisting industry. Various finance and accommodation tenure arrangements have been entered into with private sector entities for the provision of facilities designed to satisfy particular operating requirements and to secure their presence in South Australia. The Corporation operates in close collaboration with the Department of Industry and Trade.

The Corporation has a Board of Directors appointed by the Minister and is subject to the control and direction of the Minister. Staff and facilities required to conduct the affairs of the Corporation are provided by the Department for Administrative and Information Services. The Corporation has no staff of its own.

AUDIT MANDATE AND COVERAGE

Audit Authority

The Schedule to the Act requires subsidiaries of Public Corporations, established pursuant to section 24 of the Act, to keep proper accounts of their financial affairs and to prepare financial statements in respect of each year.

It further provides that the Auditor-General must audit the accounts and financial statements of the subsidiary.

Scope of Audit

The audit of the Corporation was undertaken in conjunction with the audit of the Department for Administrative and Information Services.

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

During 2001-02 specific areas of audit attention included:

- review of construction in progress project developments
- expenditure of monies with respect to new developments
- borrowings and related interest expenses
- raising and recovery of monies due with respect to established properties
- administrative expenses charged to the Corporation.

Audit Communications to Management

An audit management letter conveying the scope of the audit and related findings was forwarded to the Chairman of the Corporation.

AUDIT FINDINGS AND COMMENTS

The review of the abovementioned auditable areas revealed generally satisfactory results. Audit recommended improvement in the reconciliation process covering borrowings.

In the latter part of the year, the Corporation reviewed internally, aspects of their procurement process as it relates to project manager and contractor/consultant appointments for Corporation initiated projects. The review outcome has been presented to the Board and is presently under consideration. Any change in policy and/or process will be subject to review during the 2002-03 audit.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Industrial and Commercial Premises Corporation included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by the Industrial and Commercial Premises Corporation in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

The Corporation recorded a profit from ordinary activities before income tax of $688 000 compared to a profit of $2.8 million in 2000-01. The difference was due to the recognition as revenue in 2000-01 of a revaluation increment of $2.6 million in relation to land and buildings (Note 9(c) to the financial statements refers).

Statement of Financial Position

Construction Projects in Progress

Construction Projects in Progress increased by $19 million to $19.8 million. This increase reflects the substantial increase in construction activity during the year.

Deposits Received for Construction Projects in Progress

During 2001-02, the Corporation received deposits from clients representing part payments towards the actual cost of project construction work. These deposits have been brought to account against the asset Construction Projects in Progress.

Land and Buildings

The majority of land and buildings are subject to guarantee arrangements by the Minister for Industry, Investment and Trade (Notes 9 and 2.3(e) to the financial statements refer). The guarantees effectively provide that in the event of the Corporation selling the land and buildings the Minister will make up the difference between the proceeds from sale and the actual cost of construction of the assets.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 $'000	2001 $'000
REVENUE FROM ORDINARY ACTIVITIES:			
Interest		**1 876**	1 275
Rent		**3 531**	3 710
Profit on sale of assets		**-**	10
Recoveries and sundry income		**1 189**	403
Other income	9(c)	**-**	2 629
Total Revenue		**6 596**	8 027
EXPENSES FROM ORDINARY ACTIVITIES:			
Interest		**3 361**	3 172
Administrative expenditure	3	**1 944**	1 533
Depreciation	2.3(b)	**603**	537
Total Expenses		**5 908**	5 242
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		**688**	2 785
Income tax expense relating to ordinary activities	4	**206**	947
PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX		**482**	1 838
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**482**	1 838

Statement of Financial Position as at 30 June 2002

	Note	2002 $'000	2001 $'000
CURRENT ASSETS:			
Cash	15	**4 802**	4 687
Receivables	8	**2 793**	2 296
Accruals and prepayments		**19**	30
Total Current Assets		**7 614**	7 013
NON-CURRENT ASSETS:			
Receivables	8	**14 941**	7 006
Construction projects in progress	2.3(c)	**19 819**	854
Less: Deposits received	2.3(d)	**3 536**	550
		16 283	304
Property, plant and equipment	2.3(b),9(b)	**27 251**	25 381
Total Non-Current Assets		**58 475**	32 691
Total Assets		**66 089**	39 704
CURRENT LIABILITIES:			
Creditors and borrowings	10	**27 804**	1 260
Provisions	11	**111**	1 267
Other accruals	12	**731**	542
Total Current Liabilities		**28 646**	3 069
NON-CURRENT LIABILITIES:			
Creditors and borrowings	10	**37 275**	36 704
Total Non-Current Liabilities		**37 275**	36 704
Total Liabilities		**65 921**	39 773
NET ASSETS		**168**	(69)
EQUITY			
Asset revaluation reserve	9,13	**25**	25
Accumulated profits (losses)	21	**143**	(94)
TOTAL EQUITY		**168**	(69)
Liability Obligations	6,22(a)(b)		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) $'000	2001 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Rent received		**3 282**	3 753
Principal received from mortgage and agreement loans		**2 288**	1 712
Payments for land acquisition and construction projects in progress		**(30 042)**	(1 658)
Deposits received for construction projects		**3 536**	550
Recoveries and sundry receipts		**1 124**	102
Interest received		**1 775**	1 219
Servicing costs and payments to suppliers		**(842)**	(1 348)
Interest payments		**(3 149)**	(3 136)
Tax equivalent paid	4	**(2 267)**	(164)
Net Cash (used in) provided by Operating Activities	14	**(24 295)**	1 030
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from disposals of property, plant and equipment		**-**	285
Purchase of land	9	**(2 473)**	-
Net Cash (used in) provided by Investing Activities		**(2 473)**	285
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		**29 289**	4 072
Dividends paid	7	**(246)**	(149)
Repayment of borrowings		**(2 160)**	(1 111)
Net Cash provided by Financing Activities		**26 883**	2 812
NET INCREASE IN CASH HELD		**115**	4 127
CASH AT 1 JULY		**4 687**	560
CASH AT 30 JUNE	15	**4 802**	4 687

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment of the Industrial and Commercial Premises Corporation

Industrial and Commercial Premises Corporation (I&CPC), previously known as MFP Industrial Premises Corporation, was established on 1 March 1997 as a subsidiary of the Minister of the Crown pursuant to Regulations under the *Public Corporations Act 1993.*

As a subsidiary of the Minister for Government Enterprises, the I&CPC 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 three members appointed by the Minister (refer Note 16).

The functions of the I&CPC are:

- to develop new factory and commercial properties and to manage existing properties under the Industrial Premises Development Scheme (functions previously carried out by the South Australian Urban Projects Authority [UPA]);
- to carry out other functions conferred on it by the Minister.

The I&CPC must obtain the approval of the Minister before it makes a material change to its policy direction.

2. Statement of Accounting Policies

2.1 Basis of Accounting

The accounts have been prepared in accordance with the Statements of Accounting Concepts, applicable Urgent Issues Group Consensus views and appropriate Australian Accounting Standards and in accordance with Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*. The accounts have been prepared on the basis of historical cost and do not take into account changing money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied, unless otherwise stated.

2.2 Comparative Figures

Comparative figures are for the period 1 July 2000 to 30 June 2001.

2.3 Significant Policies

The following is a summary of the significant accounting policies adopted by the reporting entity in the preparation of the accounts.

(a) Borrowing Costs

Borrowing costs are expensed in the reporting period in which they are incurred.

(b) Property, Plant and Equipment

Property, plant and equipment are brought to account at cost or market value, less, where applicable, any accumulated depreciation.

Land and buildings were valued during the year on the basis of current market values by independent valuers Jones Lang LaSalle, in accordance with the requirements under Accounting Standard, AASB 1041 'Revaluation of Non-Current Assets' as defined by the National Council of the Australian Property Institute.

(b) *Property, Plant and Equipment*
Depreciation
The depreciable amount of all non-current assets including properties, but excluding freehold land, is depreciated over their useful lives commencing from the time the asset is held ready for use.

Where necessary appropriate write downs are made to ensure that the carrying amount is not in excess of the recoverable amount.

(c) *Construction Projects in Progress*
Construction projects in progress are brought to account at cost.

(d) *Deposits Received*
The Corporation acts as a project manager and financier for the construction of buildings for clients. The cost of construction is met by the Corporation and accumulated in the Construction Projects in Progress account.

Prior to commencement of the project construction, the client is required to pay a deposit towards the overall cost of construction.

(e) *Guarantees*
Guarantees exist in relation to a possible sale of the properties owned by the Corporation, such that the Minister for Industry, Investment and Trade guarantees to make up any shortfall between the actual cost price of the assets and that realised upon sale.

2.4 Goods and Services Tax
In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenue, expenses and assets are recognised net of the amount of GST except that:

- The amount of GST incurred by the Corporation as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense, and
- Receivables and payables are stated with the amount of GST included.

The Department for Administrative and Information Services (DAIS) prepares a Business Activity Statement on behalf of the Corporation under the grouping provisions of the GST legislation. Under these provisions, the Department is liable for the payments and entitled to the receipt of GST. As such, the GST applicable to the Corporation forms part of the Statement of Financial Position and Cash Flow Statement of the Department for Administrative and Information Services.

3. Administrative Expenditure
During the reporting period, DAIS was the principal supplier of administrative services to the I&CPC, which does not employ staff directly.

The services provided included human resources, accommodation, commissions and building management, provision of office equipment and consumables, telecommunications and use of vehicles.

Administrative expenditure principally comprises servicing costs in respect of labour and on-costs, and the recovery of overheads by DAIS in respect of general operating expenditure attributable to the operations of the I&CPC.

4. Tax Equivalents
In accordance with Treasurer's Instruction 22 issued pursuant to the *Public Finance and Audit Act 1987*, the I&CPC is required to pay to the State Government an amount equivalent to that which it would have paid to the Commonwealth if it were not exempt from the taxation laws of the Commonwealth. Under this Instruction, the I&CPC is deemed to be liable for the equivalents of income tax.

The Treasurer's Instruction provides for income tax to be calculated using either the substantive *Income Tax Assessment Act 1997 (ITAA)* method or the accounting profit method. The Department of Treasury and Finance has advised that the I&CPC is required to apply the accounting profit method. Under this method, the corporate income tax rate for ITAA purposes (presently 30 percent) is applied to the operating profit.

Income tax equivalent paid or payable to the State Government during the reporting period and recognised in the Statement of Financial Performance is summarised in the following table:

	2002	2001
	$'000	$'000
Tax equivalent paid	**2 267**	164
Provision for tax equivalent (refer Note 11)	**206**	947

Included in tax equivalent paid by I&CPC is an amount of $211 000 in relation to land tax for 2000-01 and $695 000 for stamp duty. These amounts were subsequently recovered from the Department of Industry and Trade.

5. Financial Instruments
(a) Credit Risk Exposure
The credit risk on financial assets of the economic entity which have been recognised on the Statement of Financial Position, is generally the carrying amount, net of any provision for doubtful debts.

(b) Interest Rate Risk Exposure
The economic entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table.

(b) *Interest Rate Risk Exposure (continued)*

	Floating Rate	Fixed Interest Maturing: 1 year or less	Fixed Interest Maturing: Over 1 to 5 years	Fixed Interest Maturing: Over 5 years	**2002 Total**	2001 Total
Financial Assets:						
Cash	4 802	-	-	-	**4 802**	4 687
Receivables	747	-	2 565	15 422	**18 734**	10 302
	5 549	-	2 565	15 422	**23 536**	14 989
Weighted average interest rate percent	4.34	-	9.07	6.78		
Financial Liabilities:						
Trade creditors	-	-	-	-	**-**	13
SAFA Loans	39 304	109	20 456	5 210	**65 079**	37 951
	39 304	109	20 456	5 210	**65 079**	37 964
Weighted average interest rate percent	5.00	12.50	9.85	6.01		
Net Financial Assets (Liabilities)	(33 755)	(109)	(17 891)	10 212	**(41 543)**	(22 975)

Reconciliation of Net Financial Assets (Liabilities) to Net Liabilities	**2002 $'000**	2001 $'000
Net financial liabilities as above	**(41 543)**	(22 975)
Non-financial assets and (liabilities):		
Construction projects in progress	**16 283**	304
Property, plant and equipment	**27 251**	25 381
Other accruals	**(712)**	(512)
Provisions	**(1 111)**	(2 267)
Net Liabilities as per Statement of Financial Position	**168**	(69)

(c) *Net Fair Value of Financial Assets and Liabilities*

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 represents 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:

	2002 Carrying Amount $'000	**2002 Net Fair Value $'000**
Financial Assets:		
Cash	**4 802**	**4 802**
Trade debtors	**747**	**747**
Deferred purchase agreements	**17 987**	**18 521**
Provision for doubtful debts	**(1 000)**	**(1 000)**
	22 536	**23 070**
Financial Liabilities:		
SAFA loans	**65 079**	**67 650**

(d) *Terms and Conditions*

Financial Assets

- *Cash on Hand and Deposits*

  Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis.

  Interest is calculated on the average daily balance of the account and the interest rate is the Common Public Sector Interest Rate (CPSIR) which averaged 4.34 percent for the year ended 30 June 2002.

- *Receivables*

  Receivables are recorded at amounts due to the I&CPC less a provision for doubtful debts. They are recorded as payments fall due.

  Receivables are due within 14 days.

- *Mortgage Debtors*

  Mortgage debtors are based on loans taken out by the I&CPC on behalf of clients on back-to-back arrangements with SAFA where mortgage payments are paid quarterly over a fixed term. Provision is made for doubtful loans where collection of the loan or part thereof is judged to be less rather than more likely.

  Mortgage loans are made under contract for fixed terms at either fixed or variable interest rates. The interest rates applied are based on rates provided by SAFA. The interest rate payable by the client includes an I&CPC administrative recovery margin. Principal is repaid at either negotiated instalments or in full at maturity. Mortgages carry a security over the debt.

- *Deferred Purchase Debtors*

  Deferred purchase debtors are based on loans taken out by the I&CPC on behalf of clients on back-to-back arrangements with SAFA, where payments by the debtors are made quarterly over a fixed term. Provision is made for doubtful loans where collection of the loan or part therefore is judged to be less rather than more likely.

- *Deferred Purchase Debtors (continued)*
  Deferred purchase loans are made under contract for fixed terms at either fixed or variable interest rates. The interest rates applied are based on rates provided by SAFA. The interest rate payable by the client includes an I&CPC administrative recovery margin. Principal is repaid at either negotiated instalments or in full at maturity. Deferred purchase properties are secured by title held in the name of the I&CPC until settlement.

Financial Liabilities

- *Creditors*
  Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided.

  Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

- *Borrowings*
  Borrowings are recorded at the amounts owed.

  Loans are carried at the amounts borrowed. Loans are drawn from SAFA and the interest rate is based on current market rates. Repayments are determined in negotiation with SAFA.

6. GST Liability and Deferred Purchase Agreements

I&CPC has long term contractual arrangements with several clients. In certain circumstances I&CPC will be liable to pay the GST to the Australian Tax Office in respect of properties settled after 30 June 2005 under Deferred Purchase Agreements where I&CPC does not currently have the opportunity to pass on the GST cost to its customers. The potential GST cost to I&CPC relating to these properties is approximately $1 259 000 which will not arise until after 30 June 2005 unless any of these agreements are determined prior to that date. Whilst there is an additional potential GST cost in respect of the interest component under these agreements, it is not practicable to make an estimate in this case as it is considered likely that the ATO will not require GST to be paid on the interest component. However, given that the Federal Treasurer has announced likely amendments to the GST to allow suppliers (such as I&CPC) to pass on the cost of the GST on property settled after 30 June 2005, the Directors do not envisage the total of these costs arising to I&CPC and accordingly no provision for this liability is considered necessary at this time.

7. Dividend Payment

The regulations which establish the I&CPC provide for the payment of specified dividends or specified interim dividends. Prior to the end of the financial year, no recommendation was made by the Board to the Treasurer for a specified dividend or interim dividend to be paid in respect of the reporting period for the I&CPC.

Pursuant to pre-existing arrangements between the former UPA and the Department of Treasury and Finance, the I&CPC is committed to return to Treasury as dividends all interest subsidies received from the Department of Industry and Trade in respect of commercial interest margins foregone by the I&CPC on new lending under the Industrial Premises Development Scheme. The amount paid to Treasury during the reporting period was $246 000.

8. Receivables

	2002	2001
Current:	**$'000**	$'000
Trade debtors	**747**	515
	747	515
Mortgage and sale under agreement loans:		
Factories subject to:		
Deferred purchase agreements	**2 046**	1 781
	2 046	1 781
	2 793	2 296
Non-Current:		
Mortgage and sale under agreement loans:		
Factories subject to:		
Deferred purchase agreements	**15 941**	8 006
Less: Provision for doubtful debts	**1 000**	1 000
	14 941	7 006
Total Receivables	**17 734**	9 302

9. (a) *Property, Plant and Equipment*

	2002	2001
Land and buildings:		
Industrial and commercial property:		
Freehold land at independent valuation 2000	**325**	325
Freehold land at independent valuation 2001	**3 090**	3 090
At cost	**2 473**	-
	5 888	3 415
Buildings at independent valuation 2000	**700**	700
Buildings at independent valuation 2001	**21 410**	21 410
	22 110	22 110
Less: Accumulated depreciation	**747**	144
	21 363	21 966
Total Industrial and Commercial Property	**27 251**	25 381

(b) Property, Plant and Equipment, Movements in Carrying Amounts

	Buildings $'000	Land $'000	**2002 Total $'000**
Carrying value at the beginning of year	21 996	3 415	**25 381**
Additions	-	2 473	**2 473**
Depreciation	(603)	-	**(603)**
	21 363	5 888	**27 251**

(c) Other Income - Revaluation of Non-Current Assets

In accordance with the Accounting Standard AASB 1041 'Revaluation of Non-Current Assets', net revaluation increments have been credited to the operating statement to the extent that the increments reverse revaluation decrements previously recognised as expenses in the operating statement.

10. Creditors and Borrowings

	2002 $'000	2001 $'000
Current:		
Trade creditors and accruals	**-**	13
SAFA loans[(a)]	**27 804**	1 247
	27 804	1 260
Non-Current:		
SAFA loans[(a)]	**37 275**	36 704
Total Creditors and Borrowings	**65 079**	37 964

(a) Comprises borrowings from the South Australian Government Financing Authority (SAFA) in respect of funding of industrial and commercial projects under the Industrial Premises Development Scheme.

The repayment schedule is as follows:		
Not later than one year (classified as current)	**7 442**	1 245
Later than one year but not later than two years	**3 744**	2 321
Later than two years but not later than five years	**38 197**	15 381
Later than five years	**15 696**	19 002
	65 079	37 949

11. Provisions

Current:		
Income tax equivalent	**206**	1 267
Less: Income tax equivalent paid	**95**	-
Total Provisions	**111**	1 267

12. Other Accruals

Current Liabilities:		
Accrued interest on debt	**713**	500
Sundry accruals	**18**	42
	731	542

13. Asset Revaluation Reserve

Balance at 1 July	**25**	108
Less: Revaluation on property sale	**-**	83
Closing Balance	**25**	25

14. Reconciliation of Net Cash (used in) provided by Operating Activities to Profit After Income Tax Equivalent

Profit after income tax equivalent	**482**	1 838
Non-cash flows in surplus after income tax equivalent:		
Depreciation	**603**	537
Profit on sale of assets	**-**	(10)
Revaluation increment	**-**	(2 629)
Changes in assets and liabilities:		
(Increase) Decrease in receivables	**(8 430)**	1 396
(Increase) Decrease in construction projects in progress	**(15 979)**	5 988
Less: non cash transfers to property, plant and equipment	**-**	7 074
(Decrease) Increase in trade creditors and accruals	**(13)**	67
(Decrease) Increase in provisions	**(1 156)**	947
Increase (Decrease) in accruals and prepayments	**198**	(30)
Net Cash (used in) provided by Operating Activities	**(24 295)**	1 030

15. Cash

Cash at the end of the reporting period, as shown in the Statement of Financial Position and the Statement of Cash Flows, comprises the following:

Cash at Treasury	**4 802**	4 687
Total Cash	**4 802**	4 687

16. Board of Directors

As at 20 December 2001 the following persons were appointed by the Minister for Government Enterprises to the Board, for a term expiring on 20 December 2003:

Mr G Foreman (Chairperson)
Mr J W Frogley
Ms P J Martin

Pursuant to government policy, remuneration is not applicable to the appointed directors as they are employees of the Government or officers of the Crown.

17. Consultants

There were no fees and expenses incurred during the reporting period as a result of engaging consultants.

18. Auditors' Remuneration

	2002	2001
	$'000	$'000
Amounts received or due and receivable by the auditors for auditing the accounts	**16**	16

The auditors received no other benefits.

19. Executive Officers' Remuneration

Disclosures required by the Treasurer's Accounting Policy Statement APS 13 'Form and Content of General Purpose Financial Reports', in respect of employees whose remuneration is $100 000 or more is not applicable as the Industrial and Commercial Premises Corporation has no employees and operates under a servicing arrangement with the Department for Administrative and Information Services (refer Note 3).

20. Related Party Transactions

Where occurring, transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

The Industrial and Commercial Premises Corporation did not enter into any transactions with any member of the Board or with any employees of the Department for Administrative and Information Services during the reporting period, other than normal transactions of a remunerative or reimbursement nature which may occur from time to time.

21. Movement in Accumulated Profits (Losses)

	2002	2001
Items relating to the net change in accumulated profits (losses):	$'000	$'000
Opening accumulated profits (losses)	**(94)**	(1 866)
Profit after tax	**482**	1 838
Dividends provided for or paid	**(245)**	(149)
Transfer from asset revaluation reserve	**-**	83
Accumulated Profits (Losses) 30 June	**143**	(94)

22. *(a) Commitments*

The Corporation has no Commitments.

(b) Contingent Liabilities

The Corporation has no Contingent Liabilities.

JUDGES' PENSIONS SCHEME

FUNCTIONAL RESPONSIBILITY

The Judges' Pensions Scheme (the Scheme) is a compulsory superannuation scheme established pursuant to the *Judges' Pensions Act 1971* (the Act). The Treasurer is responsible for the payment of contributions from the Government for Scheme members and for the payment of superannuation benefits to members and members' families. The Scheme is non-contributory for members.

The main financial administration arrangements that apply in relation to the Scheme involve a Special Deposit Account (the Account). The Account records as income, contributions and revenue derived from the investment of those monies, and also records as payments from the Account, benefit payments and administration costs.

The investment management responsibility for the Account is vested with the Superannuation Funds Management Corporation of South Australia (Funds SA).

The services of the Department of Treasury and Finance - Superannuation Office are utilised to administer the Scheme.

SIGNIFICANT FEATURES

- Investment activity for the year resulted in a negative return of $4.7 million compared to a positive return of $2.7 million in the previous year.

- Benefits expense decreased by $2.5 million to $9.2 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 31 of the *Public Finance and Audit Act 1987*, provides the authority for the Auditor-General to audit the accounts of the Scheme.

Scope of Audit

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

During 2001-02 specific areas of audit attention included:

- contributions from employers
- pension payments.

Audit Communications to Management

A management letter conveying the scope and results of the audit will be forwarded to the Under Treasurer.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The general financial control structure was found to be satisfactory.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Judges' Pensions Scheme included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that 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, were sufficient to provide reasonable assurance that the financial transactions of the Scheme were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Operating Statement

The operating result for the year records a deficiency of $11.2 million compared to a deficiency of $6.3 million last year. The year's result represents the excess of benefits expense of $9.2 million and negative net investment revenue of $4.6 million over employer contributions of $2.7 million. Note 1(c) to the financial statements explains that the small size of the scheme, the nature of the way member benefits accrue and variations in investment performance means that deficiencies and surpluses will arise from year to year.

Statement of Financial Position

As at 30 June 2002, there was an excess of liabilities over net assets of $11.4 million ($185 000). This is due mainly to a decrease in the value of investments of $5.5 million to $82.4 million an increase in liability for accrued benefits of $5.8 million to $93.3 million.

FURTHER COMMENTARY ON OPERATIONS

Members and Pensioners

As at 30 June 2002 there were 45 (46) members of the Scheme and 38 (38) pensioners.

Operating Statement for the year ended 30 June 2002

	Note	2002 $'000	2001 $'000
INVESTMENT REVENUE:			
Net investment revenue		**(4 608)**	2 712
INTEREST INCOME		**7**	14
EMPLOYER CONTRIBUTIONS	1(c)	**2 666**	2 696
ADMINISTRATION EXPENSE	3	**(21)**	(60)
ACTUARIAL EXPENSE	11	**(2)**	(8)
AUDIT EXPENSE	12	**(8)**	(8)
GST EXPENSE	13	**(1)**	(2)
BENEFITS EXPENSE	5	**(9 225)**	(11 654)
OPERATING RESULT FOR THE PERIOD		**(11 192)**	(6 310)

Statement of Financial Position as at 30 June 2002

	Note	2002 $'000	2002 $'000	2001 $'000
INVESTMENTS:				
Inflation linked securities		**11 093**		11 656
Property		**8 616**		8 232
Australian equities		**28 647**		32 207
International equities		**27 079**		30 867
Fixed interest		**3 805**		4 435
Cash		**3 112**		476
			82 352	87 873
FIXED ASSETS			**2**	2
OTHER ASSETS:				
Cash and deposits at Treasury	15	**174**		34
Cash and deposits at Treasury - Funds SA		**21**		3
Interest, dividends and rent due - Funds SA		**4**		9
Prepaid expenses - Funds SA		**-**		1
Sundry debtors	9(a)	**11**		7
Contributions receivable	9(b)	**11**		110
			221	164
Total Assets			**82 575**	88 039
CURRENT LIABILITIES:				
Rent paid in advance - Funds SA		**36**		26
Sundry creditors and provisions	10	**84**		90
			120	116
NON-CURRENT LIABILITIES:				
Loan and finance facilities - Funds SA			**532**	608
Total Liabilities			**652**	724
NET ASSETS AVAILABLE TO PAY BENEFITS	4		**81 923**	87 315
Less: **LIABILITY FOR ACCRUED BENEFITS**	5		**93 300**	87 500
EXCESS OF LIABILITIES OVER NET ASSETS			**(11 377)**	(185)

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) $'000	2001 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Contributions by employers		**2 765**	2 585
Interest received		**7**	14
Pensions paid		**(3 425)**	(3 041)
Administration expense		**(21)**	(121)
Actuarial expense		**(2)**	(8)
Audit expense		**(8)**	(8)
GST refunded		**4**	(2)
Net Cash used in Operating Activities	8	**(680)**	(581)
CASH FLOWS FROM INVESTING ACTIVITIES:	2(a)		
Receipts from Superannuation Funds Management Corporation		**1 590**	1 160
Payments to Superannuation Funds Management Corporation		**(770)**	(750)
Net Cash provided by Investing Activities		**820**	410
NET INCREASE (DECREASE) IN CASH HELD		**140**	(171)
CASH AT 1 JULY		**34**	205
CASH AT 30 JUNE		**174**	34

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Financial Statements

(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 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 public sector superannuation 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 financial statements of Funds SA.

(c) Funding Arrangements

Under section 14(1)(b) of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a Special Deposit Account established for that purpose. During the year ended 30 June 2002 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 deficiencies and surpluses will arise from year to year. The reduction in the value of assets in 2001-02 is due to the negative investment earnings.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The Financial Statements have been drawn up, to the extent practicable, in accordance with Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans' and with Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*.

Funds SA operates a unitised investment portfolio utilising a number of asset class funds, each of which holds assets of a different category. The Scheme holds an interest in the asset class funds by way of notional 'units', as determined by Funds SA, rather than holding assets directly. As funds of the Scheme are regularly subscribed to and redeemed from the asset class funds, in line with the Scheme's cash flow requirements, it is not possible to accurately determine the separate contribution by realised and unrealised gains to the Scheme's income. For this reason, unrealised gains are not separately identified as required by AAS 25 and the Statement of Cash Flows only reflects a net result for cash flows from investing activities. In addition direct investment expenses and change in net market value of investments, held at reporting date and realised during the reporting period are not reported. For information regarding the manner in which Funds SA operates its investment portfolio, and the contributions that realised and unrealised gains make to Funds SA's total investment returns, reference should be made to the financial statements of Funds SA.

(b) Basis of Valuations of Assets and Liabilities

The basis for the valuation of assets and liabilities is provided below. Valuations are net of estimated disposal costs, where material.

(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 (CPI) or Average Weekly Earnings (AWE), have been valued using the discounted cash flow method. The valuation as at 30 June 2002 was performed by an independent valuer, Macquarie Bank Limited.

- *Externally Managed*

  The 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 the balance date.

(ii) Property

The Property portfolio comprises three sub-sectors:

- *Directly Held Properties*

  Valuations of directly held properties have been carried out by independent licensed property valuers, other than as indicated in Note 8 of the financial statements of Funds SA.

  In addition a secured short term loss provided by a third party has been valued on the basis of principal outstanding at the balance date.

(ii) *Property (continued)*

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

- *Externally Managed Unlisted Property Vehicles*
  Investments in externally managed unlisted property vehicles have been valued in accordance with the exit valuations supplied by the managers.

(iii) *Australian Equities*
The Australian Equities portfolio comprises two sub-sectors:

- *Listed Australian Equities*
  The listed Australian equities 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.

- *Private Equity*
  The private equity portfolio comprises holdings in a number of externally managed specialist funds together with internally managed assets. The externally managed specialist funds have been valued by the managers in accordance with the Australian Venture Capital Association Limited (AVCAL) guidelines. Internally managed assets have been valued by the Directors of Funds SA, either in accordance with market prices applicable at balance date, or having regard to market conditions and the current and expected future performance of the investments.

(iv) *International Equities*
The International Equities portfolio comprises two sub-sectors:

- *Listed International Equities*
  The listed international equities portfolio 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 (other than private equity) have been valued in accordance with the exit valuations supplied by the managers. Currency conversions have been made at the spot market mid rates applicable at the balance date where applicable.

- *Private Equity*
  The international private equity portfolio comprises holdings in a number of externally managed specialist funds. These funds have been valued by the managers in accordance with the National Venture Capital Association (NVCA) guidelines.

(v) *Australian Fixed Interest*
The Australian 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) *International Fixed Interest*
The International 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.

(vii) *Cash*
Deposits at call and other deposits of very short term duration have been valued on the basis of principal plus accrued interest. Bank bills have been valued using market rates applicable at the balance date.

(viii) *Fixed Assets*
Fixed assets are shown at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets, using straight line or diminishing value methods. The Directors of Funds SA are of the opinion that this provides a reasonable estimate of market value.

(ix) *Other Assets and Liabilities*
These items have been assessed and the Directors of Funds SA are of the opinion that for most items, book values provide a reasonable estimate of their market values. Where material items are not likely to be realised within a short period following the balance date, the book values of these items have been discounted back to the balance date using relevant market interest rates applying on balance date.

(c) ***Taxation***
All of the public sector superannuation funds under the management of Funds SA are exempt from federal income tax by virtue that they are declared as 'constitutionally protected funds' under the Regulations to the *Income Tax Assessment Act 1936*. Consequently, no income tax expense has been brought to account in these financial statements.

(d) ***Accounting for Leases***
Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability on a straight-line basis. The allocation of lease rental payments in this manner ensures that the rental expense is recognised on a basis which is representative of the pattern of benefits derived from the leased asset.

3. Administration

Costs of administering the Scheme comprise those costs incurred by Funds SA in administering the investment activities (deducted from investment revenue that is investment revenue is reported net of direct investment expenses) and those costs incurred by the Department of Treasury and Finance in administering the Scheme.

Costs incurred by the Department of Treasury and Finance in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Judges' Pension Scheme Account.

4. Net Assets Available to Pay Benefits

	2002	2001
	$'000	$'000
Funds held at 1 July	**87 315**	85 125
Add: Contributions by employers	**2 666**	2 696
Investment earnings(i)	**(4 608)**	2 712
Interest income	**7**	14
	(1 935)	5 422
Less: Net benefits paid	**3 425**	3 154
Administration expense	**21**	60
Actuarial expense	**2**	8
Audit expense	**8**	8
GST expense	**1**	2
	3 457	3 232
Funds Held at 30 June	**81 923**	87 315

(i) Shown net of direct investment expenses.

5. Liability for Accrued Benefits

The expected future benefit payments have been determined using the same pensioner mortality assumptions as the 2001 triennial review of the South Australian Superannuation Scheme. Salary increases of one percent per annum above the Adelaide Consumer Price Index (CPI) have been assumed. In accordance with Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans' the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of four 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 $93.3 million ($87.5 million) as at 30 June 2002.

	2002	2001
	$'000	$'000
Liability for accrued benefits at 1 July	**87 500**	79 000
Add: Benefits expense(i)	**9 225**	11 654
Less: Benefits paid	**3 425**	3 154
Liability for Accrued Benefits at 30 June	**93 300**	87 500

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

6. 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 vested superannuation liability as at 30 June 2002 is estimated at $63 million.

	2002	2001
	$'000	$'000
Vested benefits	**63 000**	54 700

7. Guaranteed Benefits

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

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

Operating result	**(11 192)**	(6 310)
Benefits expense	**9 225**	11 654
Benefits paid	**(3 425)**	(3 154)
Decrease in benefits payable	**-**	(115)
Decrease in GST refundable	**5**	221
Increase in administration fees payable	**-**	(61)
Decrease (Increase) in contributions receivable	**99**	(110)
Increase in sundry creditors	**-**	6
Net Investment Revenue	**4 608**	(2 712)
Net Cash used in Operating Activities	**(680)**	(581)

9. Sundry Debtors and Contributions Receivable

		2002	2001
(a)	***Sundry Debtors***	**$'000**	$'000
	GST refundable	**1**	6
	Sundry debtors - Funds SA	**10**	1
		11	7

The refund of GST relates to the reduced input tax credit, which offsets the GST paid.

		2002	2001
(b)	***Contributions Receivable***	**11**	110

Contributions receivable represent contributions relating to June 2002 which were received in July 2002.

10. Sundry Creditors and Provisions

	2002	2001
Funds SA accruals	**78**	84
GST payable	**6**	6
	84	90

11. Actuarial Fees

Actuarial fees for the 2001-02 financial year have been deducted from the Scheme. These fees relate to Superannuation Policy and Actuarial advice received.

12. Audit Fees

Audit fees of $8 000 charged by the Auditor General for the 2001-02 financial year have been deducted from the Scheme.

13. GST Expense

The GST expense represents the GST paid by the Scheme on administration fees, actuarial fees, and audit fees, less reduced input tax credits.

14. Additional Financial Instrument Disclosures

The specific disclosure requirements of Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments' are fully set out in the Notes to the Financial Statements of Funds SA and have not been repeated in this financial report.

15. Cash and Deposits at Treasury

The 2002 Cash and Deposits at Treasury is higher than in the 2001 year due to the receipt of contributions on 28 June 2002.

LAND MANAGEMENT CORPORATION

FUNCTIONAL RESPONSIBILITY

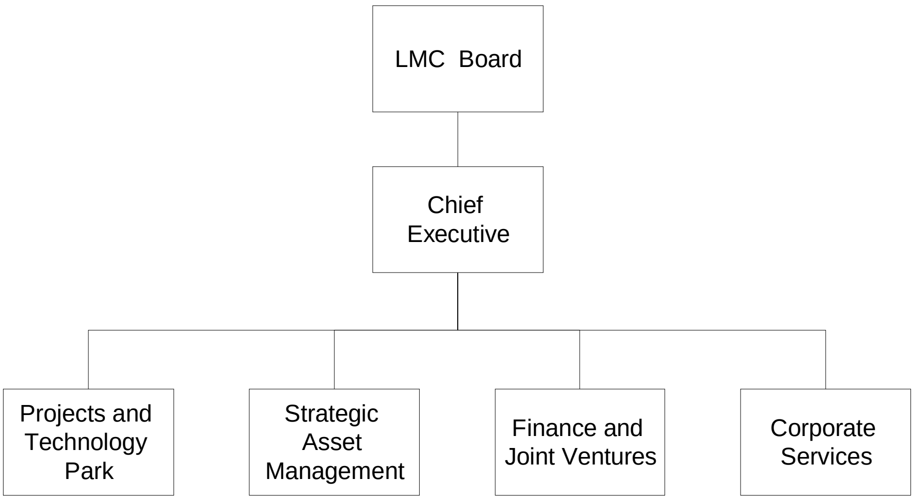
The Land Management Corporation (the Corporation) is a subsidiary corporation of the Minister for Government Enterprises established pursuant to the provisions of the *Public Corporations Act 1993* (the Act). It has a Board which is its governing body whose members are appointed by the Minister.

The Corporation was established on 24 December 1997 by regulations pursuant to the *Public Corporations Act 1993* to undertake activities formerly controlled by the MFP Development Corporation, the MFP Projects Board and the Minister for Government Enterprises. The regulations establishing the Corporation, as amended, provide for it to undertake the following functions:

- Acquire, hold, manage, lease and dispose of surplus and other land, improvements and property controlled by the Corporation with a view to the release of large areas of undeveloped or underdeveloped land; to make land and property available for commercial, industrial, residential or other purposes; and to ensure the orderly development of land.
- To manage the sale of surplus government land administered on behalf of other agencies or instrumentalities of the Crown.
- To manage the Crown's interest in identified joint ventures and land development projects.
- To manage, develop, lease and, where appropriate, dispose of land and improvements at Technology Park and Science Park.
- To manage urban projects to achieve urban regeneration or other government policy outcomes.
- Other functions conferred by the Minister.

The Board of the Corporation was appointed on its establishment by the Minister for Government Enterprises at that time.

The organisational structure of the Corporation is represented as follows:



SIGNIFICANT FEATURES

The Corporation achieved a $12.3 million surplus ($9.9 million surplus) from ordinary activities before income tax equivalent.

Cash assets increased by $7.8 million to $64.7 million from $56.9 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

The Corporation is a subsidiary corporation established pursuant to the *Public Corporations Act 1993*. Clause 13(3) of the Schedule to the Act requires the Auditor-General to audit the accounts and financial statements of subsidiary corporations.

Scope of Audit

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

During 2001-02 specific areas of audit attention included, for both controlled and administered items:

- inventories
- property, plant and equipment
- revenue, receipting and banking
- accounts payable
- salary and related payments
- management reporting.

Audit Communications to Management

At the conclusion of the audit a letter was forwarded to the Chief Executive communicating the issues arising from the audit to which a satisfactory response has been received.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Audit review of the systems and transactional processing of the Corporation revealed that general financial controls existed which support the completeness and accuracy of transaction processing. Notwithstanding this observation, Audit considered there were opportunities for improving some aspects of the Corporation's financial controls. Audit findings and commentary on the salient matters are detailed below, under the appropriate heading.

Corporation Charter

At the time of the audit, the Corporation's 2001-02 Charter was yet to be reviewed/approved by the Treasurer and Minister for Government Enterprises. Section 12(5) of the *Public Corporations Act 1993* stipulates: 'The Corporation's Minister and the Treasurer must, after consultation with the Corporation, review the charter at the end of each financial year.'

Audit noted that the delay in the finalising the review of the Corporation's Charter was influenced by negotiations with the Department of Treasury and Finance (Treasury) regarding proposed changes to the Charter and discussions to determine the new Government's view regarding the direction of the Corporation. Audit recognised the particular circumstances influencing the review of the Charter, however, it was considered important for the Charter to be finalised as soon as practical to ensure the Corporation's operations are within the scope intended and approved by the Government.

Audit recommended the Corporation continue negotiations with relevant stakeholders to finalise the Corporation's Charter as soon as practicable. Further, Audit indicated it would appreciate being informed of developments in respect of the finalisation and approval of the Charter by the Minister and the Treasurer.

Response

The Corporation indicated that the responsibility for review and amending the Charter is a joint responsibility of the Minister for Government Enterprises and the Treasurer. Also, it is the Corporation's understanding that the Minister and Treasurer were in the process of reviewing the Charter. Any outcome will be forwarded to Audit.

Recoverability of Outstanding Loans

The 2000-01 audit included a review of the status of the recoverability of loans associated with the East End Redevelopment and the Port Adelaide Waterfront Redevelopment projects. The review noted that in relation to the East End Redevelopment debt the revenue likely to be recovered by the Corporation as a result of its endeavours to progress the project and/or finalise the project would be insufficient to repay the loan outstanding to the Treasurer. Further, at the time of finalising the 2000-01 audit the matter regarding the recoverability of the outstanding loans remained outstanding.

This matter was followed-up as part of the 2001-02 audit during which Audit noted discussions were held with Treasury to resolve the matter. Also the audit revealed that, in relation to the outstanding East End loan, the Board resolved to seek the endorsement of the Treasurer to repay the East End debt ($22.74 million) in full. Audit was unaware, however, of any Board resolution relating to the repayment of the Port Waterfront Loan ($6.09 million).

Audit sought advice regarding the latest developments with respect to the proposed action regarding the repayment of the outstanding loans.

Response

The Corporation advised that the Treasurer approved the repayment of the East End Redevelopment debt from the Corporation's controlled cash. In regard to the Port Adelaide Waterfront debt the Corporation has included the repayment of the debt in the financial assessment of submissions received pursuant to a Registration of Interest process.

Probity Audit Guidelines

One of the roles of the Corporation includes working with industry and other agencies to encourage private sector involvement in the release of land. In this regard, some projects involve seeking registrations of interest from the market, shortlisting, evaluation of submissions and subsequent contract negotiations. It is essential that dealings be conducted in an environment which fosters open and competitive processes. Further, it is imperative that care is exercised to ensure processes exhibit high standards of probity.

Audit noted that the Corporation has developed Probity Guidelines which are designed to assist individuals (ie staff, management, consultants/advisors etc) engaged in projects to perform their duties in a way that is seen to be fair, unbiased and not affected by self interest or personal gain. Furthermore, the guidelines highlight circumstances where matters should be raised with the Probity Auditor. It was noted, however, that no policy or procedural guidance has been issued by the Corporation regarding the use and engagement of Probity Auditors (eg the circumstances in which Probity Auditors are to be used).

Audit recommended the Corporation consider providing policy or procedural guidance regarding the use and engagement of Probity Auditors including: the circumstances in which the appointment of a probity auditor is considered necessary; when to engage a probity auditor (ie timing of appointment); and the terms of engagement. It was suggested that the Corporation consider incorporating this guidance in its Project Management Framework which has recently been released on the Corporation's Intranet.

Response

The Corporation indicated that it accepted the need for policy and procedural guidance regarding the use and engagement of probity auditors and will incorporate this guidance into its Project Management Framework.

Ex Ports Corporation Land

As a consequence of the Government's divestment of the South Australian Ports Corporation (Ports Corp) the Corporation was assigned responsibility for administering the land excluded from the divestment process (ie out of scope land). Audit noted that a management agreement between the Minister for Government Enterprises (the Minister) and the Corporation was in the process of being finalised. It was noted, however, that at the time of audit, the management agreement was yet to be executed between the Minister and the Corporation. Consequently, notwithstanding the Corporation had been administering the ex Ports Corp land since November 2001, there was no documented agreement which detailed the Corporation's role, responsibility, rights and expected outcomes relating to the administration of this land.

Audit recognised that a number of factors delayed the finalisation and execution of the agreement including the change of Government. Audit recommended the management agreement between the Minister and the Corporation be executed as soon as practical.

Response

The Ministerial agreement has now been signed.

Environment Policy - Contaminated Land

The Corporation has established a policy (ie Environment Policy - Contaminated Land) which documents the Corporation's approach to dealing with contaminated land. The policy outlines legislative requirements, policy objectives and principles, and the Corporation's approach to the assessment of contaminated land. Audit noted that the policy had not been updated to reflect changes in the arrangements put in place by the Corporation to manage contaminated land.

Audit recommended the policy be updated to reflect the Corporation's current arrangements with respect to the management of contaminated land.

Response

The current arrangements have now been documented.

Other Matters

Other matters raised by Audit related to:

• Corporation Policies and Procedures	Revision of the Corporation's Delegation of Authority to provide for the approval of operational procedures.
• Contract Authorisation and Review	Lack of review to ensure the Corporation's contracts are executed by an officer with the appropriate delegation of authority.
• Accounts Payable	Review of the vendor master file, access controls over purchase orders and the incurring of entertainment expenses only involving Corporation employees.
• Asset Management	Processing of updates and recording of valuations on the Land Bank Register.
• Revenue	Procedures relating to the valuation of land prior to sale.

Response

The Corporation responded satisfactorily to the matters raised.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Land Management Corporation included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

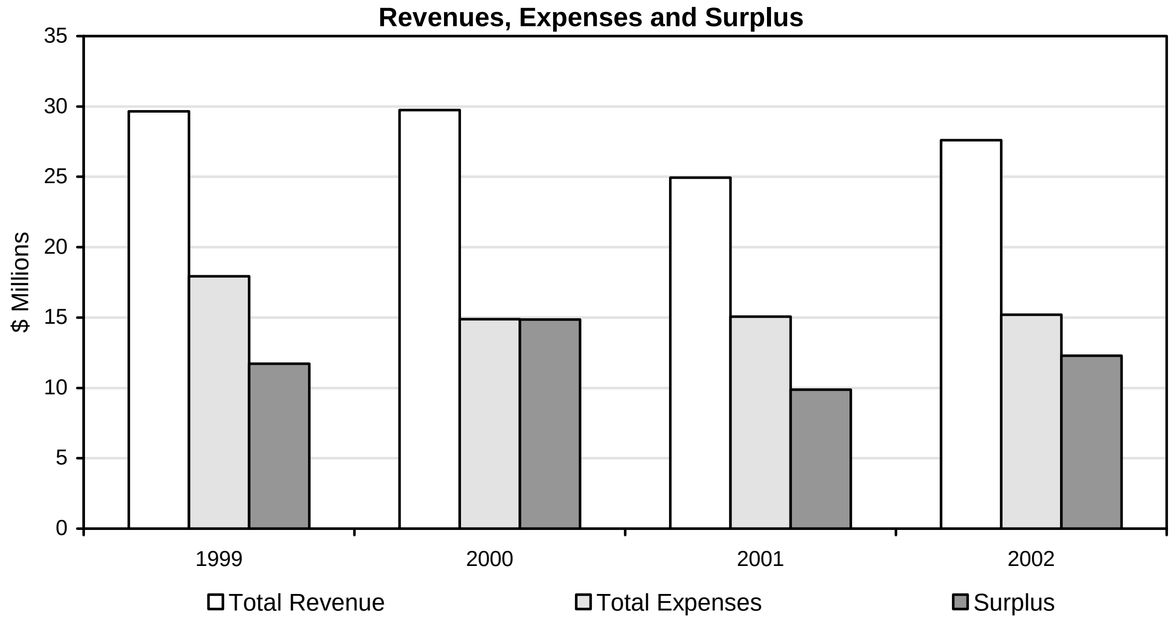
Audit formed the opinion that the controls exercised by the Land Management Corporation in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

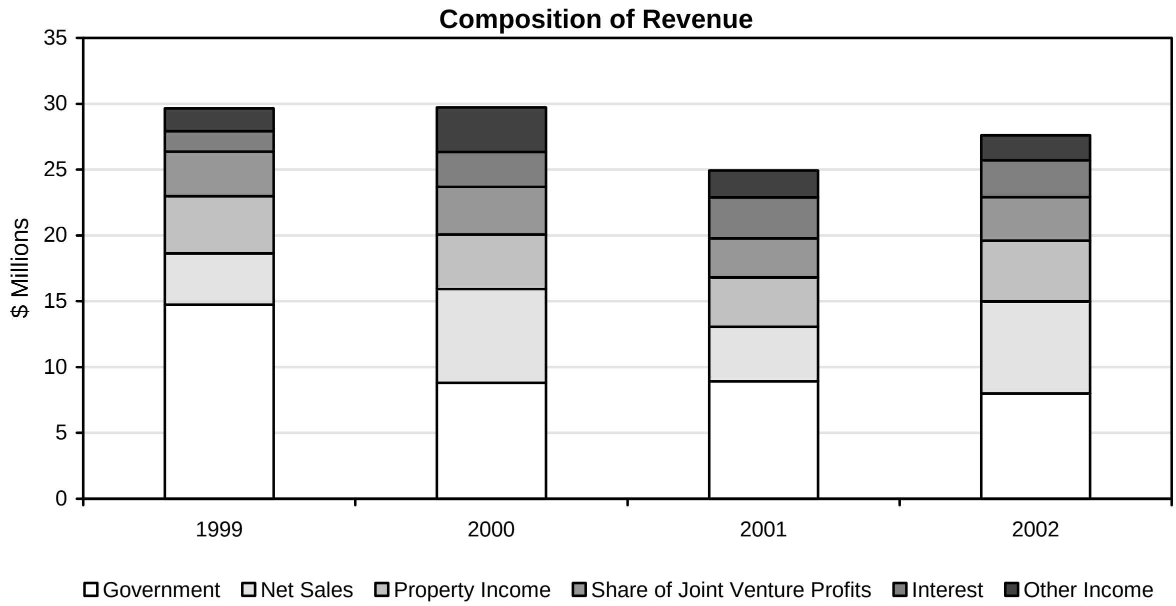
Statement of Financial Performance

The Corporation's Surplus from Ordinary Activities before Income Tax Equivalent was $12.3 million ($9.9 million) which predominantly reflected an increase in revenue from the sale of land including land made available for joint venture developments and an increase in property income. The increases were partly offset by a decrease in Revenue from Government.

The following chart shows movements over the past four years in revenues, expenses and the surplus and shows that the increase in the surplus in 2001-02 was due to the overall increase in total revenues while total expenses remained virtually unchanged.



The following chart shows the changing composition of the Corporation's revenues over the past four years.



The factors having the most impact on the Surplus from Ordinary Activities before Income Tax Equivalent were as follows.

Land Sales

Sales of land comprising sales proceeds from joint venture entities to which the Corporation is a party and other land sales by the Corporation increased by $2.9 million from $7.0 million to $9.9 million. The Corporation's net profit on land sales increased by $2.9 million from $4.1 million to $7.0 million resulting in the Corporation's net profit margin for land sales increasing from 59 percent to 71 percent.

Property Income

Property income (principally rental income) increased by $0.8 million to $4.6 million from $3.8 million mainly reflecting rent received in relation to ex Ports Corporation land which was outside the scope of the Ports Corporation divestment process. The Corporation assumed responsibility for the administration of this land during the year.

Revenues from Government

Government grants and subsidies received during the period decreased by $0.9 million from $8.9 million to $8.0 million primarily reflecting a decrease in the Government subsidy received in relation to the Corporation's land tax expense. The Corporation's land tax expense decreased due primarily to changes in land use codes for its properties and a decrease in properties held by the Corporation due to land sales.

Statement of Financial Position

Inventory

The value of the Corporation's land inventory at balance date decreased by $2.1 million from $27.9 million to $25.8 million. The decrease reflects increased land sales and a decrease in inventory purchased for the year. Inventory purchases decreased by $2.6 million from $3.5 million to $0.9 million

Asset Valuations

Sales values are determined by market conditions at a point in time. In turn, the profit is also influenced by the carrying amount of assets. The values ascribed to the Corporation's assets mainly reflect the closing carrying values of the assets transferred from the former MFP Development Corporation and the Minister for Government Enterprises (formerly the MFP Projects Board) to the Corporation effective 1 May 1998 which were revalued immediately prior to transfer.

This prior revaluation of land inventory recognised the net realisable value of the assets by determining the net present value of the estimated future cash flows from holding, developing and sale of the land inventories as part of a planned sales process. The cash flows were projected over an extended period, in some instances up to thirty years, and consequently involve significant uncertainty. The timing of the land sales, which has a direct impact on the timing of cash flows and consequent values, was based on projected demand for residential land. This is also inherently uncertain.

The discount rate used to determine net present values was a market rate of 25 percent reflecting the rate of return a private sector developer would require from investing in land inventory. The discount rate adopted was consistent with the requirements of the Department of Treasury and Finance Accounting Policy Statements.

Independent valuations were obtained for the years ended 30 June 1999, 30 June 2000 and 30 June 2001 which confirmed that inventory values were appropriate for financial reporting purposes. For 2001-02 the Corporation undertook an internal assessment of values as at 30 June 2002 which concluded that the carrying amount of land held for resale remained appropriate for financial reporting purposes consistent with the advice previously provided by external valuers. For 2002-03 the Corporation proposes to commission an independent valuation of all land holdings rather than undertaking a review of existing values.

Investment in Joint Venture Entities

The carrying amount of investment in joint venture entities decreased by $6.1 million from $10.7 million to $4.6 million reflecting repayments of capital contributions and distributions of profits to the Corporation during the reporting period.

Administered Transactions

During the year the Corporation administered a number of projects on behalf of the State Government. Following a review of the appropriate accounting and Treasury classification, the Treasurer approved, effective 1 July 2002, that all administered items be accounted for as controlled items. Note 25 details the financial effect of this change in accounting treatment.

Property, Plant and Equipment

The Department of Treasury and Finance Accounting Policy Statement APS 3 ‘Revaluation of Non-Current Assets’ requires physical non-current assets greater than $1 million to be revalued every three years.

Following the establishment of the Corporation, the assets and liabilities of the Corporation were transferred in May 1998, at their carrying values in the accounts of predecessor entities. The majority of the Corporation’s Property, Plant and Equipment assets have not been revalued on a triennial basis in accordance with Accounting Policy Statement APS 3 ‘Revaluation of Non-Current Assets’.

Effective 1 July 2002, in accordance with accounting standards and accounting policy standards, the basis of valuing the Corporation’s Property, Plant and Equipment will change from deprival value to fair value. In recognition of this change in valuation basis the Treasurer approved that the Corporation may defer revaluation of its Property, Plant and Equipment until 2002-03.

FURTHER COMMENTARY ON OPERATIONS

Administered Projects

Mawson Lakes Government Infrastructure Project

As part of the overall joint venture arrangements in respect of the Mawson Lakes Economic Development Project, the State Government committed to various infrastructure works in July 1997 under a project commitment deed. The project commitment deed committed the State Government through a number of government agencies (ie Transport SA, Planning SA, Passenger Transport Board and the Land Management Corporation) to deliver a scope of work at estimated costs and timeframes.

The Corporation’s obligations, per the original project commitment deed, executed in July 1997, amounted to $18 million (in 1996 dollars) over an eight year period. The Corporation’s most recent forecast of its future commitments under the project commitment deed is estimated at $7.6 million (in current dollars) over the next six years.

In February 2001 Cabinet approved a number of variations to this project commitment deed. In essence, the purpose of the variations were to facilitate a revision of the scope of work associated with the Mawson Connector (previously the North East Ring Route) and the revision of the timing of certain works.

During the 2001-02 year, work continued in meeting the Government’s obligations on Mawson Lakes infrastructure, and to this end the Corporation expended $747 000 in meeting its obligations. This money was spent primarily on completion of the railway detention basin and other drainage infrastructure.

East End Redevelopment Project

The East End Redevelopment project has been reported as an administered project in the Corporation’s accounts since the Corporation’s establishment in December 1997 (refer to Note 19.1(c)). This accounting treatment results from the arrangements to date for this project whereby the Corporation only administers transactions in relation to this project and has no control in regard to the assets and liabilities of the project.

The administered assets of the East End Redevelopment project at 30 June 2002 are $2.5 million and the administered liabilities $23 million. This represents a net deficit of $20.5 million at balance date. Consistent with the previous year, the major transaction for 2001-02 for the project was the payment of interest on a loan for the project, totalling $1.2 million.

During 2000-01 the Corporation advised the Treasurer that the loan for this project is unlikely to be fully recoverable given that the project’s forecast net cash flows are substantially below the loan value. The matter of the repayment of the loan for the project remained unresolved as at 30 June 2001.

During 2001-02 discussions were held with the Department of Treasury and Finance, regarding the classification of the Corporation's projects and the repayment of the East End Redevelopment Loan. Following discussions the Treasurer approved, effective 1 July 2002, all administered assets and liabilities of the Corporation be brought to account as controlled items and approved the settlement of the loan in full from the Corporation's controlled cash balances (refer to Note 25). The full loan balance and all accrued interest was repaid on 30 August 2002, fully extinguishing the outstanding debt. Accordingly, the matter of the repayment of the loan has been resolved.

Port Adelaide Waterfront Redevelopment

Registration of Interest Process

The Port Waterfront Redevelopment Project represents a major urban renewal project of waterfront land at Port Adelaide. A key phase of the project involves completing a detailed development proposal for the economic and urban revitalisation of the inner Port Adelaide region. To facilitate the completion of this development proposal, Cabinet approved the Corporation to proceed with a registration of interest process. In June 2001 the Corporation commenced a registration of interest process to select two parties to prepare comprehensive development proposals for the project.

In September 2001, the Corporation selected two consortia which were subsequently engaged contractually by the Corporation to prepare development proposals.

Development proposals were submitted by the two selected consortia in April 2002. In June 2002 the Board endorsed the selection of a preferred consortia to further refine it's development proposal and to negotiate contractual arrangements with the consortia to progress the project with the Corporation.

The selection of the preferred consortia was announced by the Premier on 29 July 2002.

Probity Audit

The Corporation engaged the services of a probity auditor to oversee the selection process. The probity auditor provided a verbal report advising that there were no issues that needed to be taken into account by the Board regarding the selection process. At the time of this Report the final report of the probity auditor was yet to be provided to the Corporation.

Report of the Auditor-General - Misdirection of Bid Documents

In July 2002 the Treasurer requested me to give consideration to undertaking an audit of a matter brought to his attention by the Minister for Government Enterprises. The matter involved an incident where it appeared that a bidder for the Port Adelaide Waterfront Redevelopment Project was delivered confidential documents that it should not have received.

On 19 July 2002 I presented an Interim Report on the matter to the Treasurer. Also, a copy was made available to both houses of Parliament requesting the Interim Report be tabled in Parliament. In summary, my Interim Report concluded that there was no evidence that the selection process had been compromised and advised that a Final Report would be tabled in the Parliament as soon as practical.

On 29 August 2002 my Final Report was tabled in the Parliament. The Final Report detailed the procedures adopted by me and a summary of the evidence obtained in the course of the audit examination that supports the opinion outlined in my Interim Report. The Final Report also confirmed that the incident did not occur in the Land Management Corporation but occurred in another State Government agency.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 $'000	2001 $'000
REVENUES FROM ORDINARY ACTIVITIES:			
Sales	4	**9 885**	7 015
Less: Cost of sales		**2 920**	2 885
		6 965	4 130
Share of net profits of joint venture entities	5	**3 246**	2 952
Revenues from Government	6	**8 015**	8 928
Interest		**2 822**	3 128
Property income		**4 648**	3 753
Other income		**1 861**	2 040
Total Revenues from Ordinary Activities		**27 557**	24 931
EXPENSES FROM ORDINARY ACTIVITIES:			
Land tax		**2 960**	3 962
Property expenditure		**2 730**	3 044
Contractors and consultants		**2 190**	997
Salaries and related payments		**4 162**	4 055
Accommodation		**391**	330
Interest		**483**	482
Depreciation	3	**343**	308
Other expenditure		**2 011**	1 883
Total Expenses from Ordinary Activities		**15 270**	15 061
SURPLUS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EQUIVALENT		**12 287**	9 870
Income tax equivalent paid or payable to the State Government	8	**3 686**	2 858
SURPLUS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EQUIVALENT		**8 601**	7 012
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**8 601**	7 012

Statement of Financial Position as at 30 June 2002

	Note	2002 $'000	2001 $'000
ASSETS:			
CURRENT ASSETS:			
Cash assets	23	**64 734**	56 861
Receivables	10	**6 359**	906
Other	12	**20**	31
Total Current Assets		**71 113**	57 798
NON-CURRENT ASSETS:			
Inventories	11	**25 798**	27 853
Property, plant and equipment	13	**13 290**	10 296
Investment in joint venture entities	5	**4 615**	10 725
Other	12	**27**	41
Total Non-Current Assets		**43 730**	48 915
Total Assets		**114 843**	106 713
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	14	**3 633**	1 843
Tax liabilities	8, 16	**2 288**	1 583
Provisions	17	**2 363**	673
Total Current Liabilities		**8 284**	4 099
NON-CURRENT LIABILITIES:			
Payables	14	**555**	500
Interest bearing liabilities	15	**3 905**	3 905
Provisions	17	**497**	47
Total Non-Current Liabilities		**4 957**	4 452
Total Liabilities		**13 241**	8 551
NET ASSETS		**101 602**	98 162
EQUITY:			
Accumulated surplus	18	**101 602**	98 162
TOTAL EQUITY		**101 602**	98 162
Commitments and Contingent Liabilities	20, 21		

Statement of Cash Flows for the year ended 30 June 2002

	Note	**2002 Inflows (Outflows) $'000**	2001 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Government grants and subsidies received	6	**8 015**	8 928
Land tax paid		**(2 960)**	(3 962)
Receipts from sales		**9 902**	7 536
Receipts from tenants		**4 520**	3 849
Interest received		**2 827**	3 180
Recoveries and sundry receipts		**6 980**	4 722
Payments for salaries and related costs		**(4 227)**	(3 962)
Payments to suppliers		**(13 287)**	(10 587)
Payments for land purchase and development		**(904)**	(3 471)
Interest paid		**(362)**	(470)
GST receipts from taxation authority		**2 402**	1 990
GST payments to taxation authority		**(285)**	(369)
Income tax equivalent paid	8	**(2 981)**	(4 053)
Net Cash provided by Operating Activities	22	**9 640**	3 331
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital contributions to joint venture entities	5.1	**(2 375)**	(3 716)
Capital repayments by joint venture entities	5.1	**2 902**	3 219
Distributions of profit by joint venture entities	5.1	**3 875**	5 675
Proceeds from sale of property, plant and equipment		**3**	567
Purchase of property, plant and equipment		**(3 144)**	(793)
Net Cash provided by Investing Activities		**1 261**	4 952
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	9	**(3 028)**	(1 844)
Net Cash used in Financing Activities		**(3 028)**	(1 844)
NET INCREASE IN CASH HELD		**7 873**	6 439
CASH AT 1 JULY		**56 861**	50 422
CASH AT 30 JUNE	23	**64 734**	56 861

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment 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*. At that time a Board was appointed by the Minister to act as the Corporation's governing body.

The regulations establishing the Corporation provide for it to undertake the following functions:

(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 under-developed) land; and
- (ii) holding land and other property to be made available, as appropriate, for commercial, industrial, residential or other purposes; and
- (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 generate 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 Account Policies

2.1 Basis of Accounting

The financial statements are a general purpose financial report that have been prepared in accordance with the Treasurer's Instructions issued under the *Public Finance and Audit Act 1987* and applicable Australian Accounting Standards, Statements of Accounting Concepts and Urgent Issues Group Consensus Views. The financial statements have also been prepared on the accrual basis of accounting and in accordance with the historical cost convention (except for a minority of assets carried at independent valuation - refer Note 13). The accounting policies have been consistently applied, unless otherwise stated.

2.2 Administered Transactions

During the financial year, the Corporation administered various projects on behalf of the State Government. Whilst classified as Administered, the revenues, expenses, assets and liabilities in respect of these projects are not recognised in the Statement of Financial Performance, Statement of Financial Position or Statement of Cash Flows, but separately disclosed as Note 19 as administered transactions. Following a review of the appropriate accounting and Treasury classification, the Treasurer has approved that, effective 1 July 2002, all administered assets and liabilities be brought to account as controlled items and the values as recorded in the ledgers at that date be the appropriate transfer values.

The change in accounting treatment is disclosed at Note 25 as an event subsequent to reporting date. The change in accounting treatment subsequent to 30 June 2002 reflects clarification of ownership and control and is consistent with future responsibilities of the Corporation in respect of the stage and remaining tasks of each project.

2.3 Project Expenditure

Expenditure on projects is charged to surplus from ordinary activities before income tax equivalent as incurred, or capitalised where it is expected that future benefits will be derived by the Corporation so as to recover those capitalised costs.

2.4 Employee Entitlements

Provision has been made in the financial statements for the Corporation's liability for employee entitlements 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. However, in accordance with the Treasurer's Accounting Policy Statements, the on-cost component is included in Payables.

(i) Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on current salary rates.

(ii) Sick Leave

No provision has been made in respect of sick leave. As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.

(iii) Long Service Leave

Provision has been made for the Corporation's liability for long service leave at balance date on a basis which is consistent with measurement techniques outlined in Australian Accounting Standard AASB 1028 'Accounting for Employee Entitlements'. The short-hand method of determining long service leave entitlements has been adopted and provision has been made for all employees with eight or more years of service, being the benchmark number of years as determined by the Department of Treasury and Finance.

(iv) Superannuation

Salaries and related payments include superannuation contributions paid by the Corporation under the following categories:

(a) During the reporting period, the Corporation paid $173 000 ($174 000) to the Department of Treasury and Finance towards the accruing Government liability for superannuation in respect of the Corporation's employees;

(b) In respect to some officers employed by the Corporation, contractual arrangements provide superannuation benefits payable to externally managed funds. Payments by the Corporation in respect of these arrangements totalled $223 000 ($199 000) including amounts to cover the Commonwealth Government's Superannuation Guarantee legislation.

2.5 Revenue Recognition and Cost of Sales

The determination of sales revenue (and consequent profit recognition) in respect of land made available for joint venture development (refer Note 5) is dependent on the method of land payment prescribed by the joint venture agreements. Sales revenue from the Golden Grove joint venture is brought to account when each land stage is made available for development, in accordance with the pre-determined price specified by the Joint Venture Agreement. Sales revenue for the Seaford and Mawson Lakes joint ventures is brought to account when settlements occur on individual allotments, on the basis of a percentage of gross sales revenue as specified in the respective agreements.

The Corporation has adopted a policy with respect to all other land sales of recognising sales revenue when settlements are completed and legal title has transferred to purchasers. Sales have been recognised prior to settlement where contracts for sale satisfy all revenue recognition criteria in accordance with Australian Accounting Standards.

Cost of sales comprises all direct costs of acquisition, planning, development and construction in respect of land sold during the reporting period.

2.6 Interests in Joint Venture Entities

The Corporation's share of the assets and liabilities of joint venture entities in which it has a participating interest is included in the Statement of Financial Position as Investment in Joint Venture Entities. The Corporation's share of net profit from joint venture entities is included as income in the item Share of Net Profits of Joint Venture Entities in the Statement of Financial Performance. Details of the Corporation's interest in joint venture entities are shown in Note 5.

2.7 Inventories

Inventories (land held for resale) are carried at the lower of cost and net realisable value. Costs are assigned on the basis of specific identification and comprise all direct costs of acquisition, planning, development and construction. Historically, net realisable values are determined by independent valuers on the basis of discounting expected cash flows from holding and disposing of the inventory. All inventory is classified as non-current assets.

2.7 Inventories (continued)

At the establishment of the Corporation (refer Note 1) 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 30 June 1999, 30 June 2000 and 30 June 2001 confirmed the appropriateness of the values for financial reporting purposes. The Corporation's assessment of values at 30 June 2002 supports the present carrying amounts of land held for resale.

2.8 Borrowing Costs

Borrowing costs are expensed in the reporting period in which they are incurred.

2.9 Property, Plant and Equipment

Property, plant and equipment are brought to account at cost or independent valuation, less, where applicable, any accumulated depreciation or amortisation. The depreciable amounts of all fixed assets including buildings, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives, commencing from the time the assets are held ready for use. Where necessary, appropriate write downs are made to ensure that the carrying amount is not in excess of the recoverable amount for an individual class of asset. The depreciation rates used for each class of depreciable assets are:

	Percent
Buildings	2.5
Plant and equipment	10-33

Pursuant to revised Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets', from 1 July 2002 the basis of valuing non-current assets will change from deprival value to fair value. Consequent upon the change in valuation methodology, the Treasurer has approved that the Corporation may defer revaluation of its property, plant and equipment until the 2002-03 financial year.

During the reporting period, the Corporation assumed responsibility for the administration of surplus Ports Corp land. This land has not been recognised in the accounts as the due diligence phase is in progress and values are still to be determined.

2.10 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

2.11 Comparative Figures

The previous year's figures are provided in the Financial Statements for comparative purposes. Where applicable, comparative figures have been adjusted to conform with changes in presentation and classification in the current year.

3. Surplus from Ordinary Activities

Surplus from ordinary activities before income tax equivalent has been determined after:	**2002** **$'000**	2001 $'000
(a) Charging as Expenses		
Interest paid or payable to:		
Other persons	**483**	482
Depreciation of:		
Buildings	**253**	221
Plant and equipment	**90**	87
Bad and doubtful debts	**64**	1
Rental expense on operating leases	**524**	524
Transfer to provisions for:		
Employee entitlements	**7**	98
(b) Crediting as Income		
Interest received or receivable from:		
Other persons	**2 822**	3 128
Net gain on disposal of property, plant and equipment	**1**	244

4. Revenues from Ordinary Activities

(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 Golden Grove and Mawson Lakes (refer Note 5).

Sales revenue for the reporting period is summarised as follows:	**2002**	2001
Land sales:	**$'000**	$'000
Joint ventures	**1 979**	1 269
Other	**7 906**	5 746
Total Sales Revenue	**9 885**	7 015

(b) Other Revenue from Ordinary Activities

Other revenue from ordinary activities comprises:		
Interest received	**2 822**	3 128
Rent and other property income received	**4 648**	3 753
Share of net profit of joint venture entities (refer Note 5)	**3 246**	2 952
Revenues from Government (refer Note 6)	**8 015**	8 928
Proceeds on disposal of property, plant and equipment	**3**	567
Recoveries and sundry income	**1 860**	1 796
	20 594	21 124
Less: Written down value of property, plant and equipment disposals	**2**	323
Total Other Revenue from Ordinary Activities	**20 592**	20 801

5. Joint Venture Entities

5.1 Joint Venture Summary

Income from joint venture entities of $3 246 000 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:

	2002	2001
	$'000	$'000
Revenues	**24 269**	19 240
Expenses	**21 023**	16 288
Profit from ordinary activities	**3 246**	2 952

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

	2002	2001
Capital contributions and acquisition of additional interest:		
Balance at 1 July	**6 011**	5 514
Add: Contributions during the reporting period	**2 375**	3 716
Less: Repayments during the reporting period[(a)]	**7 242**	3 219
Less: Transfer to share of accumulated profits (accumulated loss on joint venture termination)	**1 144**	-
Balance at 30 July	**-**	6 011
Share of accumulated profits:		
Balance at 1 July	**4 714**	7 437
Add: Profit for the reporting period	**3 246**	2 952
Less: Distribution of profit to the Corporation during the reporting period[(a)]	**4 489**	5 675
Add: Transfer from capital contributions (accumulated loss on joint venture termination)	**1 144**	-
Balance at 30 July	**4 615**	4 714
Total Carrying Amount of Investment in Joint Venture Entities	**4 615**	10 725

(a) Capital repayments and distribution of profit for the reporting period include a total of $4 953 000 included in receivables (refer Note 10).

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

	2002	2001
Current Assets:	**$'000**	$'000
Cash	**3 996**	1 124
Receivables	**1 417**	1 774
Inventories	**3 326**	6 546
Prepayments	**39**	33
	8 778	9 477
Non-Current Assets:		
Inventories	**2 769**	5 809
Property, plant and equipment	**135**	177
	2 904	5 986
Total Assets	**11 682**	15 463
Current Liabilities:		
Creditors and borrowings	**4 501**	2 744
Provisions	**2 561**	1 754
	7 062	4 498
Non-Current Liabilities:		
Creditors and borrowings	**5**	1
Provisions	**-**	239
	5	240
Total Liabilities	**7 067**	4 738
Net Assets	**4 615**	10 725

5.2 Golden Grove Joint Ventures

Golden Grove Development - Joint Venture with Delfin

The Corporation has a 50 percent interest in the Golden Grove Development joint venture, involving the development of land at Golden Grove by the Corporation and Delfin Lend Lease Ltd (formerly Delfin Property Group Limited). The joint venture was established pursuant to the *Golden Grove (Indenture Ratification) Act 1984* and operates under the Indenture and associated joint venture and management agreements. Land remains in the ownership of the Corporation and is made available in stages to the joint venture. The Corporation progressively receives an agreed payment for the land (as specified in the Joint Venture Agreement) and shares profits and losses equally with Delfin Lend Lease Ltd. It is projected that the project will be completed during the 2002-03 financial year, at which stage the joint venture will be wound up.

Para Scarp Joint Venture

The project was concluded during the reporting period. The Corporation has a 50 percent interest in a joint venture with Delfin Lend Lease Ltd (formerly Delfin Property Group Limited) to develop 52 hectares of land contained in seven parcels adjacent to the western boundary of the Golden Grove Development area. Under the terms of the joint venture agreement, Delfin Lend Lease Ltd has purchased a half interest in the land and shared development costs and profits equally with the Corporation.

5.3 Seaford Joint Venture

With all remaining land sold and settled, the joint venture was terminated effective 28 September 2001. The joint venture involved the development of land at Seaford in joint cooperation between the Corporation, the South Australia Housing Trust (SAHT) and the private sector. The land was owned jointly by the Corporation and SAHT as tenants in common. The voting power held by the Corporation was 25 percent. The participating interests were:

Land Management Corporation (LMC)	41.67 percent (five twelfths)
SAHT	25.00 percent (three twelfths)
Southern Horizons Pty Ltd	33.33 percent (four twelfths)

5.4 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 ten to twelve year timeframe. Other parties with commitments to the joint venture arrangements are City of Salisbury, University of South Australia, the Government of South Australia and Telstra Corporation.

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.

6. Revenues from Government

	2002	2001
Government grants and subsidies received during the reporting period were sourced as follows:	$'000	$'000
State Government subsidy for land tax expense	**2 960**	3 962
State Government recurrent grants	**3 095**	3 176
State Government capital grants	**1 960**	1 790
	8 015	8 928

7. Bad and Doubtful Debts

Bad debts written off:		
Trade debtors	**32**	1
Transfer to provision for doubtful debts:		
Trade debtors	**32**	-
Total Bad and Doubtful Debts Expense	**64**	1

8. Tax Equivalents

In accordance with Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*, 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 surplus after extraordinary items. The income tax equivalent paid or payable for the reporting period was $3 686 000 including a provision of $2 288 000. In addition, the amount of $1 583 000 provided in the previous reporting period was paid to the Treasurer. The comparative amounts recognised in the Statement of Financial Performance are summarised in the following table:

	2002	2001
	$'000	$'000
Income tax equivalent paid in respect of the surplus for the reporting period	**1 398**	1 275
Provision for income tax equivalent in respect of the surplus for the reporting period (Refer Note 16)	**2 288**	1 583
	3 686	2 858
The total income tax equivalent paid during the reporting period was as follows:		
Income tax equivalent paid in respect of the surplus for the reporting period	**1 398**	1 275
Balance of income tax equivalent paid in respect of the previous reporting period	**1 583**	2 778
	2 981	4 053

9. Dividends

Pursuant to Regulations under the *Public Corporations Act 1993*, the Corporation may be required to pay dividends to the Treasurer. Following a recommendation by the Board, and after consultation with the Minister, the Treasurer determined that an interim dividend of $3 028 000 ($1 844 000) be paid in respect of the reporting period. The Treasurer also determined that a final dividend be declared and paid after the reporting period based on the actual surplus available for distribution. On this basis, provision has been made for a final dividend of $2 133 000 (refer Note 17), resulting in a total dividend pair or payable of $5 161 000 for the reporting period.

10. Receivables

	2002	2001
Current:	$'000	$'000
Trade and other debtors (a)	**6 399**	914
Less: Provision for doubtful debts	**40**	8
Total Receivables	**6 359**	906

(a) Trade and other debtors include $4 953 000 receivable from joint ventures in respect of capital repayments and profit distributors applicable to the reporting period but not received by the Corporation at balance date (refer Note 5).

11. Inventories

Non-Current:		
Land held for resale	**25 798**	27 853
Total Inventories	**25 798**	27 853
Summary of Land Held for Resale:		
Cost of acquisition	**24 790**	26 894
Development cost capitalised	**1 008**	959
	25 798	27 853

12. Other Assets

	2002 $'000	2001 $'000
Current:		
Prepayments	**20**	31
Non-Current:		
Prepayments	**27**	41
Total Other Assets	**47**	72

13. Property, Plant and Equipment

	2002 $'000	2001 $'000
Land and Buildings:		
Freehold land:		
At cost	**1 650**	1 650
At independent valuation[(a)]	**95**	95
	1 745	1 745
Buildings:		
At cost	**12 004**	9 018
Less: Accumulated depreciation	**958**	705
	11 046	8 313
Total Land and Buildings	**12 791**	10 058
Plant and Equipment:		
At cost	**2 080**	1 834
Less: Accumulated depreciation	**1 581**	1 596
Total Plant and Equipment	**499**	238
Total Property, Plant and Equipment	**13 290**	10 296

(a) The revaluation of freehold land was based on an assessment of the current market values. The independent valuations were carried out by Mr John L Morgan, B.App.Sc. (Valuation) on 2 August and 3 August 1999.

Movements in carrying amounts:

Movements in the carrying amounts for each class of property, plant and equipment are as follows:

	2002 $'000	2001 $'000
Freehold Land:		
Carrying amount at 1 July	**1 745**	1 545
Additions	**-**	400
Disposals	**-**	(200)
Carrying amount at 30 June	**1 745**	1 745
Buildings:		
Carrying amount at 1 July	**8 313**	8 408
Additions	**2 986**	198
Disposals	**-**	(72)
Depreciation	**(253)**	(221)
Carrying amount 30 June	**11 046**	8 313
Plant and Equipment:		
Carrying amount at 1 July	**238**	181
Additions	**353**	195
Disposals	**(2)**	(51)
Depreciation	**(90)**	(87)
Carrying amount at 30 June	**499**	238
Total Carrying Amount at 30 June	**13 290**	10 296

14. Payables

	2002 $'000	2001 $'000
Current:		
Trade creditors	**2 261**	1 495
Sundry creditors and accrued expenses	**1 372**	348
	3 633	1 843
Non-Current:		
Non-interest bearing loan - Department of Industry and Trade	**500**	500
Sundry creditors and accrued expenses	**55**	-
	555	500
Total Payables	**4 188**	2 343

15. Interest-Bearing Liabilities

	2002 $'000	2001 $'000
Non-Current:		
Loan - Department of Treasury and Finance	**3 905**	3 905
Total Interest-Bearing Liabilities	**3 905**	3 905

16. Tax Liabilities

	2002 $'000	2001 $'000
Current:		
Income tax equivalent	**2 288**	1 583
Total Tax Liabilities	**2 288**	1 583

17. Provisions

	2002	2001
Current:	**$'000**	$'000
Dividend	**2 133**	-
Annual leave	**200**	206
Long service leave	**30**	467
	2 363	673
Non-Current:		
Long service leave	**497**	47
Total Provisions	**2 860**	720

18. Accumulated Surplus

	2002	2001
Accumulated surplus at 1 July	**98 162**	92 994
Surplus from ordinary activities for the year after income tax equivalent	**8 601**	7 012
Dividend paid or payable to the Treasurer (refer Note 9)	**(5 161)**	(1 844)
Accumulated Surplus at 30 June	**101 602**	98 162

19. Administered Transactions

19.1 Summary of Administered Projects

During the reporting period the Corporation administered the following projects on behalf of the State Government:

(a) Inner Western Program

The Inner Western Program involves the remediation of environmentally degraded land in Bowden, Brompton and West Hindmarsh to achieve urban renewal outcomes. It is intended that the program will be funded by way of a development agreement with the Angas Consortium. At balance date this agreement was being finalised.

(b) Mile End Railyards Redevelopment

The Corporation's role in respect of the redevelopment of the site and the transfer of the land from Australian National to the State is complete with only ongoing groundwater monitoring a remaining function, charged on a fee for service basis.

(c) East End Redevelopment

The East End redevelopment is a State Government initiative involving a prominent site steeped in the early history of the City. Other parties involved in the redevelopment are Mancorp (The Rundle East Company Pty Ltd) and the Liberman Group. The project includes refurbishment of existing commercial/retail space facing Rundle Street, the construction of approximately 300 units/apartments and commercial and retail premises and the restoration of heritage units along the perimeter of the site. The Liberman component of the redevelopment is substantially complete, with the sale of only two strata titled car parks remaining to conclude the Government's interest in this component. In regard to the Mancorp site, completion is anticipated to occur by 2004-05, contingent upon sale conditions being fulfilled and the Corporation's 25 percent share being satisfactorily negotiated.

(d) Port Waterfront Redevelopment

The Port Waterfront redevelopment represents a major urban renewal project involving the redevelopment of waterfront land at Port Adelaide. The opportunity arises from the utilisation of various government owned surplus waterfront properties and facilities, resulting from the decline of the Inner Harbour as an economically viable industrial port. Registration of Interest submissions from companies and consortia has resulted in the selection of a preferred party to participate in the joint development of the land as a major ongoing project. Over the coming year, a detailed redevelopment proposal will be submitted to Cabinet for due consideration.

(e) Islington Redevelopment

The Corporation's role in respect of the Islington project is to manage the remediation of a derelict and contaminated rail workshop site on behalf of the Department for Transport, Urban Planning and the Arts. Site works were completed during the previous reporting period and this project has now concluded.

(f) Mawson Lakes Government Infrastructure

Under the terms of the joint venture arrangements for the Mawson Lakes Economic Development Project (refer Note 5.4), the State Government has obligations for various infrastructure works. The Corporation receives State grants in respect of the obligations relating to its component of the infrastructure works and administers payments for these works. At the reporting date, the Government's remaining commitment for the Corporation's component was estimated to be $7 648 000. This commitment has not been recognised in the Financial Schedules (Note 19.3) as it is considered not to satisfy the criteria for recognition as a liability (refer Note 25).

Pursuant to the Project Commitment Deed, parties to the Deed have continued work on the Mawson Connector road (formerly known as the North East Ring Route) and the provision of education infrastructure. In respect of the Corporation's component, construction of the Mawson Centre is anticipated during 2002-03.

(g) Sports Park Infrastructure

Sports Park is located 10 km north of Adelaide on a 120 hectare site. Infrastructure works to upgrade stormwater management and internal roads and services has now been completed. The Corporation's role is now only in respect of management of the works in kind agreement with the Croatian Sports Centre and maintenance of the undeveloped eastern portion of the site.

19.2 *Financial Summary*

Projects administered by the Corporation are principally financed from State loans and grants, Commonwealth grants and proceeds from the sale of land and properties. At period end, project funds held by the Corporation on behalf of the State Government were $12 685 000 comprised as follows:

	2002 $'000	2001 $'000
Inner Western Program	**2 622**	2 534
Mile End Railyards redevelopment	**701**	715
East End redevelopment	**(330)**	557
Port Waterfront redevelopment	**(1 856)**	(869)
Islington redevelopment	**25**	25
Mawson Lakes government infrastructure	**11 374**	12 698
Sports Park infrastructure	**149**	231
Project Funds at 30 June	**12 685**	15 891

The following Statement of Receipts and Payments summarises the movements in project funds during the reporting period:

	2002 $'000	2001 $'000
Receipts:		
State loans	**-**	350
State grants	**1 031**	1 751
Interest	**650**	950
Sale of land and properties	**583**	548
Other operating receipts	**692**	492
Total Receipts	**2 956**	4 091
Payments:		
Interest	**1 690**	2 145
Repayments of State grants	**2 000**	-
Transfer land sale proceeds	**-**	118
Other operating payments	**2 472**	3 804
Total Payments	**6 162**	6 067
Net decrease in funds held	**(3 206)**	(1 976)
Project Funds at 1 July	**15 891**	17 867
Project Funds at 30 June	**12 685**	15 891

19.3 *Financial Schedules*

Schedule A and Schedule B provide financial information regarding:

- Administered Assets and Liabilities;
- Administered Revenues and Expenses;

in respect of each project administered by the Corporation on behalf of the State Government.

Assets and liabilities administered and included in Schedule A are not recognised in the Corporation's Statement of Financial Position.

Revenues and expenses administered and included in Schedule B are not recognised in the Statement of Financial Performance. Schedule B is presented in a Statement of Financial Performance format and therefore excludes land purchases, borrowings and repayment of borrowings, where applicable. Cash receipts and payments are reflected as movements in Project Funds, as disclosed in Note 19.2.

Schedule A

Schedule of Administered Assets and Liabilities as at 30 June 2002

Administered Assets:	Note	Inner West $'000	Mile End $'000	East End $'000	Port Waterfront $'000	Islington $'000	Mawson Lakes Infra-structure $'000	Sports Park Infra-structure $'000	**Total $'000**
Cash assets		2 622	701	(330)	(1 856)	25	11 374	149	**12 685**
Receivables		8	2	-	2	2	35	-	**49**
Inventories:									
Land held for resale	(a)	-	101	-	4 445	-	-	-	**4 546**
Property, plant and equipment:									
Land and buildings	(b)	-	-	2 816	300	-	-	-	**3 116**
Total Administered Assets		2 630	804	2 486	2 891	27	11 409	149	**20 396**
Administered Liabilities:									
Payables		25	4	304	43	-	56	-	**432**
Loans from the Treasurer	(c)	-	-	22 740	6 090	-	-	-	**28 830**
Total Administered Liabilities		25	4	23 044	6 133	-	56	-	**29 262**

Schedule of Administered Assets and Liabilities as at 30 June 2001

Administered Assets:	Note	Inner West $'000	Mile End $'000	East End $'000	Port Waterfront $'000	Islington $'000	Mawson Lakes Infra-structure $'000	Sports Park Infra-structure $'000	Total $'000
Cash assets		2 534	715	557	(869)	25	12 698	231	15 891
Receivables		10	3	19	27	3	46	1	109
Inventories:									
Land held for resale	(a)	-	101	-	4 445	-	-	-	4 546
Property, plant and equipment:									
Land and buildings	(b)	-	-	2 816	300	-	-	-	3 116
Total Administered Assets		2 544	819	3 392	3 903	28	12 744	232	23 662
Administered Liabilities:									
Payables		40	-	123	216	-	129	1	509
Loans from the Treasurer	(c)	-	-	22 740	6 090	-	-	-	28 830
Total Administered Liabilities		40	-	22 863	6 306	-	129	1	29 339

Schedule A - Notes

(a) Inventories - Land held for Resale

Inventories are carried at the lower of cost and net realisable value.

(b) Property, Plant and Equipment - Land and Buildings

East End Redevelopment

An independent valuation was carried out by Mr W J Reynolds, FAPI, Certified Practising Valuer, of the Department for Administrative and Information Services on 30 June 1999 based on the net present value of the State Government's interest in the properties currently the subject of a lease with a private developer. The valuation was marginally higher than the carrying amount. The present value of the Government's interest in the properties is largely dependent on the number of years that it is anticipated that Government may retain ownership. Therefore, as a conservative measure, the carrying amount has been retained.

Port Waterfront Redevelopment

An independent valuation was carried out by Mr Andrew Cain, B App Sc (Val) AAPI (Val) of Jones Lang LaSalle Advisory Services Pty Limited on 6 August 1999 using a current market value basis as at 30 June 1999 for the properties.

(c) Loans from the Treasurer

East End Redevelopment

The loan is in the name of the Minister for Government Enterprises (formerly Minister for Housing and Urban Development). Agreement between the Treasurer and the Minister has been reached wherein the debt will be fully repaid from the Corporation's cash reserves during the reporting period ending 30 June 2003. This action will overcome the previously reported unresolved nature of the debt.

Port Waterfront Redevelopment

The loan is in the name of the Minister for Government Enterprises (formerly Minister for Housing and Urban Development). The Corporation has included repayment of the debt in the financial assessment of submissions received pursuant to the Registration of Interest process, wherein a preferred consortia was announced by the Premier on 29 July 2002

Schedule B

Schedule of Administered Revenues and Expenses for the year ended 30 June 2002

Administered Revenues:	Inner West $'000	Mile End $'000	East End $'000	Port Waterfront $'000	Islington $'000	Mawson Lakes Infra-structure $'000	Sports Park Infra-structure $'000	**Total $'000**
State grants	-	-	-	-	-	1 000	31	**1 031**
Interest	104	27	11	-	1	482	8	**633**
Sale of land and properties	274	-	134	175	-	-	-	**583**
Other operating revenues	7	-	203	211	33	2	-	**456**
Total Administered Revenues	385	27	348	386	34	1 484	39	**2 703**
Administered Expenses:								
Interest	-	-	1 247	415	-	-	-	**1 662**
Repayment of State Grants	-	-	-	-	-	2 000	-	**2 000**
Bad and doubtful debts	-	-	-	11	-	-	-	**11**
Other operating expenses	284	46	188	798	35	747	121	**2 219**
Total Administered Expenses	284	46	1 435	1 224	35	2 747	121	**5 892**
SURPLUS (DEFICIT)	101	(19)	(1 087)	(838)	(1)	(1 263)	(82)	**(3 189)**

Schedule of Administered Revenues and Expenses for the year ended 30 June 2001

	Inner West $'000	Mile End $'000	East End $'000	Port Waterfront $'000	Islington $'000	Mawson Lakes Infra-structure $'000	Sports Park Infra-structure $'000	Total $'000
Administered Revenues:								
State grants	-	-	-	-	-	1 000	751	1 751
Interest	163	40	65	7	1	681	27	984
Sale of land and properties	-	-	513	35	-	-	-	548
Other operating revenues	15	-	198	296	14	-	-	523
Total Administered Revenues	178	40	776	338	15	1 681	778	3 806
Administered Expenses:								
Cost of sales	-	-	475	35	-	-	-	510
Interest	-	-	1 588	550	-	-	-	2 138
Transfer land sale proceeds	97	-	-	-	-	-	-	97
Bad and doubtful debts	1	(2)	-	6	-	-	-	5
Other operating expenses	527	22	279	1 024	11	1 046	1 105	4 014
Total Administered Expenses	625	20	2 342	1 615	11	1 046	1 105	6 764
SURPLUS (DEFICIT)	(447)	20	(1 566)	(1 277)	4	635	(327)	(2 958)

20. Expenditure and Lease Commitments

Capital expenditure commitments

At balance date the Corporation had no material capital expenditure commitments (2001 $2 452 000 payable within 12 months). Capital expenditure commitments, unquantified at balance date, may arise in respect of the Corporation's share of the funding of future development works under the terms of various joint venture arrangements currently in place (refer Note 5).

Other expenditure commitments

Other expenditure commitments at balance date were $1 066 000 payable within 12 months (2001 No material commitments).

Operating lease commitments

Non cancellable operating leases contracted for at balance date but not provided in the accounts:

	2002 $'000	2001 $'000
Payable not later than one year	**330**	265
Payable later than one year but not later than five years	**1 111**	1 061
Payable later than five years	**796**	1 061
	2 237	2 387

Operating lease commitments comprise a property lease and motor vehicle leases. The property lease is a non-cancellable lease with a ten year term, with rent payable monthly in advance. Motor vehicles are leased over varying terms up to three years.

21. Contingent Liabilities

Golden Grove Development (refer Note 5.2)		
Indemnity for bank guarantees in favour of Local and State Government Authorities. The maximum limit available at balance date to the joint venture is $3 600 000 ($4 000 000). The maximum liability amounts to $2 440 000 ($3 594 000). The Corporation's contingent liability in respect of this amount is 50 percent.	**1 220**	1 797
Mawson Lakes Joint Venture (refer Note 5.4)		
Indemnity for letter of guarantee in favour of Local and State Government Authorities. The maximum liability amounts to $7 885 000 ($3 369 000). The Corporation's contingent liability in respect of this amount is 50 percent.	**3 943**	1 685
AV Jennings Limited		
Guarantee pursuant to the Northgate Development Deed between the Corporation and AV Jennings Ltd. (Extinguished during the reporting period)	**-**	537

Other

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

22. Reconciliation of Cash Flows from Operating Activities with Surplus from Ordinary Activities after Income Tax Equivalent

Surplus from Ordinary Activities after Income Tax Equivalent	**8 601**	7 012
Non-cash flows in Surplus from Ordinary Activities after Income Tax Equivalent:		
Share of net profit of joint venture entities	**(3 246)**	(2 952)
Net gain on disposal of property, plant and equipment	**(1)**	(244)
Depreciation	**343**	308
Movement in income tax equivalent payable	**705**	(1 195)
Provision for long service leave	**13**	86
Provision for annual leave	**(6)**	12
Provision for doubtful debts	**32**	-
Changes in assets and liabilities:		
(Increase) decrease in receivables	**(532)**	162
Decrease in prepayments	**25**	44
Decrease (increase) in inventories	**2 055**	(796)
Increase in payables	**1 651**	894
Net Cash provided by Operating Activities	**9 640**	3 331

23. Cash Assets

	2002	2001
	$'000	$'000
Cash at Treasury	**64 313**	56 618
Cash in trust, at bank and on hand	**421**	243
Cash shown in the Statement of Financial Position and Statement of Cash Flows	**64 734**	56 861

24. Additional Financial Instruments Disclosure

24.1 Interest Rate Risk

The Corporation has certainty with respect to the interest expense arising from the fixed rate loan from the Treasurer which comprises the major part of its debt. The Corporation's exposure to interest rate risk and the effective weighted average interest rates for classes of financial assets and liabilities is as follows:

	2002					
	Weighted Average Effective Interest Rate	**Floating Interest Rate**	**Fixed Interest Rate**	**Non-Interest Bearing**	**2002 Total**	2001 Total
Financial Assets:	**Percent**	**$'000**	**$'000**	**$'000**	**$'000**	$'000
Cash assets	**4.34**	**64 347**	**-**	**387**	**64 734**	56 861
Receivables		**-**	**-**	**6 359**	**6 359**	906
		64 347	**-**	**6 746**	**71 093**	57 767
Financial Liabilities:						
Payables		**-**	**-**	**4 188**	**4 188**	2 343
Interest-bearing liabilities[(a)]	**12.36**	**-**	**3 905**	**-**	**3 905**	3 905
		-	**3 905**	**4 188**	**8 093**	6 248

(a) The fixed interest rate loan matures in April 2017.

24.2 Credit Risk

The Corporation is exposed to credit risk associated with the amounts due to it from tenants and others for rent and sundry charges. The credit risk on financial assets recognised in the Statement of Financial Position is the carrying amount, net of any provision for doubtful debts. Credit risk is ameliorated by the fact that amounts due from individual tenants are relatively small although the credit performance of tenants as a whole may be expected to be influenced by common factors.

24.3 Net Fair Value of Financial Instruments

The net fair value of term debtors (where applicable) is determined by discounting the cash flows to their present values at market interest rates. The net fair value of borrowings is determined by discounting the cash flows to their present values at market interest rates of similar borrowings. For other assets and other liabilities the net fair value approximates their carrying value. Analysis of the net fair value of financial instruments as at 30 June is detailed below:

	2002		2001	
	Carrying Amount	**Net Fair Value**	Carrying Amount	Net Fair Value
Financial Assets:	**$'000**	**$'000**	$'000	$'000
Cash assets	**64 734**	**64 734**	56 861	56 861
Receivables	**6 359**	**6 359**	906	906
Total Financial Assets	**71 093**	**71 093**	57 767	57 767
Financial Liabilities:				
Payables	**4 188**	**4 188**	2 343	2 343
Interest-bearing liabilities	**3 905**	**5 978**	3 905	6 123
Total Financial Liabilities	**8 093**	**10 166**	6 248	8 466
Net Financial Assets	**63 000**	**60 927**	51 519	49 301

25. Events Subsequent to Reporting Date

Following a review of the appropriate accounting and Treasury classification for administered transactions (refer Notes 2.2 and 19), the Treasurer has approved that, effective 1 July 2002, all administered assets and liabilities be brought to account as controlled items and the values as recorded in the ledgers at that date be the appropriate transfer values. The financial effect of this change will be to recognise an expense of $8 866 000 in the Statement of Financial Performance for the reporting period ending 30 June 2003. The financial effect in the Statement of Financial Position will be an increase of $20 396 000 in assets and an increase of $29 262 000 in liabilities.

At the reporting date, the State Government's remaining commitment for the Corporation's component of the infrastructure works at Mawson Lakes (refer Notes 5.4 and 19.1(f)) was estimated to be $7 648 000. This commitment has not been recognised in the Administered Transactions - Financial Schedules as it is considered that it does not satisfy the criteria for recognition as a liability pursuant to Statement of Accounting Concepts SAC 4 'Definition and Recognition of the Elements of Financial Statements'. Accordingly, the commitment will not be recognised as a liability in the Corporation's accounts for the reporting period ending 30 June 2003.

26. Directors' Remuneration

The number of Directors of the Board whose remuneration from the Corporation was within the following bands were:	**2002 Number of Directors**	2001 Number of Directors
$0 - $10 000	**1**	1
$10 001 - $20 000	**3**	3
$20 001 - $30 000	**2**	2
$60 001 - $70 000	**1**	-
$80 001 - $90 000	**-**	1

Total income received or due and receivable by all Directors of the Corporation for the period they held office was $162 000 ($182 000). Included in this remuneration are fees paid by Golden Grove and Mawson Lakes Joint Venture Committees. Directors who are employed under the *Public Sector Management Act 1995* are not entitled to fees.

The number of Directors who held office at 30 June 2002 was 5(6).

27. Employees' Remuneration

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

The number of employees whose remuneration from the Corporation was within the following bands were:	**2002 Number of Employees**	2001 Number of Employees
$100 001 - $110 000	**4**	2
$110 001 - $120 000	**3**	1
$120 001 - $130 000	**-**	1
$130 001 - $140 000	**-**	1
$140 001 - $150 000	**1**	-
$190 001 - $200 000	**-**	1
$200 001 - $210 000	**1**	-

Total income received or due and receivable by the above employees for the period they held office was $1.11 million ($0.76 million).

The number of employees at the reporting date was 54.1 (56.6).

Targeted Voluntary Separation Packages (TVSPs)

One employee of the Corporation was paid a TVSP during the reporting period. This payment was met by the Corporation and was recovered from the Department of the Premier and Cabinet. The amount paid or payable totalled $37 000. In addition to this, accrued annual leave and long service leave entitlements amounting to $4 000 were paid to that employee. These payments are included in salaries and related payments. An amount of $44 000 was recovered from the Department of the Premier and Cabinet relating to a TVSP payment made in the previous year.

28. Auditors' Remuneration

	2002 $'000	2001 $'000
Amounts received or due and receivable by the principal auditors for auditing the accounts	**60**	50
Total Auditors' Remuneration	**60**	50

29. External Consultants

Fees and expenses incurred during the reporting period as a result of engaging consultants were:		
Recognised in the Statement of Financial Performance	**388**	553
Capitalised in the Statement of Financial Position	**179**	179
Charged against Administered Project Funds (refer Note 19)	**11**	140
Total	**578**	872

30. Related Party Disclosure

Directors

The Directors of the Corporation appointed in accordance with the Regulations under the *Public Corporations Act 1993* were:

J B Hogan, Chairman
A L Ashby
S M Day
D H Edwards (expired 24 December 2001)
P J Martin
R J Payze (expired 24 December 2001)
W L Stokes (appointed 24 December 2001)
J V Hallion (appointed 24 December 2001; resigned 5 June 2002)

Details of the Directors' remuneration are set out in Note 26.

During the period of their appointment to the Land Management Corporation:

Mr J B Hogan was Chairman of the South Australian Housing Trust Board, Presiding Member of the Torrens Catchment Water Management Board, Deputy Chairman of HomeStart Finance and Board Member of other unrelated companies.

Ms A L Ashby was a Director of AME Recruitment Pty Ltd and a Board Member of North Western Adelaide Health Service and Adelaide Entertainments Corporation.

Mr S M Day was a Director of the Finance and Treasury Association and a Director of CTC-Leckey Pty Ltd and Chairman of the Electricity Industry Superannuation Scheme.

Mr D H Edwards was Chairman of David Edwards Investments Pty Ltd and involved in a number of unrelated activities.

30. Related Party Disclosure (continued)

Directors

Ms P J Martin was Director, Commercial Advice, Department of the Premier and Cabinet, a Board Member of the Industrial and Commercial Premises Corporation and the South Australian Film Corporation and a Council Member of the University of Adelaide.

Mr R J Payze was Chief Executive, Department for Transport, Urban Planning and the Arts until 23 October 2000, Vice President/Deputy Chairman of the South Australian National Football League and a Board Member of the Passenger Transport Board and the Royal Automobile Association of South Australia Incorporated.

Mr W L Stokes was a member of the Independent Gambling Authority and The National Capital Authority (Canberra, ACT). He was also Chairman of the N L Stokes Group of Companies.

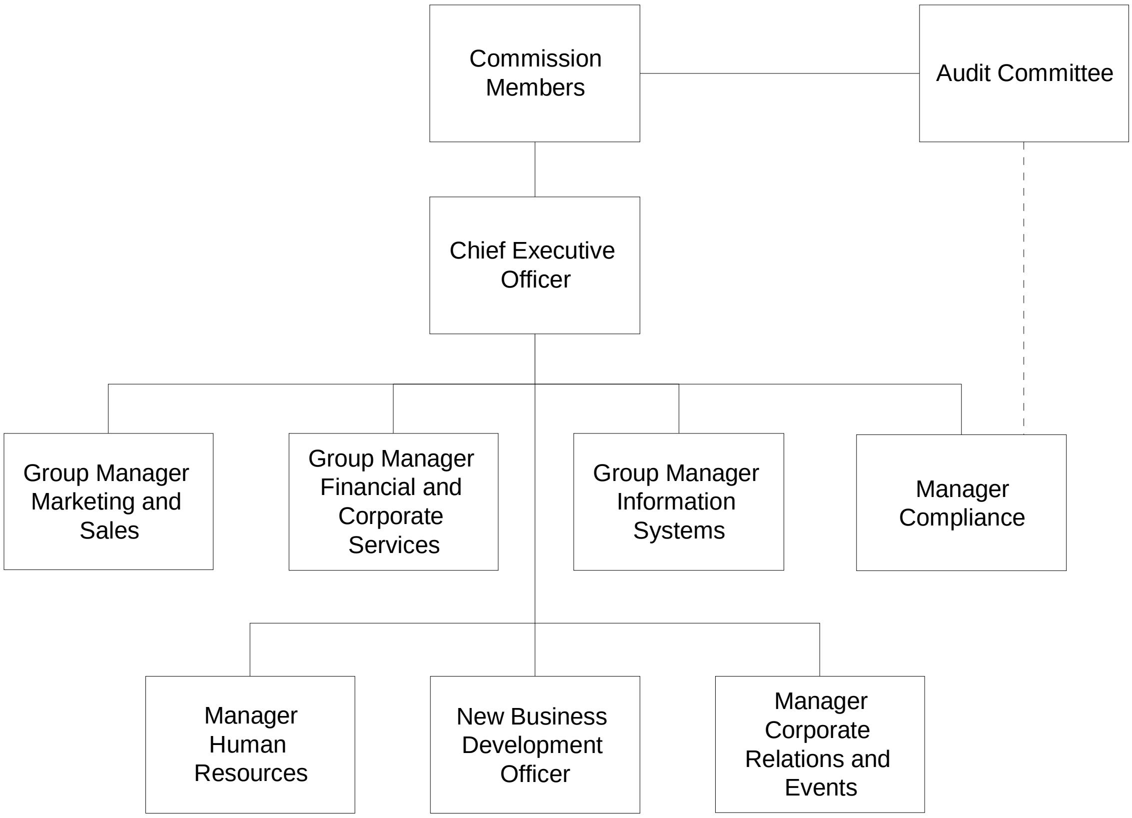
Mr J V Hallion was former Chief Executive of the Department of Industry and Trade until 20 March 2002 and was appointed as Chief Executive of the Department of Primary Industries and Resources SA on 21 March 2002. He was also a Member of the Advisory Board of Agriculture, the SA Primary Industries and Research Development Board, Business Vision 2010, Bio-Innovation SA, the Murray Darling Basin Commission, the Food Regulation Council and the Austral-Asia Rail Corporation.

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 Land Management Corporation had entered into a transaction during the year ended 30 June 2002.

LOTTERIES COMMISSION OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

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. The Commission is subject to the control and direction of the Minister for Government Enterprises. The Commission has established an Audit Committee to focus on matters of a financial and audit nature. The structure of the Commission during 2001-02 is detailed below.



The Commission is responsible for the administration of the following lottery games:

- Lotto
- Powerball
- SA Lotto
- Oz Lotto
- Keno
- Instant Scratchies
- Super 66
- The Pools

With the exception of SA Lotto, Keno and Instant Scratchies, the lottery games administered by the Commission are conducted in conjunction with other States and Territories of Australia pursuant to various ‘Bloc’ agreements. The aim of these ‘Blocs’ is to promote and operate games according to uniform rules and regulations. With the exception of the pooling of the prize money, in all respects each Bloc member is legally, economically and organisationally independent.

While the Commission’s main business activities are controlled centrally through Head Office, the greatest proportion of its selling activity is decentralised via a large agency network across the State. These agencies are privately owned by individuals or companies and are paid a commission fee for the sale of lottery tickets.

SIGNIFICANT FEATURES

- Surplus from ordinary activities (before income tax equivalent) decreased by $6.1 million from $29.7 million to $23.6 million.
- Distributions to the Government from the year's operations totalled $76 million ($78.8 million) a decrease of $2.8 million.
- The On-Line Lotteries System assets were revalued upwards by $5.4 million to $17.3 million.
- Allocations from the unclaimed prizes reserve for additional prizes and promotional tickets increased by $3.4 million to $5 million ($1.6 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 18A(2) of the *State Lotteries Act 1966* specifically provides for the Auditor-General to audit the accounts of the Commission in respect of each financial year.

Scope of Audit

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

During 2001-02 specific areas of audit attention included:

- On-Line Lotteries System
- budgetary control
- salaries and wages
- risk management
- revenue, receipting and banking
- accounting policies
- expenditure
- general ledger

The On-Line Lotteries System is the key business system for the Commission. Consequently significant audit focus was directed to that system, which included the verification of sales and winners for nominated draws using audit computer software.

Further commentary regarding the computer information systems environment is contained in 'Audit Findings and Comments' hereunder.

Audit Communications to Management

Audit submitted to the Chief Executive Officer a management letter conveying the scope of the audit and findings arising from the review of its operations. In addition, the Commission's Internal Auditors undertook a number of reviews. The findings of both external and internal audit reviews were submitted to the Audit Committee and are further commented on in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Audit review focused on the control framework governing the Commission's operations and included consideration of the Commission's policies, procedures and internal control mechanisms. Audit noted that the Commission's operating environment was characterised by good internal control practices with independent checking over the preparation and processing of transactions to ensure that processes were being completely and accurately performed.

Consequently, the overall internal control structure of the Commission was assessed as satisfactory. This reflects the Commission's awareness of the importance of establishing and maintaining a strong internal control infrastructure.

Audit Committee

The broad functions of the Audit Committee are to regularly review the adequacy of the accounting, internal auditing, reporting and other financial management systems and practices of the Commission. These responsibilities extend to liaising with the external auditors, approving and reviewing the internal audit program, monitoring risk management practices, and the review of the annual financial statements.

Internal Audit

Internal Audit was involved in the review of a number of aspects of the information technology environment as well as other areas of the Commission. These included reviews of:

- business continuity planning
- security management
- lottery systems calculations and processes
- internet penetration testing
- physical and environmental security
- control over agents day-to-day operations.

The Audit Committee directs Internal Audit by reviewing and approving the audit plan, reviewing the effectiveness of Internal Audit and ensuring that the internal auditors are able to perform their duties free from restrictions.

Commentary on Computer Information Systems (CIS) Environment

The On-Line Wagering System and other financial accounting systems are operated, in-house, by the Commission. Due to the significance of information technology to the Commission, the internal audit program included a number of projects that focused on the information technology area. The verification work by Internal Audit is considered to be a critical component of the ongoing program of internal review activity and provides a sound management control process to ensure the ongoing integrity over the Commission's gaming operations.

Audit review of the Commission's control environment over information technology included an assessment of the recent and future planned Internal Audit coverage. Audit observed that the Commission has implemented a comprehensive Internal Audit review coverage of the On-Line Lotteries System that addressed system management, operation and security. In developing that coverage, the Commission considered the results of internal risk management assessments, actions proposed emanating from previous Internal Audit reports, and past matters raised by Audit.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Lotteries Commission of South Australia included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

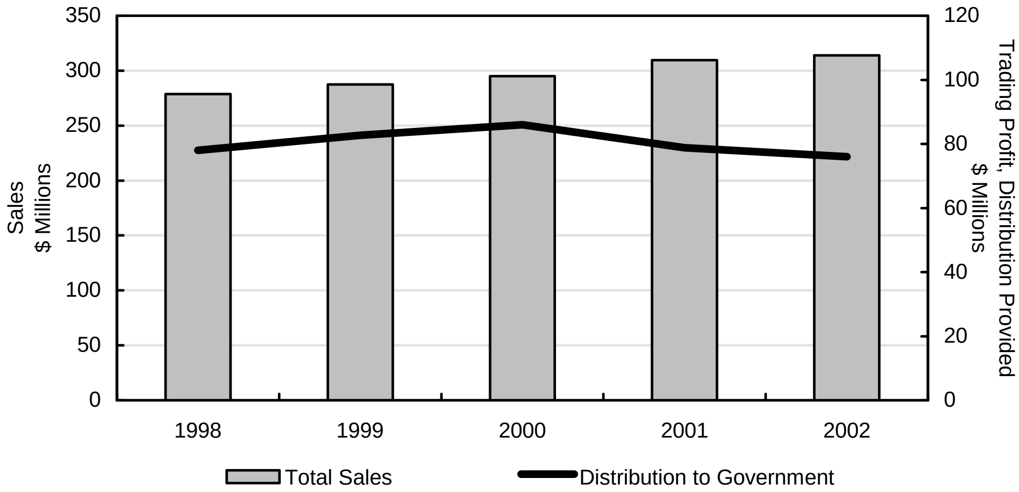
Audit formed the opinion that the controls exercised by the Lotteries Commission of South Australia in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Sales and Distribution to Government

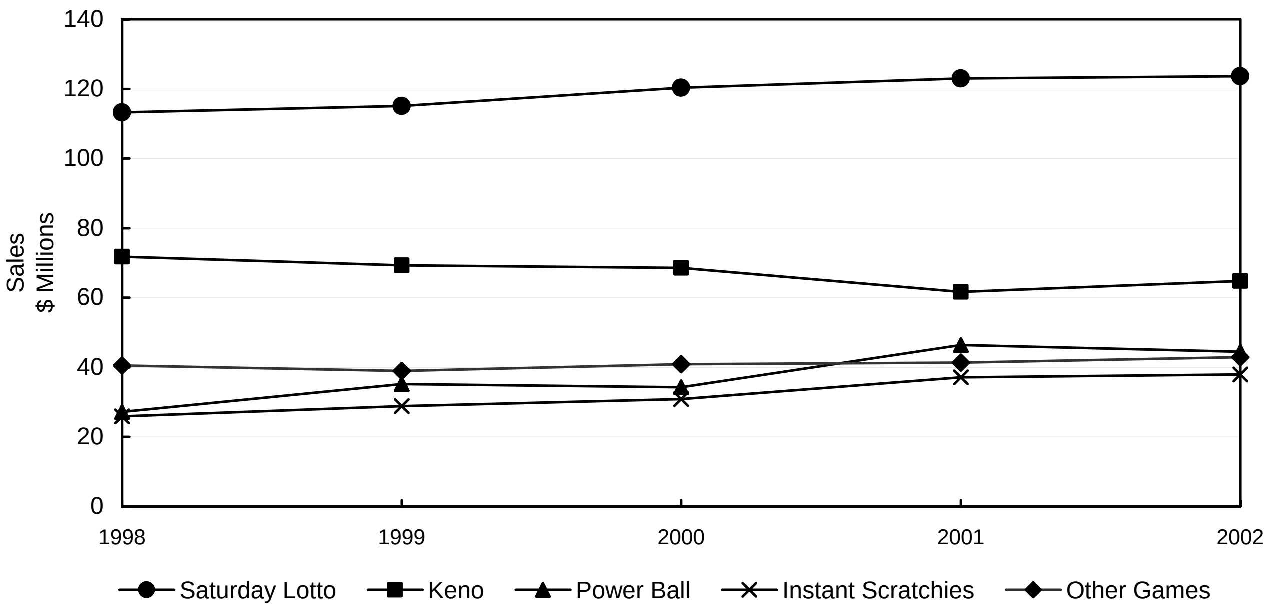
The following graph illustrates the trend in sales and amount of distribution to the Government over the past five years and shows that sales for the year have increased by $4.3 million to $313.9 million. Recorded sales include $3.4 million ($nil in 2001) of promotional tickets funded from the unclaimed prizes reserve (refer to Sales Revenue commentary).



The distributions available to the Government from the year's operations were $76 million, a decrease of $2.8 million over the previous year. The decrease in 2002 was due mainly to increased prizes and expenses (refer hereafter for further detail). The decrease in 2001 was due mainly to the introduction of Goods and Services Tax (GST) on net gambling revenue, which is an expense to the Commission. The distribution of funds to the Government, including the Hospitals Fund and Recreation and Sport Fund is detailed in Notes 1(q) and 15 to the Financial Statements.

Sales Revenue

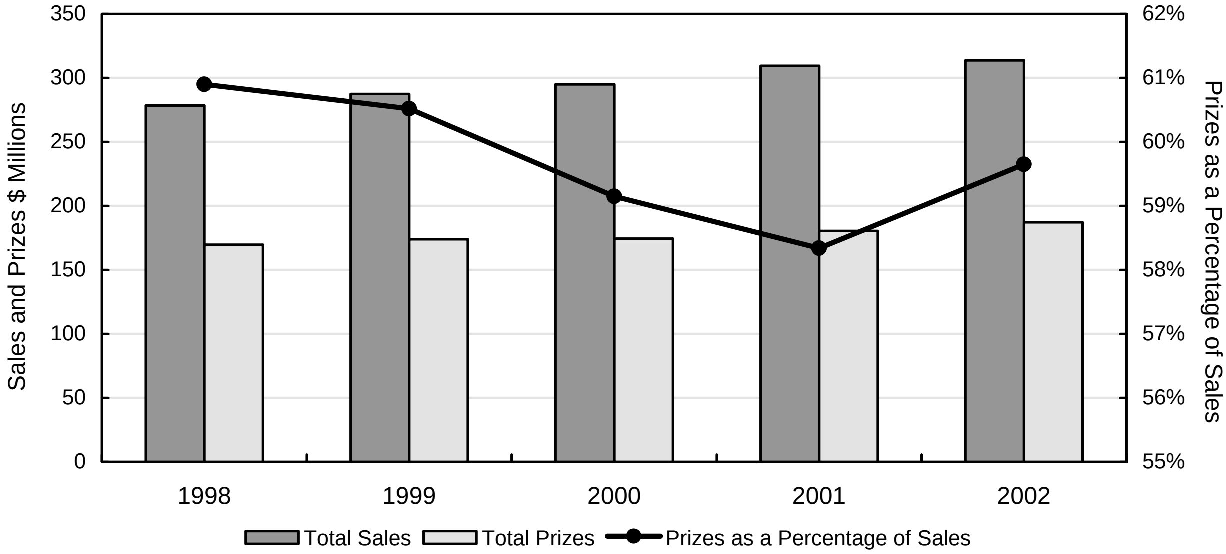
The following graph provides details of sales generated by the lottery products provided by the Commission. Notably, Lotto (Saturday) sales were $123.6 million and Keno sales were $64.8 million, representing 39 percent and 21 percent of sales respectively.



In interpreting the above sales result it is noteworthy that $2.8 million of Powerball sales and $608 000 of Saturday Lotto sales comprised promotional tickets funded from the unclaimed prizes reserve. Total Powerball sales excluding these promotional tickets amounted to $41.7 million, a decrease on the previous year of $4.7 million. Sales in other games remained relatively consistent, except for Keno, which increased sales by $3.1 million (5 percent).

Prizes

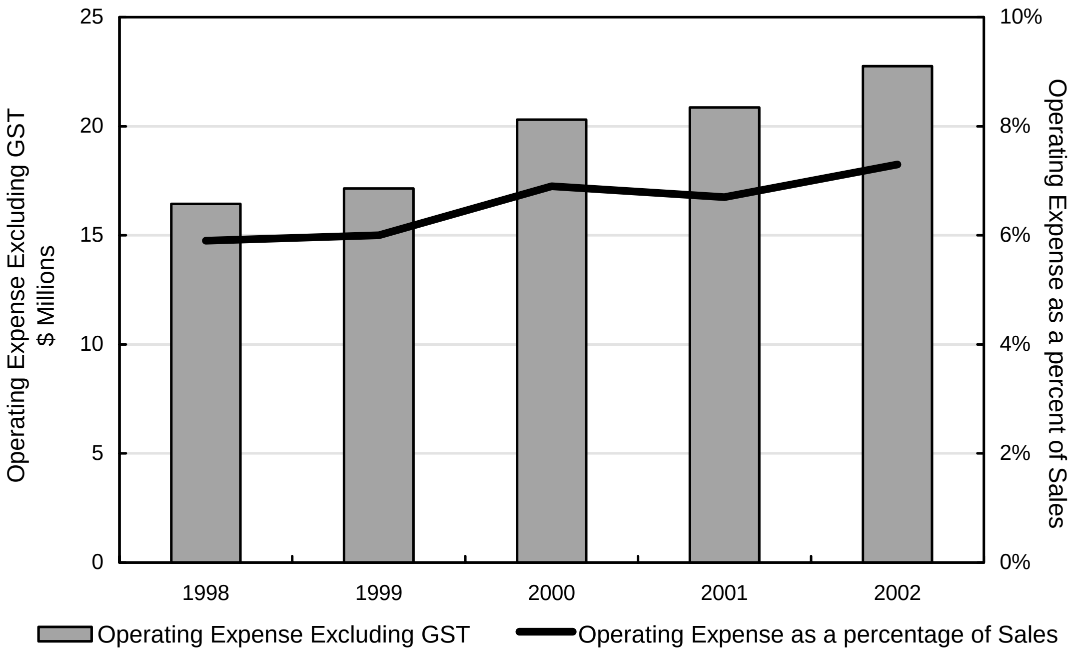
The graph below details total sales, total prizes and prizes as a percentage of sales.



The movement in prizes as a percentage of sales is predominantly due to changes in the provisioning for Keno prizes. For the years 1998 and 1999, prizes reflected a net transfer to the Keno provision, whereas, the 2000 and 2001 years prizes reflected a net transfer from the Keno provision. The use of the Keno provision was discontinued during 2001. Prizes in the financial statement now reflect actual Keno prizes won.

Expenses

The following graph shows total operating expenses excluding GST expense, together with those expenses expressed as percentage of sales revenue.

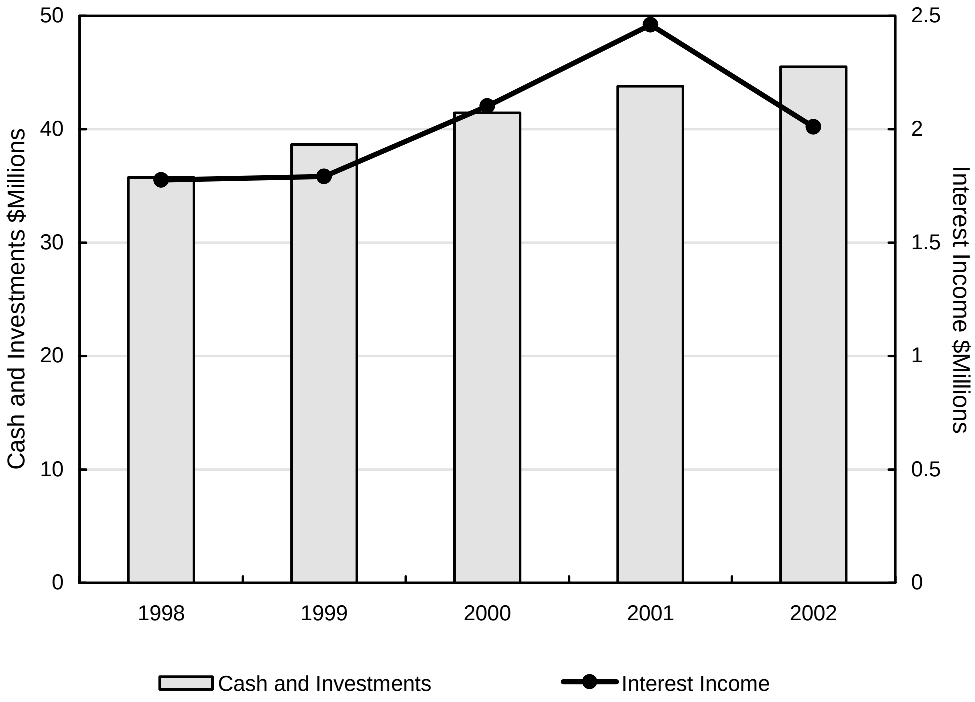


The above graph shows that whilst operating expenses, excluding GST, have increased, when those expenses are expressed as a percentage of sales the increase is not so prominent, particularly considering the increased depreciation expense and borrowing expenses associated with the implementation of the new On-Line Wagering System in June 1999. The increase in 2002 is due mainly to employee expenses, which increased by $1.1 million (20 percent) from $5.4 million to $6.5 million. The increase in employee expenses is predominantly due to the cessation of a superannuation contribution holiday (refer to Note 22 to the Financial Statements), enterprise bargaining salary increases and an increase in the average number of staff during the year.

Statement of Financial Position

Cash and Investments

The graph below compares cash and investments to interest income for the past five years.

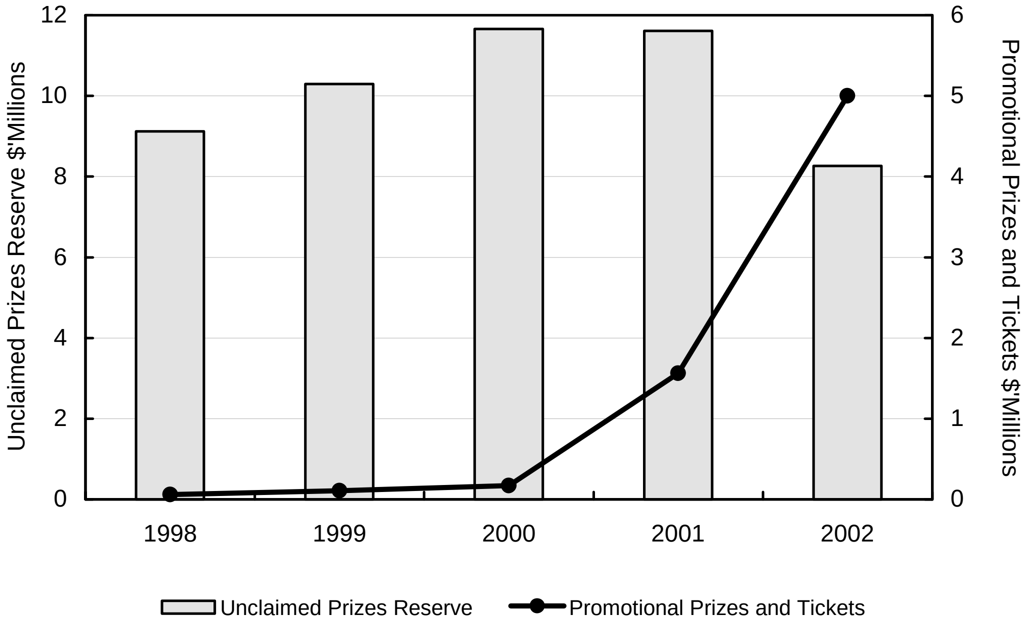


Investments are short-term deposits and largely reflect funds held in the unclaimed prizes reserve, to pay prizes and for distribution to Government. The above graph illustrates that until 2002 the trend in interest income has generally reflected the level of the Commission's cash and investment holdings. The reduction in interest income in 2002 reflects a reduction in prevailing interest rates. The weighted average rate in 2002 was 4.5 percent compared to 5.9 percent in 2001.

Unclaimed Prizes Reserve

In accordance with sections 16B and 16C of the Act a prize in a lottery that has not been collected or taken delivery of within 12 months is forfeited to the Commission and transferred to the Unclaimed Prizes Reserve. Further, in accordance with the Act, 50 percent of forfeited prizes are distributed to the Government, whilst the Commission can apply the remaining 50 percent for the purposes of providing additional increased prizes in subsequent lotteries, providing prizes in promotional lotteries or making ex-gratia payments. The legislative requirements and the consequential accounting treatment regarding the retention and distribution of unclaimed prizes are explained in Note 1(n) to the Financial Statements.

The graph below shows the balance of the Unclaimed Prizes Reserve and the amount of promotional tickets and additional prizes funded from the reserve for the past five years.



The graph shows expenditure from the Unclaimed Prizes Reserve on promotional tickets and additional tickets increased from $169 000 in 2000 to $5 million in 2002 and reflects the decrease in the balance of the reserve over that period. The $5 million expended from the reserve comprised $3.4 million ($nil) in promotional tickets, recorded as sales in the Statement of Financial Performance, and $1.6 million ($1.6 million) for additional prizes.

Staff and Agents

Administration and selling staff (FTE):	**2002**	2001	2000	1999
Permanent	**84**	78	78	71
Permanent part-time	**10**	12	12	13
Ticket Selling Agents:				
Metropolitan	**367**	366	367	385
Country	**158**	161	168	165

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 $'000	2001 $'000
REVENUES FROM ORDINARY ACTIVITIES:			
SALES REVENUE	1(d),2	**313 856**	309 593
Cost of Sales:			
Prizes		**(187 217)**	(180 604)
Gambling tax	1(q),15	**(51 922)**	(51 480)
Agents' commission	3	**(23 100)**	(22 707)
Total Cost of Sales		**(262 239)**	(254 791)
TRADING SURPLUS		**51 617**	54 802
Other revenues	4	**6 204**	7 171
Total Revenues		**57 821**	61 973
EXPENSES FROM ORDINARY ACTIVITIES:			
Goods and Services Tax	1(p)	**(11 513)**	(11 415)
Employee expenses		**(6 544)**	(5 396)
Advertising and marketing expenses		**(5 021)**	(4 918)
Computer operation expenses		**(3 975)**	(3 569)
Printing of tickets		**(1 337)**	(1 310)
Borrowing costs	1(r)	**(611)**	(693)
Depreciation	1(b),5	**(2 714)**	(2 752)
Other		**(2 554)**	(2 218)
Total Expenses		**(34 269)**	(32 271)
SURPLUS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EQUIVALENT		**23 552**	29 702
Income tax equivalent expense relating to ordinary activities	1(o),1(q),15	**(7 066)**	(10 099)
SURPLUS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EQUIVALENT	16	**16 486**	19 603
Net increase in asset revaluation reserve	14(i)	**5 402**	347
TOTAL NET CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH STATE GOVERNMENT AS OWNER		**21 888**	19 950

Statement of Financial Position as at 30 June 2002

	Note	2002 $'000	2001 $'000
CURRENT ASSETS:			
Cash		**125**	125
Investments	1(k)	**45 385**	43 659
Receivables	1(j),6	**3 827**	5 037
Inventories	1(e), 7	**225**	328
Prepayments		**607**	290
Total Current Assets		**50 169**	49 439
NON-CURRENT ASSETS:			
Property, plant and equipment	1(b), 1(c), 8	**23 972**	20 738
Total Non-Current Assets		**23 972**	20 738
Total Assets		**74 141**	70 177
CURRENT LIABILITIES:			
Payables	1(l), 9	**21 796**	20 555
Interest-bearing liabilities	1(r)	**1 368**	1 253
Employee entitlement provisions	1(f), 10	**300**	281
Other	11	**7 945**	7 104
Total Current Liabilities		**31 409**	29 193
NON-CURRENT LIABILITIES:			
Interest-bearing liabilities	1(r)	**6 882**	8 285
Employee entitlement provisions	1(f), 10	**684**	706
Unclaimed prizes reserve	1(n), 12	**8 266**	11 612
Total Non-Current Liabilities		**15 832**	20 603
Total Liabilities		**47 241**	49 796
NET ASSETS		**26 900**	20 381
EQUITY:			
Funds retained for capital purposes	13	**2 976**	2 976
Reserves	14	**23 924**	17 405
Retained surplus	16	**-**	-
TOTAL EQUITY		**26 900**	20 381
Commitments	25		

Statement of Cash Flows for the year ended 30 June 2002

	Note	**2002 Inflows (Outflows) $'000**	**2002 Inflows (Outflows) $'000**	2001 Inflows (Outflows) $'000	2001 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers		**292 172**		289 413	
Prizes paid		**(184 277)**		(179 746)	
Payments to suppliers and employees (excluding GST)		**(19 447)**		(17 068)	
GST payments to taxation authority	1(p)	**(8 242)**		(7 672)	
GST payments on purchases	1(p)	**(3 516)**		(3 370)	
GST receipts on sales	1(p)	**399**		383	
Interest received		**2 004**		2 487	
Borrowing costs paid		**(633)**		(714)	
Net Cash provided by Operating Activities	26(ii)		**78 460**		83 713
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payments for property, plant and equipment		**(553)**		(1 616)	
Proceeds from sale of equipment		**-**		2	
Net Cash used in Investing Activities			**(553)**		(1 614)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings		**-**		83	
Repayment of borrowings		**(1 289)**		(1 210)	
Distribution to the Hospitals Fund and Recreation and Sport Fund for gambling tax	1(q), 15	**(50 744)**		(47 047)	
Distribution to the Hospitals Fund for income tax equivalent	1(q), 15	**(8 153)**		(10 695)	
Distribution to the Hospitals Fund and Recreation and Sport Fund:					
After tax surplus	1(q), 15	**(14 343)**		(19 375)	
Unclaimed prizes		**(1 652)**		(1 523)	
Net Cash used in Financing Activities			**(76 181)**		(79 767)
NET INCREASE IN CASH HELD			**1 726**		2 332
CASH AT 1 JULY			**43 784**		41 452
CASH AT 30 JUNE	26(i)		**45 510**		43 784

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Accounting Policies

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the *State Lotteries Act 1966,* as amended, the requirements of the Treasurer's Instructions relating to financial reporting which are issued pursuant to the *Public Finance and Audit Act 1987* and Accounting Policy Statements issued pursuant to those Instructions, the Statements of Accounting Concepts, applicable Accounting Standards and Urgent Issues Group Consensus Views.

The financial statements are based on the historical cost convention and have not been adjusted to take account of current valuations or current costs, except where stated.

(b) Property, Plant and Equipment

Property, plant and equipment are brought to account at cost or at independent valuation.

Property, plant and equipment, excluding freehold land, are depreciated by the Commission on the straight line basis to reflect their decline in service potential over their estimated useful lives.

The depreciation rates used for each class of asset are as follows:

	Percent
Buildings	2.9 and 3.3
Plant and equipment	5, 6.67, 10, 20 and 33.3
On-line lotteries system	12.5, 20 and 33.3

(c) Revaluation of Non-Current Assets

The Commission's policy, in line with Accounting Policy Statements, is to independently revalue non-current assets every three years, with adjustments to book value as appropriate. The policy applies to non-current assets where the fair value at the time of acquisition is equal to or greater than $1 million and the estimated useful life is greater than three years.

(d) Recognition of income

Sales for Lotto, SA Lotto, Oz Lotto, Powerball, Keno, Super 66 and The Pools are recognised as at the date of the draw or competition. Sales for Instant Scratchies are recognised when books of tickets are activated. Lotto, SA Lotto, Oz Lotto, Powerball, Super 66 and The Pools sales as at 30 June for draws or competitions subsequent to that date are treated as sales in advance.

(e) Inventories

Inventories are carried at actual cost.

(f) Employee Entitlements

Provision has been made in the financial statements for the Commission's liability for employee entitlements arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees have been included in payables in the determination of the liability.

(i) Superannuation

The Commission contributes to externally managed superannuation funds. Contributions are charged as an expense in the period in which they occur (refer to Note 22).

(ii) Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on current salary rates.

(iii) Long Service Leave

Provision has been made for employee entitlements to long service leave. An estimate of the present value of future cash outflows for all eligible employees has been made using a benchmark of eight years service as a method of estimating long service leave liability. Provision for employees with service entitlements expected to be settled within the next 12 months is accounted for as a current liability with the balance of the provision accounted for as a non-current liability.

(iv) Sick Leave

No provision has been made in respect of sick leave. As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.

(v) Workers Compensation

A workers compensation levy rate of 1.931 percent is paid to the WorkCover Corporation to cover any claims.

(g) Building Maintenance Reserve

This reserve was established to meet future major building maintenance costs (refer to Note 14(ii)).

(h) Capital Asset Reserve

This reserve was established to contribute to the financing of the cost of replacement/upgrade of the on-line lotteries system hardware and software, and the purchase of other non-current assets (refer to Note 14(iii)).

(i) Keno Prize Reserve

This reserve was established to meet a payment for a second and subsequent payment of Keno Spot 10 (10 hits) Jackpot Prize within a financial year (refer to Note 14 (iv)).

(j) Receivables

Debtors

Debtor agents and sundry debtors are settled within seven days and 14 days respectively and are carried at amounts due (refer to Notes 6 and 23(a)). All debts considered bad or doubtful are written off to bad debt expense in the year in which they are recognised as irrecoverable. Bad debts written-off for the year ended 30 June 2002 totalled $3 000 ($1 000).

Prizes Receivables from Bloc

Lotto, Oz Lotto, Powerball, Super 66 and The Pools are games supported by inter-jurisdiction 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 13 days after the date of draw. (Refer to Notes 6 and 23(a)).

(k) Investments

Deposits are held with the South Australian Government Financing Authority (SAFA) in short term financial instruments and are valued at cost. Interest is paid at SAFA's overnight at call deposit rate. These deposits principally reflect funds available for unclaimed prizes and for distribution to the Hospitals Fund and the Recreation and Sport Fund (refer to Note 23 (a) and (c)).

(l) Accounts Payable

Creditors

Creditors are recognised for amounts to be paid in the future for goods and services received and are normally settled within 30 days (refer to Notes 9 and 23 (a)).

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 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 13 days after the date of draw, in accordance with the Lotteries Rules.

Amounts payable to Blocs represents monies due to other lottery operators for prizes won in interstate jurisdictions. Settlement of amounts payable to Bloc members are normally due 13 days after the date of draw (refer to Notes 9 and 23 (a)).

(m) Foreign Currency

Exchange differences arising up to the date of purchase or sale are deferred and are included in the measurement of the purchase or sale (refer to Note 23 (b)).

(n) ***Unclaimed Prizes***

If a prize in a lottery has not been collected or taken delivery of within 12 months of the date of the draw or relevant day, the prize is forfeited to the Commission and transferred to the unclaimed prizes reserve. Subsection 16C(4) of the *State Lotteries Act 1966,* as amended*,* requires the Commission to pay:

- 50 percent of the amount derived from unclaimed prizes in The Pools to the Recreation and Sport Fund; and
- 50 percent of the amount derived from unclaimed prizes in other lotteries to the Hospitals Fund.

The balance in the Reserve is applied by the Commission from time to time for the purposes of providing additional increased prizes in subsequent lotteries, providing prizes in promotional lotteries or making ex-gratia prize payments.

The *State Lotteries Act 1966*, as amended, provides for ex-gratia payments to a person who satisfies the Commission that he or she is a winner of a prize in a lottery conducted by the Commission, despite the fact that a prize has been forfeited to the Commission, the winning ticket has been lost or destroyed or a notice of a claim for the prize has not been complied with in accordance with the Rules.

Ex-gratia prize payments are charged to the unclaimed prizes reserve. Subsequent payments to either the Recreation and Sport Fund or Hospitals Fund are reduced by an amount equivalent to 50 percent of the ex-gratia payment, depending on the game played.

(o) ***Tax Equivalent Regime***

Pursuant to Treasurer's Instruction 22, a tax equivalent regime applies to the Commission. The regime requires the Commission to pay amounts deemed equivalent to that which would have been paid to the Commonwealth if it was not exempt from the taxation laws of the Commonwealth.

The tax equivalent regime has been applied in a manner that is consistent with the requirement of the Commission, pursuant to section 16(3) of the *State Lotteries Act 1966*, as amended, to pay surplus funds to the Hospitals Fund (refer to Note 1(q)).

The Commission is obliged to adopt the accounting surplus method of tax effect accounting with respect to income tax whereby income tax expense is calculated on the accounting surplus. Permanent and timing differences do not arise. Tax due but not paid at balance date is recognised as a current liability.

(p) ***Goods and Services Tax (GST)***

The Commission as a gambling operator, is required to pay one eleventh of net gambling revenue (NGR), defined as gross sales less total monetary prizes, direct to the Australian Taxation Office (ATO).

Revenues, expenses and non-current assets are recognised net of the amount of GST. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to the ATO, is included as a current asset or liability in the Statement of Financial Position.

Cash flows from operating activities are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing activities in capital equipment which is recoverable from the ATO is classified as operating cash flows.

(q) ***Distribution of Funds to Government***

In accordance with subsection 16(3) of the *State Lotteries Act 1966*, as amended, the Commission is required to pay to the Hospitals Fund the balance of surplus funds remaining after payment of gambling tax and GST on NGR; making allowances for operating and capital expenses; applying the net proceeds and gambling tax of The Pools to the Recreation and Sport Fund; and retaining funds for certain designated purposes.

As detailed in Note 1(o), the Commission 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*, as amended and in accordance with Schedule 1 of Treasurer's Instruction 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 the Commission except sports lotteries and special lotteries;
(ii) an income tax equivalent payment (calculated on the accounting surplus method), recorded as an expense item in the Statement of Financial Performance;
(iii) an after tax surplus distribution payment, recorded as a surplus distributed (refer to Note 16);
(iv) unclaimed prizes.

The composition of amounts due and payable to government on account of the Hospitals Fund and Recreation and Sport Fund is detailed in Note 15 'Distribution of Funds to Government'.

(r) ***Borrowings and Borrowing Costs***

Borrowings are initially brought to account at their principal amounts. Interest expense is brought to account on an accrual basis over the period it becomes due. Borrowing costs are recognised as expenses in the period in which they are incurred. No borrowing costs have been capitalised in the financial period.

The loans are unsecured and repayments are made six monthly on a credit foncier loan basis, with interest charged at the lenders benchmark rate. The carrying amount for borrowings therefore approximates fair value (refer to Note 23 (d)).

(s) ***Segment Information***

The Commission has not established any partnership, body corporate or trust to carry out any function of its business operations. The business operations are conducted in the one business and geographical segment, selling lottery products within the economic environment of South Australia.

2. Sales Revenues

	2002 $'000	2001 $'000
Lotto	**123 632**	123 023
SA Lotto	**23 380**	21 468
Oz Lotto	**17 127**	17 133
Powerball	**44 526**	46 438
Keno	**64 838**	61 689
Instant Scratchies	**37 920**	37 099
Super 66	**1 828**	2 027
The Pools	**605**	716
	313 856	309 593

Sales revenue includes agents' commission.

3. Agents' Commission

Agents' commission represents the service fee on sale of lottery tickets retained by agents at point of sale with net sales proceeds being remitted to the Commission.

4. Other Revenue

	2002	2001
Agents' fees and charges	**3 217**	3 101
Interest from investments	**2 010**	2 460
Commission on Head Office sales	**388**	417
Easiplay Club service fee	**290**	298
Sundry	**299**	350
Liquidated damages *	**-**	545
	6 204	7 171

* The contract for the on-line lotteries system provided for the Commission to claim liquidated damages for delays in installation. Settlement was effected in June 2001.

5. Depreciation

Asset Class:	2002	2001
Buildings	**81**	61
Plant and equipment	**243**	250
On-line lotteries system	**2 390**	2 441
	2 714	2 752

6. Current Assets - Receivables

	2002	2001
Debtor - Agents	**2 652**	3 171
Prize money due from Blocs	**403**	1 221
Sundry	**772**	645
	3 827	5 037

7. Current Assets - Inventories

	2002	2001
Ticket stock	**225**	328

Ticket stock includes Instant Scratchies tickets, on-line coupons, ticket rolls and ribbons.

8. Non-Current Assets - Property, Plant and Equipment

	2002	2001
Freehold Land and Buildings:		
Buildings at independent valuation May 2001 (i)	**2 490**	2 490
Accumulated depreciation	**(88)**	(7)
	2 402	2 483
Land at independent valuation May 2001 (i)	**3 310**	3 310
	5 712	5 793
Plant and Equipment:		
At historical cost	**4 584**	4 091
Accumulated depreciation	**(3 643)**	(3 432)
	941	659
On-line Lotteries System:		
On-line lotteries system at independent valuation June 2002	**17 319**	-
At historical cost	**-**	20 065
Accumulated depreciation	**-**	(5 779)
	17 319	14 286
Total Property, Plant and Equipment	**23 972**	20 738

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	2002	2001
Freehold Land:		
Carrying amount 1 July	**3 310**	3 280
Revaluation increment (i)	**-**	30
Carrying amount 30 June	**3 310**	3 310
Buildings:		
Carrying amount 1 July	**2 483**	2 227
Revaluation increment (i)	**-**	317
Depreciation expense	**(81)**	(61)
Carrying amount 30 June	**2 402**	2 483

Reconciliations (continued)	**2002**	2001
Plant and Equipment:	**$'000**	$'000
Carrying amount 1 July	**659**	681
Additions [(ii)]	**525**	228
Disposals	**-**	-
Depreciation expense	**(243)**	(250)
Carrying amount 30 June	**941**	659
On-Line Lotteries System:		
Carrying amount 1 July	**14 286**	16 667
Revaluation increment [(iii)]	**5 402**	-
Additions	**21**	60
Disposals	**-**	-
Depreciation expense	**(2 390)**	(2 441)
Carrying amount 30 June	**17 319**	14 286

(i) Pursuant to the Commission's policy of revaluing non-current assets (refer to Note 1(c)) independent valuations for freehold land and buildings were obtained in May 2001 from Simon Hickin B App Sc (Val), AAPI, ASIA, Certified Practicing Valuer of Jones Lang LaSalle. The market value of $5 800 000 for the properties was based on existing use. Adjustments were made to the asset revaluation reserve to reflect the increment.

(ii) In June 2002, server hardware was acquired for the New Business System. In addition implementation costs and progress payments for application software were incurred to ensure the system will be fully operational by the end of December 2002. An amount of $350 000 incurred to 30 June 2002 has been included in additions to plant and equipment as work in progress.

(iii) An independent valuation for the on-line lotteries system was obtained in June 2002 from Andrew Lucas, MBA, BappSc (Val), AAPI, ASA, Certified Practicing Valuer of Valcorp Australia Pty Ltd. The valuation of $17 319 000 represents the written down current cost as the items in this group of assets would all be replaced if the Commission was deprived of its future economic benefits. Adjustments were made to the asset revaluation reserve to reflect the increment.

9. Current Liabilities - Payables

	2002	2001
	$'000	$'000
Creditors	**3 519**	2 996
Prizes payable	**10 181**	10 584
Undistributed funds (refer to Note 15)	**8 096**	6 975
	21 796	20 555

10. Employee Entitlement Provisions

Current Liabilities:		
Annual leave (refer to Note 1(f)(ii))	**252**	239
Long service leave (refer to Note 1 (f)(iii))	**48**	42
	300	281
Non-Current Liabilities:		
Long service leave (refer to Note 1(f)(iii))	**684**	706
Total employee entitlement provisions	**984**	987
On Costs (accounted for in payables)	**247**	107
Total Liabilities associated with employee entitlements	**1 231**	1 094

11. Current Liabilities - Other

Prize reserve fund[(i)]	**6 814**	6 091
Sales in advance (refer Note 1(d))	**1 131**	1 013
	7 945	7 104

(i) Prize reserve fund:		
Balance at 1 July	**6 091**	5 085
Allocated to reserve during the year	**8 595**	8 445
	14 686	13 530
Applied to prizes during the year	**(7 872)**	(7 439)
Balance at 30 June	**6 814**	6 091

The reserve allocation comprises the following percentages of net sales (sales revenue less agents' commission) for the following games:	Percent
Lotto and SA Lotto	5.0
Oz Lotto and Super 66	3.5
Powerball	2.5
The Pools	2.0

These funds are distributed from time to time as additional prize money in the respective games.

12. Unclaimed Prizes Reserve

	2002	2001
	$'000	$'000
Balance at 1 July	**11 612**	11 661
Unclaimed monies forfeited	**3 313**	3 030
	14 925	14 691
Monies provided for distribution to the Hospitals Fund	**(1 656)**	(1 514)
Monies provided for distribution to the Recreation and Sport Fund	**(2)**	(1)
Promotional tickets	**(3 400)**	-
Additional prizes	**(1 601)**	(1 564)
Balance at 30 June	**8 266**	11 612

Refer to Note 1(n).

13. Funds Retained for Capital Purposes

The Commission has retained funds of $2.976 million which represent the historical cost of the investment in land and buildings at 23 Rundle Mall, Adelaide and 26 Payneham Road, Stepney.

14. Reserves

		2002	2001
		$'000	$'000
Asset revaluation[(i)]		**8 413**	3 011
Building maintenance[(ii)]		**94**	94
Capital asset[(iii)]		**12 567**	11 450
Keno prize[(iv)]		**2 850**	2 850
		23 924	17 405
(i)	Asset Revaluation		
	Balance at 1 July	**3 011**	2 664
	Transferred to reserve during the year	**5 402**	347
	Balance at 30 June	**8 413**	3 011
(ii)	Building Maintenance		
	Balance at 30 June	**94**	94
	Refer to Note 1(g).		
(iii)	Capital Asset		
	Balance at 1 July	**11 450**	10 386
	Transfer to reserve during the year	**2 000**	2 000
	Transfer to retained surplus	**(883)**	(936)
	Net transfer to reserve	**1 117**	1 064
	Balance at 30 June	**12 567**	11 450
	Capital asset comprises the:		
	Capital Fund account	**8 415**	6 961
	Capital Fund assets (at amortised value)*	**4 152**	4 489
		12 567	11 450
	Capital Fund Account - Movements during the year:		
	Balance at 1 July	**6 961**	5 249
	Transfer to reserve during the year	**2 000**	2 000
	Assets financed during the year	**(546)**	(288)
	Balance at 30 June	**8 415**	6 961
	Capital Fund Assets - Movements during the year:		
	Amortised value at 1 July	**4 489**	5 137
	Assets financed during the year	**546**	288
	Depreciation	**(883)**	(936)
	Amortised value at 30 June	**4 152**	4 489
	Refer to Note 1(h).		
	* Assets financed from the capital fund:		
	Balance at 1 July	**7 423**	7 334
	Assets financed during the year	**546**	288
		7 969	7 622
	Assets disposed during the year	**(422)**	(199)
	Balance at 30 June	**7 927**	7 423
	Accumulated depreciation write-down	**(3 775)**	(2 934)
	Capital Fund assets (at amortised value)	**4 152**	4 489
(iv)	Keno Prize		
	Balance at 1 July	**2 850**	-
	Transfer to reserve during the year	**-**	2 850
	Balance at 30 June	**2 850**	2 850
	Refer to Note 1(i).		

15. Distribution of Funds to Government

	Balance 1.7.01	Distribution Provided	Distribution Paid	**Balance 30.6.02**
Distribution of funds to Government:	$'000	$'000	$'000	**$'000**
Gambling tax	4 433	51 922	50 744	**5 611**
Income tax equivalent	1 830	7 066	8 153	**743**
Surplus distributed	611	15 369	14 343	**1 637**
Unclaimed prizes	101	1 656	1 652	**105**
	6 975	76 013	74 892	**8 096**
Comprising:				
Distribution to Hospitals Fund:*				
Gambling tax	4 423	51 790	50 610	**5 603**
Income tax equivalent	1 830	7 066	8 153	**743**
Surplus distributed	604	15 278	14 252	**1 630**
Unclaimed prizes	101	1 654	1 650	**105**
	6 958	75 788	74 665	**8 081**

15. Distribution of Funds to Government (continued)

	Balance 1.7.01 $'000	Distribution Provided $'000	Distribution Paid $'000	**Balance 30.6.02 $'000**
Distribution to Recreation and Sport Fund:*				
Gambling tax	10	132	134	**8**
Surplus distributed	7	91	91	**7**
Unclaimed prizes	-	2	2	**-**
	17	225	227	**15**
Total 2001-02	6 975	76 013	74 892	**8 096**
Total 2000-01	6 832	78 783	78 640	6 975

* Refer to Note 1(q).

16. Retained Surplus

	2002 $'000	2001 $'000
Retained surplus at 1 July	**-**	-
Surplus for year	**16 486**	19 603
Surplus distributed	**(15 369)**	(53 689)
Transfer to Capital asset reserve	**(2 000)**	(2 000)
Transfer to Keno prize reserve	**-**	(2 850)
Transfer from Capital asset reserve	**883**	936
Retained Surplus at 30 June	**-**	-

17. Commission Members' Fees

The number of Commission members whose fee was within the following bands:

	2002 Number of Members	2001 Number of Members
$1 - $10 000	**2**	-
$10 001 - $20 000	**2**	-
$20 001 - $30 000	**2**	3
$30 001 - $40 000	**-**	1
Total fee received, or due and receivable, by Commission members	**104**	102

18. Remuneration of Employees

The number of employees whose total remuneration package was within the following bands:

	2002 Number of Employees	2001 Number of Employees
$120 001 - $130 000	**-**	1
$140 001 - $150 000	**1**	2
$150 001 - $160 000	**1**	-
$220 001 - $230 000	**-**	1
$240 001 - $250 000	**1**	-

	2002 $'000	2001 $'000
The total of remuneration packages received, or due and receivable, by employees whose remuneration was $100 000 or more	**538**	645

During the year, two executive appointments were made: one as a result of a resignation and the other as an additional appointment. The actual payments did not exceed $100 000 for the respective periods of employment. Each of these packages, however, were in excess of $100 000.

19. Number of Employees

	2002 Number of Employees	2001 Number of Employees
Number of employees at 30 June	**99**	95
Number of full time equivalent at 30 June	**94.1**	89.7

20. Remuneration of Auditors

	2002 $'000	2001 $'000
Amounts received, or due and receivable, by the auditors for auditing the accounts	**127**	130

21. External Consultants

	2002 $'000	2001 $'000
The external consultants used by the Commission and expenditure has been grouped under the following ranges:		
Below $10 000	**70**	43
$10 000 - $50 000	**208**	159
EL@B Consultants - Research/comparative analysis of brands		
Hender Consulting - Staff recruitment		
Speakman & Associates Pty Ltd - Staff recruitment		
John L Bates & Associates Pty Ltd - Quality management		
Moore Stephens Hughes Fincher - Game audits		
Saxton Speakers Bureau - Speakers Management World Lottery Association Congress		
The Marketing Centre - Mystery shopping		
Above $50 000	**312**	326
Blue Bottle Pty Ltd - Social program and special events management World Lottery Association Congress		
McGregor Tan Research - Market research		
PricewaterhouseCoopers - Internal audit		
Total expenditure on consultancies	**590**	528

21. External Consultants (continued)

	2002 Number of Consultancies	2001 Number of Consultancies
The number of consultancies engaged below $10 000	**15**	11

22. Superannuation

The Commission contributed to the following employee superannuation schemes:

(a) The Commission has an established superannuation scheme for its employees. The scheme accommodates both defined members and accumulation members for benefits payable on resignation, retirement, death or disability.

The scheme is subject to a triennial review and is externally managed. The last full actuarial investigation was conducted as at 30 June 2000 by Allan Archer, BSc, FIA, FIAA, Superannuation Actuary. The report was dated 31 January 2001.

Information from the last actuarial report:	$'000
Accrued benefits as at 1 July 2000 - the last measurement date	5 891
Net market value of assets as at 1 July 2000	6 792
Net market value of assets as at 1 July 2000 in excess of accrued benefits	901
Information from the last audited annual accounts:	
Vested benefits as at 30 June 2000	5 696
Net market value of assets as at 30 June 2000	6 792

Funds are invested in a 'Mercer Growth' strategy in the scheme known as Mercer Super Trust - Lotteries Commission of South Australia Superannuation Plan.

As at 30 June 2002 the Policy Committee for the scheme comprised:

Commission appointed - S J Mackenzie (Chairman)
- J R Roache.

Member representatives - G N Button
- P H Wright

For defined benefit members, the Commission pays the contribution level recommended by the actuary appropriate to meet the expected long term costs of benefits being provided. Contribution to the defined benefits plan during the year was $489 000 (2001: $nil. In accordance with the advice of the actuary, a contribution holiday was taken by the Commission from 1 August 1999 to 30 June 2001).

For accumulation benefit members, the Commission pays either 14.5 percent for members transferring from the defined benefit plan or 8 percent under the Commonwealth Superannuation Guarantee legislation. The contribution by the Commission for the accumulation members of the plan during the year was $117 000 ($63 000). These contributions are mainly invested in a, 'Mercer Growth' strategy under the Mercer Super Trust.

(b) The Commission contributed $8 000 ($13 000) for superannuation on behalf of employees who are members of private funds.

(c) The Commission contributed $13 000 to the State Pension Scheme on behalf of an employee who is a member of that scheme.

23. Financial Instruments

(a) Interest Rate Risk

With the exception of investments and loans, all other financial assets and financial liabilities are non-interest bearing. The Commission's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at balance date are as follows:

	Floating Interest Rate $'000	**Fixed Interest Rate $'000**	**Non-Interest Bearing $'000**	**Total $'000**
Financial Assets:				
Cash	**-**	**-**	**125**	**125**
Investments	**45 385**	**-**	**-**	**45 385**
Receivables	**-**	**-**	**3 424**	**3 424**
Prizes receivables - Blocs	**-**	**-**	**403**	**403**
Total financial assets 30 June 2002	**45 385**	**-**	**3 952**	**49 337**
Weighted average interest rate (percent)	**4.54**			
Total financial assets 30 June 2001	43 659	-	5 162	48 821
Weighted average interest rate (percent)	5.86			
Financial Liabilities:				
Loans	**-**	**8 250**	**-**	**8 250**
Creditors	**-**	**-**	**3 519**	**3 519**
Undistributed funds	**-**	**-**	**8 096**	**8 096**
Prizes payable	**-**	**-**	**10 181**	**10 181**
Total financial liabilities 30 June 2002	**-**	**8 250**	**21 796**	**30 046**
Weighted average interest rate (percent)		**7.13**		
Total financial liabilities 30 June 2001	-	9 538	20 555	30 093
Weighted average interest rate (percent)		7.05		

(b) ***Foreign Exchange Risk***

SA Lotteries entered into forward exchange contracts to hedge anticipated purchase commitments in US dollars.

The following table sets out the gross value to be paid under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of the outstanding contracts.

	Weighted Average Rate			
	2002	2001	**2002**	2001
Buying US Dollars:			**$'000**	$'000
Not longer than one year	**-**	0.49	**-**	851
Longer than one year but not longer than two years	**-**	0.50	**-**	301
			-	1 152

(c) ***Credit Risk***

The Commission's maximum exposure to credit risk is represented by the carrying amounts of the financial assets included in the Statement of Financial Position. Credit risk represents the loss that would be recognised if parties holding financial assets of the Commission at balance date fail to honour their obligations under contract.

Investments are held in A grade securities with SAFA. The Commission minimises its credit on trade debtors by undertaking its sales transactions with a large number of agents and requires those agents to remit outstandings on a twice weekly basis; therefore, the Commission is not materially exposed to credit risk.

(d) ***Net Fair Values***

The Commission's accounting policies used to determine the net fair value of financial assets and liabilities are disclosed in Note 1. The aggregate net fair values of recognised financial assets and financial liabilities at the balance date are equal to the carrying values as per the Statement of Financial Position.

24. Related Party Disclosures

Commission Members

From 1 July 2001 to 31 March 2002, the following persons held the position of Member of the Lotteries Commission of South Australia: Presiding Member, Ms S C Biggs, LLB, FAICD; Mr J M Patten, BEc (Commerce), FCA; Mr P H Plumber, FCA, MTIA.

For the period 1 April 2002 to 30 June 2002, the following persons held the position of Member of the Lotteries Commission of South Australia: Presiding Member, Mr H J Ohff, FIEAust, CPEng; Ms S J Mackenzie, B Comm (Accounting), LLB (Hons).

Mr D P LeMessurier, Ass Dip (BM), FAICD, SIA (Aff), ADA1 (ASX), MSDIA, MBA held the position of Member of the Lotteries Commission of South Australia for the full financial year.

Details of Commission Members' fees are set out in Note 17.

No Commission Member has entered into a material contract with the Commission 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.

25. Commitments for Expenditure

	2002	2001
Capital Commitments	**$'000**	$'000
Commitments for acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**393**	-
	393	-
Other Commitments		
Commitments in relation to other expenditure contracted for, but yet to be supplied, at the reporting date but not recognised as liabilities, payable:		
Within one year	**4 835**	2 272
Later than one year but not later than five years	**3 312**	1 760
	8 147	4 032

26. Statement of Cash Flows

(i) ***Reconciliation of Cash***

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in bank and investments with SAFA.

Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2002	2001
	$'000	$'000
Cash	**125**	125
Investments	**45 385**	43 659
	45 510	43 784

(ii) Reconciliation of Net Cash provided by Operating Activities to Surplus Funds available for Retention and Distribution

	2002	2001
	$'000	$'000
Surplus funds available for retention and distribution:	**23 552**	29 702
Gambling tax	**51 922**	51 480
Depreciation	**2 714**	2 752
Employees entitlements	**(3)**	111
Prepayments, inventory and debtors	**996**	(2 349)
Unclaimed prizes reserve	**(1 689)**	1 466
Prize reserve fund	**723**	1 006
Provision for Keno prizes	**-**	(3 662)
Surplus on sale of equipment	**-**	(2)
Creditors	**530**	283
Prizes payable	**(403)**	3 936
Sales in advance	**118**	(1 010)
Net Cash provided by Operating Activities	**78 460**	83 713

MOTOR ACCIDENT COMMISSION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Motor Accident Commission (the Commission) operates in accordance with the *Motor Accident Commission Act 1992*.

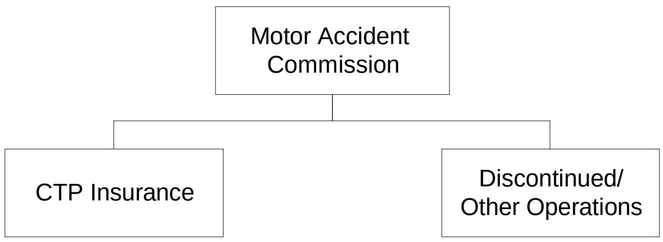
Pursuant to section 18 of the *Motor Accident Commission Act 1992,* the Commission's Charter, which the Minister must prepare in consultation with the Commission, may limit the functions or powers of the Commission. The Charter specifies that the Commission is empowered to undertake the following classes 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.

In addition, the Commission is responsible for the management and finalisation of the 'Old Act, Workers Compensation Fund', transferred to the Commission in accordance with the *SGIC (Sale) Act 1995.* This Fund relates to unresolved claims from workers compensation policies issued under subsection 118(g) of the *Workers Compensation Act 1971* (now repealed).

The functional structure of the Commission, excluding the controlled entities, is as follows:



Includes:

- CTP Claims
- CTP Investments

Includes:

- Inwards Re-insurance
- Mortgage Guarantee
- Other Investments
- Old Act Workers Compensation Fund

With the exception of the CTP insurance business, no new policies were underwritten by the Commission for all other insurance activities. These activities are in 'run-off' mode and will cease once the Commission's obligations under the existing policies have expired or have been settled.

The administration and management of the CTP claims insurance business has been contracted to SGIC General Insurance Limited. Investments are managed by a number of external fund managers with the exception of the property portfolio which is managed 'in-house'.

Amendments to Legislation

On 29 August 2002 Parliament passed a number of amendments to the *Motor Accident Commission Act 1992*. These amendments are a result of the scoping review and National Competition Policy review of the Commission's operations and give effect to the decision that the Commission should not be privatised and should remain the sole provider of CTP insurance in South Australia. Key aspects of the legislative changes include:

- the introduction of a requirement for the Commission to seek to achieve and maintain sufficient solvency;
- a provision allowing CTP compensation to be paid by way of lifetime periodic payments (to facilitate the payment of 'structured settlements') instead of as a lump sum; and
- the removal of the Commission from the state tax equivalent regime.

The legislative amendments give an effective date to the change in the Commission's taxation status as 1 July 2001. The impact of this amendment has therefore been incorporated into the financial report as at 30 June 2002. Other aspects of the legislative changes are effective from the date of proclamation which, at the time of preparing this Report, has yet to occur.

SIGNIFICANT FEATURES

Consolidated Operations

- The Commission recorded a net loss after income tax of $56.5 million compared with a net profit after income tax of $12.9 million the previous year.
- A dividend of $10 million was provided for relating to the operating result of the 2000-01 financial year.

CTP Operations

- A net loss after income tax of $57.8 million was recorded compared with a net profit after income tax of $9.6 million the previous year.
- Premium revenue increased by $16 million to $268.6 million.
- An increase of $72.8 million to $1.1 billion in the gross provision for outstanding claims as a result of actuarial assessment (refer Notes 1(e) and 13).
- A decrease in actual investment revenue of $14.9 million.
- An unrealised loss of $46.4 million ($11.1 million unrealised gain) in the market value of investments.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 28(3) of the *Motor Accident Commission Act 1992* provides for the Auditor-General to audit the accounts and financial statements of the Commission in respect of each financial year.

Scope of Audit

The audit program covered all major financial systems of the Commission and was directed primarily at obtaining sufficient evidence to enable an audit opinion to be formed on the Commission's financial statements. The following aspects of financial activities were included in the audit program:

- investment assets
- accounts payable
- claims payable
- management agreements (CTP)
- actuarial assessments
- investment income
- receivables
- premiums
- provisions for outstanding claims
- reinsurance and other recoveries.

Audit Communications to Management

The audit of the Commission proved to be satisfactory. No significant issues arose during the audit and other matters arising were satisfactorily resolved with management.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Public Governance

The Commission has tailored a governance structure to manage the specialised nature of its business activities. A cornerstone of its operations is management by external contract, with the Commission's key contracts outlined in Note 17 to the Financial Statements.

The Commission has established specific sub-committees of the Board to assist in meeting its governance responsibilities. These are the Audit Committee, Investment Committee, Claims Management Committee and the Remuneration Committee. Each committee has a specific charter and performs important monitoring and review functions in terms of ensuring the performance of the Commission's external managers.

The Corporate Governance Statement describes the responsibilities and functions of the Commission's Directors, the Committees, the internal control framework, as well as the business risks and ethical standards.

Overall Assessment

The audit considered the general internal control environment within which the Commission operates. Aspects covered included the reliability of identified key internal controls, the monitoring of performance and compliance with documented policies and procedures.

The key external management agreements commanded much of Audit's attention. This extended to the basis of reporting, compliance and the effectiveness of monitoring and review mechanisms.

The overall assessment of the Commission's internal control structure was that it was satisfactory.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Motor Accident Commission included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

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, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

CTP Operations

The CTP operations represent the largest activity of the Commission's overall business. Its financial performance is significantly influenced by two inter-related aspects of its business as outlined below:

- Underwriting result — underwriting operations are influenced by 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. Australian Accounting Standards Board AASB 1023 'Financial Reporting of General Insurance Activities' 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 great fluctuations and it is important to emphasise that gains or losses recognised in the Commission's financial statements as a result of market fluctuations are unrealised. That is, until such time as the investments are sold, no gain or loss is actually received or incurred by the Commission.

Net Loss

The net loss for the year was $57.8 million compared with a net profit of $9.6 million the previous year, a turnaround of $67.4 million. This result was due mainly to a significant fall in both realised and unrealised investment revenue.

Underwriting Result

The underwriting result was a loss of $68.3 million ($72.4 million) and reflects premium revenues less claims expenses (adjusted for recoveries relating to reinsurance and other underwriting costs).

Net claims expense increased by $8.6 million (3.1 percent), while net premiums increased by $15.8 million (6.3 percent).

Investment Result

Net investment revenue decreased by $14.1 million to $60.5 million due primarily to a loss on disposal of investments of $1.9 million compared to a profit on disposal of $10.6 million in the previous year (a turnaround of $12.5 million). The market value of investments also fell with a resultant unrealised loss of $46.4 million being recorded. These results reflect a turbulent year in investment markets with significant losses ($47.8 million) reflected in the market value of equity investments (refer Note 3).

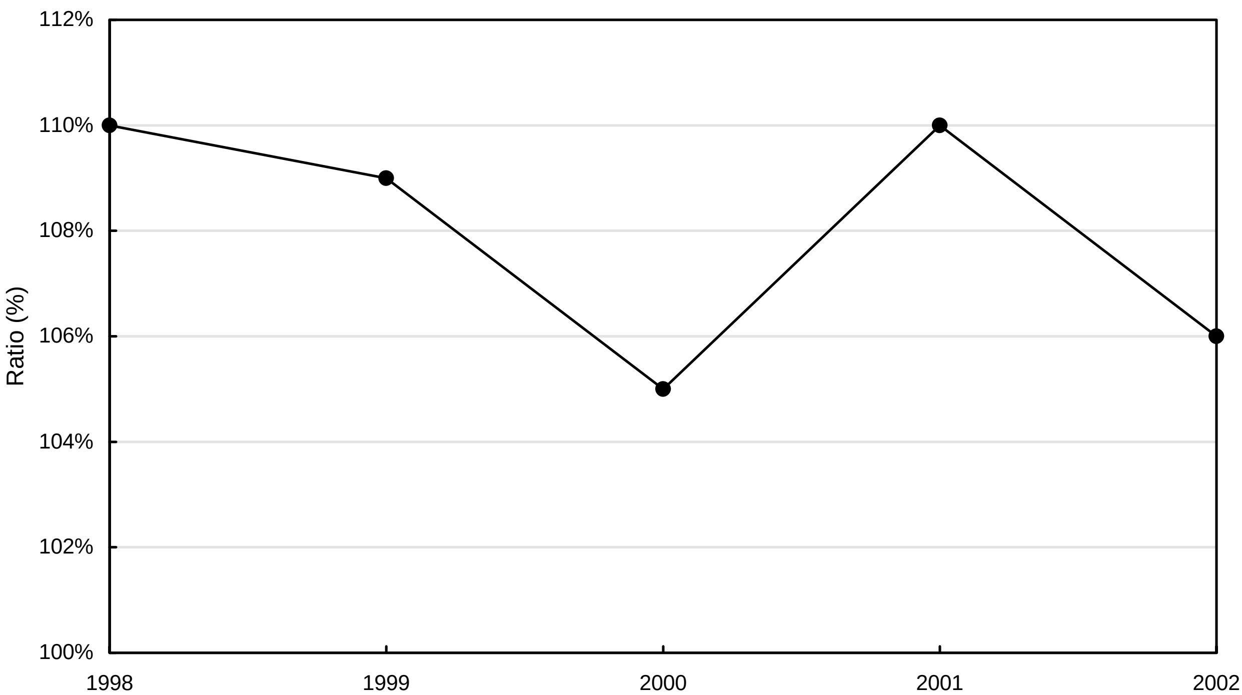
Operating Performance

A useful indicator in analysing operating performance is the Claims Incurred Ratio, which is measured by the claims expense incurred as a percentage of premium revenues.

A trend analysis over a period of financial years for each year's claims incurred expense reflects both the risks borne in the current reporting period and the reassessment of risks borne in all previous reporting periods (ie not already factored in those reporting periods' provisions for claims incurred but not reported and claims incurred but not sufficiently recognised).

Accordingly, a focus on a trend over time rather than the experience of a single reporting period is likely to provide greater insight than the experience of a single reporting period.

Claims Incurred Ratios

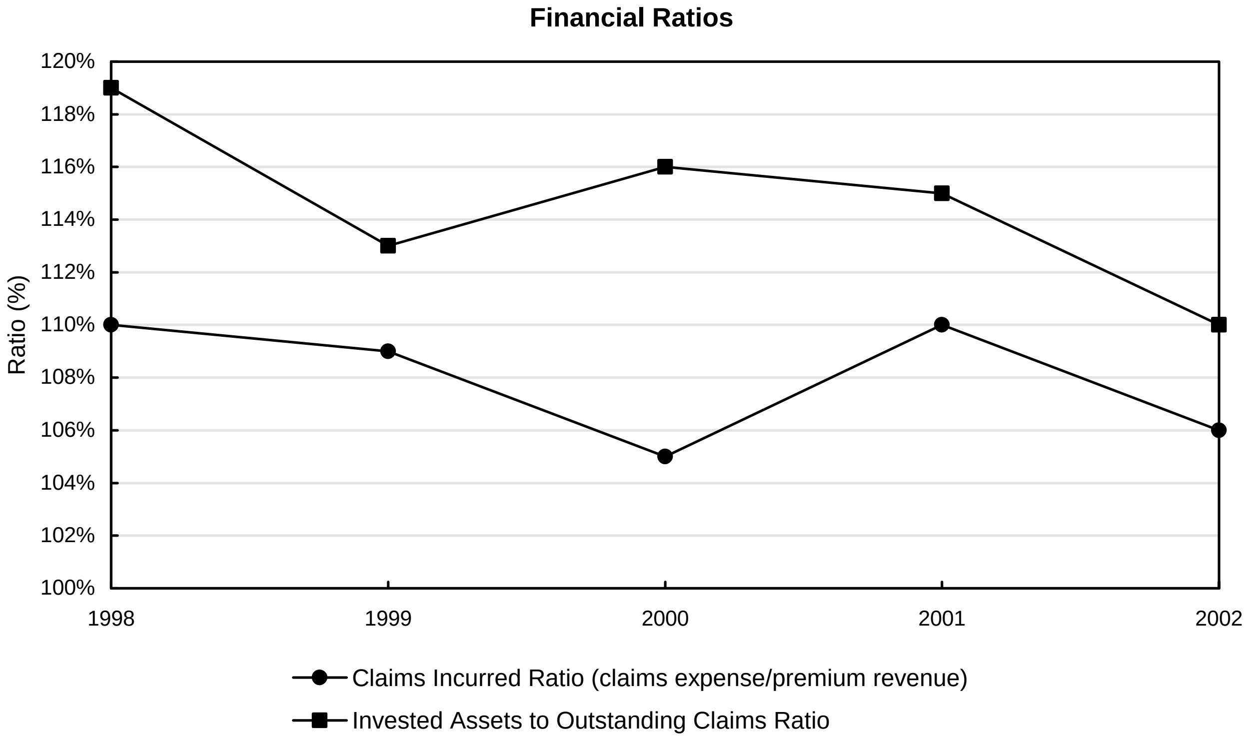


From the graph it can be seen that since 1998 the ratio has exceeded 100 percent meaning that claims incurred exceeded premium revenues. Even when the effect of reinsurance expense and related recoveries revenues are taken into account, the adjusted ratio (net claims incurred ratio) remains in excess of 100 percent for the period considered.

Audit analysis indicated a ratio in excess of 100 percent is higher than industry standards. The ratio trend in this case is a result of premium increases over a number of years, which are approved by the Treasurer in accordance with the provisions of the *Motor Accident Commission Act 1992*, being lower than those recommended by the independent Third Party Premium Committee. On 1 July 2001 an increase of 4.7 percent, as approved by the Treasurer, came into effect, however the Committee had recommended a premium increase of 13.6 percent.

Financial Position

The Commission has maintained a relatively stable ratio of invested assets to claims liability over the past five years. This is measured by the relationship between the Claims Incurred Ratio (referred to above) and the Invested Assets to Outstanding Claims Ratio. Relatively high Claims Incurred Ratios will dictate that the Commission maximise its return on invested assets, in the absence of increases in premiums.



Financial Ratios

The graph above reflects the ratio of invested assets to claims liability over the five years from 1998. With a high claims incurred ratio, there is an ever-present requirement on the Commission to seek to maximise its return on invested assets, but to do so without jeopardising solvency levels.

While the ratio of invested assets to claims liability (ie current and non-current on outstanding claims) has decreased from 1997 it has remained relatively strong and was at 110 percent for the year ended 30 June 2002.

Reserving Levels

As at 30 June 2002, the CTP Fund had reserves for solvency purposes of $40.2 million ($94.4 million - reserves less net future income tax benefit). This represents 3.7 percent (9.1 percent) of the total outstanding claims of $1.1 billion ($1 billion). This solvency ratio is less than the industry standards set by the Australian Prudential Regulatory Authority (APRA), which set this ratio at 15 percent at 30 June 2002. While the Commission is not required to comply with the APRA benchmark it is expected that, in the absence of a major capital injection from the Government, it would take some years before the Commission could attain these levels, if at all.

MOTOR ACCIDENT COMMISSION AND CONTROLLED ENTITIES

Statement of Financial Performance for the year ended 30 June 2002

		CTP		Consolidated		MAC	
		2002	2001	**2002**	2001	**2002**	2001
	Note	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Premium revenue	3	**268 566**	252 561	**268 566**	252 565	**268 566**	252 565
Outwards reinsurance expense		**(1 908)**	(1 722)	**(1 908)**	(1 722)	**(1 908)**	(1 722)
NET PREMIUM		**266 658**	250 839	**266 658**	250 843	**266 658**	250 843
Claims expense	4	**(285 883)**	(278 689)	**(285 267)**	(275 744)	**(285 267)**	(275 744)
Reinsurance and other recoveries	3	**3 897**	5 275	**4 637**	5 285	**4 637**	5 285
NET CLAIMS	16	**(281 986)**	(273 414)	**(280 630)**	(270 459)	**(280 630)**	(270 459)
Other underwriting expenses	5	**(53 019)**	(49 856)	**(53 338)**	(50 473)	**(53 338)**	(50 473)
UNDERWRITING LOSS		**(68 347)**	(72 431)	**(67 310)**	(70 089)	**(67 310)**	(70 089)
Investment revenue	3	**63 014**	77 900	**63 748**	79 998	**63 748**	79 998
Other revenue	3	**1**	-	**(9)**	(4)	**(9)**	(4)
Investment management fee		**(2 470)**	(3 213)	**(2 470)**	(3 213)	**(2 470)**	(3 213)
NET INVESTMENT REVENUE		**60 545**	74 687	**61 269**	76 781	**61 269**	76 781
Contribution from non-insurance controlled entities		**-**	-	**(31)**	(20)	**-**	-
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE MARKET VALUE MOVEMENTS		**(7 802)**	2 256	**(6 072)**	6 672	**(6 041)**	6 692
Investment market value movements (AASB 1023)	3	**(46 442)**	11 146	**(46 430)**	11 684	**(46 430)**	11 684
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		**(54 244)**	13 402	**(52 502)**	18 356	**(52 471)**	18 376
Income tax expense relating to ordinary activities	6	**(3 548)**	(3 788)	**(4 019)**	(5 429)	**(4 019)**	(5 430)
NET (LOSS) PROFIT		**(57 792)**	9 614	**(56 521)**	12 927	**(56 490)**	12 946

Statement of Financial Position as at 30 June 2002

		CTP		Consolidated		MAC	
		2002	2001	**2002**	2001	**2002**	2001
CURRENT ASSETS:	Note	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Cash		**7 803**	4 934	**28 887**	21 337	**28 747**	21 191
Receivables	7	**8 901**	5 851	**7 729**	8 455	**7 840**	8 541
Reinsurance and other recoveries receivable	8	**2 758**	3 162	**2 758**	3 162	**2 758**	3 162
Other financial assets	9	**274 764**	192 603	**274 952**	193 030	**275 072**	193 150
Other	10	**10 846**	10 044	**10 846**	10 044	**10 846**	10 044
Total Current Assets		**305 072**	216 594	**325 172**	236 028	**325 263**	236 088
NON-CURRENT ASSETS:							
Reinsurance and other recoveries receivable	8	**12 190**	10 872	**12 190**	10 872	**12 190**	10 872
Other financial assets	9	**936 035**	999 643	**936 232**	1 001 174	**936 252**	1 001 194
Property, plant and equipment	11	**-**	-	**212**	212	**212**	212
Future income tax benefit	6	**-**	24 219	**-**	25 326	**-**	25 326
Total Non-Current Assets		**948 225**	1 034 734	**948 634**	1 037 584	**948 654**	1 037 604
Total Assets		**1 253 297**	1 251 328	**1 273 806**	1 273 612	**1 273 917**	1 273 692
CURRENT LIABILITIES:							
Payables	12	**7 290**	7 101	**6 797**	8 105	**6 796**	8 104
Unearned premium		**100 485**	93 051	**100 485**	93 051	**100 485**	93 051
Outstanding claims	13	**303 593**	272 295	**304 046**	273 216	**304 046**	273 216
Provisions	14	**-**	-	**10 088**	73	**10 088**	73
Total Current Liabilities		**411 368**	372 447	**421 416**	374 445	**421 415**	374 444
NON-CURRENT LIABILITIES:							
Outstanding claims	13	**801 767**	760 256	**806 470**	765 410	**806 470**	765 410
Provisions	14	**-**	-	**32**	42	**32**	42
Deferred income tax	6	**-**	20 671	**-**	21 306	**-**	21 306
Total Non-Current Liabilities		**801 767**	780 927	**806 502**	786 758	**806 502**	786 758
Total Liabilities		**1 213 135**	1 153 374	**1 227 918**	1 161 203	**1 227 917**	1 161 202
NET ASSETS		**40 162**	97 954	**45 888**	112 409	**46 000**	112 490
EQUITY:							
Retained profit	25	**40 162**	97 954	**45 888**	112 409	**46 000**	112 490
TOTAL EQUITY		**40 162**	97 954	**45 888**	112 409	**46 000**	112 490
Commitments	17						
Contingent Liabilities	26						

Statement of Cash Flows for the year ended 30 June 2002

		CTP		Consolidated		MAC	
		2002	2001	**2002**	2001	**2002**	2001
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Cash receipts in the course of operations		**302 047**	279 640	**305 021**	284 868	**305 012**	284 867
Cash payments in the course of operations		**(277 578)**	(258 929)	**(278 217)**	(264 262)	**(278 197)**	(264 252)
Proceeds from sale of investments		**1 667 684**	1 234 240	**1 668 439**	1 236 894	**1 668 439**	1 236 894
Payment for investments		**(1 709 374)**	(1 261 574)	**(1 709 374)**	(1 261 574)	**(1 709 374)**	(1 261 574)
Taxes paid		**(16 859)**	(25 930)	**(16 931)**	(25 879)	**(16 930)**	(25 879)
Dividends received		**5 286**	6 079	**5 351**	6 091	**5 351**	6 091
Interest and other investment income		**53 891**	58 196	**55 219**	59 851	**55 213**	59 842
Net Cash provided by Operating Activities	24	**25 097**	31 722	**29 508**	35 989	**29 514**	35 989
CASH FLOWS FROM INVESTING ACTIVITIES:							
Repayment of loans by other persons		**-**	-	**287**	448	**287**	448
Payment for property, plant and equipment		**-**	-	**(17)**	(75)	**(17)**	(75)
Net Cash provided by Investing Activities		**-**	-	**270**	373	**270**	373
CASH FLOWS FROM FINANCING ACTIVITIES:							
Dividends paid		**-**	-	**-**	(10 000)	**-**	(10 000)
Net Cash used in Financing Activities		**-**	-	**-**	(10 000)	**-**	(10 000)
NET INCREASE IN CASH HELD		**25 097**	31 722	**29 778**	26 362	**29 784**	26 362
CASH AT 1 JULY		**62 724**	31 002	**79 127**	52 765	**78 981**	52 619
CASH AT 30 JUNE	1(s), 24	**87 821**	62 724	**108 905**	79 127	**108 765**	78 981

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

(a) The Motor Accident Commission's (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, Mortgage Guarantee Insurance and Workers Compensation Insurance. During the year MAC finalised its activities in the Financial Risk Insurance and the Residual Value Insurance industries.

The following terms have been used in this report:

Entity - MAC incorporating the CTP Insurance Fund (the Fund)
Economic Entity - MAC and its controlled entities.

(b) This financial report is a general purpose financial report which has been prepared in accordance with applicable Accounting Standards, the *Corporations Act 2001*, relevant Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*, and other mandatory professional requirements (Urgent Issues Group Consensus Views).

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the economic entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

(c) ***Principles of Consolidation***
The consolidated accounts incorporate the results and the assets and liabilities of all entities which, in terms of AASB 1024 'Consolidated Accounts', are controlled by the entity as at 30 June 2002.

The balances and effects of transactions between controlled entities included in the consolidated accounts have been eliminated.

The entities controlled by MAC are listed in Note 18.

(d) ***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.

(e) ***Outwards Reinsurance***
Premiums paid to reinsurers is 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.

(f) ***Claims***

(i) *Short Term Claims*
Claims expense and a liability for outstanding claims are recognised in respect of direct and inwards reinsurance business. 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) *Short Term Claims (continued)*

In the inwards reinsurance, general and business insurance 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 build up prudential reserves.

(ii) *Long Term Claims*

The liability for outstanding claims which take longer to settle such as CTP and Employer's Liability 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 for prudence is included to provide sufficient confidence that the provision is adequate.

(g) 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.

(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 were expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment.

(j) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as a part of the cost of acquisition of the asset, or as a part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis.

(k) Receivables

(i) *Trade Debtors*

Trade debtors principally relate to premiums collected by Transport SA (Registration and Licensing Section), 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 collectibility of debts is assessed at balance date and specific allowance is made for any doubtful debts.

(l) Foreign Currency Transactions

Foreign currency transactions are translated at the rates of exchange ruling at the date of the transactions. Amounts in foreign currencies at balance date have been translated at the spot rate of exchange ruling on the close of trading on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the Statement of Financial Performance in the financial year in which the exchange rates change.

(m) Investments

Investments, other than investments in controlled entities, are valued at net fair value, ie net of the expected costs of disposal. Changes in the net fair values of investments at balance date from their net fair values at the previous balance date (or cost of acquisition, if acquired during the financial year) are recognised as revenue or expense in the Statement of Financial Performance. Net fair value for each category is established as follows:

(i) *Properties*

All properties were valued at independent valuations as at 30 June 2002. All independent valuations have been prepared in accordance with guidelines issued by ASIC which embrace the definition of market value established by the Australian Property Institute Incorporated. The definition provides that market value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In accordance with the provisions of Accounting Standard AASB 1023 'Financial Reporting of General Insurance Activities', properties are treated as integral to the general insurance activities of the entity. As such they are classified as investment properties and are not depreciated.

(ii) *Listed Equities and Securities*
By market quotations as at 28 June 2002.

(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. In respect of significant controlled entities, valuations are reviewed to support the carrying amount.

(iv) *Net 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.

(n) Employee Entitlements

A liability for employee entitlements has been accrued at 30 June 2002.

Wages, Salaries, Annual Leave, Long Service Leave and Sick Leave
The provisions for employee entitlements to wages, salaries, annual leave and long service leave at 30 June 2002 represent the amount which MAC has a present obligation to pay resulting from employees' services provided up to that date. The provision has been calculated at nominal amounts based on current wage and salary rates. Related employment on-costs are provided for under Payables. No provision was made for sick leave as entitlements do not vest.

(o) Income Tax

MAC is an income tax exempt organisation pursuant to section 24AK of the *Income Tax Assessment Act 1936*.

For financial years up to and including the year ended 30 June 2001, the entity was liable to pay to the Treasurer, for the credit of the Consolidated Account, such amounts as the Treasurer from time to time determined to be equivalent to income tax and any other taxes or imposts that the entity does not pay to the Commonwealth but would be liable to pay under the law of the Commonwealth if it were constituted and organised in such manner as a public company or group of public companies. To give effect to this requirement, tax effect accounting procedures were followed whereby the income tax expense in the Statement of Financial Performance was matched with the accounting profit (after allowing for permanent differences). On 29 August 2002, legislative amendments to the *Motor Accident Commission Act 1992* were passed which, among other things, removed MAC from the tax equivalent regime detailed above. These amendments were approved with an effective date of 1 July 2001. As such, tax effect accounting has not been applied for the 2001-02 financial year.

(i) *Controlled Entities*
Controlled entities forming part of the consolidated result are exempt from income tax pursuant to section 24AK of the *Income Tax Assessment Act 1936*.

(ii) *Other Taxes and Charges*
The entity is a registered entity for GST purposes and, effective 1 July 2000, collects and remits GST in the normal course of business. GST collected on premiums paid in advance has been recognised as a liability in the accounts.

Other taxes such as stamp duty are remitted in the normal course of business to the respective authorities.

(p) Property, Plant and Equipment

Plant and equipment, furniture, fixtures and fittings and computing equipment 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.

Asset Class	Depreciation Rate Percent
Plant and equipment	20.0
Furniture and fittings	20.0
Building fitout	2.5
Computing equipment	40.0

(q) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to MAC or the economic entity. Trade accounts payable are normally settled within 30 days.

(r) Dividends

In accordance with section 26 of the *Motor Accident Commission Act 1992,* the Treasurer, after consultation with the Board, may direct MAC to pay to the Treasurer a part of any surplus in respect of a financial year.

(s) Cash

For purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, and short term deposits at call, net of bank overdrafts.

(t) Derivatives

The economic entity's activities expose it to changes in interest rates, foreign exchange rates and general consumer prices. It is also exposed to credit, liquidity and cash flow risks from its operations.

It is economic entity 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.

	CTP		Consolidated		MAC	
2. Profit from Ordinary Activities						
Profit from ordinary activities before income tax is arrived at after crediting and charging the following specific items:	**2002 $'000**	2001 $'000	**2002 $'000**	2001 $'000	**2002 $'000**	2001 $'000
Credits:						
Interest received/receivable:						
Other persons and/or corporations	**52 374**	56 548	**53 633**	58 157	**53 633**	58 157
Dividends received/receivable:						
Other persons and/or corporations	**7 857**	8 124	**7 922**	8 136	**7 922**	8 136
Charges:						
Amounts set aside to provide for:						
Employee entitlements	**-**	-	**(5)**	78	**(5)**	78
Bad and doubtful debts	**102**	(7)	**102**	7	**102**	7
Depreciation of plant and equipment	**-**	-	**17**	16	**17**	16

	CTP 2002	CTP 2001	Consolidated 2002	Consolidated 2001	MAC 2002	MAC 2001
3. Revenue from Ordinary Activities						
Premium Revenue:						
Direct	**268 566**	252 561	**268 566**	252 561	**268 566**	252 561
Inwards reinsurance	**-**	-	**-**	4	**-**	4
	268 566	252 561	**268 566**	252 565	**268 566**	252 565
Reinsurance and Other Recoveries:						
Reinsurance	**(687)**	484	**(687)**	484	**(687)**	484
Other	**4 584**	4 791	**5 324**	4 801	**5 324**	4 801
	3 897	5 275	**4 637**	5 285	**4 637**	5 285
Investment Revenue:						
Dividends	**7 857**	8 124	**7 922**	8 136	**7 922**	8 136
Interest	**52 374**	56 548	**53 633**	58 157	**53 633**	58 157
Rentals	**4 718**	2 674	**4 718**	2 674	**4 718**	2 674
Profit (Loss) - Investments realised	**(1 935)**	10 554	**(2 525)**	11 031	**(2 525)**	11 031
	63 014	77 900	**63 748**	79 998	**63 748**	79 998
Investment Market Value Movements - Unrealised gains (losses) (AASB 1023):						
Fixed interest	**613**	6 373	**613**	6 373	**613**	6 373
Equities	**(47 770)**	5 249	**(47 758)**	5 787	**(47 758)**	5 787
Properties	**715**	1 409	**715**	1 409	**715**	1 409
Futures	**-**	(1 885)	**-**	(1 885)	**-**	(1 885)
	(46 442)	11 146	**(46 430)**	11 684	**(46 430)**	11 684
Other Revenue:						
Foreign exchange gains (losses)	**1**	-	**(15)**	(2)	**(15)**	(2)
Other revenue	**-**	-	**6**	(2)	**6**	(2)
	1	-	**(9)**	(4)	**(9)**	(4)
Total Revenue from Ordinary Activities	**289 036**	346 882	**290 512**	349 528	**290 512**	349 528
4. Claims Expense						
Direct	**285 883**	278 689	**285 415**	279 097	**285 415**	279 097
Inwards reinsurance	**-**	-	**(148)**	(3 353)	**(148)**	(3 353)
	285 883	278 689	**285 267**	275 744	**285 267**	275 744
5. Other Underwriting Expenses						
Management expenses	**19 852**	18 792	**20 171**	19 409	**20 171**	19 409
Levies and charges	**28 988**	27 259	**28 988**	27 259	**28 988**	27 259
Collection charges	**4 179**	3 805	**4 179**	3 805	**4 179**	3 805
	53 019	49 856	**53 338**	50 473	**53 338**	50 473

6. Income Tax

Until 30 June 2001, MAC was taxed by the State Government as if it were a public company. During August 2002, legislative changes were passed which provided that, effective 1 July 2001, MAC was exempted from the State tax equivalent regime. As a result, tax assets and liabilities recognised as at 30 June 2001 have been written off during the year as the benefits and obligations of the assets and liabilities will not be realised (refer Note 1(o)).

(a) Income Tax Expense	CTP		Consolidated		MAC	
	2002 $'000	2001 $'000	**2002 $'000**	2001 $'000	**2002 $'000**	2001 $'000
Prima facie income tax expense at 0 percent (34 percent) on the profit from ordinary activities	**-**	4 557	**-**	6 248	**-**	6 248
Restatement of deferred tax balances due to change in company tax rate	**-**	(675)	**-**	(724)	**-**	(724)
Increase in income tax expense due to:						
Write-off of net deferred tax asset due to change in taxation status	**3 548**	-	**4 019**	-	**4 019**	-
Decrease in income tax expense due to:						
Sundry items	**-**	(94)	**-**	(95)	**-**	(94)
Income Tax Expense on Profit from Ordinary Activities	**3 548**	3 788	**4 019**	5 429	**4 019**	5 430

(b) Provision for Deferred Income Tax

	CTP		Consolidated		MAC	
	2002	2001	2002	2002	2001	2002
	$'000	$'000	$'000	$'000	$'000	$'000
Provision for deferred income tax comprises the estimated expense at current income tax rates on the following items:						
Investment and property revaluations not currently assessable	-	15 630	-	15 630	-	15 630
Income included for accounting purposes but not currently assessable	-	4 282	-	4 282	-	4 282
Unrealised currency gains	-	-	-	322	-	322
Sundry items	-	759	-	1 072	-	1 072
	-	20 671	-	21 306	-	21 306

(c) Future Income Tax Benefit

Future income tax benefit comprises the estimated future benefit at current income tax rates of the following items:						
Investment and property devaluations not currently deductible	-	773	-	1 837	-	1 837
Claims settlement costs	-	5 460	-	5 460	-	5 460
Purchased interest	-	2 828	-	2 828	-	2 828
Tax losses carried forward	-	14 493	-	14 493	-	14 493
Sundry items	-	665	-	708	-	708
	-	24 219	-	25 326	-	25 326

7. Receivables

Current:						
Trade debtors	3 491	2 639	3 514	2 669	3 506	2 653
Investment debtors	4 329	2 136	4 409	5 985	4 409	5 985
Less: Allowance for doubtful debts	232	227	232	227	232	227
	4 097	1 909	4 177	5 758	4 177	5 758
Other debtors	1 313	1 303	38	28	157	130
	8 901	5 851	7 729	8 455	7 840	8 541

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 economic entity.

8. Reinsurance and Other Recoveries Receivable

	CTP		Consolidated		MAC	
	2002	2001	2002	2001	2002	2001
	$'000	$'000	$'000	$'000	$'000	$'000
Expected future recoveries (undiscounted)	18 275	16 519	18 275	16 519	18 275	16 519
Discount to present value*	3 327	2 485	3 327	2 485	3 327	2 485
Reinsurance and other recoveries receivable	14 948	14 034	14 948	14 034	14 948	14 034
Reinsurance and other recoveries receivable:						
Current	2 758	3 162	2 758	3 162	2 758	3 162
Non-Current	12 190	10 872	12 190	10 872	12 190	10 872
	14 948	14 034	14 948	14 034	14 948	14 034

* Refer to Note 13 for details of the inflation and discount rates used in the determination of this discounting adjustment.

9. Other Financial Assets

Current:						
Fixed Interest:						
Deposits at call	80 018	57 790	80 018	57 790	80 018	57 790
Bank bills	107 585	25 851	107 585	25 851	107 585	25 851
Foreign currency	-	-	188	140	188	140
Government securities	16 064	31 663	16 064	31 663	16 064	31 663
Corporate debentures	71 097	40 861	71 097	40 861	71 097	40 861
Commercial mortgages	-	-	-	287	-	287
Loans to controlled entities	-	-	-	-	120	120
Futures	-	36 438	-	36 438	-	36 438
Total Current Investments	274 764	192 603	274 952	193 030	275 072	193 150
Non-Current:						
Fixed Interest:						
Government securities	242 340	368 335	242 340	368 335	242 340	368 335
Corporate debentures	176 250	202 279	176 250	202 279	176 250	202 279
Commercial mortgages	4 601	3 949	4 601	3 949	4 601	3 949
Floating rate notes	50 402	50 425	50 402	50 425	50 402	50 425
Capital indexed bonds	61 829	56 928	61 829	56 928	61 829	56 928
Equities:						
Listed on stock exchanges	199 216	197 158	199 216	197 158	199 216	197 158
Unlisted	-	-	197	1 531	217	1 551
International equities	109 778	46 572	109 778	46 572	109 778	46 572
Property:						
Independent valuation/certificate	59 294	42 100	59 294	42 100	59 294	42 100
Domestic listed property trusts	32 325	31 897	32 325	31 897	32 325	31 897
Total Non-Current Investments	936 035	999 643	936 232	1 001 174	936 252	1 001 194
Total Investments	1 210 799	1 192 246	1 211 184	1 194 204	1 211 324	1 194 344

Property Valuations

Independent valuations as at 30 June 2002 were determined by:

John Kenny	Certified Practising Valuer, FAPI
Danny Mohr	Certified Practising Valuer, AAPI
Neil Harvey	Certified Practising Valuer, AAPI
John Booth	Certified Practising Valuer, AAPI
Andrew Johnston	Certified Practising Valuer, AAPI

All valuations for properties are made in accordance with the policy set out in Note 1(m)(i).

	CTP		Consolidated		MAC	
	2002	2001	**2002**	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
10. Other Current Assets						
Prepayments	**10 846**	10 044	**10 846**	10 044	**10 846**	10 044
11. Property, Plant and Equipment						
Furniture and fittings, office equipment, and other assets	**-**	-	**200**	200	**200**	200
Less: Accumulated depreciation	**-**	-	**23**	17	**23**	17
	-	-	**177**	183	**177**	183
Plant and equipment	**-**	-	**32**	22	**32**	22
Less: Accumulated depreciation	**-**	-	**15**	13	**15**	13
	-	-	**17**	9	**17**	9
Computing equipment	**-**	-	**52**	49	**52**	49
Less: Accumulated depreciation	**-**	-	**34**	29	**34**	29
	-	-	**18**	20	**18**	20
Total Property, Plant and Equipment	**-**	-	**212**	212	**212**	212
Furniture and fittings, office equipment, and other assets:						
Carrying amount at beginning of year	**-**	-	**183**	125	**183**	125
Additions	**-**	-	**-**	62	**-**	62
Disposals	**-**	-	**-**	-	**-**	-
Depreciation	**-**	-	**(6)**	(4)	**(6)**	(4)
Carrying amount at end of year	**-**	-	**177**	183	**177**	183
Plant and equipment:						
Carrying amount at beginning of year	**-**	-	**9**	11	**9**	11
Additions	**-**	-	**10**	1	**10**	1
Disposals	**-**	-	**-**	(1)	**-**	(1)
Depreciation	**-**	-	**(2)**	(2)	**(2)**	(2)
Carrying amount at end of year	**-**	-	**17**	9	**17**	9
Computing equipment:						
Carrying amount at beginning of year	**-**	-	**20**	16	**20**	16
Additions	**-**	-	**8**	17	**8**	17
Disposals	**-**	-	**(1)**	(3)	**(1)**	(3)
Depreciation	**-**	-	**(9)**	(10)	**(9)**	(10)
Carrying amount at end of year	**-**	-	**18**	20	**18**	20
12. Payables						
Current:						
Trade creditors	**-**	-	**171**	190	**170**	189
Investment creditors	**527**	1 225	**527**	2 643	**527**	2 643
Other creditors and accruals	**6 099**	5 272	**6 099**	5 272	**6 099**	5 272
Due to related parties	**664**	604	**-**	-	**-**	-
	7 290	7 101	**6 797**	8 105	**6 796**	8 104
13. Outstanding Claims						
(a) Expected future claims payments (undiscounted)	**1 289 698**	1 201 457	**1 295 016**	1 208 287	**1 295 016**	1 208 287
Discount to present value	**184 338**	168 906	**184 500**	169 661	**184 500**	169 661
Liability for Outstanding Claims	**1 105 360**	1 032 551	**1 110 516**	1 038 626	**1 110 516**	1 038 626
Current	**303 593**	272 295	**304 046**	273 216	**304 046**	273 216
Non-Current	**801 767**	760 256	**806 470**	765 410	**806 470**	765 410
	1 105 360	1 032 551	**1 110 516**	1 038 626	**1 110 516**	1 038 626
(b) The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:	**Percent**	Percent	**Percent**	Percent	**Percent**	Percent
For the succeeding year:						
Inflation rate	**6.5**	6.5	**6.5**	6.5	**6.5**	6.5
Discount rate	**5.5**	5.4	**5.5**	5.4	**5.5**	5.4
For subsequent years:						
Inflation rate	**6.5**	6.5	**6.5**	6.5	**6.5**	6.5
Discount rate	**5.5**	5.4	**5.5**	5.4	**5.5**	5.4

13.	**Outstanding Claims (continued)**	CTP		Consolidated		MAC	
(c)	The weighted average expected term to	**2002**	2001	**2002**	2001	**2002**	2001
	settlement of the outstanding claims	**Years**	Years	**Years**	Years	**Years**	Years
	from the balance date is estimated to be:	**2.9**	3.1	**2.9**	3.1	**2.9**	3.1

The method of calculating outstanding claims is set out in detail in Note 1(f).

Claims provisions as at 30 June 2002 for the Compulsory Third Party Fund, Mortgage Guarantee Insurance and Workers Compensation Insurance have been reviewed by Mr L C Brett B.Sc, FIA, FIAA and Mr B A Watson B.Sc, FIAA of Brett & Watson Pty Ltd. For these funds the directors have adopted the central estimate as determined by the actuary and applied the recommended prudential margin.

For Inwards Reinsurance the directors have adopted an internal valuation of the estimated outstanding liability.

14. Provisions	CTP		Consolidated		MAC	
	2002	2001	**2002**	2001	**2002**	2001
Current:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
State tax - Other	**-**	-	**12**	12	**12**	12
Provision for dividend payable	**-**	-	**10 000**	-	**10 000**	-
Employee entitlements	**-**	-	**76**	61	**76**	61
	-	-	**10 088**	73	**10 088**	73
Non-Current:						
Employee entitlements	**-**	-	**32**	42	**32**	42

15. Additional Financial Instrument Disclosures

(1) Derivative Financial Instruments

Options

The economic entity may enter into options that give it the right but not the obligation to purchase or sell specified securities and financial instruments. Options are entered into as a hedge against market risk. As at balance date there were no options held.

Net Fair Values

The net fair values of the economic 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 net fair value.

(2) Foreign Exchange Risk

The economic entity enters into forward exchange contracts to hedge certain financial assets and claims liabilities denominated in foreign currencies (principally United States dollars and Great Britain pounds). The terms of these commitments are rarely more than three months. It is economic entity policy to enter into forward foreign exchange contracts to hedge a proportion of foreign currency purchases and sales expected in each month. The amount of anticipated future purchases and sales is forecast in the light of current conditions in foreign exchange markets and information from insurers.

As at 30 June 2002 the economic entity held no open forward foreign exchange contracts however it did hold physical foreign currency deposits as a hedge against liabilities denominated in foreign currencies.

(3) Interest Rate Risk

The economic 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:

	Consolidated*					
	Floating	Fixed Interest Rate Maturities			Non-	
	Interest	1 year		Over	Interest	**2002**
	Rate	or less	1-5 years	5 years	Bearing	**Total**
Financial Assets:	$'000	$'000	$'000	$'000	$'000	**$'000**
Cash	108 905	-	-	-	-	**108 905**
Debtors	-	-	-	-	7 729	**7 729**
Bonds	-	16 064	237 500	4 840	-	**258 404**
Corporate bonds	-	71 097	176 250	-	-	**247 347**
Floating rate notes	50 402	-	-	-	-	**50 402**
Indexed annuities	-	-	-	4 601	-	**4 601**
Capital indexed bonds	-	-	7 045	54 784	-	**61 829**
Non-callable deposits and promissory notes	-	107 585	-	-	-	**107 585**
Foreign currency	-	188	-	-	-	**188**
Shares and other equity instruments	-	-	-	-	341 516	**341 516**
Total Financial Assets	159 307	194 934	420 795	64 225	349 245	**1 188 506**
Weighted average interest rate percent	4.47	5.31	5.97	3.83	-	
Financial Liabilities:						
Creditors	-	-	-	-	6 797	**6 797**
Total Financial Liabilities	-	-	-	-	6 797	**6 797**
Net Financial Assets	159 307	194 934	420 795	64 225	342 448	**1 181 709**

* In accordance with Accounting Standard AASB 1033 'Presentation and Disclosure of Financial Instruments', only consolidated disclosure is provided.

(3) Interest Rate Risk (continued)

Consolidated*

	Floating Interest Rate $'000	Fixed Interest Rate Maturities 1 year or less $'000	1-5 years $'000	Over 5 years $'000	Non-Interest Bearing $'000	2001 Total $'000
Financial Assets:						
Cash	79 127	-	-	-	-	79 127
Debtors	-	2 289	-	-	6 166	8 455
Bonds	-	31 663	368 335	-	-	399 998
Corporate bonds	-	40 861	202 279	-	-	243 140
Floating rate notes	-	-	30 104	20 321	-	50 425
Indexed annuities	-	-	-	3 949	-	3 949
Capital indexed bonds	-	-	6 781	50 147	-	56 928
Non-callable deposits and promissory notes	-	25 851	-	-	-	25 851
Foreign currency	-	140	-	-	-	140
Commercial mortgages	-	287	-	-	-	287
Shares and other equity instruments	-	-	-	-	277 158	277 158
Futures	36 381	-	-	-	951	37 332
Total Financial Assets	115 508	101 091	607 499	74 417	284 275	1 182 790
Weighted average interest rate percent	5.12	4.95	5.4	4.15	-	
Financial Liabilities:						
Creditors	-	-	-	-	8 105	8 105
Futures	-	-	-	-	894	894
Total Financial Liabilities	-	-	-	-	8 999	8 999
Net Financial Assets	115 508	101 091	607 499	74 417	275 276	1 173 791

* In accordance with Accounting Standard AASB 1033 'Presentation and Disclosure of Financial Instruments', only consolidated disclosure is provided.

Reconciliation of Net Financial Assets	**2002 $'000**	2001 $'000
Net Financial Assets	**1 181 709**	1 173 791
Add:		
Reinsurance and other recoveries receivable	**14 948**	14 034
Prepayments	**10 846**	10 044
Investments - Property assets	**59 294**	42 100
Property, plant and equipment	**212**	212
Future income tax benefit	**-**	25 326
Less:		
Unearned premium	**100 485**	93 051
Outstanding claims	**1 110 516**	1 038 626
Provisions	**10 120**	115
Deferred income tax	**-**	21 306
Net Assets as per Statement of Financial Position	**45 888**	112 409

(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 Statement of Financial Position represent the economic entity's maximum exposure to credit risk to these assets. Where counterparties have a right of set-off and intend to settle on a net basis, this set-off has been reflected in the financial statements in accordance with accounting standards. The economic entity minimises concentrations of credit risk by undertaking transactions with a large number of counterparties. The economic entity is not materially exposed to any individual counterparty.

Unrecognised Financial Instruments

Credit risk on unrecognised derivative contracts is minimised as counterparties are recognised financial intermediaries trading on recognised and reputable exchanges or have acceptable credit ratings determined by a recognised ratings agency. The credit exposure of financial derivative assets is represented by the net fair value of the contracts as disclosed.

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 economic entity pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the economic entity.

(5) Market Risk

In addition to the effects of movements in interest rates, the Fund is exposed to market risks influencing investment valuations.

Market risk represents the risk of adverse movements in markets for derivatives, or the underlying asset or index to which the derivative relates. Market risk analysis is conducted on a regular basis and before any new positions are put into place. It is conducted on a total portfolio basis, incorporating both physical investments and the effective exposure of all derivative positions.

(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 restricting the investment activities of the Fund to securities that are actively traded and highly liquid. Liquidity risks are minimised through trading with approved exchanges and counterparties.

16. 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.

	2002								
	CTP			Consolidated			MAC		
Direct Business	Current Year $'000	Prior Years $'000	**Total $'000**	Current Year $'000	Prior Years $'000	**Total $'000**	Current Year $'000	Prior Years $'000	**Total $'000**
Gross claims incurred and related expenses - Undiscounted	342 726	(41 412)	**301 314**	342 726	(42 218)	**300 508**	342 726	(42 218)	**300 508**
Reinsurance and other recoveries - Undiscounted	(4 065)	(673)	**(4 738)**	(4 065)	(1 413)	**(5 478)**	(4 065)	(1 413)	**(5 478)**
Net Claims Incurred - Undiscounted	338 661	(42 085)	**296 576**	338 661	(43 631)	**295 030**	338 661	(43 631)	**295 030**
Discount and discount movement - Gross claims incurred	(50 574)	35 143	**(15 431)**	(50 574)	35 481	**(15 093)**	(50 574)	35 481	**(15 093)**
Discount and discount movement - Reinsurance and other recoveries	802	39	**841**	802	39	**841**	802	39	**841**
Net Discount Movement	(49 772)	35 182	**(14 590)**	(49 772)	35 520	**(14 252)**	(49 772)	35 520	**(14 252)**
NET CLAIMS INCURRED - DISCOUNTED	288 889	(6 903)	**281 986**	288 889	(8 111)	**280 778**	288 889	(8 111)	**280 778**
Inwards Reinsurance Business									
Gross claims incurred and related expenses - Undiscounted	-	-	-	-	(148)	(148)	-	(148)	(148)
Reinsurance and other recoveries - Undiscounted	-	-	-	-	-	-	-	-	-
Net Claims Incurred - Undiscounted	-	-	-	-	(148)	(148)	-	(148)	(148)
Discount and discount movement - Gross claims incurred	-	-	-	-	-	-	-	-	-
Discount and discount movement - Reinsurance and other recoveries	-	-	-	-	-	-	-	-	-
Net Discount Movement	-	-	-	-	-	-	-	-	-
NET CLAIMS INCURRED - DISCOUNTED	-	-	-	-	(148)	(148)	-	(148)	(148)
Total									
Direct business	288 889	(6 903)	**281 986**	288 889	(8 111)	**280 778**	288 889	(8 111)	**280 778**
Inwards reinsurance business	-	-	**-**	-	(148)	(148)	-	(148)	(148)
NET CLAIMS INCURRED	288 889	(6 903)	**281 986**	288 889	(8 259)	**280 630**	288 889	(8 259)	**280 630**

	2001								
	CTP			Consolidated			MAC		
Direct Business	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses - Undiscounted	332 852	(62 586)	270 266	332 852	(62 646)	270 206	332 852	(62 646)	270 206
Reinsurance and other recoveries - Undiscounted	(3 975)	(1 288)	(5 263)	(3 975)	(1 298)	(5 273)	(3 975)	(1 298)	(5 273)
Net Claims Incurred - Undiscounted	328 877	(63 874)	265 003	328 877	(63 944)	264 933	328 877	(63 944)	264 933
Discount and discount movement - Gross claims incurred	(49 441)	57 864	8 423	(49 441)	58 332	8 891	(49 441)	58 332	8 891
Discount and discount movement - Reinsurance and other recoveries	690	(702)	(12)	690	(702)	(12)	690	(702)	(12)
Net Discount Movement	(48 751)	57 162	8 411	(48 751)	57 630	8 879	(48 751)	57 630	8 879
NET CLAIMS INCURRED - DISCOUNTED	280 126	(6 712)	273 414	280 126	(6 314)	273 812	280 126	(6 314)	273 812
Inwards Reinsurance Business									
Gross claims incurred and related expenses - Undiscounted	-	-	-	-	(3 353)	(3 353)	-	(3 353)	(3 353)
Reinsurance and other recoveries - Undiscounted	-	-	-	-	-	-	-	-	-
Net Claims Incurred - Undiscounted	-	-	-	-	(3 353)	(3 353)	-	(3 353)	(3 353)
Discount and discount movement - Gross claims incurred	-	-	-	-	-	-	-	-	-
Discount and discount movement - Reinsurance and other recoveries	-	-	-	-	-	-	-	-	-
Net Discount Movement	-	-	-	-	-	-	-	-	-
NET CLAIMS INCURRED - DISCOUNTED	-	-	-	-	(3 353)	(3 353)	-	(3 353)	(3 353)
Total									
Direct business	280 126	(6 712)	273 414	280 126	(6 314)	273 812	280 126	(6 314)	273 812
Inwards reinsurance business	-	-	-	-	(3 353)	(3 353)	-	(3 353)	(3 353)
NET CLAIMS INCURRED	280 126	(6 712)	273 414	280 126	(9 667)	270 459	280 126	(9 667)	270 459

17. Commitments

Capital Expenditure Commitments	CTP **2002** **$'000**	2001 $'000	Consolidated **2002** **$'000**	2001 $'000	MAC **2002** **$'000**	2001 $'000
Building upgrade expenditure						
Contracted but not provided for and payable:						
Within one year	**113**	969	**113**	969	**113**	969

Management Agreements

Pursuant to a Claims Management Agreement, MAC contracted SGIC General Insurance Limited (SGIC) to manage the operations of the Fund for a period of at least three years, commencing on 1 July 1995. A new Agreement was entered into for a maximum period of a further three years commencing 1 July 1998. This contract has since been extended until 30 June 2003. A base management fee is payable each year (adjusted by CPI) to SGIC until the contract concludes. In certain circumstances an incentive fee related to performance may also become payable. SGIC is part of Insurance Australia Group.

18. Investment in Controlled Entities

	Principal Activity	Entity Interest **2002** **Percent**	2001 Percent	Investment of MAC at Cost **2002** **$'000**	2001 $'000	Contribution to Consolidated Profit **2002** **$'000**	2001 $'000
MAC						**(56 490)**	12 946
Controlled Entities:							
Southern Group Insurance Corporation Limited	Trustee	**100**	100	**20**	20	**(31)**	(19)
Consolidated after Tax Profit (Loss)						**(56 521)**	12 927

The controlled entity is incorporated in Australia.

19. Investment in Associated Entities

Material investments as at 30 June 2002 in associated entities are as follows:

Name of Company	Principal Activity	Entity Interest **2002** **Percent**	2001 Percent	Carrying Amounts[(a)] **2002** **$'000**	2001 $'000	Contribution to Entity[(b)] **2002** **$'000**	2001 $'000
Listed on Prescribed Stock Exchange:							
Healthscope Limited	Private Hospitals	**-**	-	**-**	-	**-**	647
Unlisted:							
Macquarie Investment Trust	Investments	**-**	9.8	**-**	1 265	**(587)**	492
Macquarie Holdings Trust	Investments	**-**	9.8	**-**	83	**(3)**	(107)
SBC Warburg Dillon Read Capital Partners Trust	Investments	**18.1**	18.1	**197**	184	**12**	(5)
SBC Warburg Dillon Read Mezzanine Fund	Investments	**17.7**	17.7	**-**	-	**65**	-

(a) Carrying amounts include ordinary shares, convertible notes and preference shares valued at market value at balance date.
(b) Contribution to entity includes interest, dividends received and movements in market value.

20. Interest in Business Undertaking - Partnership

The entity had a 25 percent interest in a partnership agreement with the former South Australian Timber Corporation (SATCO) called Scrimber, the principal activity of which was the development of synthetic timber products. The operation of Scrimber was discontinued after an announcement by the Minister of Forests on 31 July 1991. During 1995-96, the land and buildings and plant were sold for a gross value of $2.05 million. A distribution of MAC's share of these monies amounting to $632 000 was received in October 1997. The investment in the partnership was written down to nil value at 30 June 1991.

In 1998, agreement in principle was reached with the Department of Treasury and Finance, CSIRO and Valjul Pty Ltd (other consortium members) for a reduction in MAC's interest (to 20 percent) in return for the provision of additional intellectual property and a cash injection from other investors, who believe the process has potential for the future.

As the result of further negotiations with the other consortium members, the entity assigned its interest to CSIRO and Valjul Pty Ltd (the new consortium) in late 1999, in exchange for a royalty on gross annual income received by the new consortium. The assignment absolves the entity of any development, commercial and legal risks associated with the maintenance of the patents and the licensing and exploitation of the technology. Importantly, the entity will benefit from an annual income stream, free of any risks, in the event of successful commercial development of the process.

21. Segment Information

The entity's predominant operation is that of the Compulsory Third Party insurer in South Australia.

22. Auditors' Remuneration

	CTP **2002** **$'000**	2001 $'000	Consolidated **2002** **$'000**	2001 $'000	MAC **2002** **$'000**	2001 $'000
Amounts received or due and receivable for auditing the accounts and consolidated accounts of the entity and the accounts of each of its controlled entities by:						
Auditor-General's Department	**76**	72	**102**	96	**101**	95

The auditors provided no other services to the entity during the financial year.

23. Dividend to the South Australian Government

Dividend payable from 2000-01 surplus in accordance with the requirement of the Treasurer under section 26 of the *Motor Accident Commission Act 1992*	**-**	-	**10 000**	-	**10 000**	-

24. Reconciliation of Net Profit (Loss) to Net Cash provided by Operating Activities

	CTP		Consolidated		MAC	
	2002	2001	**2002**	2001	**2002**	2001
(1) Reconciliation of Cash	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Cash	**7 803**	4 934	**28 887**	21 337	**28 747**	21 191
Deposits at call	**80 018**	57 790	**80 018**	57 790	**80 018**	57 790
	87 821	62 724	**108 905**	79 127	**108 765**	78 981

	CTP 2002	CTP 2001	Consolidated 2002	Consolidated 2001	MAC 2002	MAC 2001
(2) Reconciliation of Net Profit (Loss) to Net Cash Provided by Operating Activities						
Net profit (loss)	**(57 792)**	9 614	**(56 521)**	12 927	**(56 490)**	12 946
Add (Less) Non-cash items:						
Depreciation	**-**	-	**17**	16	**17**	16
Amounts set aside to provisions	**5**	(7)	**5**	(7)	**5**	(7)
(Profit) loss on sale and revaluation to market value of investments	**48 377**	(21 700)	**48 950**	(22 238)	**48 950**	(22 238)
Net foreign exchange loss	**-**	-	**16**	2	**16**	2
Increase (Decrease) in deferred taxes payable and provisions	**3 294**	(1 471)	**3 695**	224	**3 695**	224
Net cash used in operating activities before changes in assets and liabilities	**(6 116)**	(13 564)	**(3 838)**	(9 076)	**(3 807)**	(9 057)
Change in assets and liabilities:						
Increase in investments	**(47 760)**	(30 384)	**(44 774)**	(24 130)	**(44 774)**	(24 130)
Increase in receivables	**(1 578)**	(3 379)	**(168)**	(4 924)	**(176)**	(4 909)
Increase (Decrease) in payables and provisions	**1 223**	(1 982)	**(121)**	(517)	**(138)**	(551)
Increase in outstanding claims	**71 895**	78 286	**70 976**	71 891	**70 976**	71 891
Increase in unearned premium	**7 433**	2 745	**7 433**	2 745	**7 433**	2 745
Net Cash provided by Operating Activities	**25 097**	31 722	**29 508**	35 989	**29 514**	35 989

25. Retained Profit

	CTP 2002	CTP 2001	Consolidated 2002	Consolidated 2001	MAC 2002	MAC 2001
Retained profit at 1 July	**97 954**	88 340	**112 409**	99 482	**112 490**	99 544
Net profit (loss)	**(57 792)**	9 614	**(56 521)**	12 927	**(56 490)**	12 946
Total Available for Appropriation	**40 162**	97 954	**55 888**	112 409	**56 000**	112 490
Dividend payable to the South Australian Government	**-**	-	**10 000**	-	**10 000**	-
Retained Profit at 30 June	**40 162**	97 954	**45 888**	112 409	**46 000**	112 490

26. Contingent 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 judgement 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.

The entity has undertaken to support Southern Group Insurance Corporation Limited, a controlled entity.

27. External Consultants used during the Financial Year

	Consolidated		MAC	
	2002	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000
Total income received, or due and receivable by external consultants from MAC and the economic entity during the financial year	**401**	425	**401**	418

The number and value of consultancies were:	**Number of Consult-ancies**	Number of Consult-ancies	**Number of Consult-ancies**	Number of Consult-ancies
$0 - $9 999	**15**	23	**14**	19
$10 000 - $19 999	**6**	4	**6**	4
$20 000 - $29 999	**3**	1	**3**	1
$30 000 - $39 999	**2**	1	**2**	1
$40 000 - $49 999	**-**	1	**-**	1
$50 000 - $59 999	**1**	-	**1**	-
$60 000 - $69 999	**1**	1	**1**	1
$130 000 - $139 999	**-**	1	**-**	1

28. Directors' Remuneration

	2002	2001	**2002**	2001
Directors' Income	**$'000**	$'000	**$'000**	$'000
Total income paid or payable, or otherwise made available, to all directors of the entity from the entity or any related party	**-**	-	**266**	273
Total income paid or payable, or otherwise made available, to all directors of each entity in the economic entity from the entity or any related party	**266**	273	**-**	-

The number of directors of the entity whose income from the entity or any related party falls within the following bands:	**Number of Directors**	Number of Directors	**Number of Directors**	Number of Directors
$0 - $9 999	**1**	1	**1**	1
$30 000 - $39 999	**5**	5	**5**	5
$40 000 - $49 999	**2**	1	**2**	1
$50 000 - $59 999	**-**	1	**-**	1

Directors of the economic entity receive income in the form of statutory fees. Those directors who are employed by the State Government of South Australia do not receive income from the entity.

Superannuation and Retirement Benefits
Directors of the economic entity are not paid superannuation or retirement benefits for their activities associated with the entity and its controlled entities other than the amount set aside by the entity in compliance with the Superannuation Guarantee Charge of $20 000 ($20 000).

29. Executives' Remuneration

	Consolidated	
	2002	2001
Total income in respect of the financial year received, or due and receivable from the economic entity by executive officers of the economic entity whose income is $100 000 or more:	**$'000**	$'000
	311	302

	2002	2001
The number of MAC Executive Officers whose remuneration from MAC or related parties falls within the following bands:	**Number of Executive Officers**	Number of Executive Officers
$100 000 - $109 999	**-**	1
$110 000 - $119 999	**1**	-
$190 000 - $199 999	**1**	1

30. Related Parties

Directors
The names of each person holding the position of director of the entity during the financial year are:

R J McKay	J Matysek
J T Hill	D J Watkins
D H Archbold	K A Weir
C L Harris	R N Sexton (resigned 31 March 2002)

Details of directors' remuneration, superannuation and retirement payments are set out in Note 28.

Apart from the details disclosed in this Note, no director has entered into a contract with the entity or the economic entity since the end of the previous financial year and there were no contracts involving directors' interests existing at year end.

Directors' Loans
There have been no loans advanced to directors of the entity during the financial year.

The total of loans outstanding to directors of the entity at year end is nil.

Directors' Holdings of Shares and Shares Options
The interests of directors of the reporting entity and their director-related entities in shares of entities within the economic entity at year end are set out below.

	Consolidated	
	2002	2001
Southern Group Insurance Corporation Limited:	**Number Held**	Number Held
$1 Ordinary shares	**1**	2

Directors' Transactions in Shares and Share Options
One of the reporting entity's directors is holding a share in Southern Group Insurance Corporation Limited in trust for the Motor Accident Commission.

Directors' Transactions with the Entity or the Economic Entity
The economic entity sold CTP insurance to directors of entities in the economic 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.

Controlled Entities
Details of interests in controlled entities are set out at Note 18.

MAC provides management services to its controlled entity, Southern Group Insurance Corporation Limited, which was charged an amount of $16 000 for the 2001-02 financial year ($32 000). This amount was outstanding at balance date.

Details of other dealings with controlled entities are set out below.

Balances with Entities within the Wholly-Owned Group	MAC	
The aggregate amounts receivable from, and payable to, wholly-owned controlled entities by the entity at balance date:	**2002 $'000**	2001 $'000
Receivables		
Current:		
Receivables	**119**	99
Loans from the entity	**120**	120

Other Related Entities
The entity has dealings with other Government instrumentalities. All dealings are in the ordinary course of business and on normal terms and conditions.

Associated Entities
Refer Note 19.

Interest in Partnership
Refer Note 20.

Ultimate Parent Entity
The entity is constituted under the *Motor Accident Commission Act 1992* (formerly the *State Government Insurance Commission Act 1992)* and is a Public Authority within the meaning given in the *Public Finance and Audit Act 1987*.

31. Events Subsequent to the End of the Financial Year

On 29 August 2002, Parliament passed a number of legislative amendments to the *Motor Accident Commission Act 1992* arising from the scoping review and National Competition Policy review of MAC's operations. These amendments give effect to the decision that MAC should not be privatised and should remain the sole provider of CTP insurance in South Australia. Key aspects of the legislative changes include:

- the introduction of a requirement for MAC to seek to achieve and maintain sufficient solvency;
- a provision allowing CTP compensation to be paid by way of lifetime periodic payments (to facilitate the payment of 'structured settlements') instead of as a lump sum; and
- the removal of MAC from the state tax equivalent regime.

The legislative amendments give an effective date to the change in MAC's taxation status as 1 July 2001. The impact of this amendment has therefore been incorporated into the financial report as at 30 June 2002. Other aspects of the legislative changes are effective from the date of proclamation.

NATIONAL WINE CENTRE

FUNCTIONAL RESPONSIBILITY

The *National Wine Centre Act 1997* (the Act) established the National Wine Centre (the Centre), and is responsible for a range of functions including, the promotion and development of the Australian wine industry and the management of a wine exhibition.

Under the Act a Board was established to govern the Centre and was subject to the control and direction of the Minister. The Board included representation from the Australian wine industry.

The Centre facility was opened in early October 2001.

The Centre experienced financial difficulties from commencement of operations necessitating government funding commitment beyond that initially envisaged at the time of enactment of the Act.

In the latter part of 2001-02, the Government in conjunction with the wine industry looked to restructure the operational and financial arrangements of the Centre, with the view to the wine industry having a more direct role in the operations of the Centre facility and the Government limiting its financial exposure.

On 4 July 2002, the Governor formally dissolved the Centre Board in accordance with section 9 of the Act. On dissolution of the Board the Minister became the governing authority of the Centre pursuant to section 19 of the Act.

On 1 August 2002 the Governor assented to the *National Wine Centre (Restructuring and Leasing Arrangements) Act 2002*.

This Act, on operation, will repeal the *National Wine Centre Act 1997*. It will also dissolve the Centre and all of its assets and liabilities will vest in the Minister. The Act makes provisions for the Minister to lease Centre land and to deal with other assets and liabilities by agreement with any person or body. This allows for the transfer of control of the Centre facility to a party or entity external to government. This lease transfer type arrangement is presently being negotiated with the Winemakers Federation of Australia.

STATUS OF FINANCIAL STATEMENTS

The National Wine Centre was unable to finalise its financial statements for the year ended 30 June 2002 in sufficient time to enable the audit to be completed at the date of finalisation of this Report.

The audited financial statements of the Centre for the year ended 30 June 2002 will be included in a Supplementary Audit Report to Parliament.

PARLIAMENTARY SUPERANNUATION SCHEME

FUNCTIONAL RESPONSIBILITY

The South Australian Parliamentary Superannuation Board (the Board) established under the *Parliamentary Superannuation Act 1974* (the Act), is responsible for the collection of contributions from members of the Parliamentary Superannuation Scheme (the Scheme) and for the payment of superannuation benefits to members and members' families.

The main financial administration arrangements that apply in relation to the Scheme involve the Parliamentary Superannuation Fund (the Fund). The Fund, established under the Act, records as income to the Fund, members' and the Government's contributions and revenue derived from the investment of those monies, and also records as payments from the Fund, benefit payments and administration costs.

The investment management responsibility for the Fund is vested with the Superannuation Funds Management Corporation of South Australia (Funds SA) under the Act.

The Board utilises the services of the Department of Treasury and Finance - Superannuation Office to administer the Scheme.

STATUS OF FINANCIAL STATEMENTS

The financial statements for the year ended 30 June 2002 have been finalised however, the audit had not been completed at the date of finalisation of this Report.

The audited financial statements of the Board for the year ended 30 June 2002 will be included in a Supplementary Audit Report to Parliament.

POLICE SUPERANNUATION SCHEME

FUNCTIONAL RESPONSIBILITY

The Police Superannuation Board (the Board), established under the *Police Superannuation Act 1990* (the Act), is responsible for the collection of contributions from members of the Police Superannuation Scheme (the Scheme) and for the payment of superannuation benefits to members and members' families.

During 2001-02 the *Police Superannuation (Miscellaneous) Amendment Act 2001* was passed by Parliament. Under this Act the benefits of the Police Occupational Superannuation Scheme (POSS) were merged into the Police Superannuation Scheme. The legislative changes came into operation on 1 July 2001.

The main financial administration arrangements that apply in relation to the scheme involve:

- The Police Superannuation Fund (the Fund) — The Fund, established under the Act, records as income to the Fund, members' contributions and revenue derived from investment of those monies, and also records as payments from the Fund, the employee share of benefit payments and administration costs.

  The Fund is comprised of two divisions, namely, an Old Scheme Division which provides pension benefits with a lump sum option and a New (Lump Sum) Scheme Division which provides lump sum benefits.

  Under the Act, the investment management responsibility for the Fund is vested with the Superannuation Funds Management Corporation of South Australia (Funds SA).

- The Police Superannuation Scheme Employer Contribution Account (Police Employer Contribution Account) was established in 1994-95 to record employer contributions on behalf of the police officers and cadets.

  Pursuant to the *Police Superannuation (Miscellaneous) Amendment Act 2001,* the net assets of the former Police Occupational Superannuation Scheme Contribution Account (POSS Employer Contribution Account) were combined with the Police Superannuation Scheme Employer Contribution Account for the year ended 30 June 2002.

  The employer share of the benefits paid and administration costs is met from the Police Employer Contribution Account. Monies deposited into the account are invested and managed by Funds SA but do not form part of the Fund.

Police officers and cadets who commenced employment on or before 31 May 1990 are members of the Old Scheme Division. Those police officers and cadets who commenced employment on or after 1 June 1990 are members of the New Scheme Division. The New Scheme Division was formally closed to new members through amendments to the *Police Superannuation Act 1990* in October 1994. From 1 July 1995 police officers and cadets who commenced employment became members of the Southern State Superannuation Scheme which is administered by the South Australian Superannuation Board.

STATUS OF FINANCIAL STATEMENTS

The Board was unable to finalise its financial statements for the year ended 30 June 2002 in sufficient time to enable the audit to be completed at the date of finalisation of this Report.

The audited financial statements of the Board for the year ended 30 June 2002 will be included in a Supplementary Audit Report to Parliament.

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 2002 assets and liabilities of SAAMC stood at \$1.4 billion and \$1.1 billion respectively. SAAMC has now largely realised its property and loan portfolios and has invested the resulting funds in liquids so as to meet future liabilities.

At 30 June 2002 SAAMC staffing consisted of a part time Chief Executive Officer and two temporary part time employees. SAAMC treasury operation is managed by the South Australian Government Financing Authority (SAFA) under a formal agreement between SAAMC and SAFA.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 23(2a) of the *State Bank of South Australian Act 1983* provides for the Auditor-General to audit the accounts of SAAMC in respect of each financial year. Consistent with the approach taken in prior years the 2001-02 statutory audit of SAAMC is undertaken by a private sector auditing firm under sub-contract arrangement to the Auditor-General.

Audit Scope and Findings

The auditable areas of coverage for 2001-02 included:

- loans and other asset reviews - asset valuation/provisioning/realisations and recoveries
- Treasury operations
- investments
- cash and cash at bank
- borrowings and other liabilities
- operating expenses
- financial accounting and information systems, including reconciliation processes
- internal audit
- financial statements verification.

The review of the auditable areas (including verification of financial statements) proceeded to finalisation, and consistent with previous years, the assessment of SAAMC's general financial controls was determined as satisfactory. In addition, matters raised with SAAMC management during the course of the audit (not material in nature) were responded to in a positive manner.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Asset Management Corporation included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that 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, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

The major objectives of SAAMC involve the management of the divesting of assets and repayment of liabilities rather than holding for long term operations and profit generation.

Specific interpretative comments in relation to the financial statements follow.

Statement of Financial Performance

SAAMC's operations for the year ended 30 June 2002 resulted in a net profit of $31.5 million ($37.4 million). The main components of that profit were:

- Net interest revenue for the year of $12.5 million. Interest revenue of $69.6 million comprised income received from the SAFA in respect of funding provided to that organisation and income from investments by the SAAMC Treasury. The interest expense of $57.1 million was in respect of external borrowings. (Notes 3 and 4 to the financial statements refers.)

- Non-interest income of $8.5 million. This included a mark-to-market gain of $6.5 million (Note 3 to the financial statements refers).

- Net credit on account of bad and doubtful debts of $12.7 million reflecting principally recoveries and no provisioning for the year. Note 5 to the financial statements refers.

- Staffing and General Administration Costs of $2.2 million. Of that amount $718 000 relates to service fees payable to SAFA for management of the SAAMC Treasury portfolio, and $1 million of legal and other professional services costs incurred in respect of the management and realisation of various assets. Note 4(b) to the financial statements refer.

Statement of Financial Position

Asset and Liabilities

Total assets at 30 June 2002 were $1.4 billion compared with $1.5 billion at 30 June 2001. Liquid and trading securities reduced by over $206 million with funds applied to the discharge of obligations associated with interest bearing securities. SAAMC still remains in a highly liquid position with $1.2 billion invested in the SAFA, liquid foreign currency and Australian dollar securities. Note 9 to the financial statements refers.

Total liabilities at 30 June 2002 was $1.1 million compared to $1.2 million at 30 June 2001. The reduction in interest bearing liabilities reflects maturing capital market raisings and term deposits. Note 12 to the financial statements refers.

Shareholders' Equity

Shareholders' equity attributable to the South Australian Government increased from $334.4 million to $365.9 million at 30 June 2002. This increase resulted from a net profit of $31.5 million.

Retained Profits

Section 22 of the *State Bank of South Australia Act 1983* (as amended) provides that any surplus of funds remaining after the costs of SAAMC 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. The Treasurer has determined that SAAMC is to retain its current profit of $31.5 million and its prior years retained earnings.

Retained profits at 30 June 2002 were $309.5 million.

Reserves

SAAMC entered into a property put option in 1993-94 as part of the sale of the Australis property (now known as SA Water House). If the purchaser of the property exercises the put option in 2008, SAAMC will be required to purchase the property for $39.5 million.

Should this event occur, SAAMC will be required to fund the full acquisition cost of $39.5 million. In the event that the property is subsequently sold, SAAMC may need to fund the difference between the acquisition cost of $39.5 million and the net proceeds from the sale of the property.

In recognition of these financial management considerations, SAAMC transferred in 1999-2000, 2000-01 and the current year a portion of retained profits to a Property Reserve as part of a strategic objective of building up a reserve that may be required to fund either the partial or full acquisition of the Australis property in 2008. At 30 June 2002 the balance of the Property Reserve was $3.7 million. Note 16 to the financial statements refers.

Statement of Cash Flows

The Statement of Cash Flows highlights the net receipts from trading securities of $196.1 million and the net repayments of borrowings and deposits of $232.7 million.

Cash flows also include interest received and interest paid.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 $'000	2001 $'000
Interest revenue	3	**69 599**	76 437
Interest expense	4(a)	**(57 059)**	(61 925)
Net Interest Revenue		**12 540**	14 512
Non-interest income	3	**8 500**	9 495
(Charge) credit for bad and doubtful debts	5	**12 665**	15 274
Other expenses from ordinary activities	4(b)	**(2 182)**	(1 839)
PROFIT FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EXPENSE		**31 523**	37 442
Income tax expenses relating to ordinary activities	6	**-**	-
NET PROFIT		**31 523**	37 442
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**31 523**	37 442

Statement of Financial Position as at 30 June 2002

	Note	2002 $'000	2001 $'000
ASSETS:			
Cash on hand and at bank		**4 656**	5 684
Loans, advances and receivables	8	**83 747**	72 730
Liquid and trading securities	9	**1 189 110**	1 395 556
Property, plant and equipment	10	**6 620**	6 612
Other assets	11	**146 828**	30 425
Total Assets		**1 430 961**	1 511 007
LIABILITIES:			
Interest bearing liabilities	12	**1 059 588**	1 170 845
Payables	14	**5 427**	5 739
Provisions	13	**8**	6
Total Liabilities		**1 065 023**	1 176 590
NET ASSETS		**365 938**	334 417
SHAREHOLDERS' EQUITY:			
Share capital	15	**52 716**	52 716
Reserves	16	**3 698**	2 335
Retained profits	17	**309 524**	279 366
TOTAL SHAREHOLDERS' EQUITY		**365 938**	334 417
Commitments	19		
Contingent Liabilities	20		

Statements of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) $'000	2001 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		**82 241**	81 628
Interest paid		**(65 305)**	(81 029)
Other income received		**7 377**	778
Recovery of bad debts written off in previous years		**11 969**	21 949
Payments to trade creditors, other creditors and employees		**(2 619)**	(2 771)
Net Cash Flows provided by Operating Activities	22(b)	**33 663**	20 555
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net receipts (advances) from/to loans, advances and receivables		**1 966**	(12 834)
Net (payments) receipts for property, plant and equipment		**(8)**	(12)
Net (payments) receipts from trading securities		**196 068**	499 668
Net Cash Flows provided by Investing Activities		**198 026**	486 822
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net receipts from (repayment of) borrowings		**(169 208)**	(377 710)
Net receipts from (repayment of) deposits		**(63 509)**	(136 585)
Net Cash Flows used in Financing Activities		**(232 717)**	(514 295)
NET DECREASE IN CASH HELD		**(1 028)**	(6 918)
CASH AT 1 JULY		**5 684**	12 604
CASH AT 30 JUNE	22(a)	**4 656**	5 684

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The significant policies that have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation

South Australian Asset Management Corporation (SAAMC - referred to as the 'Corporation') is incorporated under the *State Bank of South Australian Act 1983* (as amended). On 1 July 1994, the Corporation changed its name from State Bank of South Australia to South Australian Asset Management Corporation, as provided for in the *State Bank of South Australia Act 1983* (as amended). The financial statements of the Corporation are prepared as if it were a prescribed corporation, as defined under section 409 of the *Corporations Act 2001.*

The general purpose financial report of the Corporation has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* so far as they are applicable to Australian banking operations, and with the *Public Finance and Audit Act 1987*. The accounting policies are consistent with those of the previous financial year, unless otherwise stated.

The Corporation vested the majority of its Australian banking operations to Bank of South Australia Limited (BankSA) on 1 July 1994. The vesting was facilitated by legislation passed in South Australia, the Commonwealth and other mainland State Parliaments. The Corporation retained certain Australian assets (that were excluded from the operations of BankSA), the majority of the wholesale funding liabilities as well as the overseas operations.

The Corporation's functions are to manage, realise and otherwise deal with its remaining assets and liabilities, and (with the approval of the Crown), other assets and liabilities of the Crown, or an instrumentality of the Crown, to the best advantage of the State of South Australia. For the purpose of performing its functions, the Corporation may carry on the general business of banking.

All assets of the Corporation are marked-to-market and treated as current with the exception of an office building purchased in October 1999. Certain liabilities of the Corporation extend beyond 30 June 2002 and are detailed with their due dates in Note 12, Interest Bearing Liabilities.

(b) Asset Valuation Basis

The assets of the Corporation as they appear on the financial statements are mainly monetary assets and as such they have been marked-to-market. Non-monetary assets have been valued using historical costs. All assets with the exception of an office building in Adelaide purchased in October 1999 for $6.6 million, are treated as current as the intention is that, where possible, they will be converted to cash within twelve months. The carrying amounts of these assets are revalued on an ongoing basis so that their fair market value is reflected on the entity's balance sheet with adjustments made to the Statement of Financial Performance.

(c) Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the ATO is included as a current asset or liability in the Statement of Financial Position.

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

(d) Bad and Doubtful Debts

Specific Provisions

The charge against profits for provisions for doubtful debts reflects the net of new specific provisions less reversals of specific provisions no longer required. All known bad debts are written off against the provision in the period in which they are recognised. Bad debts, in respect of which no specific provisions have been established, are recognised in the Statement of Financial Performance.

Where full recovery is considered doubtful on loans, advances and receivables and liquid and trading securities, specific provisions for doubtful debts are made, income recognition is discontinued and amounts received are held as an offset to principal. The assessment of an appropriate level of provisioning requires a large element of subjective judgement relating to many factors, including the ability of a borrower to generate cash flows and the net fair value of security held by the Corporation where a borrower defaults. These judgements, as at balance date, have necessitated consideration of the current state of the Australian and International economies, specific markets and future asset values.

Where a loan, advance, receivable or securities has been impaired and requiring a specific provision, that provision is calculated as the amount required to reduce the carrying value of that loan, advance, receivable or securities to the ultimate net fair value amount. The net fair value amount is determined as the recoverable amount of the assets measured on a current market value basis. In this context, the current market value means the price obtainable through an orderly sale less the costs expected to be incurred in obtaining the proceeds of such sale.

General Provisions

Invested liquid and trading securities constitute more than 99.6 percent of the assets of the Corporation. The Corporation has a policy of investing in securities rated A- or better and it has an active monitoring process in place, which ensures that assets downgraded below the approved limit are disposed of in the open market.

Due to the nature of these assets, the credit risk attached to each asset can be individually measured and a specific provision raised where necessary. Therefore a general provision is no longer maintained.

(e) Derivative Financial Instruments

The Corporation is exposed to changes in interest rates and foreign exchange rates from its activities. Prior to the 30 June 1994, the Corporation conducted a trading Treasury. When the banking operations were vested to BankSA, all the significant Treasury exposures were retained by the Corporation. The Corporation no longer trades in derivatives, though some minor positions are maintained. The Corporation has financial instruments, including interest rate and currency swaps, forward rate agreements, futures and options, which arose as part of the former trading activities. It also has financial instruments to hedge non-trading assets, liabilities and commitments of the Corporation. Instruments entered into as part of old trading activities continue to be marked-to-market with gains and losses, whether realised or unrealised, being recognised immediately in the Statement of Financial Performance. Gains and losses on instruments that are designated as hedges and are effective as hedges are accounted for on the same basis as the underlying instrument. The face values of such instruments are not recorded as assets and liabilities in the Statement of Financial Position. Any amounts receivable or payable in relation to these instruments are recorded as other assets or other liabilities. Details of these financial instruments are disclosed in Note 21, Financial Instruments, to the financial statements.

(f) Leased Assets as Lessor

Operating Leases

Operating leases for leased assets where the Corporation is the lessor are included in property, plant and equipment in the balance sheet. Rental income is brought to account in the period in which it is earned over the effective lease term.

The Corporation also owns a property, which is leased to the Department for Administrative and Information Services on a monthly tenancy basis. The property, which was purchased in October 1999 is covered by a long term lease and it is included in the Statement of Financial Position at its purchase price. Rental income is brought to account in the period in which it is earned. There are no depreciation charges against the asset as it is an investment property.

(g) Foreign Currency

All amounts are expressed in Australian currency at the exchange rate applying at balance date. Profits and losses of overseas operations are translated at average exchange rates for the year. Monetary assets and liabilities of overseas operations are translated at mid-point rates of exchange ruling at balance date. There were no non-monetary assets and liabilities in the overseas operations at balance date. Differences arising on the translation of financial statements of the overseas operations that are considered to be integrated are recognised in the Statement of Financial Performance.

Forward exchange contracts are translated at the forward rate applicable at balance date. The unrealised gains and losses arising from these revaluations are discounted to their present value using the mid-rate of the appropriate yield curve and included in the Statement of Financial Performance. It is policy to maintain a substantially matched position in foreign currency assets and liabilities and, accordingly, the Corporation's foreign currency exposure in this respect is not material.

(h) Taxation

The Corporation applies tax effect accounting using the liability method, where the income tax expense was matched to the accounting profit after permanent differences between taxable and accounting income, irrespective of when the income tax is payable.

The tax effect of timing differences, which arise from the recognition of revenue and expenses in different periods to those in which they are assessable or deductible for income tax purposes, is shown in the balance sheet and included in other assets and in other liabilities. Future income tax benefits, including tax losses, are not carried forward as an asset of the Corporation unless the benefit is virtually certain of being realised.

(i) Employee Entitlements

Wages, Salaries, Annual Leave and Sick Leave

The provisions for employee entitlements to wages, salaries, annual leave and sick 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 wage and salary rates, and includes related on-costs.

Superannuation Funds

The Corporation contributes the prescribed Employer Contribution to the Triple S scheme administered by Super SA. Contributions are charged against income as they are made. Refer to Note 18, Employee Entitlements.

(j) Liquid and Trading Securities

Liquid and trading securities represent public and other debt instruments that are purchased with the intention of hedging the former trading portfolio, investing excess liquidity prior to the repayment to the South Australia Government, or as part of the liquidity management function of the Corporation. Such securities are recorded at market value. Gains and losses realised from the sale of these securities and unrealised gains and losses on revaluation are reflected in the Statement of Financial Performance.

(k) Change of Accounting Policy

The Corporation holds derivatives for hedging purposes. Cross currency swaps and forward rate agreements are used to hedge foreign currency bond issues and deposits. Interest income and expense on these derivative instruments in respect of the offshore portfolio were brought to account on an accruals basis in 2001 while the onshore portfolio in 2001 was marked-to-market. In 2002 the Corporation accounted for its total portfolio on a mark-to-market basis.

The recognition of the offshore portfolio on a mark-to-market basis has not had a material financial effect in the 2001-02 financial operations.

(l) Rounding

Unless otherwise indicated, all amounts have been rounded to the nearest thousand dollars.

2. Directions of 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.

The Treasurer of South Australia has directed that $nil ($nil) be paid into the Consolidated Account and that the Corporation is to retain its accumulated surplus of $309.5 million until such time as final determination is made.

3. Revenue from Ordinary Activities

	2002 $'000	2001 $'000
Profit from Ordinary Activities before related income tax expense has been determined after crediting as revenue		
Interest Income:		
South Australian Government Financing Authority	**1 636**	2 803
Other interest income	**67 963**	73 634
Total Interest Income	**69 599**	76 437
Non-interest Income:		
Rental	**2 002**	1 947
Foreign exchange income	**31**	(304)
Mark-to-market gain	**6 465**	7 847
Other sundry income	**2**	5
Total Non-Interest Income	**8 500**	9 495

4. (a) *Interest Expense*

	2002 $'000	2001 $'000
Profit from Ordinary Activities before related income tax expense has been determined after debiting as expense		
Interest expense	**57 059**	61 925
Total Interest Expense	**57 059**	61 925

(b) *Other Expenses from Ordinary Activities*

	2002 $'000	2001 $'000
Profit from Ordinary Activities before related income tax expense has been determined after charging as expense the following:		
Staff Costs:		
Fringe benefits tax	**-**	16
Payroll tax	**(8)**	5
Salaries and wages	**189**	237
Superannuation and retiring allowances	**21**	21
Other staff expenses	**2**	(132)
Staff Costs	**204**	147
Occupancy Costs:		
Rates and taxes	**(12)**	83
Repairs and maintenance	**1**	(17)
Occupancy Costs	**(11)**	66
Administration and General Costs:		
Amounts due or received for audit services by:		
Auditor-General of South Australia	**65**	27
Insurance	**8**	(16)
Management and service fees paid to SAFA	**718**	718
Legal fees	**896**	499
Other professional fees (European Banking Clearing)	**153**	171
Consultancies	**27**	15
Telephones	**4**	4
Travel	**3**	6
Other expenses	**109**	*202
Administration and General Costs	**1 989**	1 626
Total Other Expenses	**2 182**	1 839

* The 2001 amount includes $164 000 in security storage charges for past State Bank Records held in compliance with the *State Records Act 1997.*

5. Bad and Doubtful Debts

	2002 $'000	2001 $'000
Profit from Ordinary Activities before related income tax expense has been determined after charging as an expense (refer to Note 1d):		
Net charge (credit) for bad debts written off:		
Bad debts charge (credit) - Other	**-**	-
Less: Recoveries net of recovery costs - Other	**11 955**	21 949
Net Charge (Credit) for Bad Debts Written off	**(11 955)**	(21 949)
Charge for provision for doubtful debts:		
General provision for doubtful debts (Note 8)	**-**	-
Specific provision for doubtful debts - Other (Note 9)	**(696)**	6 675
Charge (credit) for provision for doubtful debts	**(696)**	6 675
Charge (Credit) for Bad and Doubtful Debts	**(12 651)**	(15 274)

6. Income Tax

	2002 $'000	2001 $'000
The amount provided in respect of income tax differs from the amount prima facie payable on operating profit:		
Prima facie income tax expense (benefit) calculated at 30 percent (34 percent) on profit	**9 457**	12 730
Decrease in income tax expense (benefit) due to non-tax assessable items:		
Tax exempt income - SAAMC	**9 457**	12 730
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)	**-**	-
Future income tax benefit not brought to account:		
The potential future income tax benefit calculated at 30 percent arising from tax losses and timing differences has not been recognised as an asset because recovery is not virtually certain:		
Tax losses carried forward	**-**	449
Timing differences	**-**	-
Capital timing differences - Realised	**-**	-
Capital timing differences - Unrealised	**-**	-
	-	449

The potential future income tax benefit will only be obtained if:

(i) the Corporation derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, (refer Note 1).
(ii) the Corporation continues to comply with the conditions for deductibility imposed by the law.
(iii) no changes in tax legislation adversely affect the Corporation in realising the benefit.

The tax losses of $449 000 carried forward in SAAMC reflect past losses in the NZ branch are no longer valid as all the NZ operations were finalised and final income tax returns were filed with New Zealand tax authorities in 2001.

7. Segmental Reporting

Geographic Segments

	2002 $'000	2001 $'000
Revenue:		
Australia	**119 045**	85 932
Total Revenue	**119 045**	85 932
Profit after Tax:		
Australia	**31 523**	36 635
New Zealand	**-**	807
Total Profit After Tax	**31 523**	37 442
Total Assets:		
Australia	**1 430 961**	1 510 951
New Zealand	**-**	56
Total Assets	**1 430 961**	1 511 007

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.

8. Loans, Advances and Receivables

South Australian Government Financing Authority	**34 627**	33 151
Other term lending	**49 120**	39 579
Total Loans, Advances and Receivables (Gross)	**83 747**	72 730
Less: General provision for doubtful debts	**-**	-
Less: Specific provision for doubtful debts	**-**	-
Total Loans, Advances and Receivables (Net)	**83 747**	72 730

9. Liquid and Trading Securities

Unlisted:		
Interbank, corporate and other securities (Gross)	**1 195 589**	1 407 731
Less: Specific provision for doubtful debts	**6 479**	12 175
Total Unlisted (Net)	**1 189 110**	1 395 556
Total Liquid and Trading Securities	**1 189 110**	1 395 556
Specific Provision:		
Balance at 1 July	**12 175**	5 500
Charged (credited) against profit (Notes 1d and 5)	**(696)**	6 675
Loss crystallized	**(5 000)**	-
Specific Provision at 30 June	**6 479**	12 175

10. Property, Plant and Equipment

	2002	2001
Land and buildings (investment property):	**$'000**	$'000
At cost	**6 620**	6 612
Total Land and Buildings	**6 620**	6 612

The independent valuation of the Corporation's freehold land and buildings carried out as at 30 June 2001 by Tim Trnovsky AAPI, a Certified Practising Valuer from FPDSavills on the basis of open market values for existing use, resulted in a valuation of land $1 950 000 and a valuation of buildings of $7 850 000.

As land and buildings are recorded at cost ($6 620 000) the valuation has not been brought to account.

11. Other Assets

	2002	2001
	$'000	$'000
Receivables on swap or hedge transactions	**146 828**	30 407
Other sundry debtors	**-**	18
Total Other Assets	**146 828**	30 425

12. Interest Bearing Liabilities

Deposits	**156 448**	226 649
Capital markets raisings	**903 140**	944 196
Total Borrowings	**1 059 588**	1 170 845

Capital market raisings represent public, listed or private note issues by the Corporation. The Australian dollar equivalent of the face value payable at maturity for public and listed note issues are as follows:

Currency	Original Face Value	Description		
AUD	200.0m	11% notes due 2002	**-**	72 140
NZD	40.3m	9% notes due 2002	**34 920**	32 216
AUD	125.0m	9.5% notes due 2002	**45 542**	45 542
AUD	125.0m	10.5% notes due June 2003	**60 927**	60 927

Exchange Rates

	2002	2001
The Australian dollar values of the above note issues were determined using the following exchange rates:	**$**	$
Australian Dollars (AUD)	**1.00000**	1.00000
New Zealand Dollars (NZD)	**1.15407**	1.25092

13. Provisions

	2002	2001
	$'000	$'000
Employee entitlements, including on-costs (Note 18)	**8**	6
Total Provisions	**8**	6

14. Payables

Sundry creditors and accruals	**5 427**	5 739
Total Other Liabilities	**5 427**	5 739

15. Capital

Subscribed by the South Australian Government:		
Balance at 1 July	**52 716**	52 716
Balance at 30 June	**52 716**	52 716
Total Subscribed Capital	**52 716**	52 716

16. Reserves

Property:		
Balance at 1 July	**2 335**	972
Transferred from retained profits	**1 365**	1 363
Balance at 30 June	**3 700**	2 335
Total Reserves	**3 700**	2 335

Property Reserve

As detailed in Note 20 'Contingent Liabilities', the Corporation entered into a property put option in 1993-94 as part of the sale of the Australis property, now known as SA Water House. If the purchaser of the property exercises the put option in 2008, the Corporation will be required to purchase the property for $39.5 million.

Should this event occur, the Corporation will be required to fund the full acquisition cost of $39.5 million. In the event that the property is subsequently sold, the Corporation may need to fund the difference between the acquisition cost of $39.5 million and the net proceeds from the sale of the property.

In recognition of these financial management considerations, the Directors have resolved to transfer a portion of retained profits to a Property Reserve as part of a strategic objective of building up a reserve that may be required to fund either the partial or full acquisition of the Australis property in 2008.

17. Retained Profits

	Note	2002 $'000	2001 $'000
Retained profits at beginning of year		**279 366**	243 287
Net profit attributable to the Corporation		**31 523**	37 442
Transfer to property reserve	16	**(1 365)**	(1 363)
Retained Profits at the End of the Year		**309 524**	279 366

18. Employee Entitlements

	Note	2002 $'000	2001 $'000
Aggregate employee entitlements, including on-costs:			
Current	13	**8**	**6**

Superannuation Commitments

The Corporation contributes to an accumulation benefit employee fund, which is administered by Super SA. Employer contributions to the fund are made in accordance with the funds requirements.

The Corporation had one-part time and two temporary employees as at balance date. There was one full time and two temporary employees at the same period last year.

19. Commitments

Operating Lease Commitments

	2002 $'000	2001 $'000
Concurrent leases payable or contracted for at balance date but not provided for in the financial statements:		
Not later than one year	**5 313**	5 309
Later than one year but not later than two years	**5 768**	5 533
Later than two years but not later than five years	**18 817**	18 050
Later than five years	**9 651**	16 187
	39 769	45 079

These commitments are offset by lease payments to be received, which are estimated to be $40 572 000 ($45 788 000).

20. Contingent Liabilities

Claims 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 no material losses are likely to arise other than the amounts provided for in the financial statements.

Treasurer's Indemnity

By a Deed dated 1 July 1994, the indemnity provided by the Treasurer of South Australia to South Australian Asset Management Corporation (SAAMC) was revoked, with both parties acknowledging that no claims were outstanding. The effect of the Deed was to terminate the South Australian Treasurer's obligation to grant indemnity in respect of losses that had not yet been claimed as at 1 July 1994.

Set Off and Extinguishment of Debt

The Corporation entered into a transaction in 1990 and maturing in 2005 for financial assets and liabilities with face values of $542 million. These assets and liabilities are not recognised in the financial statements because the Corporation:

(a) has a legally recognised right to set off the asset and liability;
(b) intends to realise the asset and settle the liability simultaneously.

Put Option

A property put option was entered into in 1993-94 as part of the sale arrangements of the Australis property, now known as SA Water House.

At the time of sale, 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 2008, at the current purchaser's option, if the value of the building at the time is lower than the agreed $39.5 million.

The risk that the value of the building in 2008 will be less that $39.5 million is considered low on the basis of an assessment of the property by FPDSavills on 30 June 2001.

21. Financial Instruments

	2002 $'000	2001 $'000
Foreign exchange, interest rate and other market related transactions	**3 162 142**	3 653 000

These are transactions in which SAAMC and other parties agreed to exchange a stream of cash flows based on notional principal amounts totalling $3 162 142 000 where one stream is calculated with reference to a rate or index (eg floating interest rate) and the other stream is calculated based on a different rate or index (eg fixed rate).

Derivatives are mainly used to hedge risk. They allow the entity to manage various degrees and types of risk, the most significant being market, credit and liquidity risk.

Market Risk

Market risk is the risk associated with changes in the streams of cash flows from one party to another due to changes in the market value of the asset which the derivative is used to protect.

Mark-to-Market

The Corporation currently has one portfolio of underlying assets where mark-to-market accounting is used. This portfolio was a trading portfolio in the Corporation prior to 30 June 1994.

All positions, including derivatives held in the mark-to-market portfolio, are revalued on a daily basis to reflect market movements, with gains and losses, whether realised or unrealised, being recognised immediately in the Statement of Financial Performance.

The following table summarises the notional value of derivatives as at 30 June 2001, which are accounted for on a mark-to-market basis. The amounts disclosed are notional contract amounts only, which do not represent amounts exchanged by the parties (except in the case of cross-currency swaps and forward exchange contracts) and, as such, are not a measure of the exposure of the Corporation through its use of derivatives.

Mark-to-Market (continued)	**2002**	2001
	$'000	$'000
Interest rate swaps and forward rate agreements	**1 888 065**	913 000
Futures	**-**	30 000
Cross-currency swaps	**1 274 077**	566 000
	3 162 142	1 509 000

Accrual

The Corporation holds derivatives for hedging purposes. Cross-currency swaps and forward rate agreements are used to hedge foreign currency bond issues and deposits. Interest income and expense on these derivative instruments were brought to account on an accrual basis in 2001. In 2002 the Corporation accounted for its total portfolio on a mark-to-market basis (refer to Note 1(k)).

The following table summarises the notional value of derivatives accounted for on an accruals basis:

	2002	2001
	$'000	$'000
Cross-currency swaps	**-**	811 000
Interest rate swaps	**-**	1 333 000
	-	2 144 000

In the financial statements of the Corporation the revaluation of the cross-currency swaps has been netted against the borrowings, as the purpose of these swaps is to hedge the foreign currency borrowings.

Credit Risk

Credit risk arises on derivative financial instruments because of the possibility that the counterparty to the derivative contract will be unable to settle when it is due.

Derivative transactions, such as futures and exchange traded options where the trades are booked through a recognised futures exchange, are considered to have minimal credit risk.

For other derivative transactions, credit risk is monitored by the marking of both the exchange rate and the interest rates to market against predetermined Board approved limits.

The Corporation also assesses the credit risk of derivatives on a market replacement risk basis using a formula that takes into account the interest rate or exchange rate movements over the life of the derivative. As a condition of a novation of a large proportion of the Corporation's swaps entered into during the year ended 30 June 1997, a Bilateral Security Agreement was entered into which allowed the Corporation to limit its credit exposure on certain transactions. This agreement ensures that credit exposures on the transactions subject to this agreement are kept within pre agreed mark-to-market parameters through a margining procedure.

The Corporation has a number of credit exposure to several counter parties, including government and semi-government instrumentalities.

Interest Rate Risk Management

The Corporation enters into various types of interest rate contracts in managing its interest rate risk as indicated in the following table. The amounts disclosed are notional contract amounts only which do not represent amounts exchanged by the transaction and are not a measure of the exposure of the Corporation through its use of derivatives.

	2002	2001
	$'000	$'000
Interest rate swaps	**1 838 065**	2 126 000
Interest rate futures	**-**	30 000
	1 838 065	2 156 000

Interest Rate Risk Exposures

The tables below show the interest rate exposure of financial assets and liabilities net of interest rate swaps. Interest rate swaps are used to manage interest rate risk exposure. The maturity profile of the Corporation's swaps is shown later on in this Note.

The Board has set limits and the Corporation uses derivatives to manage its interest rate risks within those limits on the dollar-per-point exposure within set maturity pools. Basis risk is also managed within limits set by the Board.

			2002				
		Floating	**Fixed Interest Maturing In**			**Non-**	
		Interest Rate	**One Year or Less**	**Over 1 year to 5 Years**	**More than 5 Years**	**Interest Bearing**	**Total**
Financial Assets:	Note	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash		**4 656**	**-**	**-**	**-**	**-**	**4 656**
Loans, advances and receivables	8	**80 669**	**3 078**	**-**	**-**	**-**	**83 747**
Liquid and trading securities	9	**1 189 110**	**-**	**-**	**-**	**-**	**1 189 110**
Other financial assets:							
Net swap receivables	11	**-**	**-**	**-**	**-**	**146 828**	**146 828**
Other sundry debtors	11	**-**	**-**	**-**	**-**	**-**	**-**
		1 274 435	**3 078**	**-**	**-**	**146 828**	**1 424 341**
Weighted average interest rate percent		**5.32**	**5.40**				
Financial Liabilities:	Note						
Borrowings:							
Deposits	12	**156 448**	**-**	**-**	**-**	**-**	**156 448**
Capital market raisings	12	**903 140**	**-**	**-**	**-**	**-**	**903 140**
Other financial liabilities	14	**-**	**-**	**-**	**-**	**5 427**	**5 247**
		1 059 588	**-**	**-**	**-**	**5 427**	**1 065 015**
Weighted average interest rate percent		**5.05**					

Interest Rate Risk Exposures (continued)

		2001					
		Floating	Fixed Interest Maturing In			Non-	
		Interest	One Year	Over 1 year	More than	Interest	
		Rate	or Less	to 5 Years	5 Years	Bearing	Total
Financial Assets:	Note	$'000	$'000	$'000	$'000	$'000	$'000
Cash		5 684	-	-	-	-	5 684
Loans, advances and receivables	8	68 301	4 429	-	-	-	72 730
Liquid and trading securities	9	1 395 556	-	-	-	-	1 395 556
Other financial assets:							
Net swap receivables	11	-	-	-	-	30 407	30 407
Other sundry debtors	11	-	-	-	-	18	18
		1 469 541	4 429	-	-	30 425	1 504 395
Weighted average interest rate percent		5.64	5.33				
Financial Liabilities:	Note						
Borrowings:							
Deposits	12	226 649	-	-	-	-	226 649
Capital market raisings	12	944 196	-	-	-	-	944 196
Other financial liabilities	14	-	-	-	-	5 739	5 739
		1 170 845	-	-	-	5 739	1 176 584
Weighted average interest rate percent		5.62					

Foreign Exchange Risk Management

The Corporation enters into cross-currency swaps and forward exchange contracts to hedge foreign currency borrowings, principally Japanese Yen, as the following table indicates. These amounts are converted at the balance date exchange rates.

	2002	2001
	$'000	$'000
Cross-currency swaps	**1 274 077**	1 377 000

The Corporation has borrowed in a number of currencies and it uses cross-currency swaps and forward foreign exchange contracts to hedge principal and interest.

The Corporation's foreign currency borrowings in Australian dollar equivalent as at 30 June:

Japanese Yen (YEN)	**667 868**	714 424
New Zealand Dollar (NZD)	**-**	32 216

Liquidity Risk

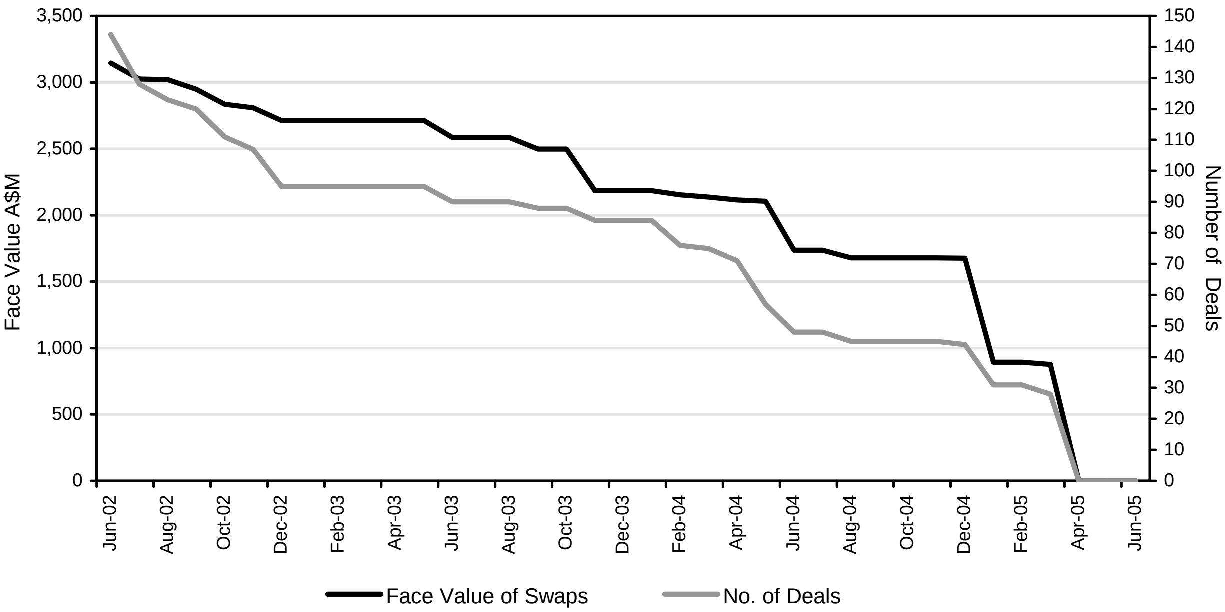
Liquidity risk arises from the possibility that the Corporation could, theoretically some time in the future either be forced to sell a derivative position at a value that is below its underlying worth, or that it may be unable to exit the position at all. The Corporation however manages the risks on a continuous basis using the services of SAFA and SG Australia Ltd.

In order to counter such risk, the Corporation has concentrated its derivative activities in highly liquid markets. Approximately 60 percent (62 percent) of notional principal outstanding as at 30 June 2002 was represented by forward foreign exchange contracts, interest rate swaps and exchange traded futures and options. The remainder of the portfolio is mainly cross-currency swaps, which are hedging foreign currency borrowings.

Maturity Profile of Swaps

Interest rate and cross-currency swaps are responsible for 98.5 percent (98 percent) of the off-balance sheet exposures. The remaining exposures are short term. The following graph summarises the run off of swaps by number and by value.

Maturity Profile of Swaps as at 30 June 2002



Net Fair Value of Financial Instruments

The Corporation records cross-currency swaps, interest rate swaps and other derivatives at a net fair value (mark-to-market) in the financial statements. Net fair value is defined as the amount at which the instrument could be exchanged in a market transaction between willing parties. For those derivatives where market prices are unavailable, the cash flows have been discounted using the mid rate of the appropriate yield curve to arrive at a net fair value, as at 30 June 2002.

22. Notes to the Statements of Cash Flows

	2002	2001
(a) Reconciliation of Cash	**$'000**	$'000
Cash as at 30 June as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheet as follows:		
Cash on hand and at bank	**4 656**	5 684
Cash at 30 June in the Statement of Cash Flows	**4 656**	5 684
(b) Reconciliation of Net Cash Flows from Operating Activities to Profit after Income Tax		
Net profit	**31 523**	37 442
Add (Less): Non-cash items:		
Amounts credited to provisions against assets	**-**	-
Bad debts charge (credit)	**(696)**	(15 274)
Non-cash effect of mark-to-market adjustments	**(1 141)**	(8 717)
Net Cash provided by Operating Activities before change in Assets and Liabilities	**29 686**	13 451
Changes in assets and liabilities		
(Increase) Decrease in other sundry debtors	**18**	747
(Increase) Decrease in prepayments	**-**	-
(Decrease) Increase in net interest accrued	**4 448**	7 810
(Decrease) Increase in sundry creditors and accruals	**(491)**	(794)
(Decrease) Increase in employee entitlements	**2**	(659)
(Decrease) Increase in provisions	**-**	-
Net Cash Flows provided by Operating Activities	**33 663**	20 555

23. Directors' Remuneration

	2002	2001
Directors' Income	**Number of Directors**	Number of Directors
The number of directors on the Corporation's board whose income (including superannuation but excluding redundancy payments and other employee entitlements) from the Corporation falls within the following bands:		
$80 000 - $89 999	**1**	-
$110 000 - $119 999	**-**	1

	2002	2001
	$'000	$'000
Total income paid or payable, or otherwise made available to all Directors of the Corporation from the Corporation.	**84**	118

24. Executives' Remuneration

	2002	2001
The number of Executive Officers of the Corporation whose income (including superannuation, but excluding redundancy payments, long service leave and annual leave accrued and paid out) from the Corporation falls within the following bands:	**Number of Executives**	Number of Executives
$80 000 - $89 999	**1**	-
$110 000 - $119 999	**-**	1

	2002	2001
	$'000	$'000
Total income paid or payable or otherwise made available by the Corporation to Executive Officers of the Corporation whose income exceeds $100 000	**-**	118

25. Related Party Disclosures

Directors

The names of each person holding the position of Director of South Australian Asset Management Corporation (SAAMC) during the financial year ended 30 June 2002 are as follows:

Mr Joseph J Ullianich
Mr John T Hill
Mr Terence C Evans
Ms Kathryn A Moore
Mr Andrew G Anastasiades

Directors' Other Transactions

No other transaction took place between the directors of SAAMC and related entities and their related parties, including director related entities.

South Australian Government Financing Authority (SAFA)

Related party transactions with SAFA are disclosed in Note 3, Operating Income and Note 8, Loans, Advances and Receivables. In addition, the Corporation and SAFA participate in the same financial markets and enter into transactions on market terms and conditions.

Treasurer of South Australia

Related party transactions with the Treasurer of South Australia are disclosed in Note 2 and Note 15, Capital.

26. 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.

SOUTH AUSTRALIAN FORESTRY CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment and Functions

The South Australian Forestry Corporation (the Corporation) is a public corporation, established under the *South Australian Forestry Corporation Act 2000* (the Act). On 1 January 2001, the Corporation effectively took over the functions previously undertaken by the ForestrySA business unit within the Department for Administrative and Information Services (DAIS). As such, as at 1 January 2001, the operations and employees as well as the assets and liabilities of ForestrySA were transferred to the Corporation.

The object of the Act was to establish a statutory corporation as a business enterprise with the principal responsibility of managing plantation forests for the benefit of the people and economy of the State. More specifically, the Act provides for the Corporation to carry out the following functions:

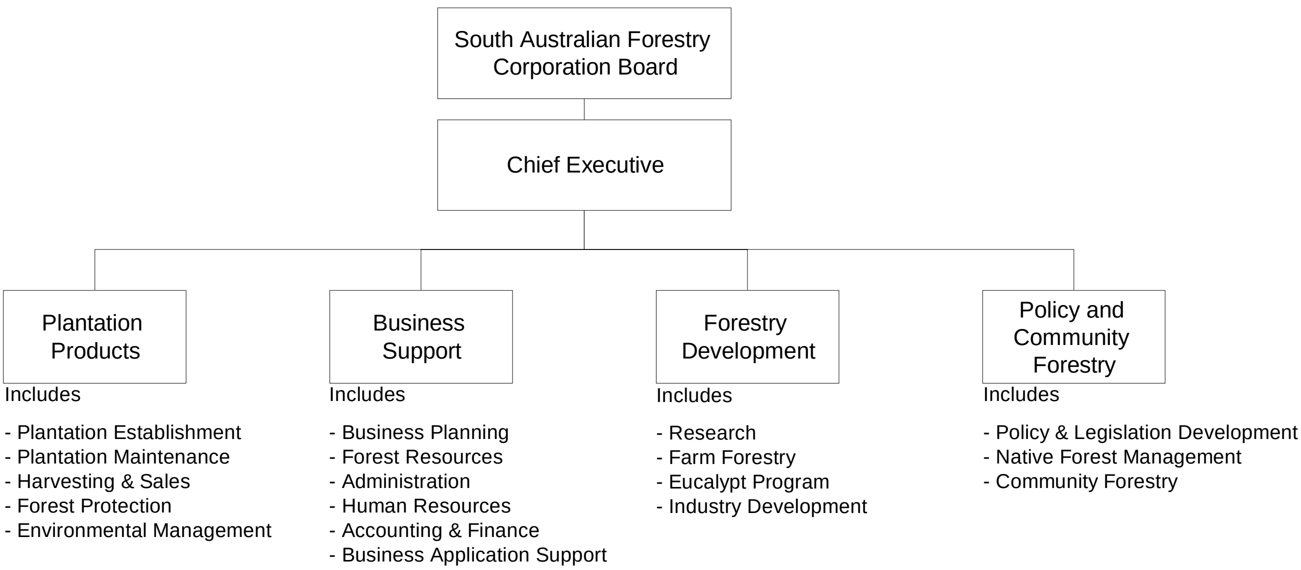
- to manage plantation forests for commercial production;
- to encourage and facilitate regionally based economic activities based on forestry and other industries;
- to conduct research related to the growing of wood for commercial purposes;
- any other function conferred on the Corporation by an Act or the Minister.

The Act provides for a Board of Directors, consisting of five members, to be established as the governing body of the Corporation. The Act also specifies that the Corporation is a statutory corporation to which the provisions of the *Public Corporations Act 1993* apply.

Under the *Public Corporations Act 1993* the Minister and the Treasurer must prepare a charter and a performance statement for the Corporation after consultation with the Corporation. The charter outlines the nature and scope of the Corporation's operations and its reporting obligations, while the performance statement sets out the various performance targets for the Corporation over a defined period.

Structure

The Corporation's structure is represented in the following diagram.



SIGNIFICANT FEATURES

- As at 1 January 2001, the Corporation was established with net assets of $796 million, transferred from the ForestrySA business unit of DAIS.
- Total assets at 30 June 2002 were $842 million. The value attributable to Growing Timber was $597 million.
- Total Liabilities at 30 June 2002 were $14 million.
- Trading profit before revaluation of growing timber was $35.5 million for the 12 months ending 30 June 2002.
- The Corporation paid $42.8 million to the Treasurer comprising a dividend of $12.4 million, $20 million repayment of capital and tax equivalents of $10.4 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 32(4) of the *Public Corporations Act 1993* provides for the Auditor-General to audit the accounts and financial statements of the Corporation in respect of each financial year.

Scope of Audit

The audit of the Corporation focused on all key financial functions and was directed primarily at obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal control. During 2001-02 specific areas of audit attention included:

- revenue from forest product sales
- harvesting and transporting contract expenditure
- accounts payable and accounts receivable functions
- measurement and valuation of growing timber
- recording and control of fixed assets
- stores management and control
- maintenance of the general ledger and associated reconciliations and subsidiary systems
- management and financial reporting
- computing environment and operations.

Audit Communications to Management

Audit findings and relevant recommendations arising from the various reviews and associated testing of the Corporation's functions and financial systems and records have been communicated in Audit management letters to the Chief Executive of the Corporation. The issues conveyed relate to general financial controls and computing operations and controls. The Corporation's response to the management letters, received in early September 2002, is of a positive nature indicating either that the issues are under consideration, are being addressed or have been actioned.

The commentary that follows in 'Audit Findings and Comments' hereunder provides a summary of issues arising from the current years audit activity.

AUDIT FINDINGS AND COMMENTS

Audit Committee and Internal Audit Activity

Prior to commentary on issues raised through Audit Management letter communication to the Corporation it is important to mention that the Corporation has an Audit Committee and has an Internal Audit activity, which was operative during the 2001-02 financial year.

The Audit Committee comprises members of the Board and is attended by Internal and External Auditors as observers. The Audit Committee meets on a quarterly basis and reports to the Board.

The broad functions of the Audit Committee are to regularly review the adequacy of the accounting, internal auditing, reporting and other financial management systems. The responsibilities extend to monitoring risk management practices, approving and evaluating the internal audit program, the review of the annual financial statements prior to approval of the Board and communicating with officers of the Auditor-General (External Auditors).

The execution of the Corporation's approved internal audit program of review activity is contracted out to an external accounting and auditing firm. Internal Audit focus has been directed to reviews of the Corporation's information systems strategy and development directions and contract administration arrangements. A report on the former review has been considered by the Audit Committee and is being actioned by management. The report on the latter review is in the process of being submitted to the Audit Committee for consideration.

Commentary on General Financial Controls

The results of reviews of areas of operating and financial related systems and controls revealed certain opportunities to improve control practices and procedures. Matters raised by Audit included:

Computerised Forestry Logging System and Masterpiece Financial System

Last year a number of recommendations were communicated to enhance security and control arrangements within the computer processing environments that influence the overall adequacy of controls exercised in relation to the abovementioned systems. A follow up review was undertaken in the latter part of 2001-02. See further explanation under the heading 'Commentary on Computer Information Systems (CIS) Environment'.

Forestry Logging Operations

Audit again this year raised the matter of enhancing monitoring control over the contracts for harvesting and transporting expenditure. Audit considers that there needs to be a formalised and regular process established to review variances between actual and contracted volume of work performed.

Insurance Contracting Arrangements

The matter of confirmation of insurance coverage of Harvesting and Transporting contractors was conveyed to the Corporation. Audit suggested that formalised annual monitoring and assessment of the adequacy of contractor insurance coverage arrangements be undertaken on an annual basis in consideration of the present state of the insurance industry risk environment.

Formal Customer Supply Agreements

The audit identified instances where a formal supply contract was not in place prior to commencement of supply obligations. Time delays can be occasioned in getting formal agreements executed. Audit considers that a formal supply agreement is critical in underpinning and enforcing, if appropriate, customer revenue obligations.

Stores Inventory

As was the position last year, Audit review of this area identified the need to strengthen access and recording control over inventory.

Commentary on Computer Information Systems (CIS) Environment

In the latter part of 2001-02 Audit undertook a follow-up review of the status of important matters raised last year principally regarding the Forestry Logging System and the Masterpiece System operation. Components of those systems are operated at Mt. Gambier and Adelaide sites and the EDS Australia Pty Ltd (EDS) site at Glenside.

The following matters were noted as a result of the follow up review.

- Development of the Corporation's IT Strategic Plan had not reached a stage of finalisation and endorsement by Executive.
- Formal Service Level Agreements for the IT Infrastructure services provided by EDS and for the IT related services provided by DAIS were still being developed.
- The formalisation within the Corporation's IT Policies and Procedures of specific documentation covering key critical IT systems security and control areas had not been completed.
- There had been limited comprehensive formal follow up with EDS by the Corporation of matters raised in regard to security configuration within networks, the computer operating systems and access features concerning the Forestry Logging System and Masterpiece System.
- Certain action had been taken regarding the Corporation's business recovery planning processes.
- Certain improvements had been made regarding access features to the Forestry Logging System and Masterpiece System.

The Corporation's response of September 2002 indicates that a number of further improvements have been actioned in relation to the abovementioned matters since the follow up review by Audit. Illustrative of this is the endorsement of the Corporation's IT Strategic Plan in July 2002. Audit will examine the effectiveness of the improvements made and follow up finalisation of any outstanding matters during 2002-03.

Valuation of Forest Assets

Note 2.3 to the Corporation's financial statements provides a summary of the valuation methodology utilised by the Corporation in arriving at a value for growing timber. The value, in part, is based on volume estimates of growing timber. This is a matter of technical complexity and involves systems and databases associated with predicting growing timber.

In 1994, I appointed an independent consultant with expertise in forestry to examine the systems and processes used in the estimation of growing timber and to report with respect to their auditability. In summary, the consultant concluded that the systems and processes used in the estimation of growing timber were generally of a high technical standard. Notwithstanding these comments, the consultant made a number of statements with regard to the auditability of the estimates of the volume of standing timber. This precludes the independent attestation of these estimates within an acceptable level of audit confidence.

Audit, in the latter part of 1999-2000 completed an up to date assessment of systems and processes in relation to the estimation of growing timber. That assessment was undertaken with the assistance of an external forestry consultant. Although the assessment indicated that the Corporation (and its predecessor entities) have addressed certain issues relating to the reliability of the estimate, there exists matters that require resolution before consideration can be given to removing a qualifying comment that has been made in relation to the estimation of growing timber in my previous Independent Audit Reports on the Corporation's (and its predecessor entities) accounts. I have again commented in the Independent Audit Report for the year ended 30 June 2002 that I am not in a position to form an opinion on the reasonableness of the estimation of the value of the asset growing timber.

The Corporation's management and Audit Committee have indicated their intention to revisit and assess in 2002-03 the valuation methodologies available for forest valuation. The revisit is to take account of the Corporation's business objectives and strategies, prevailing Accounting Standards and the presently applied valuation method of Net Market Value.

Further comment on the Growing Timber valuation is provided in the section below titled 'Interpretation and Analysis of Financial Statements'.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Forestry Corporation included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by the South Australian Forestry 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 outlined under 'Audit Findings and Comments', were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Establishment of the Corporation

As at 1 January 2001, the Corporation effectively took over the functions previously undertaken by the ForestrySA business unit within the Department for Administrative and Information Services (DAIS). Note 1 to the financial statements explains the specific nature and significance of the material transactions that were effected between DAIS and the Corporation as at establishment date.

Statements of Financial Performance and Cash Flows

As the Corporation was established on 1 January 2001 the Statements of Financial Performance and Cash Flows include comparative figures that cover only the six-month period from 1 January 2001 to 30 June 2001. However, as the Corporation effectively assumed the functions of the ForestrySA business unit of DAIS, the Corporation has presented figures that cover the full financial year ended 30 June 2001 for comparative purposes in Note 29 to the financial statements.

Sales revenue of the Corporation for 2001-02 amounted to $105.9 million. Other revenue was $6.1 million.

Overall expenditure for 2001-02 was $76.5 million. Principal items of expenditure related to Cost of Sales of $50.3 million and Plantation Expenses of $16.2 million.

Statement of Financial Position

Growing Timber

Note 2.3 'Forestry Accounting' to the financial statements explains the basis and main features of the Corporation's valuation methodology applied to the non-current asset growing timber for financial reporting purposes.

The following table summarises valuations of growing timber for the past five years by region and revaluation increments (decrements).

Region	**2002 $'million**	2001 $'million	2000 $'million	1999 $'million	1998 $'million
South East Region:					
Young plantations	**27.5**	25.9	24.9	22.4	23.5
Old plantations	**486.1**	486.5	478.5	469.1	473.9
Central and Northern Regions:					
Young plantations	**3.9**	3.8	3.4	3.3	3.7
Old plantations	**79.7**	77.2	71.7	71.3	71.1
	597.2	593.4	578.5	566.1	572.2
Revaluations:					
Increment (Decrement)	**3.8**	14.9	12.4	(6.1)	(32.1)

Repayment of Capital

Prior to 2001-02, the Corporation self insured against fire losses up to a value of $15 million. This was provided for through the Insurance Loss Reserve in the Statement of Financial Position. SAICORP provides insurance coverage for losses beyond this amount. During the year, the Insurance Loss Reserve was closed and the balance was returned to the Treasurer as part of a $20 million return of capital.

In the event of losses caused by fire, the Corporation's immediate cash requirements would need to be met from internal cash reserves and borrowings. To facilitate this arrangement, the Corporation established an appropriate commercial credit facility with the South Australian Government Financing Authority.

EXTRACT FROM INDEPENDENT AUDIT REPORT

Qualification

Growing Timber

The Corporation manages South Australia's plantation forests. In relation to Forestry operations the Corporation has adopted a market based method of revaluation for the Non-Current Asset - Growing Timber. Under this method, the inventory 'growing timber' is valued at its 'net market value' at the reporting date.

In 1994, I appointed an independent consultant with expertise in Forestry to examine the systems and processes used in the estimation of growing timber and to report with respect to their auditability. In summary, the consultant concluded that the systems and processes used in the estimation of growing timber were generally of a high technical standard. Notwithstanding these comments, the consultant made a number of statements with regard to the auditability of the estimates of the volume of standing timber. This precludes the independent attestation of these estimates within an acceptable level of audit confidence.

Audit, in the latter part of 1999-2000, again with assistance from an external forestry consultant, undertook an up to date assessment of systems and processes in relation to the estimation of growing timber. Although the 1999-2000 review noted some progress with respect to systems and processes, there still existed certain matters requiring consideration and resolution before the qualifying comment of the Auditor-General in relation to the estimation of growing timber could be re-assessed for removal from the Independent Audit Report.

The Corporation intends in 2002-03 to revisit and assess the valuation methodologies available for forest valuation. The revisit is to take account of the Corporation's business objectives and strategies, prevailing Accounting Standards and the presently applied valuation method of Net Market Value.

Consistent with prior years I am not in a position to form an opinion on the reasonableness of the estimation of the value of the asset growing timber.

Qualified Audit Opinion

In my opinion, except for the effect on the financial report of the matter referred to in the qualification paragraph, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987*, applicable Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of the South Australian Forestry Corporation as at 30 June 2002, the results of its operations and its cash flows for the year then ended.*

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 $'000	1.1.01 to 30.6.01 $'000
Sales revenue	5(ii)	**105 844**	47 398
Cost of sales		**(50 287)**	(23 064)
Gross Profit		**55 557**	24 334
Community service obligation funding	5(ii)	**3 547**	3 461
Other revenue	5(ii)	**2 536**	1 866
Plantation expenses		**(16 238)**	(8 021)
Non-commercial activity expenses		**(3 822)**	(2 276)
Administration expenses		**(6 114)**	(3 107)
Trading Profit before Revaluation of Growing Timber		**35 466**	16 257
Net change in value of growing timber	4	**3 800**	14 930
Profit from Ordinary Activities before Related Income Tax Expense and Restructure		**39 266**	31 187
Income tax related to ordinary activities	2,6	**10 653**	5 447
Profit from Ordinary Activities after Related Income Tax Expense and before Restructure		**28 613**	25 740
Transfer of net assets from restructure	2,8	**-**	770 888
NET PROFIT AFTER INCOME TAX AND RESTRUCTURE		**28 613**	796 628
Net credit to an asset revaluation reserve on revaluation of non-current assets		**510**	7 703
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**29 123**	804 331

Statement of Financial Position as at 30 June 2002

	Note	2002 $'000	1.1.01 to 30.6.01 $'000
CURRENT ASSETS:			
Cash		**15 993**	25 224
Receivables	10	**10 983**	10 964
Inventories	11	**2 716**	2 022
Other	12	**469**	306
Total Current Assets		**30 161**	38 516
NON-CURRENT ASSETS:			
Growing timber	11	**597 250**	593 450
Property, plant and equipment	13	**214 312**	212 142
Total Non-Current Assets		**811 615**	805 592
Total Assets		**841 776**	844 108
CURRENT LIABILITIES:			
Creditors and accruals	15	**6 374**	5 999
Provisions	16	**2 895**	12 050
Other	17	**1 301**	1 483
Total Current Liabilities		**10 570**	19 532
NON-CURRENT LIABILITIES:			
Creditors and accruals	15	**2 222**	1 925
Provisions	16	**1 222**	847
Other	17	**286**	235
Total Non-Current Liabilities		**3 730**	3 007
Total Liabilities		**14 300**	22 539
NET ASSETS		**827 476**	821 569
EQUITY:			
Base capital	19	**4 983**	24 983
Reserves	22	**754 435**	761 158
Retained profits	20	**68 058**	35 428
TOTAL EQUITY		**827 476**	821 569
Commitments and Contingent Liabilities	23		

Statement of Cash Flows for the year ended 30 June 2002

	Note	**2002 Inflows (Outflows) $'000**	1.1.01 to 30.6.01 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**107 798**	45 515
Payments to suppliers and employees		**(76 108)**	(36 821)
Interest received		**563**	652
Community service obligation funding		**3 548**	3 461
GST receipts on sales		**10 656**	4 775
GST payments on purchases		**(6 585)**	(3 035)
GST payments to taxation authority		**(4 103)**	(1 601)
Income tax paid		**(10 352)**	(4 975)
Net Cash provided by Operating Activities	24(ii)	**25 417**	7 971
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets		**(2 749)**	(934)
Purchase of land		**(549)**	-
Proceeds from sale of fixed assets		**315**	78
Insurance recoveries		**715**	-
Net Cash used in Investing Activities		**(2 268)**	(856)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividend paid		**(12 380)**	(5 587)
Repayment of capital	19	**(20 000)**	-
Net Cash used in Financing Activities		**(32 380)**	(5 587)
NET (DECREASE) INCREASE IN CASH HELD		**(9 231)**	1 528
CASH AT 1 JULY		**25 224**	23 696
CASH AT 30 JUNE	24(ii)	**15 993**	25 224

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Role and Function of the South Australian Forestry Corporation

The South Australian Forestry Corporation (SAFC), trading under the name of ForestrySA, was established under the *South Australian Forestry Corporation Act 2000* on 1 January 2001. The SAFC is subject to the provisions of the *Public Corporations Act 1993* and has the key responsibilities of:

- Managing State-owned plantation forests including harvesting and delivery of forest products to customers
- Supporting and facilitating forestry industry development
- Providing recreational access to forest reserves
- Managing native forests for conservation purposes
- Providing policy support and advice to Government, the industry and the community.

In addition to its business operations, SAFC is funded for the provision of certain community service obligations (CSOs). These are:

- Forest industry development
- Forestry policy and legislative support
- Community use of forests
- Native forest management; and
- Community protection (including fire protection).

Prior to the creation of SAFC on 1 January 2001 its functions were carried out by the ForestrySA business unit within the Department for Administrative and Information Services (DAIS), an administrative unit of the South Australian Government.

On 1 January 2001 all of the operations and employees of ForestrySA were transferred to SAFC. As at 1 January 2001 an amount of $24.983 million was transferred from DAIS to SAFC and recognised as base capital within the equity component of the Statement of Financial Position. Effective also on that date ForestrySA net assets of $770.888 million were transferred at no cost from DAIS to SAFC. The Statement of Financial Performance for the SAFC for the six months ended 30 June 2001 recognises this as a revenue item titled 'transfer of net assets from restructure'. Refer to Note 8 for additional information.

This treatment is consistent with applicable accounting standards and Urgent Issues Group consensus views, including Australian Accounting Standard AAS 29 'Financial Reporting by Government Departments' and Urgent Issues Group Abstract 38 'Contributions by Owners Made to Wholly-Owned Public Sector Entities'.

2. Accounting Policies

2.1 Basis of Accounting

These accounts cover the operations of SAFC and have been prepared in accordance with Statement of Accounting Concepts, applicable Australian Accounting Standards and Urgent Issues Group Consensus Views and the Treasurer's Instructions. The accounts have been prepared on the basis of historical cost and do not take into account changing money values or except where stated, current valuation of non-current assets. A market value based method as described in Note 2.3, Forestry Accounting, has been applied in relation to growing timber. The accounting policies have been consistently applied unless otherwise stated. The accrual method of accounting has been adopted in these accounts.

2.2 *Comparative Figures*

As SAFC has only been operating for 18 months, comparative figures are for the six months ended 30 June 2001.

Note 29 to the accounts include a Statement of Financial Performance and Statement of Cash Flows for the years ended 30 June 2002 and 30 June 2001. The statements for the year ended 30 June 2001 represent the combined operations of the SAFC (1 January 2001 to 30 June 2001) and the ForestrySA business unit (1 July 2000 to 31 December 2000). As the operations of SAFC and the ForestrySA business unit did not differ in any material aspects, this Note provides meaningful information for comparative purposes in relation to the current operations of SAFC.

Where necessary, comparative figures are adjusted to conform with changes in presentation in the current period. No material changes in presentation are included in these financial statements.

2.3 *Forestry Accounting*

Due to the special nature of growing timber, which includes a long production cycle combined with physical change, historical cost accounting does not provide a meaningful measure of the economic performance or asset value of forestry activities. In order to provide more relevant, reliable and understandable information, a market value based method has been applied to growing timber.

The inventory value of growing timber (Note 2.8) is calculated for financial reporting purposes only, as a measure of forest management performance over the reporting period.

The main features of this method are:

- At the reporting date the inventory of growing timber is valued at its net market value. For the purpose of this financial statement net market value is defined as the amount which could be expected to be received from the disposal of the existing mix of forest products in an active and liquid market after deducting the direct costs incurred in realising the proceeds of such a disposal. This is in accordance with the requirements of Accounting Standard AASB 1037 'Self Generating and Regenerating Assets'. All amounts are calculated in pre-tax dollars in accordance with the Treasurer's Instructions.

- The difference between the net market value of the inventory of growing timber held at the reporting date and the net market value at the previous reporting date is recognised as revenue in the Statement of Financial Performance, where it is described as 'Net change in value of growing timber';

  - The market value of growing timber realised during the period is reported under Sales Revenue;
  - All non-capital forest expenditure is recognised as 'plantation expenses' in the year the expenditure takes place.

Current policy provides that revenue resulting from the net increment in the value of growing timber is unrealised revenue and is therefore not available for distribution. This amount is transferred from Retained Profit to the Growing Timber Revaluation Reserve (Note 22) of the Statement of Financial Position.

The volume of growing timber is estimated using a model that simulates forest growth. Actual growth will invariably differ to some extent from growth predicted by the model resulting in periodic adjustments to net market value for these growth variations. The model uses sample inventory data as the base line from which to start growth simulations. Inventory data are continuously being collected with the complete forest estate being covered in about five yearly intervals. The inventory master database is updated about every five years and on these occasions the model simulations are repeated. For South Eastern forests the master database was last updated in 1998, for Central forests in 1997 and Northern forests in 1999.

The method used to determine the volume of timber contained in the radiata plantations is 'standing volume' (the volume of wood in the stem of trees which is potentially useable) less an allowance for residues incurred under current harvesting practice. This ensures that the net market value is based upon realisable volumes.

2.4 *Income Tax (Payment in Lieu of Income Tax)*

SAFC is required to make taxation payments in accordance with the taxation equivalents regime. As SAFC engages in trading activities in competition with private sector enterprises, a payment in lieu of income tax, equivalent to the tax applicable to public companies under Commonwealth income tax law, is paid to the South Australian Government Consolidated Account.

The liability method of tax-effect accounting has been adopted, whereby the income tax expense shown in the Statement of Financial Performance is based on the operating profit before income tax expense, adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit before income tax expense and taxable income are brought to account as either provision for deferred income tax, or an asset described as future income tax benefit. These items are recorded at the rate of income tax applicable to the period in which the benefit will be received, or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

2.5 Current and Non-Current Classifications

In the Statement of Financial Position, assets and liabilities expected to be realised as cash within 12 months are classified as current. Assets and liabilities expected to be realised as cash in a period greater than 12 months are classified as non-current.

2.6 Property, Plant and Equipment

Property, plant and equipment are brought to account at cost or at independent or management's valuation, less, where applicable, any accumulated depreciation or amortisation. Property, plant and equipment are revalued downwards to recoverable amount where the carrying value of any group of assets, for which relevant cash flows can be identified, exceeds recoverable amount.

All fixed assets including buildings and capitalised leasehold assets, but excluding freehold land, are depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The gain or loss on disposal of all fixed assets, including revalued assets, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the results in the year of disposal.

SAFC adopts the policy of annually revaluing all land at the end of June each year. The basis of the revaluation is the current market value of the unimproved land. In accordance with this policy, land was revalued in 2002 in an independent valuation by the Valuer-General. Where a valuation has not been provided by the Valuer General the land is valued at cost.

The revaluations of freehold land have not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax.

2.7 Leases

Lease payments under operating leases are charged as expenses in the periods in which they are incurred.

2.8 Inventories

Growing timber and log are valued at net market value. Market values are determined as follows:

Growing timber of a marketable size is valued at its net market value. SAFC has determined the net market value by sampling market conditions over the twelve months preceding balance date and has calculated the weighted average return for each diameter class, after deducting direct costs incurred in realising those returns. This is in accordance with the requirements of AASB 1037.

Growing timber below a marketable size is valued by a reasonable proxy by annually compounding the current replacement cost, from the date of preparation of the site for planting, at the minimum desired rate of return of 6 percent per annum in absence of verifiable market prices. This is considered to be a reasonable approximation, particularly as young timber accounts for approximately 5 percent of the total value.

2.9 Employee Benefits

Provision is made in respect of SAFC's liability for employee entitlements arising from services rendered by employees at balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages, salaries, annual leave and rostered days off which will be settled after one year, have been measured at their nominal amount.

Long service leave is accrued in respect of all employees with more than seven years service with the entity. This base provides a reasonable approximation of the present value of the estimated future cash outflows to be made for those entitlements.

SAFC as a self insurer is responsible to fund its workers compensation obligations. The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2002 provided by a consulting actuary engaged through the Government Workers Compensation Office and provides for the estimated cost of ongoing payments to employees as required under current legislation.

During the year ended 30 June 2002 SAFC paid $1.022 million to the Department of Treasury and Finance towards the accruing Government liability for superannuation in respect of its employees. These contributions were made to the:

State Pension Scheme
State Lump Sum Scheme
Triple S Scheme.

2.10 Doubtful Debts

The provision for doubtful debts is reviewed on an annual basis giving consideration to the currency of each customer account.

2.11 Goods and Services Tax

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenue, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by SAFC as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

2.12 Insurance Loss Reserve

On 1 January 2001 the Insurance Loss Reserve of the ForestrySA business unit was transferred to SAFC. This reserve had been created with the Treasurer's consent to cover risk exposure, over and above SAFC's insurance excess arrangements, up to a total loss aggregate of $15 million in any one insurance year.

On 2 July 2001, following the end of the reporting period, the amount of this reserve was transferred to retained profits to partially fund a $20 million return of capital to the South Australian Government. SAFC still retains the same insurance excess arrangements, but no longer holds cash reserves equal to the excess amount.

2.13 Administered Items

The following items are administered by SAFC as at 30 June 2002:

2.13.1 IPS Fund

A collective group interested in the effective control of the IPS beetle. The balance of the Fund is for the publication of research findings.

2.13.2 Carter Holt Harvey Compensation Fund

Compensation Fund for the loss of revenue as per specific agreements between the South Australian Government and Carter Holt Harvey in the contract for the sale of Forwood Products. As the period of the agreement expired during the current financial year the account was closed.

3. Funding

SAFC is funded by its trading operations. Prices charged for its products are determined by existing market forces. This financial report encompasses the Special Deposit Account with the Department of Treasury and Finance through which all funds controlled by SAFC are recorded.

Proceeds from the sale of all goods and services are controlled by SAFC and can be deployed for the achievement of its objectives. Returns to the SA Government are by way of payments in lieu of income tax and dividends in accordance with SAFC's Dividend policy.

4. Change In Net Market Value of Growing Timber

	Note	**2002 $'000**	1.1.01 to 30.6.01 $'000
Change in net market value due to:			
Normal growth and price changes		**59 819**	38 686
Reported in the operating statements as:			
Sales Revenue (market value of growing timber realised)	5(ii)	**56 019**	23 756
Net change in value of unrealised growing timber due to:			
Change in volume and prices	2.3	**3 800**	14 930
Net Change in Market Value		**59 819**	38 686

5. Profit

Profit from Ordinary Activities before income tax and restructure has been determined after:

	Note	**2002**	1.1.01 to 30.6.01
(i) Charging as Expenses			
Depreciation of non-current assets	13(b)	**1 328**	582
Bad and doubtful debts	7	**8**	(8)
Rental expense on operating leases:			
Property		**120**	55
Plant and equipment		**1 171**	506
Transfers to (from) provision for:			
Long service leave		**176**	(701)
Annual leave		**(50)**	(195)
Workers compensation		**24**	27
(ii) Crediting as Income			
Sales Revenue:			
Revenue realised from the sale of timber products	4	**56 019**	23 756
Other sales revenue (including recoup of harvesting and transport costs)		**49 825**	23 642
		105 844	47 398
Community service obligation funding received	1	**3 547**	3 461
Other operating revenue:			
Interest received or receivable		**511**	652
Proceeds on disposal of non-current assets		**412**	78
Insurance recoveries		**715**	-
Government grants received		**455**	102
Other revenue		**443**	782
		2 536	1 866
(iii) During the year $53 000 was paid to consultants		**53**	178

No individual consultancy exceeded $10 000.

6. Income Tax

(i) The prima facie tax on operating profit is reconciled to the income tax provided in the accounts as follows:

	2002	1.1.01 to 30.6.01
Prima facie tax at 30 percent on profit from ordinary activities	**11 780**	272 706
Add: Increase in income tax expense due to non tax deductible Items:		
Other non-allowable items	**13**	-
	11 793	272 706
Less: Decrease in income tax expense due to:		
Transfer of net assets from restructure	**-**	262 102
Forest revaluation	**1 140**	5 076
Other deductible Items	**-**	81
	1 140	267 259
Income tax attributable to operating profit before income tax	**10 653**	5 447
Income Tax Expense	**10 653**	5 447

		Note	2002 $'000	1.1.01 to 30.6.01 $'000
(ii)	The income tax expense comprises amounts set aside as:			
	Provision for income tax attributable to current year:			
	Income tax payable on operating profit		**10 355**	5 371
	Provision for income tax attributable to future years:			
	Provision for deferred income tax		**351**	312
	Future Income Tax Benefit		**(53)**	(236)
			10 653	5 447
7.	**Bad and Doubtful Debts**			
	Transfer to (from) doubtful debts		**8**	(8)
	Bad debts written off against doubtful debts		**13**	-
8.	**Transfer of Net Assets from Restructure**			
	Transfer of net assets from restructure before related income tax expense		**-**	770 888
	Related income tax expense		**-**	-
	Transfer of net assets from restructure	2	**-**	770 888
	Add: Base capital	19	**-**	24 983
	Net assets transferred		**-**	795 871
	The following assets and liabilities were transferred:			
	Assets:			
	Current assets		**-**	34 349
	Non-current assets		**-**	782 488
	Total Assets		**-**	816 837
	Liabilities:			
	Current liabilities		**-**	16 911
	Non-current liabilities		**-**	4 055
	Total Liabilities		**-**	20 966
	Net Assets		**-**	795 871
9.	**Auditors' Remuneration**			
	Amount received, or due and receivable, by the auditors for auditing the accounts		**85**	85
10.	**Receivables**			
	Current:			
	Trade debtors		**10 781**	10 622
	Less doubtful debts		**2**	7
			10 779	10 615
	Other debtors		**204**	349
			10 983	10 964
11.	**Inventories**			
	Current:			
	Chip stocks		**900**	916
	Materials and stores		**354**	414
	Harvested log stocks		**1 462**	692
			2 716	2 022
	Non-Current:			
	Growing timber		**597 250**	593 450
12.	**Other Current Assets**			
	Prepayments		**469**	306
13.	***(a)*** ***Property, Plant and Equipment***			
	Land:			
	At independent valuation		**199 701**	194 587
	At cost		**1 925**	6 074
			201 626	200 661
	Buildings:			
	At cost		**7 667**	7 155
	Less: Accumulated depreciation		**3 298**	3 103
			4 369	4 052
	Plant and Equipment:			
	At cost		**16 138**	15 237
	Less: Accumulated depreciation		**8 086**	8 124
			8 052	7 113
	Log Storage Site Works and Facilities:			
	At cost		**157**	157
	Less: Accumulated depreciation		**150**	149
			7	8
	Computer Software:			
	At cost		**679**	623
	Less: Accumulated depreciation		**421**	315
			258	308
	Total Property, Plant and Equipment		**214 312**	212 142

(b) Property, Plant and Equipment - Movements Schedule

	Land $'000	Buildings & Structures $'000	Plant & Equipment $'000	Log Storage Sites $'000	Computer Software $'000	**Total $'000**
Balance at 1 July	200 661	4 052	7 113	8	308	**212 142**
Additions	549	659	2 035	-	57	**3 300**
Disposals	(94)	(29)	(188)	-	-	**(311)**
Net revaluation increments	510	-	-	-	-	**510**
Depreciation expense	-	(313)	(908)	(1)	(107)	**(1 329)**
Carrying amount at 30 June	201 626	4 369	8 052	7	258	**214 312**

		Note	**2002 $'000**	1.1.01 to 30.6.01 $'000
14.	**Other Non-Current Assets**			
	Future Income Tax Benefit		**53**	-
			53	-
	The future income tax benefit is made up of the following estimated tax benefits:			
	Timing differences		**53**	-
			53	-
15.	**Creditors and Accruals**			
	Current:			
	Trade creditors		**5 408**	4 919
	Accrued salaries and wages		**435**	378
	Employee entitlements		**531**	702
			6 374	5 999
	Non-Current:			
	Employee entitlements		**2 222**	1 925
16.	**Provisions**			
	Current:			
	Income tax		**2 769**	2 768
	Dividend	21	**-**	9 165
	Workers compensation		**126**	117
			2 895	12 050
	Non-Current:			
	Income tax		**830**	470
	Workers compensation		**392**	377
			1 222	847
17.	**Other Liabilities**			
	Current:			
	Accrued expenses		**1 189**	1 215
	Revenue received in advance		**112**	268
			1 301	1 483
	Non-Current:			
	Accrued expenses		**286**	235

18. Equity

Equity represents the residual interest in the net assets of the South Australian Forestry Corporation. The South Australian Government holds the equity interest in the Corporation on behalf of the community.

19. Base Capital

Base capital represents advances from the South Australian Government in the nature of contributions as owner.

	Note		
Base capital at 1 July		**24 983**	-
Contributions by the SA Government as owner		**-**	24 983
Repayment of capital		**(20 000)**	-
Base capital as at 30 June		**4 983**	24 983

20. Retained Profits

	Note		
Retained profits at 1 July	2.1	**35 428**	-
Net profit after income tax expense and restructure		**28 613**	796 628
Transfer from (to) asset revaluation reserve	22	**-**	(179 697)
Transfer from (to) insurance loss reserve	22	**11 033**	(11 033)
Transfer from (to) growing timber revaluation reserve	22	**(3 800)**	(562 725)
Total Available for Appropriation		**71 274**	43 173
Dividends provided for or paid	2,21	**3 216**	7 745
Retained Profits at 30 June		**68 058**	35 428

Dividends are paid to the South Australian Government using a free cash model. The balance of retained profits is reinvested in capital and transfers to/from reserves.

21. Dividends Paid and Proposed

	2002 $'000	1.1.01 to 30.6.01 $'000
Provision as at 1 July	**9 164**	7 006
Dividend paid	**9 164**	-
Interim dividend paid current year	**-**	5 587
	-	1 419
Dividend provided	**-**	7 745
Provision as at 30 June	**-**	9 164

During the year SAFC made dividend payments to the Treasurer of $12 380 000. Payments comprised $9 164 000 provided for at 30 June 2001 and $3 216 000 met from 2001-02 trading operations.

In August 2002 the SAFC Board determined that a dividend in respect of 2001-02 operations be recommended to the Minister for consideration by the Treasurer under the dividend policy approved by Cabinet in November 2000. The recommended dividend consists of a final dividend of $9 126 000 and a special dividend of $7 801 000 that relates to additional profit from trading operations for the 2001-02 year.

22. Reserves

	Note	2002 $'000	1.1.01 to 30.6.01 $'000
Asset revaluation reserve		**187 910**	187 400
Insurance loss reserve		**-**	11 033
Growing timber revaluation reserve		**566 525**	562 725
		754 435	761 158
Movements during the period:			
Asset Revaluation:			
Transfer from retained profits		**-**	179 697
Revaluation increment on land	13(b)	**510**	7 703
Insurance Losses:			
Transfer (to) from retained profits		**(11 033)**	11 033
Growing Timber Revaluation:			
Transfer from retained profits		**-**	547 795
Net increase in value for period transferred from retained profits	4	**3 800**	14 930
		(6 723)	761 158

23. Capital and Leasing Commitments

(i) Operating Lease Commitments

Non cancellable operating leases contracted for but not capitalised in the accounts:

	2002	1.1.01 to 30.6.01
Due not later than one year	**961**	891
Due later than one year but not later than five years	**352**	661
Due later than five years	**211**	-
Total operating lease commitments	**1 524**	1 552

These operating lease commitments are not recognised in the financial report as liabilities.

The property lease is non cancellable, with rental payable monthly in advance. Rental provisions within the lease agreement require the minimum lease payments to be increased by 4 percent per annum.

Plant and equipment leases are non cancellable, with rental payable monthly in arrears. Rental provisions within the lease agreement apply fixed rates for the full term of each lease.

No options exist to renew the leases at the end of the term of the leases.

(ii) Contingent Liabilities

The Corporation has no contingent liabilities.

24. Statement of Cash Flows

(i) Components of Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposit account. Cash as shown in the Statement of Cash Flows is reconciled to the beginning and end of period Statement of Financial Position as follows:

	2002 $'000	1.1.01 to 30.6.01 $'000
Cash	**1**	2
Deposit account	**15 992**	25 222
	15 993	25 224

(ii) Reconciliation of Net Cash provided by Operating Activities to Operating Profit After Tax

	2002	1.1.01 to 30.6.01
Net cash provided by operating activities	**25 417**	7 971
Other reconciliation movements:		
Depreciation and amortisation	**(1 328)**	(582)
Doubtful debts	**5**	(8)
(Increase) Decrease in provisions for:		
Long service leave	**(176)**	701
Annual leave	**50**	195
Workers compensation	**(24)**	(27)
Movement in income taxes payable and future income tax benefit	**(308)**	(472)
Revenue on net assets received at no cost on commencement of operations	**-**	770 888

		2002	1.1.01 to 30.6.01
(ii)	***Reconciliation of Net Cash provided by Operating Activities to Operating Profit After Tax (continued)***	**$'000**	$'000
	Revenue on property, plant and equipment received at no cost	**-**	685
	Revenue on insurance recoveries	**715**	-
	Gain (Loss) on sale of property, plant and equipment	**6**	(252)
	Changes in Assets and Liabilities:		
	Increase in receivables	**14**	2 404
	Increase in inventories	**4 494**	15 051
	Increase in prepaid expenses	**163**	106
	(Increase) in creditors	**(546)**	(1095)
	(Increase) Decrease in accrued expenses	**(25)**	1 115
	Decrease (Increase) in unearned revenue	**156**	(68)
	Net Profit after Income Tax Expense and Restructure	**28 613**	796 628

25. Schedule of Administered Items

	Note	IPS Fund 2002 $'000	Carter Holt Harvey 2002 $'000
Statement of Financial Performance			
Administered operating revenues receipts from Government		**1**	**6**
Total Operating Revenues		**1**	**6**
Administered operating expenses		**-**	**176**
Administered Operating Revenues less Administered Operating Expense		**1**	**(170)**
Statement of Financial Position			
Current assets		**10**	**-**
Non-current assets		**-**	**-**
Total Assets		**10**	**-**
Current liabilities		**-**	**-**
Non-current liabilities		**-**	**-**
Total Liabilities		**-**	**-**
Net Assets		**10**	**-**
Retained profits		**10**	**-**
Statement of Cash Flows			
Operating Activities:			
Inflows		**1**	**6**
Outflows		**-**	**176**
Net Cash Flow provided by (used in) Operating Activities		**1**	**(170)**
Net Increase (Decrease) in Cash Held		**1**	**(170)**
Cash Balance at 1 July		**9**	**170**
Cash Balance at 30 June	2.13	**10**	**-**

26. Remuneration of Directors and Employees

For the year ended 30 June 2002 and the six months ended 30 June 2001

		2002	1.1.01 to 30.6.01
(i)	***Directors' Remuneration***	**$'000**	$'000
	Income paid or due and payable to or on behalf of directors	**169**	58
	The number of directors whose income was within the following bands:	**Number of Directors**	Number of Directors
	$10 000 - $19 999	**-**	5
	$30 000 - $39 999	**4**	-
	$40 000 - $49 999	**1**	-
(ii)	***Employees' Remuneration***	**$'000**	$'000
	Income paid or due and payable to or on behalf of employees whose income was $100 000 or more.	**373**	-
	The number of executive officers whose income was within the following bands	**Number of Executive Officers**	Number of Executive Officers
	$100 000 - $109 999	**1**	-
	$110 000 - $119 999	**1**	-
	$150 000 - $159 999	**1**	-

For the years ended 30 June 2002 and 30 June 2001

(i)	***Directors Remuneration***	**$'000**	$'000
	Income paid or due and payable to or on behalf of directors	**169**	76
	The number of directors whose income was within the following bands:	**Number of Directors**	Number of Directors
	$10 000 - $19 999	**-**	4
	$20 000 - $29 999	**-**	1
	$30 000 - $39 999	**4**	-
	$40 000 - $49 999	**1**	-

(ii) Employees Remuneration

	\$'000	\$'000
Income paid or due and payable to or on behalf of employees whose income was \$100 000 or more	**373**	460

The number of employees whose income was within the following bands:	**Number of Employees**	Number of Employees
\$100 000 - \$109 999	**1**	3
\$110 000 - \$119 999	**1**	-
\$140 000 - \$149 999	**-**	1
\$150 000 - \$159 999	**1**	-

27. Related Party Disclosures

The following persons held the position of director of the Corporation during the financial year:

S Blencowe (Chairperson)
J Meeking
W Wilson
S Duncan
D McLeod

Transactions between SAFC and its directors are made at arms length.

28. Financial Instruments

(i) Credit Risk Exposures

The credit risk on financial assets of the economic entity which have been recognised in the Statement of Financial Position is generally the carrying amount, net of any provision for doubtful debts.

(ii) Interest Rate Risk Exposures

The economic entities exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table.

		Fixed Interest Maturing				
	Floating Rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	Over 5 years \$'000	**2002 Total \$'000**	2001 Total \$'000
Financial Assets:						
Cash	15 993	-	-	-	**15 993**	25 224
Receivables	10 983	-	-	-	**10 983**	10 964
	26 976	-	-	-	**26 976**	36 188
Weighted average interest rate percent	5.71	-	-	-		
Financial Liabilities:						
Payables	5 408	-	-	-	**5 408**	4 919
Weighted average interest rate percent	-	-	-	-	**-**	-
Net Financial Assets (Liabilities)	21 568	-	-	-	**21 568**	31 269

Reconciliation of Net Financial Assets to Net Assets	**\$'000**
Net financial assets as above	**21 568**
Non financial Assets and (Liabilities):	
Current inventories	**2 716**
Other current assets	**469**
Non-current inventories	**597 250**
Property, plant and equipment	**214 312**
Other non-current assets	**53**
Accrued salaries and wages	**(435)**
Employee entitlements	**(2 753)**
Current provisions	**(2 895)**
Other current liabilities	**(1 301)**
Non-current provisions	**(1 222)**
Other non-current liabilities	**(286)**
Net Assets per Statement of Financial Position	**827 476**

(iii) Net Fair Value of Financial Assets and Liabilities

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

The resultant net fair values represents the best estimate of replacement cost. The cost of realising fair values is considered 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:

	2002 \$'000
Financial Assets:	
Cash	**15 993**
Trade Debtors	**10 985**
Provision for Doubtful Debts	**(2)**
	26 976
Financial Liabilities:	
Trade Creditors	**5 408**

(iv) Terms and Conditions

Financial Assets

- *Cash on Hand and Deposits*

  Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis. Interest is calculated on the average daily balance of the account and the interest rate is the 90 day Bank Bill Rate less 0.05 percent which averaged 4.34 percent for the year ended 30 June 2002.

- *Receivables*

  Receivables are recorded at amounts due to SAFC less a provision for doubtful debts. They are recorded as the debts fall due. Receivables are due within 30 days.

Financial Liabilities

- *Creditors*

  Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when the goods and services have been provided.

  Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

29. Combined Full Year Results for the Years Ended 30 June 2002 and 30 June 2001

Refer Notes 2 and 2.2 regarding the purpose and basis of preparation of the Statement of Financial Performance and Statement of Cash Flows presented below:

Statement of Financial Performance for the year ended 30 June	**2002**	2001
	$'000	$'000
Sales revenue	**105 844**	99 571
Cost of sales	**(50 287)**	(48 699)
Gross Profit	**55 557**	50 872
Community service obligation funding	**3 547**	3 461
Other revenue	**2 536**	3 041
Plantation expenses	**(16 238)**	(15 058)
Non-commercial activity expenses	**(3 822)**	(3 887)
Administration expenses	**(6 114)**	(5 832)
Trading Profit before Revaluation	**35 466**	32 597
Net change in value of growing timber	**3 800**	14 930
Profit from Ordinary Activities before Related Income Tax Expense	**39 266**	47 527
Income tax related to ordinary activities	**10 653**	11 010
Profit from Ordinary Activities after Related Income Tax Expense	**28 613**	36 517
Net credit to an asset revaluation reserve on revaluation of non-current assets	**510**	7 703
Total Changes in Equity other than those Resulting from Transactions with the State Government as Owner	**29 123**	44 220

Statement of Cash Flows for the year ended 30 June	**2002 Inflows (Outflows)**	1.1.01 to 30.6.01 Inflows (Outflows)
Cash Flows from Operating Activities:	**$'000**	$'000
Receipts from customers	**107 798**	102 682
Payments to suppliers and employees	**(76 108)**	(74 298)
Interest received	**563**	1 406
Community service obligation funding	**3 548**	3 461
GST receipts on sales	**10 656**	10 017
GST payments on purchases	**(6 585)**	(5 934)
GST payments to taxation authority	**(4 103)**	(3 747)
Income tax paid	**(10 352)**	(14 654)
Net Cash provided by Operating Activities	**25 417**	18 933
Cash Flows from Investing Activities:		
Purchase of fixed assets	**(2 749)**	(1 772)
Purchase of land	**(549)**	-
Proceeds from sale of fixed assets	**315**	194
Insurance recoveries	**715**	-
Net Cash used in Investing Activities	**(2 268)**	(1 578)
Cash Flows from Financing Activities:		
Dividend paid	**(12 380)**	(12 643)
Repayment of Capital	**(20 000)**	-
Net Cash used in Financing Activities	**(32 380)**	(12 643)
Net (Decrease) Increase in cash held	**(9 231)**	4 712
Cash at 1 July	**25 224**	20 512
Cash at 30 June	**15 993**	25 224

SOUTH AUSTRALIAN GOVERNMENT CAPTIVE INSURANCE CORPORATION (SAICORP)

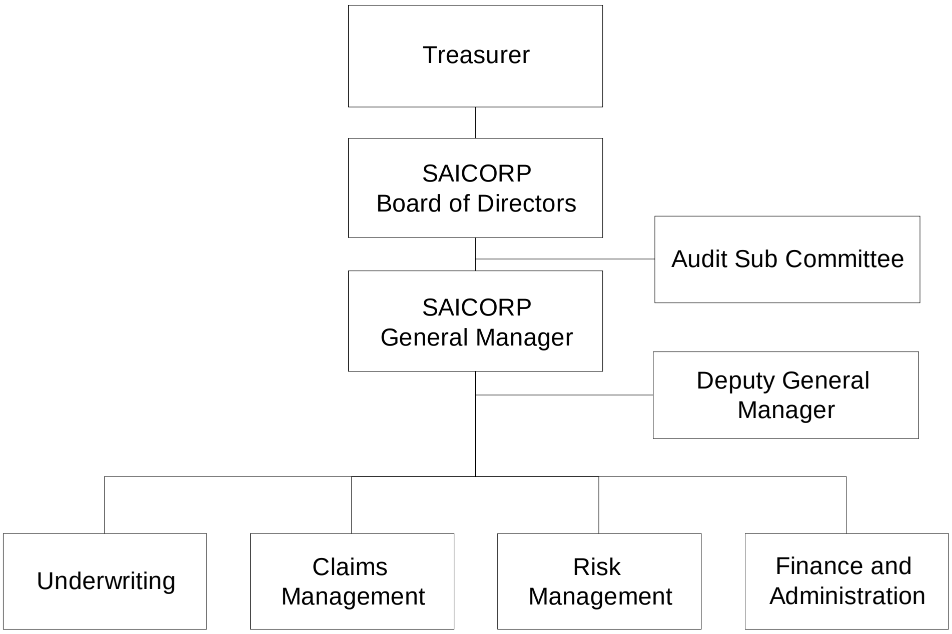
FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The South Australian Government Captive Insurance Corporation (SAICORP) is a subsidiary corporation of the Treasurer, established pursuant to Regulations under the *Public Corporations Act 1993,* and provides a formal structure for administration of the Government's insurance and risk management arrangements. SAICORP is governed by a Board, which currently consists of six members, who are appointed by the Treasurer, as responsible Minister.

All government departments and statutory authorities, unless exempted by the Treasurer, are insured with SAICORP, with an Agency Agreement setting out the cover provided and the level of excess (deductible) required to be met by the agencies. A premium is charged to agencies based on risk factors and risk management practices in place.

SAICORP also provides risk management advice to the Government and to agencies.

The Corporation is subject to the control and direction of the Treasurer, as its Minister. Administratively, SAICORP is a separate branch within the Department of Treasury and Finance (DTF), and the SAICORP Board has entered into an arrangement with DTF to cover the use of staff, assets and accommodation to provide the services required by the Board.



In addition, during the year an 'Outposted Legal Unit' of the Crown Solicitor's Office was established within SAICORP to enable the in-house management of medical malpractice and other litigious claims.

As outlined above, SAICORP is structured into the following sections:

- Underwriting — responsible for quantifying the total premium pool required by SAICORP and allocating the premium pool across the agencies insured by SAICORP. The section is also involved in marketing the Government's risks to underwriters and monitoring the performance of the broker contracted to provide reinsurance and insurance broking services to SAICORP.

- Claims Management — responsible for recording, management and monitoring of claims on behalf of SAICORP and agencies.

- Risk Management — responsible for promoting the development and implementation of best practice risk management techniques, practices and procedures in all insured agencies.

- Finance and Administration — responsible for management of SAICORP's financial activities and compilation and provision of financial information for SAICORP's Board, Audit Sub Committee and management.

Treasurer's Indemnity

Pursuant to section 19 of the *Public Finance and Audit Act 1987,* the Treasurer has indemnified SAICORP to the extent necessary to satisfy all its liabilities, which arise out of its functions in accordance with the Public Corporation (Treasurer) Regulations 1994.

South Australian Government Insurance and Risk Management Fund

The South Australian Government Insurance and Risk Management Fund (SAGIRM) Fund is a Special Deposit Account operated by SAICORP to record all activities associated with the operation of the Government's insurance and risk management arrangements.

The SAGIRM Fund has two sections:

Section 1 — records transactions associated with the operation of SAICORP since its inception. Costs such as premiums for reinsurance; insurable losses and claims arising since 1 July 1994; and administration expenses are met from the premium contributions from agencies and other income derived from activities, for example, investment earnings.

Section 2 — records the payment of losses and claims arising before 1 July 1994 and the cost of activities which fall outside the insurance covers provided under Section 1. This section is administered by SAICORP and is funded by appropriation from the Consolidated Account as claims are settled. As a result Section 2 has a substantial unfunded liability ($63 million) as at balance date.

SIGNIFICANT FEATURES

Section 1

- The underwriting result was a surplus of $5.4 million ($17.8 million surplus).

- The operating result before income tax equivalent expense was a loss of $2.5 million ($21.9 million surplus).

- A negative return on investments of $7.1 million ($4.9 million gain) was incurred due mainly to a poor performance in both domestic and overseas financial markets.

- Claim expenses increased by $22 million compared to the previous year ($5.2 million credit) due mainly to the increased outstanding claims liability.

- Reinsurance and other recoveries revenue before provision for doubtful debts was $1 million ($4.5 million debit) due to the recoveries associated with the increased outstanding claims liability.

- A provision for doubtful debts of $4.4 million ($4 million) is recognised following the collapse of HIH Insurance Limited, which was the lead reinsurer of the medical malpractice component of the Government's reinsurance program.

Section 2

- A negative (credit) claims expense of $2.6 million ($21.8 million) was incurred due mainly to the downward revision of previous outstanding claims estimates.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 13(3) of the Schedule to the *Public Corporations Act 1993* provides that the Auditor-General may, at any time, and must in respect of each financial year, audit the accounts and financial statements of SAICORP.

Scope of Audit

The audit of SAICORP covered all major areas of financial operations, including assessment of the adequacy of internal controls operating in the financial systems. The scope of the audit included:

- revenue - raising, receipting and receivables
- claims management and settlement
- liabilities including outstanding claims
- general ledger
- management reporting
- investment monitoring.

Certain accounting and financial services for SAICORP are performed by the Corporate Services Division of the Department of Treasury and Finance (DTF). Aspects of the audit review of SAICORP were therefore included within the scope of the audit of DTF.

Audit Communications to Management

During the year Audit communicated findings and issues to the General Manager.

Comments on issues referred to management are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial and Computing Controls

The review of the internal control structure of SAICORP concluded that internal controls were, in general, operating satisfactory. However, Audit did identify a number of minor issues relating to:

- duplication of transaction details
- timely preparation and review of general ledger reconciliations
- maintenance of an updated policy and procedure manual
- finalisation and testing of the Business Continuity Plan.

These issues were raised with the Corporation, and a satisfactory response was received in relation to the matters raised.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Government Captive Insurance Corporation included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by the South Australian Government Captive Insurance Corporation in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS - SECTION 1

Statement of Financial Performance

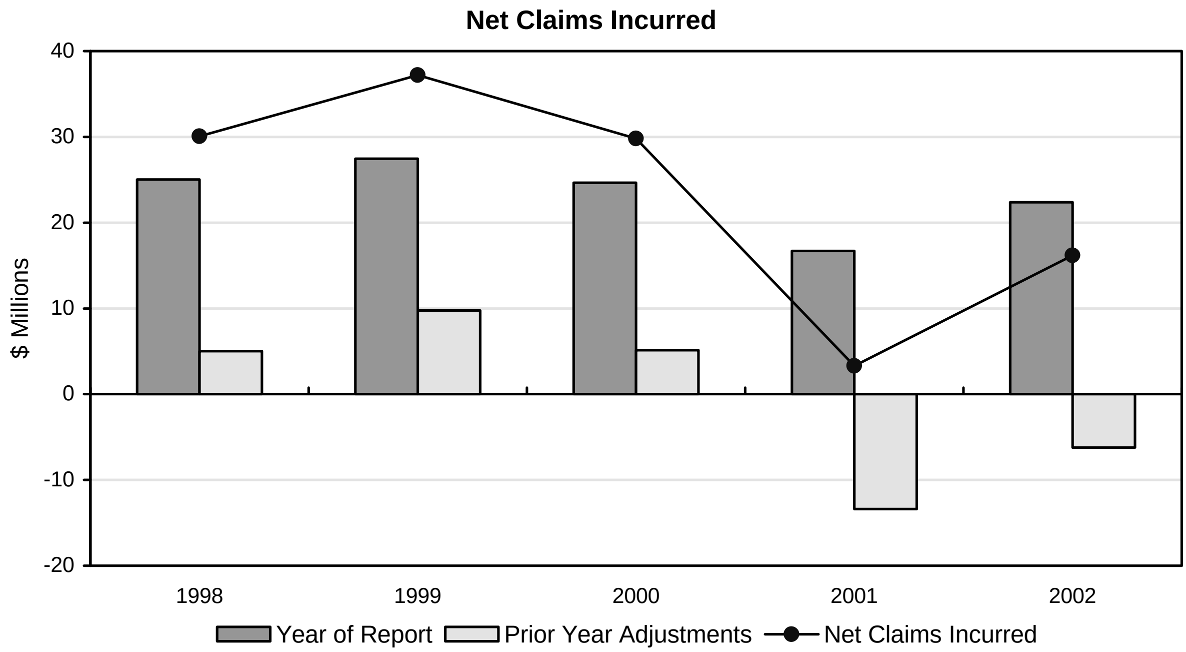
Premium Revenue

Premiums charged to agencies are SAICORP's major source of funds for the activities associated with the operation of the Government's insurance and risk management arrangements. For the year ended 30 June 2002, premiums earned by SAICORP were $32 million ($30 million). The increase in the 2002 premium revenue is consistent with the conditions in the commercial insurance market.

Net Claims Incurred

The claims expense amount reflects the movement of the outstanding claims liabilities and the cash payments made during the year.

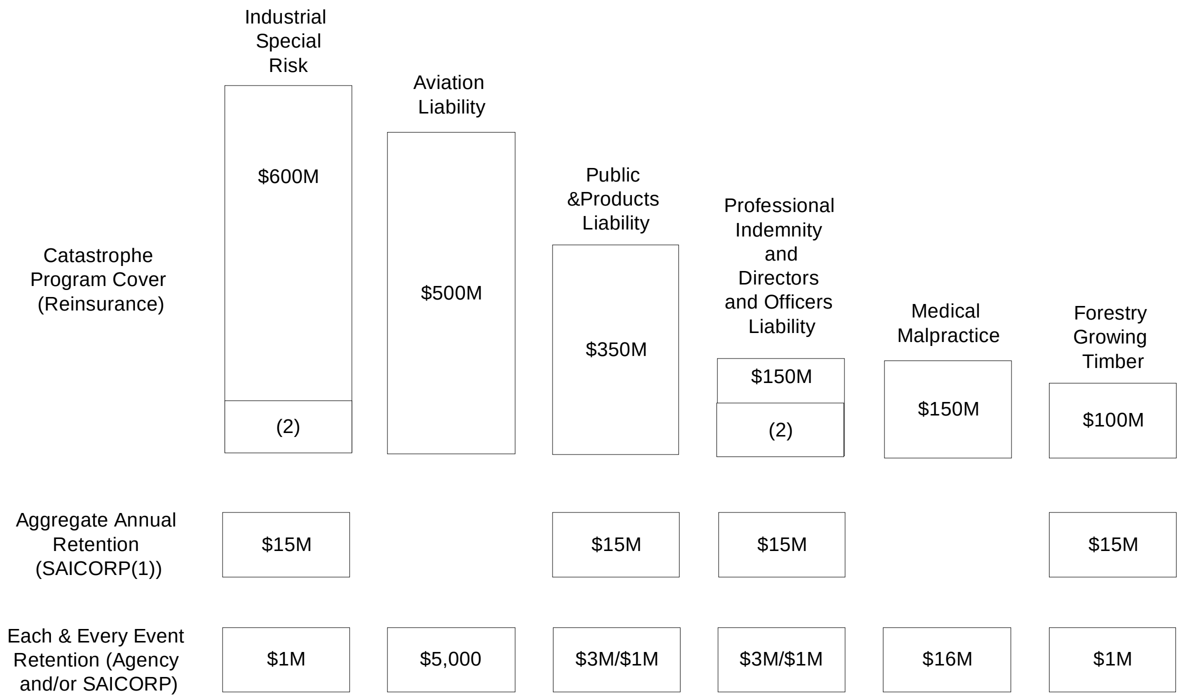
Further, the net claims incurred is made up of a combination of an estimate of claim costs relating to risks borne in the year of report, and an adjustment relating to the reassessment of claim costs for risks borne in prior periods. The following chart shows that net claims incurred have been significantly lower in the last two years, due in part to the reassessment of prior years' outstanding claims estimates.



Catastrophe Reinsurance

The State Government is fundamentally a self-insurer. However, to protect the State's finances against a very large loss or claim or a series of large losses or claims, a catastrophe reinsurance program is placed in the international insurance market through SAICORP. The premium expense relating to the 2001-02 financial year was $7.1 million ($6.8 million). The increase in the premium expense reflects the difficult conditions experienced by the global insurance industry.

The structure of SAICORP's catastrophe reinsurance arrangements can be depicted as follows:



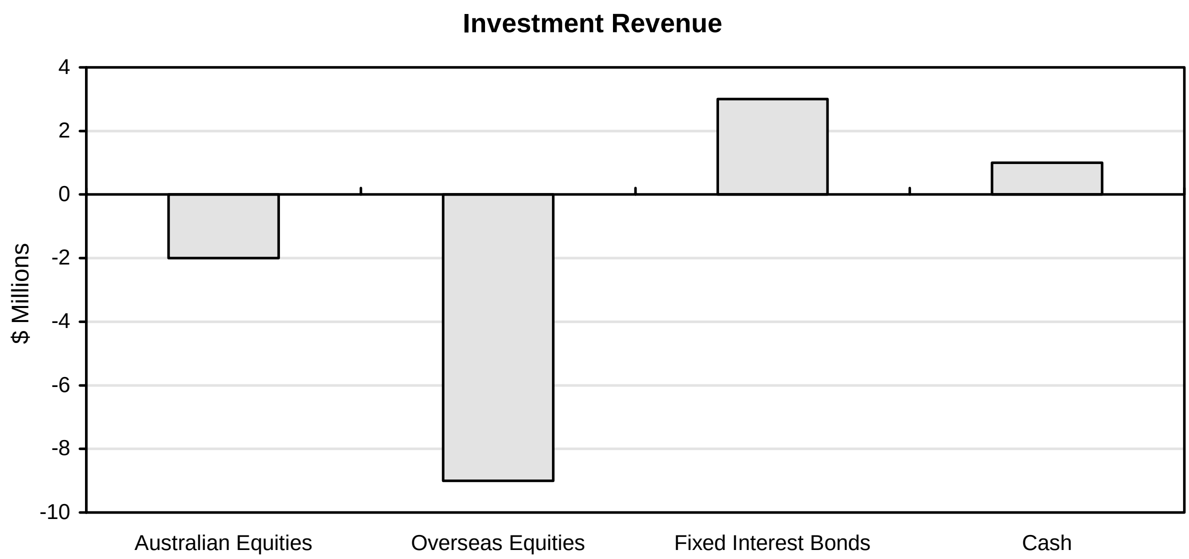
(1) Except Forestry Growing Timber, where the retention is held by Forestry SA
(2) A proportion of these layers have been retained by SAICORP due to diffculties in finding acceptable cover in the commercial market. The total additional exposure is less than $21 million with respect to each of the classes involved.

Doubtful Debts

HIH Insurance Limited (HIH) was the lead reinsurer of the medical malpractice component of the Government's reinsurance program. As a result of HIH's collapse in 2001, SAICORP had recognised a doubtful debt of $4 million in the 2000-01 Financial Statements. A further doubtful debt of $0.4 million has been recognised in the 2001-02 Financial Statements due mainly to changes to the potential claim recovery arising out of the revision to outstanding claim estimates.

Investment Revenue

The Corporation made a loss on investments for the year of $7.1 million made up as follows:



The chart shows that returns were significantly impacted by downturns in equity markets both in Australia and overseas, which was also compounded by an appreciation of the Australian dollar against most currencies. Further discussion on the underlying investments can be found below under the heading 'Investments'.

Statement of Financial Position

Outstanding Claims

The Corporation's liabilities as recorded in the Statement of Financial Position are dominated by the provision for outstanding claims, which by its nature is a highly subjective number. As a result, independent actuaries are appointed to calculate the outstanding claims liability in accordance with Accounting Standards.

Note 1(d) to the Financial Statements explains the methodologies applied in assessing the level of outstanding claims.

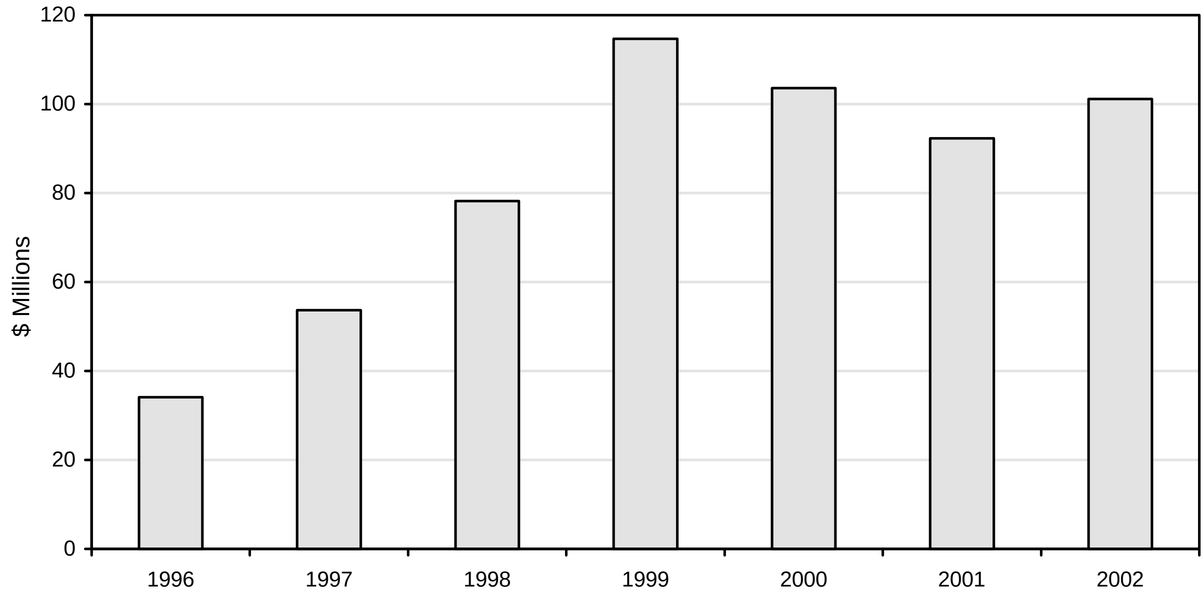
With respect to Section 1 of the SAGIRM Fund, the outstanding claims liability of $101.2 million as at 30 June 2002 was made up as follows:

	2002	2001
	$'000	$'000
Reported claims by case estimation	**51 167**	49 370
IBNR claims (including IBNER claims)	**25 443**	17 339
Adjustment for present value allowing for inflation and discounting	**3 488**	2 885
Provision for administration expenses	**3 703**	3 487
Prudential margin	**17 382**	19 253
	101 151	92 334

In assessing the total liability for outstanding claims it is relevant to point out that the retained surplus of $48.2 million represents 48 percent of outstanding claims.

The trend for the outstanding claims estimates for Section 1 of the Fund is as follows:

Outstanding Claims (Section 1)



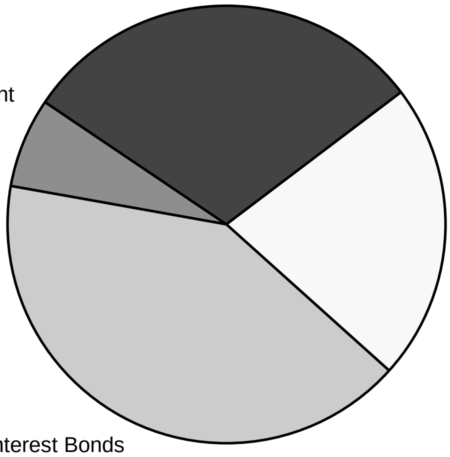
The increasing liability of the first four years represents the incurring of new claims following the establishment of the Fund, and reflects the fact that many of the claims do not get settled for a number of years. The decrease in 2000 was due mainly to a rearrangement of the underwriting arrangements for medical malpractice claims.

The estimate for IBNR claims increased in 2002 in response to an analysis of trends in the reporting of emerging medical malpractice claims following revised insurance arrangements with the Department of Human Services.

Investments

In 1999-2000 an investment strategy was endorsed by SAICORP's Board and approved by the Treasurer which balanced SAICORP's risk-return tolerance and approximated the duration profile of the underlying claims liabilities. Since then funds have been placed with SAFA (for cash and fixed interest securities) and external fund managers (for equities).

As at 30 June 2002 SAICORP had $140.1 million invested as follows:



INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS - SECTION 2

Statement of Financial Position

Outstanding Claims

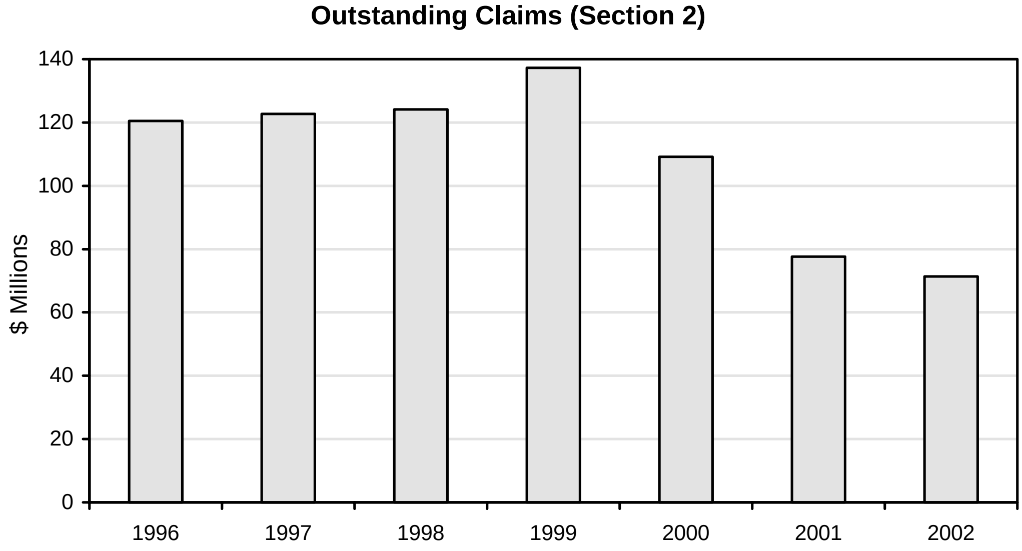
The calculation of the outstanding claims liability for Section 2 of the SAGIRM Fund was undertaken on the same basis as for Section 1 (refer to Note 1(c) to the financial statements for details of the methodology and assumptions used).

With respect to Section 2 of the SAGIRM Fund, the outstanding claim liability of $71.4 million is made up as follows:

	2002	2001
	$'000	$'000
Reported claims by case estimation	**54 417**	59 871
IBNR claims (including IBNER claims)(1)	**-**	-
Adjustment for present value allowing for inflation and discounting	**1 985**	1 980
Provision for administration expenses	**2 651**	2 984
Prudential margin	**12 312**	14 936
	71 365	79 771

(1) IBNR claims will be taken into account as and when claims are notified to SAICORP.

The trend for the outstanding claims estimate for Section 2 of the SAGIRM Fund is as follows:



The decrease in outstanding claims liability was due to a number of factors, including:

- updated information on the claims as they proceed through the litigation and/or settlement phases. Notwithstanding this, the actuary recognised that outstanding claims estimates will continue to be volatile;

- the ongoing settlement of outstanding claims.

As the claims expense in the Statement of Financial Performance reflects the cash disbursements for claims made during the year adjusted for the movement in outstanding claims, the above decrease in the provision for outstanding claims resulted in a negative claims expense for the year.

Deficiency in Current Assets over Current Liabilities

As at 30 June 2002 there was a deficiency of current assets over current liabilities of $24.9 million with respect to Section 2 of the SAGIRM Fund. The 2002-03 State Budget provided $7 million funding to meet these liabilities consistent with annual appropriations for a number of years. Although the nature of the liabilities is such that their timing can be extremely unpredictable, a significant amount of supplementary funding would be required by the Fund if all current liabilities were to become payable over the next 12 months.

SOUTH AUSTRALIAN GOVERNMENT CAPTIVE INSURANCE CORPORATION - SECTION 1

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 $'000	2001 $'000
Premium revenue		**32 145**	30 296
Outwards reinsurance expense		**(7 106)**	(6 752)
Net Premium Revenue		**25 039**	23 544
Claims expense	2	**(16 799)**	5 228
Reinsurance and other recoveries		**998**	(4 532)
Doubtful debts	18	**(361)**	(4 001)
Net Claims Incurred	12	**(16 162)**	(3 305)
Brokerage and lead reinsurance fee revenue		**532**	1 254
Underwriting expenses	3	**(3 993)**	(3 664)
Underwriting Result	20	**5 416**	17 829
Investment (loss) revenue	13	**(7 129)**	4 922
General and administration expenses		**(772)**	(868)
OPERATING RESULT BEFORE INCOME TAX		**(2 485)**	21 883
Income tax benefit (expense)	4	**746**	(7 440)
OPERATING RESULT AFTER INCOME TAX		**(1 739)**	14 443
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**(1 739)**	14 443

Statement of Financial Position as at 30 June 2002

	Note	2002 $'000	2001 $'000
CURRENT ASSETS:			
Cash	13	**14 113**	6 141
Receivables	5	**952**	6 259
Reinsurance and other recoveries receivable	6	**302**	-
Investments	13	**57 592**	54 267
Other	7	**5 841**	6 117
Total Current Assets		**78 800**	72 784
NON-CURRENT ASSETS:			
Future income tax benefit	4	**746**	-
Reinsurance and other recoveries receivable	6	**5 744**	5 716
Provision for doubtful debts	18	**(4 362)**	(4 001)
Investments	13	**72 955**	84 085
Total Non-Current Assets		**75 083**	85 800
Total Assets		**153 883**	158 584
CURRENT LIABILITIES:			
Payables	8	**160**	83
Unearned premium		**4 111**	8 222
Outstanding claims	10	**21 456**	18 609
Provision for income tax	4	**-**	7 440
Other	9	**213**	518
Total Current Liabilities		**25 940**	34 872
NON-CURRENT LIABILITIES:			
Outstanding claims	10	**79 695**	73 725
Total Non-Current Liabilities		**79 695**	73 725
Total Liabilities		**105 635**	108 597
NET ASSETS		**48 248**	49 987
EQUITY:			
Retained surplus		**49 987**	35 544
Operating result for the period		**(1 739)**	14 443
TOTAL EQUITY		**48 248**	49 987
Contingent Liabilities	19		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) $'000	2001 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Premiums received		**32 321**	30 421
Commercial insurance placements received		**3 240**	756
Claim recoveries received		**668**	20
Brokerage revenue and lead reinsurer fee received		**229**	1 344
Interest received		**576**	750
GST paid to the Taxation Authorities		**(2 782)**	(3 930)
GST received from the Taxation Authorities		**790**	1 433
GST received on receivables		**3 215**	3 437
GST paid on services used		**(790)**	(1 433)
Outwards reinsurance paid		**(7 296)**	(6 824)
Commercial insurance placements paid		**(2 871)**	(1 503)
Claims paid		**(7 519)**	(5 894))
Amounts paid in lieu of income tax		**(7 440)**	(7 978)
Other underwriting and general administration expenses paid		**(4 369)**	(5 105)
Net Cash provided by Operating Activities	22	**7 972**	5 494
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchase of equity fund investments		**-**	(9 000)
Net Cash used in Investing Activities		**-**	(9 000)
NET INCREASE (DECREASE) IN CASH HELD		**7 972**	(3 506)
CASH AT 1 JULY		**6 141**	9 647
CASH AT 30 JUNE		**14 113**	6 141

NOTES TO AND FORMING PART OF THE GENERAL PURPOSE FINANCIAL STATEMENTS

1. Statements of Significant Accounting Policies

The significant policies that have been adopted in the preparation of this financial report are:

(a) Objectives, Funding and Basis of Accounting

The South Australian Government Captive Insurance Corporation ('SAICORP' or 'the Corporation') is established as a subsidiary of the Treasurer by the Public Corporations (Treasurer) Regulations 1994, which were gazetted and came into effect on 29 September 1994.

The Corporation has been proclaimed to be a semi-government authority for the purposes of the *Public Finance and Audit Act 1987* and the Treasurer has indemnified the Corporation '… to the extent necessary to satisfy all the liabilities which arise out of the carrying out of its functions in accordance with the Public Corporations (Treasurer) Regulations 1994'.

SAICORP's objectives are to:

- efficiently and effectively administer the Government's insurance and risk management arrangements;
- insure the risks of the Crown;
- provide advice on the management of risks of the Crown.

This financial report encompasses all activities transacted through Section 1 of the interest bearing Special Deposit Account titled 'South Australian Government Insurance and Risk Management Fund' (the SAGIRM Fund).

Section 1 of the SAGIRM Fund reflects the normal commercial insurance activities of SAICORP, established to carry on the business of insuring, reinsuring and/or co-insuring the risks of the Crown. The principal source of funds for Section 1 consists of monies received from agencies for insurance cover provided in relation to the current financial year.

The financial report is a general purpose financial report which, in accordance with section 13 of the Schedule to the *Public Corporations Act 1993,* has been prepared in accordance with applicable Accounting Standards, relevant Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*, and other mandatory professional requirements. Given the different funding and governance arrangements of Section 1 and Section 2 of the SAGIRM Fund the principles of Accounting Standard AASB 1024 'Consolidated Accounts' cannot be applied. Therefore two separate financial reports are prepared to discharge SAICORP's legislative disclosure obligations.

The historical cost convention has been adopted and, unless otherwise stated, the amounts presented in the statement of financial position do not reflect realisable values of assets and liabilities or changes in the purchasing power of money.

(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 and is recognised evenly over the policy or indemnity period, which is considered to closely approximate the pattern of risks underwritten. Unearned premium is determined by apportioning the premiums written prior to year-end on a daily pro-rata basis.

All South Australian Government agencies are required to insure with SAICORP unless exempted by the Treasurer. In those circumstances where SAICORP considers it more appropriate for a government agency to insure directly with a commercial insurance organisation, SAICORP will arrange for such insurance and will recover the insurance premium from the agency concerned. For the purposes of the financial statements, these arrangements are referred to as commercial insurance placements.

SAICORP does not accept any inwards reinsurance premiums.

(c) Outward Reinsurance

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance services received. Accordingly, a portion of outwards reinsurance premium is treated at balance date as a prepayment.

An amount totalling $7.106 million ($6.752 million) was expensed for cover provided under the Government's catastrophe reinsurance program. This program has been devised to safeguard the State finances against a very large loss or claim, or a series of large losses or claims in any year under the Government's insurance and risk management arrangements.

(d) Claims

Claims expense and liabilities for outstanding claims are recognised in respect of incidents incurred. The liabilities include claims incurred but not paid, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and the anticipated costs of settling those claims. In addition, SAICORP has recognised a prudential margin of 10 percent of its outstanding claims liabilities for short tail business, 25 percent for medical malpractice and 20 percent for all other classes (10 percent short tail business, 25 percent for medical malpractice and 20 percent for all other classes).

The claims liabilities are measured as the present values of the expected future payments. An inflation rate (normal and superimposed) of 6.5 percent per annum (6.5 percent per annum) has been assumed. In the calculation of present value discount rates of 5.9 percent per annum for Medical Malpractice and 5.2 percent per annum for all other classes (6 percent per annum for medical malpractice and 5.1 percent annum for all other classes) have been assumed.

Claims incurred but not paid and claims settlement costs that can be directly attributed to particular claims are assessed by reviewing individual claim files. In respect of incurred but not reported claims, SAICORP has employed the 'Net Written Premium' method modified to allow for claims incurred but not enough reported.

Indirect claims settlement costs are those claims settlement costs that cannot be directly allocated to a specific claim and have been estimated at 5 percent (5 percent) of the outstanding claims liabilities.

The above methodologies were originally adopted by SAICORP because there was insufficient historical data to perform a portfolio analysis to derive a statistical methodology for the calculation of claims liabilities. Brett & Watson Pty Ltd - Consulting Actuaries were engaged to consider the continued appropriateness of the above methodologies and to recommend appropriate discount and inflation rates and prudential margins to be used for the 2001-02 financial year. These recommendations were adopted.

(e) Acquisition Costs

The acquisition costs related to underwriting expenses have been brought to account during the financial year as they do not represent a future benefit. Most covers provided by SAICORP are on a financial year basis.

(f) Stamp Duties

Amounts collected for stamp duties are included in premiums and on-paid to Revenue SA. A liability for these payments is recognised on business written to the reporting date.

(g) Investments

Investment Strategy

SAICORP has an investment strategy that was implemented for the first time in 1999-2000 and comprises a mix of cash, Australian fixed interest, Australian equities and overseas equities. The cash and fixed interest investments are managed by SAFA, while external fund managers are used to manage the Australian and overseas equity investments.

Valuation of Investments

SAICORP's investments are essential to its insurance activities. In accordance with Australian Accounting Standard AASB 1023 'Financial Reporting of General Insurance Activities' investments are reported at market value, net of material expected costs of disposal.

Investment Revenues

Investment revenue is bought to account on an accrual basis and includes unrealised gains (losses) arising from movements in market values of the underlying investments.

(h) Income Tax and Other Taxes

Pursuant to section 12 of the Schedule to the *Public Corporations Act 1993*, the Corporation is liable to pay to the Treasurer, for the credit of the Consolidated Account, such amounts as the Treasurer from time to time determines to be equivalent to income tax and any other taxes or imposts that the Corporation does not pay to the Commonwealth but would be liable to pay under the law of the Commonwealth if it were constituted and organised in such a manner as a public company or group of public companies carrying on the business carried on by the subsidiary.

Effective 1 July 1995, pursuant to Treasurer's Instruction 22, a tax equivalent regime applies to the normal commercial activities of SAICORP, which requires the Corporation to apply the Accounting Profits method for the calculation of income tax equivalent. Future income tax benefits relating to tax losses are not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation.

(i) Cash

All day to day operating activities are transacted through an interest bearing Special Deposit Account (the SAGIRM Fund). These funds are invested with the South Australian Government Financing Authority (SAFA), and currently earn an interest rate determined by reference to the SAFA overnight borrowing rate (less a 0.5 percent banking fee).

For the purposes of the Statement of Cash Flows, cash includes deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis. This includes both the SAGIRM Fund and the cash management component of the investment strategy, which is invested in the SAFA Cash Management Fund.

(j) Relationship with the Department of Treasury and Finance

The SAICORP Board has entered into an arrangement with the Department of Treasury and Finance to cover the use of staff, assets and accommodation to provide the services required by the Board.

The Board reimburses Treasury for any payments made by Treasury on behalf of the Board relating to the provision of the services to the Board, including payments for the salaries and on costs of all employees of the SAICORP Branch of the Department. These are apportioned between Section 1 and Section 2 of the SAGIRM Fund. The amount expended in 2002 for Section 1 was $1.255 million ($998 000).

(k) Motor Vehicle Insurance

On 10 May 1996, the Commonwealth Bank of Australia (CBA) through South Australia Fleet Lease Arranger Pty Ltd, acquired ownership of the South Australian Government's light motor vehicle fleet. Pursuant to a Master Lease Agreement, the fleet was leased back to the South Australian Government and is managed by the Department for Administrative and Information Services, Fleet SA.

As part of this arrangement, the vehicles are insured with the Corporation, and for this cover, the CBA paid to the Corporation an annual premium of $3.968 million, including $361 000 GST, ($3.773 million), of which $3.099 million was unearned as at 30 June 2002. To meet the costs of the fleet insurance risks, the Corporation paid to Fleet SA the premium received from the CBA. Pursuant to this arrangement, for the period ended 30 June 2002, Fleet SA has expended $4.073 million ($3.4 million). For the purposes of this financial statement, $4.073 million ($3.4 million) has been recognised as an expense and $3.732 million ($4.198 million) has been recognised as a prepayment.

(l) Accounting for the Goods and Services Tax (GST)

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST excepted that receivables and payables are stated with the amount of GST included.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of the cash flows arising from operational activities, which are recoverable from, or payable to, the Australian Taxation Office have been classified as operating cash flows.

2. Claims Expense

	2002	2001
Direct:	$'000	$'000
Liability	**12 518**	5 793
Property	**4 061**	(3 530)
Other	**220**	2 965
	16 799	5 228

3. Underwriting Expenses

Management expenses	**431**	430
Acquisition costs	**258**	247
Stamp duty	**3 077**	2 866
Net direct insurance placement	**227**	121
	3 993	3 664

4. Income Tax

Effective 1 July 1995 a tax equivalent regime applies to the normal commercial operations of SAICORP (refer Note 1(h))

(a) Income Tax Expense

Income tax expense (benefit) at 30 percent (34 percent) on the operating result	**(746)**	7 440
Total Income Tax Expense Attributable to the Operating Result	**(746)**	7 440
Income tax expense attributable to the operating result is made up of:		
Provision for current income tax	**-**	7 440
Future income tax benefit	**(746)**	-

(b) Provision for Current Income Tax

Movements during the year were as follows:		
Balance at 1 July	**7 440**	7 979
Payment	**(7 440)**	(7 979)
Current year's income tax expense on operating result	**-**	7 440
Balance at 30 June	**-**	7 440

5. Receivables

Current:		
Premium debtors	**931**	6 253
Investment debtors	**21**	6
	952	6 259

6. Reinsurance and Other Recoveries Receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and claims incurred but not reported 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 and are recognised as assets.

	2002	2001
	$'000	$'000
Expected future recoveries (undiscounted)	**8 460**	6 962
Discount to present value	**(2 414)**	(1 246)
Reinsurance and other recoveries receivable (before provision for doubtful debts)	**6 046**	**5 716**

			2002	2001
6.	**Reinsurance and Other Recoveries Receivable (continued)**			
	Current:		**$'000**	$'000
		Reinsurance and other recoveries receivable	**302**	-
			302	-
	Non-Current:			
		Reinsurance and other recoveries receivable	**5 744**	5 716
		Less: Provision for doubtful debts, refer Note 18	**(4 362)**	4 001
			1 382	1 715
7.	**Other Assets**			
	Prepayments:			
		Fleet insurance expense (refer Note 1(k))	**3 732**	4 197
		Catastrophe reinsurance expense	**1 869**	1 680
		Prepaid consultancy	**240**	240
		Total Current Other Assets	**5 841**	6 117
8.	**Payables**			
	Current:			
		Other creditors and accruals	**160**	83
9.	**Other Liabilities**			
	Current:			
		Risk management fee	**213**	251
		Unearned brokerage revenue	**-**	267
			213	518
10.	**Outstanding Claims**			
	(a)	Expected future claims payments (undiscounted)	**166 430**	158 765
		Discount to present value	**(65 279)**	(66 431)
		Liability for Outstanding Claims	**101 151**	92 334
		Current:		
		Liability	**19 793**	16 112
		Property	**1 663**	2 488
		Other	**-**	9
			21 456	18 609
		Non-Current:		
		Liability	**77 579**	71 925
		Property	**1 987**	1 629
		Other	**129**	171
			79 695	73 725

		2002	2001
(b)	The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:	**Percent**	Percent
	For the succeeding year:		
	Inflation rate (which includes superimposed inflation)	**6.5**	6.5
	Discount rate - Medical malpractice	**5.9**	6.0
	Discount rate - Other classes	**5.2**	5.1
	For subsequent years:		
	Inflation rate (which includes superimposed inflation)	**6.5**	6.5
	Discount rate - Medical malpractice	**5.9**	6.0
	Discount rate - Other classes	**5.2**	5.1
(c)	The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be:	**Years**	Years
	Medical malpractice	**9.5**	8.0
	Liability (other than medical malpractice)	**2.5**	3.0
	Property	**1.5**	1.0
	Other	**2.5**	3.0

11. Financing Arrangements

The Treasurer of South Australia has agreed to indemnify the Corporation to the extent necessary to satisfy all the liabilities, which arise out of the carrying out of its functions in accordance with the Public Corporations (Treasurer) Regulations 1994.

12. Net Claims Incurred

The following table provides further information in relation to the net claims incurred cost. Current year claims relate to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in all previous reporting periods.

	2002 In Respect of Current Year $'000	**2002 In Respect of Prior Years $'000**	**2002 Total $'000**	2001 In Respect of Current Year $'000	2001 In Respect of Prior Years $'000	2001 Total $'000
Gross claims incurred and related expenses - Undiscounted	**30 435**	**(4 221)**	**26 214**	23 944	(41 853)	(17 909)
Reinsurance and other recoveries- Undiscounted	**-**	**(622)**	**(622)**	-	11 048	11 048
Net Claims Incurred - Undiscounted	**30 435**	**(4 843)**	**25 592**	23 944	(30 805)	(6 861)
Discount and discount movement - Gross claims incurred	**(8 061)**	**(1 355)**	**(9 416)**	(7 252)	19 869	12 617
Discount and discount movement - Reinsurance and other recoveries	**-**	**(14)**	**(14)**	-	(2 451)	(2 451)
Net Discount Movement	**(8 061)**	**(1 369)**	**(9 430)**	(7 252)	17 418	10 166
Net Claims Incurred	**22 374**	**(6 212)**	**16 162**	16 692	(13 387)	3 305

13. Additional Financial Instrument Disclosures

(a) Interest Rate Risk

The Corporation's exposure to interest rate risk, and the effective weighted average interest rates on classes of financial assets and financial liabilities at balance date are set out below:

	Weighted Average Interest Rate Percent	**Floating Interest Rate $'000**	**2002 Contracted to Mature or Reprice within One Year $'000**	**Non-Interest Bearing $'000**	**2002 Total $'000**
Financial Assets:					
Cash	**4.58**	**14 113**	**-**	**-**	**14 113**
Composite indexed bonds		**-**	**57 592**	**-**	**57 592**
Australian equities		**-**	**-**	**42 342**	**42 342**
Overseas equities		**-**	**-**	**30 613**	**30 613**
Receivables		**21**	**-**	**931**	**952**
Total Financial Assets		**14 134**	**57 592**	**73 886**	**145 612**
Financial Liabilities:					
Payables		**-**	**-**	**(160)**	**(160)**
Total Financial Liabilities		**-**	**-**	**(160)**	**(160)**
Net Financial Assets		**14 134**	**57 592**	**73 726**	**145 452**

	Weighted Average Interest Rate Percent	Floating Interest Rate $'000	2001 Contracted to Mature or Reprice within One Year $'000	Non-Interest Bearing $'000	2001 Total $'000
Financial Assets:					
Cash	5.89	6 141	-	-	6 141
Composite indexed bonds		-	54 267	-	54 267
Australian equities		-	-	44 141	44 141
Overseas equities		-	-	39 943	39 943
Receivables		6	-	6 253	6 259
Total Financial Assets		6 147	54 267	90 337	150 751
Financial Liabilities:					
Payables		-	-	(83)	(83)
Total Financial Liabilities		-	-	(83)	(83)
Net Financial Assets		6 147	54 267	90 254	150 668

(b) Investment Revenue	**2002 $'000**	2001 $'000
Interest	**591**	657
Unrealised gains (losses) on investments	**(9 438)**	815
Distributions - Equity investments	**1 718**	3 450
	(7 129)	4 922

(c) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

On-Balance-Sheet Financial Instruments

The credit risk on financial assets, excluding investments, of the Corporation, which has been recognised on the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts. The cash and Australian fixed interest investments are with SAFA, which are guaranteed by the Treasurer of South Australia. The Australian equities investment is in the Macquarie Australian Enhanced Equities Fund which mirrors the ASX300, while the overseas equities investment is in Barclays Global Investors World ex-Australia Equity Fund which mirrors the MSCI World ex-Australia Equity Index.

The Corporation is the captive insurer for government agencies of the State of South Australia. Consequently, operational credit risk is minimised as the Corporation principally transacts with government agencies that are guaranteed by the Government of South Australia.

Off-Balance-Sheet Financial Instruments

There were no off-Balance-Sheet financial instruments in existence at the reporting date.

(d) Net Fair Values of Financial Assets and Liabilities

Valuation Approach

Net fair values of financial assets and liabilities are determined by the Corporation on the following bases:

On-Balance-Sheet Financial Instruments

Investments in fixed interest and equity funds are measured at market values using market prices at balance date, as advised by the fund manager. The carrying amounts of short-term money market deposits, accounts receivable and accounts payable approximate their fair values.

Off-Balance-Sheet Financial Instruments

There were no off-Balance-Sheet financial instruments in existence at the reporting date.

(e) Currency Risk

The Overseas equities Funds Manager, Barclays Global Investors invests in equities which mirror the MSCI World ex-Australia Equity index, with the equities held in the currency of the equities country of origin. The following table summarises SAICORP's risk associated with these equities:

	2002	2001
	$'000	$'000
Canada	**698**	883
France	**1 270**	2 005
Germany	**940**	1 578
Japan	**2 896**	4 398
Netherlands	**793**	1 023
Switzerland	**1 074**	1 218
UK	**3 521**	3 938
US	**17 220**	21 521
Other	**2 201**	3 379
	30 613	39 943

14. Auditor's Remuneration

Auditor-General's Department	**35**	28

15. External Consultants used during the Financial Year

Total amounts paid or payable to external consultants during the financial year	**27**	281

The number and value of consultancies:	**2002 Number of Consultants**	2001 Number of Consultants
$0 - $9 999	**2**	3
$10 000 - $19 999	**1**	-
$20 000 - $29 999	**-**	1
$80 000 - $89 999	**-**	1
$100 000 - $109 999	**-**	1
$150 000 - $159 999	**-**	1

16. Directors' Remuneration

Directors' Income

Number of directors of the Corporation whose income from the Corporation falls within the following bands:	**2002 Number of Directors**	2001 Number of Directors
$0 - $9 999	**6**	7

	2002	2001
	$'000	$'000
Total income paid or payable, or otherwise made available, to all directors of the Corporation from the Corporation	**25**	24

Directors of the Corporation receive income in the form of statutory fees. The Chairman, who is employed by the State Government of South Australia, does not receive income from the Corporation.

Superannuation and Retirement Benefits

Directors of the Corporation are not paid superannuation or retirement benefits for their activities associated with the Corporation, other than the amount set aside by the Corporation in compliance with the Superannuation Guarantee Charge.

17. Related Parties

Directors

The names of each person holding the position of director of the Corporation during the financial year are:

Mr J T Hill (Chairman)	Ms C J Marjoribanks
Ms R J Batt	Mr L R Foster
Mr J L Potter	Mr L C Holmes

There have been no loans advanced to directors of the Corporation during the financial year. The total of loans outstanding to directors of the Corporation at year end was nil.

Directors' Transactions with the Corporation

There were no transactions during the year with directors or director-related entities.

18. Provision for Doubtful Debts

The lead reinsurer for Modbury Hospital medical malpractice claims was HIH Insurance Ltd, with a co-reinsurer liable for 30 percent of these claims. It has been deemed prudent to provide a doubtful debt for the HIH Insurance Ltd expected recoveries in relation to this reinsurance.

19. Contingent 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 plus an allowance for claims incurred but not reported and incurred but not enough reported using IBNR and IBNER calculations. Many claims require legal input to negotiate suitable settlements. The results of such negotiations may result in liabilities to the Corporation different to that incorporated in these financial statements.

A 'stop loss' agreement is an arrangement whereby an agency meets a pre-determined annual level of expenditure for claims and SAICORP would meet all other costs of claims in excess of that limit arising from events covered by the agency's agreement with SAICORP. At balance date, SAICORP has an ongoing 'stop loss' arrangement with one agency.

20. Segment Information

The Corporation's predominant operation is that of underwriting in the following types of general insurance to South Australian Government agencies:

Aviation Liability
Aviation Property
Consequential Loss
Fidelity Guarantee
General Property
Machinery Breakdown
Marine Property
Marine Liability
Motor Vehicle Property
Motor Vehicle Liability
Personal Accident
Volunteers
Standing Timber
Industrial Special Risks and Business Interruption
Public and Products Liability
Medical Malpractice
Professional Indemnity and Directors and Officers Liability

The majority of risks that the Corporation insures will arise within the one geographic segment, namely, the State of South Australia. Analysis of the underwriting result by the major lines of insurance business are:

			2002			
	Industrial Special Risks and Business Interruption $'000	**Public and Products Liability $'000**	**Medical Malpractice $'000**	**Professional Indemnity & Directors & Officers Liability $'000**	**Other $'000**	**2002 Total $'000**
Premium revenue	**6 386**	**4 628**	**12 986**	**1 509**	**6 636**	**32 145**
Outwards reinsurance expense	**(2 797)**	**(911)**	**(1 871)**	**-**	**(1 527)**	**(7 106)**
Net Premium Revenue	**3 589**	**3 717**	**11 115**	**1 509**	**5 109**	**25 039**
Claims expense	**469**	**(4 998)**	**(6 908)**	**(491)**	**(4 871)**	**(16 799)**
Reinsurance and other recoveries	**-**	**2**	**28**	**608**	**360**	**998**
Provision for doubtful debts	**-**	**-**	**(361)**	**-**	**-**	**(361)**
Net Claims Incurred	**469**	**(4 996)**	**(7 241)**	**117**	**(4 511)**	**(16 162)**
Brokerage and lead reinsurance revenue	**87**	**55**	**86**	**6**	**298**	**532**
Underwriting expenses	**(689)**	**(499)**	**(1 402)**	**(163)**	**(1 240)**	**(3 993)**
Underwriting Result	**3 456**	**(1 723)**	**2 558**	**1 469**	**(344)**	**5 416**
Outstanding claims	**1 330**	**12 334**	**79 384**	**5 420**	**2 683**	**101 151**

			2001			
	Industrial Special Risks and Business Interruption $'000	Public and Products Liability $'000	Medical Malpractice $'000	Professional Indemnity & Directors & Officers Liability $'000	Other $'000	2001 Total $'000
Premium revenue	5 837	4 108	11 956	1 420	6 975	30 296
Outwards reinsurance expense	(1 800)	(979)	(2 535)	-	(1 438)	(6 752)
Net Premium Revenue	4 037	3 129	9 421	1 420	5 537	23 544
Claims expense	(385)	(902)	3 276	3 030	209	5 228
Reinsurance and other recoveries	(7)	6	(4 544)	-	13	(4 532)
Provision for doubtful debts	-	-	(4 001)	-	-	(4 001)
Net Claims Incurred	(392)	(896)	(5 269)	3 030	222	(3 305)
Brokerage and lead reinsurance revenue	334	198	393	-	329	1 254
Underwriting expenses	(627)	(443)	(1 291)	(153)	(1 150)	(3 664)
Underwriting Result	3 352	1 988	3 254	4 297	4 938	17 829
Outstanding claims	1 994	9 101	72 927	5 852	2 460	92 334

21. Notes to the Statement of Cash Flows

	2002 $'000	2001 $'000
Reconciliation of Cash:		
Cash balances held in deposit account	**4 593**	1 047
Cash Management Fund held with SAFA	**9 520**	5 094
	14 113	6 141
Reconciliation of Operating Result After Income Tax to Net Cash provided by Operating Activities:		
Operating result after income tax	**(1 739)**	14 443
Non-cash items:		
Change in the market value of investments	**7 805**	(4 153)
Increase (Decrease) in income tax payable	**(7 440)**	(539)
Decrease (Increase) in future income tax benefit	**(746)**	-
Net Cash (used in) provided by Operating Activities before Changes in Assets and Liabilities	**(2 120)**	9 751

21.	**Notes to the Statement of Cash Flows (continued)**	**2002**	2001
	Change in assets and liabilities:	**$'000**	$'000
	Decrease (Increase) in receivables	**5 307**	(6 220)
	Decrease (Increase) in other assets	**276**	(367)
	Decrease (Increase) in reinsurance recoveries	**(330)**	4 552
	Increase (Decrease) in provision for doubtful debts	**361**	4 001
	Increase (Decrease) in payables	**77**	2
	Increase (Decrease) in outstanding claims	**8 817**	(11 259)
	Increase (Decrease) in unearned premium	**(4 111)**	4 804
	Increase (Decrease) in other liabilities	**(305)**	230
	Net Cash provided by Operating Activities	**7 972**	5 494

SOUTH AUSTRALIAN GOVERNMENT INSURANCE AND RISK MANAGEMENT FUND - SECTION 2

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 $'000	2001 $'000
OPERATING EXPENSES:			
Administration		**(194)**	(191)
Claims expense	2	**2 617**	21 810
Total Operating Expenses (Benefit)		**(2 423)**	21 619
OPERATING REVENUES:			
Interest		**288**	386
Claims recoveries		**1 368**	1 619
Total Operating Revenues		**1 656**	2 005
NET COST OF SERVICES		**4 079**	23 624
REVENUES FROM GOVERNMENT:			
Recurrent appropriation		**7 000**	7 000
Additional appropriation		**-**	3 000
Total Revenues from Government		**7 000**	10 000
CHANGE IN NET ASSETS (LIABILITIES) FROM OPERATIONS		**11 079**	33 624
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**11 079**	33 624

Statement of Financial Position as at 30 June 2002

	Note	2002 $'000	2001 $'000
CURRENT ASSETS:			
Cash	7	**4 834**	3 403
Receivables	3,7	**17**	14
Total Current Assets		**4 851**	3 417
NON-CURRENT ASSETS:			
Recoveries receivable	4	**3 369**	2 161
Total Non-Current Assets		**3 369**	2 161
Total Assets		**8 220**	5 578
CURRENT LIABILITIES:			
Payables	5,7	**2**	33
Outstanding claims	6	**29 724**	18 278
Total Current Liabilities		**29 726**	18 311
NON-CURRENT LIABILITIES:			
Outstanding claims	6	**41 641**	61 493
Total Non-Current Liabilities		**41 641**	61 493
Total Liabilities		**71 367**	79 804
NET ASSETS (DEFICIENCY)		**(63 147)**	(74 226)
EQUITY:			
Retained surplus (deficit)		**(74 226)**	(107 850)
Operating result for the period		**11 079**	33 624
TOTAL EQUITY		**(63 147)**	(74 226)
Contingent Liabilities	9		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) $'000	2001 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Claim recoveries received		**160**	1 632
Interest received		**285**	382
Deductibles collected		**20**	12
GST paid to the taxation authority		**(2)**	(1)
GST received from the taxation authority		**164**	150
GST received on receivables		**2**	1
GST paid on services used		**(164)**	(150)
Claims paid		**(5 809)**	(9 763)
Administration costs paid		**(225)**	(190)
CASH FLOWS FROM GOVERNMENT:			
Recurrent appropriation		**7 000**	7 000
Additional appropriation		**-**	3 000
Net Cash provided by Operating Activities		**1 431**	2 073
NET INCREASE IN CASH HELD	10	**1 431**	2 073
CASH AT 1 JULY		**3 403**	1 330
CASH AT 30 JUNE		**4 834**	3 403

NOTES TO AND FORMING PART OF THE GENERAL PURPOSE FINANCIAL STATEMENTS

1. Statements of Significant Accounting Policies

The significant policies which have been adopted in the preparation of this financial report are:

(a) Objectives, Funding and Basis of Accounting

The South Australian Government Captive Insurance Corporation ('SAICORP' or 'the Corporation') is established as a subsidiary of the Treasurer by the Public Corporations (Treasurer) Regulations 1994, which were gazetted and came into effect on 29 September 1994.

The Corporation has been proclaimed to be a semi-government authority for the purposes of the *Public Finance and Audit Act 1987* and the Treasurer has indemnified the Corporation '… to the extent necessary to satisfy all the liabilities which arise out of the carrying out of its functions in accordance with the Public Corporations (Treasurer) Regulations 1994'.

SAICORP's objectives are to:

- efficiently and effectively administer the Government's insurance and risk management arrangements;
- insure the risks of the Crown;
- provide advice on the management of risks of the Crown.

The purpose of the South Australian Government Insurance and Risk Management Fund ('the SAGRIM Fund' or 'the Fund') is to record receipts and payments associated with the operations of the Government's insurance and risk management program. This financial report encompasses all activities transacted through Section 2 of the Fund.

SAICORP is responsible for the administration of Section 2 of the SAGIRM Fund, from which are met claim payments in respect of incidents which occurred prior to 1 July 1994, claim payments in respect of uninsurable risks and any other payments which fall outside the insurance cover provided under Section 1 of the Fund.

Section 2 of the SAGIRM Fund is funded by draw downs from the Consolidated Account of the South Australian Government. Given the different funding and governance arrangements of Section 1 and Section 2, the principles of Australian Accounting Standard AASB 1024 'Consolidated Accounts' cannot be applied. Therefore two separate financial reports are prepared to discharge SAICORP's legislative disclosure obligations.

The financial report is a general purpose financial report which has been prepared in accordance with applicable Accounting Standards, relevant Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*, and other mandatory professional requirements (Urgent Issues Group Consensus Views).

The financial statements have been prepared on the basis of historical costs and except where stated, do not take into account changing money values or current valuations of non-current assets.

(b) Appropriations

Recurrent and additional appropriations are recognised as revenues in the period in which SAICORP gains control of the appropriated funds. They are credited to the SAGIRM Fund from the Treasurer's other payments line titled 'Fire Damage & Insurance Costs'.

(c) Claims

Claims expense and liabilities for outstanding claims are recognised in respect of incidents arising. The liabilities include claims incurred but not paid and the anticipated costs of settling those claims. In addition, SAICORP has recognised a prudential margin of 25 percent of its outstanding medical malpractice claims liabilities, a margin of 20 percent in respect to the outstanding long and medium tail claims and 10 percent in respect to the outstanding short tail claims.

The claims liabilities are measured as the present values of the expected future payments. In the calculation of present values, a discount rate of 5.9 percent per annum for Medical Malpractice (6 percent) and 5.2 percent for all other classes (5.1 percent per annum) and an inflation rate (normal and superimposed) of 6.5 percent per annum (6.5 percent per annum) have been assumed.

Claims incurred but not paid and claims settlement costs that can be directly attributed to particular claims are assessed by reviewing individual claim files.

Indirect claims settlement costs are those claims settlement costs that cannot be directly allocated to a specific claim and have been estimated at 5 percent of the outstanding claims liabilities (5 percent).

Brett & Watson Pty Ltd - Consulting Actuaries were engaged to consider the continued appropriateness of the above methodologies and to recommend appropriate discount and inflation rates as well as prudential margins and indirect claim settlement cost percentages to be used. Their recommendations have been accepted.

(d) Investments

All activities are transacted through an interest bearing Special Deposit Account (the SAGIRM Fund). Funds in the SAGIRM Fund are invested with the South Australian Government Financing Authority (SAFA), and currently earn an interest rate determined by reference to the SAFA overnight borrowing rate (less a 0.5 percent banking fee). Accordingly, funds in the Special Deposit Account are classified as cash held and are apportioned between the Section 1 and Section 2. Section 2 of the SAGIRM Fund held no other investments as at 30 June 2002.

(e) Accounting for Income Tax and the Goods and Services Tax (GST)

Considering the non-commercial nature of Section 2 of the SAGIRM Fund, approval has been given by the Department of Treasury and Finance for it to be exempt from the South Australian Government's tax equivalent regime.

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST excepted that receivables and payables are stated with the amount of GST included.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of the cash flows arising from operational activities, which are recoverable from, or payable to, the Australian Taxation Office have been classified as operating cash flows.

(f) Relationship with the Department of Treasury and Finance

The SAICORP Board has entered into an arrangement with the Department of Treasury and Finance to cover the use of staff, assets and accommodation to provide the services required by the Board.

The Board reimburses Treasury for any payments made by Treasury on behalf of the Board relating to the provision of the services to the Board, including payments for the salaries and on costs of all employees of the SAICORP Branch of the Department. These are apportioned between Section 1 and Section 2. The amount expended in 2002 for Section 2 was $0.389 million ($0.393 million).

2. Claims Expense

	2002	2001
Direct:	**$'000**	$'000
Liability	**3 219**	(21 745)
Property	**(602)**	(65)
	2 617	(21 810)

3. Receivables

Current:		
Investment debtors	**17**	14
	17	14

4. Recoveries Receivables

Recoveries receivable on paid claims and reported claims not yet paid 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 and are recognised as assets.

	2002	2001
	$'000	$'000
Expected future recoveries (undiscounted)	**6 677**	5 653
Discount to present value	**(3 308)**	(3 492)
Recoveries receivable	**3 369**	2 161
Non-Current:		
Recoveries receivable	**3 369**	2 161

5. Payables

Current:		
Trade creditors	**2**	33

6. Outstanding Claims

(a) Expected future claims payable (undiscounted)	**108 081**	122 520
Present value adjustment	**(36 716)**	(42 749)
Liability for Outstanding Claims	**71 365**	79 771
Current:		
Liability	**29 284**	18 239
Property	**440**	39
	29 724	18 278
Non-Current:		
Liability	**41 513**	61 493
Property	**128**	-
	41 641	61 493

	2002	2001
(b) The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:	**Percent**	Percent
For the succeeding year:		
Inflation rate (which includes superimposed inflation)	**6.5**	6.5
Discount rate - Medical malpractice	**5.9**	6.0
Discount rate - Other classes	**5.2**	5.1
For subsequent years:		
Inflation rate (which includes superimposed inflation)	**6.5**	6.5
Discount rate - Medical malpractice	**5.9**	6.0
Discount rate - Other classes	**5.2**	5.1

	2002	2001
(c) The weighted average expected term to settlement of the outstanding claims from the balance date is estimated to be:	**Years**	Years
Medical malpractice	**9.5**	8.0
Liability (other than Medical Malpractice)	**2.5**	3.0
Property	**1.5**	1.0

7. Additional Financial Instrument Disclosures

(a) Interest Rate Risk

Section 2 of the SAGIRM Fund's exposure to interest rate risk, and the effective weighted average interest rates on classes of financial assets and financial liabilities at balance date are set out below:

	Weighted Average Interest Rate	Floating Interest Rate	2002 Non-Interest Bearing	Total
	Percent	**$'000**	**$'000**	**$'000**
Financial Assets:				
Cash	**4.17**	**4 834**	**-**	**4 834**
Receivables		**17**	**-**	**17**
Total Financial Assets		**4 851**	**-**	**4 851**
Financial Liabilities:				
Payables		**-**	**2**	**2**
Total Financial Liabilities		**-**	**2**	**2**
Net Financial Assets		**4 851**	**(2)**	**4 849**

	Weighted Average Interest Rate	Floating Interest Rate	2001 Non-Interest Bearing	Total
	Percent	$'000	$'000	$'000
Financial Assets:				
Cash	5.84	3 403	-	3 403
Receivables		14	-	14
Total Financial Assets		3 417	-	3 417
Financial Liabilities:				
Payables		-	33	33
Total Financial Liabilities		-	33	33
Net Financial Assets		3 417	(33)	3 384

On-Balance-Sheet Financial Instruments

The credit risk on financial assets of Section 2 of the SAGIRM Fund, which has been recognised on the Statement of Financial Position is the carrying amount.

The majority of the financial assets for Section 2 of the SAGIRM Fund relate to deposits with the Treasurer of South Australia, for which there is negligible credit risk.

There were no off-balance-sheet financial instruments in existence at the reporting date.

(b) Net Fair Values of Financial Assets and Liabilities

Valuation Approach

Net fair values of financial assets and liabilities are determined by SAICORP on the following bases:

On-Balance-Sheet Financial Instruments

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows.

Off-Balance-Sheet Financial Instruments

There were no off-balance-sheet financial instruments in existence at the reporting date.

Net Fair Values

On-Balance-Sheet Financial Instruments

The carrying amounts as disclosed in the balance sheet and accompanying Notes to the financial statements approximate net fair values.

8. External Consultants used During the Financial Year

	2002	2001
	$'000	$'000
Total amounts paid or payable to external consultants during the financial year	**11**	-
	Number of Consultants	Number of Consultants
The number and value of consultancies:		
$0 - $9 999	**2**	-

9. Contingent 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. Many claims may require legal input to negotiate a suitable settlement. The results of such negotiations may result in liabilities to Section 2 of the SAGIRM Fund being different to that incorporated in these financial statements.

10. Notes to the Statement of Cash Flows

	2002	2001
Reconciliation of cash:	**$'000**	$'000
Cash balances held in deposit account	**4 834**	3 403
Reconciliation of net costs of services to net cash used in operating activities:		
Net cost of services	**4 079**	23 624
Other revenues from government	**7 000**	10 000
Net Cash provided by Operating Activities before Changes in Assets and Liabilities	**11 079**	33 624
Change in assets and liabilities:		
(Increase) Decrease in receivables	**(1 211)**	(2 140)
Increase (Decrease) in payables	**(31)**	1
Increase (Decrease) in outstanding claims	**(8 406)**	(29 412)
Net Cash provided by Operating Activities	**1 431**	2 073

SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The South Australian Government Financing Authority (SAFA), a body corporate, was established under the *Government Financing Authority Act 1982* (the Act).

SAFA is the central borrowing authority for the Government and all semi-government authorities in South Australia. SAFA's role within the South Australian public sector is fund raising, debt management, cash management, investment and financial and risk management advisory services. SAFA is responsible for managing the majority of the State's debt and for the implementation of the Government's Debt Management Policy as determined by the Treasurer of South Australia.

Broadly, SAFA's functions are to develop and implement borrowing and investment programs for the benefit of semi-government authorities and to engage in other financial activities as are determined by the Treasurer to be in the interests of the State (subsection 11(1) of the Act). With the Treasurer's approval, SAFA is able to exercise wide powers in the pursuit of these functions (subsection 11(2)).

Pursuant to section 15 of the Act, liabilities of SAFA are guaranteed by the Treasurer.

SAFA Advisory Board

The Act (as amended in 1995) provides that SAFA is constituted of the Under Treasurer (effectively assuming the role of the previous SAFA Board) and establishes the South Australian Government Financing Advisory Board.

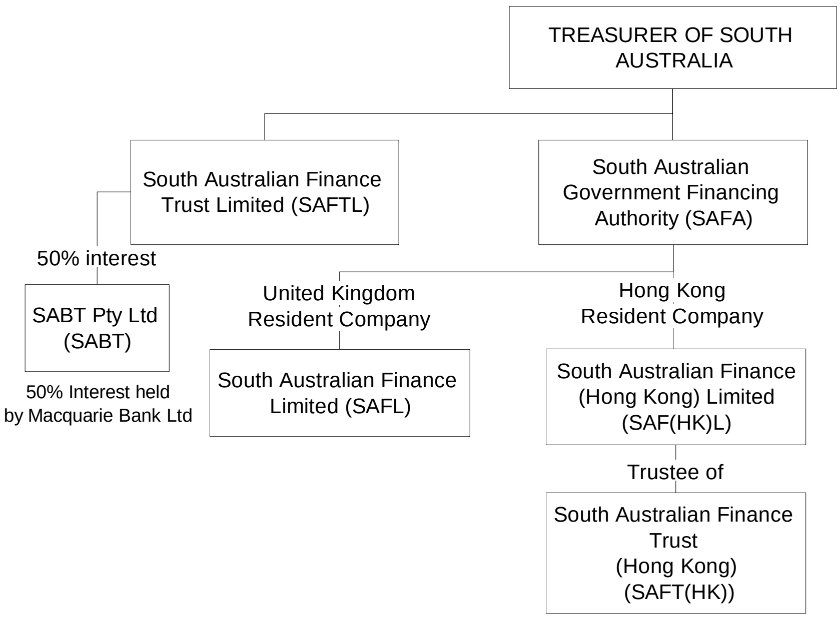
The Advisory Board comprises up to six members one of whom is the Under Treasurer, who is also Presiding Member.

The function of the Advisory Board is to provide advice relating to the exercise by SAFA of its powers, functions and duties.

The Act provides that the Under Treasurer may request advice from the Advisory Board and consider any advice given. The Advisory Board may proffer advice, as it sees fit to the Treasurer or the Authority. The Annual Report of SAFA must include details of any advice of the Advisory Board that the Treasurer or the Authority has decided not to follow and the Treasurer's or Authority's reason for that decision.

Structure

The following diagram reflects the relationship between the Treasurer of South Australia, SAFA and SAFA's controlled entities as at 30 June 2002.



CHANGES TO ORGANISATIONAL STRUCTURE

During the year there have not been any notable changes to SAFA's organisational structure. As discussed in last year's report, SAFA had planned for changes during the financial year resulting from the reduction in activities within subsidiary operations.

As at reporting date, it is expected that the following entities will be wound up in 2002-03:

- South Australia Finance Ltd, which was placed into voluntary liquidation on 1 June 2001
- SABT Pty Ltd
- South Australian Finance Trust Ltd (following the wind up of SABT Pty Ltd).

These changes are unlikely to have any material impact on SAFA's consolidated result or financial position.

SIGNIFICANT FEATURES

Implementation of Market Value Accounting

SAFA changed the basis of external financial reporting from a historical cost basis to a market value basis from 1 July 2001.

The impact of this change in accounting basis on SAFA's 30 June 2001 financial position and performance was as follows:

- There was no change in the financial performance of SAFA for the year ended 30 June 2001.

- Total liability values increased by $97 million, with a large rise in the value of bonds, notes and debentures of $361 million, offset mainly by decreases in obligations to the Commonwealth Government ($162 million) and derivatives payable ($95 million).

- Total asset values increased by $97 million, with a significant change in Loans to the South Australian Government of $176 million. This amount represented the unrealised losses made on transactions within the Treasurer's portfolio as at 1 July 2001, mainly as a result of issuing liabilities in past higher interest rate environments.

- The unrealised loss of the Treasurer's portfolio as at 30 June 2002 was $132.7 million, resulting in an unrealised gain made on transactions within the Treasurer's portfolio for the 2001-02 financial year totalling $43.3 million.

Financial Results for Year Ending 30 June 2002

SAFA's unconsolidated operations:

- The operating surplus before income tax was $24.4 million, a decrease of $20.3 million from the previous year. This decrease primarily reflects the dividends received from SAFL and South Australian Finance Trust Ltd in 2001 ($18.5 million) and lower non-interest revenues.

- There was minimal movement in total assets and liabilities which remained steady at approximately $8.4 billion and $8.1 billion respectively.

- Retained earnings available for distribution were $261 million ($263 million). A distribution was made to the Treasurer of South Australia for 2001-02 of $20 million ($nil).

The recent State Budget has forecast future distributions of approximately $190 million over the next four years.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 25(2) of the *Government Financing Authority Act 1982* provides for the Auditor-General to audit the accounts of the Authority in respect of each financial year.

Scope of Audit

The audit program covered all major financial systems and was directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal control environment.

The audit plan encompassed the operations of SAFA and its controlled entities. The South Australian Finance Trust Limited (SAFTL) and SABT Pty Ltd are also audited by the Auditor-General. Other controlled entities are audited by private accounting firms.

Areas subject to external audit attention were:

- Treasury business cycle including:
  - management of cash and investments
  - management of borrowings
  - management of derivative transactions;
- risk reporting and monitoring including:
  - interest rate risk management
  - credit risk management
  - liquidity and funding risk management
  - foreign exchange risk management;
- Common Public Sector Interest Rate (CPSIR) calculation;
- administration of the Goods and Services Tax (GST);
- accounting and settlement functions;
- specific areas of the information technology environment, including:
  - information resource strategy and planning;
  - Business Continuity Planning;
  - relationship with outsourced vendors;
  - information security;
- investment and cash management funds that SAFA offer public sector organisations;
- fiduciary activities, including SAFA's involvement in the management of the South Australian Asset Management Corporation (SAAMC) portfolio and South Australia Water Corporation (SA Water) debt portfolio.

The audit planning process took into account the extent and results of reviews undertaken by Internal Audit and the scope of SAFA's Compliance Unit's work, which formed an important part of the Authority's internal control environment.

In accordance with Auditing Standard AUS604 'Using the Work of Another Auditor', the work undertaken by Internal Audit and the findings arising from that work were reviewed and tested by Audit as an element of the assessment of the internal control environment of SAFA. The coverage and findings of Internal Audit in respect of internal controls contributed significantly to Audit forming the internal control opinion expressed in this Report.

Audit Communications to Management

In May 2002, Audit forwarded a letter to SAFA's management indicating that a satisfactory internal control environment was operating within SAFA. Notwithstanding this, some issues were raised following Audit's review, and these are set out below under the heading 'Commentary on General Financial Controls'.

A satisfactory response was received to issues raised in the management letter.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The review of the internal control structure of SAFA concluded that internal controls were in general operating satisfactorily. However, a number of issues were raised with the Authority, including:

- there was, in Audit's view, a need for SAFA to finalise formal strategic plans for both the Authority as a whole, and the Information Technology environment. Audit did acknowledge that strategic initiatives have been pursued as a result of a formal review of SAFA's operations in 2000;
- SAFA's policy manual needed to be updated in the areas of interest rate risk management and foreign exchange risk management to reflect current practice;
- procedures for GST should be advanced by detailing its application to the SAFA operating environment;
- the Operational Recovery plan needed to be finalised and tested on a regular basis.

A satisfactory response was received from SAFA identifying action to be taken to address each of the matters raised by Audit. In particular, Audit noted that a new Strategic Plan was approved by the Treasurer in September 2002.

Internal Audit and Compliance Officer

As indicated previously the Authority's Internal Audit and Compliance functions form a key part of the overall internal control environment.

Internal Audit had submitted the following reports during the year:

- Compliance Officer Review - September 2001 quarter (presented December 2001)
- Internal Audit Half yearly Report - December 2001 (presented February 2002)
- Compliance Officer Review - March quarter 2002 (presented May 2002)
- Internal Audit Half yearly Report - June 2002 (presented August 2002).

A number of one-off reviews were also conducted throughout the year, and these reports were reviewed and relied on, where applicable, during the external audit process.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Government Financing Authority included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the South Australian Government Financing Authority in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

SAFA's Business

As the public sector's central borrowing authority, SAFA is responsible for raising funding for the majority of government agencies, lending predominantly and directly to the Treasurer of South Australia. The cost of borrowed funds is passed onto the Treasurer through the Common Public Sector Interest Rate (CPSIR) charged.

SAFA's operating surplus is significantly derived from:

- a margin on funds lent;
- a return on retained earnings;

- sundry income (including dividends from subsidiaries, debt redemption assistance etc), less operating expenses.

Over the past three years SAFA's level of lending activity has rapidly reduced reflecting the Government's policy and legislative requirement to use proceeds received from the disposal of the State's electricity infrastructure and businesses to pay off debt. This has since resulted in large decreases in the level of SAFA's assets and liabilities and gross interest revenue earned and expenses incurred.

Debt Management Policy

The Treasurer approves a duration benchmark limit and other limits such as Value at Risk (VAR) on the advice of SAFA, which represents the level of risk that the Treasurer is willing to accept on his debt level. Under CPSIR arrangements, SAFA in return for managing the Treasurer's portfolio within these limits, incurs no risk as all gains and losses made on this portfolio are allocated against his loan balance. For further discussion on SAFA portfolio's, refer to the section titled 'Business Risk Management'.

The Treasurer's debt management policy has remained consistent with last year, with SAFA managing a policy benchmark duration for its liquid debt in between 1 and 1.5 years. This reduction from the previous benchmark of 2.8 years reflected a reaction to the reduced risk from fluctuations in short-term interest rates due to the lower level of borrowings.

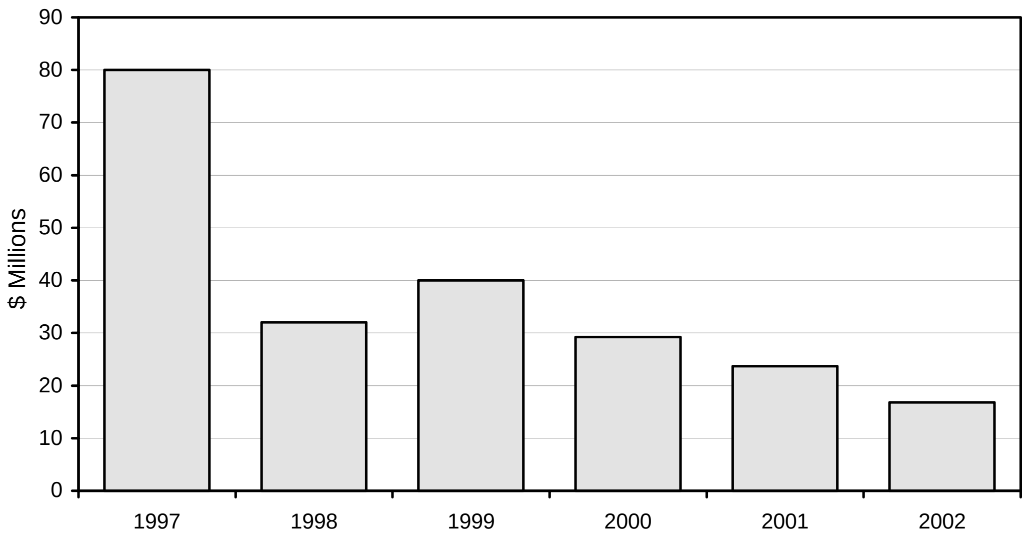
Statement of Financial Performance

Operating Surplus

SAFA's operations in 2001-02 included an operating surplus before income tax of $24.4 million. This represents a decrease of $20.3 million from 2000-01 results, attributable mainly to dividends received from subsidiary operations in 2000-01.

On a consolidated basis the operating surplus has continued to decline for a number of years due, in part, to the declining level of liabilities under management. This is demonstrated in the following chart.

Operating Surplus (Consolidated)



The operating surplus will continue to come under pressure in future years as the Government has budgeted for a return of a large portion of the Authority's retained surpluses, and also from the finalisation of Commonwealth debt redemption assistance in 2005-06.

Interest Expense and Revenue

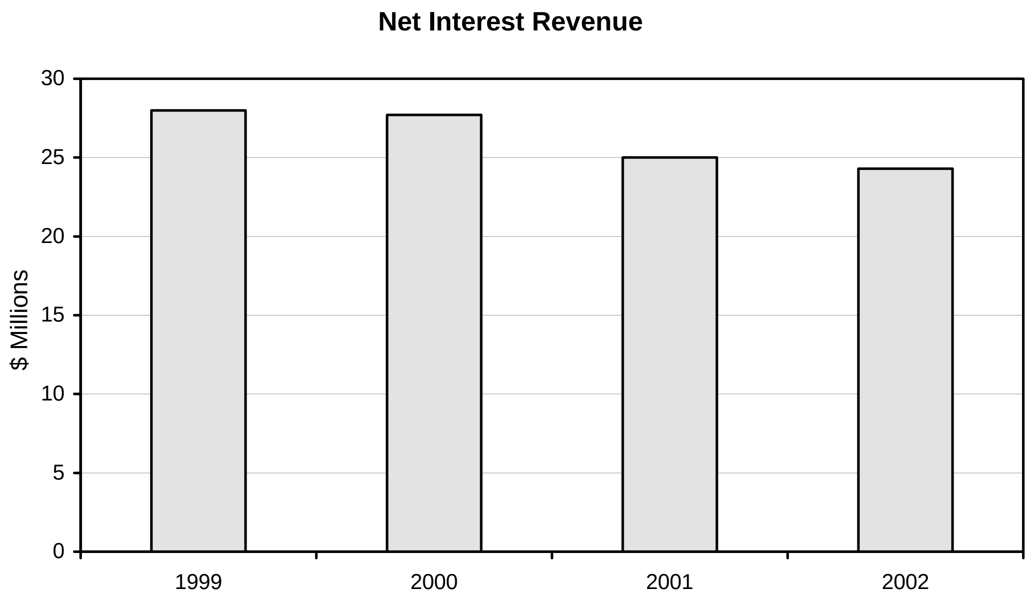
Interest expense on bonds, notes and debentures decreased by $122.4 million to $293.3 million due to reductions in the loan balance, and a reduction in the average interest rate from 7.86 percent to 7.42 percent.

Interest expense from Derivative instruments decreased by $265.1 million (43 percent) to $345.1 million as a number of swap transactions matured during the financial year.

Total interest expense has decreased by $439.1 million (36 percent), due mainly to the impact of debt retirements flowing from government asset sales.

There were similar corresponding decreases in total interest revenues during the financial year as a result of lower average asset balances and interest rates.

Notwithstanding the large changes in interest revenue and expense the net interest revenue (interest revenue less interest expense) has remained relatively stable over the last four years as shown below.



Statement of Financial Position

SAFA's Capital

SAFA experienced a significant decrease in capital since 1993-94 reflecting a policy decision that excess capital be repaid to the State's consolidated account. At 30 June 2002, SAFA's capital reserves were represented solely by its Retained Surplus, which stood at $261 million ($263 million).

As part of the preparation of the State Budget for 2001-02, the Treasurer requested that the level of SAFA's capital be reviewed. The outcome of this review was that further decreases in capital are to occur with SAFA's capital base being reduced to $75 million progressively from 2001-02 to 2004-05. This decrease in the retained surplus should bring SAFA more in line with the capital holdings of interstate central financing authorities.

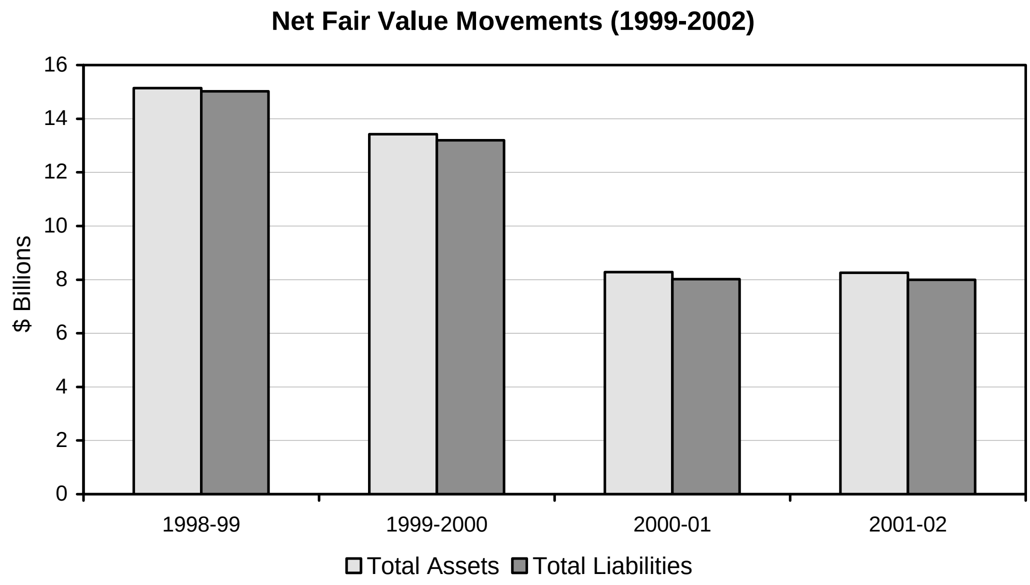
A distribution of $20 million was made to the Treasurer from SAFA this financial year. This is the first distribution made since 1998.

The 2002-03 State Budget includes anticipated returns of capital of approximately $190 million over the next four years.

Given that a significant component of SAFA's operating surplus is derived from the return on retained earnings/ capital, such a reduction would be expected to reduce the profitability of SAFA in the future, all things being equal.

Assets and Liabilities

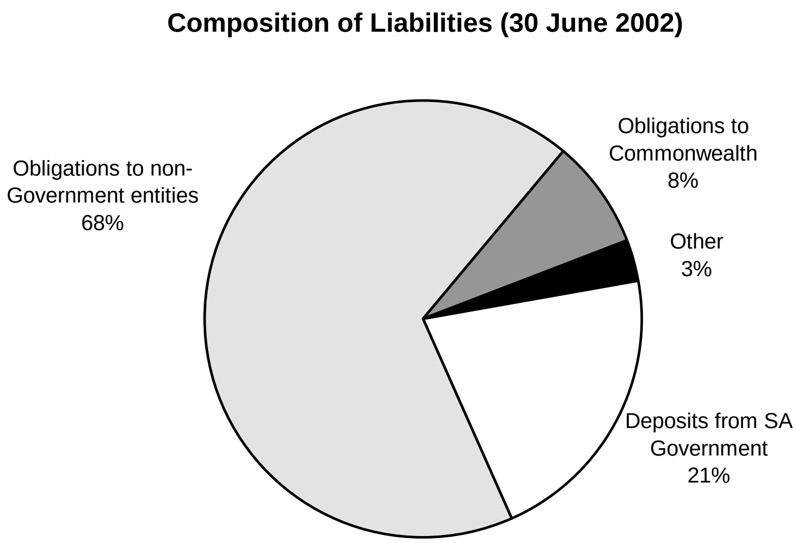
As discussed previously, the use of proceeds from the disposal of the government-owned electricity assets has had a significant impact on the size of SAFA's Statement of Financial Position as shown below.



The main reasons for the significant fall in 2000-01 include the debt retirement process using proceeds received from the electricity business disposal process and the maturity of a number of large value cross currency swap deals.

Composition of Liabilities

Included within the outstanding liabilities of $8.1 billion are a mix of obligations to both internal South Australian Government bodies and non-government entities. The following graph details the composition of liabilities as at 30 June 2002.



FURTHER COMMENTARY ON OPERATIONS

Debt redemption assistance payments

SAFA currently receive debt redemption assistance payments from the Commonwealth Government. These payments are made up of two components - Borrowing Cost Compensation and Commonwealth Contribution Compensation, which they receive on a monthly basis.

Borrowing cost compensation is received by SAFA to compensate for higher interest costs that occur on current borrowings because low interest coupon debt from the Commonwealth Government has matured. The amount received during 2001-02 was $5.5 million. Over the next four years, the amounts estimated to be received range between $3 and 5 million, with a final payment of approximately $30 million expected to be received in 2005-06. These amounts are recognised as other revenue when received in SAFA's Statement of Financial Performance.

The Common Public Sector Interest Rate

A major proportion of funding provided by SAFA is that to the Treasurer at a common interest rate referred to as the Common Public Sector Interest Rate (CPSIR). The CPSIR is the quarterly charge out rate reflecting SAFA's average costs of borrowings sourced from domestic and international financial markets plus a margin to cover administration expenses.

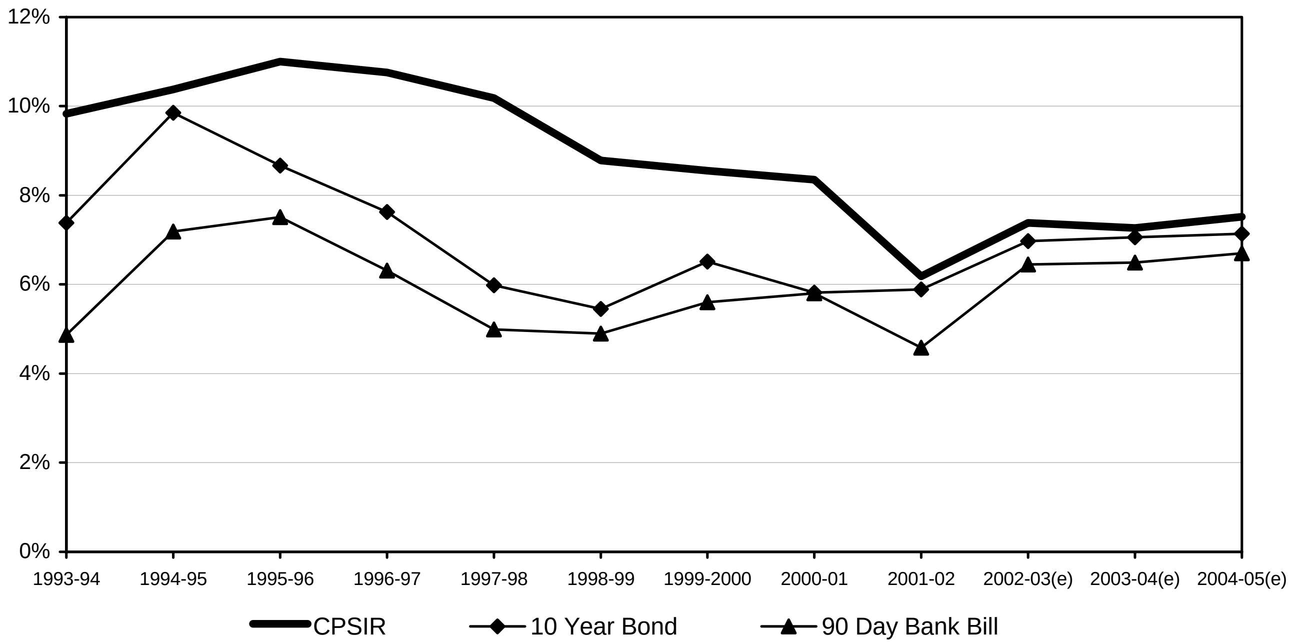
The CPSIR rate is calculated based on historical cost principles, and hence tends to be slow to react to changes in market rates as the 'CPSIR pool' consists of a large number of transactions at differing interest rates and maturities (ie changes to CPSIR should occur when transactions mature or are re-priced).

The average annual CPSIR for 2001-02 was 6.18 percent (8.35 percent).

It is important to note that the objectives underlying the debt management policy of the Government, in effect, determine the CPSIR. SAFA manage debt in compliance with Government policy such that the cost of debt is minimised over the medium to long term.

While there is no direct benchmark against which to compare the CPSIR rate, the following graph indicates the movements in the average CPSIR against the 90 day bank bill rate and the 10 year Bond rate:

Interest Rate Comparison



(e) Estimated Amount.

The sharp decrease in the CPSIR rate for the year ending 30 June 2002 is due to lower market interest rates and the return of approximately $21 million in interest overcharged to the Treasurer by SAFA as a result of timing differences between the estimation and determination of CPSIR rates.

Currently SAFA still have a balance of approximately $24 million which is required to be passed back to the Treasurer via the CPSIR mechanism. The current overcharge balance is recorded as a sundry creditor in the financial statements.

The main reasons why the CPSIR has remained higher than market rates stem from the fact that the portfolio includes borrowings undertaken in the past when rates were higher than those of today, and that it is calculated based on accounting results and not the market cost of funds.

Business Risk Management

In order to manage SAFA's operations and associated risks, SAFA have split their operations into a number of portfolios.

The Treasurer's debt managed by SAFA is managed within two separate portfolios. One portfolio includes liquid nominal rate and hedge instruments managed against a benchmark set by the Treasurer. The management of this portfolio involves the use of measurements including Value at Risk, duration and interest rate sensitivity measures.

The other portfolio includes certain non-liquid nominal long-term borrowings (for example, housing agreement loans between the Commonwealth and the State) and inflation indexed borrowings.

Net expenses in the Treasurer's portfolios are passed through to the Treasurer with a margin attached. The result of this is that SAFA have no interest rate risk in regards to the Treasurer's portfolios.

In addition to the Treasurer's portfolio, a number of principal portfolios are maintained including:

- Domestic portfolio
- Off-Shore portfolio
- Reinvestment portfolio
- Foreign exchange hedging service portfolio
- Cash Management Fund
- Cash Enhanced Fund.

These portfolios are used for the purpose of monitoring and managing investment and hedging services provided by SAFA to public sector agencies. Any profits or losses from the other principal portfolios are recorded in SAFA's Statement of Financial Performance.

Statement of Financial Performance for the year ended 30 June 2002

			SAFA		Consolidated
		2002	2001	**2002**	2001
	Note	**$'million**	$'million	**$'million**	$'million
Interest revenue	17	**805.6**	1 245.4	**805.7**	1 290.1
Less: Interest expense	17	**781.3**	1 220.4	**781.3**	1 258.7
Net Interest Revenue		**24.3**	25.0	**24.4**	31.4
Dividends	18	**0.3**	18.5	**-**	-
Other non-interest revenue	19	**6.5**	11.0	**6.2**	11.5
Less: Non-interest Expenses	20	**6.7**	9.8	**6.8**	10.3
OPERATING SURPLUS BEFORE INCOME TAX		**24.4**	44.7	**23.8**	32.6
INCOME TAX (TER) ATTRIBUTABLE TO OPERATING SURPLUS		**7.2**	8.9	**7.0**	8.9
NET PROFIT AFTER INCOME TAX		**17.2**	35.8	**16.8**	23.7
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH STATE GOVERNMENT AS OWNERS		**17.2**	35.8	**16.8**	23.7

Statement of Financial Position as at 30 June 2002

			SAFA		Consolidated
		2002	2001	**2002**	2001
ASSETS:	Note	**$'million**	$'million	**$'million**	$'million
Cash and short-term assets	2	**708**	909	**721**	924
Investments	3	**672**	494	**672**	494
Loans to the South Australian Government	4	**4 021**	3 932	**4 021**	3 932
Loans to semi-government authorities	5	**1 175**	1 169	**1 175**	1 169
Loans provided to public sector financial institutions	6	**785**	841	**785**	841
Capital investments	7	**-**	-	**-**	-
Derivatives - Receivables	8	**844**	759	**838**	752
Other assets	9	**178**	182	**178**	182
TOTAL ASSETS		**8 383**	8 286	**8 390**	8 294
LIABILITIES:					
Deposits and short-term borrowings	10	**2 319**	1 887	**2 319**	1 887
Bonds, notes and debentures	11	**4 093**	4 524	**4 123**	4 558
Obligations to Commonwealth Government	12	**642**	682	**642**	682
Derivatives - Payable	13	**830**	673	**825**	666
Other liabilities	14	**238**	257	**215**	232
Total Liabilities		**8 122**	8 023	**8 124**	8 025
CAPITAL AND RESERVES:					
Retained surplus	15	**261**	263	**266**	269
Total Capital and Reserves		**261**	263	**266**	269
TOTAL CAPITAL, RESERVES AND LIABILITIES		**8 383**	8 286	**8 390**	8 294
Contingent Liabilities	16				

Statement of Cash Flows for the year ended 30 June 2002

		SAFA		Consolidated	
		2002	2001	**2002**	2001
		Inflows	Inflows	**Inflows**	Inflows
		(Outflows)	(Outflows)	**(Outflows)**	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'million**	$'million	**$'million**	$'million
Interest received on loans to clients		**362**	558	**362**	558
Interest received on investments		**94**	178	**95**	264
Dividend received		**-**	19	**-**	-
Other income		**12**	13	**12**	12
GST received		**1**	-	**1**	-
Interest paid on borrowings		**(413)**	(605)	**(413)**	(611)
Administration fees paid		**(7)**	(14)	**(8)**	(14)
GST paid		**(1)**	-	**(1)**	-
Net Interest received (paid) on Derivatives		**10**	34	**10**	34
TER income tax paid		**(8)**	(9)	**(8)**	(10)
Net Cash provided by Operating Activities	21 (b)	**50**	174	**50**	233
CASH FLOWS FROM INVESTING ACTIVITIES:					
Net proceeds from payments for loans to clients		**43**	2 414	**43**	2 414
Purchase of investments		**(7 627)**	(10 003)	**(7 652)**	(10 036)
Proceeds from investments		**7 741**	11 509	**7 760**	12 328
Net Cash provided by Investing Activities		**157**	3 920	**151**	4 706
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayment of obligations to Commonwealth Government		**(54)**	(91)	**(54)**	(91)
Repayment of borrowings		**(215)**	(4 285)	**(215)**	(5 130)
Net proceeds from payments for Derivatives		**(4)**	6	**(4)**	6
Distribution of SAFA surplus		**(20)**	-	**(20)**	-
Net Cash used in Financing Activities		**(293)**	(4 370)	**(293)**	(5 215)
NET DECREASE IN CASH HELD		**(86)**	(276)	**(92)**	(276)
CASH AT 1 JULY		**154**	429	**162**	436
EFFECT OF EXCHANGE RATE CHANGES		**-**	1	**-**	2
CASH AT 30 JUNE	21 (a)	**68**	154	**70**	162

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

(a) Principal Accounting Policies

In the financial report, the South Australian Government Financing Authority, the 'Parent Entity', is referred to as 'SAFA' and the 'Economic Entity', consists of SAFA and all entities in which it has control. The consolidated accounts comprise the accounts of the Economic Entity. The registered address of SAFA is Level 5, State Administration Centre, 200 Victoria Square East, Adelaide, South Australia, 5000.

The financial report has been prepared as a general purpose financial report in accordance with the Australian Accounting Standards (Accounting Standards), Urgent Issues Group (UIG) Consensus Views and the requirements of the Treasurer's Instructions relating to financial reporting by statutory authorities which are issued pursuant to the South Australian *Public Finance and Audit Act 1987*.

(b) Principles of Consolidation

The consolidated financial report of the Economic Entity include the accounts of SAFA, being the parent entity, and its controlled entities listed in Note 27. All assets and liabilities of the controlled entities are consolidated as of 30 June 2002. If the base currency of the controlled entity is in a foreign currency then the assets and liabilities are converted at the exchange rate existing as at 30 June 2002. Where entities have been acquired or sold during the year, their operating results have been included from the date of acquisition or to the date of disposal. All material balances and transactions between members of the Economic Entity have been eliminated on consolidation.

(c) Statutory Guarantee

Under section 15 of the *Government Financing Authority Act 1982*, all financial obligations incurred or assumed by SAFA are guaranteed by the Treasurer on behalf of the State of South Australia.

(d) Market Value Accounting

SAFA manages its financial assets and liabilities on a market value basis, as it believes that it provides a better basis for making decisions and evaluating performance. Consequently, SAFA changed its accounting policy for its financial assets and liabilities from historical cost accounting to market value accounting. The change in accounting policy did not have a net impact on the cumulative financial effect on previous reported results or on the year's financial performance. Financial assets and liabilities (including derivatives) are recorded at net fair value in the Statement of Financial Position. The net fair value is equal to the market value less accrued interest. All financial instruments are revalued to reflect market movements with gains and losses, whether realised or unrealised, being recognised immediately in the Statement of Financial Performance (Note 19, other non-interest revenues). Financial instruments are revalued daily either at their quoted market price or discounted against the relevant yield curve.

(e) Foreign Currency Translation

Foreign currency assets and liabilities are brought into the financial report at the exchange rate applying at 30 June 2002. Revenue and expense items are translated at the exchange rate current at the date at which those items were recognised in the financial report. Revaluation of foreign currency assets and liabilities are recognised as unrealised gains or losses and are brought to account in the Statement of Financial Performance.

Forward foreign exchange contracts are translated at the exchange rate applying at 30 June 2002. Resulting exchange differences are recognised in the Statement of Financial Performance.

(f) Interest Recognition

Interest income and expense is accrued in accordance with the terms and conditions of the underlying financial instrument and premiums and discounts are amortised over the life of the associated borrowing.

(g) Non-Interest Revenue Recognition

Fee income in respect of services provided is recognised in the period in which the service is provided.

Income from the Commonwealth Government is provided under the terms and conditions of the *Financial Agreement Act 1994* as compensation for refinancing of previous borrowings undertaken by the Commonwealth Government. The revenue is recognised on an accrual basis in the period to which it relates.

(h) Common Public Sector Interest Rate Loan (CPSIR)

The CPSIR loan to the Treasurer is funded through a range of assets and liabilities within the Treasurer's Portfolio (see Note 22). Any gains and losses, whether realised or unrealised, on the assets and liabilities in the Treasurer's Portfolio that fund the CPSIR loan are mirrored by a loss or gain on the CPSIR loan to the Treasurer of South Australia.

(i) Employee Benefits

SAFA does not employ any direct staff, but is provided with staff resources by the Department of Treasury and Finance (Treasury) through a Service Level Agreement (SLA). The responsibility to provide for employer contributions to superannuation benefits rests with Treasury and for this reason SAFA is not required to establish a provision. Long service leave liabilities are met by Treasury as they fall due. The controlled entities comprising the Economic Entity do not have any employees.

(j) Tax Equivalent Disclosure

SAFA and its controlled entities came under a Tax Equivalent Regime (TER) as from 1 July 1995 and are taxed at 30 percent (34 percent) using the Accounting Profits Tax Model. SAFA receives a credit against its TER liability for any income tax paid directly or by its controlled entities in Australia or in other jurisdictions.

South Australian Finance Trust Limited (SAFTL), which previously came under the Commonwealth income tax jurisdiction, commenced under the TER as from 1 July 1995 and is assessed under a Substantive Tax Model which adopts as its basis the *Income Tax Assessment Act 1936* and the *Income Tax Assessment Act 1997.*

(k) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- where the GST is not recoverable;
- it is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables.

(l) Cash and Short Term Assets

Primarily, short term money market deposits and negotiable discount securities which are held for liquidity and investment purposes. Cash and short term assets are recorded net fair value cost with interest income accrued in accordance with the terms of the transaction.

(m) Investments

Investments are assets originating outside the South Australian public sector, which are purchased as part of liquidity and interest rate risk management and may be sold prior to maturity in response to various factors including changes in interest rates and funding requirements of the South Australian public sector.

Investments are recorded at net fair value. The Economic Entity does not hold investments for trading purposes.

(n) Loans and Advances

Loans and advances are recognised at net fair value, after assessing required provisions for impairment. The Treasurer of South Australia guarantees all loans and advances to South Australian Public Sector entities. The loan portfolio is reviewed regularly and an impairment of a loan would be recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the relevant agreement. There are no impaired loans as at 30 June 2002.

(o) Repurchase Agreements

Securities sold under an agreement to repurchase are retained within the investment category. The obligation to repurchase is recorded as a Contingent Liability. The difference between the sale and repurchase price represents the interest income/expense and is recognised in the Statement of Financial Performance over the term of the repurchase agreement.

(p) ***Bonds, Notes, Debentures and Other Borrowings***

Funds are raised through various instruments including bonds, notes and debentures. These instruments are recorded at net fair value and the effective historic yield of the transaction is recognised as interest expense in the Statement of Financial Performance on an accrual basis. Any movement in net fair value due to revaluation are recorded as Other Income in the Statement of Financial Performance. All borrowings are raised on an unsecured basis.

(q) ***Derivative Instruments***

The Economic Entity utilises derivative instruments in fund raising, debt management and client activities. They are used to convert funding costs, facilitate diversification of funding sources, reconfigure interest rate risk profiles and manage foreign currency exposures. The net fair value of derivative instruments is recognised in the Statement of Financial Position with any movements in net fair value reflected in Other Non-Interest Revenue in the Statement of Financial Performance. Interest receipts and interest payments are accrued on a gross basis in other assets and other liabilities respectively in the Statement of Financial Position and classified as interest revenue and interest expense in the Statement of Financial Performance.

(r) ***Other Assets and Liabilities***

Other assets, including debtors and accruals, and other liabilities, including creditors, expense accruals and provisions, are all stated at cost.

(s) ***Maturity of Assets and Liabilities***

The maturity classification of the assets and liabilities is determined by the length of time from the date of the financial report, 30 June 2002, to the contractual repayment date of the individual assets and liabilities. The amounts shown represent the capital value of the financial assets and liabilities as at 30 June 2002.

(t) ***Average Balances***

The average balances presented in Note 17 have been calculated on monthly balances and reflects the capital value of the assets and liabilities. The average rate equals interest divided by the average balance of interest bearing assets and liabilities.

(u) ***Comparatives***

The comparative amounts for the previous year have been reclassified to facilitate comparison with changes in presentation in the current year.

(v) ***Rounding***

Unless otherwise indicated, all amounts have been rounded to the nearest million Australian dollars. Zero represents balances less than $500 000.

	SAFA		Consolidated	
	2002	2001	**2002**	2001
	$'million	$'million	**$'million**	$'million
2. Cash and Short-Term Assets				
Cash at bank	**7.8**	6.3	**9.6**	14.8
Short-term money market deposits	**60.7**	147.4	**60.7**	147.4
Negotiable discount securities	**639.0**	754.8	**650.5**	761.7
	707.5	908.5	**720.8**	923.9
3. Investments				
Semi-government securities	**184.6**	-	**184.6**	-
Commonwealth Government guaranteed securities	**213.8**	256.3	**213.8**	256.3
Local government securities	**34.0**	38.2	**34.0**	38.2
Indexed securities	**102.0**	100.4	**102.0**	100.4
Mortgage backed securities	**47.4**	9.6	**47.4**	9.6
Bank and Corporate securities	**90.5**	89.2	**90.5**	89.2
	672.3	493.7	**672.3**	493.7
4. Loans to the South Australian Government				
Loans to SA Government at CPSIR	**3 912.7**	3 809.0	**3 912.7**	3 809.0
Loans to SA Government at market	**107.8**	122.6	**107.8**	122.6
	4 020.5	3 931.6	**4 020.5**	3 931.6

The Common Public Sector Interest Rate (CPSIR) is the charging mechanism through which the Government allocates the net interest cost paid on debt owing to the external financial market within the South Australian public sector. The CPSIR is the rate charged on the majority of the South Australian Government's debt with SAFA. The CPSIR is set by the Treasurer on a quarterly basis and interest is payable by public sector entities to the Treasurer and by the Treasurer to SAFA. CPSIR is set so as to recover the net interest expense of the assets and liabilities funding the CPSIR loan plus a margin.

Realised gains and losses resulting from debt management activities on behalf of the Treasurer in the Treasurer's portfolios (see Note 22) are passed on to the Treasurer as an adjustment to the CPSIR loan balance.

The net fair value of the loans at CPSIR is considered to be the net fair value of the net Australian dollar assets and liabilities funding the CPSIR loan.

		SAFA		Consolidated	
		2002	2001	**2002**	2001
		$'million	$'million	**$'million**	$'million
5.	**Loans to Semi-Government Authorities**				
	Minister for Primary Industries	**14.0**	18.9	**14.0**	18.9
	Minister for Transport	**6.1**	7.0	**6.1**	7.0
	South Australian Ports Corporation	**-**	9.4	**-**	9.4
	Industrial and Commercial Premises Corporation	**67.6**	40.9	**67.6**	40.9
	South Australian Water Corporation	**1 087.3**	1 092.9	**1 087.3**	1 092.9
		1 175.0	1 169.1	**1 175.0**	1 169.1
6.	**Loans to Public Sector Financial Institutions**				
	Local Government Financing Authority	**27.4**	37.0	**27.4**	37.0
	HomeStart Finance	**642.2**	689.1	**642.2**	689.1
	South Australian Community Housing Authority	**115.7**	115.3	**115.7**	115.3
		785.3	841.4	**785.3**	841.4
7.	**Capital Investments**				
	South Australian Finance Ltd (UK) - Capital	**0.0**	0.0	**-**	-
8.	**Derivatives - Receivable**				
	Currency swaps	**521.4**	713.4	**515.3**	706.5
	Foreign exchange swaps	**279.6**	6.4	**279.6**	6.4
	Interest Rate Swaps	**42.8**	38.7	**42.8**	38.7
		843.8	758.5	**837.7**	751.6
9.	**Other Assets**				
	Accrued interest	**177.7**	181.9	**177.7**	181.9
	Sundry debtors	**0.4**	0.5	**0.3**	0.4
		178.1	182.4	**178.0**	182.3
10.	**Deposits and Short-term Borrowings**				
	Deposits	**54.3**	178.5	**54.2**	178.5
	Deposits from the Treasurer of South Australia	**1 259.0**	1 036.1	**1 259.0**	1 036.1
	Deposits from semi-government authorities	**482.6**	440.0	**482.6**	440.0
	South Australian Asset Management Corporation	**33.2**	29.6	**33.2**	29.6
	Commercial Paper	**198.5**	-	**198.5**	-
	European Commercial Paper	**291.5**	202.5	**291.5**	202.5
		2 319.1	1 886.7	**2 319.0**	1 886.7
11.	**Bonds, Notes and Debentures**				
	Inscribed stock	**2 365.0**	2 341.9	**2 365.0**	2 341.9
	Inflation linked bonds and annuities	**567.8**	565.3	**567.8**	565.3
	Debentures	**2.1**	2.9	**32.1**	36.9
	Eurobonds	**511.7**	653.3	**511.7**	653.3
	Samurai bonds	**75.5**	214.0	**75.5**	214.0
	Medium term notes	**319.3**	327.4	**319.3**	327.4
	Borrowings from financial institutions	**251.4**	279.0	**251.4**	279.0
	Annuities	**-**	140.4	**-**	140.4
		4 092.8	4 524.2	**4 122.8**	4 558.2
12.	**Obligations to Commonwealth Government**				
	Obligations to the Commonwealth Government	**641.9**	682.0	**641.9**	682.0
13.	**Derivatives - Payable**				
	Currency swaps	**464.9**	584.2	**460.0**	577.4
	Foreign exchange swaps	**285.5**	7.1	**285.1**	7.1
	Forward rate agreements	**0.2**	(0.2)	**0.2**	(0.2)
	Interest rate swaps	**79.5**	81.8	**79.5**	81.8
		830.1	672.9	**824.8**	666.1
14.	**Other Liabilities**				
	Accrued interest	**214.3**	222.0	**189.2**	194.7
	Income tax liability	**-**	0.1	**1.9**	2.2
	Sundry creditors	**24.0**	35.3	**23.9**	35.5
		238.3	257.4	**215.0**	232.4
15.	**Retained Surplus**				
	Balance at 1 July	**263.3**	227.5	**269.3**	245.6
	Add: Transfer from Statement of Financial Performance	**17.2**	35.8	**16.8**	23.7
	Less: Distribution as determined by the Treasurer of South Australia	**20.0**	-	**20.0**	-
	Balance at 30 June	**260.5**	263.3	**266.1**	269.3

The Treasurer of South Australia determined that there would be a distribution of $20 million from SAFA for 2001-02.

16. Contingent Liabilities

General

SAFA, the Parent Entity, has guaranteed the financial obligations of its subsidiary entities in the United Kingdom (UK) and Hong Kong. The guarantees have been given in consideration for guarantee fees and in each instance SAFA has secured a first charge over the assets of those companies which comprise high credit status securities. As of 1 June 2001, the UK subsidiary was placed into voluntary liquidation.

SAFA has provided an indemnity to SAFTL for the aggregate borrowing costs and expenses properly incurred in the normal course of business, where it is shown that income of SAFTL is insufficient. Since November 2000, SAFTL has only had cash at bank and has paid administrative expenses. It is expected that SAFTL will be wound up in 2002-03 without any further activity. Management does not consider that the indemnity will be invoked.

Other indemnities provided by SAFA have been primarily provided to third parties involved, either directly or indirectly, in financing arrangements with SAFA, other statutory authorities and financial institutions of the State, and relate to financial advantages which are expected to be available to those parties or to preserve existing financial advantages. No indemnities have been given for income tax aspects of any financing arrangement undertaken since July 1988.

Guarantees

In the past, SAFA has issued guarantees in favour of South Australian agencies with respect to certain offshore funding transactions. As at 30 June 2002, one transaction remains where there is any exposure to SAFA. Management considers that there is little chance of the guarantee being called.

Repurchase Agreements

As at 30 June 2002, SAFA has sold $640.9 million of Semi-Government and Commonwealth Government Guaranteed Securities through repurchase agreements. Under the terms of the repurchase agreements, SAFA will repurchase the investments within one month.

Unused Loan Facilities

As of 30 June 2002, SAFA has extended loan facilities that were unutilised totalling $275.6 million.

17. Interest Revenue and Expense

	2002			2001		
SAFA	**Average Balance $'million**	**Interest $'million**	**Average Rate Percent**	Average Balance $'million	Interest $'million	Average Rate Percent
Interest Revenue:						
Cash and short-term assets	**1 037**	**47.1**	**4.54**	1 402	75.4	5.38
Investments	**548**	**40.7**	**7.43**	1 106	90.2	8.16
Loans to SA Government	**3 728**	**255.6**	**6.86**	4 211	332.7	7.90
Loans to semi-government authorities	**1 155**	**78.8**	**6.82**	1 275	94.2	7.39
Loans to public sector financial institutions	**812**	**41.6**	**5.12**	853	55.1	6.46
Derivatives - Receivable(1)	**607**	**341.8**	**4.60**	1 358	597.8	6.01
	7 887	**805.6**	**6.23**	10 205	1 245.4	7.15
Interest Expense:						
Deposits and short-term borrowings	**2 253**	**104.7**	**4.65**	2 467	152.4	6.18
Bonds, notes and debentures	**3 955**	**293.3**	**7.42**	5 289	415.7	7.86
Obligations to Commonwealth Government	**810**	**38.2**	**4.72**	863	42.1	4.88
Derivatives - Payable(1)	**541**	**345.1**	**6.36**	1 295	610.2	9.24
	7 559	**781.3**	**6.23**	9 914	1 220.4	7.36
Consolidated						
Interest Revenue:						
Cash and short-term assets	**1 051**	**47.4**	**4.51**	1 479	80.1	5.42
Investments	**548**	**40.7**	**7.43**	1 388	124.3	8.96
Loans to SA Government	**3 728**	**255.6**	**6.86**	4 211	332.7	7.90
Loans to semi-government authorities	**1 155**	**78.8**	**6.82**	1 275	94.2	7.39
Loans to public sector financial institutions	**812**	**41.6**	**5.12**	850	54.0	6.35
Derivatives - Receivable(1)	**600**	**341.6**	**4.62**	1 354	604.8	6.54
	7 894	**805.7**	**6.23**	10 557	1 290.1	7.33
Interest Expense:						
Deposits and short-term borrowings	**2 253**	**104.7**	**4.65**	2 467	152.2	6.17
Bonds, notes and debentures	**3 981**	**296.1**	**7.44**	5 669	453.5	8.00
Obligations to Commonwealth Government	**810**	**38.2**	**4.72**	863	42.1	4.88
Derivatives - Payable(1)	**537**	**342.3**	**5.88**	1 290	610.9	9.33
	7 581	**781.3**	**6.21**	10 289	1 258.7	7.47

(1) Average Rate does not include effect of Interest Rate Swap. Rate calculated on Currency and FX Swaps only.

The average balance has been calculated on a monthly basis. Land reflects the capital value of the assets and liabilities. The average interest rate equals interest revenue/expense divided by the average balance of interest bearing assets and liabilities.

18. Dividends

	SAFA		Consolidated	
	2002 $'million	2001 $'million	**2002 $'million**	2001 $'million
Dividends from South Australian Finance Trust Ltd	**-**	1.1	**-**	-
Dividends from South Australian Finance Ltd (UK)	**0.3**	17.4	**-**	-
	0.3	18.5	**-**	-

19. Other Non-Interest Revenues

	SAFA		Consolidated	
	2002	2001	**2002**	2001
	$'million	$'million	**$'million**	$'million
Debt redemption assistance from Commonwealth Government	**5.5**	7.8	**5.5**	7.7
Fees	**0.8**	4.0	**0.8**	3.4
Foreign currency translation movement(1)	**0.1**	(1.4)	**(0.2)**	(0.6)
Other	**1.0**	0.6	**1.0**	0.6
Sub Total	**7.4**	11.0	**7.1**	11.1
Unrealised gains (losses)	**(0.9)**	-	**(0.9)**	-
Other gains	**-**	-	**-**	0.4
Net Profit (Loss)	**(0.9)**	-	**(0.9)**	0.4
	6.5	11.0	**6.2**	11.5

(1) Reflects the effects of the translation of foreign currency retained surpluses.

20. Non-Interest Expenses

	SAFA 2002	SAFA 2001	Consolidated 2002	Consolidated 2001
Service Level Agreement with Treasury	**4.5**	4.5	**4.5**	4.5
Financial Institution's Duty	**-**	0.7	**-**	0.7
Program and debt management fees	**1.0**	1.3	**1.0**	1.3
Option fees	**-**	2.6	**-**	2.6
Legal fees	**0.7**	0.3	**0.7**	0.3
Other	**0.5**	0.4	**0.6**	0.9
	6.7	9.8	**6.8**	10.3

The Service Level Agreement is between SAFA and Treasury. Treasury provides services to SAFA in order to enable SAFA to undertake its business activities in a manner so that SAFA may achieve its key outcomes. Treasury provides SAFA with appropriately trained and skilled staff together with necessary infrastructure support including internal audit. The majority of the fees relates to staffing, accommodation, internal audit and network systems.

Program and debt management fees includes the cost of raising funds in the financial markets, futures brokerage, registry and credit rating fees. Other includes external audit and Advisory Board costs.

21. Cash Flow Information

	SAFA		Consolidated	
(a) Reconciliation of Cash	**2002**	2001	**2002**	2001
Includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts	**$'million** **68**	$'million 154	**$'million** **70**	$'million 162

(b) Reconciliation of Net Cash provided by Operating Activities to Operating Surplus after Income Tax

	SAFA 2002	SAFA 2001	Consolidated 2002	Consolidated 2001
Operating surplus after income tax	**17**	36	**17**	24
Accrued interest income (Increase) Decrease	**4**	227	**4**	267
Accrued interest expense Increase (Decrease)	**(8)**	(182)	**(5)**	(190)
Amortisations	**49**	106	**47**	146
Debtors (Increase) Decrease	**-**	-	**-**	3
Creditors Increase (Decrease)	**(11)**	(13)	**(12)**	(14)
FX movement	**(1)**	-	**(1)**	(3)
Net Cash provided by Operating Activities	**50**	174	**50**	233

(c) Non-Cash Financing and Investing Activities

During 2001-02, $6.04 million was adjusted against the Treasurer's debt for book gains and losses arising from debt management activity.

22. Additional Financial Instrument Disclosures

SAFA's core functions are fundraising, assets and liability management and the provision of financial risk management services and advisory services to its public sector clients. SAFA aims to undertake its functions in a manner that the interest of its owner and clients.

To assist in the management of SAFA's operations and its associated risks, SAFA's business activities have been separated into portfolios. SAFA's portfolio structure consists of a number of principal portfolios and two portfolios comprising the Treasurer's Portfolio. Any profit and loss resulting from the operations of principal portfolios is for SAFA's account whilst net interest expenses and market revaluations in the Treasurer's portfolios are for the account of the Treasurer. The Treasurer's Portfolio comprises assets and liabilities that together compose the CPSIR loan to the Treasurer. Effectively, the CPSIR loan mirrors the other assets and liabilities in that portfolio.

The principal portfolios are managed on very tight risk limits with little exposure to SAFA. These portfolios are managed within duration limits and value at risk limits with all the risk being borne by the Treasurer.

Interest Rate Risk

The Economic Entity uses interest rate futures contracts, interest rate swaps, interest rate options and forward rate agreements to manage interest rate risk. The use of interest rate derivatives enables the management of the volatility of the portfolio of debt and assets without requiring transactions in physical securities.

(i) *Interest Rate Futures Contracts*

A futures contract is an obligation to buy or sell an underlying commodity or financial instrument of a standardised amount and quantity at a specified future date with the price being set by an open auction system at the time when the contract is made.

The futures contracts principally transacted by SAFA are 90 day bank bill futures contracts and 3 year and 10 year bond futures contracts traded on the Sydney Futures Exchange.

The Economic Entity utilises futures contracts to manage interest rate exposures on a specific transaction or portfolio of transactions.

As at 30 June 2002, open interest rate futures positions represented a total notional principal of $230.5 million.

The mark to market movement in futures contracts is taken to the Statement of Financial Performance where if it was undertaken as part of the Treasurer's portfolios is passed on to the Treasurer as an adjustment to his debt level.

(ii) *Interest Rate Swaps*

An interest rate swap is a financial contract between two parties agreeing to exchange interest obligations over a fixed term on fixed dates. Interest amounts are calculated on a notional principal.

The Economic Entity utilises interest rate swaps to manage interest rate exposures on a specific transaction or portfolio of transactions.

Contracts principally involve the payment or receipt of interest payments on a quarterly or semi annual basis. As at 30 June 2002, the notional value of interest rate swaps totalled $4 997.4 million.

All interest rate swaps, except those undertaken on behalf of clients, were part of the Treasurer's portfolios and are captured in the CPSIR recharge to the Treasurer.

(iii) *Exchange Traded Interest Rate Options*

An interest rate option is a contract between two parties where one party grants to the other party (in consideration for a premium payment) the right, but not the obligation, to receive a payment equal to the amount by which an interest rate differs to a specific strike rate. As at 30 June 2002, there were no outstanding interest rate option contracts.

(iv) *Forward Rate Agreements (FRAs)*

A forward rate agreement is a contractual agreement between two parties to lock in a preset interest rate on an agreed notional principal for a given period of time commencing at a specific future date.

The Economic Entity utilises forward rate agreements to manage interest rate exposures on a specific transaction or portfolio of transactions. The notional value of forward rate agreements as at 30 June 2002 is $1 217 million.

The settled amount for FRAs is recognised immediately in the Statement of Financial Performance, where, if it was undertaken as part of the Treasurer's Portfolios it is passed onto the Treasurer as an adjustment to his debt level. During 2001-02, all FRAs entered into were as part of the Treasurer's Portfolios.

(v) *Forward Starting Derivatives*

As part of its debt management activities, SAFA may enter into forward starting derivatives to hedge identified future exposures and as part of its service to Public Sector Clients. As at 30 June 2002, SAFA had entered into forward starting interest rate swaps totalling $258.4 million in notional face value. These forward starting swaps were related to hedging future client transactions or as part of managing the Treasurer's Portfolios.

(vi) *Interest Rate Risk Exposures*

The Economic Entity's exposure to interest rate risk, repricing maturities and effective interest rates on financial instruments as at 30 June 2002 consolidated into Australian dollars is detailed below. The capital value of the assets and liabilities have been used as have the respective historic yield.

	Weighted Average Effective Intrst Rate	Non-Interest Bearing	Securities Contracts to Mature or Reprice					
Assets:	Percent	$'million	At Call $'million	3 months or less $'million	3 months to one year $'million	1 to 5 years $'million	5 years or more $'million	**2002 Total $'million**
Cash and short-term assets	4.27	-	78	618	25	-	-	**721**
Investments	4.78	-	-	164	43	246	184	**637**
Loans to SA Government	6.32	-	-	3 768	13	26	58	**3 865**
Loans to semi-government authorities	6.49	-	31	205	89	407	428	**1 160**
Loans to public sector financial institutions	5.22	-	8	676	25	19	55	**783**
Derivatives – Receivable	3.48	-	-	175	99	382	-	**656**
Other assets	-	178	-	-	-	-	-	**178**
Total Assets		178	117	5 606	294	1 080	725	**8 000**
Liabilities:								
Deposits and short-term borrowings	4.72	-	1 600	654	2	42	-	**2 298**
Bonds, notes and debentures	7.50	-	-	275	1 050	1 268	1 154	**3 747**
Obligations to Commonwealth Government	4.65	-	-	-	-	62	728	**790**
Derivatives - Payable	5.13	-	-	512	71	42	-	**625**
Other liabilities	-	239	-	-	-	-	-	**239**
Total Liabilities		239	1 600	1 441	1 123	1 414	1 882	**7 699**
Off-Balance Sheet:								
Interest rate swaps	(0.24)	-	-	1 258	(917)	(172)	(169)	**-**
NET		**(61)**	**(1 483)**	**5 423**	**(1 746)**	**(506)**	**(1 326)**	**301**

(vi) *Interest Rate Risk Exposures (continued)*

Assets:	Weighted Average Effective Interest Rate Percent	Non-Interest Bearing $'million	At Call $'million	3 months or less $'million	3 months to one year $'million	1 to 5 years $'million	5 years or more $'million	2001 Total $'million
			Securities Contracts to Mature or Reprice					
Cash and short-term assets	4.97	-	181	704	39	-	-	924
Investments	5.53	-	-	109	46	139	179	473
Loans to SA Government	6.68	-	9	3 652	9	31	55	3 756
Loans to semi-government authorities	6.94	-	33	183	103	455	389	1 163
Loans to public sector financial institutions	5.48	-	1	690	14	64	69	838
Derivatives – Receivable	5.34	-	-	19	168	491	-	678
Other assets	-	186	-	-	-	-	-	186
Total Assets		186	224	5 357	379	1 180	692	8 018
Liabilities:								
Deposits and short-term borrowings	5.06	-	1 359	397	1	98	25	1 880
Bonds, notes and debentures	7.56	-	34	65	461	2 527	1 110	4 197
Obligations to Commonwealth Government	4.84	-	-	24	18	62	740	844
Derivatives - Payable	5.44	-	-	460	81	41	-	582
Other liabilities	-	246	-	-	-	-	-	246
Total Liabilities		246	1 393	946	561	2 728	1 875	7 749
Off-Balance Sheet:								
Interest rate swaps	0.04	-	-	1 170	(501)	(844)	175	-
NET		(60)	(1 169)	5 581	(683)	(2 392)	(1 008)	269

Foreign Exchange Risk

The Economic Entity has a policy of avoiding foreign currency risk and has limits in place to protect against movements in foreign currency exchange rates.

(i) *Currency Swaps*

A cross currency swap is a financial contract between two parties agreeing to exchange interest obligations in two different currencies over a fixed term on fixed dates. Interest amounts are calculated on currency principals which are usually exchanged at the start of the transaction.

The Economic Entity utilises cross currency swaps to eliminate foreign currency exposures associated with foreign currency borrowings.

(ii) *Foreign Exchange and Forward Exchange Contracts*

A foreign exchange contract is an agreement between two parties to buy and sell one currency against another currency either on a spot basis or a specified future date. A foreign exchange swap is an agreement to enter into both a spot foreign exchange transaction and a forward foreign exchange transaction.

The Economic Entity utilises foreign exchange contracts (spot and forward) to manage foreign exchange risk associated with foreign currency borrowings and to manage exposures arising from the Foreign Exchange Hedging Service provided to South Australian Public Sector Agencies and to hedge profits from overseas subsidiaries.

The Economic Entity has entered into forward foreign exchange contracts to hedge exposures arising from the Foreign Exchange Hedging Service provided to public sector clients. These transactions totalled $1 million in face value as at 30 June 2002.

(iii) *Currency Exposures*

The following table summarises the Economic Entity's exposure to exchange risk. The value to be received under the currency contracts is designed to hedge the exposure to the net foreign currency liabilities.

	USD A$'million	GBP A$'million	JPY A$'million	EUR A$'million	CAD A$'million
Less than one year:					
Net foreign currency assets	(258.4)	1.6	(75.6)	0.1	-
Net Derivatives	260.9	-	75.6	-	-
NET	2.5	1.6	-	0.1	-
Greater than one year:					
Net foreign currency assets	-	(1.4)	(254.5)	-	(112.5)
Net Derivatives	-	-	254.5	-	112.5
NET	-	(1.4)	-	-	-
TOTAL NET	2.5	0.2	-	0.1	-

Credit Risk

Credit risk is the risk of financial loss and associated costs, resulting from the failure of a counterparty to meet its financial obligations as and when they fall due.

The Economic Entity incurs credit risk through undertaking its core functions of fundraising, debt management and liquidity management.

Credit Risk (continued)

The Economic Entity's dealings in physical securities and other financial contracts, including derivatives, are transacted only with counterparties possessing strong to extremely strong safety characteristics regarding timely repayment of principal and interest.

To minimise the potential for credit loss, the Economic Entity complies with stringent credit guidelines. The guidelines are designed to promote diversification of credit risk amongst counterparties while limiting exposure only to highly rated institutions worldwide. The credit guidelines do not apply to loans to South Australian Government Entities.

No credit losses were incurred by the Economic Entity over the reporting period.

The Economic Entity measures credit risk for physical securities at face value and the credit risk of derivative transactions using a mark-to-market methodology that includes an additional factor to cover potential future adverse market movements.

An analysis of credit risk exposure by country, counterparty class, asset class and credit rating as at 30 June 2002 is detailed below.

NR represents loans within the South Australian Government which are not classified under a particular rating.

				2002 Rating					
Asset Class	AAA $'million	AA+ $'million	AA $'million	AA- $'million	A+ $'million	A $'million	A- $'million	NR $'million	**Total $'million**
Loans/investments	1 160	22	279	288	-	120	50	6 096	**8 015**
Currency swaps	30	28	-	24	-	-	-	8	**90**
Interest rate swaps	-	6	51	84	-	2	-	37	**180**
Total	1 190	56	330	396	-	122	50	6 141	**8 285**

				2001 Rating					
Asset Class	AAA $'million	AA+ $'million	AA $'million	AA- $'million	A+ $'million	A $'million	A- $'million	NR $'million	Total $'million
Loans/investments	1 325	53	44	439	60	137	49	6 728	8 835
Currency swaps	46	50	44	37	-	-	-	15	192
Interest rate swaps	2	5	86	81	-	3	-	41	218
Total	1 373	108	174	557	60	140	49	6 784	9 245

						Consolidation 2001-02 **Country**				
Counterparty Class	**Asset Class**	Australia *(AA+) $'million	Canada (AA+) $'million	France (AAA) $'million	Germany (AAA) $'million	Nether-lands (AAA) $'million	Switzer-land (AAA) $'million	United Kingdom (AAA) $'million	United States (AAA) $'million	**Total $'million**
South Australian Government:										
	Loans/Investments	6 086	-	-	-	-	-	-	-	**6 086**
	Currency swaps	8	-	-	-	-	-	-	-	**8**
	Interest rate swaps	34	-	-	-	-	-	-	-	**34**
	Sub Total	6 128	-	-	-	-	-	-	-	**6 128**
Commonwealth/ State Gvrnmnt:										
	Loans/Investments	942	-	-	-	-	-	-	-	**942**
	Sub Total	942	-	-	-	-	-	-	-	**942**
Banks:										
	Loans/Investments	667	3	20	32	50	-	30	23	**825**
	Currency swaps	11	-	-	-	-	52	-	-	**63**
	Interest rate swaps	39	2	-	3	6	29	60	5	**144**
	Sub Total	717	5	20	35	56	81	90	28	**1 032**
Corporate/ Other:										
	Loans/Investments	161	-	-	-	-	-	-	-	**161**
	Currency swaps	-	-	-	-	-	-	19	-	**19**
	Interest rate swaps	3	-	-	-	-	-	-	-	**3**
	Sub Total	164	-	-	-	-	-	19	-	**183**
	Total by Country	7 951	5	20	35	56	81	109	28	**8 285**
Total by Asset Class:										
	Loans/Investments	7 856	3	20	32	50	-	30	23	**8 014**
	Currency swaps	19	-	-	-	-	52	19	-	**90**
	Interest rate swaps	76	2	-	3	6	29	60	5	**181**
	Total by Country	7 951	5	20	35	56	81	109	28	**8 285**

SAFA's credit guidelines also permit SAFA to undertake credit exposure transactions with counter-parties from Japan, New Zealand, Norway Singapore and selected Supranationals. As at 30 June 2002, SAFA did not have any credit exposure to these countries or Supranationals.

Counterparty Class	Asset Class	Australia *(AA+) $'million	Canada (AA+) $'million	France (AAA) $'million	Germany (AAA) $'million	Nether-lands (AAA) $'million	Switzer-land (AAA) $'million	United Kingdom (AAA) $'million	United States (AAA) $'million	Total $'million Total
		Consolidation 2000-01								
		Country								
South Australian Government:	Loans/Investments	6 708	-	-	-	-	-	-	-	6 708
	Currency swaps	14	-	-	-	-	-	-	-	14
	Interest rate swaps	38	-	-	-	-	-	-	-	38
	Sub Total	6 760	-	-	-	-	-	-	-	6 760
Commonwealth/ State Gvrnmnt:	Loans/Investments	1 235	-	-	-	-	-	-	-	1 235
	Sub Total	1 235	-	-	-	-	-	-	-	1 235
Banks:	Loans/Investments	349	126	35	60	-	-	45	69	684
	Currency swaps	55	-	-	-	-	94	-	-	149
	Interest rate swaps	51	3	-	6	7	35	72	4	178
	Sub Total	455	129	35	66	7	129	117	73	1 011
Corporate/ Other:	Loans/Investments	208	-	-	-	-	-	-	-	208
	Currency swaps	-	-	-	-	-	-	28	-	28
	Interest rate swaps	3	-	-	-	-	-	-	-	3
	Sub Total	211	-	-	-	-	-	28	-	239
	Total by Country	8 661	129	35	66	7	129	145	73	9 245
Total by Asset Class:	Loans/Investments	8 500	126	35	60	-	-	45	69	8 835
	Currency swaps	69	-	-	-	-	94	28	-	191
	Interest rate swaps	92	3	-	6	7	35	72	4	219
	Total by Country	8 661	129	35	66	7	129	145	73	9 245

* Standard and Poor's long term foreign currency credit rating.

Liquidity Risk

In order to manage liquidity risk, SAFA has in place liquidity management guidelines which require SAFA to hold a base level of liquidity comprising highly marketable financial assets. Liquid assets include cash, promissory notes, Commonwealth notes, floating rate notes and negotiable discount securities. The level of financial asset holdings by SAFA on any given day must be sufficient to cover the higher of: a base liquidity buffer of $250 million or the sum of SAFA maturities over the next 30 days. Adherence to these guidelines enables SAFA to be in a position to meet the forecasted cash demands and any unanticipated funding requirements of the South Australian public sector.

SAFA has chosen an approach to minimise medium-term refinancing risks, which involves diversification of physical borrowings across the maturity spectrum, diversification of funding sources and the holding of liquid assets to assist in the management of refinancing and liquidity risk.

These strategies result in SAFA facing manageable funding demands from financial markets in any given period. This approach assists the maintenance of an orderly market place for SAFA's securities when refinancing maturing debt obligations.

23. Maturity Analysis of Financial Instruments

The maturity analysis has been calculated based on capital value relating to the repayment of the principal (face value) and any capital premium or discount outstanding as at 30 June 2002.

	At call $'million	0 to 3 Months $'million	3 to 12 Months $'million	1 to 5 years $'million	Over 5 years $'million	**Total $'million**
	Maturity period as at 30 June 2002					
Assets:						
Cash and short term assets	76.6	619.0	24.9	-	-	**720.5**
Investment	0.1	7.4	52.0	393.9	184.3	**637.7**
Loans to SA Government	-	-	12.7	26.1	3 826.6	**3 865.4**
Loans to semi-government authorities	30.7	141.2	125.7	426.3	435.9	**1 159.8**
Loans to public sector financial institutions	7.8	192.9	214.6	312.0	55.1	**782.4**
Derivatives - Receivable	-	161.9	74.2	420.1	-	**656.2**
Total	115.2	1 122.4	504.1	1 578.4	4 501.9	**7 822.0**
Liabilities						
Deposits and short term borrowings	1 597.2	490.1	2.1	41.6	164.0	**2 295.0**
Bonds, notes and debentures	-	241.2	1 066.7	1 308.2	1 186.2	**3 802.3**
Obligations to Commonwealth Government	-	-	-	62.3	728.1	**790.4**
Derivatives - Payable	-	167.7	62.1	395.1	-	**624.9**
Total	1 597.2	899.0	1 130.9	1 807.2	2 078.3	**7 512.6**
NET	(1 482.0)	223.4	(626.8)	(228.8)	2 423.6	**309.4**

23. Maturity Analysis of Financial Instruments (continued)

	Maturity period as at 30 June 2001					
	At call $'million	0 to 3 Months $'million	3 to 12 Months $'million	1 to 5 years $'million	Over 5 years $'million	Total $'million
Assets:						
Cash and short term assets	181.2	703.4	39.3	-	-	923.9
Investment	0.2	20.1	91.7	182.3	178.7	473.0
Loans to SA Government	8.6	5.0	8.5	31.0	3 702.7	3 755.8
Loans to semi-government authorities	33.0	126.3	102.6	499.1	402.2	1 163.2
Loans to public sector financial institutions	1.1	229.7	14.2	523.4	69.3	837.7
Currency swaps - Receivable	-	-	151.3	533.9	-	685.2
Total	224.1	1 084.5	407.6	1 769.7	4 352.9	7 838.8
Liabilities						
Deposits and short term borrowings	1 351.6	222.8	8.9	97.8	199.2	1 880.3
Bonds, notes and debentures	-	64.9	425.5	2 562.7	1 143.6	4 196.7
Obligations to Commonwealth Government	-	23.9	17.9	62.3	740.3	844.4
Currency swaps - Payable	-	0.6	124.4	463.6	-	588.6
Total	1 351.6	312.2	576.7	3 186.4	2 083.1	7 510.0
NET	(1 127.5)	772.3	(169.1)	(1 416.7)	2 269.8	328.8

24. Fiduciary Activities

SAFA provides asset and liability management services to clients and these financial assets and liabilities do not reside on SAFA's Statement of Financial Position. SAFA manages these assets and liabilities within prescribed risk limits as directed or agreed by the clients. SAFA is responsible for providing regular financial and management information with respect to its management of the clients' assets and liabilities. Assets and liabilities under management as at 30 June 2002 totalled $1 948 million.

SAFA provides a range of pooled investment portfolios to its clients that reflect their investment needs. The Cash Management Fund comprises cash and short term money market securities whilst the Cash Enhanced Fund is a market value fund that comprises term investments of high credit quality and marketability. Total value of these portfolios as at 30 June 2002 was $362.7 million. The assets and liabilities of these portfolios are reported within SAFA's Statement of Financial Position.

25. Auditors' Remuneration

	SAFA	
	2002 $'000	2001 $'000
Remuneration paid to external audit	**101**	90

26. Remuneration of SAFA Advisory Board Members

	SAFA	
	2002 Number of Members	2001 Number of Members
Remuneration:		
$1 - $10 000	**1**	-
$20 001 - $30 000	**3**	4
	4	4

The Advisory Board as at 30 June 2002 comprised 5 members: Mr J Wright (Presiding Member), Mr B Brownjohn, Mr M Doyle, Mr C Long and Ms Y Sneddon. Mr C Long was appointed to the Advisory Board on 9 June 2002. The fees paid to Advisory Board Members are set by Executive Council in accordance with approved procedures. Those members who are permanently employed under the *Public Sector Management Act 1995*, or on similar terms, are not entitled to fees. During 2001-02 only four members were entitled to receive the approved fee. The total remuneration and costs paid was $88 995 ($107 680).

27. Controlled Entities

			2002		
	Place of Incorporation	**Ownership Percent**	**Operating Profit (Loss) After Tax $'million**	**Total Assets $'million**	**Total Liabilities $'million**
South Australian Finance Trust Limited[(1)]	Aust	**0**	**0**	**0**	**0**
South Australian Finance (Hong Kong) Limited	HK	**100**	**0**	**1**	**0**
South Australian Finance Trust (Hong Kong)	HK	**100**	**(1)**	**43**	**37**
South Australian Finance Limited[(2)]	UK	**100**	**0**	**1**	**0**
SABT Pty Limited[(3)]	Aust	**0**	**-**	**-**	**-**

(1) SAFTL is expected will be wound up in 2002-03 following the wind up of SABT Pty Limited.
(2) SAFTL was placed into voluntary liquidation on 1 June 2001. It will be wound up in 2002-03.
(3) There has been no activity in SABT Pty Limited since November 1999 and it is expected that it will be wound up in 2002-03.
(4) Zero represents balances less that $500 000.

28. Related Party Transactions

South Australian Asset Management Corporation

As at 30 June 2002, SAAMC had a deposit of $34.8 million with SAFA. Interest expense on the deposit totalled $3.6 million. SAFA also had with SAAMC a currency swap with a face value of $42 million and a interest rate swaps with notional face value of $41 million which matured within the year. During 2001-02, the net interest income for the interest rate swap was $0.04 million and $0.6 million for the currency swap.

South Australian Finance Limited (SAFL)

On 30 January 2002 SAFL made a dividend distribution to SAFA of USD 140 000.

28. Related Party Transactions

South Australian Finance (Hong Kong) Limited (SAFHKL)

SAFA has entered into three currency swaps with SAFHKL which enable SAFHKL to match its interest rate and currency risk exposure on certain fixed debentures. The currency swaps transactions are at market rates. As at 30 June 2002, the three currency swaps totalled $30.0 million with a net interest expense to SAFA of $2.6 million. The three swaps mature by 5 June 2004.

South Australian Finance Trust Limited (SAFTL)

During 2001-02, SAFTL had at call deposit of $0.1 million with SAFA.

29. Segment Information

SAFA acts predominately in the finance industry and lends funds and provides financial advice to the South Australian Government, semi-government authorities, public sector financial institutions and government agencies.

SOUTH AUSTRALIAN PORTS CORPORATION

OVERVIEW

STRUCTURE OF THIS SECTION OF THE REPORT

To provide an understanding, and to assist with readability, this section of the Report comments on two activities relating to the South Australian Ports Corporation, namely:

- Ports Corporation Sale Lease Proceeds — an account that contains and accounts for the proceeds from the sale/lease of the business and assets of the South Australian Ports Corporation.
- South Australian Ports Corporation — which contains the operating activities of the Corporation to the date of transfer to the new operator on 1 November 2001 and activities to wind down the assets and liabilities of the Corporation to 30 June 2002.

PORTS CORP SALE/LEASE - PROCEEDS

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

In October 2001, Cabinet authorised the Minister for Government Enterprises to execute the Sale/Lease Agreement with Flinders Ports and authorised the Minister for Transport to execute the Port Operating Agreements with Flinders Ports. These agreements resulted in the sale of the plant and equipment assets of the South Australian Ports Corporation, the rights to operate the ports previously operated by the Corporation and the lease of the land upon which the ports assets resided.

To account for the settlement of the Sale/Lease and Port Operating Agreements, an interest bearing Special Deposit Account was created at Treasury. The account is titled, 'Ports Corp Sale/Lease - Proceeds' and was established under section 8 of the *Public Finance and Audit Act 1987*. The responsibility for the account rests with the Department of Treasury and Finance, which has been assigned to process and account for related transactions.

Legislation

The *South Australian Ports (Disposal of Maritime Assets) Act 2000* (the Act) was proclaimed in January 2001. The purpose of the legislation includes: to facilitate the divestment of the business and key operating assets of the South Australian Ports Corporation by way of Sale/Lease Agreements and to provide for dissolution of the South Australian Ports Corporation (Ports Corp).

Special Deposit Account

The purpose of the Ports Corp Sale/Lease - Proceeds Account is '… to apply proceeds of the sale/lease in accordance with Section 12 of the *South Australian Ports (Disposal of Maritime Assets) Act 2000* and to account for the net proceeds'.

Under section 12(1) of the Act, the proceeds of a sale/lease agreement must be applied for one or more of the following purposes:

(a) defraying the cost of restructuring and disposal of maritime assets and the necessary preparatory work;

(b) work to deepen, extend or clear a harbour or port or other work to develop or improve such a harbour or port;

(c) improving services and facilities related to a port or infrastructure associated with a port;

(d) retiring State debt;

(e) making provision of up to $100 million for the State's superannuation liabilities.

Under section 12(2) of the Act, if the proceeds are not applied immediately to a purpose mentioned under section 12(1), they must be kept in a separate account at Treasury, and any income from investment of the money standing to the credit of the account must be applied towards retiring State debt.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 31(1)(a) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the public accounts in respect of each financial year and under the Act, Special Deposit Accounts are included as part of the public accounts.

Scope of Audit

The audit program covered all major financial systems relevant to the Ports Corp Sale/Lease - Proceeds Account and was primarily directed towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal control.

During 2001-02 specific areas of audit attention included:

- proceeds from the sale/lease of the business and assets of the South Australian Ports Corporation
- income from the investment of funds of the Special Deposit Account
- payment towards the State's Superannuation Liabilities
- superannuation compensation under Schedule 3, section 5 of the Act
- reimbursement for preparatory work and disposal costs incurred by Department for Administrative and Information Services (DAIS).

Audit Communications to Management

No formal letter was sent to the Department of Treasury and Finance regarding the Ports Corp Sale/Lease - Proceeds Account as no matters of significance were noted during the course of the Audit.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The review of the internal control structure of the Ports Corp Sale/Lease - Proceeds Account concluded that an adequate system of internal control was in place and that transactions processed were subject to internal check, were duly authorised by an appropriate officer and that major financial transactions were supported by duly executed contracts or agreements. As the transactions reflected in the Ports Corp Sale/Lease - Proceeds Account are processed by the Financial Services Section of the Department of Treasury and Finance, further commentary on general financial controls is detailed under the Department of Treasury and Finance section of this Report.

Commentary on Computer Information Systems (CIS) Environment

The computer information systems environment surrounding the processing of transactions relating to the Ports Corp Sale/Lease - Proceeds Account is the same environment as the Department of Treasury and Finance. Accordingly, commentary on the Computer Information Systems Environment is provided under the Department of Treasury and Finance section of this Report.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Ports Corp Sale/Lease - Proceeds Account included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the Ports Corp Sale/Lease - Proceeds Account in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Expenses from Ordinary Activities

Expenses from ordinary activities amounted to $99 million. The most significant of the total expenditure relates to subsection 12(1)(e) of the Act, which requires the proceeds of a sale/lease agreement to be applied towards making provision of up to $100 million for the State's superannuation liabilities. The Account paid $90 million to Funds SA as a contribution towards the unfunded superannuation liabilities of the State.

Revenues from Ordinary Activities

Revenues include $132.5 million proceeds received from the sale/lease of the business and assets of the South Australian Ports Corporation. The sale/lease and the sale/lease price was approved by Cabinet, which is consistent with other Government asset sales practices. Interest income of $1.6 million has been earned in accordance with section 12(2) of the Act, which requires the investment of proceeds standing to the credit of the account.

Statement of Financial Position

The cash balance of the Ports Corp Sale/Lease Proceed Account at 30 June 2002 amounted to $34.9 million. This represents proceeds from sale/lease of the business and assets of the South Australian Ports Corporation after payments towards the unfunded State's superannuation liability, superannuation compensation and reimbursements of disposal costs. $100 000 of the cash balance is accrued towards the further reimbursement of costs incurred by DAIS in the disposal process. The remainder is committed for one or more of the reasons outlined under section 12 of the Act, which includes improving services and facilities related to a port or infrastructure associated with a port. In accordance with this, an undertaking has been given by the State to the South Australian Grains Industry to upgrade infrastructure on Le Fevre Peninsula to complement a planned new panamax capable grain berth at Outer Harbour. In addition, funds have been retained for the application of interest income towards retirement of State debt.

Statement of Cash Flows

The net cash provided by operating activities amounted to $34.9 million. This is due to the inflow of proceeds from sale/lease of the business and assets of the South Australian Ports Corporation of $132.5 million and interest income on investment of the proceeds yet to be applied of $1.4 million which exceeded outflows of payments towards superannuation liabilities of $90 million, superannuation compensation under Schedule 3, section 5 of the Act of $400 000 and reimbursement to DAIS for costs incurred for preparatory work and disposal of $8.6 million.

FURTHER COMMENTARY ON OPERATIONS

Further details of the Divestment Process are provided under the South Australian Ports Corporation section of this Report.

Statement of Financial Performance for the 8 months ended 30 June 2002

	Note	2002 $'000
EXPENSES FROM ORDINARY ACTIVITIES		
Other expenses	3	**99 040**
Total Expenses		**99 040**
REVENUES FROM ORDINARY ACTIVITIES		
Interest	4	**1 553**
Proceeds from asset sales		**132 460**
Total Revenues		**134 013**
NET SURPLUS		**34 973**
INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES		**34 973**
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**34 973**

Statement of Financial Position as at 30 June 2002

	Note	2002 $'000
CURRENT ASSETS:		
Cash		**34 928**
Receivables		**145**
Total Current Assets		**35 073**
Total Assets		**35 073**
CURRENT LIABILITIES:		
Payables	5	**100**
Total Current Liabilities		**100**
Total Liabilities		**100**
NET ASSETS		**34 973**
EQUITY:		
Retained surplus	6	**34 973**
TOTAL EQUITY		**34 973**
Commitments for Expenditure and Contingent Liabilities	8	

Statement of Cash Flows for the 8 months ended 30 June 2002

	Note	2002 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
PAYMENTS:		
Other expenses from ordinary activities		**(98 940)**
Total Payments		**(98 940)**
RECEIPTS:		
Interest		**1 408**
Proceeds from asset sales		**132 460**
Total Receipts		**133 868**
Net Cash provided by Operating Activities	7	**34 928**
NET INCREASE IN CASH HELD		**34 928**
CASH AT BEGINNING OF PERIOD		**-**
CASH AT 30 JUNE		**34 928**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives

The Special Deposit Account called 'Ports Corp Sale/Lease - Proceeds' was established in October 2001. The purpose of the account is to apply proceeds of the sale/lease in accordance with section 12 of the *South Australian Ports (Disposal of Maritime Assets) Act 2000* and to account for the net proceeds.

Under section 12(1), the proceeds of a sale/lease agreement must be applied for one or more of the following purposes:

- defraying the cost of restructuring and disposal of maritime assets and the necessary preparatory work;
- work to deepen, extend or clear a harbour or port or other work to develop or improve such a harbour or port;
- improving services and facilities related to a port or infrastructure associated with a port;
- retiring State debt;
- making provision of up to $100 million for the State's superannuation liabilities.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The accounts have been prepared in accordance with the Treasurer's instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and applicable Urgent Issues Group Consensus Views. The accounts are prepared on the accrual basis and in accordance with conventional historic cost principles except where stated.

(b) The Reporting Entity

The financial arrangements of the Ports Corp Sale/Lease - Proceeds are administered by the Department of Treasury and Finance through an interest bearing Special Deposit Account titled 'Ports Corp Sale/Lease - Proceeds' through which the Ports Corp Sale/Lease - Proceeds will conduct its activities. The Account's principal source of funds consists of revenues from the sale of assets.

(c) Cash

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

(d) Comparative Figures

Activities in this account were recorded from 31 October 2001.

(e) Rounding

All amounts are rounded to the nearest thousand dollars.

3. Operating Expenses from Ordinary Activities

	2002 $'000
Contribution to the State's superannuation liabilities	**90 000**
Superannuation compensation under section 5 of the Act	**368**
Reimbursement of costs to Department for Administrative and Information Services (DAIS) for preparatory work and disposal [1]	**8 672**
	99 040

[1] Gross expenses incurred by DAIS for preparatory work and disposal	**14 010**
Less: Funding from consolidated account received by DAIS	**5 338**
Net Costs Reimbursed	**8 672**

4. Interest

In accordance with Part 2, clause 12(2) of the Act, interest earned must be applied to retire state debt. This requirement will be carried out as part of the process of closing the Special Deposit Account once all other transactions have been finalised.

5. Payables

Reimbursement to DAIS	**100**

6. Retained Surplus

Balance at beginning of period	**-**
Increase (Decrease) in net assets resulting from ordinary activities	**34 973**
Balance at 30 June	**34 973**

7. Reconciliation of Net Cash provided by Operating Activities to Net Surplus

Net cash provided by operating activities	**34 928**
Change in assets and liabilities:	
Increase (Decrease) in receivables	**145**
(Increase) Decrease in creditors and accruals	**(100)**
Net Surplus	**34 973**

8. Commitments for Expenditure and Contingent Liabilities

Under the *SA Ports (Disposal of Maritime Assets) Act 2000*, the State may spend proceeds of the account to upgrade SA Ports. The State has committed to the SA Grains Industry to upgrade infrastructure on Le Fevre peninsula to complement a planned new panamax capable grain berth at Outer Harbour. The likely cost of the capital upgrade remains uncertain.

SOUTH AUSTRALIAN PORTS CORPORATION

FUNCTIONAL RESPONSIBILITY

The South Australian Ports Corporation (the Corporation) was a public corporation pursuant to the provisions of the *South Australian Ports Corporation Act 1994.*

The primary function of the Corporation was to manage the ports and related facilities vested under the Act on a sound commercial basis and to use its best endeavours to:

- ensure that orderly, efficient and reliable services, including safe and secure cargo storage and handling facilities, are provided to users;
- maximise the use and promote the proper exploitation of the ports and related facilities both within and outside Australia;
- encourage and facilitate private or public sector investment and participation, whether from within or outside the State, in the provision of services and facilities;
- undertake such activities as will encourage and facilitate the development of trade or commerce for the economic benefit of the State.

In April 2001 the Kangaroo Island related ports of Cape Jervis, Penneshaw and Kingscote were transferred to the Department for Transport, Urban Planning and the Arts (DTUPA) by way of an order of the Minister for Government Enterprises pursuant to the *South Australian Ports (Disposal of Maritime Assets) Act 2000*.

For the part year to 1 November 2001, the Corporation was responsible for managing port facilities located at Port Adelaide, Port Giles, Wallaroo, Port Pirie, Port Lincoln, Thevenard and Klein Point. From 2 November 2001, following the transfer of control of the port assets and operations of the Corporation to Flinders Ports under the Business and Assets Sales Agreement and the Port Operating Agreements, the Corporation ceased operations of these ports.

CHANGES TO AGENCY ORGANISATIONAL STRUCTURE AND/OR AGENCY CHARTER AS FROM 1 NOVEMBER 2001

Under section 15(1) of the *South Australian Ports (Disposal of Maritime Assets) Act 2000*, '… at any time after the transfer of assets from the Corporation commences, the Minister may, by notice in the Gazette, assume control of the Corporation …', and under section 15(2), '… on the date of the Minister's assumption of control of the corporation, the board of directors of the Corporation is dissolved and the Corporation's powers are vested in the Minister'.

The responsible Minister is the Minister for Government Enterprises (the Minister).

After the Minister assumed control of the Corporation from 1 November 2001, under the Act its functions were:

- to administer efficiently and for the benefit of the State any assets for so long as they remain vested in the control of the Corporation; and
- to facilitate the disposal of assets under the Act;
- such of its former functions as, in the Minister's opinion, can be conveniently carried out by the Corporation.

As the Corporation ceased port trading activities from 1 November 2001, and in order to assist the Minister, the administrative responsibility for winding down the residual assets and liabilities of the Corporation was transferred to the Business Services Branch within the Department for Administrative and Information Services.

DIVESTMENT PROCESS

Scoping Review

During 1997-98, the South Australian Government announced that it was considering the sale of the Corporation. As a result, a scoping review was initiated to examine a range of feasible options and to provide the Government with relevant advice so that it may determine its long-term policy and regulatory role in sea transport in South Australia. In particular, the scoping review was to look at the future of the Corporation and to advise on the approach necessary to implement the selected option.

Following the announcement of the scoping review, a Ministerial direction was given to the Corporation pursuant to section 6 of the *Public Corporations Act 1993*, which limited the Corporation entering into any long-term commitments, and providing direction on information to be made available to the scoping review team.

Decision to Proceed with Sale

In April 1999 the Government announced its intention to proceed in principle with the divestment of the Corporation by way of trade sale. The Government established the Ports Corp Sale Project Team within the Department for Administrative and Information Services. In addition a private sector corporate advisory firm was appointed to '... assist the Government to achieve a vibrant, competitive transport sector for South Australia and maximise the value of the Ports Corp trade sale'.

In November 1999 the Government announced that the Kangaroo Island ports, including Kingscote, Penneshaw and Cape Jervis would be separated from the sale, as these ports '... are community ferry ports and quite different from the larger commercial wharves that operate elsewhere in the state'. Navigational aids, channels and breakwaters were also excluded from the proposed divestment of the South Australian Ports Corporation.

Legislation

The legislation enabling the divestment of the Corporation, the *South Australian Ports (Disposal of Maritime Assets) Act 2000*, was proclaimed in January 2001.

Essentially this legislation facilitated the divestment of Corporation assets and liabilities and included specific provisions governing the following including the:

- disposal of maritime assets or liabilities by way of a sale/lease agreement;
- terms of certain sale/lease agreements.

Invitations to submit an Expression of Interest were advertised in March 2001. Expressions of Interest were received in April 2001 with final bids being received on 9 July 2001.

The Minister for Government Enterprises engaged the services of a legal firm to provide probity auditing services relating to the divestment process. A probity audit report was prepared and the probity auditor concluded that the tender process for the divestment of the Corporation was conducted in accordance with the probity requirements.

Authorisation of Sale/Lease

In October 2001, Cabinet, authorised the Minister for Government Enterprises to execute the Sale/Lease Agreement with Flinders Ports and authorised the Minister for Transport to execute the Port Operating Agreements with Flinders Ports. These agreements resulted in the sale of the plant and equipment assets and the licensing of the rights to operate the ports previously operated by the Corporation and the leasing of the land upon which the ports assets resided. The proceeds ($132.5 million) for the sale of the assets and the fully prepaid lease rentals were not received by the Corporation but were paid into an account maintained at the Department of Treasury and Finance called, 'Ports Corp Sale/Lease - Proceeds'.

Transfer Orders

Under the provisions of the *South Australian Ports (Disposal of Maritime Assets) Act 2000*, various sections allow the Minister, by instrument in writing (a transfer order) to transfer maritime assets and employees.

In November 2001, the Minister for Government Enterprises approved the following transfer orders that:

- all South Australian Ports Corporation employees be transferred to employment in the Department for Administrative and Information Services. The majority of these employees were made available to the new operator, Flinders Ports from 1 November 2001.

- the majority of the above transferred employees be officially transferred to become employees of Flinders Ports. As a consequence, the Corporation has no employees.

In June 2002, the Minister for Government Enterprises approved the following transfer orders:

- one for the transfer of the rights, title and interests in the Minister's land (specified in a schedule) fixtures and leases to the Minister for Transport being the land and leases for which Flinders Ports have a vested interest as lessee; and

- one for the transfer of all rights, title and interest of Ports Corp in land (specified in a schedule), fixtures annexed to Ports Corp land and Port Leases to the Minister for Government Enterprises being land and leases for which Flinders Ports has no vested interests.

The effect of the Sale/Lease and Port Operating Agreements and the transfer of the rights, title and interests in the Corporation's land and leases is that at 30 June 2002, the Corporation had no property, plant and equipment assets under its control and all have been written-off in the financial statements.

SIGNIFICANT FEATURES

- Profit from Ordinary Activities before Income Tax Expense was $7.1 million ($14.8 million) reflecting the part year of port operations.

- The loss from significant items was $66.2 million reflecting the disposal of all the property, plant and equipment assets for nil consideration received by the Corporation.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 32(4) of the *Public Corporations Act 1993* provides for the Auditor-General to audit the accounts of the Corporation in respect of each financial year.

Scope of Audit

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

Audit Communications to Management

During the year two letters communicating issues arising from the audit were forwarded to the Chief Executive Officer of the Department for Administrative and Information Services and satisfactory written responses were received. Further details relating to these issues are contained in 'Audit Findings and Comments' hereunder.

AUDIT FINDINGS AND COMMENTS

Wind-Up of the South Australian Ports Corporation

As mentioned previously, the Corporation ceased trading activities on 1 November 2001 and the Business Services Branch of the Department for Administrative and Information Services was assigned responsibility for the wind-up of the residual assets and liabilities of the Corporation so that its dissolution could proceed. In order to achieve this, Audit reminded the Business Services Branch that it required information from Flinders Ports to support financial transactions that had occurred up to the date of transfer.

The information was necessary to enable the Business Services Branch to become familiar with the details of all assets, debtors, creditors, accruals and provisions at transfer date so that these matters could be followed up collected and settled thus protecting the interests of the Government in the wind-up process. In addition follow-up of approvals was required covering land transfers, debt transfer and agreement on the settlement of the outstanding dividend to enable finalisation of these matters to occur before the Corporation could be dissolved.

Satisfactory responses were received and all the information necessary has been obtained including the authorised transfer orders for the land and leases as previously described.

DISSOLUTION OF THE CORPORATION

Under section 15(4) of the *South Australian Ports (Disposal of Maritime Assets) Act 2000*, '… the Governor may, by proclamation dissolve the Corporation'.

Pursuant to the above section, the Governor dissolved the Corporation on 5 September 2002.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Income from Port Activities

Income from Cargo and Shipping Services and Port Operations decreased to $11.8 million ($35.9 million) reflecting the part year of port operations to 1 November 2001. The profit from ordinary activities before income tax expense of $7.1 million ($14.8 million) reflects more than the part year impact of port operations due to reversal of provisions for employee benefits no longer required following the transfer of all employees.

The Corporation recorded a loss from significant items of $66.2 million which included the loss on disposal/transfer of all property, plant and equipment assets, as the Corporation received none of the sale/lease proceeds. Sale/lease proceeds of $132.5 million were recorded in a Special Deposit Account called, 'Ports Corp Sale/Lease - Proceeds'.

Statement of Financial Position

Assets and Liabilities

The Corporation has wound down many of its assets and liabilities in preparation for dissolution. It has cash at bank of $4.1 million and other assets in the form of receivables of $4 million giving it total assets of $8.1 million which is sufficient to meet all recognised liabilities of $5.5 million. There are sufficient assets such that once collected all liabilities will be paid including the dividend accrued from the 2001 financial year (and included in liabilities) of $1.6 million.

Borrowings

In previous years, the Corporation made a practice of repaying borrowings and more particularly as part of the wind down process, the borrowing remaining from the South Australian Financing Authority to the Corporation of $9.4 million (including interest accrued and capitalised) was assumed by the Treasurer in December 2001 and reduced to nil.

Contributions Paid to Government

Contributions paid (on a cash basis) to the Government through dividend and tax payments was $6 million. The amount paid in 2001-02 includes a special dividend of $3.6 million which represents the receipt of the proceeds of $3.6 million from DTUPA for the sale of the Kangaroo Island related ports of Cape Jervis, Penneshaw and Kingscote. The sale proceeds received were paid to the Consolidated Account by way of a special dividend.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 $'000	2001 $'000
REVENUES FROM ORDINARY ACTIVITIES		**14 284**	43 422
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits expenses		**1 029**	12 842
Depreciation expenses		**984**	3 017
Borrowing costs expenses		**280**	1 014
Other expenses from ordinary activities		**4 922**	11 779
Total Expenses		**7 215**	28 652
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX	2	**7 069**	14 770
Income tax expense	4	**1 293**	4 905
NET PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		**5 776**	9 865
Significant Items:			
Net deferred tax accounting entries not required	8,11	**2 229**	-
Revenue for debt taken over by the Treasurer	10	**9 400**	-
Sale proceeds for property	3	**1 033**	-
Written down value of property, plant and equipment disposed/transferred	7	**(78 896)**	-
(Loss) from Significant Items		**(66 234)**	-
(Loss) Profit	15	**(60 458)**	9 865
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNERS		**(60 458)**	9 865

Statement of Financial Position as at 30 June 2002

	Note	2002 $'000	2001 $'000
ASSETS:			
CURRENT ASSETS:			
Cash		**4 095**	1 195
Receivables	5	**4 017**	9 518
Inventories		**-**	9
Other	6	**-**	612
Total Current Assets		**8 112**	11 334
NON-CURRENT ASSETS:			
Property, plant and equipment	7	**-**	79 372
Deferred tax assets	8	**-**	1 219
Total Non-Current Assets		**-**	80 591
Total Assets		**8 112**	91 925
LIABILITIES:			
CURRENT LIABILITIES:			
Creditors	9	**5 462**	10 117
Interest-bearing liabilities	10	**-**	2 000
Current tax liabilities	11	**-**	1 173
Provisions	12	**-**	1 258
Total Current Liabilities		**5 462**	14 548
NON-CURRENT LIABILITIES:			
Interest-bearing liabilities	10	**-**	7 262
Deferred tax liabilities	11	**-**	3 448
Provisions	12	**-**	3 451
Total Non-Current Liabilities		**-**	14 161
Total Liabilities		**5 462**	28 709
NET ASSETS		**2 650**	63 216
EQUITY:			
Contributed equity	13	**15 000**	15 000
Asset revaluation reserve	14	**-**	24 927
Asset development reserve	14	**-**	-
Retained profits	15	**(12 350)**	23 289
TOTAL EQUITY		**2 650**	63 216
Commitments	21		
Contingent Liabilities	22		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) $'000	2002 Inflows (Outflows) $'000	2001 Inflows (Outflows) $'000	2001 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:	16				
RECEIPTS:					
From customers		**16 142**		48 913	
Interest received		**142**		225	
			16 284		49 138
PAYMENTS:					
Salaries and wages and related payments		**(6 667)**		(13 055)	
Suppliers		**(4 260)**		(17 731)	
Income tax equivalents		**(2 466)**		(4 702)	
Interest		**(474)**		(1 106)	
			(13 867)		(36 594)
Net Cash provided by Operating Activities	16.1		**2 417**		12 544
CASH FLOWS FROM INVESTING ACTIVITIES:					
RECEIPTS:					
Proceeds from the sale of property, plant and equipment		**4 570**		628	
PAYMENTS:					
Payments for property, plant and equipment		**(517)**		(2 847)	
Net Cash provided by (used in) Investing Activities			**4 053**		(2 219)
CASH FLOWS FROM FINANCING ACTIVITIES:					
RECEIPTS:					
Borrowings		**-**		700	
PAYMENTS:					
Repayment of borrowings		**-**		(8 279)	
Dividend paid to government		**(3 570)**		(5 188)	
Net Cash used in Financing Activities			**(3 570)**		(12 767)
NET INCREASE (DECREASE) IN CASH HELD			**2 900**		(2 442)
CASH AS AT 1 JULY			**1 195**		3 637
CASH AS AT 30 JUNE	16.2		**4 095**		1 195

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

The significant policies which have been adopted in the preparation of this financial report are:

1.1 Basis of Preparation

The financial report is a general purpose financial report which has been prepared under the accrual method of accounting in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views, Accounting Policy Statements and Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, as amended.

The financial report has been prepared using the historical cost convention and has not been adjusted to take account of changing money values except where stated.

The accounting policies have been consistently applied, unless otherwise noted.

All values expressed in the Notes are to the nearest thousand dollars unless otherwise specified.

Assets and liabilities have been valued at historical cost unless otherwise stated. As at 1 November 2001, control of the Ports assets and the operations of Ports Corporation were transferred to Flinders Ports under the Business and Asset Sale Agreement between the Minister for Government Enterprise and Flinders Ports and relevant assets transferred to the Minister for Government Enterprises for the sale or lease to Flinders Ports.

1.2 Property, Plant and Equipment

Property, plant and equipment are brought to account at cost or at independent valuation, less where applicable, any depreciation or amortisation. The carrying amount of the property, plant and equipment is reviewed annually by the Corporation to ensure it is not in excess of the amount recoverable from those assets. Leased property for which Flinders Ports had a vested interest was transferred to the Minister for Transport on 29 June 2002. All other property was transferred to the Minister for Government Enterprises, in accordance with transfer order of 29 June 2002, for nil consideration. The depreciable amount of all non-current assets, excluding land, is depreciated on a straight line basis over the estimated remaining useful life to the Corporation, to the date of the Corporation lost control of the assets and sold the operations of the Corporation on 1 November 2001.

The plant and equipment assets of the Corporation, and its business operations were sold and land lease under the Business and Asset Sale Agreement for a total of $132.46 million of which no consideration was received by the Corporation. All the consideration was credited to a Special Deposit Account at the Treasury, titled Ports Corp Sale/Lease - Proceeds Account. As a consequence of the Corporation receiving no sale/lease consideration it recorded a loss from significant items of $60.234 million which includes the written down value of property, plant and equipment disposed/transferred.

1.2 *Property, Plant and Equipment (continued)*

The range of depreciation rates used within the following classes of non-current assets were:

	Percent
Berths structures and fixed cargo handling equipment	2.5-10
Buildings	2.5-20
Areas (roads and areas, ramps and slipways)	2.5-10
Waterways (berths and channels)	2.5-10
Breakwaters	2.5-7
Navigational aids	3-13
Plant and equipment	2.5-50

As operations were transferred to Flinders Ports as at 1 November 2001, depreciation was calculated for the part year to that date.

1.3 *Inventories*

Inventories were written off following transfer to Flinders Ports.

1.4 *Employee Benefits*

On 1 November 2001, all Ports Corporation employees were transferred to the Department for Administrative and Information Services (DAIS). Consequently, responsibility for all employee benefits, covering annual leave, long service leave, superannuation and workers compensation were also transferred. All these employees were made available to Flinders Ports until 3 December 2001 under the terms of the sale agreement and memorandum of understanding between the relevant parties. As at 3 December 2001, a number of these employees were transferred to Flinders Ports and the new operator assumed responsibility for employee benefits. Those employees not transferred to Flinders Ports remained with DAIS to be offered Voluntary Separation Packages available to public service employees or redeployment.

1.5 *Taxation*

(i) Income Tax Equivalents

In previous years, the Corporation adopted the principles of tax effect accounting in accordance with Accounting Standard AASB 1020 'Income Taxes'. The assets and operations of the Corporation were transferred and the Corporation is about to be dissolved. Therefore, tax effect accounting is no longer applicable as future tax benefits and deferred tax liabilities will never be realised and have been written back in the Statement of Financial Performance.

The income tax expense for the part year of operations was levied by the Department of Treasury and Finance as a first instalment based upon profit achieved for the part year.

(ii) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(a) Where the amount of GST incurred is not recoverable from the taxation authority it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(b) For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(iii) Land Tax

In accordance with the *Public Corporations Act 1993* and from 1 July 1995 the Corporation became liable for land tax under the *Land Tax Assessment Act 1936*.

For accounting purposes and for the year ended on 30 June 2002, land tax has been expensed.

1.6 *Revenue*

Revenue from the rendering of a service is recognised upon delivery of the service to customers.

1.7 *Financial Instruments included in Liabilities*

Loans and notes payable are recognised when issued at the amount of the net proceeds received, with the premium or discount on issue amortised over the period to maturity. Interest is recognised as an expense over a straight line basis.

1.8 *Financial Instruments included in Assets*

Trade debtors are initially recorded at the amount of contracted sales proceeds.

The provision for doubtful debts recognises the extent that recovery of the outstanding receivable balance is considered less than likely. Any provision established is based on a review of all outstanding amounts at balance date. The provision contains a specific calculation of identified doubtful debts.

2. Profit from Ordinary Activities

Profit from ordinary activities before income tax expense is arrived at after:	Note	**2002 $'000**	2001 $'000
Revenue:			
Operating Activities:			
Cargo and shipping services		**7 626**	26 192
Port operations		**4 158**	9 756
Facilities services		**772**	1 594
Industrial estate management		**608**	2 765
Other revenue:			
Interest received or receivable		**113**	224
Miscellaneous		**411**	2 610
Sundry income		**80**	281
Recoveries for separation packages and incentive payments	19	**516**	-
Non-Operating Activities:			
Profit from the sale of property, plant and equipment	3	**9**	226

2. Profit from Ordinary Activities (continued)

	Note	2002 $'000	2001 $'000
Expense:			
Operating Activities:			
Operations and services		**8 693**	23 420
Interest paid or payable		**280**	1 014
Bad debts written-off		**-**	16
Depreciation of property, plant and equipment		**984**	3 017
Transfer to provisions for:			
Employee benefits		**(2 431)**	486
Workers compensation		**(873)**	520
Doubtful debts		**-**	21
Expenditure for separation packages and incentive payments	19	**570**	-
Non-Operating Activities:			
Loss on disposal of property, plant and equipment	3	**-**	384

Ports Corporation undertook ordinary trading activities in the year to 30 June 2002, only for the four month period ended 1 November 2001.

Following transfer of all employees from Ports Corporation from 2 November 2001 all employee related provisions, covering long service leave, annual leave and workers compensation were written back to the provision expense.

3. Sales of Property, Plant and Equipment

	2002 $'000	2001 $'000
Sales of property, plant and equipment in the ordinary course of business:		
Gross proceeds from sale of land	**1 033**	-
Gross proceeds from sale of plant and equipment	**15**	4 940
Less: Written-down value of assets sold	**6**	5 098
Profit (Loss) on sale of Property, Plant and Equipment	**9**	(158)

The results include the sale of land at a Gillman site for $898 000, as per an independent valuation. The value of land sold is included with the total written down value of all property, plant and equipment disposed/transferred.

4. Income Tax Expense

	2002	2001
The prima facie income tax expense on pre-tax accounting income reconciles to the income tax expense in the accounts as follows:		
Profit from ordinary activities before income tax expense	**7 069**	14 770
Prima facie tax payable on profit from ordinary activities before income tax expense at 30 percent (34 percent)	**-**	5 022
Add (Less): Tax effect of permanent differences:		
Exempt income	**-**	-
Non-allowable depreciation	**-**	(72)
Other non-deductible items	**-**	17
Change in net deferred tax liability due to change in tax rate	**-**	(62)
	-	(117)
Income Tax Expense attributable to Profit/Loss from Ordinary Activities	**1 293**	4 905
Income tax expense comprises:		
Current income tax payable	**-**	4 047
Future income tax benefit	**-**	(72)
Provision for deferred income tax	**-**	930
Income Tax Expense for part year	**1 293**	4 905

Refer Note 1.5 Taxation - (i) Income Tax Equivalents for Income Tax Expense.

5. Receivables

	2002	2001
Current Assets:		
Trade debtors	**339**	5 041
Less: Provision for doubtful debts	**47**	121
	292	4 920
Sundry debtors	**3 725**	5 332
Less: Unearned income	**-**	734
Total Receivables	**4 017**	9 518

A large number of the outstanding balances are subject to dispute and have been fully provided for in the provision.

Sundry Debtors includes the following:

- Amount received by the Land Management Corporation of $898 000 for the sale of Ports Corporation land at Gillman which settled in June 2002. The amount was received by Ports Corporation in July 2002.
- Insurance recovery from SAICORP for $208 000 relating to prepaid insurance. This amount is expected to be received during August 2002.
- Amount of $639 000 owing by Finders Ports relating to benefits they received, resulting from the sale. This will be settled against amount owing to Flinders Ports included in Creditors.
- Unearned income relating to prepaid rent and lease incentive were transferred at sale date to Flinders Ports and included in Creditors.

6. Other Assets

	2002 $'000	2001 $'000
Current:		
Prepayments	-	612

7. Property, Plant and Equipment

	2002 $'000	2001 $'000
Real Property:		
Land at:		
Independent valuation 1998	-	29 603
Total Real Property	-	29 603
Infrastructure:		
Berth Structures and Fixed Cargo Handling Equipment (Wharves and Cargo Handling Equipment) at:		
Independent valuation 1995	-	29 553
Less: Accumulated depreciation	-	6 727
Cost	-	5 033
Less: Accumulated depreciation	-	408
	-	27 451
Buildings at:		
Independent valuation 1995	-	3 474
Less: Accumulated depreciation	-	856
Cost	-	1 320
Less: Accumulated depreciation	-	256
	-	3 682
Areas (Roads and Areas, Ramps and Slipways) at:		
Independent valuation 1995	-	3 248
Less: Accumulated depreciation	-	532
Cost	-	2 681
Less: Accumulated depreciation	-	243
	-	5 154
Waterways (Dredged Berths/Channels) at:		
Independent valuation 1995	-	5 961
Less: Accumulated depreciation	-	1 523
Cost	-	346
Less: Accumulated depreciation	-	114
	-	4 670
Breakwaters at:		
Independent valuation 1995	-	2 640
Less: Accumulated depreciation	-	396
Cost	-	-
Less: Accumulated depreciation	-	-
	-	2 244
Navigational Aids (Navigational Facilities) at:		
Independent valuation 1995	-	1 999
Less: Accumulated depreciation	-	842
Cost	-	46
Less: Accumulated depreciation	-	5
	-	1 198
Total Infrastructure	-	44 399
Plant and Equipment at:		
Independent valuation 1995	-	3 390
Less: Accumulated depreciation	-	2 239
Cost	-	4 108
Less: Accumulated depreciation	-	1 517
Total Plant and Equipment	-	3 742
	-	77 744
Work in Progress at:		
Cost	-	1 628
Total Non-Current Assets	-	79 372

As disclosed in Note 1.2 all the plant and equipment assets of the Corporation and its business operations were sold and land leased under the Business and Asset Sale Agreement and title to the lease land transferred to two Ministers. Therefore all property, plant and equipment assets have been written off to nil.

(a) Movements in Carrying Amounts

Movement in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current year.

	Real Property $'000	Infra-structure $'000	Plant and Equipment $'000	Work in Progress $'000	**Total $'000**
Balance at 1 July	29 603	44 399	3 742	1 628	**79 372**
Additions	-	25	76	407	**508**
Disposals	(29 603)	(43 632)	(3 626)	(2 035)	**(78 896)**
Depreciation expense	-	(792)	(192)	-	**(984)**
Carrying amount at 30 June	-	-	-	-	**-**

8. Deferred Tax Assets

	2002 $'000	2001 $'000
Non-Current:		
Future Income Tax Benefit	**-**	1 219

As Ports Corporation is about to be dissolved, deferred tax accounting entries were reversed back being Future Income Tax Benefit of $1.219 million less Deferred Income Tax Accounting Provision of $3.448 million (refer Note 11) resulting in a credit to the Statement of Financial Performance of $2.229 million.

9. Creditors

	2002 $'000	2001 $'000
Current:		
Amounts payable to suppliers and employees	**3 888**	4 810
Dividends payable	**1 574**	5 036
Interest payable	**-**	271
	5 462	10 117

Amounts payable to suppliers and employees includes an amount owing to Flinders Ports of $1 708 000. This claim relates to payments made by Flinders Ports on behalf of Ports Corporation resulting from the transfer of ongoing obligations. Also included is an amount owing to DAIS of $1 673 000 which represents accounts paid by DAIS on behalf of Ports Corporation.

10. Interest Bearing Liabilities

	2002 $'000	2001 $'000
Current	**-**	2 000
Non-Current	**-**	7 262
	-	9 262

The loan provided by the South Australian Government Financing Authority (SAFA) was assumed by the Treasurer in December 2001. The balance taken over includes interest capitalised during the year to the previous loan balance.

10.1 Interest Rate Exposure

The Corporation is subject to interest rate exposures primarily through financial assets and liabilities. The following table summarises the extent of the Corporation's exposure within their maturity profiles, together with effective interest rates as at balance date.

2002

	Floating Interest Rate[a] $'000	Fixed Interest Rate Maturing In: 1 Year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-Interest Bearing $'000	Total $'000	Average Interest Rate: Floating Percent	Fixed Percent
Financial Assets:								
Cash	**4 095**	**-**	**-**	**-**	**-**	**4 095**	**4.17**	**-**
Trade debtors	**-**	**-**	**-**	**-**	**339**	**339**	**-**	**-**
	4 095	**-**	**-**	**-**	**339**	**4 434**		
Financial Liabilities:								
Trade creditors	**-**	**-**	**-**	**-**	**3 888**	**3 888**	**-**	**-**
SAFA loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**	**3 888**	**3 888**		

2001

	Floating Interest Rate[a] $'000	Fixed Interest Rate Maturing In: 1 Year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-Interest Bearing $'000	Total $'000	Average Interest Rate: Floating Percent	Fixed Percent
Financial Assets:								
Cash	1 195	-	-	-	-	1 195	4.92	-
Trade debtors	-	-	-	-	5 041	5 041	-	-
	1 195	-	-	-	5 041	6 236		
Financial Liabilities:								
Trade creditors	-	-	-	-	9 847	9 847	-	-
SAFA loans	-	2 000	7 262	-	-	9 262	-	7.06
	-	2 000	7 262	-	9 847	19 109		

(a) Floating interest rates represent the most recently determined rate applicable to the instruments at balance date.

10.2 Net Fair Values of Financial Assets and Liabilities

The carrying amounts and estimated net fair values of financial assets and financial liabilities held at balance date are given below. Short term instruments, where carrying amounts approximate net fair values, are omitted. The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged, or liability settled, in a current transaction between willing parties after allowing for transaction costs.

	2002 Carrying Amount $'000	2002 Net Fair Values $'000	2001 Carrying Amount $'000	2001 Net Fair Values $'000
Financial Liabilities:				
Current debt	**-**	**-**	2 000	2 040
Non-current debt	**-**	**-**	7 262	7 565
	-	**-**	9 262	9 605

The net fair values of short and long-term debt are estimated by discounting expected cash flows at the interest rates currently offered to the Corporation for debt of the same remaining maturity and security, plus costs expected to be incurred if the liability were settled at balance date.

11. Tax Liabilities

	2002 $'000	2001 $'000
Current:		
Income Tax	**-**	1 173
Non-Current:		
Provision for deferred income tax	**-**	3 448
	-	4 621

12. Provisions

	2002	2001
Current:		
Employee benefits:		
Annual leave	**-**	942
Long service leave	**-**	65
Workers compensation	**-**	251
	-	1 258
Non-Current:		
Employee benefits:		
Long service leave	**-**	2 596
Workers compensation	**-**	855
	-	3 451
	-	4 709

On 1 November 2001 all employees were transferred to DAIS. Consequently responsibility for all related employee provisions, covering annual leave, long service leave, superannuation and workers compensation were also transferred either to DAIS for those employees remaining with DAIS, or to the new operator for those employees transferring. As the Corporation had no responsibility for employee benefits they have been written back in the Statement of Financial Performance and in some cases have caused the expense for employee benefits to be recorded as a credit item.

Ports Corporation had obligations for compensation claims under the *Workers Compensation Act*, the amount for which are not determinable at this time. In any event, responsibility for these claims has been transferred to the Government and is administered on behalf of the Government by DAIS.

13. Contributed Equity

	Opening Balance 1.7.01 $'000	Additions $'000	Reductions $'000	**Closing Balance 30.6.02 $'000**
Contributed equity	15 000	-	-	**15 000**

14. Reserves

	2002 $'000	2001 $'000
Asset revaluation reserve	**24 927**	24 927
Transfer to retained profits	**(24 927)**	-
Closing Balance	**-**	24 927
Asset development reserve:		
Opening balance	**-**	2 500
Reduction in Asset Development Fund	**-**	(2 500)
Closing Balance	**-**	-
Total Reserves	**-**	24 927

The Asset Development Fund reflected a grant provided for the development of the Kangaroo Island ports. This reserve has been realised due to the transfer of those ports to the Department for Transport, Urban Planning and the Arts.

As the assets relating to the Assets Revaluation Reserve were either sold or transferred to two Ministers, the Asset Revaluation Reserve was transferred to Retained Profits.

15. Retained Profits

	2002 $'000	2001 $'000
Retained profits at 1 July	**23 289**	20 305
Net profit attributable to the Corporation	**(60 458)**	9 865
Transfer from Asset Development Fund	**-**	2 500
Transfer from reserves	**24 927**	-
Dividends provided for or paid	**(108)**	(9 381)
Retained profits at 30 June	**(12 350)**	23 289

16. Notes to Statement of Cash Flows

16.1 Reconciliation of Operating Profit After Income Tax to Net Cash Provided by Operating Activities

	2002 $'000	2002 $'000	2001 $'000	2001 $'000
Operating profit after income tax		**5 776**		9 865
Add (Less): Non-cash items in operating profit:				
Depreciation and amortisation	**984**		3 017	
Loss on disposed assets	**-**		384	
Profit on sale of assets	**(9)**		(226)	
Bad and doubtful debts	**-**		37	
		975		3 212

16.1 Reconciliation of Operating Profit After Income Tax to Net Cash Provided by Operating Activities (continued)

	2002 $'000	2002 $'000	2001 $'000	2001 $'000
Changes in assets or liabilities:				
(Increase) Decrease in receivables	**2 090**		(2 048)	
(Increase) Decrease in other assets	**612**		(472)	
(Increase) Decrease in inventory	**9**		2	
(Increase) Decrease in deferred tax asset	**1 219**		(72)	
Increase (Decrease) in creditors	**(1 193)**		1 505	
Increase (Decrease) in current tax liabilities	**(1 173)**		(654)	
Increase (Decrease) in workers compensation provision	**(1 106)**		(93)	
Increase (Decrease) in provision for deferred tax liabilities	**(3 448)**		931	
Increase (Decrease) in provision for employee entitlements	**(1 344)**		368	
		(4 334)		(533)
		(3 359)		2 679
Net Cash provided by Operating Activities		**2 417**		12 544

16.2 Reconciliation of Cash

For the purposes of the Statement of Cash Flows, 'cash' includes cash on hand and at call deposits with financial institutions, investments in money market instruments maturing with less than two months and net of overdrafts.

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2002 $'000	2001 $'000
Reconciliation of Cash:		
At call deposits with financial institutions	**4 095**	1 152
Cash advances	**-**	43
	4 095	1 195

17. Remuneration Benefits

17.1 Directors' Remuneration

Number of Directors whose remuneration was due and receivable from the Corporation was within the following bands:	2002 Number of Directors	2001 Number of Directors
$0 - $9999	**3**	-
$10 000 - $19 999	**1**	-
$20 000 - $29 999	**-**	3
$30 000 - $39 999	**-**	1

	2002 $'000	2001 $'000
Aggregate remuneration received or due and receivable by Directors for the year was	**35**	117

The names of the Directors who have held office during the financial year are:

Geoffrey Alfred Fry
John Alfred Michell
Nicholas Roy LeMessurier
Yvonne Sneddon

The directors held office until 1 November, 2001 when the operations of Ports Corporation were transferred to Flinders Ports.

17.2 Directors' Related Party Disclosure

The Directors of the Corporation, or their director-related entities, had transactions with the Corporation that occur within a normal employee, 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 transaction were undertaken with any other entity at arm's length in similar circumstances.

17.3 Remuneration of Officers

The number of employees whose remuneration was within the following bands:	2002 Number of Employees	2001 Number of Employees
$100 000 - $109 999	**1**	14
$120 000 - $129 999	**1**	3
$130 000 - $139 999	**-**	1
$150 000 - $159 999	**1**	-
$160 000 - $169 999	**-**	1
$180 000 - $189 999	**2**	-
$230 000 - $239 999	**1**	-
$250 000 - $259 999	**-**	1
	6	20

	2002 $'000	2001 $'000
Aggregate remuneration received or due and receivable by those employees within these bands including those on contract for the year was	**1 001**	2 443

For 2002 the remuneration of officers within the above bands included payments for Targeted Voluntary Separation Packages (TVSPs), paid on termination of employment.

18. Auditors' Remuneration

Amount received or due and receivable by the Corporation's Auditor for auditing of the accounts during 2001-02 was $41 000 ($77 000).

19. Targeted Voluntary Separation Packages (TVSPs)

During the year there were seven TVSPs paid totalling $570 000, paid by Ports Corporation, of which $516 000 was funded by the Department of the Premier and Cabinet. These separations related to employees not transferred to DAIS on 1 November 2001.

20. Consultants

Expenditure of $73 000 ($643 000) was incurred by the Corporation during 2001-02 as a result of engaging consultants.

21. Commitments

	2002	2001
Capital Expenditure:	**$'000**	$'000
Capital expenditure commitments contracted for and payable not later than one year	**-**	496
Operating Leases:		
Non-cancellable operating property lease contracted for but not recognised in the accounts:		
Not later than one year	**-**	415
Later than one but not later than five years	**-**	1 737
Later than five years	**-**	757
	-	2 909
	-	3 405

The property lease is a non-cancellable lease with a 10 year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement required that the minimum lease payments shall be increased by the lower of CPI or 3.5 percent. An option exists to renew the lease at the end of the 10 year term for an additional five years.

As at 30 June 2002, the new operator took responsibility for the commitments.

22. Contingent Liabilities

Legal Claims

There are claims against Ports Corporation for injuries sustained, by members of the public, on Ports Corporation land estimated at between $10 000-$20 000. Settlement of the claims are contingent upon follow up and confirmation by Crown Law.

Container Terminal Equipment Buy Back

Under the Agreement between the State and the Container Terminal Operator and other parties, the Corporation under specific circumstances may be liable to re-purchase specific terminal equipment at the end of the current lease agreement in 2004. The net purchase price for this equipment is expected to be in line with the market value for the equipment at the time of re-purchase. However due to the uncertainty associated with likely events at the time of the cessation of the current leasing arrangements no provision for this re-purchase has been established.

The Corporation continued arrangements up to date of transfer of its business during the financial year to ensure that the terminal equipment is maintained in good operating condition

23. Post Balance Date Event

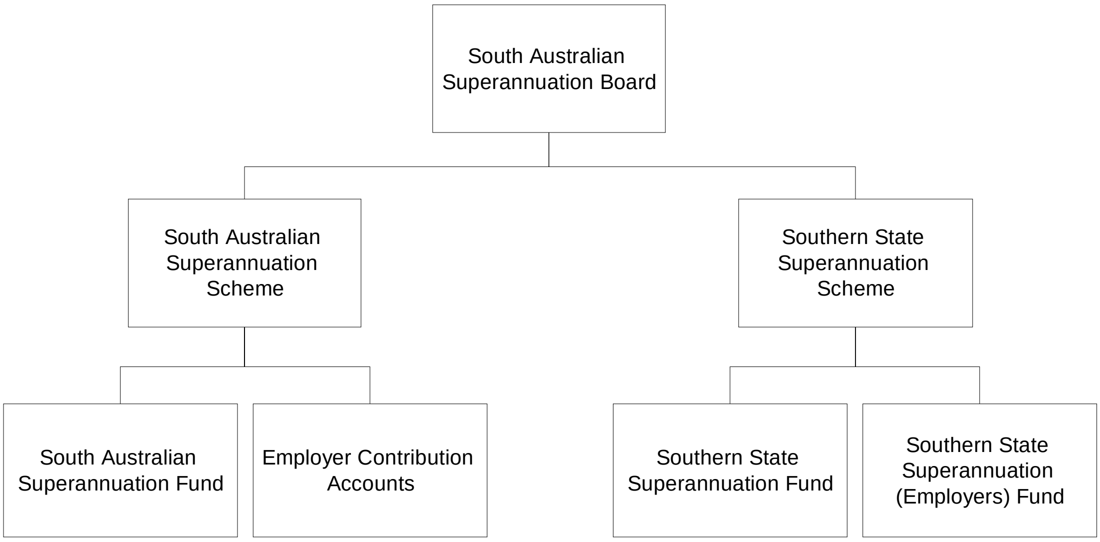
Pursuant to Section 15(4) and 16(1) of the *South Australian Ports (Disposal of Maritime Assets) Act 2000* the Governor dissolved the Corporation on 5 September 2002.

SOUTH AUSTRALIAN SUPERANNUATION BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The South Australian Superannuation Board (the Board) is a body corporate established pursuant to subsection 6(2) of the *Superannuation Act 1988* (the Act). Pursuant to subsection 8(1) of the Act, the Board consists of a presiding member appointed by the Governor, two members elected by the contributors and two members appointed by the Governor on the Minister's nomination.

The Board is responsible for the administration of two separate superannuation schemes:



The functions and responsibilities in relation to each scheme are established by separate Acts of Parliament as follows.

South Australian Superannuation Scheme

The *Superannuation Act 1988* (the Act) provides for the establishment of an employer sponsored voluntary superannuation scheme to provide superannuation benefits for persons employed by the Government of South Australia and other prescribed persons, and makes provisions for families of such persons. The Act does not apply to Members of Parliament, the judiciary or police officers who are provided for under separate legislation. Pursuant to subsection 7(1) of the Act, the Board is responsible to the Minister for all aspects of the administration of the Superannuation Act except the management and investment of the South Australian Superannuation Fund (the Fund).

The South Australian Superannuation Scheme has the following components:

- Old Scheme Division — This relates to the provision of pension based benefits;
- New Scheme Division — This relates to the provision of lump sum benefits.

In addition, Employer Contribution Accounts have been established to record the employer contributions towards their share of the emerging liability for benefit payments in relation to the Scheme.

The Superannuation Funds Management Corporation of South Australia, operating under the business name of Funds SA, a body corporate, has statutory responsibility for the investment and management of the Fund. This Fund comprises the contributions of employees and income derived from investment of those funds, less the Fund portion of benefits payable and administration expenses. Funds SA also invests and manages the employer contributions on behalf of the Board.

Both the Old Scheme and the New Scheme Divisions were closed to new membership in May 1986 and June 1994, respectively. Consequently, the South Australian Superannuation Scheme is now a 'closed' scheme, having been replaced by the Southern State Superannuation Scheme effective 1 July 1995 (refer hereunder for further details).

Southern State Superannuation Scheme

The *Southern State Superannuation Act 1994* (Triple S Act) originally established the Southern State Superannuation Scheme (Triple S Scheme) to provide an employer sponsored contributory superannuation scheme for persons employed in the public sector. The Triple S Scheme replaced the South Australian Superannuation Scheme as the Government sponsored scheme available to public sector employees. Police Officers who commenced employment from 1 July 1995 also became members of the Triple S Scheme.

The Triple S Scheme is both a contributory and non-contributory superannuation scheme as it provides employer benefits for public sector employees who were not actively contributing to an employer sponsored superannuation scheme, in order to satisfy the minimum level required under the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*.

The Triple S Act charges the Board with responsibility for the maintenance of:

- accounts in the name of all members of the Triple S Scheme;
- proper accounts in respect of each financial year relating to the receipt of member contributions and payments to members.

The Southern State Superannuation Fund (Triple S Fund) is established pursuant to the Triple S Act. The Triple S Fund comprises the contributions of employees and rollovers from other superannuation funds or schemes to the Triple S Scheme and income derived from investments of those funds, less the Fund portion of benefits paid. Funds SA is responsible for the investment and management of the Triple S Fund.

The Triple S Act also establishes the Southern State Superannuation (Employers) Fund, which comprises employer contributions and rollovers from other superannuation funds or schemes to the Triple S Scheme and income derived from investment of those funds less the Fund portion of benefits paid, administration expenses and insurance premiums. The Southern State Superannuation (Employers) Fund is also managed and invested by Funds SA.

Service Provision Arrangements

The Board utilises the services of the Department of Treasury and Finance - Superannuation Office (Super SA) in carrying out its functions. The Superannuation Office maintains individual member records, processes contributions and determines and processes benefit payments. The Board has a service level contract with the Department of Treasury and Finance for the provision of superannuation administration services. The contract includes performance standards for services, management reporting requirements and internal control requirements.

For further information in relation to the investment and management of superannuation monies reference should be made to comments under 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report.

SOUTH AUSTRALIAN SUPERANNUATION SCHEME

SIGNIFICANT FEATURES

- The estimated liability for accrued benefits increased by $386 million to $6.9 billion ($6.5 billion) for which net assets of $2.8 billion ($2.9 billion) were available to pay benefits.

- Investment activity for the year resulted in a negative return of $157 million compared to a positive return of $95 million in the previous year.

- Contribution revenue increased by $207 million to $378 million, due principally to an increase of $210 million in contributions for past service liability as the Government did not transfer any monies into the 'South Australian Superannuation Scheme Contribution Account' during 2001 to meet liabilities in respect of the Scheme.

- The income equalisation reserve for the New Scheme Division which had a value of $10.3 million as at 30 June 2001 was applied in full to supplement the interest rate. This was due to the low investment revenue during 2001-02.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 20AB(2) of the *Superannuation Act 1988* provides for the Auditor-General to audit, in respect of each financial year, the accounts kept by the Board of receipts and payments relating to the payment of benefits under the Act.

Scope of Audit

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

During 2001-02 specific areas of audit attention included:

- receipting and banking of employer and employee contributions
- processing of contributions data
- maintenance of member accounts
- benefit payments
- liability for accrued benefits.

The audit did not include a review of the investment and management activities undertaken by Funds SA in respect of the assets of the Fund and Employer Contribution Accounts; these areas were reviewed in the course of the audit of Funds SA.

Audit Communications to Management

Issues arising from the audit of the Scheme will be the subject of a letter to be forwarded to the Presiding Member, South Australian Superannuation Board.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The review of the specific auditable areas of coverage indicated that the general control environment was satisfactory.

Commentary on Computer Information Systems (CIS) Environment

The general control environment over the CIS operations was considered satisfactory.

In addition, during the year the Department of Treasury and Finance commissioned an independent review of Superb, the core administration system utilised to administer superannuation contributions and benefits of members. The result of the review was generally satisfactory.

CONTROLS OPINION

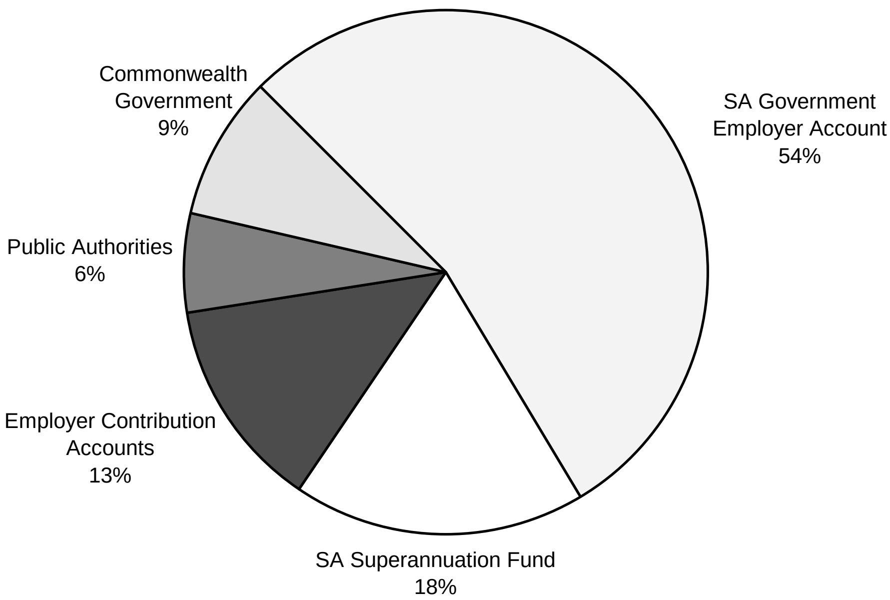
As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Superannuation Scheme included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the South Australian Superannuation Scheme in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Funding of Benefit Payments

Benefit payments are funded from a number of sources. Benefits paid by funding source are depicted in the following pie chart.



The Fund portion of a benefit is fully funded. Member contributions are deposited with Funds SA and on payment of a benefit, a proportion of the amount is charged against the Fund. The amount charged is determined by legislation and regulation.

There are numerous arrangements covering the funding of the employer liability for accrued superannuation benefits. Depending on the employer's arrangement with the Board they may either make provisions for superannuation liabilities in their own accounts and pay for benefits as they emerge; they may contribute fortnightly to Employer Contribution Accounts managed by Funds SA, in this way funding their accruing liability; or they may make cash contributions to the Treasurer, who in turn forwards these monies to Funds SA.

In addition, the Commonwealth Government meets an agreed portion of benefits payable where the employer portion relates to former State Government employees.

Note 1(d) to the Financial Statements provides details of the various funding arrangements.

Liability for Accrued Benefits

The estimated figure for accrued liabilities at 30 June 2002 was $6.9 billion ($6.5 billion) for which net assets of $2.8 billon ($2.9 billion) were available to pay benefits.

Although the estimated total liability for accrued benefits is $6.9 billion, the South Australian Government is only responsible for funding a portion of the liability, which comprises the SA Government Employer Account and a portion of the Employer Contribution Accounts.

The following table shows the deficit or excess of net assets available to pay benefits over liabilities for accrued benefits.

	Net Assets $'million	Liabilities $'million	**(Deficit) Excess $'million**
SA Superannuation Fund	1 454	1 426	**28**
SA Superannuation Scheme Employer Contribution Account:			
Employer Contribution Accounts	950	948	**2**
SA Government Employer Account	353	3 897	**(3 544)**
	1 303	4 845	**(3 542)**
Public Authorities	-	237	**(237)**
Commonwealth Government	-	382	**(382)**
	-	619	**(619)**
	2 757	6 890	**(4 133)**

Although a portion of the total superannuation liability is currently unfunded, members' entitlements to benefits are required to be paid out of the Consolidated Account, or a Special Deposit Account established for that purpose, pursuant to the *Superannuation Act 1988*.

Benefits Paid

Total benefits paid amounted to $464 million ($411 million), which included $318 million ($293 million) paid as pensions. Details of Benefits paid/payable are disclosed in Note 6 of the Financial Statements. The number of pensioners, and pensions paid for the past three years, was:

	2002	2001	2000
Pensioners	***14 672**	*14 280	14 228
Pensions paid ($'million)	**318**	293	273

* Includes ETSA members.

Operating Statement

Contributions by Members

The number of contributors, and contributions received from members for the past three years, was:

	2002			2001	2000
	Old Scheme	**New Scheme**	**Total**	Total	Total
Contributors (excludes preserved members)	**5 980**	**8 398**	**14 378**	15 614	16 663
Contributions received ($'000)	**19 805**	**24 812**	**44 617**	44 886	45 395

Operating Statement for the year ended 30 June 2002

	Note	2002 $'000	2002 $'000	2001 $'000
INVESTMENT REVENUE:				
Net investment revenue	2(a)	**(156 989)**		95 078
			(156 989)	95 078
CONTRIBUTION REVENUE:				
Contribution for past service liability	1(d)	**211 717**		1 622
Contributions by employers	19	**113 349**		117 755
Transfers from other schemes		**8 481**		6 591
Contributions by members		**44 617**		44 886
Refunds of overpaid contributions		**(435)**		(212)
			377 729	170 642
OTHER REVENUE	18		**67 245**	68 067
ADMINISTRATION EXPENSE	4		**(3 888)**	(3 923)
ACTUARIAL VALUATION EXPENSE	22		**(67)**	-
GST EXPENSE	20		**(99)**	(99)
BENEFITS EXPENSE	7		**(850 109)**	(128 813)
OPERATING RESULT FOR THE PERIOD			**(566 178)**	200 952

Statement of Financial Position as at 30 June 2002

	Note	2002 $'000	2002 $'000	2001 $'000
INVESTMENTS:	2 (b),9			
Inflation linked securities		**372 406**		386 535
Property		**289 267**		273 004
Adelaide Plaza		**-**		33 771
Australian equities		**961 738**		1 068 076
International equities		**909 088**		1 023 650
Fixed interest		**127 737**		147 066
Cash		**104 457**		15 781
			2 764 693	2 947 883
FIXED ASSETS			**55**	51
OTHER ASSETS:				
Cash and deposits at Treasury	11	**6 577**		11 101
Cash and deposits at Treasury - Funds SA		**688**		98
Contributions receivable	3	**1 142**		1 348
Interest, dividends and rent due - Funds SA		**133**		301
Prepaid expenses - Funds SA		**-**		37
Other income receivable	17(a)	**405**		1 747
Sundry debtors	17(b)	**5 333**		1 183
			14 278	15 815
Total Assets			**2 779 026**	2 963 749
CURRENT LIABILITIES:				
Rent paid in advance - Funds SA		**1 192**		851
Benefits payable	21	**242**		2 340
Sundry creditors and provisions	12	**3 049**		3 613
Provisions for PAYG tax payable	13	**7**		28
			4 490	6 832
NON-CURRENT LIABILITIES:				
Loan and finance facilities			**17 876**	20 179
Total Liabilities			**22 366**	27 011
NET ASSETS AVAILABLE TO PAY BENEFITS	5,16		**2 756 660**	2 936 738
Less: **LIABILITY FOR ACCRUED BENEFITS**	7		**6 889 700**	6 503 600
EXCESS OF LIABILITIES OVER NET ASSETS			**(4 133 040)**	(3 566 862)

Statement of Cash Flows for the year ended 30 June 2002

	Note	Inflows (Outflows) $'000	2002 Inflows (Outflows) $'000	Inflows (Outflows) $'000	2001 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Contributions received:					
Contributions for past service liability			**211 717**		1 622
Contributions by employers			**112 840**		119 516
Transfers from other schemes			**4 838**		7 203
Contributions by members			**44 706**		45 360
Refund of overpaid contributions			**(435)**		(212)
				373 666	173 489
Other income:					
Reimbursement from other sources:					
Commonwealth Government and Public Authorities		**68 013**			74 447
Temporary disability reimbursements		**471**			352
			68 484		74 799
Interest			**413**		3 522
				68 897	78 321
Benefits paid:					
Pensions			**(317 565)**		(292 614)
Commutation of pension benefits			**(61 381)**		(54 111)
Lump sums			**(86 991)**		(64 578)
Refunds to members			**-**		(213)
Provision for PAYG tax payable			**(21)**		(2 247)
				(465 958)	(413 763)
GST expense				**(123)**	(123)
Administration expense				**(3 888)**	(3 923)
Actuarial valuation expense				**(67)**	-
Payments/Receipts to/from Board debtors				**(587)**	(23)
Payments/Receipts to/from Board creditors				**(14)**	(78)
Net Cash used in Operating Activities	10			**(28 074)**	(166 100)
CASH FLOWS FROM INVESTING ACTIVITIES:	2(a)				
Receipts from Superannuation Funds Management Corporation				**249 800**	194 591
Payments to Superannuation Funds Management Corporation				**(226 250)**	(128 300)
Net Cash provided by Investing Activities				**23 550**	66 291
NET DECREASE IN CASH HELD				**(4 524)**	(99 809)
CASH AT 1 JULY				**11 101**	110 910
CASH AT 30 JUNE	11			**6 577**	11 101

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Financial Statements

(a) South Australian Superannuation Scheme

The South Australian Superannuation Scheme (the Scheme) is a voluntary superannuation scheme which exists pursuant to the *Superannuation Act 1988* (the Act). It previously existed in different forms under various other legislation. The Act provides for superannuation benefits for persons employed by the Government of South Australia and other prescribed persons and makes provisions for the families of such persons. It is not available to Members of Parliament, the judiciary or to police officers who are each provided for under separate legislation.

Contributors to the Scheme may be either old scheme contributors, who are entitled to a pension based benefit, or new scheme contributors who are entitled to a lump sum based benefit. The old scheme contributors segment of the Scheme was closed to new members in May 1986. The new scheme contributors segment of the scheme was closed to new members in May 1994.

Contributors make contributions from after tax salary based on a percentage of their salary, with the standard contribution rate being 6 percent. Contributors may elect to vary their contribution rate in accordance with section 23 of the Act. A contribution account is maintained for each contributor. If a member ceases to contribute they will be automatically covered by the Southern State Superannuation Scheme, to meet the minimum requirements of the Commonwealth legislation.

Since October 1989, the Act has required that contributions be paid to the Treasurer, who in turn deposits those contributions into the South Australia Superannuation Fund (the Fund) which is managed and invested by the Superannuation Funds Management Corporation of South Australia.

The Act requires the Fund to be treated as being made up of two divisions, being the Old Scheme Division and the New Scheme Division. Each division consists of the contributions and the accretions arising from the investment of those contributions in respect of relevant old or new scheme contributors. Consistent with the accounts of the Fund the accounts of the Scheme are also maintained in respect of each division.

(b) South Australian Superannuation Board

The Act charges the South Australian Superannuation Board (the Board), a body corporate, with responsibility for all aspects of the administration of the Act except for the management and investment of the Fund. The Act also provides the Board with the necessary powers to administer the Scheme. The Board, with the approval of the Treasurer, has contracted with the Under Treasurer to provide the administrative services.

(b) South Australian Superannuation Board (continued)

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 the Superannuation Funds Management Corporation of South Australia for each division of the Fund, and also the desirability of reducing undue fluctuations in the rate of return on contribution accounts. In considering these factors in the past the Board has applied crediting rates which were different from the actual earnings rates. For the Old Scheme Division, the Board distributes all investment earnings and there is no income equalisation reserve. For the New Scheme Division, the Board does have a reserving policy and the income equalisation reserve forms part of the net assets available to pay benefits of the new scheme. As at 30 June 2001 the value of the income equalisation reserve was $10.3 million. This figure had been determined via an actuarial review. Due to the low investment revenue, the reserve has been applied in full to supplement the interest rate for the New Scheme Division Fund members as at 30 June 2002.

(c) 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* (the Act). Funds SA is responsible for the investment and management of the public sector superannuation funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Fund and the SA Superannuation Scheme Contribution Account, reference should be made to the financial statements of Funds SA. The investment assets, liabilities, income and expense contained in these financial statements are related to the investment activities of Funds SA.

(d) Funding Arrangements

Under section 20B of the Act, any payment made to a contributor must be made out of the Consolidated Account, (which is then appropriated to the necessary extent) or a Special Deposit Account established for that purpose. The Treasurer may subsequently reimburse the Consolidated Account or Special Deposit Account from the Fund the proportion of any such payment charged against the contributor's contribution account. The prescribed proportion of that payment or benefit payments to be charged to the old scheme contributor's accounts is set out in the Regulations of the Act. During the year ended 30 June 2002 payments were made from a Special Deposit Account.

The Treasurer may also seek reimbursement of the employer portion of any such payments from certain employer bodies under agreements made between the Treasurer and/or the Board and those employer bodies. The employer portion of benefits is met from the 'South Australian Superannuation Scheme Contribution Account' (the Account) established by the Treasurer to record employer superannuation contributions. The employer portion of payments may be in relation to State Government Departments, Statutory Authorities and former State Government employees now employed by the Commonwealth Government.

Funding for the employer portion of payments met from the Account is from monies deposited under arrangements with respective employers. Monies deposited in the Account are invested and managed by Funds SA but do not form part of the Fund. The Treasurer seeks reimbursement from the Account balances as benefits are paid. The arrangement with employers are:

(i) State Government Departments

State Government Departments pay fortnightly employer contributions to the Treasurer for their emerging superannuation liabilities which are deposited by the Treasurer into the Account.

Since 30 June 1994 the Government has commenced a process of funding its accrued past service superannuation liabilities. During the year ended 30 June 2002 the Government transferred $210.7 million (nil) into the Account to meet liabilities in respect of the Scheme. The Government will continue to pay contributions to the Account to meet the accrued past service liability so that the liability will be fully funded by 30 June 2034.

Where a payment relates to a temporary disability benefit, the Treasurer seeks reimbursement from the Account in the first instance and simultaneously seeks reimbursement of the Account directly from the Government Department as the benefit is paid.

(ii) Statutory Authorities

Where the employer proportion of a payment relates to Statutory Authorities, three different funding arrangements exist. These arrangements are made by the Board, which has entered into agreements with individual authorities pursuant to section 5 of the Act. The terms agreed in any such arrangements must be approved by the Minister. The three arrangements are:

- *State Government Liability for Statutory Authorities*

  These authorities have made arrangements with the Board to fund their emerging superannuation liabilities by making regular payments, based on actuarial assessment, to the Treasurer. These monies are deposited in the Account. In addition, the Government has commenced a process of funding the past service superannuation liability for these authorities as outlined in Note 1(d)(i).

- *Employer Contribution Accounts*

  Certain public sector employers have made arrangements with the Board to fund their superannuation liabilities by making regular payments to the Treasurer based on an actuarial assessment. The Treasurer deposits these monies in the Account into what are referred to as Employer Contribution Accounts. The Treasurer seeks reimbursement from the Employer Contribution Account balances as benefits are paid.

  During the year ended 30 June 1995 the South Australian Housing Trust commenced a 30 year program of funding its accrued superannuation liabilities. An amount of $1.0 million ($1.6 million) was received during 2001-02 representing accrued past service superannuation liabilities.

- *Public Authorities Accounts (Universities)*
  Some public authorities make provisions in their own accounts for their future superannuation liabilities and no balances are maintained in the Account. The Treasurer seeks reimbursement from the Account in the first instance and simultaneously seeks reimbursement directly from these authorities as benefits are paid.

(iii) *Commonwealth Government*
The Commonwealth Government meets an agreed portion of benefits payable where the employer proportion of a payment relates to former State Government (railways) employees. The Commonwealth contribution is made pursuant to the Rail Transfer Agreement between the Commonwealth and State Governments. No balances are maintained in the Account for this purpose and the Treasurer seeks reimbursement directly from the Commonwealth Government as benefits are paid.

The liability for future benefits is funded to the extent of benefits to be reimbursed from the Fund, the Account, and the Public Authorities Accounts referred to in Note 1(d)(ii) above. The liability for future benefits is only partially funded in respect of benefits to be reimbursed from State Government Departments and the State Government liability for Statutory Authorities. The net assets figure shown in these statements represents the amount available to meet these future benefits.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The Financial Statements have been drawn up, to the extent practicable, in accordance with Australian Accounting Standard AAS 25 ‘Financial Reporting by Superannuation Plans’ and with Treasurer’s Instructions issued pursuant to the *Public Finance and Audit Act 1987*.

Funds SA operates a unitised investment portfolio utilising a number of asset class funds, each of which holds assets of a different category. The Scheme holds an interest in the asset class funds by way of notional ‘units’, as determined by Funds SA, rather than holding assets directly. As funds of the Scheme are regularly subscribed to and redeemed from the asset class funds, in line with the Scheme’s cash flow requirements, it is not possible to accurately determine the separate contribution by realised and unrealised gains to the Scheme’s income. For this reason, unrealised gains are not separately identified as required by AAS 25 and the Statement of Cash Flows only reflects a net result for cash flows from investing activities. In addition direct investment expenses and change in net market value of investments held at reporting date and realised during the reporting period are not reported. For information regarding the manner in which Funds SA operates its investment portfolio, and the contributions that realised and unrealised gains make to Funds SA’s total investment returns, reference should be made to the financial statements of Funds SA.

The negative investment earnings for the 2002 year are due to the downturn in world investment markets.

(b) Basis of Valuations of Assets and Liabilities

The basis for the valuation of assets and liabilities is provided below. Valuations are net of estimated disposal costs, where material.

(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 (CPI) or Average Weekly Earnings (AWE), have been valued using the discounted cash flow method. The valuation as at 30 June 2002 was performed by an independent valuer, Macquarie Bank Limited.

- *Externally Managed*
  The 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 the balance date.

(ii) *Property*
The Property portfolio comprises three sub-sectors:

- *Directly Held Properties*
  Valuations of directly held properties have been carried out by independent licensed property valuers, other than as indicated in Note 8 of the Funds SA financial statements.

  In addition, a secured short term loan provided to a third party has been valued on the basis of principal outstanding at the balance date.

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

- *Externally Managed Unlisted Property Vehicles*
  Investments in externally managed unlisted property vehicles have been valued in accordance with the exit valuations supplied by the managers.

(iii) *Australian Equities*
The Australian Equities portfolio comprises two sub-sectors:

- *Listed Australian Equities*
  The listed Australian equities 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.

- *Private Equity*
  The private equity portfolio comprises holdings in a number of externally managed specialist funds together with internally managed assets. The externally managed specialist funds have been valued by the managers in accordance with the Australian Venture Capital Association Limited (AVCAL) guidelines. Internally managed assets have been valued by the Directors of Funds SA, either in accordance with market prices applicable at balance date, or having regard to market conditions and the current and expected future performance of the investments.

(iv) *International Equities*
The international equities portfolio comprises two sub-sectors:

- *Listed International Equities*
  The listed international equities portfolio 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 (other than private equity) have been valued in accordance with the exit valuations supplied by the managers. Currency conversions have been made at the spot market mid rates applicable at the balance date where applicable.

- *Private Equity*
  The international private equity portfolio comprises holdings in a number of externally managed specialist funds. These funds have been valued by the managers in accordance with National Venture Capital Association (NVCA) guidelines.

(v) *Adelaide Plaza*
The Adelaide Plaza Fund comprised Funds SA's investment in the Funds SA Subsidiary Holding Corporation, a wholly owned subsidiary of Funds SA (refer Note 11 of the Funds SA financial statements). Both the Funds SA Subsidiary Holding Corporation and the Adelaide Plaza Fund were dissolved during the financial year. Funds SA's investment in the Adelaide Plaza Fund at 30 June 2001 was valued by the Directors of Funds SA having regard to the 30 June 2001 consolidated management accounts of the Funds SA Subsidiary Holding Corporation.

(vi) *Australian Fixed Interest*
The Australian 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.

(vii) *International Fixed Interest*
The International 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.

(viii) *Cash*
Deposits at call and other deposits of very short term duration have been valued on the basis of principal plus accrued interest. Bank bills have been valued using market rates applicable at the balance date.

(ix) *Fixed Assets*
Fixed assets are shown at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets, using straight line or diminishing value methods. The Directors of Funds SA are of the opinion that this provides a reasonable estimate of market value.

(x) *Other Assets and Liabilities*
These items have been assessed and the Directors of Funds SA are of the opinion that for most items, book values provide a reasonable estimate of their market values. Where material items are not likely to be realised within a short period following the balance date, the book values of these items have been discounted back to the balance date using relevant market interest rates applying at the balance date.

(c) ***Taxation***
All of the public sector superannuation funds under the management of Funds SA are exempt from federal income tax by virtue that they are declared as 'constitutionally protected funds' under the Regulations to the *Income Tax Assessment Act 1936.* Consequently, no income tax expense has been brought to account in these financial statements.

(d) ***Accounting for Leases***
Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability on a straight line basis. The allocation of lease rental payments in this manner ensures that the rental expense is recognised on a basis which is representative of the pattern of benefits derived from the leased asset.

3. Contributions Receivable

	2002	2001
	$'000	$'000
Contributions by members	**251**	340
Contributions by employers	**891**	1 008
	1 142	1 348

Contributions receivable have decreased in the 2001-02 year as Super SA has been actively following up agencies/statutory authorities to ensure the timely remittance of contributions.

4. Administration

Costs of administering the Scheme comprise those costs incurred by Funds SA in administering the investment activities of the Fund and the Account, and those costs incurred by the Board in administering the Scheme.

Administration costs incurred by the Board in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. The cost is recovered in two components:

- Subsection 17(7) of the Act requires that the Fund meet a prescribed portion of these costs, currently 30 percent.
- 70 percent of costs were deducted from the employer contributions received during the year.

The administration cost met by the Scheme is as follows:

	2002 Old Scheme Division $'000	2002 New Scheme Division $'000	Total 2002 $'000	Total 2001 $'000
Actual cost of administration	**2 142**	**1 746**	**3 888**	3 923
Administration cost charged to the Fund (30 percent)	**641**	**524**	**1 165**	1 176
Administration cost deducted from employer contributions – SA Water	**-**	**-**	**-**	4
Administration cost deducted from employer contributions – WorkCover	**3**	**-**	**3**	-
Administration cost deducted from employer contributions – SA Housing Trust	**4**	**-**	**4**	-
Administration cost deducted from employer contributions	**1 494**	**1 222**	**2 716**	2 743

5. Net Assets available to Pay Benefits

Net assets available to pay benefits consist of the combined balances of the South Australian Superannuation Fund and the SA Superannuation Scheme Contribution Account. Movements in the balances of these accounts are detailed below:

(a) South Australian Superannuation Fund

	2002 Old Scheme Division $'000	2002 New Scheme Division $'000	Total 2002 $'000	Total 2001 $'000
Funds held at 1 July	**1 230 299**	**339 281**	**1 569 580**	1 545 702
Add: Contributions	**19 805**	**24 812**	**44 617**	44 886
Transfers from other schemes	**561**	**7 194**	**7 755**	5 878
Refunds of overpaid contributions	**(429)**	**(6)**	**(435)**	(212)
Investment income(i)	**(63 818)**	**(18 316)**	**(82 134)**	49 170
Other income - Bank account interest	**67**	**55**	**122**	140
	(43 814)	**13 739**	**(30 075)**	99 862
Less: Net benefits paid(ii)	**67 159**	**17 416**	**84 575**	74 808
Administration costs	**641**	**524**	**1 165**	1 176
	67 800	**17 940**	**85 740**	75 984
Funds held at 30 June	**1 118 685**	**335 080**	**1 453 765**	1 569 580

(i) Shown net of direct investment expenses.
(ii) Refer to Note 6.

(b) SA Superannuation Scheme Contribution Account

	2002 $'000	2002 $'000	2001 $'000
Funds held at 1 July		**1 367 158**	1 472 084
Add: Employer contributions:			
State Government Departments	**84 163**		82 637
Transfers from other schemes(iv)	**726**		713
Statutory Authorities(i)	**29 186**		35 119
Contribution for past service liability(i)	**211 717**		1 622
		325 792	120 091
Investment income(ii)		**(74 855)**	45 908
Other income – Commonwealth and Public Authorities		**66 381**	64 091
Other income – Temporary disability		**451**	454
Other income – Bank account interest		**291**	3 382
		318 060	233 926
Less: Benefits paid:(iii)			
Old Scheme contributors	**332 268**		305 247
New Scheme contributors	**47 166**		30 759
Actuarial valuation expenses	**67**		-
GST expense	**99**		99
Administration expenses	**2 723**		2 747
		382 323	338 852
Funds held at 30 June		**1 302 895**	1 367 158
Total Net Assets		**2 756 660**	2 936 738

(b) SA Superannuation Scheme Contribution Account (continued)

(i) Refer to Note 1(d).
(ii) Shown net of direct investment expenses.
(iii) refer to Note 6.
(iv) Relates to a transfer of monies from EISS.

6. Benefit Paid/Payable

The SA Superannuation Scheme Contribution Account recovers monies from the relevant agencies for the total benefits paid on account of Public Authorities, Commonwealth Government and various agencies for Temporary Disability Pensions.

	2002 Old Scheme Division $'000	**2002 New Scheme Division $'000**	**2002 Total $'000**	2001 Old Scheme Division $'000	2001 New Scheme Division $'000	2001 Total $'000
Pensions:						
Funded from:						
SA Superannuation Fund	**53 267**	**101**	**53 368**	48 229	96	48 325
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	**31 934**	**450**	**32 384**	30 338	444	30 782
Public authorities	**21 881**	**23**	**21 904**	20 415	10	20 425
Commonwealth Government	**35 501**	**-**	**35 501**	34 978	-	34 978
SA Government employer account	**174 131**	**276**	**174 407**	157 880	224	158 104
Gross Scheme Costs	**316 714**	**850**	**317 564**	291 840	774	292 614
Commutations:						
Funded from:						
SA Superannuation Fund	**11 247**	**-**	**11 247**	9 108	-	9 108
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	**9 182**	**-**	**9 182**	6 550	-	6 550
Public authorities	**2 928**	**-**	**2 928**	2 584	-	2 584
Commonwealth Government	**5 424**	**-**	**5 424**	5 387	-	5 387
SA Government employer account	**32 600**	**-**	**32 600**	30 482	-	30 482
Gross Scheme Costs	**61 381**	**-**	**61 381**	54 111	-	54 111
Lump Sums:						
Funded from:						
SA Superannuation Fund	**686**	**16 256**	**16 942**	975	11 075	12 050
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	**1 290**	**14 265**	**15 555**	1 038	10 192	11 230
Public authorities	**196**	**1 202**	**1 398**	125	100	225
SA Government employer account	**1 513**	**24 505**	**26 018**	2 351	14 802	17 153
Gross Scheme Costs	**3 685**	**56 228**	**59 913**	4 489	36 169	40 658
Retrenchments:						
Funded from:						
SA Superannuation Fund	**76**	**325**	**401**	86	169	255
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	**45**	**663**	**708**	223	125	348
Public authorities	**127**	**324**	**451**	232	341	573
SA Government employer account	**201**	**100**	**301**	-	13	13
Gross Scheme Costs	**449**	**1 412**	**1 861**	541	648	1 189
Targeted Separation Packages:						
Funded from:						
SA Superannuation Fund	**1 883**	**734**	**2 617**	3 442	1 414	4 856
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	**2 296**	**1 640**	**3 936**	2 167	1 820	3 987
SA Government employer account	**13 019**	**3 718**	**16 737**	10 496	2 689	13 185
Gross Scheme Costs	**17 198**	**6 092**	**23 290**	16 105	5 923	22 028
Refunds of Contributions:						
Contributions	**-**	**-**	**-**	-	161	161
Interest	**-**	**-**	**-**	-	52	52
Gross Scheme Costs	**-**	**-**	**-**	-	213	213
Funded from:						
SA Superannuation Fund	**-**	**-**	**-**	-	213	213
Total Benefit Paid/Payable	**399 427**	**64 582**	**464 009**	367 086	43 727	410 813

7. Liability for Accrued Benefits

The accrued liabilities of the Superannuation Scheme as determined by the State Superannuation Office of the Department of Treasury and Finance are shown below.

For the old scheme contributors and the employer funded, defined benefit component in respect of new scheme contributors, the accrued liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to 30 June 2002 based on membership data as at 30 June 2001.

For the employee funded, defined contribution component for new scheme contributors, the accrued liability is the balance of the employees' contribution accounts as at 30 June 2002.

7. Liability for Accrued Benefits (continued)

The expected future benefit payments have been determined using the 2001 triennial review assumptions relating to mortality, disability, withdrawal, preservation and retirement. The review 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 Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans', the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of five percent per annum above the CPI.

Changes in the liability for accrued benefits:	**2002 Old Scheme Division $'000**	**2002 New Scheme Division $'000**	**2002 Total $'000**	2001 Old Scheme Division $'000	2001 New Scheme Division $'000	2001 Total $'000
Liability for accrued benefits at 1 July	**5 611 900**	**891 700**	**6 503 600**	5 977 300	808 300	6 785 600
Add: Benefits expense(ii)	**715 127**	**134 982**	**850 109**	1 686	127 127	128 813
Less: Benefits paid(i)	**399 427**	**64 582**	**464 009**	367 086	43 727	410 813
Liability for Accrued Benefits at 30 June	**5 927 600**	**962 100**	**6 889 700**	5 611 900	891 700	6 503 600
Represented by:						
SA Superannuation Fund	**1 090 900**	**335 100**	**1 426 000**	1 041 600	340 600	1 382 200
SA Superannuation Scheme Employer Contribution Account:						
Employer contribution accounts	**720 000**	**227 800**	**947 800**	613 000	209 200	822 200
SA Government employer account	**3 508 200**	**389 000**	**3 897 200**	3 355 200	335 700	3 690 900
Public authorities	**226 200**	**10 200**	**236 400**	220 000	6 200	226 200
Commonwealth Government	**382 300**	**-**	**382 300**	382 100	-	382 100
Total	**5 927 600**	**962 100**	**6 889 700**	5 611 900	891 700	6 503 600

(i) Refer to Note 6.
(ii) This figure represents the change in liability for accrued benefits plus benefits paid for the year.

Although the total liability for accrued benefits shown above is $6.9 billion, the SA Government is only responsible for funding a portion of the liability, which comprises the SA Government Employer Account and a portion of the Employer Contribution Accounts. For further details refer to Note 1(d).

Pursuant to the Act, actuarial reviews of the Scheme must be conducted on a three yearly basis to address the cost of the Scheme to the Government and the proportion of future benefits that can be met from the Fund. The last review was carried out as at 30 June 2001 by Mr Laurie Brett, Fellow of the Institute of Actuaries of Australia. His report, dated 28 June 2002, to the Minister was tabled in Parliament on 18 July 2002. These 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.

8. 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) and include benefits which contributors would be entitled to receive on termination of their Scheme membership.

When contributors resign they have two options in the Pension Scheme and three options in the Lump Sum Scheme. Firstly, they can elect to take a cash refund of their own contributions, accumulated with interest, but with no employer money added. Secondly, they can elect to take a fully vested, preserved benefit which will be based on their full accrued entitlement at the date of resignation and will be increased during preservation in line with increases in the CPI. Alternatively, Lump Sum members can transfer their benefit to another scheme where the employer benefit is equal to twice the member balance (at standard rates) plus a productivity component.

The vested benefits shown below assume that all resignation benefits will be taken in the form of preserved or transferred benefits. The value of vested benefits has been calculated using the same actuarial and economic assumptions as for the calculation of accrued benefits.

As for accrued benefits, vested benefits have been calculated as at 30 June 2002 based on membership data as at 30 June 2001.

	2002 Old Scheme Division $'000	**2002 New Scheme Division $'000**	**2002 Total $'000**	2001 Old Scheme Division $'000	2001 New Scheme Division $'000	2001 Total $'000
SA Superannuation Fund	**1 057 800**	**335 100**	**1 392 900**	1 008 300	340 600	1 348 900
SA Superannuation Scheme Employer Account:						
Employer contribution accounts	**668 600**	**261 600**	**930 200**	421 000	176 600	597 600
SA Government employer account	**3 330 900**	**459 500**	**3 790 400**	3 415 400	369 200	3 784 600
Public authorities	**223 800**	**5 000**	**228 800**	216 900	6 300	223 200
Commonwealth Government	**382 300**	**-**	**382 300**	382 200	-	382 200
Total	**5 663 400**	**1 061 200**	**6 274 600**	5 443 800	892 700	6 336 500

9. Summary of Investment Holdings

The interests of the Fund and the South Australian Superannuation Scheme Contribution Account in the unitised investment portfolio of Funds SA are as follows:

	2002 Fund-Old Scheme Division $'000	2002 Fund-New Scheme Division $'000	2002 Scheme Contribution Accounts $'000	Total 2002 $'000	Total 2001 $'000
Inflation linked securities	**150 731**	**45 149**	**176 526**	**372 406**	386 535
Property	**117 080**	**35 070**	**137 117**	**289 267**	273 004
Adelaide Plaza	**-**	**-**	**-**	**-**	33 771
Australian equities	**389 262**	**116 598**	**455 878**	**961 738**	1 068 076
International equities	**367 952**	**110 215**	**430 921**	**909 088**	1 023 650
Fixed interest	**51 701**	**15 487**	**60 549**	**127 737**	147 066
Cash	**42 279**	**12 664**	**49 514**	**104 457**	15 781
Total	**1 119 005**	**335 183**	**1 310 505**	**2 764 693**	2 947 883

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

	2002 $'000	2001 $'000
Operating result	**(566 178)**	200 952
Increase (Decrease) in Liability for Accrued Benefits	**386 100**	(282 000)
Net Investment Revenue	**156 989**	(95 078)
Decrease in Other income receivable	**1 342**	10 314
Decrease in Contributions receivable	**206**	1 908
Decrease in PAYG Tax Payable	**(21)**	(2 247)
Decrease in Benefits Payable	**(2 098)**	(647)
Net Movement in Other Debtors and Creditors	**(4 414)**	698
Net Cash used in Operating Activities	**(28 074)**	(166 100)

11. 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:

	2002 $'000	2001 $'000
Cash and Deposits at Treasury	**6 577**	11 101

There has been a reduction in the amount of Cash and Deposits at Treasury as the Scheme now invests on a weekly rather than a fortnightly basis.

12. Summary of Sundry Creditors and Provisions

	2002	2001
Rollovers to be transferred to Triple S	**91**	-
SA Water overpaid contributions	**4**	764
Commonwealth reimbursement (ex ANR employees)	**300**	57
Public authorities	**45**	-
Pension payments	**1**	-
Pension re banks to be repaid to members	**(2)**	8
Funds SA sundry creditors	**2 610**	2 780
Other	**-**	4
	3 049	3 613

13. Provision for Tax Payable

The provision for tax payable represents taxation due on benefit payments made in June 2002 which has not been remitted to the Commissioner of Taxation as at 30 June 2002. This amount was forwarded to the Commissioner of Taxation early in the 2002-03 financial year.

14. Guaranteed Benefits

Contributors' benefit entitlements are specified by the *Superannuation Act 1988*.

15. Additional Financial Instrument Disclosures

The specific disclosure requirements of Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments' are fully set out in the Notes to the Financial Statements of Funds SA and have not been repeated in this financial report.

16. Reconciliation of Net Assets available to Pay Benefits

	2002 $'000	2001 $'000
Opening net assets available to pay benefits	**2 936 738**	3 017 786
Add: Benefits expense	**850 109**	128 813
Less: Benefits paid	**464 009**	410 813
Add: Operating result for the period	**(566 178)**	200 952
Closing Value of Net Assets available to Pay Benefits	**2 756 660**	2 936 738

17. Summary of Other Income Receivable and Sundry Debtors

	2002	2001
(a) Other income receivable:	**$'000**	$'000
Commonwealth (ex STA employees)	**1**	12
Public Authorities	**404**	1 735
	405	1 747

For the 2001 year, an estimated invoice was sent to the Commonwealth for the month of June 2001. As the invoice was an estimate, once the account was reconciled, the actual benefit payments for ex STA employees were greater than estimated and the account had been underpaid. The amount was recovered in the month of July 2001.

For the 2002 year invoices for the month of June were sent to the Public Authorities. As at 30 June 2002, monies outstanding were raised as accruals and are expected to be received in the 2002-03 year.

(b) Sundry Debtors:	2002	2001
	$'000	$'000
Leave without pay invoices	**373**	507
Rollovers to be transferred from Triple S	**3 734**	-
Funds SA accruals	**334**	205
Temporary disability debtors	**202**	221
Refund from Taxation Office for GST (refer to Note 20)	**49**	24
Pension to be transferred from EISS	**605**	-
Refund of overpaid benefit payments	**-**	170
Other	**36**	56
	5 333	1 183

18. Other Revenue

Bank account interest	**413**	3 522
Commonwealth and public authorities debtors	**66 381**	64 076
Temporary disability debtors	**451**	469
	67 245	68 067

The bank account interest in the 2002 year is significantly less than the prior year which included interest on the past service liability contribution for the 2000 year.

19. Refund of Overpaid Employer Contributions

A $14.7 million payment to the Treasurer representing a refund of overpaid employer contributions was made during the 2001 financial year. This resulted from a reduction in old and new scheme employer contribution rates applicable to the 2001 financial year. The funding and payment by agencies (SA Government Employer Account) was at the unadjusted rates.

20. Net GST Paid

As a result of the introduction of GST on 1 July 2000, an additional line has been inserted into the Operating Statement. This figure represents the GST paid on administration fees less any credits received from the Australian Taxation Office, as the Scheme is entitled to a 75 percent refund on all GST paid. A refund is due from the Tax Office for May 2002 and June 2002. This credit for $49 000 has been disclosed as a debtor in the financial statements.

21. Benefits Payable

	2002	2001
	$'000	$'000
Benefits payable by South Australian Superannuation Fund	**73**	700
Benefits payable by South Australian Superannuation Scheme Contribution Account	**169**	1 640
	242	2 340

Benefits payable relate to members who have terminated employment prior to 30 June but either have been paid after 30 June or remain unpaid. The value of benefits payable has decreased in the 2002 year as there have been less applications received in the month of July relating to pre 30 June terminations.

22. Actuarial Valuation Expense

During the year ended 30 June 2002 actuarial valuation expenses of $67 000 were paid. These relate to the actuarial valuation for the State Bank, Ports Corp and Lyell McEwin Health Service.

SOUTHERN STATE SUPERANNUATION SCHEME

SIGNIFICANT FEATURES

- Contribution revenue increased by $28 million to $262 million.
- Investment activity for the year resulted in a negative return of $68 million compared to a positive return of $60 million in the previous year.

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 8 of the *Southern State Superannuation Act 1994* provides for the Auditor-General to audit the accounts and financial statements of the Southern State Superannuation Scheme in respect of each financial year.

Scope of Audit

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

During 2001-02 specific areas of audit attention included:

- receipting and banking of employer and employee contributions
- processing of contributions data to the system
- completeness and accuracy of interest amounts credited to member accounts
- maintenance of member accounts
- benefit payments
- liability for accrued benefits.

The audit did not include a review of the investment and management activities undertaken by Funds SA in respect of the assets of the Scheme; these areas were reviewed in the course of the audit of Funds SA.

Audit Communications to Management

Issues arising from the audit of the Scheme will be the subject of a letter to be forwarded to the Presiding Member, South Australian Superannuation Board.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The review of the specific auditable areas of coverage indicated that the general control environment was satisfactory.

Commentary on Computer Information Systems (CIS) Environment

The general control environment over the CIS operations was considered satisfactory.

In addition, during the year the Department of Treasury and Finance commissioned an independent review of Superb, the core administration system utilised to administer superannuation contributions and benefits of members. The result of the review was generally satisfactory.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Southern State Superannuation Scheme included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the Southern State Superannuation Scheme in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Operating Statement

Benefits accrued as a result of operations for the year were $189.6 million, a decrease of $100.4 million. The result reflects a decrease in total revenue of $100 million, of which, investment revenue decreased by $128 million due mainly to a downturn in the world investment markets.

Statement of Financial Position

Net assets available to pay benefits increased by $115.4 million to $1.8 billion.

The overall increase in assets of $120.5 million was due principally to an increase of $119.3 million in investments.

As the Scheme is still in its infancy, contribution revenue significantly exceeds benefit payments made. Consequently it is reasonable to expect the asset base to increase by a significant amount as more funds become available for investment.

Statement of Cash Flows

Contributions received during the year totalled $261.9 million of which $195.6 million was received from employers. Total benefits paid amounted to $69.7 million. The largest payments related to resignation, $34.8 million, and retirements, $26.9 million.

Net payments to Superannuation Funds Management Corporation (Funds SA) for investing, amounted to $187.5 million.

Operating Statement for the year ended 30 June 2002

	Note	2002 $'000	2002 $'000	2001 $'000
INVESTMENT REVENUE:				
Net investment revenue	2 (a)	**(68 185)**		60 189
			(68 185)	60 189
CONTRIBUTION REVENUE:				
Contributions by members	1(a)	**36 629**		30 642
Contributions by employers	1(a)	**195 994**		175 190
Rollovers from other schemes		**29 747**		28 030
Transfers from Electricity Industry		**38**		-
Refund of overpaid contributions		**(19)**		(9)
			262 389	233 853
INTEREST REVENUE			**346**	483
INSURANCE ADMINISTRATION	20		**(55)**	-
ADMINISTRATION EXPENSE	5		**(4 743)**	(4 419)
GST EXPENSE	16		**(119)**	(110)
BENEFITS ACCRUED AS A RESULT OF OPERATIONS	8		**189 633**	289 996

Statement of Financial Position as at 30 June 2002

	Note	2002 $'000	2002 $'000	2001 $'000
INVESTMENTS:	2(b)			
Inflation linked securities		**167 585**		154 649
Property		**172 715**		142 431
Australian equities		**569 812**		563 479
International equities		**519 583**		522 342
Fixed interest		**325 797**		314 548
Cash		**71 019**		9 712
			1 826 511	1 707 161
FIXED ASSETS			**37**	31
OTHER ASSETS:				
Cash and deposits at Treasury	11	**8 538**		8 433
Cash and deposits at Treasury - Funds SA		**468**		60
Contributions receivable	3	**2 506**		2 106
Interest, dividends and rent due - Funds SA		**84**		159
Sundry debtors	17	**353**		80
Prepaid expenses - Funds SA		**-**		19
			11 949	10 857
Total Assets			**1 838 497**	1 718 049
CURRENT LIABILITIES:				
Rent paid in advance - Funds SA		**558**		341
Benefits payable	18	**6 914**		2 284
Sundry creditors and provisions	19	**1 676**		1 569
Provision for PAYG tax payable	12	**11**		22
			9 159	4 216
NON-CURRENT LIABILITIES:				
Loan and finance facilities			**10 685**	10 541
Total Liabilities			**19 844**	14 757
NET ASSETS AVAILABLE TO PAY BENEFITS	4,15		**1 818 653**	1 703 292
REPRESENTED BY:				
LIABILITY FOR ACCRUED BENEFITS:	8			
Allocated to members' accounts	21		**1 759 812**	1 654 039
Not Allocated to members' accounts	22		**3 877**	-
			1 763 689	1 654 039
RESERVES:				
Administration and investment reserve	7		**1 587**	1 561
Death, invalidity and income protection insurance reserve	6		**53 377**	47 692
			54 964	49 253
			1 818 653	1 703 292

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) $'000	2002 Inflows (Outflows) $'000	2001 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Contributions received:				
Contributions by members		**36 614**		30 689
Refund of overpaid contributions		**(19)**		(9)
Contributions by employers		**195 609**		175 791
Transfers from Electricity Industry		**38**		-
Rollovers from other schemes		**29 661**		27 456
			261 903	233 927
Bank income received			**346**	483
Benefits paid:				
Retirement		**(26 921)**		(18 305)
Resignation		**(34 750)**		(36 784)
Retrenchment		**(1 423)**		(39)
Invalidity - Balance of account		**(2 425)**		(3 451)
Invalidity - Future service benefit	6	**(1 045)**		(1 136)
Death - Balance of account		**(1 682)**		(1 663)
Death - Future service benefit	6	**(981)**		(1 411)
Payments to Unclaimed Monies		**(113)**		-
Base Pension		**(305)**		-
Provision for PAYG tax payable		**(11)**		(43)
			(69 656)	(62 832)
Receipts/payments to/from sundry debtors/creditors			**(8)**	(1 827)
Insurance Administration	20		**(59)**	-
Administration expense	5		**(4 743)**	(4 419)
GST expense	16		**(153)**	(138)
Net Cash provided by Operating Activities	10		**187 630**	165 194
CASH FLOWS FROM INVESTING ACTIVITIES:	2(a)			
Receipts from Superannuation Funds Management Corporation			**300**	-
Payments to Superannuation Funds Management Corporation			**(187 825)**	(163 975)
Net Cash used in Investing Activities			**(187 525)**	(163 975)
NET INCREASE IN CASH HELD			**105**	1 219
CASH AT 1 JULY			**8 433**	7 214
CASH AT 30 JUNE	11		**8 538**	8 433

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Financial Statements

(a) Southern State Superannuation Scheme

The Southern State Superannuation Scheme (the Scheme) is both a contributory and non-contributory superannuation scheme established pursuant to the *Southern State Superannuation Act 1994* (the Act). The Scheme, commonly referred to as the Triple S Scheme, commenced from 1 July 1995 for contributory members only. Effective 1 July 1998, the *Southern State Superannuation (Merger of Schemes) Amendment Act 1998* merged the schemes established under the *Southern State Superannuation Act 1994* and the *Superannuation (Benefit Scheme) Act 1992*. At that time, all members of the State Superannuation Benefit Scheme were effectively transferred into the Southern State Superannuation Scheme and the State Superannuation Benefit Scheme ceased to exist.

Members can elect to make contributions to the Southern State Superannuation Scheme based on a percentage of their salary ranging from 1 percent to 10 percent, under section 25 of the Act. A member of the police force must contribute at a rate of at least 4.5 percent of salary. A separate contribution account is maintained for each member. Member contributions are deposited by the Treasurer into the Southern State Superannuation Fund (the Fund) which is managed and invested by Funds SA.

An employer is required to pay contributions to the Treasurer under section 26 of the Act. The employer contributes 8 percent (8 percent) of salary where the member has elected to contribute less than 4.5 percent of salary. Where the member has elected to contribute 4.5 percent or more of salary, the employer must contribute at a rate of 9 percent. A separate employer contribution account is maintained for each member. Employer contributions are deposited by the Treasurer into the Southern State Superannuation (Employers) Fund (the Employers Fund) which is managed and invested by Funds SA.

Benefits, represented by the balances of member accounts, are available for employees who retire, resign, are retrenched or die and for those who terminate their employment because of invalidity. The balance of individual member entitlements is provided on annual statements forwarded to each member.

(b) South Australian Superannuation Board

The purpose of this statement is to discharge the responsibilities of the South Australian Superannuation Board (the Board) under section 13 of the Act to keep accounts of receipts and payments.

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

(b) South Australian Superannuation Board (continued)

The Board determines a rate of return to be credited to member accounts pursuant to section 11 of the Act. In determining the rate the Board should consider the net rate of return achieved by the investment of the Fund.

Pursuant to sections 7A and 11, where a member or members have nominated a class of investments, or combination of classes of investments, the Board determines a rate of return on the investments of their class, or combination of classes.

The Board is required under sections 7A and 27, respectively, to credit interest earnings to member accounts and employer contribution accounts based on the earnings of the fund. Since the introduction of investment choice, the amount of interest credited is determined by the change in unit price.

(c) 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* (the Act). Funds SA is responsible for the investment and management of the public sector superannuation funds pursuant to strategies formulated by Funds SA. The Treasurer had directed that the Southern State Superannuation (Employers) Fund also be managed and invested by Funds SA.

For further information on investment activities, reference should be made to the financial statements of Funds SA. The investment assets, liabilities, income and expense contained in these financial statements are related to the investment activities of Funds SA.

(d) Funding Arrangements

The Act requires that member contributions and rollovers from other schemes be paid to the Treasurer, who in turn deposits these amounts into the Southern State Superannuation Fund (the Fund).

Under section 12 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 year ended 30 June 2002 payments were made from a Special Deposit Account.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The Financial Statements have been drawn up, to the extent practicable, in accordance with Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans' and with Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987.*

Funds SA operates a unitised investment portfolio utilising a number of asset class funds, each of which holds assets of a different category. The Scheme holds an interest in the asset class funds by way of notional 'units', as determined by Funds SA, rather than holding assets directly. As funds of the Scheme are regularly subscribed to and redeemed from the asset class funds, in line with the Scheme's cash flow requirements, it is not possible to accurately determine the separate contribution by realised and unrealised gains to the Scheme's income. For this reason, unrealised gains are not separately identified as required by AAS 25 and the Statement of Cash Flows only reflects a net result for cash flows from investing activities. In addition direct investment expenses and change in net market value of investment held at reporting date and realised during the reporting period are not reported. For information regarding the manner in which Funds SA operates its investment portfolio, and the contributions that realised and unrealised gains make to Funds SA's total investment returns, reference should be made to the financial statements of Funds SA.

The negative investment earnings for the 2002 year are due to the downturn in the world investment markets.

(b) Basis of Valuations of Assets and Liabilities

The basis for the valuation of assets and liabilities is provided below. Valuations are net of estimated disposal costs, where material.

(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 (CPI) or Average Weekly Earnings (AWE), have been valued using the discounted cash flow method. The valuation as at 30 June 2002 was performed by an independent valuer, Macquarie Bank Limited.

- *Externally Managed*

  The 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 the balance date.

(ii) Property

The Property portfolio comprises three sub-sectors:

- *Directly Held Properties*

  Valuations of directly held properties have been carried out by independent licensed property valuers, other than as indicated in Note 8 to the financial statements of Funds SA.

  In addition, a secured short term loan provided to a third party has been valued on the basis of principal outstanding at the balance date.

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

- *Externally Managed Unlisted Property Vehicles*
  Investments in externally managed unlisted property vehicles have been valued in accordance with the exit valuations supplied by the managers.

(iii) *Australian Equities*
The Australian Equities portfolio comprises two sub-sectors:

- *Listed Australian Equities*
  The listed Australian equities 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.

- *Private Equity*
  The private equity portfolio comprises holdings in a number of externally managed specialist funds together with internally managed assets. The externally managed specialist funds have been valued by the managers in accordance with the Australian Venture Capital Association Limited (AVCAL) guidelines. Internally managed assets have been valued by the Directors of Funds SA, either in accordance with market prices applicable at balance date, or having regard to market conditions and the current and expected future performance of the investments.

(iv) *International Equities*
The International Equities portfolio comprises two sub-sectors:

- *Listed International Equities*
  The international equities portfolio 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 (other than private equity) have been valued in accordance with the exit valuations supplied by the managers. Currency conversions have been made at the spot market mid rates applicable at the balance date where applicable.

- *Private Equity*
  The international private equity portfolio comprises holdings in a number of externally managed specialist funds. These funds have been valued by the managers in accordance with National Venture Capital Association (NVCA) guidelines.

(v) *Australian Fixed Interest*
The Australian 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) *International Fixed Interest*
The International 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.

(vii) *Cash*
Deposits at call and other deposits of very short term duration have been valued on the basis of principal plus accrued interest. Bank bills have been valued using market rates applicable at the balance date.

(viii) *Fixed Assets*
Fixed assets are shown at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets, using straight line or diminishing value methods. The Directors of Funds SA are of the opinion that this provides a reasonable estimate of net market value.

(ix) *Other Assets and Liabilities*
These items have been assessed and the Directors of Funds SA are of the opinion that for most items, book values provide a reasonable estimate of their market values. Where material items are not likely to be realised within a short period following the balance date, the book values of these items have been discounted back to the balance date using relevant market interest rates applying at the balance date.

(c) ***Taxation***
All of the public sector superannuation funds under the management of Funds SA are exempt from federal income tax by virtue that they are declared as 'constitutionally protected funds' under the Regulations to the *Income Tax Assessment Act 1936*. Consequently, no income tax expense has been brought to account in these financial statements.

(d) ***Accounting for Leases***
Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability on a straight-line basis. The allocation of lease rental payments in this manner ensures that the rental expense is recognised on a basis which is representative of the pattern of benefits derived from the leased asset.

(e) Operation of Investment Portfolio

Funds SA operates a pooled investment portfolio utilising a number of sector funds, each of which holds assets of a different category. The sector funds are:

- Inflation Linked Securities
- Property
- Australian Equities
- International Equities
- Australian Fixed Interest
- International Fixed Interest
- Cash

Funds SA also operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds.

From 1 July 1999, Funds SA implemented a range of investment strategies (or ‘products’) to cater for the introduction of member investment choice offered to members of the Southern State Superannuation Scheme. Funds SA therefore manages five separate investment products distinguished by differing strategic asset allocations. The products are:

- Growth
- Balanced
- Conservative
- Cash
- Defined Benefit

The first four products are available to members of the Southern State Superannuation Scheme whereas the fifth product, Defined Benefit, is applied to the remainder of the public sector superannuation funds managed by Funds SA. Reference should be made to Funds SA’s Annual Report for the strategic asset allocations applying to each of the investment products.

Each public sector superannuation fund holds units in a product, which in turn holds units in each of the sector funds according to the target strategic asset allocation for the investment product. Units are issued and redeemed periodically as transactions occur at unit prices determined by the net market value of underlying investments. For the 2002 year, unit prices were issued on a weekly basis (monthly/bi-monthly in 2001).

3. Contributions Receivable

	2002	2001
	$’000	$’000
Contributions from members	**276**	261
Contributions from employers	**2 230**	1 845
	2 506	2 106

4. Net Assets Available to Pay Benefits

(a) Southern State Superannuation Fund

	2002	2001
Funds held at 1 July	**147 412**	95 540
Add: Contributions by members	**36 629**	30 642
Rollovers from other schemes	**29 747**	28 030
Investment income (i)	**(6 483)**	4 621
Other income	**56**	23
	59 949	63 316
Less: Benefits paid and payable	**14 283**	11 435
Refund of overpaid contributions	**19**	9
	14 302	11 444
Funds Held at 30 June	**193 059**	147 412

(b) Southern State Superannuation (Employers) Fund

	2002	2001
Funds held at 1 July	**1 555 880**	1 382 695
Add: Employer contributions	**195 994**	175 190
Investment income (i)	**(61 702)**	55 568
Transfers from Electricity Industry	**38**	-
Bank Interest	**290**	460
	134 620	231 218
Less: Benefits paid and payable	**59 989**	53 504
Administration Costs	**4 743**	4 419
GST Expense	**119**	110
Insurance Administration	**55**	-
	64 906	58 033
Funds Held at 30 June	**1 625 594**	1 555 880
Total Net Assets	**1 818 653**	1 703 292

(i) Shown net of direct investment expense.

5. Administration

Section 27 of the Act provides for an administrative charge to be debited each year to members' employer contribution accounts and section 9 of the Act requires the amount to be paid from the Southern State Superannuation (Employers) Fund. The purpose of this charge is to provide for existing and future costs of administering the Scheme. The amount of the charge is prescribed by regulation. As at 30 June 2002 the charge is the lesser of $50 per member for an active member or $40 per member for non-active members. The charge for a member with an aggregate balance of $1 000 or less, is the lesser of the charges applicable to active/non-active members, or the amount of interest credited to the member's Employer Account with a minimum of $10. This charge will be included on member annual statements. As at 30 June 2002 the estimated amount to be charged to members' employer contribution accounts is $5 million ($5 million).

Administration costs incurred by the Board in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Board monthly. The charge for the year ended 30 June 2002, based on actual costs of administering the Scheme, amounted to $4.7 million ($4.4 million) plus GST.

6. Death, Invalidity and Income Protection Insurance Reserve

The Scheme provides an insurance benefit, with a few exceptions, in the event of death or invalidity before age 60. An Income Protection Insurance benefit, subject to eligibility criteria, is also available in the event of a member becoming temporarily disabled before age 55.

A new insurance arrangement was introduced on 1 July 2002, based on units of benefit cover. The Standard Insurance benefit of one unit of cover costs $1 per week and is compulsory for most members of the scheme except casual employees and those who are special category members in terms of section 14 (4)-(6) of the Act. Police Officers are required to have at least five standard units of cover. The value of a unit under Standard Insurance, and for members up to 34 years is $50 000. The value of a unit declines from age 35. Additional units can be purchased (subject to medical evidence) to provide permanent employees with cover up to $500 000, and casual employees up to $250 000. The cost for each one unit of Standard Insurance is $1 per week. For those members who want the value of a unit of insurance to be fixed, irrespective of age, there is also a table of Fixed Insurance with costs increasing with age.

As required by section 13A of the Southern State Superannuation Act, the Treasurer received a report on the costs and liabilities of the insurance arrangements in existence as at 30 June 2001. The actuary has reported that the premium rates for the insurance arrangement replaced on 1 July 2002 could have been reduced by around 50 percent, as with experience they had been found to be too conservative. The cost of insurance under the new arrangements is in general significantly less. The report also advised that on the basis of the arrangements in place as at 30 June 2001, there was a reserve of $29.9 million before allowing for any prudential risk margins. This reserve was on the basis of the actuarially determined benefit liabilities of $18.5 million. Whilst the actuarially assessed value of the liabilities under the new arrangements has increased to $28.5 million the new premiums have been set to adequately cover the new liabilities.

In the event of invalidity, the Basic and Additional insurance is paid to the member. In the event of death, the Basic and Additional insurance is paid to the member's spouse, otherwise to the member's estate.

To be eligible for the Income Protection Insurance benefit, a member must be contributing from post-tax salary or have an employer contribution that is greater than the minimum Superannuation Guarantee for at least a year.

Total insurance benefits of $2.3 million ($2.5 million) were paid to members as a result of death or invalidity during the year ended 30 June 2002.

	Note	**2002**	2001
		$'000	$'000
Opening balance of the Death, Invalidity and Income Protection Insurance Reserve		**47 692**	41 227
Add: Investment earnings on reserve		**(993)**	790
Contributions		**9 064**	8 222
		8 071	9 012
Less: Benefit Payments:			
Invalidity basic		**889**	981
Invalidity supplementary		**156**	155
Death basic		**835**	1 115
Death supplementary		**146**	296
Disability Pensions		**305**	-
Administration Costs	20	**55**	-
		2 386	2 547
Transfers to the Death, Invalidity and Income Protection Insurance Reserve		**5 685**	6 465
Closing Balance of Reserve		**53 377**	47 692

7. Administration and Investment Reserve

The Reserves amounts represent assets of the fund which are not yet allocated to member accounts and to which members are presently not entitled. The following table reflects the total movements of the Reserves for the year ended 30 June 2002.

	Administration Cost Reserve(i)	**Investment Reserve**(ii)	Total **2002**	Total 2001
	$'000	**$'000**	**$'000**	$'000
Balance as at 1 July	**482**	**1 079**	**1 561**	1 222
Transfers to Reserves	**425**	**-**	**425**	592
Transfers out of Reserves	**-**	**(399)**	**(399)**	(253)
Balance as at 30 June	**907**	**680**	**1 587**	1 561

7. Administration and Investment Reserve (continued)

(i) Section 27 of the Act requires an administrative charge to be deducted from the member accounts. These monies are credited to the Administration Cost Reserve. At the end of the financial year the actual cost incurred in administering the scheme is debited to the Administration Cost Reserve. Further information is included in Note 5 to the financial statements. The amount of $425 000 which is a transfer to reserves is based on an estimated administration recovery of $5 million.

(ii) Prior to the merger of the Southern State Superannuation Scheme and the State Superannuation Benefit Scheme (refer Note 1(a)) the interest that was credited to member accounts was the average of the 10 year bond rates declared by the South Australian Government Financing Authority on the first day of each month. This differed from the amount earned by Funds SA and the balance of the investment earnings was credited to the investment reserve.

8. Liability for Accrued Benefits

The liability for accrued benefits is the obligation to pay benefits to members and beneficiaries, calculated as the balance of member accounts.

	2002	2001
	$'000	$'000
Liability for accrued benefits at 1 July	**1 703 292**	1 478 235
Add: Increase in accrued benefits	**189 633**	289 996
Less: Benefits paid and payable	**74 272**	64 939
Liability for Accrued Benefits at 30 June	**1 818 653**	1 703 292

9. Vested Benefits

Vested Benefits are benefits which are not conditional upon continued membership of the Scheme, or any other factor other than resignation from the plan. Vested Benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date.

	2002	2001
	$'000	$'000
Vested Benefits	**1 759 812**	1 654 039

10. Reconciliation of Net Cash provided by Operating Activities to Benefits Accrued from Operations

Benefits accrued as a result of operations	**189 633**	289 996
Benefits paid and payable	**(74 272)**	(64 939)
(Increase) Decrease in contributions receivable	**(400)**	647
Increase (Decrease) in rollovers payable to other schemes	**2**	(571)
(Increase) in rollovers receivable from other schemes	**(88)**	(3)
Net Investment Revenue	**68 185**	(60 189)
Decrease in Board creditors	**(20)**	(1 893)
(Increase) Decrease in Board debtors	**(29)**	38
Increase in benefits payable	**4 630**	2 151
Decrease in PAYE Tax Payable	**(11)**	(43)
Net Cash provided by Operating Activities	**187 630**	165 194

11. 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:

	2002	2001
	$'000	$'000
Cash and deposits at Treasury	**8 538**	8 433

12. Provision for Tax Payable

The provision for tax payable represents tax due on benefit payments made in June 2002 which had not been remitted to the Commissioner of Taxation as at 30 June 2002. This amount was forwarded to the Commissioner of Taxation in July 2002.

13. Guaranteed Benefits

Benefit entitlements are specified by the *Southern State Superannuation Act 1994*.

14. Additional Financial Instrument Disclosures

The specific disclosure requirements of Australian Accounting Standard AAS 33, 'Presentation and Disclosure of Financial Instruments' are fully set out in the Notes to the financial statements of Funds SA and have not been repeated in this financial report.

15. Reconciliation of Net Assets Available to Pay Benefits

	2002	2001
	$'000	$'000
Opening value	**1 703 292**	1 478 235
Add: Benefits accrued as a result of operations	**189 633**	289 996
Less: Benefits paid	**74 272**	64 939
Closing Value	**1 818 653**	1 703 292

16. Net GST Paid

As a result of the introduction of the GST on 1 July 2000, an additional line has been inserted into the Operating Statement. This figure represents the GST paid on administration fees less any credits received from the Australian Taxation Office as the Scheme is entitled to a 75 percent refund on all GST paid. A refund is due from the Tax Office for May and June 2002. The credit for $62 000 has been disclosed as a debtor in the financial statements.

17. Summary of Sundry Debtors

	2002 $'000	2001 $'000
Rollover monies to be transferred to Triple S	**91**	3
Temporary disability pension benefit to be transferred to Triple S	**-**	7
Refund from Taxation Office for GST (refer to Note 16)	**62**	28
Funds SA sundry debtors	**200**	41
Other	**-**	1
	353	80

18. Benefits Payable

Benefits payable by Southern State Superannuation Fund	**1 754**	685
Benefits payable by Southern State Superannuation (Employers) Fund	**5 160**	1 599
	6 914	2 284

Benefits payable relate to members who have terminated employment prior to 30 June but either have been paid after 30 June or remain unpaid.

The value for benefits payable for the 2002 year is higher than the previous year. Super SA now has an enhanced ability to query the database as a result of various system changes during the year. This has resulted in a more accurate reflection of the actual benefits payable as at 30 June 2002.

19. Summary of Sundry Creditors and Provisions

	2002 $'000	2001 $'000
Rollovers to be transferred from Triple S	**2**	-
Other	**-**	20
Funds SA sundry creditors	**1 674**	1 549
	1 676	1 569

20. Insurance Administration

The costs of implementing the new insurance arrangements have been deducted from the Death, Invalidity and Income Protection Insurance Reserve. The remaining costs involved in finalising the new insurance arrangements will be deducted from the reserve in the 2002-03 year.

21. Allocated to Members' Accounts

The figure reported for the 2001 year had been determined prior to the final allocation of investment earnings to member accounts. The formal allocation of earnings to members' accounts has been determined for the 2002 year. This has resulted in an immaterial difference and will be carried forward to the next financial year as an unallocated value. The unallocated amount is described in Note 22 (below).

22. Not Allocated to Members' Accounts

This Note indicates that there is approximately $3.9 million unallocated to members' accounts which is immaterial in a $1.8 billion Scheme. All accumulation schemes carry some type of unallocated amount. This arises because the units allocated to members' accounts are rounded.

SOUTH AUSTRALIAN WATER CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The South Australian Water Corporation (the Corporation) was established on 1 July 1995 pursuant to the *South Australian Water Corporation Act 1994* (the Act).

Application of the *Public Corporations Act 1993*

The South Australia Water Corporation is a public corporation subject to the provisions of the *Public Corporations Act 1993*. That Act requires a charter and performance statement to be prepared by the Corporation's Minister and the Treasurer after consultation with the Corporation. The charter for the Corporation outlines:

- the nature and scope of commercial and non-commercial activities, including financial investment activities;
- financial standards and reporting, including interim reports on operations; the form and content of accounts and financial statements; and accounting and internal auditing systems and practices;
- the operating environment of the Corporation, asset management and control and the basis for setting fees and charges.

Objectives and Functions

The key objectives of the Corporation are to:

- provide value-for-money water services within South Australia;
- develop and commercialise leading water and related services, including technology solutions;
- assist in promoting economic development in South Australia;
- manage the assets (including intellectual property) of the Corporation prudently and effectively and, provide agreed returns to government;
- optimise the value of the Corporation whilst achieving other key requirements of government.

The primary functions of the Corporation in accordance with the Act are to provide services for the:

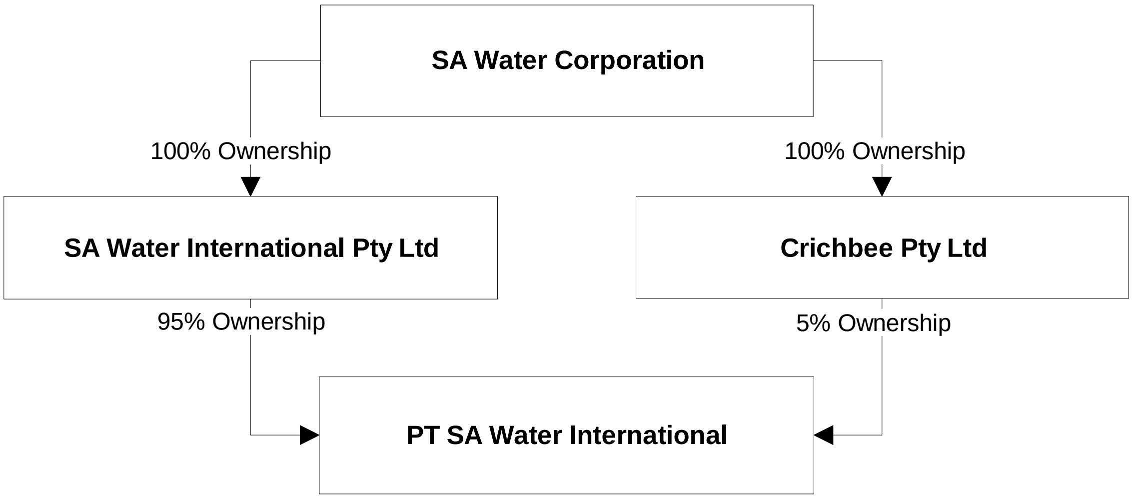
- supply of water by means of reticulated systems;
- storage, treatment and supply of bulk water;
- removal and treatment of wastewater by means of sewerage systems.

Additional functions of the Corporation as set out in the Act include researching and undertaking works to improve water quality and wastewater treatment; developing and marketing commercially viable products, processes and intellectual property; and encouraging and facilitating private or public sector investment and participation in the provision of water and wastewater services and facilities.

Corporate Structure

Apart from various changes to the Corporation's internal organisational structure, there were no changes to the corporate structure during the year. The Corporation has a number of wholly owned subsidiaries which have been established primarily to facilitate the Corporation's involvement in commercial operations overseas, with particular regard to the Corporation's interests in the Indonesian Province of West Java.

The diagram below depicts the relevant corporate structure as at 30 June 2002:



SA Water International Pty Ltd and Crichbee Pty Ltd are subject to Australian corporations legislation while PT SA Water International is subject to Indonesian company law.

Further information regarding the Corporation's overseas operations is provided under the section 'Further Commentary on Operations'. Consolidated financial reports have been prepared to reflect the operations of the subsidiaries.

SIGNIFICANT FEATURES

- The consolidated profit from ordinary activities after income tax expense was $162.2 million, an increase of $20.3 million over the previous year.
- The net increase in asset revaluation reserve was $130 million ($9.4 million).
- Total net assets at 30 June 2002 were $4.8 billion.
- A dividend of $137.2 million ($135.5 million) was paid to the State Government in addition to a capital repayment of $11 million ($29.7 million).

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 32(4) of the *Public Corporations Act 1993* provides for the Auditor-General to audit the accounts of the South Australia Water Corporation in respect of each financial year.

Scope of Audit

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

During 2001-02 specific areas of audit attention included:

- contract management
- asset management and control
- revenue raising including cash receipting and banking
- expenditure including accounts payable and payroll
- budgetary control and management reporting.

Audit Communications to Management

During the year Audit attended meetings with management with respect to all management letters issued. All Audit management letters issued during the year were forwarded to the Chief Executive and, by arrangement, copies were forwarded to the Chair of the Corporation's Audit Committee. Satisfactory responses were received with respect to the issues raised by Audit.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

Audit Committee

The Corporation has an Audit Committee whose membership comprises three Corporation Board members. The Audit Committee Charter embodies the functions detailed in section 31 of the *Public Corporations Act 1993*, and includes the requirement to understand the risks of the business and assess the effectiveness of internal controls. The Charter requires at least four regular meetings each year. The Audit Committee met on four occasions during 2001-02 and Audit attended all meetings as an observer.

Internal Audit

In accordance with section 31 of the *Public Corporations Act 1993*, the Corporation has established an Internal Audit function. The scope of the operations of Internal Audit are detailed in the Internal Audit Charter. The Charter establishes Internal Audit as an independent appraisal function to examine and evaluate the Corporation's activities and to provide a service to management and the Board.

The Audit Committee directs and evaluates Internal Audit by defining expectations; reviewing and approving the audit plan; evaluating the effectiveness, quality and competency of Internal Audit; and ensuring no management restrictions are placed on the internal auditors.

Management Representations

The Corporation seeks representations concerning the discharge of management responsibilities through a Directors' Questionnaire which accompanies the financial statements presented to the Board. The Questionnaire is extensive and seeks specific representations from the Corporation's management concerning such matters as the control exercised over cash, receivables, assets, liabilities, borrowings, commitments, insurance, as well as relating to issues of legal compliance, contract management, environmental considerations, and fraud control.

Overall Assessment

As part of the audit process, consideration was given to the general control environment operating for the financial systems of the Corporation. The audit assessment covered the key internal controls in place, their application and monitoring, and whether the established South Australian Water Corporation policies and procedures detailing the activities to be performed and the tools to assist in monitoring compliance with policies and procedures, were being applied.

The overall assessment of the Corporation's financial control structure was that is was satisfactory. Audit findings and commentary on the more salient findings and issues addressed in the Audit letters to management are detailed below, under the appropriate heading, along with the Corporation's responses.

Revenue - Customer Service Information System (CSIS)

The Customer Service Information System (CSIS) is the Corporation's main revenue system. Its function includes the billing and recovery cycle process, the recording of customer property valuations, and the application of customer rates and exemptions to charges. The system is highly automated and is characterised by on-line processing, checking and authorisation of transactions. Accordingly, there is a significant reliance on automated system controls.

Issues arising from the audit primarily related to the systems aspects of rating and billing. The issues were concerned mainly with the performance of various system reconciliations, maintenance of parameter files, verification of exempt properties and follow-up of connection applications. A number of these issues were referred to management in previous years.

The issue of compliance with various internal policies and procedures and the need to ensure that the policies and procedures were current was also brought to the Corporation's attention. This aspect has also been referred to management in previous years.

The Corporation's response indicated that action would be taken to resolve the matters identified, in particular a comprehensive review of policies and procedures would be undertaken.

Alliance Contracting

The Corporation in February 2000 endorsed a services strategy for the Information Technology Division which encompassed the establishment of one or more strategic alliance partnerships with technology service companies for the provision of services for the development and maintenance of computer application systems.

The objectives of this strategy were to effectively provide services to the Corporation and to access service providers with a range of expertise required to meet computer application demands in a number of existing and emerging technological environments.

In November 2000 the Corporation, following a tender process, entered into a series of agreements with a service provider for the provision of application development, enhancement, maintenance, consultancy and account management services.

Audit reviewed the procurement processes undertaken to obtain the services and also the contract management processes used to ensure that the terms and conditions of the contracts were met.

The results of the review revealed that aspects of the tendering process could be improved particularly with respect to the security of copies of tender documents and the adequacy of documentation to support the evaluation process.

With respect to the management of the contracts the review revealed that there was potential for the approved contract value to be exceeded and that improvements could be achieved regarding the timeliness of the assessment of performance measures.

In response the Corporation indicated the Audit suggestions regarding the tender process would be incorporated into the standard procurement process utilised by SA Water. In relation to the contract management issues the Corporation indicated it did not consider that the contract value would be exceeded, however total expenditure on the contract would be reported regularly to the Board. Other improvements would be incorporated into the business improvement processes used to develop and maintain any future strategic alliances.

Sponsorship Activities

Audit conducted a review of the sponsorship activities undertaken by the Corporation with a focus on the adequacy of internal policies and procedures, approval processes and management controls including reporting, administrative and accountability arrangements.

The results of the review revealed the need to clearly enunciate in its policy documentation the relevance of sponsorships to the Corporation. Audit also identified certain aspects of the administration of sponsorships where improvement in procedures would strengthen the level of internal control and accountability.

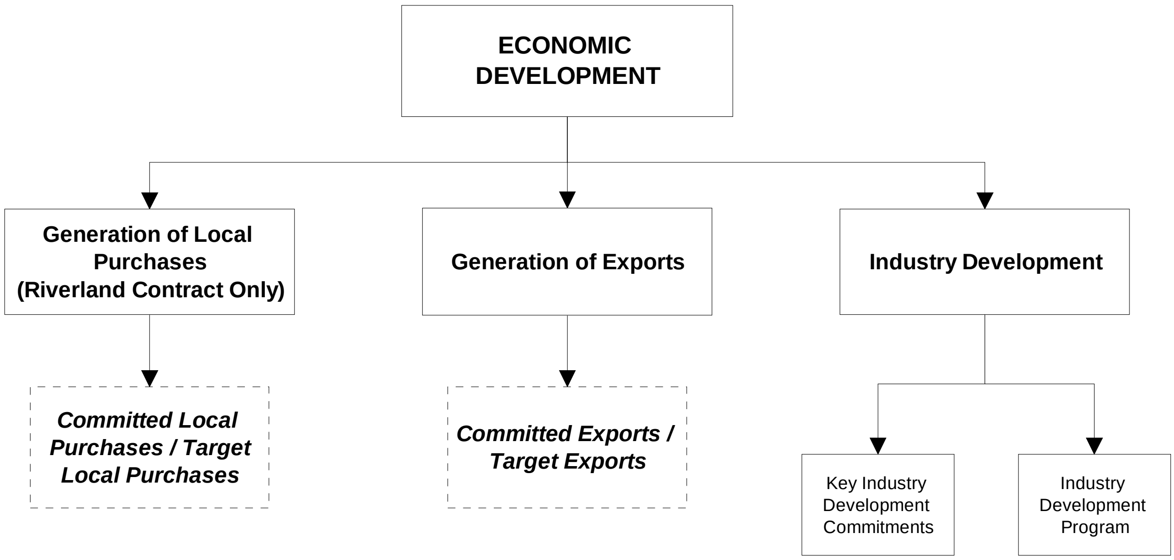
The Corporation, in its response, indicated that changes have been made to the policies and procedures to address the issues raised.

Management of Major Contracts

Since 1995 significant water industry outsourcing contracts have been entered into by the Government, in particular with:

- United Water International Pty Limited (United Water) for the operation, maintenance and management of Adelaide's water and wastewater systems (the Adelaide Contract).
- Riverland Water Pty Limited (Riverland Water) for the design, construction and operation of ten water treatment plants to provide filtered water to the Adelaide Hills, Barossa Valley, Mid North and Riverland towns (the Riverland Contract).
- Actaris Pty Limited (formerly Schlumberger Measurement & Systems Pty Limited) (Actaris) for the manufacture and supply of water meters in South Australia (the Actaris Agreement).

In addition to the operational requirements of these contracts, each contract contains significant obligations regarding economic development activities. The following diagram outlines, in general terms the key aspects of economic development activities embodied in the contracts.



As the contracts have been in operation for a significant period of time, Audit considers it relevant to review the operations of these contracts to date and to highlight the lessons that can be learned from the features of the contracts.

Operations and Maintenance Activities

In the early years of the life of the Adelaide Contract (it being the first major contract) Audit commented on the processes used by the Corporation to ensure that the Contractors fulfilled their obligations under the contract. The Corporation has sought to address these issues by implementing a Contract Management Framework and various other monitoring mechanisms (depending on the contract requirements). The Contract Management Framework is now used as the basis for managing all major contracts. Although some commentary is provided later in this section in relation to the audit of the Riverland Contract undertaken in 2001-02, Audit is of the opinion that the processes in place are operating satisfactorily.

Economic Development Obligations

The requirement to achieve economic development obligations has presented difficulties to some contractors throughout the lives of the contracts to date. The following observations are made by Audit:

- Variations to several of the agreements have been enacted which have provided alternative means to the contractor to enable them to meet their economic development obligations.
- There have been on occasions disagreements between the parties regarding whether breaches of contract obligations have occurred.
- Where the Corporation has sought to resolve a breach or potential breach of contract, extensive negotiations with the relevant contractors have occurred which have resulted in the Corporation seeking to assist the contractor to meet the obligations through the use of substitute projects.
- Contractors have not, in all instances, met reporting deadlines.
- The processes for the review, and verification, of contractors claims needed to be improved.

While there is no doubt that the objective of stimulating economic growth in South Australia has merit, the inclusion of economic development obligations in the contractual arrangements has presented difficulties for both the Corporation and the contractor. Audit is of the opinion that the difficulties in administration and performance measurement warrant careful and deliberate consideration before clauses relating to economic development obligations are included in future contracts.

In relation to the 2001-02 audit, comments are provided below in respect of the various contracts.

Adelaide Contract

The audit of the processes in place to monitor compliance with contractual obligations under the Adelaide Contract with respect to both operations and maintenance activities and economic development obligations revealed that the processes were operating satisfactorily.

Riverland Contract

Operations and Maintenance

The audit revealed that the Contract Management Framework was not being used to monitor the performance of the Riverland Contract and as a result there was non-compliance with a number of contractual obligations.

In response the Corporation indicated that procedures will be implemented to ensure that the Contract Management Framework is used to monitor compliance with contractual obligations.

Economic Development Obligations

In previous years' Reports I provided comment on breaches associated with the Riverland Contract and the action proposed by the Corporation to address those breaches.

Since the commencement of the contract, Riverland Water has experienced difficulty in meeting the majority of its economic development obligations. The Corporation has endeavoured to assist Riverland Water to meet its obligations by agreeing to various substitute projects, however little progress has been made in achieving the level of economic development requirements of the contract. The Corporation undertook an assessment of Riverland Water's performance to date and concluded that:

- export commitments for the first and second trienniums had not been met;
- local purchase commitments for the second triennium had not been met;
- various key commitments either were not met or were unlikely to be met.

Given the poor performance to date of Riverland Water regarding its economic development obligations the Corporation concluded that it was unlikely that Riverland Water would meet its obligations for the remainder of the contract period.

The Board, in May 2002, resolved, subject to the agreement and approval of the Minister, to negotiate an alternative settlement with Riverland Water to reflect the economic losses to the State of the performance failures up to the end of the second triennial. At the time of preparation of this Report the negotiations were still continuing.

Actaris Agreement

The Actaris Agreement (the Agreement) was entered into in July 1998 and the primary objectives of the Agreement were to facilitate the:

- supply (to the Corporation) of state-of-the-art water meters at a competitive price;

- establishment of a viable and export-orientated metering industry within South Australia, that could compete effectively both in Australia and the wider Asia-Pacific region.

The Agreement also provides for economic development commitments by Actaris in addition to the obligations to manufacture and supply water meters. These economic development initiatives were a key consideration in the selection of the preferred contractor.

The minimum level of net exports under the Agreement over a six year term was set at $46.5 million, with a target of $70.4 million. The value of the supply and manufacture component of the contract was estimated at around $23 million.

Over the last few years, I have commented on aspects of the architecture of the economic development initiatives established under the Agreement and the contract administration and Actaris' performance for both the 'operational' and 'economic development' components of the Agreement. During 2001-02 Audit conducted a review of the developments in each of these components since June 2001, with particular attention to the assessment by the Corporation of the contractor's performance.

Contract Management Framework — Audit recommended that a contract management framework be established to address the operations and maintenance aspect of the Agreement, preferably also encapsulating economic development, and that there be a clearer delineation between the administration of the economic development and the supply and manufacture objectives.

A Contract Management Framework was implemented in late 2001 to manage both the operational and economic development contractual requirements. In addition, a Contract Management Team comprising representatives from relevant divisions of the Corporation has been established to perform the tasks associated with the Contract Management Framework.

Amendment to the Agreement — On 5 February 2002, the Corporation, the Minister for Government Enterprises and Actaris agreed to amendments to the Agreement. The operation of these amendments was backdated to 16 June 2000. The amendments are incorporated into a new agreement, known as the Variation Agreement.

The Variation Agreement contains two principal schedules:

- Variation Schedule A which details amendments to the Agreement. In particular, it varies clauses in the Agreement relating to South Australian content;

- Variation Schedule B which defines and sets out the measurement criteria for attaining Input Credits. The range of industry development activities eligible for recognition of Input Credits have broadened.

Economic Development Performance, Reporting and Performance Assessment — In 2000-01 Audit recommended that the Corporation seek to ensure compliance with the Agreement, including reinforcing the need to provide adequate evidence to support industry development and the value of net exports.

In its response, the Corporation indicated that it had agreed with Actaris to finalise outstanding reporting and performance assessment during June 2001.

The performance assessment of the economic development component of the Agreement, covering the first three years ending 24 July 2001 included:

- a review of economic development credit performance;
- review of industry development;
- overall evaluation of the Contractor's performance.

The performance assessment was finalised in July 2002. A report of the review was forwarded to the Minister for Government Enterprises on 12 July 2002.

The Corporation concluded that, for the three years ending 24 July 2001, Actaris has:

- achieved economic development credits of $50.12 million, compared with a committed credit level of $19.73 million;

- met the key industry development commitments;

- made good progress with its industry development performance.

The major component of the $50.12 million economic development credits relates to an amount of $36 million which has been recognised under the terms of the Variation Agreement for investment in the University of Adelaide's National Centre for Petroleum Geology and Geophysics (NCPGG). The Contractor has provided software and computing equipment for the establishment of the Training Centre in NCPGG.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the South Australian Water Corporation and its related subsidiaries included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Audit formed the opinion that the controls exercised by the South Australian Water Corporation and its related subsidiaries in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Performance Charter

The interpretation and analysis of the Corporation's financial statements is fundamentally influenced by its status as a public corporation. As a public corporation it is bound by a Charter and is also required to meet a range of financial performance targets set out in an annual Performance Statement, as agreed to between the Corporation, the Minister for Government Enterprises and the Treasurer. The Performance Statement defines the contribution to government in terms of dividends, repayment of capital, income tax equivalents and other taxes and rates.

An analysis of some key financial ratios agreed to in the Performance Statement is set out in the following table:

Performance measure	Actual 1997-98 Result	Actual 1998-99 Result	Actual 1999-2000 Result	Actual 2000-01 Result	**Actual 2001-02 Result**	**Target 2001-02**
Rate of return (percent) (1)	4.7	4.8	5.1	5.2	**5.3**	**5.1**
Return on equity (percent) (2)	2.5	2.7	3.0	3.0	**3.4**	**3.3**
Interest cover (times) (3)	2.9	3.0	3.1	3.3	**3.5**	**3.3**

(1) Earnings before interest and tax dividend divided by the total infrastructure assets (excluding leased assets and plant and equipment).
(2) Earnings after interest and tax dividend divided by the total equity.
(3) Interest expense plus operating profit divided by interest expense.

Statement of Financial Performance

Contributions to the State Government

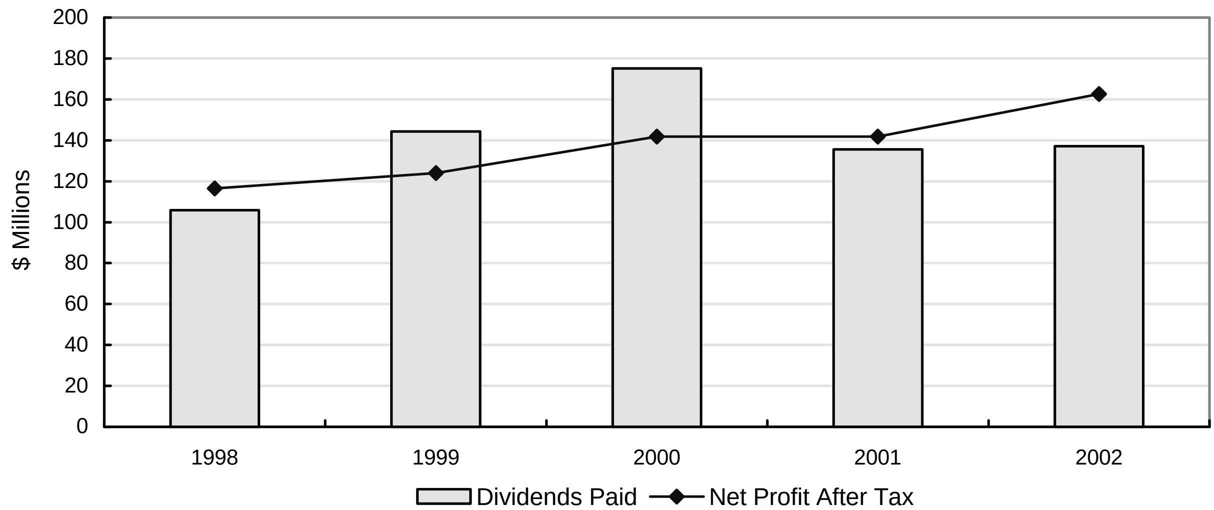
Effectively, the Government fulfils a number of key roles in relation to the Corporation including: price setter; taxer; banker; shareholder and owner; and regulator. In each of these roles it can influence the financial performance of the Corporation which impacts on the amount of funding it provides to, or receives from, the Corporation.

In 2001-02 total cash paid to the government was $295.8 million ($313.9 million) comprising a dividend payment, repayment of capital, tax equivalent payments and interest payments.

Dividend Payments

The dividend paid during 2001-02 of $137.2 million ($135.5 million) represents a dividend payout ratio (dividend paid as a percentage of Net Profit after Tax) of 84.5 percent, which is lower than the payout ratio in previous years (96 percent in 2000-01).

The following chart shows the extent to which dividends paid to the Government by the Corporation over the last five years have been supported by operating profits.



As can be seen from the chart in 1999 and 2000 dividends paid exceeded the Net Profit after Tax. Such payments have the potential to have an effect on the ability of the Corporation to fund future operations and capital works. However, in the last two years the dividends paid have been less than the Net Profit after Tax.

Other Payments

A payment of $11 million ($29.7 million) was made to the Government reflecting a repayment of capital. In addition tax equivalent payments of $62.4 million ($64.3 million) representing income tax, council rates and land tax equivalents were made.

Interest payments of $85.2 million ($84.4 million) were also made on government borrowings.

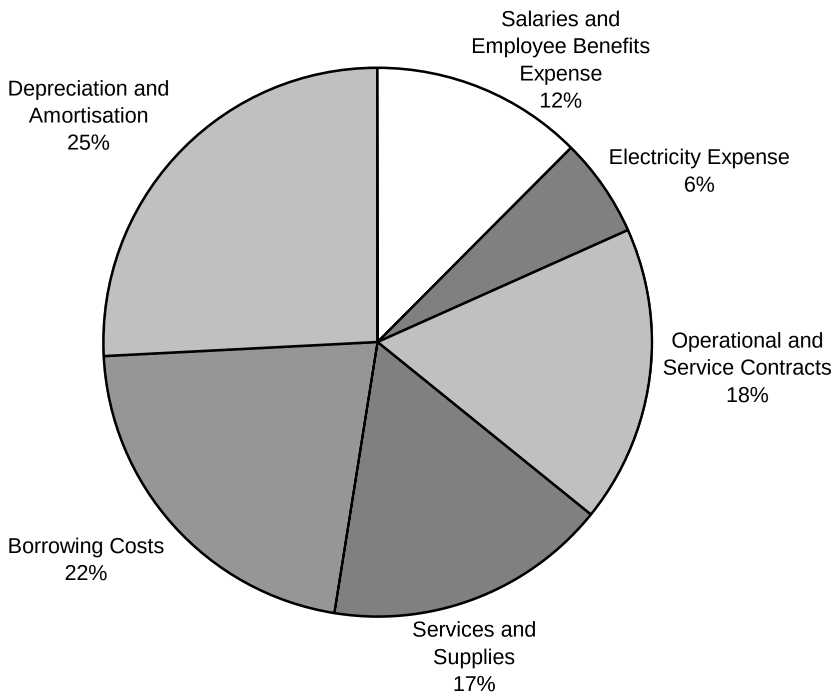
Community Service Obligations

As part of the Government's Community Service Obligations (CSO) framework, the Corporation identifies activities viewed as non-commercial. As a result of that framework the Corporation receives funding from the Government for those activities. The main CSOs are for the pricing of country water and wastewater services, the administration of the pensioner concession scheme and the provision of water and wastewater concessions to exempt properties, which include charities, churches and public schools.

In total, the amount recognised as revenue in the 2001-02 financial statements was $90.4 million ($86.1 million).

Expenses from Ordinary Activities

Expenses from Ordinary Activities totalled $416.5 million, an increase of $10.9 million over last year. The following chart shows the major categories of expenses as a percentage of total expenses.

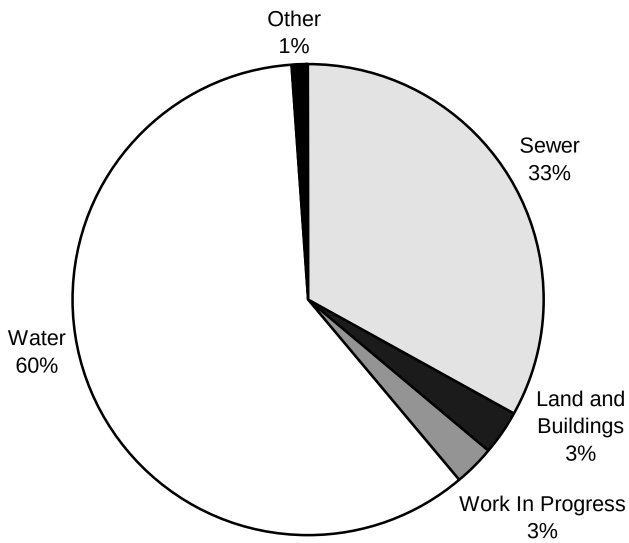


The chart reveals that depreciation and amortisation expense (25 percent) and borrowing costs (22 percent) together represent nearly half of the total expenses from ordinary activities. This situation is not unusual for public utilities, given that the Corporation has a high value of infrastructure assets as outlined later in this commentary.

Statement of Financial Position

Infrastructure, Plant and Equipment

The written down value of infrastructure, plant and equipment totalled $6 billion. The following chart displays the value of each class of asset as a percentage of the total value of infrastructure, plant and equipment.



The chart indicates that water infrastructure assets, with a written down value of $3.6 billion, and sewer infrastructure assets with a written down value of $2 billion, represented 60 percent and 33 percent respectively of the total infrastructure, plant and equipment assets.

Reserves

The Asset Revaluation Reserve increased during the year by $130 million to $4.5 billion due to the revaluation of infrastructure, plant and equipment, principally water infrastructure assets.

FURTHER COMMENTARY ON OPERATIONS

Overseas Business Investment

Since 1 July 2000 the Corporation's overseas investment activity has been principally reflected through its subsidiary companies (refer to comments under 'Corporate Structure' for details of subsidiary corporations).

In 2000-01 the Corporation undertook significant work directed towards the establishment of a Systems Manager Agreement (SMA) with the Provincial Government of West Java to provide management services for water and wastewater systems throughout West Java. In 2001-02 the Corporation decided to review its involvement in West Java and engaged consultants to provide advice on how best to proceed. Based on that advice the Corporation decided to significantly reduce its involvement in West Java.

The West Javan Government entered into the SMA with a South Australian private company McMahon Services rather than the Corporation. In a separate agreement the Corporation has entered into an arrangement to provide support and assistance to McMahon Services in their role as systems manager.

A summary of the net assets of each subsidiary company at 30 June 2002 is shown hereunder:

	SA Water International Pty Ltd $'000	Crichbee Pty Ltd $'000	PT Water International $'000
Contributed equity	**380**	**20**	**-**
Share capital	**-**	**-**	**383**
Retained profits (Accumulated losses)	**(1 269)**	**(3)**	**19**
Foreign currency translation reserve	**-**	**-**	**(44)**
Total Equity	**(889)**	**17**	**358**
Total Assets	**372**	**20**	**398**
Total Liabilities	**1 261**	**3**	**40**
Net Assets (Deficiency)	**(889)**	**17**	**358**

Joint Venture Activities

As disclosed in Note 33 to the financial report the Corporation, in July 2002, entered into a joint venture agreement with Lofty Ranges Power Pty Ltd (a wholly owned subsidiary of Hydro Tasmania) to install two mini hydro electric generators at Mt Bold Dam and Anstey Hill Water Treatment Plant which will utilise the energy generated as a by product of water provision activities to generate electricity. The Corporation will contribute $2.7 million to the project in return for a 50 percent interest in the profits of the joint venture.

Statement of Financial Performance for the year ended 30 June 2002

	Note	Consolidated 2002 $'000	Consolidated 2001 $'000	The Corporation 2002 $'000	The Corporation 2001 $'000
REVENUE FROM ORDINARY ACTIVITIES:	2	**639 848**	613 337	**639 632**	613 285
EXPENSES FROM ORDINARY ACTIVITIES:					
Salaries and employee benefits expense		**51 584**	50 482	**51 579**	50 482
Electricity expense		**25 300**	23 151	**25 300**	23 151
Operational and service contracts		**72 900**	67 637	**72 819**	67 504
Services and supplies		**69 419**	69 198	**69 247**	68 076
Borrowing costs expense	3	**89 723**	91 421	**89 723**	91 421
Depreciation and amortisation expense	3	**107 582**	103 753	**107 582**	103 753
Total Expenses from Ordinary Activities		**416 508**	405 642	**416 250**	404 387
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		**223 340**	207 695	**223 382**	208 898
Income tax expense relating to ordinary activities	4(a)	**(61 161)**	(65 827)	**(60 772)**	(66 209)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE	19	**162 179**	141 868	**162 610**	142 689
Net increase in asset revaluation reserve	18(a)	**130 020**	9 449	**130 020**	9 449
Net exchange difference on translation of financial statements of self-sustaining foreign operation	18(b)	**-**	(44)	**-**	-
Total valuation adjustments recognised directly in equity		**130 020**	9 405	**130 020**	9 449
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		**292 199**	151 273	**292 630**	152 138

Statement of Financial Position as at 30 June 2002

	Note	Consolidated 2002 $'000	Consolidated 2001 $'000	The Corporation 2002 $'000	The Corporation 2001 $'000
CURRENT ASSETS:					
Cash assets	16(a)	**1 376**	972	**973**	491
Receivables	6	**130 291**	129 324	**130 288**	129 397
Inventories	7	**3 294**	3 580	**3 294**	3 580
Other	8	**1 925**	2 515	**1 954**	2 515
Total Current Assets		**136 886**	136 391	**136 509**	135 983
NON-CURRENT ASSETS:					
Other financial assets	9	**14 850**	14 850	**15 252**	15 252
Infrastructure, plant and equipment	11	**6 038 878**	5 886 795	**6 038 878**	5 886 795
Deferred tax assets	4(d)	**15 141**	15 424	**15 138**	15 424
Intangible assets	10	**116**	291	**116**	289
Other	8	**5 946**	6 375	**7 197**	7 624
Total Non-Current Assets		**6 074 931**	5 923 735	**6 076 581**	5 925 384
Total Assets		**6 211 817**	6 060 126	**6 213 090**	6 061 367
CURRENT LIABILITIES:					
Payables	12	**86 350**	66 247	**86 327**	66 241
Interest-bearing liabilities	13	**19 780**	34 627	**19 780**	34 627
Current tax liabilities	4(b)	**22 190**	23 635	**22 190**	24 017
Provisions	14	**11 653**	11 379	**11 653**	11 379
Other	15	**1 186**	1 652	**1 186**	1 652
Total Current Liabilities		**141 159**	137 540	**141 136**	137 916
NON-CURRENT LIABILITIES:					
Payables	12	**1 041**	1 017	**1 041**	1 017
Interest-bearing liabilities	13	**1 173 877**	1 176 209	**1 173 877**	1 176 209
Deferred tax liabilities	4(c)	**49 330**	45 016	**49 330**	45 016
Provisions	14	**21 390**	19 348	**21 390**	19 348
Other	15	**497**	497	**497**	497
Total Non-Current Liabilities		**1 246 135**	1 242 087	**1 246 135**	1 242 087
Total Liabilities		**1 387 294**	1 379 627	**1 387 271**	1 380 003
NET ASSETS		**4 824 523**	4 680 499	**4 825 819**	4 681 364
EQUITY:					
Contributed equity	17	**263 950**	274 950	**263 950**	274 950
Reserves	18	**4 451 380**	4 321 360	**4 451 424**	4 321 404
Retained profits	19	**109 193**	84 189	**110 445**	85 010
TOTAL EQUITY		**4 824 523**	4 680 499	**4 825 819**	4 681 364
Expenditure Commitments	21				
Contingent Liabilities	24				

Statement of Cash Flows for year ended 30 June 2002

		Consolidated		The Corporation	
		2002	2001	**2002**	2001
		Inflows (Outflows)	Inflows (Outflows)	**Inflows (Outflows)**	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000	**$'000**	$'000
Receipts from customers		**550 786**	518 016	**550 871**	517 943
Payments to suppliers and employees		**(241 387)**	(219 366)	**(241 397)**	(219 364)
Receipts from Community Service Obligations funding	1(e)	**90 358**	86 204	**90 358**	86 204
Receipts from contributions		**11 752**	7 982	**11 752**	7 982
Interest received		**304**	509	**296**	505
Borrowing costs paid		**(98 986)**	(98 030)	**(98 986)**	(98 030)
Income tax paid	4(b)	**(58 009)**	(60 133)	**(57 998)**	(60 133)
Net Cash provided by Operating Activities	16(b)	**254 818**	235 182	**254 896**	235 107
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payments for construction and purchase of infrastructure, plant and equipment		**(107 399)**	(101 588)	**(107 399)**	(101 588)
Payments for investments		**-**	-	**-**	(401)
Proceeds from sale of infrastructure, plant and equipment		**16 190**	875	**16 190**	875
Net Cash used in Investing Activities		**(91 209)**	(100 713)	**(91 209)**	(101 114)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings		**419 615**	634 676	**419 615**	634 676
Repayment of borrowings		**(434 645)**	(603 449)	**(434 645)**	(603 449)
Repayment of capital	17	**(11 000)**	(29 700)	**(11 000)**	(29 700)
Dividends paid	27	**(137 175)**	(135 470)	**(137 175)**	(135 470)
Net Cash used in Financing Activities		**(163 205)**	(133 943)	**(163 205)**	(133 943)
NET INCREASE IN CASH HELD		**404**	526	**482**	50
CASH AT 1 JULY		**972**	441	**491**	441
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		**-**	5	**-**	-
CASH AT 30 JUNE	16(a)	**1 376**	972	**973**	491

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

The South Australian Water Corporation (SA Water or the Corporation) was incorporated on 1 July 1995, as a state owned statutory corporation pursuant to the *South Australian Water Corporation Act 1994*, to which the provisions of the *Public Corporations Act 1993* apply. Property, rights, powers and liabilities of the Minister for Government Enterprises, arising from the operation of the *Sewerage Act 1929* and the *Waterworks Act 1932,* were vested in the Corporation, with the exception of certain assets, mainly in relation to the operation of the *Irrigation Act 1994*.

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Statements of Accounting Concepts, Urgent Issues Group (UIG) Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*. Additionally, the Corporation has undertaken to prepare its financial report in accordance with the *Corporations Act 2001*.

The financial report has been prepared in accordance with the historical cost convention, except for infrastructure, land and building assets which are stated using Optimised Deprival Value (ODV) as detailed in Note 1(f).

(b) Reclassification of Financial Information

The Corporation has adopted the requirements of the revised Accounting Standard AASB 1018 'Statement of Financial Performance' in the preparation of this financial report. In accordance with the requirements of the revised Standard, comparative amounts have been reclassified in order to comply with the new presentation format.

(c) Changes in Accounting Policies

The consolidated entity has adopted the presentation and disclosure requirements of the revised Accounting Standard AASB 1005 'Segment Reporting' in this financial report. Individual business segments have been identified on the basis of grouping water and wastewater services, where they are subject to similar risks and returns.

Comparative information has been restated for changes in the definition of segment revenue and segment results. Interest revenue and interest expense are not considered directly attributable to the result and performance of individual business segment operations, and are classified as unallocated items in the reported segment information.

The financial effect of the segment accounting policy change on the consolidated entity was an increase in the total comparative segment result of $78.1 million and a decrease in total comparative segment revenues of $0.7 million. There has been no change to the aggregate financial information reported for the entity.

(d) Principles of Consolidation

The consolidated accounts incorporate the results and the assets and liabilities of all entities that, in terms of Accounting Standard AASB 1024 'Consolidated Accounts', are controlled by the Corporation as at 30 June 2002. The financial statements of subsidiary entities have been included from the date control commences until the date control ceases. Further information regarding subsidiary company activities is disclosed in Note 22.

All inter-entity balances and transactions have been eliminated on consolidation.

(e) Revenue Recognition

Rates and Charges

Rates and other charges billed, but not yet received at balance date, are recognised as revenue for the period. Water consumption recorded in unread meters as at 30 June 2002 is not taken into account in determining revenue for the year ended 30 June 2002.

This method is in accordance with accepted industry practice, where cyclical readings are used to assess water charges.

Community Service Obligations (CSOs)

The Corporation provides services to the community on behalf of the Government at a lower than commercial rate of return. The Government provides funding for CSOs in recognition of the non-commercial impact of these services provided to the community.

The main CSOs are for the pricing of country water and wastewater services, the administration of the pensioner concession scheme and the provision of water and wastewater concessions to exempt properties, which include charities, churches and public schools. These amounts are recognised as revenue for the period when advice is received from the Government on the level of funding.

Contributed Assets

Contributed assets principally arise from:

(i) consumers who make a contribution where a service or connection has been requested which requires construction of a new main; and

(ii) subdividers who make contributions where either:

- a) water and sewerage infrastructures are constructed by the subdivider within yet to be completed subdivisions. The contribution recognised is equivalent to the Corporation's estimated cost of construction; or
- b) the Corporation constructs the infrastructure at the subdivider's request.

Contributed assets and contributions to assist in the construction of assets are recognised as revenue at the fair value of the asset received when the Corporation gains control of the asset.

Sale of Non-Current Assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and net proceeds from the sale.

Recoverable Works

Revenue derived from the provision of services to external parties is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured.

(f) Non-Current Assets

(i) Infrastructure, Plant and Equipment

- *Acquisition*

  Items of infrastructure, plant and equipment are initially recorded at cost, including capitalised borrowing costs, in accordance with Accounting Standard AASB 1036 'Borrowing Costs', and are depreciated as outlined below. Assets acquired under Build Own Operate Transfer (BOOT) Agreements are brought to account when commissioned and accounted for as outlined in Note 1(g).

- *Valuations*

  To comply with the Treasurer's Accounting Policy Statement APS 3, 'Revaluation of Non-Current Assets', the Corporation has adopted the Optimised Deprival Value (ODV) method for measuring and presenting land and buildings and infrastructure assets in the Statement of Financial Position. ODV for an asset, held for continued use, is determined by reference to the current market buying price of a similar asset or the current replacement cost of the future economic benefits expected to be derived from use of the asset. ODV represents the Government's investment in the Corporation's assets in today's values.

  The ODV concept provides financial information necessary to measure the current costs of long life assets and to identify the decline in the future service potential of those assets.

  To reflect the change in deprival values, the Corporation annually revalues its long-term assets at Directors' valuation, with effect from 1 July each year through the following methodologies:

  Infrastructure Assets

  (a) *Water Mains, Sewer Mains and Water Meters* — Directors' valuations predominantly based on current contract rates. For water mains and sewer mains, these rates are applied to the actual lengths of pre-defined modern equivalent asset types. Water meter valuations are based on current contract supply rates.

  (b) *Other Infrastructure asssets* — Directors' valuations based on the current cost of replacing the existing asset or the modern equivalent asset where exact replacement cost would not be appropriate. These valuations were undertaken with reference to current construction cost data.

  Additionally, the Corporation's valuation methodologies are subject to a triennial review by Hunter Water Australia Pty Ltd, a subsidiary of Hunter Water Corporation Pty Ltd. The most recent independent review was completed in May 2002. The review concluded that there was, in general, a good correlation between the two organisations in terms of the methodology used and the modern equivalent replacement asset types adopted.

- *Valuations (continued)*
  The cost of infrastructure assets constructed by the Corporation includes all materials used in construction, direct labour, an appropriate proportion of variable and fixed overheads and contract payments. Interest is capitalised to capital works in progress using funds borrowed generally at a weighted average capitalisation rate as outlined in Note 1(k).

  Land and Buildings
  Land and Buildings are brought to account using a combination of independent valuations, valuations provided from the State Valuer-General and Directors' valuations. A revaluation of land and buildings was last carried out as at 1 July 2001.

  Other Assets and Plant and Equipment
  Other assets and plant and equipment are brought to account at historical cost.

- *Depreciation*
  Infrastructure, buildings, plant and equipment and other assets are depreciated using the straight-line method over their estimated useful lives ranging from 5 to 160 years.

  The useful lives of assets are reviewed annually and have been assessed as follows:

	2002	2001
	Years	Years
Water and sewer assets	**7-160**	7-160
Water and sewer leased assets	**40-50**	40-50
Buildings	**50**	50
Other	**5-50**	5-50
Plant and equipment	**5-15**	5-15

  The method of depreciation has proper regard to current understanding of the underlying nature of the assets and their expected use in the operations of the Corporation. Work in progress is not depreciated until assets are completed and have been commissioned for operation.

(ii) *Intangibles*
Water licences have been disclosed for the first time as an identifiable intangible asset. In accordance with Accounting Standard AASB 1021 'Depreciation' and Accounting Interpretation 1 'Amortisation of Identifiable Intangible Assets' the cost has been amortised using the straight-line method over five years, which is the term of the current lease contract.

(iii) *Other*
Expenditures associated with establishing outsourcing and other contracts have been capitalised and amortised over the appropriate period for each contract. The expenditures associated with establishing outsourcing contracts have been fully amortised.

(g) Leases
Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases
Minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are recognised as an expense in the Statement of Financial Performance. Payments are made in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Finance Leases
Leases for infrastructure assets where substantially all the risks and benefits of ownership of the asset, but not the legal ownership, are assumed by the Corporation, are classified as finance leases. Finance leases are capitalised and depreciated over the useful life of the asset in accordance with Accounting Standard AASB 1008 'Leases' and the Corporation obtains ownership of the asset at the end of the lease term.

The Corporation has entered into BOOT agreements for a number of infrastructure facilities. These BOOT agreements include the requirement for an ongoing availability tariff, as escalated over time by certain indices, for the term of the agreement.

BOOT agreements have been classified as finance leases, with a lease asset and lease liability being recognised upon commissioning of the underlying asset (refer Note 11). The lease asset is brought to account at the fair value of the underlying assets constructed. The equivalent liability is recognised at the present value of the future availability charges. These have been determined at the inception of the lease and do not take account of any future estimated escalation.

Variation between the availability charges determined at the inception of the lease and the actual availability charges are brought to account as contingent rentals in accordance with AASB 1008. Availability charges are allocated between interest expense and a reduction in the lease liability, with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

(h) Investments
Investments in controlled entities and other unlisted corporations are carried in the Corporation's financial report at cost (refer Note 9 and Note 22).

(i) Expenditure on Behalf of State Government

Certain expenditure is incurred from time to time which is considered to be outside the normal course of the Corporation's business and for which no recovery is made or reimbursement received. These payments are made on behalf of the South Australian Government and are disclosed in Note 3.

(j) Taxes

Taxation Equivalents

The Corporation is subject to the payment of income tax equivalents, land tax equivalents and council rate equivalents. From 1 July 2001, the Corporation has operated under the National Tax Equivalent Regime (NTER) pursuant to the Memorandum of Understanding on NTER between the Commonwealth of Australia, the Commissioner of Taxation and all of the States and Territories. The NTER is administered by the Australian Taxation Office.

The Corporation has adopted the liability method of tax effect accounting for income tax equivalents, whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in accounting profit and when items are taken into account in determining taxable income, the net taxation benefit or liability, calculated at current rates, is carried forward in the Statement of Financial Position as a future income tax benefit or a provision for deferred income tax. Future income tax benefits relating to timing differences are not brought to account unless realisation of the asset is assured beyond reasonable doubt.

The charge for land tax and council rate equivalents has been calculated by RevenueSA - Department of Treasury and Finance, based on valuations supplied by the Valuer-General.

Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as a part of the cost of acquisition of the asset or as part of an item of expense.

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

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing activities, which is recoverable from or payable to the ATO, is classified as an operating cash flow in accordance with UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)' .

(k) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and finance lease charges.

Borrowing costs are expensed as incurred unless they relate to the construction of a qualifying asset. Qualifying assets are assets which take more than 12 months to complete. In these circumstances, borrowing costs are capitalised to the cost of the assets.

Interest was capitalised to capital work in progress using funds borrowed generally at a weighted average capitalisation rate of 7.07 percent (7.77 percent) (Note 1(f)).

(l) Cash

Cash on hand and at bank is stated at nominal value.

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

(m) Receivables

Receivables for rates and charges are normally settled within 21 days, with sundry debtors settled within 30 days. These are recognised in the accounts at amounts due. An allowance for doubtful debts is established based on a review of outstanding amounts at balance date.

Bad debts are written off when they are identified.

(n) Inventories

Inventory is valued on a weighted average cost basis. Costs have been assigned to inventory manufactured by the Corporation, including work in progress, on a full absorption cost basis. Inventories are valued at the lower of cost and net realisable value.

Inventories are held for purposes of maintenance and construction and not for resale.

(o) Employee Entitlements

Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages, salaries and annual leave are recognised and are measured as the amount unpaid at balance date at current pay rates in respect of employees' services provided up to that date. These amounts exclude related on-costs which are accounted for in Payables.

No provision is made for sick leave as entitlements do not vest and it is considered that sick leave is taken from the current year's accrual.

Long Service Leave
Liabilities arising in respect of long service leave expected to be settled within twelve months of balance date, are measured at their nominal rates. All other long service leave entitlements are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on negotiable government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash flows. These amounts exclude related on-costs which are accounted for in Payables.

The Corporation's long service leave liability is valued by Mr C Papanicolas BSc, (Ma)(Hons), ASIA, FIAA of Mercer Human Resource Consulting Pty Ltd.

Superannuation
Contributions are made by the Corporation to several superannuation schemes operated by the State Government. 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 contribution due but not yet paid to the superannuation schemes.

(p) Workers Compensation
The Corporation is registered with WorkCover as an exempt employer and is responsible for payment of workers compensation claims. The Corporation establishes a provision for any claims arising under the *Workers Rehabilitation and Compensation Act 1986* and the repealed *Workers Compensation Act 1971* outstanding at year end. The Corporation's outstanding claims liability is valued by Mr L Brett BSc FIA, FIAA of Brett & Watson Pty Ltd.

(q) Insurance
The South Australian Government Captive Insurance Corporation (SAICORP) has assumed responsibility and liability for, and will indemnify the Corporation against, damage suffered to the Corporation's property or claims made against the Corporation and/or the South Australian Government. In addition, insurance arrangements are in place for construction works, travel insurance and Directors' and Officers' liability.

Workers compensation risks for which the Corporation is responsible are excluded from these arrangements.

(r) Payables
Liabilities, whether or not billed to the Corporation, are recognised at amounts to be paid in the future for goods and services received, including any related GST. Trade accounts payable are normally settled within 30 days.

(s) Provisions
Provisions are recognised when the Corporation has a legal, equitable or constructive obligation to make future sacrifice of economic benefits to other entities as a result of past transactions or other past events. The amount is recognised in the Statement of Financial Position when it is probable that a future sacrifice of economic benefits will be required and the amount of the provision can be measured reliably.

(t) Foreign Currency
Transactions
Foreign currency transactions are translated to Australian currency at the rates of exchange applicable at the dates of the transactions. All monetary items in foreign currencies at balance date are converted to Australian currency at rates of exchange current at that date. Exchange differences relating to monetary items in foreign currencies are brought to account as exchange gains or losses and are included in the Statement of Financial Performance.

Translation of Controlled Foreign Operations
Overseas controlled entities are deemed to be integrated and are translated using the temporal method. Monetary assets and liabilities are translated into Australian currency at rates of exchange current at balance date. Exchange differences arising on translation are brought to account in the Statement of Financial Performance.

The comparative financial statements of foreign operations were translated using the self-sustaining method and exchange differences arising on translation were taken directly to the foreign currency translation reserve.

Hedges
Where hedge transactions are designated as a hedge of the purchase of goods, exchange differences arising up to the date of the purchase, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the purchase.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur, the deferred gains and losses that arose on the foreign currency hedge prior to its termination continue to be deferred and are included in the measurement of the purchase.

The Corporation currently has a policy to hedge all of its foreign currency exposures in accordance with the Treasurer's Instruction 23 'Management of Foreign Currency Exposures'. An exposure is defined to exist at the firm commitment of an approved purchase or signed contract.

(u) Commodities
The Corporation's exposure to commodities is managed through a natural hedge. This exposure is monitored, and if any conditions arise that change the exposure profile of commodity prices, appropriate hedge transactions will be entered into.

(v) Interest Bearing Liabilities

All loans are measured at the principal amount. Short term borrowings are carried in the Statement of Financial Position at their face value. Long-term borrowings are valued at their historical yield. Interest expense is accrued at the contracted rates on a daily basis and includes costs incurred in restructuring borrowings. The Government provides a guarantee in respect of these borrowings pursuant to the provisions of the *Public Finance and Audit Act 1987*.

(w) Derivatives

The Corporation manages exposures to changes in interest rates, foreign exchange rates and commodity prices as per the Board approved Treasury Risk Management Policy. Derivative financial instruments as approved by the Board are used by the Corporation to implement strategies for the management of the debt portfolio, or the hedge of specific debt.

To assist in managing these exposures, the following derivative financial instruments are utilised from time to time to hedge the exposure:

(i) Interest Rate Swaps

Interest payments and receipts under interest rate swaps are recognised on an accrual basis in the Statement of Financial Performance as an adjustment to interest expense. Gains or losses on early termination of the swap transaction will be recognised immediately as an adjustment to interest expense in the Statement of Financial Performance. Only if the swap transaction is designated specifically to an underlying line of debt will gains or losses on early termination be deferred and amortised over the life of the debt.

(ii) Interest Rate Futures Contracts

Interest rate futures contracts are purchased to hedge interest rate exposures. Any gains and losses arising are immediately recognised as an adjustment to interest expense in the Statement of Financial Performance. Only if futures contracts are designated specifically to an underlying line of debt will gains or losses be deferred and amortised over the life of the debt.

(iii) Forward Rate Agreements

Any realised gains or losses on forward rate agreements are recognised immediately in the Statement of Financial Performance as an adjustment to interest expense during the period in which settlement occurs. Only if the agreement is designated specifically to an underlying line of debt will gains or losses be deferred and amortised over the life of the debt.

(iv) Forward Foreign Exchange Contracts

The accounting for forward foreign exchange contracts is set out in Note 1(t) above.

Derivative financial instruments are not held for speculative purposes.

(x) Segment Reporting

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets and liabilities mainly comprise tax assets, borrowings, tax liabilities and corporate assets and liabilities that cannot be allocated to segments on a reasonable basis.

Segment capital expenditure is the total cost recognised during the period to acquire and construct segment assets that are expected to be used for more than one annual reporting period.

2. Revenue from Ordinary Activities

	Consolidated		The Corporation	
	2002	2001	**2002**	2001
Revenue from Operating Activities:	**$'000**	$'000	**$'000**	$'000
Rates and charges	**467 437**	460 079	**467 437**	460 079
Community service obligations	**90 358**	86 104	**90 358**	86 104
Contributed assets	**29 127**	24 450	**29 127**	24 450
Recoverable works	**23 679**	18 105	**23 679**	18 105
Fees and charges	**12 847**	10 878	**12 847**	10 878
Miscellaneous	**4 215**	5 907	**4 007**	5 858
	627 663	605 523	**627 455**	605 474
Revenue from Outside Operating Activities:				
Gross proceeds from sale of infrastructure, plant and equipment	**10 893**	6 089	**10 893**	6 089
Interest received	**159**	679	**151**	676
Rents	**1 133**	1 046	**1 133**	1 046
	12 185	7 814	**12 177**	7 811
Total Revenue from Ordinary Activities	**639 848**	613 337	**639 632**	613 285

3. Profit from Ordinary Activities before Income Tax Expense

Profit from ordinary activities before income tax expense has been arrived at after charging (crediting) the following items:				
Depreciation:				
Infrastructure assets - Water	**62 436**	60 505	**62 436**	60 505
Infrastructure assets - Sewer	**35 151**	34 338	**35 151**	34 338
Buildings	**451**	436	**451**	436
Other	**6 951**	5 225	**6 951**	5 225
Plant and equipment	**2 420**	2 402	**2 420**	2 402
Amortisation:				
Adelaide outsourcing costs	**-**	847	**-**	847
Water licences	**173**	-	**173**	-
	107 582	103 753	**107 582**	103 753
Borrowing Costs:				
Interest expense	**81 639**	83 405	**81 639**	83 405
Finance charges on capitalised leases	**13 149**	13 313	**13 149**	13 313
Less: Capitalised borrowing costs	**(5 065)**	(5 297)	**(5 065)**	(5 297)
	89 723	91 421	**89 723**	91 421

3. Profit from Ordinary Activities before Income Tax Expense (continued)

	Consolidated		The Corporation	
	2002	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000
Finance lease contingent rentals	**833**	416	**833**	416
Operating lease rental expense	**2 955**	3 190	**2 955**	3122
Net expense including movements in allowance for:				
Bad and doubtful debts	**24**	254	**24**	254
Net gain on disposal of infrastructure, plant and equipment	**8 170**	4 350	**8 170**	4 350
Write-down in value of other infrastructure assets	**3 008**	-	**3 008**	-
Expenditure on behalf of State Government:				
Water Industry Best Practice Program	**848**	574	**848**	574
Cooperative Research Centre	**300**	300	**300**	300
Loxton Irrigation District administration fee	**-**	182	**-**	182
	1 148	1 056	**1 148**	1 056

4. Income Tax

(a) Income Tax Expense

	Consolidated 2002	Consolidated 2001	The Corporation 2002	The Corporation 2001
The difference between income tax expense provided in the financial report and the prima facie income tax expense is reconciled as follows:				
Operating Profit	**223 340**	207 695	**223 382**	208 898
Prima facie income tax expense calculated at 30 percent (34 percent)	**67 002**	70 616	**67 015**	71 025
Tax effect of permanent differences:				
Sundry expenses not deductible	**11**	33	**10**	6
Amortisation of intangible assets	**52**	-	**52**	-
Non-deductible loss from foreign operations	**5**	-	**-**	-
Tax benefit on loss transferred from controlled entity	**-**	-	**(4)**	-
Additional deduction for research & development expenditure	**(1 429)**	-	**(1 429)**	-
Gains from sale of land	**(2 670)**	-	**(2 670)**	-
Contributed assets	**-**	(5 580)	**-**	(5 580)
	62 971	65 069	**62 974**	65 451
Restatement of deferred tax balances due to change in company tax rate	**-**	735	**-**	735
Amounts (over) under provided in prior years	**(1 810)**	23	**(2 202)**	23
Income Tax Expense Attributable to Operating Profit	**61 161**	65 827	**60 772**	66 209
The income tax expense comprises movements in:				
Provision for income tax	**55 945**	54 888	**55 945**	55 270
Provision for deferred income tax*	**6 743**	11 763	**6 743**	11 763
Future income tax benefit*	**283**	(1 582)	**286**	(1 582)
Amounts (over) under provided in prior years	**(1 810)**	23	**(2 202)**	23
Restatement of deferred tax balances due to change in company tax rate	**-**	735	**-**	735
	61 161	65 827	**60 772**	66 209

* This has been calculated at the current company tax rate of 30 percent (34 percent).

(b) Current Tax Liabilities

	Consolidated 2002	Consolidated 2001	The Corporation 2002	The Corporation 2001
Provision for Current Income Tax				
Movements during the year were as follows:				
Balance at 1 July	**23 635**	26 059	**24 017**	26 059
Income tax paid	**(58 009)**	(60 133)	**(57 998)**	(60 133)
Current years income tax provision	**55 945**	54 888	**55 945**	55 270
(Over) under provision in prior years	**619**	2 821	**226**	2 821
	22 190	23 635	**22 190**	24 017

(c) Deferred Tax Liabilities

	Consolidated 2002	Consolidated 2001	The Corporation 2002	The Corporation 2001
Provision for Deferred Income Tax				
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30 percent (30 percent) on the following items:				
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	**40**	230	**40**	230
Expenditure currently deductible for tax but capitalised and amortised/depreciated for accounting purposes	**1 648**	1 803	**1 648**	1 803
Income currently assessable for tax but not earned for accounting purposes	**1**	47	**1**	47
Difference in depreciation and amortisation of infrastructure, plant and equipment assets for accounting and income tax purposes	**45 574**	40 887	**45 574**	40 887
Environmental expenditure	**212**	194	**212**	194
Research and development expenditure	**1 855**	1 855	**1 855**	1 855
	49 330	45 016	**49 330**	45 016

(d)	Deferred Tax Assets	Consolidated		The Corporation	
	Future Income Tax Benefit	**2002**	2001	**2002**	2001
	Future income tax benefit comprises the estimated future benefit at the applicable rate of 30 percent (30 percent) on the following items:	**$'000**	$'000	**$'000**	$'000
	Provisions and accruals for employee entitlements	**6 801**	6 438	**6 801**	6 438
	Allowance for obsolete stock	**143**	115	**143**	115
	Allowance for bad debts	**165**	166	**165**	166
	Superannuation contributions	**-**	49	**-**	49
	Sundry provisions	**1 802**	1 976	**1 802**	1 976
	Accrued interest expense	**4 462**	5 382	**4 462**	5 382
	Sundry items	**48**	39	**45**	39
	Provision for the disposal of assets	**335**	165	**335**	165
	Capitalised finance leases	**1 385**	1 094	**1 385**	1 094
		15 141	15 424	**15 138**	15 424

5. Segment Reporting

Business Segments

The consolidated entity comprises the following main business segments based on the consolidated entity's management reporting system:

Metropolitan Water

Manage, operate and maintain metropolitan water filtration plants and pipelines that deliver water to customers.

Country Water

Manage, operate and maintain country reservoirs, pipelines and water filtration plants delivering peak and off-peak water to customers.

Metropolitan Sewer

Manage, operate and maintain metropolitan wastewater treatment plants and pipelines that remove wastewater from customer properties.

Country Sewer

Manage, operate and maintain country wastewater treatment plants and pipelines that remove wastewater from customer properties.

Other

Revenue and expenses associated with the Murray Darling Basin Commission, the Australian Water Quality Centre, engineering workshops and water industry business development.

				2002			
Business Segments		Metro Water	Country Water	Metro Sewer	Country Sewer	Other	**Total**
Revenue:		$'000	$'000	$'000	$'000	$'000	**$'000**
	Rates and charges	180 316	78 912	187 040	21 169	-	**467 437**
	Community service obligations	2 023	69 444	7 815	10 509	567	**90 358**
	Contributed assets	8 361	4 010	14 609	2 147	-	**29 127**
	Other revenue	19 201	5 104	8 748	1 458	18 256	**52 767**
	Total Segment Revenue	209 901	157 470	218 212	35 283	18 823	**639 689**
	Unallocated interest revenue						**159**
	Total Revenue						**639 848**
Result:							
	Segment result	101 719	50 829	132 833	17 685	(3 311)	**299 755**
	Net unallocated interest expense						**(76 415)**
	Profit from ordinary activities before income tax						**223 340**
	Income tax expense						**(61 161)**
	Profit from Ordinary Activities after income tax						**162 179**
Assets:							
	Segment assets	1 922 438	2 024 538	1 809 918	354 887	56 953	**6 168 734**
	Unallocated corporate assets						**43 083**
	Total Assets						**6 211 817**
Liabilities:							
	Segment liabilities	25 945	146 888	30 721	6 121	8 669	**218 344**
	Unallocated corporate liabilities						**1 168 950**
	Total Liabilities						**1 387 294**
Other Segment Information:							
	Acquisition and construction of non-current assets	24 369	19 969	47 918	9 239	15 938	**117 433**
	Depreciation and amortisation	33 905	35 082	32 138	6 457	-	**107 582**
	Non cash expenses other than depreciation and amortisation	1 581	1 559	1 886	375	699	**6 100**
Revenue:							
	Rates and charges	181 750	80 134	177 759	20 436	-	460 079
	Community service obligations	2 013	68 297	5 028	10 246	520	86 104
	Contributed assets	6 825	3 042	13 334	1 249	-	24 450
	Other revenue	12 208	6 332	8 914	842	13 729	42 025
	Total Segment Revenue	202 796	157 805	205 035	32 773	14 249	612 658
	Unallocated interest revenue						679
	Total Revenue						613 337

5. Operating Result by Business Undertaking (continued)

Business Segments	Metro Water 2001 $'000	Country Water 2001 $'000	Metro Sewer 2001 $'000	Country Sewer 2001 $'000	Other 2001 $'000	Total 2001 $'000
Result:						
Segment result	93 611	53 653	126 335	15 558	(4 033)	285 124
Net unallocated interest expense						(77 429)
Profit from ordinary activities before income tax						207 695
Income tax expense						(65 827)
Profit from Ordinary Activities after income tax						141 868
Assets:						
Segment assets	1 878 278	1 937 957	1 799 613	340 974	59 012	6 015 834
Unallocated corporate assets						44 292
Total Assets						6 060 126
Liabilities:						
Segment liabilities	23 072	142 498	23 909	4 557	6 233	200 269
Unallocated corporate liabilities						1 179 358
Total Liabilities						1 379 627
Other Segment Information:						
Acquisition and construction of non-current assets	20 053	24 491	45 185	3 290	9 366	102 385
Depreciation and amortisation	33 435	32 745	31 221	6 351	1	103 753
Non cash expenses other than depreciation and amortisation	516	1 042	444	127	75	2 204

6. Receivables

	Note	Consolidated **2002** **$'000**	Consolidated 2001 $'000	The Corporation **2002** **$'000**	The Corporation 2001 $'000
Current:					
Community service obligations		**93 094**	84 758	**93 094**	84 758
Rates receivable (water and wastewater)		**18 033**	20 514	**18 033**	20 514
Allowance for doubtful debts		**(210)**	(210)	**(210)**	(210)
		17 823	20 304	**17 823**	20 304
Sundry debtors		**11 230**	15 725	**11 227**	15 798
Allowance for doubtful debts		**(339)**	(344)	**(339)**	(344)
		10 891	15 381	**10 888**	15 454
Minister for Government Enterprises - Irrigation	31	**8 483**	8 881	**8 483**	8 881
		130 291	129 324	**130 288**	129 397

7. Inventories

	Consolidated **2002**	Consolidated 2001	The Corporation **2002**	The Corporation 2001
Raw materials and stores	**3 770**	3 962	**3 770**	3 962
Allowance for slow moving and obsolete inventory	**(476)**	(382)	**(476)**	(382)
	3 294	3 580	**3 294**	3 580

8. Other Assets

	Consolidated **2002**	Consolidated 2001	The Corporation **2002**	The Corporation 2001
Current:				
Prepayments	**856**	692	**855**	692
Interest receivable	**4**	157	**4**	157
Other	**1 065**	1 666	**1 095**	1 666
	1 925	2 515	**1 954**	2 515
Non-Current:				
Loans to controlled entities	**-**	-	**1 251**	1 249
Preliminary investigations	**5 716**	6 225	**5 716**	6 225
Other	**230**	150	**230**	150
	5 946	6 375	**7 197**	7 624

9. Other Financial Assets

		Note	Consolidated **2002**	Consolidated 2001	The Corporation **2002**	The Corporation 2001
Non-Current:						
Other Corporations	- Unlisted shares at cost	9(a)	**14 850**	14 850	**14 850**	14 850
Controlled entities	- Unlisted shares at cost	22	**-**	-	**402**	402
			14 850	14 850	**15 252**	15 252

(a) The Corporation was a participant to the funding arrangements for the Virginia Pipeline Scheme (VPS). Its involvement in this scheme will result in an option at the end of the contract to acquire the scheme. The scheme distributes 'Class A' reclaimed water from the Bolivar wastewater treatment plant throughout the Virginia region for irrigation of seasonal crops and fixed plantings.

As part of the arrangement the Corporation made advances to the operating Company of VPS, Water Reticulation Systems (Virginia) Pty Ltd (WRS), a subsidiary of Euratech Limited. Advances to WRS were converted to non-voting B Class shares, issued at a price of $1 per share.

10. Intangible Assets

	Consolidated		The Corporation	
	2002	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000
Water licences - At cost	**289**	289	**289**	289
Accumulated amortisation	**(173)**	-	**(173)**	-
	116	289	**116**	289
Goodwill - At cost	**2**	2	**-**	-
Accumulated amortisation	**(2)**	-	**-**	-
	-	2	**-**	-
	116	291	**116**	289

11. Infrastructure, Plant and Equipment

Infrastructure Assets:				
Water:				
Water infrastructure	**5 940 791**	5 618 270	**5 940 791**	5 618 270
Accumulated depreciation	**(2 406 838)**	(2 225 643)	**(2 406 838)**	(2 225 643)
	3 533 953	3 392 627	**3 533 953**	3 392 627
Leased Water	**121 018**	121 018	**121 018**	121 018
Accumulated depreciation	**(8 976)**	(6 726)	**(8 976)**	(6 726)
	112 042	114 292	**112 042**	114 292
Sewer:				
Sewer Infrastructure	**3 093 289**	2 996 807	**3 093 289**	2 996 807
Accumulated depreciation	**(1 115 368)**	(1 079 411)	**(1 115 368)**	(1 079 411)
	1 977 921	1 917 396	**1 977 921**	1 917 396
Leased Sewer	**3 305**	3 305	**3 305**	3 305
Accumulated depreciation	**(407)**	(325)	**(407)**	(325)
	2 898	2 980	**2 898**	2 980
Land and Buildings:				
Land	**172 710**	168 665	**172 710**	168 665
Buildings	**22 917**	22 013	**22 917**	22 013
Accumulated depreciation	**(3 565)**	(2 982)	**(3 565)**	(2 982)
	19 352	19 031	**19 352**	19 031
Other	**74 729**	79 817	**74 729**	79 817
Accumulated depreciation	**(33 150)**	(32 404)	**(33 150)**	(32 404)
	41 579	47 413	**41 579**	47 413
Plant and Equipment	**29 874**	35 002	**29 874**	35 002
Accumulated depreciation	**(17 801)**	(23 060)	**(17 801)**	(23 060)
	12 073	11 942	**12 073**	11 942
Capital work in progress	**166 350**	212 449	**166 350**	212 449
Total Infrastructure, Plant and Equipment	**6 038 878**	5 886 795	**6 038 878**	5 886 795

Reconciliations

Reconciliations of the carrying amounts for each class of infrastructure, plant and equipment are set out below:

Water Infrastructure:				
Carrying amount at 1 July	**3 392 627**	3 412 658	**3 392 627**	3 412 658
Additions	**72 487**	35 531	**72 487**	35 531
Disposals	**-**	(373)	**-**	(373)
Depreciation	**(60 186)**	(58 009)	**(60 186)**	(58 009)
Net revaluation increment	**129 025**	2 820	**129 025**	2 820
Carrying amount at 30 June	**3 533 953**	3 392 627	**3 533 953**	3 392 627
Leased Water:				
Carrying amount at 1 July	**114 292**	116 788	**114 292**	116 788
Depreciation	**(2 250)**	(2 496)	**(2 250)**	(2 496)
Carrying amount at 30 June	**112 042**	114 292	**112 042**	114 292
Sewer Infrastructure:				
Carrying amount at 1 July	**1 917 396**	1 922 063	**1 917 396**	1 922 063
Additions	**99 870**	25 746	**99 870**	25 746
Depreciation	**(35 069)**	(34 255)	**(35 069)**	(34 255)
Net revaluation (decrement) increment	**(4 276)**	3 842	**(4 276)**	3 842
Carrying amount at 30 June	**1 977 921**	1 917 396	**1 977 921**	1 917 396
Leased Sewer:				
Carrying amount at 1 July	**2 980**	3 063	**2 980**	3 063
Depreciation	**(82)**	(83)	**(82)**	(83)
Carrying amount at 30 June	**2 898**	2 980	**2 898**	2 980
Land:				
Carrying amount at 1 July	**168 665**	166 492	**168 665**	166 492
Additions	**286**	170	**286**	170
Disposals	**(1 401)**	(595)	**(1 401)**	(595)
Net revaluation increment	**5 160**	2 598	**5 160**	2 598
Carrying amount 30 June	**172 710**	168 665	**172 710**	168 665
Buildings:				
Carrying amount at 1 July	**19 031**	19 211	**19 031**	19 211
Additions	**661**	403	**661**	403
Disposals	**-**	(337)	**-**	(337)
Depreciation	**(451)**	(436)	**(451)**	(436)
Net revaluation increment	**111**	190	**111**	190
Carrying amount at 30 June	**19 352**	19 031	**19 352**	19 031

Reconciliations (continued)

	Note	Consolidated 2002 $'000	Consolidated 2001 $'000	The Corporation 2002 $'000	The Corporation 2001 $'000
Other:					
Carrying amount at 1 July		**47 413**	34 907	**47 413**	34 907
Additions		**4 125**	17 968	**4 125**	17 968
Disposals		**-**	(237)	**-**	(237)
Depreciation		**(6 951)**	(5 225)	**(6 951)**	(5 225)
Asset value write down		**(3 008)**	-	**(3 008)**	-
Carrying amount at 30 June		**41 579**	47 413	**41 579**	47 413
Plant and Equipment:					
Carrying amount at 1 July		**11 942**	12 802	**11 942**	12 802
Additions		**3 713**	1 642	**3 713**	1 642
Disposals		**(1 162)**	(120)	**(1 162)**	(120)
Depreciation		**(2 420)**	(2 382)	**(2 420)**	(2 382)
Carrying amount at 30 June		**12 073**	11 942	**12 073**	11 942
Leased Plant and Equipment:					
Carrying amount at 1 July		**-**	57	**-**	57
Depreciation		**-**	(20)	**-**	(20)
Transfer to plant and equipment on expiration of lease		**-**	(37)	**-**	(37)
Carrying amount at 30 June		**-**	-	**-**	-
Capital Work in Progress:					
Balance at 1 July		**212 449**	173 485	**212 449**	173 485
Additions		**118 219**	114 705	**118 219**	114 705
Transfers		**(164 318)**	(75 741)	**(164 318)**	(75 741)
Balance at 30 June		**166 350**	212 449	**166 350**	212 449
Total Infrastructure, Plant and Equipment		**6 038 878**	5 886 795	**6 038 878**	5 886 795

12. Payables

	Note	Consolidated 2002	Consolidated 2001	The Corporation 2002	The Corporation 2001
Current:					
Trade creditors		**44 435**	33 715	**44 435**	33 715
Interest payable		**14 872**	17 940	**14 872**	17 940
Other creditors		**27 043**	14 592	**27 020**	14 586
		86 350	66 247	**86 327**	66 241
Non-Current:					
Other creditors		**1 041**	1 017	**1 041**	1 017

13. Interest Bearing Liabilities

	Note	Consolidated 2002	Consolidated 2001	The Corporation 2002	The Corporation 2001
Current:					
Short-term borrowings		**18 005**	33 035	**18 005**	33 035
Lease liability	21	**1 775**	1 592	**1 775**	1 592
		19 780	34 627	**19 780**	34 627

The Corporation has a $75 million short term borrowing facility with the Department of Treasury and Finance bearing interest at the daily cash rate charged by South Australian Government Financing Authority.

	Note	Consolidated 2002	Consolidated 2001	The Corporation 2002	The Corporation 2001
Non-Current:					
Long-term borrowings		**1 056 522**	1 057 080	**1 056 522**	1 057 080
Lease liability	21	**117 355**	119 129	**117 355**	119 129
		1 173 877	1 176 209	**1 173 877**	1 176 209

The Corporation has a fully utilised long term borrowing facility with the Department of Treasury and Finance. The loan is denominated in Australian dollars and carries both fixed and floating interest rates.

14. Provisions

	Note	Consolidated 2002	Consolidated 2001	The Corporation 2002	The Corporation 2001
Current:					
Employee entitlements	23	**5 895**	5 187	**5 895**	5 187
Asset disposal	24	**537**	550	**537**	550
Workers compensation		**1 102**	1 354	**1 102**	1 354
Damages and claims		**3 479**	2 844	**3 479**	2 844
Removal of biosolids	24	**476**	500	**476**	500
Sundry		**164**	944	**164**	944
		11 653	11 379	**11 653**	11 379
Non-Current:					
Employee entitlements	23	**14 934**	14 583	**14 934**	14 583
Workers compensation		**3 988**	2 465	**3 988**	2 465
Removal of biosolids	24	**1 888**	2 300	**1 888**	2 300
Asset disposal	24	**580**	-	**580**	-
		21 390	19 348	**21 390**	19 348

15. Other Liabilities

	Note	Consolidated 2002 $'000	Consolidated 2001 $'000	The Corporation 2002 $'000	The Corporation 2001 $'000
Current:					
Deposits from contractors		**582**	455	**582**	455
Unearned income		**604**	947	**604**	947
Advance for Loxton War Service Land Settlement Scheme		**-**	250	**-**	250
		1 186	1 652	**1 186**	1 652
Non-Current:					
Advances for work carried out on behalf of Murray Darling Basin Commission		**497**	497	**497**	497

16. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank.

Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	Consolidated 2002	Consolidated 2001	The Corporation 2002	The Corporation 2001
Cash assets	**1 376**	972	**973**	491

(b) Reconciliation of Profit from Ordinary Activities after Income Tax to Net Cash provided by Operating Activities

	Consolidated 2002	Consolidated 2001	The Corporation 2002	The Corporation 2001
Profit from ordinary activities after income tax	**162 179**	141 868	**162 610**	142 689
Add (Less) items classified as investing activities:				
Profit on sale of infrastructure, plant and equipment	**(8 421)**	(4 428)	**(8 421)**	(4 428)
Contributed assets	**(16 922)**	(16 413)	**(16 922)**	(16 413)
Add (Less) non-cash items:				
Depreciation	**107 409**	102 906	**107 409**	102 906
Amortisation	**173**	847	**173**	847
Write-off of capitalised expenditure	**3 770**	1 514	**3 770**	1 514
Provision for employee entitlements	**1 059**	393	**1 059**	393
Provision for workers compensation	**1 271**	297	**1 271**	297
Adjustment for non-business operations	**44**	530	**44**	530
Decrease in future income tax benefit	**283**	1 834	**286**	1 834
(Decrease) in income taxes payable	**(1 445)**	(2 425)	**(1 827)**	(2 043)
Increase in deferred taxes payable	**4 314**	6 284	**4 314**	6 284
Net cash provided by Operating Activities before change in Assets and Liabilities	**253 714**	233 207	**253 766**	234 410
Changes in assets and liabilities:				
Decrease in rates and sundry receivables	**14 793**	16 415	**14 936**	16 242
(Increase) Decrease in prepayments	**(132)**	92	**(132)**	92
(Increase) Decrease in inventories	**190**	(432)	**190**	(432)
(Increase) in other operating assets	**(235)**	(131)	**(251)**	(1 232)
(Decrease) in trade creditors	**(23 073)**	(18 156)	**(23 073)**	(18 156)
Increase in other operating liabilities	**8 832**	3 446	**8 731**	3 442
Increase in other provisions	**729**	741	**729**	741
Net Cash provided by Operating Activities	**254 818**	235 182	**254 896**	235 107

17. Contributed Equity

	Note	Consolidated 2002	Consolidated 2001	The Corporation 2002	The Corporation 2001
Balance at 1 July		**274 950**	304 650	**274 950**	304 650
Repayment of Capital	17(a)	**(11 000)**	(29 700)	**(11 000)**	(29 700)
Balance at 30 June		**263 950**	274 950	**263 950**	274 950

(a) Repayment of capital is included as part of the total distribution to Government.

18. Reserves

	Note	Consolidated 2002 $'000	Consolidated 2001 $'000	The Corporation 2002 $'000	The Corporation 2001 $'000
(a) Asset Revaluation Reserve					
Balance at 1 July		**4 321 404**	4 311 955	**4 321 404**	4 311 955
Add: Revaluation increment on infrastructure, plant and equipment assets	1(f)	**130 020**	9 449	**130 020**	9 449
Balance at 30 June		**4 451 424**	4 321 404	**4 451 424**	4 321 404
(b) Foreign Currency Translation Reserve					
Balance at 1 July		**(44)**	-	**-**	-
Net translation adjustment		**-**	(44)	**-**	-
Balance at 30 June		**(44)**	(44)	**-**	-
Total Reserves		**4 451 380**	4 321 360	**4 451 424**	4 321 404

19. Retained Profits

	Note	Consolidated 2002	Consolidated 2001	The Corporation 2002	The Corporation 2001
Retained profits at 1 July		**84 189**	77 791	**85 010**	77 791
Net profit from ordinary activities after income tax		**162 179**	141 868	**162 610**	142 689
		246 368	219 659	**247 620**	220 480
Dividends paid	27	**(137 175)**	(135 470)	**(137 175)**	(135 470)
Retained Profits at 30 June		**109 193**	84 189	**110 445**	85 010

20. Additional Financial Instruments Disclosure

(a) Objectives of Holding Derivative Financial Instruments

The Corporation is exposed to the risk of adverse movements in interest rates and the Australian Dollar relative to foreign currencies. The Corporation uses derivative financial instruments solely to hedge against interest rate and foreign currency risks.

Forward exchange contracts are purchased to hedge the Australian Dollar value of Euro Dollar payments arising from the purchase of inventory. The forward exchange contracts commit the Corporation to purchase Euro Dollars at an agreed rate of exchange.

Interest rate swap agreements are used to convert interest rate exposures on certain debt from floating to fixed rates and vice versa. These swaps entitle the Corporation to either receive/pay floating interest quarterly or semi annually and receive/pay fixed interest semi annually.

Interest rate futures contracts and forward rate agreements are utilised by the Corporation to hedge interest rate exposures on borrowings.

(b) Interest Rate Risk Exposures

The Corporation's financial assets and financial liabilities are exposed to interest rate risk. The following table summarises interest rate risk for the Corporation, together with effective weighted average interest rates as at balance date.

2002

		Floating	Fixed Interest Maturing In			Non-		Weighted Average	
		Interest	1 Year	Over 1 to	More than	Interest	**2002**	Interest Rate	
		Rate	or less	5 years	5 years	Bearing	**Total**	Floating	Fixed
Financial Assets:	Note	$'000	$'000	$'000	$'000	$'000	**$'000**	Percent	Percent
Cash	16	1 376	-	-	-	-	**1 376**	4.21	
Current receivables	6	-	-	-	-	37 197	**37 197**		
CSO receivables	6	-	-	-	-	93 094	**93 094**		
Other financial assets	9	-	-	-	-	14 850	**14 850**		
Other	8	-	-	-	-	4	**4**		
		1 376	-	-	-	145 145	**146 521**		
Financial Liabilities:									
Short term borrowings	13	18 005	-	-	-	-	**18 005**	4.93	
Long term borrowings	13	169 827	80 572	383 189	422 934	-	**1 056 522**	4.95	6.83
Payables	12	-	-	-	-	84 908	**84 908**		
Deposits with SA Water	12,15	-	1 442	-	-	582	**2 024**		4.44
Non business advances	15	-	-	-	-	497	**497**		
Lease liabilities	13	-	1 775	9 384	107 971	-	**119 130**		10.96
Interest rate swaps*		(134 500)	-	37 500	97 000	-	**-**	5.05	6.77
		53 332	83 789	430 073	627 905	85 987	**1 281 086**		

* Notional Principal amount

2001

		Floating	Fixed Interest Maturing In			Non-		Weighted Average	
		Interest	1 Year	Over 1 to	More than	Interest	2001	Interest Rate	
		Rate	or less	5 years	5 years	Bearing	Total	Floating	Fixed
Financial Assets:		$'000	$'000	$'000	$'000	$'000	$'000	Percent	Percent
Cash	16	972	-	-	-	-	972	4.46	
Current receivables	6	-	-	-	-	44 566	44 566		
CSO receivable	6	-	-	-	-	84 758	84 758		
Other financial assets	9	-	-	-	-	14 850	14 850		
Other	8	-	-	-	-	157	157		
		972	-	-	-	144 331	145 303		
Financial Liabilities:									
Short term borrowings	13	33 035	-	-	-	-	33 035	5.18	
Long term borrowings	13	125 355	99 572	452 761	379 392	-	1 057 080	4.97	7.26
Payables	12	-	-	-	-	64 992	64 992		
Deposits with SA Water	12,15	-	1 255	-	-	455	1 710		5.12
Non-business advances	15	-	-	-	-	747	747		
Lease liability	13	-	1 592	8 436	110 693	-	120 721		10.96
Interest Rate Swaps*		(84 500)	-	5 000	79 500	-	-	4.92	6.70
		73 890	102 419	466 197	569 585	66 194	1 278 285		

* Notional Principal amount

Interest Rate Sensitivity

In relation to borrowings, a 1 percent change in interest rates would impact on interest expense by $1.56 million ($1.592 million) for the year to June 2003. A 1 percent increase in interest rates would decrease the market value of the debt portfolio by $43.4 million ($42.1 million). This analysis is based on the current money market values as at 30 June 2002.

(c) Foreign Exchange

Contracts to buy foreign currency are entered into from time to time to offset purchase obligations so as to maintain a desired hedge position. The following table summarises by currency the Australian Dollar value of forward foreign exchange contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the Corporation.

(c) ***Foreign Exchange (continued)***

Currency	Contract Value		Weighted Average Exchange Rate	
French Francs:	**2002**	2001	**2002**	2001
Buy:	**$'000**	$'000		
Not later than one year	**-**	2 084	**-**	3.74
Euro Dollars:				
Buy:				
Not later than one year	**98**	-	**0.5985**	-
	98	2 084		

As these contracts are hedging anticipated purchases, any unrealised gains and loss on the contracts, together with the costs of the contracts, will be recognised in the financial statements at the time the underlying transaction occurs (refer Note 1(t)). The unrecognised gains and losses, which are unrealised as at 30 June 2002, on hedges of anticipated foreign currency purchases are:

	2002 Foreign Currency Gross Unrealised		2001 Foreign Currency Gross Unrealised	
	Gains	**Losses**	Gains	Losses
	$'000	**$'000**	$'000	$'000
Not longer than one year	**5**	**-**	-	81

(d) ***Credit Risk Exposures***

Credit risk represents the loss that would be recognised if counterparties to the Corporation fail to meet their obligations.

The Corporation minimises concentrations of credit risk by undertaking transactions with a large number of counterparties with low outstanding amounts and with counterparties with A+ credit rating or higher.

The credit risk on futures contracts is minimised as transactions are made through a recognised futures exchange.

Recognised Financial Instruments

The credit risk on financial assets recognised in the Statement of Financial Position is the carrying amount, net of any allowance for doubtful debts.

Non-Recognised Financial Instruments

The credit risk on swap contracts is limited to the amount to be received from counterparties on contracts that are favourable to the Corporation. There was no amount due to the Corporation as at 30 June 2002 ($1.652 million).

The forward foreign exchange contracts are subject to credit risk with the South Australian Government Financing Authority. The maximum credit risk exposure on forward foreign exchange contracts is the amount of foreign currency the Corporation is entitled to receive from the counterparties when the contracts are closed out. As at 30 June 2002, there was $0.005 million due to the Corporation ($nil).

There was no credit risk exposure on the forward rate agreements as at 30 June 2002 ($nil).

(e) ***Net Fair Values of Financial Assets and Liabilities***

Net fair value is the amount at which the asset could be exchanged, or liability settled, in a current transaction between willing parties after allowing for transaction costs.

Recognised Financial Instruments

The carrying amounts and estimated net fair values of financial assets and financial liabilities held at balance date are given below.

The net fair value of cash and cash equivalents, non-interest bearing monetary financial assets and financial liabilities of the Corporation approximate their carrying value and are therefore not disclosed below.

The net fair value of other monetary financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows at 30 June 2002 interest rates.

	2002		2001	
	Carrying Amount	**Net Fair Value**	Carrying Amount	Net Fair Value
Financial Liabilities:	**$'000**	**$'000**	$'000	$'000
Long-term borrowings	**1 056 522**	**1 083 018**	1 057 080	1 098 253
Lease liabilities	**119 130**	**119 130**	120 721	120 721

Non-Recognised Financial Instruments	Net Fair Values	
The net fair value of non-recognised financial instruments held at the reporting date is:	**2002** **$'000**	2001 $'000
Interest rate swaps	**(9 126)**	(5 060)
Forward foreign exchange contracts	**103**	2 002

The net fair value for interest rate swaps is estimated by discounting the anticipated future cash flows to their present value, based on current market interest rates at the respective balance dates.

The net fair value of forward foreign exchange contracts is determined by reference to amounts quoted by the South Australian Government Financing Authority as at 30 June 2002.

21. Expenditure Commitments

	Consolidated		The Corporation	
Capital Commitments	**2002**	2001	**2002**	2001
Total capital expenditure contracted for at balance date but not recognised in the financial report:	**$'000**	$'000	**$'000**	$'000
Payable not later than one year	**16 129**	33 048	**16 129**	33 048
Payable later than one year and not later than five years	**-**	9 927	**-**	9 927
	16 129	42 975	**16 129**	42 975
Lease and Other Commitments				
Finance Lease Commitments:				
Payable not later than one year	**15 643**	15 344	**15 643**	15 344
Payable later than one year and not later than five years	**62 572**	61 378	**62 572**	61 378
Payable later than five years	**236 976**	247 159	**236 976**	247 159
	315 191	323 881	**315 191**	323 881
Less: Future lease finance charges	**196 061**	203 160	**196 061**	203 160
	119 130	120 721	**119 130**	120 721

Future finance lease payments are amounts contracted with private sector providers to construct, own and operate water and wastewater treatment facilities. The leases comprise a base amount plus an incremental contingent rental. Contingent rentals are based on the Consumer Price and related indexes. The amount of contingent rentals paid during the year is disclosed in Note 3.

		Consolidated		The Corporation	
		2002	2001	**2002**	2001
Lease Liabilities provided for in the financial statements:	Note	**$'000**	$'000	**$'000**	$'000
Current	13	**1 775**	1 592	**1 775**	1 592
Non-Current	13	**117 355**	119 129	**117 355**	119 129
		119 130	120 721	**119 130**	120 721
Operating Leases and Other Expenditure Commitments:					
Future operating leases and other expenditure commitments not provided for in the financial statements:					
Payable not later than one year		**57 730**	54 499	**57 730**	54 499
Payable later than one year and not later than five years		**218 396**	220 713	**218 396**	220 713
Payable later than five years		**226 302**	264 436	**226 302**	264 436
		502 428	539 648	**502 428**	539 648

The operating lease commitments relate to property leases which are non cancellable leases. The rental is payable monthly with reviews indexed every two years. These bi-annual reviews alternate between CPI indexation and Market Value. Options exist to renew the leases at the end of the term of the leases.

Other expenditure commitments include commitments pursuant to the contract to operate, manage and maintain the Adelaide metropolitan water and waste water networks and treatment plants. The costs for the commitments include the service charge payable to United Water International Pty Ltd and the costs incurred by United Water International Pty Ltd in performing services which are reimbursed by the Corporation. The costs are reported for the total period of the contract and include an estimate for escalation charges.

22. Controlled Entities

	Ordinary Share Consolidated Entity Interest	
Particulars in relation to Controlled Entities		
Parent Entity		
South Australian Water Corporation	**2002**	2001
Controlled Entities	**Percent**	Percent
SA Water International Pty Ltd	**100**	100
Crichbee Pty Limited	**100**	100
PT SA Water International [(1)]	**100**	100

(1) PT SA Water International was established in Indonesia. All other controlled entities were incorporated in Australia. To comply with Indonesian company regulations requiring at least two shareholders, 95 percent of the capital of PT SA Water International is held by SA Water International Pty Ltd with the remaining 5 percent held by Crichbee Pty Ltd.

	Consolidated		The Corporation	
	2002	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000
SA Water International Pty Ltd				
Capital subscribed	**-**	-	**381**	381
	-	-	**381**	381
Crichbee Pty Ltd				
Capital subscribed	**-**	-	**21**	21
	-	-	**21**	21
PT SA Water International				
Capital subscribed (US $200 000)	**-**	-	**383**	383
	-	-	**383**	383

23. Employee Entitlements

	Note	Consolidated 2002 $'000	Consolidated 2001 $'000	The Corporation 2002 $'000	The Corporation 2001 $'000
Accrued wages and salaries		**620**	874	**620**	874
Aggregate employee entitlements:					
Annual leave - Current	14	**3 912**	3 720	**3 912**	3 720
Long service leave - Current	14	**1 983**	1 467	**1 983**	1 467
Long service leave - Non-Current	14	**14 934**	14 583	**14 934**	14 583
		21 449	20 644	**21 449**	20 644

Long Service Leave Provision

The balance at 30 June 2002 was determined on the basis of an actuarial valuation of the outstanding liability carried out by Mr Christos Papanicolas BSc (Ma) (Hons) ASIA, FIAA of Mercer Human Resource Consulting Pty Ltd.

24. Contingent Liabilities

The Corporation provides for all known environmental liabilities (refer Note 14). While the Directors believe that, based upon current information, its current provisions for environmental rehabilitation are adequate, there can be no assurance that material new provisions will not be required as a result of new information or regulatory requirements with respect to known sites or identification of new remedial obligations at other sites.

25. Auditors' Remuneration

	Note	Consolidated 2002 $'000	Consolidated 2001 $'000	The Corporation 2002 $'000	The Corporation 2001 $'000
Amounts received and receivable by the Auditors for auditing the accounts		**239**	222	**226**	208

The Auditors received no other benefits.

26. Consultancy Costs

During the year ended 30 June 2002, the Corporation paid $1 million ($2.5 million) as a result of engaging consultants. Assignments undertaken by consultants included work for both operating and capital projects.

27. Dividends

	Note	Consolidated 2002	Consolidated 2001	The Corporation 2002	The Corporation 2001
Dividend paid	19	**137 175**	135 470	**137 175**	135 470

The dividend paid to the South Australian Government Consolidated Account on 30 June 2002 was based upon the recommendation of the Board to the Treasurer pursuant to section 30 of the *Public Corporations Act 1993*.

28. Remuneration of Employees

The number of employees whose remuneration received and receivable falls within the following bands were:	Consolidated 2002 Number of Employees	Consolidated 2001 Number of Employees	The Corporation 2002 Number of Employees	The Corporation 2001 Number of Employees
$100 000 - $109 999	**5***	5	**5***	5
$110 000 - $119 999	**5**	4	**5**	4
$120 000 - $129 999	**1**	3	**1**	3
$130 000 - $139 999	**2**	7*	**2**	7*
$140 000 - $149 999	**4**	5	**4**	5
$150 000 - $159 999	**4**	2*	**4**	2*
$160 000 - $169 999	**-**	1	**-**	1
$170 000 - $179 999	**1**	-	**1**	-
$180 000 - $189 999	**-**	2	**-**	2
$190 000 - $199 999	**3**	1*	**3**	1*
$200 000 - $209 999	**1**	-	**1**	-
$210 000 - $219 999	**-**	1	**-**	1
$240 000 - $249 999	**1**	-	**1**	-
$270 000 - $279 999	**-**	1*	**-**	1*

The total remuneration received and receivable by those employees was $3.9 million ($4.6 million). This amount includes fringe benefits and superannuation payments made to the Department of Treasury and Finance. These figures include one employee (four employees) who is no longer with the Corporation (denoted by *).

29. Remuneration of Directors

The number of Directors of the Corporation whose total remuneration received and receivable falls within the following bands:	Consolidated 2002 Number of Directors	Consolidated 2001 Number of Directors	The Corporation 2002 Number of Directors	The Corporation 2001 Number of Directors
$10 000 - $19 999	**1**	-	**1**	-
$30 000 - $39 999	**1**	-	**1**	-
$40 000 - $49 999	**2**	3	**2**	3
$50 000 - $59 999	**2***	2	**2***	2
$60 000 - $69 999	**1***	-	**1***	-
$80 000 - $89 999	**-**	1	**-**	1
$160 000 - $169 999	**-**	1	**-**	1
$240 000 - $249 999	**1**	-	**1**	-
$270 000 - $279 999	**-**	1*	**-**	1*

The total remuneration received and receivable by those Directors was $0.56 million ($0.76 million) which includes fringe benefits and superannuation contributions. These figures include two (one) Directors who are no longer with the Corporation (denoted by *), as well as the Chief Executive Ms Anne Howe who is also included in Note 28.

30. Related Party Disclosures

The following persons held the position of Director of the Corporation during the financial year:

R A Cook
C J Hewson (resigned 28 June 2002)
S V McPhee
J R Porter (resigned 25 March 2002)
A E Thomas
A D Howe
G B Allison (appointed 1 July 2001)
P W Pledge (appointed 25 March 2002)

Mr Cook is the Chairman of the South Australian Tourism Commission, the South Australian Motor Sports Board, Urban Construct Pty Ltd, Brock Partners Pty Ltd and a Director of Adelaide Bank Ltd.

Ms Hewson is a Director of CSR Limited and The Australian Gas Light Company.

Ms McPhee is the Group General Manager Alliances for QANTAS and a Director of Australia Post.

Mr Porter is a Lawyer and Company Director and Adjunct Professor in the National Institute of Governance within the division of Management and Technology, University of Canberra. He is the Honorary Consul for the Federal Republic of Germany in South Australia.

Mr Thomas is a Director of G H Michell & Sons (Aust) Pty Ltd, Engelhardt Eyewear Pty Ltd and Spoc Nominees.

Mr Pledge is a Director of Ernst & Young Corporate Finance Pty Ltd and Chairman of the Adelaide Chamber Orchestra.

Mr Allison is a Director and Partner of the Cape d'Estaing Group and a Principal of Allison Partners Pty Ltd

All financial benefits provided by SA Water to related parties are provided on arm's length terms.

31. Irrigation Assets and Liabilities

Assets and liabilities arising from the *Irrigation Act 1994* which were controlled by the former Engineering and Water Supply Department were not vested in the Corporation. Government policy is for self-management of Government Irrigation Districts which resulted in the transfer of assets to trusts formed under the *Irrigation Act* on 1 July 1997 for the Highland Irrigation Areas. During this transitional period, the Corporation continues to manage the irrigation activities for the reclaimed areas on behalf of the Minister for Government Enterprises. In order to reflect this arrangement, the assets and liabilities associated with the irrigation function have been excluded from the Corporation's financial statements. Agreement has been reached whereby the funding of capital works and operations for irrigation activities will be assumed by the Treasurer.

Under this arrangement, the Corporation is able to account for these amounts as advances due from the Minister for Government Enterprises. These amounts are recorded in a separate account, Minister for Government Enterprises - Irrigation Assets.

	Consolidated		The Corporation	
	2002	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000
Balance due from the Minister for Government Enterprises	**8 881**	9 199	**8 881**	9 199
Rates revenue - Irrigation	**(926)**	(942)	**(926)**	(942)
Operating expenses - Irrigation	**661**	570	**661**	570
Capital work in progress reclaimed areas	**8**	54	**8**	54
Less: Contributions received	**(141)**	-	**(141)**	-
	8 483	8 881	**8 483**	8 881

32. Targeted Voluntary Separation Packages (TVSPs)

In accordance with Government policy 20 employees (40 employees) were paid a TVSP during the period at a total value of $1.3 million ($2.8 million) with an additional $0.5 million ($0.9 million) paid in accrued annual leave and long service leave entitlements.

33. Events Subsequent to Balance Date

On 26 July 2002, the Corporation signed a joint venture agreement with Lofty Ranges Power Pty Ltd (LRP), a wholly owned subsidiary of Hydro Tasmania, to construct two mini-hydro generating plants. The joint venture is established to make use of water energy stored in and by the Corporation's infrastructure at Mt Bold and Anstey Hill.

The initial contract period for the joint venture agreement is 20 years and the participants will equally contribute capital totalling $5.42 million. There is an option to extend the joint venture term for a further period of 20 years.

This event does not give rise to a change in the financial report for the year ended 30 June 2002.

SUPERANNUATION FUNDS MANAGEMENT CORPORATION OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY

Establishment

The Superannuation Funds Management Corporation of South Australia (operating under the business name Funds SA) is a statutory authority established pursuant to the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Act). The Act provides for a Board of Directors consisting of at least five but no more than seven members, to be established as the governing body of Funds SA. The Board of Directors consisted of seven members at 30 June 2002.

Functions and Powers

The functions of Funds SA, as detailed in section 5 of the Act are:

- to invest and manage the public sector superannuation funds pursuant to strategies formulated by Funds SA;
- such other functions as are assigned to Funds SA by this Act or any other Act.

Section 7 of the Act further provides that the objective of Funds SA in performing its functions is to achieve the highest return possible on investment of the public sector superannuation funds while having proper regard for:

- the need to maintain the risks relating to investment at an acceptable level;
- the need for liquidity in the funds;
- such other matters as are prescribed by regulation.

Funds SA has, by virtue of the Act, broad powers in relation to the investment of public sector superannuation funds. Funds SA, however, cannot borrow money or obtain any other form of financial accommodation unless authorised to do so by the Regulations or by the Minister. In addition, the Regulations under the Act impose restrictions on the investment of public sector superannuation funds as follows:

- Funds SA must not invest the public sector superannuation funds in property outside Australia or in real property outside the State, unless the Minister has authorised the investment specifically or by reference to the class of investment to which it belongs.
- Funds SA must not enter into derivative transactions (eg futures contracts, forward contracts, swaps etc), unless the contract or dealing has been authorised by the Minister specifically or by reference to the class of contracts or dealings to which it belongs.

Audit Committee

The Act specifically requires Funds SA to establish an Audit Committee. The Committee comprises four Board members operating within the framework of an Audit Committee Charter. Pursuant to that charter, the Committee is responsible for:

- assessing the quality of both internal and external financial reporting;
- assessing the effectiveness of Funds SA's internal control structure;
- maintaining an effective and efficient liaison with both internal and external audit.

Public Sector Superannuation Funds

The various public sector superannuation funds, as defined under the Act, and managed and invested by Funds SA, are identified in Note 1 to the financial statements.

Administrative Arrangements

Funds SA is not responsible for the administration of any of the public sector superannuation funds. The South Australian Superannuation Board is responsible for all aspects of the administration (ie contributions and benefits) of the South Australian Superannuation Fund, Southern State Superannuation Fund and the associated Employer Contribution Accounts.

The Police Superannuation Board is responsible for all aspects of the administration of the Police Superannuation Fund and the associated Employer Contribution Account.

The Department of Treasury and Finance is responsible for the administration of the Governors' Pension Scheme, the Judges' Pension Scheme and the Parliamentary Superannuation Scheme.

Additional information relevant to the characteristics and the administration of the superannuation schemes may be obtained by reference to the financial statements of the various schemes which are included elsewhere in Part B of this Report.

ORGANISATIONAL STRUCTURE

Funds SA operates with a small staff comprising investment officers and accounting and administrative support staff. This structure is complemented by extensive use of external funds management firms. Fund managers are utilised in relation to all investment types, and there is a single custodian (who is responsible for the integrity and holding of the assets) for the majority of those fund managers. Each fund manager is appointed pursuant to an agreement which dictates the scope for investment, fees and reporting requirements. The custodian, JP Morgan Chase Bank, is also appointed pursuant to a similar agreement.

Funds SA also has a number of controlled entities (fully owned). Refer Note 18 to the financial statements for details.

SIGNIFICANT FEATURES

- Investment activity for the year resulted in a negative return of $256.2 million compared to a positive return of $178.2 million in the previous year.

- Funds under management decreased by $113.8 million to $5.1 billion.

AUDIT MANDATE AND COVERAGE

Audit Authority

Section 28 of the *Superannuation Funds Management Corporation of South Australia Act 1995*, provides for the Auditor-General to audit the accounts and financial statements of Funds SA and the public sector superannuation funds.

Scope of Audit

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

During 2001-02 specific areas of audit attention included:

- investment policy and strategy
- investments (purchases and sales, valuation and income)
- custodial and fund management
- management reporting and monitoring
- administration expenses.

Audit Communications to Management

A management letter conveying the scope and results of the audit will be forwarded to the Chairperson. Audit representatives also attended Audit Committee meetings throughout the year.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The audit of Funds SA indicated that the internal controls over its operations, including its accounting and investment functions were sound. The audit took into account the role of the Audit Committee in assessing the effectiveness of Funds SA's internal control structure. No issues of concern were raised as a result of the audit.

Commentary on Computer Information Systems (CIS) Environment

The CIS environment comprises network based personal computers. The general control environment over the CIS operations was considered satisfactory.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of Funds SA included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by Funds SA in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Financial Statements

The accounting policies adopted in preparing the general purpose financial statements are explained in Note 2(a) to the financial statements. In particular, assets and liabilities are recorded at net market values as at the balance date.

Statement of Changes in Net Assets

The net assets of Funds SA decreased by $113.8 million to $5.1 billion. This decrease resulted from a net negative return on investment activities of $258.8 million offset by net funds made available for investment of $145 million.

Net Funds made available for Investment

Net funds made available for investment consists of the net of receipts and payments, from and to the client superannuation funds. Net funds made available for investment increased by $59.5 million to $145 million.

Details of receipts and payments related to the various funds are provided in Note 4 to the financial statements.

An amount of $211.7 million ($nil) was made available by the Treasurer in respect of accruing employers superannuation liabilities in relation to the South Australian Superannuation Scheme.

Income from Investments

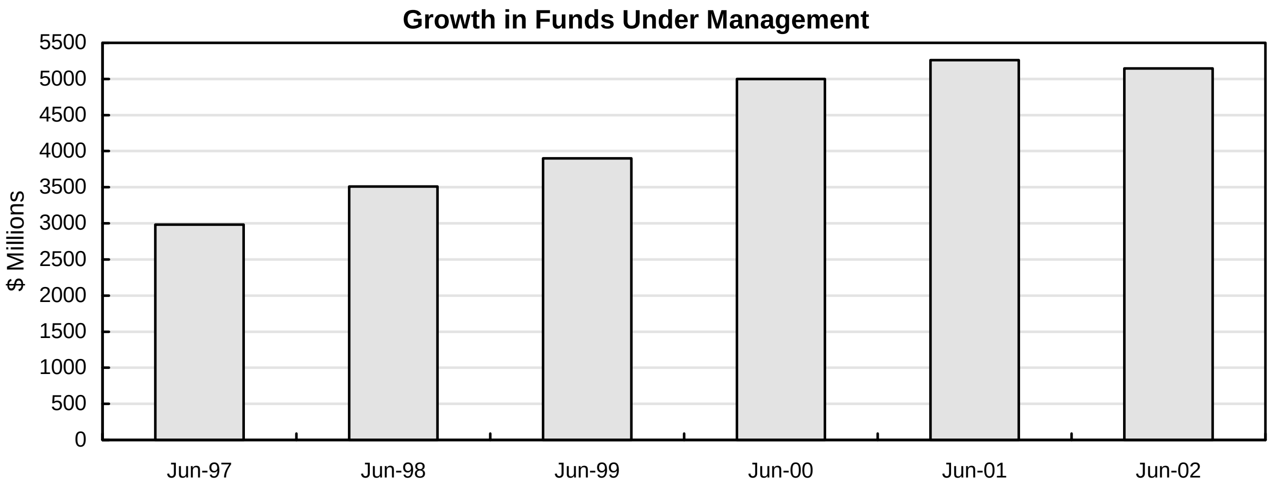
Net income from investment activities resulted in a negative return of $258.8 million compared to a positive return of $175.8 million in the previous year. That result reflects the recording of assets at net market values where realised and unrealised gains or losses are brought to account.

The two items having the major effect on the 2002 result were International equities and Australian equities. Note 5 to the financial statements reports full details of income earned from investment activities for each of the investment classes comprising the Fund.

It is relevant to observe the later comments, particularly on stock market risks, included under 'Asset Allocation and Risk'.

Funds under Management

As a result of the decision by the Government to move to full funding of the public sector superannuation liability, the introduction of new superannuation products and as a result of investment earnings, Funds SA has experienced rapid growth in total funds under management in recent years as illustrated in the following chart.



Investment Policy/Strategy

Investment Classes

Funds SA is an investment organisation with broad powers and as indicated $5.1 billion of funds under management. These funds are represented predominantly by six investment classes and the level of holdings for each of these investments at 30 June for the last three financial years is illustrated in the following chart.

Asset Allocation and Risk

The decision as to how the funds will be invested is established through an investment policy. Underpinning the investment policy and decision making process is an understanding of the risks facing Funds SA. It should be noted that in the investment market at large there exists a range of financial risks which impact on Funds SA's operations. These include:

- Share Market Risk — The impact on earnings of movements in share prices of investments. This is particularly relevant for Funds SA's holdings of Australian equities and International equities.
- Interest Rate Risk — The sensitivity of earnings to future movements in interest rates. This is particularly relevant to Funds SA's holdings of inflation-linked and fixed-interest securities.
- Concentration Risk — The risk of an over-exposure in the weighting ascribed to an individual investment or asset class.
- Currency Exposure — The impact that movements in currencies have on the value of, and earnings on, overseas investments. This is particularly relevant for Funds SA's holdings of International equities.

Investment Product

Members of the Triple S Scheme are provided with investment choice to enable them to tailor the investment strategy more directly towards their individual risk/return preferences and financial circumstances.

Four investment products (ie strategies) have been designed for Triple S Scheme member investment choice (balanced, growth, conservative and cash) and also one for the defined benefit schemes. (Refer to Note 3 to the Financial Statements.) The objectives of these products is shown hereunder with respect to:

- the real return objective, ie the return in excess of inflation that is targeted over the long term;
- the investment time horizon, ie the likely minimum period required to enable the investment strategy to deliver the objective;
- risk, measured as the expected frequency with which the investment strategy is expected to deliver a negative return.

	Defined Benefit	Balanced	Growth	Conservative
Product Objectives:				
Real return objective greater than	4.5 percent	4.0 percent	5.0 percent	3.0 percent
Investment time horizon	8 years	7 years	10 years	4 years
Expectation of negative return	2 years in 8	2 years in 7	3 years in 10	1 year in 4
Total funds at 30 June 2002 ($'million)	3 330.3	1 710.8	97.1	4.5

The cash product ($2 million at 30 June 2002) has a target of maintaining the value of capital pending investment in one of the longer term products or exit from the scheme.

Strategic Asset Allocation and the Actual Position

Reference should be made to Funds SA's annual report for the strategic asset allocations applying to each of the investment products. A comparison of the target asset allocation for each of the five products compared to the actual position at 30 June 2002 revealed that other than international equities and cash all other variances were within the rebalancing ranges around the strategic target, ie a rebalancing policy has been adopted by Funds SA to ensure the efficient maintenance of the asset allocation within an acceptable tolerance around the strategic target. The variance occurred due to differential relative market returns and the receipt of a major cash flow late in June. These have subsequently been rebalanced into appropriate ranges.

Investment Returns

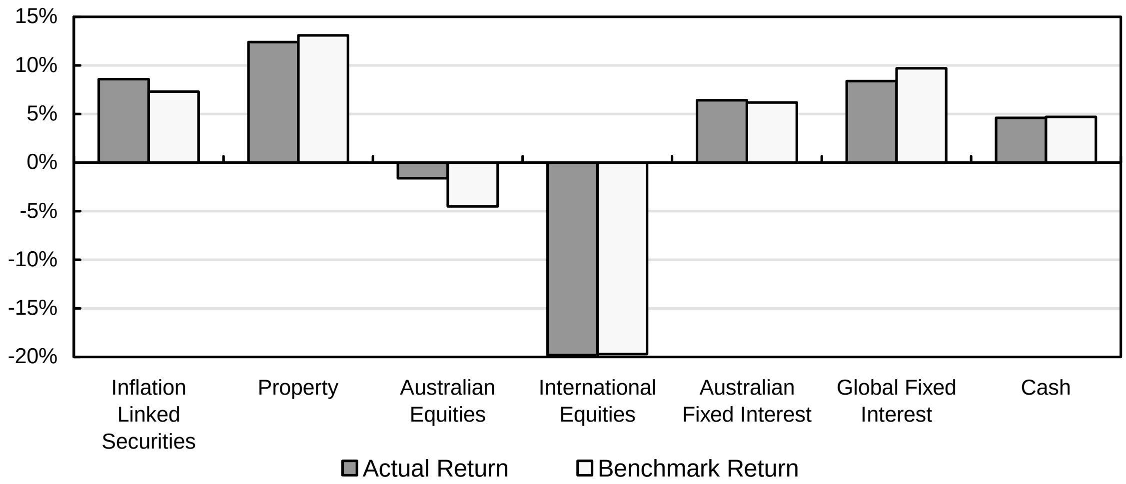
As mentioned earlier, Funds SA values its investments at net market value, in accordance with the requirements of Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans'. Any increases or decreases in the market value are brought to account through the Statement of Changes in Net Assets. As such the value of the investments under management has a direct impact upon the level of income earned by Funds SA in any one year. Funds SA has established performance benchmarks for each asset class as follows:

Asset Class	***Performance Benchmark***
Australian Equities	Standard and Poors/ASX 300 Accumulation Index.
International Equities	Tailored benchmark incorporating specific subsectors and hedge ratios.
Property	Mercer Australian Unlisted Property Index. Standard and Poors/ASX Property 300 Accumulation Index.
Inflation Linked	UBS Warburg Australian Inflation Linked Bond Index.
Fixed Interest	UBS Warburg Australian Composite Bond Index. Lehman Global Aggregate 300 AUD Index. hedged.
Cash	UBS Warburg Australian Bank Bill Index.

Funds SA's objective is to exceed the relevant benchmark in each asset class.

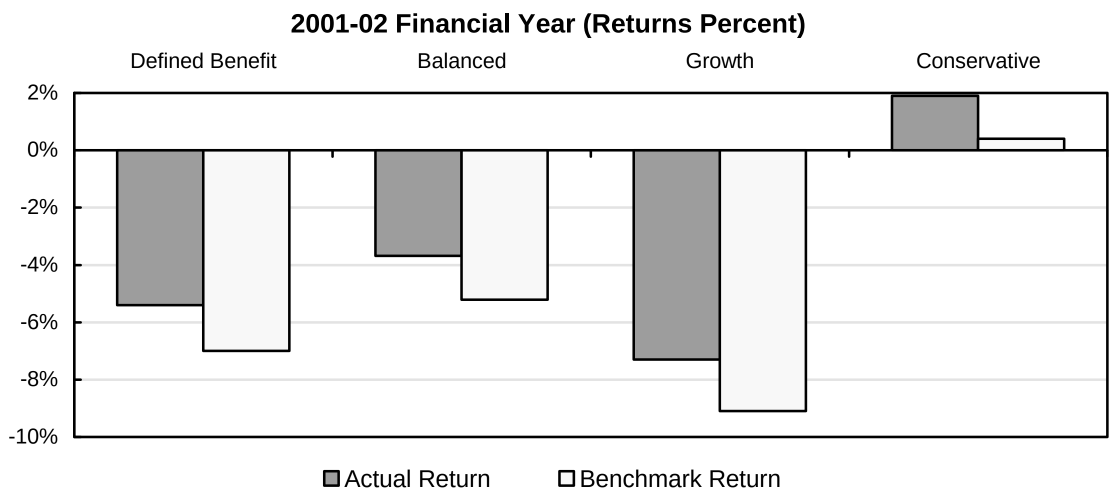
Return Performance by Asset Class

The return performance of each of the six distinct asset classes, against their relevant benchmark, for the 2001-02 financial year, is depicted in the following chart:

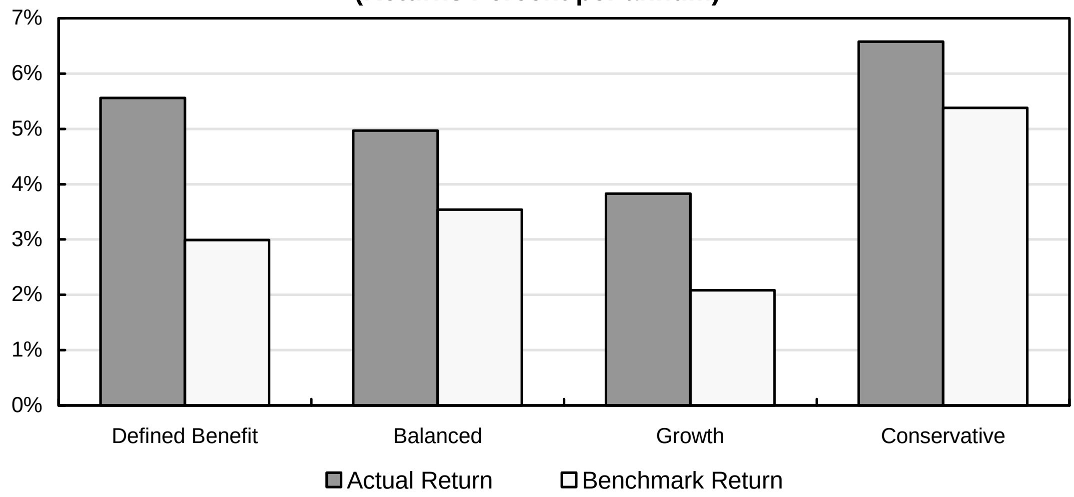


Return Performance by Product

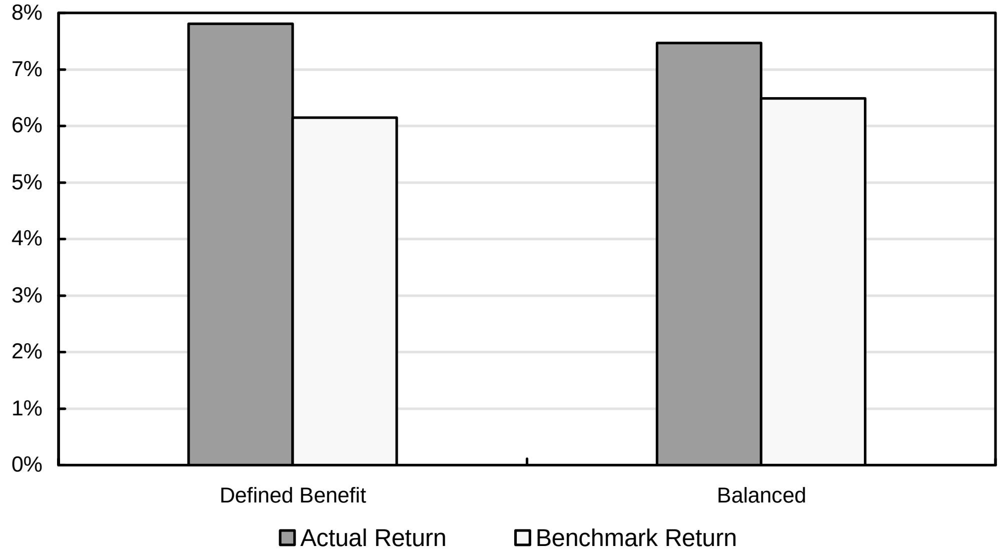
The return performance of each of the distinct products (excluding 'cash'), against their relevant benchmark, for the 2001-02 financial year, the last three years and the last five years (where relevant) is depicted in the following charts:



Three Years ending 30 June 2002
(Returns Percent per annum)



Five Years ending 30 June 2002
(Returns Percent per annum)



Note: Growth and conservative products were first offered in 1999.

FURTHER COMMENTARY ON OPERATIONS

Funds SA fully owned the Funds SA Subsidiary Holding Corporation established by regulation under the *Public Corporations Act 1993*. The Subsidiary held assets relating to the Adelaide Plaza Fund which was established to hold Funds SA's investment in the Adelaide Casino, Hyatt Hotel and Riverside Office Building. Between the 1999-2000 to 2000-01 financial years Funds SA undertook an orderly disposal of the Adelaide Plaza assets.

During the 2001-02 financial year, the Funds SA Subsidiary Holding Company was dissolved upon the passing of the Public Corporations (Funds SA Subsidiary Holding Corporation Dissolution) Amendment Regulations 2002.

Statement of Changes in Net Assets for the year ended 30 June 2002

	Note	2002 $'000	2002 $'000	2002 $'000	2001 $'000
NET ASSETS AS AT 1 JULY				**5 258 492**	4 997 188
NET FUNDS MADE AVAILABLE FOR INVESTMENT	4			**145 055**	85 559
INCOME EARNED AND EXPENDITURE INCURRED AS A RESULT OF INVESTMENT ACTIVITIES:					
Net income earned from:					
Inflation linked securities	5(a)	**50 371**			43 871
Property	5(a)	**53 365**			45 216
Australian equities	5(a)	**(28 316)**			177 608
International equities	5(a)	**(372 258)**			(131 664)
Australian fixed interest	5(a)	**15 661**			34 575
International fixed interest	5(a)	**20 010**			(852)
Cash	5(a)	**4 918**			6 021
Adelaide Plaza	5(a)	**-**			3 385
			(256 249)		178 160
Less: Administration expenses	6		**2 574**		2 415
Net Income from Investment Activities	5(b)			**(258 823)**	175 745
NET ASSETS AS AT 30 JUNE				**5 144 724**	5 258 492

Statement of Net Assets as at 30 June 2002

	Note	2002 $'000	2002 $'000	2002 $'000	2001 $'000
BALANCE OF ACCOUNTS OPERATED IN RESPECT OF:					
South Australian Superannuation Scheme	21(a),(b)			**2 744 225**	2 924 764
Police Superannuation Scheme	21(c),(d)			**409 576**	410 525
Southern State Superannuation Scheme	21(e),(f)			**1 814 382**	1 695 042
Parliamentary Superannuation Scheme	21(g)			**94 221**	105 402
Judges' Pension Scheme	21(h)			**81 742**	87 170
Governors' Pension Scheme	21(i)			**578**	652
Police Occupational Superannuation Scheme	21(j)			**-**	34 937
BALANCE OF ACCOUNTS				**5 144 724**	5 258 492
REPRESENTED BY:					
INVESTMENTS:					
Inflation linked securities	7	**619 531**			625 925
Property	8	**523 764**			475 287
Australian equities	9	**1 736 960**			1 865 716
International equities	10	**1 622 835**			1 770 412
Australian fixed interest	12	**238 536**			247 462
International fixed interest	13	**242 280**			246 394
Cash	14	**197 787**			28 954
Adelaide Plaza	11	**-**			38 661
			5 181 693		5 298 811
FIXED ASSETS	15		**103**		93
OTHER ASSETS:					
Cash at bank		**1 303**			180
Interest, dividends and rent due		**245**			526
Prepaid expenses		**-**			64
Sundry debtors		**604**			279
			2 152		1 049
Total Assets				**5 183 948**	5 299 953
CURRENT LIABILITIES:					
Rent and interest paid in advance		**2 004**			1 379
Sundry creditors		**4 425**			4 839
Provisions	16(a)	**416**			99
			6 845		6 317
NON-CURRENT LIABILITIES	16(b)		**32 379**		35 144
Total Liabilities				**39 224**	41 461
NET ASSETS				**5 144 724**	5 258 492
Commitments and Contingent Liabilities	17				

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) $'000	2002 Inflows (Outflows) $'000	2002 Inflows (Outflows) $'000	2001 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash flows from:					
Inflation linked securities			**22 108**		22 818
Property			**8 658**		273
Australian equities			**4 587**		15 349
International equities			**42 639**		(116 049)
Australian fixed interest			**(485)**		(743)
International fixed interest			**(710)**		(1)
Cash			**4 674**		6 273
Adelaide Plaza			**-**		(203)
Administration			**(2 490)**		(2 374)
Net Cash provided by (used in) Operating Activities	19(b)			**78 981**	(74 657)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments:					
Inflation linked securities		**-**			(48 000)
Property		**(37 839)**			(32 331)
Australian equities		**(14 390)**			(55 193)
International equities		**(268 182)**			(41 727)
Australian fixed interest		**-**			(8 000)
International fixed interest		**-**			(247 208)
Fixed assets		**(87)**			(76)
			(320 498)		(432 535)
Sale of investments:					
Inflation linked securities		**35 004**			4 842
Property		**31 052**			-
Australian equities		**112 193**			525
International equities		**-**			43 263
Australian fixed interest		**25 000**			247 208
International fixed interest		**25 000**			-
Adelaide Plaza		**38 000**			75 000
Fixed assets		**22**			16
			266 271		370 854
Net Cash used in Investing Activities				**(54 227)**	(61 681)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Receipts			**496 809**		321 426
Payments			**(351 754)**		(235 867)
Net Cash provided by Financing Activities	4			**145 055**	85 559
NET INCREASE (DECREASE) IN CASH HELD				**169 809**	(50 779)
CASH AS AT 1 JULY				**28 871**	79 650
CASH AS AT 30 JUNE	19(a)			**198 680**	28 871

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Format of the Financial Statements

Superannuation Funds Management Corporation of South Australia (Funds SA) is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Act). Funds SA is responsible for the investment and management of the public sector superannuation funds pursuant to strategies formulated by Funds SA. The public sector superannuation funds (the funds) are defined under the Act as:

- the South Australian Superannuation Fund
- the Police Superannuation Fund
- the Southern State Superannuation Fund
- the employer contributions made pursuant to section 5 of the *Superannuation Act 1988* where the arrangement requires contributions to be invested and managed by Funds SA
- funds determined by the Minister to be public sector superannuation funds.

As at 30 June 2002, Funds SA managed the following public sector superannuation funds:

- South Australian Superannuation Scheme:
  - South Australian Superannuation Fund (Old Scheme Division)
  - South Australian Superannuation Fund (New Scheme Division)
  - South Australian Superannuation Scheme - Employer Contribution Accounts.
- Police Superannuation Scheme:
  - Police Superannuation Fund (Old Scheme Division)
  - Police Superannuation Fund (New Scheme Division)
  - Police Superannuation Scheme - Employer Contribution Account.
- Southern State Superannuation Scheme:
  - Southern State Superannuation Fund
  - Southern State Superannuation (Employers) Fund.

1. Format of the Financial Statements (continued)

- Parliamentary Superannuation Scheme
- Judges' Pension Scheme
- Governors' Pension Scheme

Effective from 1 July 2001, Parliament approved the closure of the Police Occupational Superannuation Scheme (POSS) and the transfer of the balance of funds to the Police Superannuation Scheme Employer Contribution Account.

The purpose of the financial statements is to discharge Funds SA's reporting obligations in respect of its financial affairs under section 26(1) of the Act, and in respect of each of the funds, as required by section 26(2) of the Act. Funds SA's investment activities are reported on in the Statement of Changes in Net Assets, Statement of Net Assets and Statement of Cash Flows.

Statements of Changes in Net Assets and Statements of Net Assets Under Management in respect of each public sector superannuation fund are reported upon in Note 21 to these financial statements as required by section 26(2) of the Act.

Funds SA is not responsible for the administration of the superannuation schemes associated with the public sector superannuation funds. All scheme administration activities are undertaken by the Superannuation Boards established by scheme legislation, or by the Department of Treasury and Finance. Consequently, the financial statements of Funds SA report only on the investment activities of the public sector superannuation funds under management. For information on the nature and overall operations of the various superannuation schemes, reference should be made to annual reports and financial statements prepared by the responsible Superannuation Boards and/or the Department of Treasury and Finance.

2. Statement of Accounting Policies

(a) Basis of Accounting

The financial statements are general purpose statements and have been prepared on an accruals basis in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, Treasurer's Instruction 19 'Financial Reporting' and Department of Treasury and Finance Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987* except as provided below.

The financial statements of Funds SA, although not recording the administration activities of the public sector superannuation funds, are prepared in accordance with the principles of the Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans' where relevant. The Directors believe that this policy best discloses the financial status of the funds under management and the performance of Funds SA in fulfilling its management and investment responsibilities. It also provides consistency with the financial statements of the relevant superannuation schemes associated with the public sector superannuation funds. Consequently, assets and liabilities are recorded at net market values in the Statement of Net Assets as at the balance date, and realised and unrealised gains or losses are brought to account in the Statement of Changes in Net Assets.

As investments are revalued to their respective net market values at balance date, depreciation and amortisation are not provided for in these financial statements.

Funds SA utilises the consolidation method of accounting. Assets and liabilities of Funds SA's controlled entities have been consolidated into the financial statements at their net market values. The effects of transactions between entities in the economic entity are eliminated in full. Financial information in respect of the parent entity separate to that of the economic entity has not been provided as the application of market value reporting concepts results in the parent entity's financial statements fully reflecting the economic activities of controlled entities. It is believed that disclosure of the parent entity's results separate to those of the economic entity would not provide information which would add value to users of the financial statements.

(b) Basis of Valuations of Assets and Liabilities

The basis for the valuation of assets and liabilities is provided below. Valuations are net of estimated disposal costs, where material.

(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 (CPI) or Average Weekly Earnings (AWE), have been valued using the discounted cash flow method. The valuation as at 30 June 2002 was performed by an independent valuer, Macquarie Bank Limited.

- *Externally Managed*

  The 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 the balance date.

(ii) Property

The Property portfolio comprises three sub-sectors:

- *Directly Held Properties*

  Valuations of directly held properties have been carried out by independent licensed property valuers, other than as indicated in Note 8.

  In addition, a secured short-term loan provided to a third party has been valued on the basis of principal outstanding at the balance date.

(ii) *Property (continued)*

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

- *Externally Managed Unlisted Property Vehicles*
  Investments in externally managed unlisted property vehicles have been valued in accordance with the exit valuations supplied by the managers.

(iii) *Australian Equities*
The Australian Equities portfolio comprises two sub-sectors:

- *Listed Australian Equities*
  The listed Australian equities 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.

- *Private Equity*
  The private equity portfolio comprises holdings in a number of externally managed specialist funds together with internally managed assets. The externally managed specialist funds have been valued by the managers in accordance with the Australian Venture Capital Association Limited (AVCAL) guidelines. Internally managed assets have been valued by the Directors, either in accordance with market prices applicable at balance date, or having regard to market conditions and the current and expected future performance of the investments.

(iv) *International Equities*
The International Equities portfolio comprises two sub-sectors:

- *Listed International Equities*
  The listed international equities portfolio 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 (other than private equity) have been valued in accordance with the exit valuations supplied by the managers. Currency conversions have been made at the spot market mid rates applicable at the balance date where applicable.

- *Private Equity*
  The international private equity portfolio comprises holdings in a number of externally managed specialist funds. These funds have been valued by the managers in accordance with National Venture Capital Association (NVCA) guidelines.

(v) *Adelaide Plaza*
The Adelaide Plaza Fund comprised Funds SA's investment in the Funds SA Subsidiary Holding Corporation, a former wholly owned subsidiary of Funds SA (refer Note 11). Both the Funds SA Subsidiary Holding Corporation and the Adelaide Plaza Fund were dissolved during the financial year. Funds SA's investment in the Adelaide Plaza Fund as at 30 June 2001 was valued by the Directors having regard to the 30 June 2001 consolidated management accounts of the Funds SA Subsidiary Holding Corporation.

(vi) *Australian Fixed Interest*
The Australian 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.

(vii) *International Fixed Interest*
The International 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.

(viii) *Cash*
Deposits at call and other deposits of very short term duration have been valued on the basis of principal plus accrued interest. Bank bills have been valued using market rates applicable at the balance date.

(ix) *Fixed Assets*
Fixed assets are shown at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets, using straight line or diminishing value methods. The Directors are of the opinion that this provides a reasonable estimate of net market value.

(x) *Other Assets and Liabilities*
These items have been assessed and the Directors are of the opinion that for most items, book values provide a reasonable estimate of their market values. Where material items are not likely to be realised within a short period following the balance date, the book values of these items have been discounted back to the balance date using relevant market interest rates applying at the balance date.

(c) ***Taxation***
All of the public sector superannuation funds under the management of Funds SA are exempt from federal income tax by virtue that they are declared as 'constitutionally protected funds' under the Regulations to the *Income Tax Assessment Act 1936*. Consequently, no income tax expense has been brought to account in these financial statements.

(d) Accounting for Leases

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability on a straight-line basis. The allocation of lease rental payments in this manner ensures that the rental expense is recognised on a basis which is representative of the pattern of benefits derived from the leased asset.

3. Operation of Investment Portfolio

Funds SA operates a pooled investment portfolio utilising a number of sector funds, each of which holds assets of a different category. The sector funds are:

- Inflation Linked Securities
- Property
- Australian Equities
- International Equities
- Australian Fixed Interest
- International Fixed Interest
- Cash

Funds SA also operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds.

From 1 July 1999, Funds SA implemented a range of investment strategies (or 'products') to cater for the introduction of member investment choice offered to members of the Southern State Superannuation Scheme. Funds SA therefore manages five separate investment products distinguished by differing strategic asset allocations. The products are:

- Growth
- Balanced
- Conservative
- Cash
- Defined Benefit

The first four products are available to members of the Southern State Superannuation Scheme whereas the fifth product, Defined Benefit, is applied to the remainder of the public sector superannuation funds managed by Funds SA. Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment products.

Each public sector superannuation fund holds units in a product, which in turn holds units in each of the sector funds according to the target strategic asset allocation for the investment product. Units are issued and redeemed periodically as transactions occur at unit prices determined by the net market value of underlying investments.

The interest which each public sector superannuation fund holds in the unitised investment portfolio is disclosed in each fund's Statement of Net Assets Under Management in Note 21. Each fund's allocation of total net investment income is disclosed in Note 5(b) and in each fund's Statement of Changes in Net Assets in Note 21.

In addition to the foregoing sector funds, another sector fund titled the 'Adelaide Plaza Fund' was established in 1995 to hold Funds SA's investment in the Adelaide Casino, Hyatt Hotel and Riverside Office building (refer Notes 2(a)(v) and 11). The units in this sector fund were held exclusively by three 'government at risk' funds: the SA Superannuation Scheme Employer Contribution Accounts, the Police Superannuation Scheme Employer Contribution Account and the Police Occupational Superannuation Scheme. Following the dissolution of the Funds SA Subsidiary Holding Corporation, a fully owned subsidiary of Funds SA, during the financial year, the Adelaide Plaza Fund was closed and no longer exists at the balance date.

4. Net Funds made Available for Investment

The receipts below represent the total of monies received by Funds SA from the public sector superannuation funds for investment, and payments represent the total of monies redeemed by the funds to meet scheme payments.

	2002	2001
South Australian Superannuation Scheme:	**$'000**	$'000
Receipts	**226 250**	128 300
Less: Payments	**249 800**	194 591
	(23 550)	(66 291)
Police Superannuation Scheme:		
Receipts	**38 137**	2 350
Less: Payments	**15 450**	14 225
	22 687	(11 875)
Southern State Superannuation Scheme:		
Receipts	**229 802**	187 221
Less: Payments	**42 277**	23 246
	187 525	163 975
Parliamentary Superannuation Scheme:		
Receipts	**1 840**	1 440
Less: Payments	**7 650**	2 610
	(5 810)	(1 170)
Judges' Pension Scheme:		
Receipts	**770**	750
Less: Payments	**1 590**	1 160
	(820)	(410)

4. Net Funds made Available for Investment (continued)

	2002	2001
Governors' Pension Scheme:	**$'000**	$'000
Receipts	**10**	5
Less: Payments	**50**	35
	(40)	(30)
Police Occupational Superannuation Scheme:		
Receipts	**-**	1 360
Less: Payments	**34 937**	-
	(34 937)	1 360
	145 055	85 559

5. Investment Income

(a) Composition of Investment Income

Details of income earned from investment activities is provided below:

	2002	2001
Inflation Linked Securities:		
Net income received or receivable:		
Rent	**12 031**	11 883
Interest	**20 705**	21 077
Interest capitalised[(1)]	**9 165**	6 999
	41 901	39 959
Less: Expenses	**585**	525
	41 316	39 434
Net appreciation (depreciation) of assets[(2)]	**7 113**	(1 237)
Excess of realisations over market values previously taken[(3)]	**1 942**	5 674
	50 371	43 871
Property:		
Net income received or receivable:		
Rent	**6 641**	5 953
Interest	**524**	244
Dividends	**28 866**	21 126
Other	**32**	-
	36 063	27 323
Less: Expenses	**4 515**	4 345
	31 548	22 978
Net appreciation of assets	**14 379**	19 811
Excess of realisations over market values previously taken	**7 438**	2 427
	53 365	45 216
Australian Equities:		
Net income received or receivable:		
Dividends	**62 782**	82 150
Interest	**5 120**	4 629
Other	**462**	-
	68 364	86 779
Less: Expenses	**5 739**	4 113
	62 625	82 666
Net (depreciation) appreciation of assets	**(83 241)**	87 896
(Shortfall) excess of realisations over market values previously taken	**(7 700)**	7 046
	(28 316)	177 608
Australian Fixed Interest:		
Net income received or receivable:		
Interest	**14 501**	27 695
Other	**36**	-
	14 537	27 695
Less: Expenses	**465**	784
	14 072	26 911
Net depreciation of assets	**(289)**	(1 467)
Excess of realisations over market values previously taken	**1 878**	9 131
	15 661	34 575
International Equities:		
Net income received or receivable:		
Dividends	**15 710**	15 143
Interest	**594**	1 734
Other	**534**	-
	16 838	16 877
Less: Expenses	**6 762**	9 322
	10 076	7 555
Net depreciation of assets	**(334 984)**	(62 151)
Realised net income (expense) from currency hedge strategy	**28 319**	(110 057)
	(296 589)	(164 653)
(Shortfall) excess of realisations over market values previously taken	**(75 669)**	32 989
	(372 258)	(131 664)

(a)	***Composition of Investment Income (continued)***	**2002**	2001
	International Fixed Interest:	**$'000**	$'000
	Net income received or receivable:		
	Interest	**9 553**	589
		9 553	589
	Less: Expenses	**942**	41
		8 611	548
	Net depreciation of assets	**(2 534)**	(3 063)
	Excess of realisations over market values previously taken	**13 933**	1 663
		20 010	(852)
	Cash:		
	Net income received or receivable:		
	Interest	**4 470**	5 842
		4 470	5 842
	Less: Expenses	**9**	5
		4 461	5 837
	Net appreciation of assets	**410**	262
	Excess (shortfall) of realisations over market values previously taken	**47**	(78)
		4 918	6 021
	Adelaide Plaza:		
	Net income received or receivable:		
	Dividends	**-**	-
		-	-
	Less: Expenses	**-**	(699)
		-	699
	Net appreciation of assets	**-**	2
	Excess of realisations over market values previously taken	**-**	2 684
		-	3 385
		(256 249)	178 160

(1) Under certain inflation linked securities, payments received during any year may vary from the amount of income accruing in respect of that year. The difference, which represents capitalised interest, is applied to adjust the outstanding principal of the investment. Income arising from this source has been identified in this Note as 'Interest capitalised'.

(2) Net appreciation (depreciation) of assets represents unrealised gains (losses), over either cost for those investments acquired during the period, or over market value at the commencement of the period for those investments acquired prior to the commencement of the period. With respect to international equities, the net appreciation (depreciation) of assets is offset by either the expense or income realised during the financial year due to the implementation of Funds SA's currency management strategy.

(3) Excess (shortfall) of realisations over market values previously taken represents realised gains (losses) over either cost for those investments which had been acquired and disposed of within the financial period, or over market values previously brought to account where the investments disposed of were held at the commencement of the period.

(b)	***Allocation of Net Investment Income***	**2002**	2001
	The allocation of net investment income to each public sector superannuation fund managed by Funds SA is as follows:	**$'000**	$'000
	South Australian Superannuation Scheme:		
	South Australian Superannuation Fund - Old Scheme Division	**(63 818)**	38 677
	- New Scheme Division	**(18 316)**	10 493
	Employer Contribution Accounts	**(74 855)**	45 907
	Police Superannuation Scheme:		
	Police Superannuation Fund - Old Scheme Division	**(12 554)**	7 479
	- New Scheme Division	**(545)**	304
	Employer Contribution Account	**(10 537)**	5 487
	Southern State Superannuation Scheme:		
	Southern State Superannuation Fund	**(6 484)**	4 622
	Southern State Superannuation (Employers) Fund	**(61 701)**	55 568
	Parliamentary Superannuation Scheme	**(5 371)**	3 299
	Judges' Pension Scheme	**(4 608)**	2 712
	Governors' Pension Scheme	**(34)**	20
	Police Occupational Superannuation Scheme	**-**	1 177
		(258 823)	175 745

Subscriptions and redemptions are regularly made from unitised sector funds in line with each fund's cash flow requirements. It is therefore not possible to determine accurately the separate contribution of realised and unrealised gains to each fund's share of net investment income.

6. Administration and Related Party Disclosures

(a) General

Administration expenses incurred by Funds SA totalling $2.6 million ($2.4 million) have been charged against the sector funds under management. This cost is recorded in the Statement of Changes in Net Assets.

(b) ***Directors***

The following are directors of the Corporation who have served during the course of the 2001-02 financial year, along with the period served:

Helen Nugent	Chairman	Throughout the year
Kevin Crawshaw	Director	Throughout the year
Leigh Hall	Director	Throughout the year
Louise Hicks	Director	Throughout the year
Jan McMahon	Director	Throughout the year
Anthony Sims	Director	Throughout the year
Jim Wright	Director	Throughout the year

(c) ***Directors' Remuneration***

Directors' remuneration includes fees, superannuation and other benefits. Directors' fees include fees paid with respect to directors' representation on both the Funds SA Board and the boards of associated controlled entities. Directors' fees for the 2001-02 year were set by the Governor of South Australia.

Total Fees	**2002 Number of Directors**	2001 Number of Directors
$0 - $10 000	**-**	1
$10 001 - $20 000	**-**	1
$20 001 - $30 000	**4**	1
$30 001 - $40 000	**1**	4
$60 001 - $70 000	**1**	-

The aggregate remuneration of Directors was $215 000 ($165 000).

(d) ***Transactions with Directors and Director-Related Entities***

The Chairman of Funds SA, Dr Helen Nugent, is also a director of the Macquarie Bank Group Limited. Macquarie Investment Management Limited, a division of the Macquarie Bank Group Limited, has provided funds management services to Funds SA on normal commercial terms and conditions. Dr Helen Nugent has taken no part in any discussions, decisions or implementation of decisions relating to Funds SA's relationship with Macquarie Investment Management Limited.

(e) ***Employees' Remuneration***

Funds SA had 15 employees as at 30 June 2002.

Remuneration, including salary, bonuses, superannuation and other benefits, of Funds SA officers which exceeds the disclosure threshold required by Accounting Policy Statement No. 13 'Form and Content of General Purpose Financial Reports' is as follows:

Total Remuneration	**2002 Number of Officers**	2001 Number of Officers
$110 001 - $120 000	**1**	1
$170 001 - $180 000	**-**	1
$200 001 - $210 000	**-**	1
$210 001 - $220 000	**1**	-
$270 001 - $280 000	**1**	-

The aggregate remuneration of executives exceeding the disclosure threshold was $603 000 ($492 000).

(f) ***Employee Entitlements***

The administration expenses incurred by Funds SA include recognition of the liabilities associated with employee entitlements of Funds SA officers resulting from service up to the balance date.

Employee entitlement liabilities have been calculated at nominal values based upon salary rates existing at the balance date and include related on-costs. Liabilities for unpaid salaries, annual leave and long service leave have been recognised.

Sick leave entitlements are non-vesting and have not been recognised as a liability.

The liability for long service leave is calculated using a shorthand method of estimation in accordance with the provisions of the Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'. Long service leave liability is based upon recognition of entitlement after five years service.

Superannuation liabilities recognised in the Statement of Net Assets represents employer contributions due but not yet paid as at the balance date. Funds SA Directors and officers are either members of the South Australian Superannuation Scheme, Southern State Superannuation Scheme or private superannuation funds.

Funds SA makes periodic payments to these superannuation funds. These payments extinguish any future liability for superannuation for all employees and directors. In 2001-02, the periodic amounts paid, or due and payable, to the South Australian Superannuation Scheme and the Southern State Superannuation Scheme totalled $91 000 ($67 000). In 2001-02, the periodic amounts paid, or due and payable, to private superannuation funds totalled $44 000 ($34 000).

(f) Employee Entitlements (continued)

The employee entitlements recognised as liabilities as at 30 June comprise:	2002 Current $'000	2002 Non-Current $'000	Total 2002 $'000	Total 2001 $'000
Salaries and wages	**21**	**-**	**21**	22
Annual leave	**56**	**-**	**56**	56
Long service leave	**7**	**295**	**302**	214
Superannuation	**-**	**-**	**-**	2
	84	**295**	**379**	294

(g) Auditors' Remuneration

Amounts received, or due and receivable, by the auditors are:	2002 $'000	2001 $'000
Auditor-General's Department:		
Auditing the financial statements of Funds SA and certain controlled entities	**83**	85
Bird Cameron Partners (Sydney):		
Auditing the accounts of Pipetch Pty Ltd and the SILT Trust	**4**	3
	87	88

(h) Fees paid to Consultants

Fees paid or payable to consultants for services not related to the management of specific investments amounted to $97 000 ($59 000) and are included as part of the administration expenses of Funds SA. Funds SA also makes payments for services provided in relation to the acquisition, ongoing management and disposal of investments. These payments are incurred in the normal course of business, and have been either capitalised or expensed within the sector funds to which they relate.

7. Inflation Linked Securities

The net market value of individual assets or portfolios that comprise the Inflation Linked Securities Sector Fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy.

Inflation linked securities held by subsector at the balance date comprise:	2002 Net Market Value $'000	2001 Net Market Value $'000
Internally managed investments	**407 962**	399 695
Externally managed investments	**211 569**	226 230
	619 531	625 925

As at 30 June, the composition of each subsector is as follows:

Internally Managed:

- Omni Midland Pty Ltd Loan
- Babcock and Brown Lease Management Services Pty Ltd Loan
- Obtala Pty Ltd Loan
- Government Computing Centre, Glenside, SA
- SA Housing Trust Leaseholds, various locations, SA
- Sir Samuel Way Building, Victoria Square, Adelaide, SA
- Roma Mitchell Building, North Terrace, Adelaide, SA
- Shell Australia Service Station Leases, various locations(1)
- Blue Mountains Sewage Transfer Scheme, NSW(2)

Externally Managed:

- Credit Suisse Asset Management (Australia) Limited

(1) The leases provide for Funds SA to receive rental payments adjusted annually by the greater of inflation or an agreed percentage amount. The market valuation of these arrangements also incorporates the present value of the property residual, this being determined as the unimproved land value at lease expiry.

(2) The market value of the Blue Mountains Sewage Transfer Scheme represents the present value of a stream of cash flows arising from a series of bonds, indexed to the Average Weekly Earnings, under a contract with the Sydney Water Board to transfer sewage from the Blue Mountains to the Winmalee Sewage Treatment Plant.

8. Property

The net market value of individual assets or portfolios that comprise the Property Sector Fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy.

Property interests held by subsector at balance date comprise:	2002 Net Market Value $'000	2001 Net Market Value $'000
Directly held properties	**60 719**	40 110
Externally managed listed property trusts	**292 912**	272 771
Externally managed unlisted property vehicles	**170 133**	162 406
	523 764	475 287

8. Property (continued)

As at 30 June, the composition of each subsector is as follows:

Directly held Properties:

Australian Taxation Office, 200 Collins Street, Hobart, Tasmania(1)
Net present value of lease residual, Department of Land Administration Offices, Midland, Western Australia(2)
Loan to Meredith Projects Pty Ltd (secured against an office building in Bankstown, NSW)(3)

Externally Managed Listed Property Trusts:

Rothschild Australia Asset Management Limited
Macquarie Investment Management Limited
SG Hiscock and Company Limited

Externally Managed Unlisted Property Vehicles:

AMP Life Limited
Private Property Syndicate
Lend Lease Real Estate Partners

(1) The Australian Taxation Office, Hobart has been the subject of a redirection of the rental stream arising from a long term lease. The value of this property has been determined by the Directors having regard to the nature of the arrangements currently in force over the property, and anticipated market conditions at the expiration of these arrangements. The residual value of the property, $2.1m, has been valued by Colliers Jardine. The offsetting non-current liability is reported in Note 16(b).

(2) The value of a future interest in the lease residual associated with the Department of Land Administration Offices, Midland, Western Australia, has been determined by the Directors using the discounted cash flow method.

(3) The loan to Meredith Projects Pty Ltd has been provided by Funds SA pursuant to the exercise of a put option granted to the Commonwealth Bank of Australia in relation to a debt facility over a property in Bankstown, NSW, by Funds SA's predecessor, South Australian Superannuation Fund Investment Trust, in 1990. The put option was exercised in May 2002. The loan is secured by registered first mortgages over the Bankstown property plus fixed and floating charges over the assets of Meredith Projects Pty Ltd and Meredith Properties Pty Ltd.

9. Australian Equities

The net market value of individual assets or portfolios that comprise the Australian Equities Sector Fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy.

(a) Externally Managed

Funds SA uses fund managers to manage its externally managed Australian equities portfolio. Each manager has been given a mandate to invest in discretely held portfolios of listed Australian equities, but for market timing purposes, they may also hold some cash from time to time. Assets under management are held by JP Morgan as custodian.

The nature of mandates given to investment managers and the value of the individual portfolios as at 30 June comprise:	**2002 Net Market Value $'000**	2001 Net Market Value $'000
Index Enhanced Mandate:		
Macquarie Investment Management Ltd	**-**	388 627
Active Broad Market Mandate:		
Credit Suisse Asset Management (Australia) Ltd	**376 680**	449 113
Perpetual Asset Management Ltd	**467 580**	491 955
Balanced Equity Management Pty Ltd	**441 705**	489 731
Barclays Global Investors Australia Limited	**289 704**	-
Active Small Capitalization Mandate:		
Perpetual Asset Management Ltd	**113 599**	-
	1 689 268	1 819 426

(b) Private Equity

This item comprises investments mainly in unlisted companies and managed trust funds. Such investments may take the form of equity interests, loans, or a combination of both.

Private equity interests held by subsector at balance date comprise:		
Listed equities	**2 243**	3 824
Unlisted equities	**158**	3 647
Managed funds	**45 291**	38 819
	47 692	46 290
Total Australian Equities	**1 736 960**	1 865 716

As at 30 June, the composition of each subsector is as follows:

Listed Equities:

Grand Hotel Group Limited

Unlisted Equities:

Monsafe Pty Ltd

Managed Funds:

Arrow Development Fund (Rothschild)
Australian Mezzanine Investment #2 Trust
Hambro-Grantham Development Trust
Macquarie Investment #2 Trust
AMP Business Development Fund #2
Catalyst Fourth Management Buyout Fund
Castle Harlan Australian Mezzanine Partners No 1A Trust
Business Equity Fund
Equity Partners #2
Technology Venture Partners #3
GS Private Equity Fund #2

10. International Equities

The net market value of individual assets or portfolios that comprise the international equities sector fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy. Funds SA uses external fund managers to manage its international equities portfolio. Each manager has been given a mandate to invest either in discretely held listed equities, pooled unit trusts or private equity investments, but for market timing purposes, may also hold some cash from time to time. The discretely held portfolios are held by JP Morgan as custodian. The nature of mandates given to investment managers and the value of the individual portfolios as at 30 June comprise:

	2002 Net Market Value $'000	2001 Net Market Value $'000
Discretely Managed:		
All Countries mandates:		
Capital International Inc.	**188 761**	215 748
Europe Australasia Far East (EAFE) mandates:		
Lazard Asset Management Pacific Co	**-**	288 589
Capital International Inc	**247 233**	270 084
The Boston Company Asset Management LLC	**119 639**	-
Delaware International Advisers Limited	**144 390**	-
Schroder Investment Management (Australia) Ltd	**57 163**	68 375
North America mandate:		
Rainier Investment Management	**105 450**	127 447
Pooled Unit Trusts:		
North America mandates:		
Barclays Global Investors - US Alpha Tilts Fund	**558 214**	364 329
Barclays Global Investors - MSCI Canada Index Fund	**30 610**	36 658
Barclays Global Investors - Russell 2000 Alpha Tilts Fund	**45 762**	-
Barclays Global Investors - North American Index Fund	**-**	245 354
Emerging markets mandate:		
Genesis Management Australia Ltd	**50 963**	53 806
Schroder Investment Management (Australasia) Ltd	**41 916**	48 685
Private Equity:		
Wilshire Private Markets Fund #2	**9 154**	13 604
Brinson Partnership Trust 1999	**1 743**	2 638
Wilshire Private Markets Fund #3	**6 634**	6 036
Brinson Partnership Trust 2000	**4 780**	7 142
Wilshire Private Markets Fund #4	**1 346**	1 219
Brinson Partnership Trust 2001	**2 169**	1 365
Wilshire Private Markets Fund #4 (non-US)	**592**	193
Brinson Partnership Trust 2001 (non-US)	**51**	33
Adams Street Partnership 2002 US Fund	**631**	-
Brinson Partnership Trust 2002 Primary	**629**	-
Brinson Partnership Trust 2002 Secondary	**126**	-
Brinson Partnership Trust 2002 Secondary (non-US)	**20**	-
Currency Hedge Overlay(1)	**4 859**	19 107
	1 622 835	1 770 412

(1) The value of the currency hedge overlay at 30 June is represented by either the expense or income associated with closing out the forward rate agreements in place, at that date, as part of Funds SA's currency management strategy. The positive hedge overlay position, as at 30 June, reflects appreciation in the Australian dollar relative to cross-currencies during the June quarter.

11. Adelaide Plaza

The Adelaide Plaza Fund was established in 1995 to hold Funds SA's investment in the Adelaide Casino, Hyatt Hotel and Riverside Office building. These assets were owned and operated by Adelaide Casino Pty Ltd, FSASER Hotel Pty Ltd and Riverside Office Pty Ltd as trustee for the Riverside Office Trust (the entities). The entities were held by Funds SA through its fully owned subsidiary, the Funds SA Subsidiary Holding Corporation, which is a subsidiary established under the *Public Corporations Act 1993*.

The Funds SA Subsidiary Holding Corporation acquired the entities on 30 June 1998 following an ownership restructure of the assets of the ASER group of entities.

During the 1999-2000 financial year the Funds SA Subsidiary Holding Corporation sold its shares in FSASER Hotel Pty Ltd and Adelaide Casino Pty Ltd. The proceeds from these sales were used to repay debt and to pay a dividend to Funds SA.

During the 2000-01 financial year, the Riverside Office Building was sold thus finalizing Funds SA's exit from the Adelaide Plaza assets.

During the 2001-02 financial year, the Funds SA Subsidiary Holding Corporation was dissolved upon the passing of the Public Corporations (Funds SA Subsidiary Holding Corporation Dissolution) Amendment Regulations 2002. Consequently, the Adelaide Plaza Fund was closed and the remaining investments in Riverside Office Trust and its trustee, Riverside Office Pty Ltd, were transferred to the Australian Equities Fund.

12. Australian Fixed Interest

The net market value of individual assets or portfolios that comprise the Australian Fixed Interest Sector Fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy.

12. Australian Fixed Interest (continued)

Funds SA uses external fund managers to manage its Australian fixed interest portfolio. Each manager has been given a mandate to invest either in discretely held or pooled unit trust portfolios of fixed interest investments, but for market timing purposes, may also hold some cash from time to time. The discretely held portfolios are held by JP Morgan as custodian.

The nature of mandates given to investment managers and the value of the individual portfolios as at 30 June comprise:	**2002 Net Market Value $'000**	2001 Net Market Value $'000
Discretely Managed:		
Australian broad market:		
Credit Suisse Asset Management (Australia) Ltd	**104 774**	122 260
Australian broad market with tactical discretion:		
UBS Brinson	**133 762**	125 202
	238 536	247 462

13. International Fixed Interest

The net market value of individual assets or portfolios that comprise the International Fixed Interest Sector Fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy.

Funds SA uses external fund managers to manage its international fixed interest portfolio. Each manager has been given a mandate to invest either in discretely held or pooled unit trust portfolios of global fixed interest investments, but for market timing purposes, may also hold some cash from time to time. The discretely held portfolios are held by JP Morgan as custodian.

The nature of mandates given to investment managers and the value of the individual portfolios as at 30 June comprise:	**2002 Net Market Value $'000**	2001 Net Market Value $'000
Discretely Managed:		
Active mandates:		
PIMCO Australia Pty Ltd	**135 462**	123 972
Fischer Francis Trees and Watts, Inc	**106 818**	122 422
	242 280	246 394

14. Cash

The Cash Sector Fund comprised the following investments as at 30 June:		
11am and term deposits	**14 400**	600
Bank bills	**183 387**	28 354
	197 787	28 954

15. Fixed Assets

Fixed assets comprise fixtures, fittings, plant and equipment. Movements in this account are summarised below:		
Fixed assets (at cost) at 1 July	**794**	768
Add: Purchases	**87**	76
	881	844
Less: Disposals (At cost)	**140**	50
Fixed assets (At cost) at 30 June	**741**	794
Less: Accumulated depreciation	**638**	701
	103	93

16. Liabilities

(a) Current Provisions

Current provisions as at balance date comprise:		
Provision for employee entitlements	**84**	81
Lease incentive	**18**	18
Other	**314**	-
	416	99

(b) Non-Current Liabilities

Non-Current liabilities as at balance date comprise:		
Provision for employee entitlements	**295**	213
Bank bill facility(1)	**31 343**	34 886
Other	**715**	-
Lease incentive	**26**	45
	32 379	35 144

(1) The future income stream arising from the long term lease to the Australian Taxation Office (ATO) of the whole of a Hobart office property has been redirected to a syndicate of international banks. The redirection was in the form of a concurrent lease of the property to the banks under which the banks received the right to the rental and fixed outgoings payments made by the ATO. The concurrent lease requires the banks to make rental payments to Funds SA equal in value to the payments receivable from the ATO. As part of the transaction, the banks provided a bank bill facility to Funds SA. Under a set-off agreement, the rental payments due to Funds SA under the concurrent lease are applied by the banks to service the bill facility. The amounts outstanding under the facility are predetermined and are capable of being fully serviced and repaid from the concurrent lease rentals.

17. Commitments and Contingent Liabilities

(a) Capital Commitments

On 30 June, Funds SA had commitments associated with future capital calls on private equity investments entered into before that date, other than transactions which have been provided for in the financial statements as unsettled purchases of investments. The commitments are as follows, with no allowance having been made for the time value of money:

(a) Capital Commitments (continued)

	2002	2001
	$'000	$'000
Not later than one year	**52 733**	45 456
Later than one year but not later than two years	**47 238**	50 268
Later than two years	**131 288**	32 532
	231 259	128 256

(b) Contingent Liabilities

Funds SA has granted a put option with an exercise price of $8 million in respect of an office property located in Wollongong, NSW, occupied by the Australian Taxation Office. If exercised, Funds SA would acquire the property. This put option may be exercised in January 2004.

Directors consider that, as at 30 June 2002, exercise of the option will be unlikely as forecasted valuation is higher than the respective exercise price. Should the put option be exercised, the impact on Funds SA's net worth will be limited to the amount by which the property value falls below the exercise price.

18. Controlled Entities

Funds SA's share holdings in controlled entities are as follows:

Name of Entity	Ownership Percent
Carwell Pty Ltd	100
ASER Nominees Pty Ltd *(in liquidation)*	100
Riverside Office Pty Ltd	100
Riverside Office Trust	100
Kantilla Pty Ltd	100
Narana Pty Ltd	100
Pipetch Pty Ltd	100
SILT Trust	100

The net market values of these companies have been consolidated into these financial statements.

The above entities were established to hold Funds SA's interests in a number of specific investments. As at 30 June 2002, Carwell Pty Ltd continues to hold Funds SA's residual equity interest in the remaining ASER entity listed above (in liquidation). Both Narana Pty Ltd and Kantilla Pty Ltd currently do not hold any investments. Pipetch Pty Ltd is the trustee company of the SILT Trust, which holds Funds SA's inflation linked investment in the Shell Australia Service Station Leases. This investment is reported in Note 7. The shares in Riverside Office Pty Ltd and the units in Riverside Office Trust are owned by Funds SA.

19. Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash is considered to include cash on hand, cash at bank and investments in money market instruments, where such investments are considered to be part of the day to day cash management function. Such investments include 11am at call deposits and other deposits of very short duration, and bank bills.

Cash as at 30 June as shown in the Statement of Cash Flows is reconciled to related items in the Statement of Net Assets as follows:

	2002	2001
	$'000	$'000
Cash	**197 787**	28 954
Less: Net appreciation of assets	**410**	263
Short-term money market investments utilised in day to day cash management activities	**197 377**	28 691
Cash at bank	**1 303**	180
Cash as at 30 June reported in the Statement of Cash Flows	**198 680**	28 871

(b) Reconciliation of Net Cash used in Operating Activities to Net Investment Income

Investment income reported in the Statement of Changes in Net Assets	**(258 823)**	175 745
Net depreciation (appreciation) of investments	**418 513**	(42 211)
Interest capitalised on inflation linked securities	**(9 165)**	(6 999)
Income realised by external investment managers, but not remitted	**(127 688)**	(140 738)
Shortfall (Excess) of realisations over market values previously taken	**58 175**	(58 931)
Depreciation of fixed assets and provisions	**122**	67
Decrease in investment related debtors	**150**	799
(Decrease) in investment related creditors	**(2 303)**	(2 389)
Net Cash provided by (used in) Operating Activities	**78 981**	(74 657)

For asset classes other than property, operating outgoings are normally minor and incidental in nature. Funds SA's directly held properties are managed by external agents who are responsible for the collection of rents and the payment of property outgoings. Funds SA receives payments from the managing agents representing the net cash income from the properties. For these reasons, items comprising Net Cash provided by (used in) Operating Activities in the Statement of Cash Flows are presented on a net cash flow basis.

(c) Credit Facilities

A syndicate of international banks has made a bank bill facility available to Funds SA as a result of transactions associated with Funds SA's investment in a property in Hobart, Tasmania. The facility has been fully drawn down and does not provide any standby credit. Further reference to this facility may be found under Note 16.

20. Additional Disclosures with Respect to Financial Instruments

(a) Interest Rate Risk

Funds SA's investments are exposed to various risks from fluctuations in market interest rates, which can impact on both the net market values of and expected cash flows from those investments. Funds SA is not exposed to interest rate risk on any of its liabilities.

The following table summarises interest rate risk exposure on investments:

				2002			
Australian Fixed Interest:	Effective Interest Rate Percent	3 months or Less $'million	Over 3 to 6 months $'million	Over 6 to 12 months $'million	Over 1 to 5 years $'million	More than 5 years $'million	**Total $'million**
Commonwealth bonds	5.78	-	-	-	26.8	36.8	**63.6**
Semi-Government bonds	6.02	-	-	-	28.5	36.7	**65.2**
Corporate bonds	6.11	-	-	-	56.7	21.6	**78.3**
Inflation Linked - Internal:		-	-	-			
Corporate loans	3.98	-	-	-	-	94.0	**94.0**
Land and buildings	4.40	-	-	-	4.6	155.8	**160.4**
Indexed licence agreement	3.01	-	-	-	-	153.6	**153.6**
Inflation Linked - External:		-	-	-			
Commonwealth bonds	3.32	-	-	-	3.0	145.8	**148.8**
Semi-Government bonds	2.97	2.0	-	1.8	0.3	21.8	**25.9**
Corporate bonds	2.80	-	-	-	-	23.4	**23.4**
International Fixed Interest:							
United States	3.79	1.1	-	0.5	20.6	100.9	**123.1**
United Kingdom	5.13	-	-	-	5.4	3.7	**9.1**
European Community	5.45	-	-	-	7.3	18.3	**25.6**
Belgium	3.06	-	-	-	1.6	-	**1.6**
Germany	4.79	-	-	-	12.7	16.2	**28.9**
Finland	5.16	-	-	-	-	3.2	**3.2**
France	5.21	-	-	-	0.9	10.2	**11.1**
Italy	4.77	-	-	-	6.7	11.7	**18.4**
Spain	4.88	-	-	-	2.4	6.6	**9.0**
Japan	0.92	-	-	1.5	5.8	11.8	**19.1**
Austria	4.74	-	-	-	-	4.2	**4.2**
Ireland	3.69	-	-	-	-	0.9	**0.9**
Netherlands	4.74	-	-	-	2.5	0.9	**3.4**
Discounted Securities:							
Bank bills (internal)	4.84	183.4	-	-	-	-	**183.4**
Bank bills (manager held)	4.99	35.9	4.9	-	-	-	**40.8**
US Bank bills (manager held)	1.88	17.0	-	-	-	-	**17.0**
Total		239.4	4.9	3.8	185.8	878.1	**1 312.0**

				2001			
Australian Fixed Interest:	Effective Interest Rate Percent	3 months or Less $'million	Over 3 to 6 months $'million	Over 6 to 12 months $'million	Over 1 to 5 years $'million	More than 5 years $'million	Total $'million
Commonwealth bonds	5.79	-	-	-	27.4	40.5	67.9
Semi-Government bonds	6.07	-	-	-	33.4	45.1	78.5
Corporate bonds	6.06	-	-	1.5	52.5	4.8	58.8
Inflation Linked - Internal:							
Corporate loans	4.09	-	-	-	-	95.3	95.3
Land and buildings	4.70	-	-	-	-	160.9	160.9
Indexed licence agreement	3.13	-	-	-	-	143.5	143.5
Inflation Linked - External:							
Commonwealth bonds	3.46	-	-	-	16.9	164.3	181.2
Semi-Government bonds	3.35	-	-	-	0.4	12.9	13.3
Corporate bonds	3.67	-	-	-	-	28.3	28.3
International Fixed Interest:							
United States	6.01	-	-	-	40.4	36.2	76.6
United Kingdom	5.69	-	-	-	6.2	4.0	10.2
European Community	5.30	-	-	-	1.7	8.6	10.3
Belgium	5.73	-	-	-	-	0.7	0.7
Germany	5.35	-	-	-	-	8.7	8.7
Finland	5.34	-	-	-	-	2.6	2.6
France	5.04	-	-	-	-	10.2	10.2
Italy	4.91	-	-	-	8.4	4.6	13.0
Spain	5.18	-	-	-	5.4	3.5	8.9
Japan	0.83	-	-	-	3.3	21.8	25.1
Discounted Securities:							
Bank bills (internal)	5.05	68.5	-	-	-	-	68.5
Bank bills (manager held)	5.02	16.0	32.3	-	-	-	48.3
US Bank bills (manager held)	3.51	2.0	0.1	-	-	-	2.1
Total		86.5	32.4	1.5	196.0	796.5	1 112.9

(b) Use of Derivatives

Under the Regulations to the Act, the Treasurer of South Australia has authorised Funds SA to utilise derivative contracts for the purpose of the investment of funds or the management of portfolio risk.

Funds SA's external managers are empowered, pursuant to their respective investment management agreements, to enter into derivative contracts as part of their investment role. Derivative contracts may be used, for example, to provide efficient entry to or exit from markets or as a cost efficient substitute for the actual acquisition of securities. However, managers cannot gear the portfolio; that is, sufficient cash or assets must be maintained in the portfolio to support the liability underlying each contract.

Funds SA has engaged a manager to manage a static currency hedge against a strategic proportion of the international equities portfolio. The hedge is achieved by purchasing forward rate agreements to the required Australian dollar value with currencies matching the underlying country weighting in the Morgan Stanley Capital International (MSCI) Index. The purpose of the hedge is to remove the impact of currency movements from the proportion of the international equities portfolio being hedged.

The following table summarises Funds SA's external managers' use of derivative instruments:	**2002**		2001	
	Principal Amount	**Net Market Value**	Principal Amount	Net Market Value
Derivative Instrument:	**$'000**	**$'000**	$'000	$'000
Futures - Australian fixed interest	**17 341**	**13**	22 442	50
Futures - International fixed interest	**8 297**	**(65)**	31 797	(149)
Futures - Share price index	**12 404**	**(104)**	35 866	263
Futures - Discount securities	**(5 852)**	**(35)**	38 346	(174)
Options - Australian exchange traded	**18 892**	**39 617**	39 820	9 153
Options - International exchange traded	**10 992**	**9**	-	-
Currency forward rate agreements	**536 313**	**4 859**	888 977	19 107
	598 387	**44 294**	1 057 248	28 250

(c) Currency Risk

A number of Funds SA's external fund managers, particularly within the international equities sector fund, are permitted to invest in assets denominated in currencies other than the Australian dollar. The following table summaries Funds SA's risk associated with assets:

	2002	2001
	$'000	$'000
United States, Dollar	**1 041 710**	1 130 090
Europe, Euro	**305 518**	307 833
Japan, Yen	**147 332**	189 304
United Kingdom, Pound	**130 280**	130 444
Switzerland, Franc	**40 503**	37 945
Sweden, Krona	**21 536**	31 688
Hong Kong, Dollar	**21 953**	22 608
Canada, Dollar	**44 290**	18 286
Singapore, Dollar	**12 282**	15 484
Norway, Krone	**4 897**	4 160
Denmark, Kroner	**1 160**	3 972
New Zealand, Dollar	**4 061**	-
	1 775 522	1 891 814
Less: Amount effectively hedged	**794 599**	1 132 817
	980 923	758 997

(d) Net Fair Values

Financial instruments are stated in the financial statements at net market values as required by Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans.' The Directors are of the opinion that net market value provides a reasonable representation of the net fair values of financial instruments as required by Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments'.

21. Financial Information of Funds Under Management

Statements of Net Assets Under Management and Statements of Changes in Net Assets in respect of each of the public sector superannuation funds under the investment management of Funds SA are reported upon below, as required by section 26(2) of the Act. As indicated in Note 1, these statements report only upon the investment activities of the public sector superannuation funds under management, and not scheme administration activities. The Statements are numbered on the following pages as follows:

(a) South Australian Superannuation Fund - Old and New Scheme Divisions
(b) South Australian Superannuation Scheme - Employer Contribution Accounts
(c) Police Superannuation Fund - Old and New Scheme Divisions
(d) Police Superannuation Scheme - Employer Contribution Account
(e) Southern State Superannuation Fund
(f) Southern State Superannuation (Employers) Fund
(g) Parliamentary Superannuation Scheme
(h) Judges' Pension Scheme
(i) Governors' Pension Scheme
(j) Police Occupational Superannuation Scheme

(a) South Australian Superannuation Fund

Statement of Changes in Net Assets for the year ended 30 June 2002

	2002 Old Scheme Division $'000	2001 Old Scheme Division $'000	**2002 New Scheme Division $'000**	2001 New Scheme Division $'000
Funds held at 1 July	**1 226 988**	1 232 461	**340 719**	312 576
Add: Receipts	**-**	-	**12 450**	19 650
Net investment earnings	**(63 818)**	38 677	**(18 316)**	10 493
Less: Payments	**52 450**	44 150	**2 150**	2 000
Funds held at 30 June	**1 110 720**	1 226 988	**332 703**	340 719

Statement of Net Assets under Management as at 30 June 2002

	2002 Old Scheme Division $'000	2001 Old Scheme Division $'000	**2002 New Scheme Division $'000**	2001 New Scheme Division $'000
Inflation linked securities	**150 731**	164 061	**45 150**	45 558
Property	**117 080**	115 874	**35 070**	32 177
Australian equities	**389 262**	453 335	**116 598**	125 885
International equities	**367 951**	434 479	**110 215**	120 649
Australian fixed interest	**25 451**	31 328	**7 624**	8 699
International fixed interest	**26 250**	31 093	**7 863**	8 634
Cash	**42 279**	6 698	**12 664**	1 860
Other assets	**490**	225	**147**	63
	1 119 494	1 237 093	**335 331**	343 525
Less: Liabilities	**8 774**	10 105	**2 628**	2 806
Net Assets	**1 110 720**	1 226 988	**332 703**	340 719

(b) South Australian Superannuation Scheme - Employer Contribution Accounts

Statement of Changes in Net Assets for the year ended 30 June 2002

	2002 $'000	2001 $'000
Funds held at 1 July	**1 357 057**	1 350 941
Add: Receipts	**213 800**	108 650
Net investment earnings	**(74 855)**	45 907
Less: Payments	**195 200**	148 441
Funds held at 30 June	**1 300 802**	1 357 057

Statement of Net Assets under Management as at 30 June 2002

	2002 $'000	2001 $'000
Inflation linked securities	**176 526**	176 916
Property	**137 117**	124 953
Australian equities	**455 878**	488 856
International equities	**430 921**	468 522
Australian fixed interest	**29 807**	33 783
International fixed interest	**30 742**	33 529
Cash	**49 514**	7 223
Adelaide Plaza	**-**	33 770
Other assets	**573**	404
	1 311 078	1 367 956
Less: Liabilities	**10 276**	10 899
Net Assets	**1 300 802**	1 357 057

(c) Police Superannuation Fund

Statement of Changes in Net Assets for the year ended 30 June 2002

	2002 Old Scheme Division $'000	2001 Old Scheme Division $'000	**2002 New Scheme Division $'000**	2001 New Scheme Division $'000
Funds held at 1 July	**239 030**	235 801	**9 915**	8 836
Add: Receipts	**525**	100	**775**	850
Net investment earnings	**(12 554)**	7 479	**(545)**	304
Less: Payments	**4 750**	4 350	**50**	75
Funds held at 30 June	**222 251**	239 030	**10 095**	9 915

(c) Police Superannuation Fund (continued)

Statement of Net Assets under Management as at 30 June 2002

	2002 Old Scheme Division $'000	2001 Old Scheme Division $'000	**2002 New Scheme Division $'000**	2001 New Scheme Division $'000
Inflation linked securities	**30 161**	31 961	**1 370**	1 326
Property	**23 427**	22 573	**1 064**	937
Australian equities	**77 890**	88 314	**3 538**	3 663
International equities	**73 626**	84 641	**3 344**	3 511
Australian fixed interest	**5 093**	6 103	**231**	253
International fixed interest	**5 252**	6 058	**239**	251
Cash	**8 460**	1 305	**384**	54
Other assets	**98**	44	**5**	2
	224 007	240 999	**10 175**	9 997
Less: Liabilities	**1 756**	1 969	**80**	82
Net Assets	**222 251**	239 030	**10 095**	9 915

(d) Police Superannuation Scheme - Employer Contribution Account

Statement of Changes in Net Assets for the year ended 30 June 2002

	2002 $'000	2001 $'000
Funds held at 1 July	**161 580**	164 493
Add: Receipts	**36 837**	1 400
Net investment earnings	**(10 537)**	5 487
Less: Payments	**10 650**	9 800
Funds held at 30 June	**177 230**	161 580

Statement of Net Assets under Management as at 30 June 2002

	2002 $'000	2001 $'000
Inflation linked securities	**24 051**	21 065
Property	**18 682**	14 878
Australian equities	**62 111**	58 206
International equities	**58 711**	55 785
Australian fixed interest	**4 061**	4 023
International fixed interest	**4 188**	3 992
Cash	**6 747**	860
Adelaide Plaza	**-**	4 021
Other assets	**78**	48
	178 629	162 878
Less: Liabilities	**1 399**	1 298
Net Assets	**177 230**	161 580

(e) Southern State Superannuation Fund

Statement of Changes in Net Assets for the year ended 30 June 2002

	2002 $'000	2001 $'000
Funds held at 1 July	**144 868**	93 671
Add: Receipts	**53 843**	54 246
Net investment earnings	**(6 484)**	4 622
Less: Payments	**17 418**	7 671
Funds held at 30 June	**174 809**	144 868

Statement of Net Assets under Management as at 30 June 2002

	2002 $'000	2001 $'000
Inflation linked securities	**15 339**	12 229
Property	**16 745**	12 333
Australian equities	**55 802**	49 392
International equities	**51 363**	46 369
Australian fixed interest	**14 785**	12 341
International fixed interest	**14 914**	12 308
Cash	**7 033**	944
Other assets	**78**	29
	176 059	145 945
Less: Liabilities	**1 250**	1 077
Net Assets	**174 809**	144 868

(f) Southern State Superannuation (Employers) Fund

Statement of Changes in Net Assets for the year ended 30 June 2002

	2002	2001
	$'000	$'000
Funds held at 1 July	**1 550 174**	1 377 206
Add: Receipts	**175 959**	132 975
Net investment earnings	**(61 701)**	55 568
Less: Payments	**24 859**	15 575
Funds held at 30 June	**1 639 573**	1 550 174

Statement of Net Assets under Management as at 30 June 2002

	2002	2001
	$'000	$'000
Inflation linked securities	**152 246**	142 420
Property	**155 970**	130 098
Australian equities	**514 010**	514 088
International equities	**468 220**	475 973
Australian fixed interest	**147 439**	145 128
International fixed interest	**148 659**	144 770
Cash	**63 986**	8 768
Other assets	**710**	282
	1 651 240	1 561 527
Less: Liabilities	**11 667**	11 353
Net Assets	**1 639 573**	1 550 174

(g) Parliamentary Superannuation Scheme

Statement of Changes in Net Assets for the year ended 30 June 2002

	2002	2001
	$'000	$'000
Funds held at 1 July	**105 402**	103 273
Add: Receipts	**1 840**	1 440
Net investment earnings	**(5 371)**	3 299
Less: Payments	**7 650**	2 610
Funds held at 30 June	**94 221**	105 402

Statement of Net Assets under Management as at 30 June 2002

	2002	2001
	$'000	$'000
Inflation linked securities	**12 786**	14 093
Property	**9 932**	9 954
Australian equities	**33 021**	38 943
International equities	**31 213**	37 323
Australian fixed interest	**2 159**	2 691
International fixed interest	**2 227**	2 671
Cash	**3 586**	576
Other assets	**41**	19
	94 965	106 270
Less: Liabilities	**744**	868
Net Assets	**94 221**	105 402

(h) Judges' Pension Scheme

Statement of Changes in Net Assets for the year ended 30 June 2002

	2002	2001
	$'000	$'000
Funds held at 1 July	**87 170**	84 868
Add: Receipts	**770**	750
Net investment earnings	**(4 608)**	2 712
Less: Payments	**1 590**	1 160
Funds held at 30 June	**81 742**	87 170

(h) Judges' Pension Scheme (continued)

Statement of Net Assets under Management as at 30 June 2002

	2002 $'000	2001 $'000
Inflation linked securities	**11 093**	11 655
Property	**8 616**	8 232
Australian equities	**28 647**	32 207
International equities	**27 079**	30 867
Australian fixed interest	**1 873**	2 226
International fixed interest	**1 932**	2 209
Cash	**3 112**	476
Other assets	**36**	16
	82 388	87 888
Less: Liabilities	**646**	718
Net Assets	**81 742**	87 170

(i) Governors' Pension Scheme

Statement of Changes in Net Assets for the year ended 30 June 2002

	2002 $'000	2001 $'000
Funds held at 1 July	**652**	662
Add: Receipts	**10**	5
Net investment earnings	**(34)**	20
Less: Payments	**50**	35
Funds held at 30 June	**578**	652

Statement of Net Assets under Management as at 30 June 2002

	2002 $'000	2001 $'000
Inflation linked securities	**78**	87
Property	**61**	61
Australian equities	**203**	241
International equities	**192**	231
Australian fixed interest	**13**	17
International fixed interest	**14**	16
Cash	**22**	4
	583	657
Less: Liabilities	**5**	5
Net Assets	**578**	652

(j) Police Occupational Superannuation Scheme

Statement of Changes in Net Assets for the year ended 30 June 2002

	2002 $'000	2001 $'000
Funds held at 1 July	**34 937**	32 400
Add: Receipts	**-**	1 360
Net investment earnings	**-**	1 177
Less: Payments	**34 937**	-
Funds held at 30 June	**-**	34 937

Statement of Net Assets under Management as at 30 June 2002

	2002 $'000	2001 $'000
Inflation linked securities	**-**	4 554
Property	**-**	3 217
Australian equities	**-**	12 586
International equities	**-**	12 062
Australian fixed interest	**-**	870
International fixed interest	**-**	863
Cash	**-**	186
Adelaide Plaza	**-**	870
Other assets	**-**	10
	-	35 218
Less: Liabilities	**-**	281
Net Assets	**-**	34 937

DEPARTMENT OF TREASURY AND FINANCE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Department is an administrative unit established under the *Public Sector Management Act 1995*.

Purpose

The Government, through the Treasurer and the Department of Treasury and Finance, undertakes a number of distinct roles including:

- setting economic and fiscal policy at the whole-of-government level;
- managing whole-of-government financial management processes;
- providing a whole range of direct whole-of-government services including asset and liability management, collection of taxes, and insurance and superannuation administration.

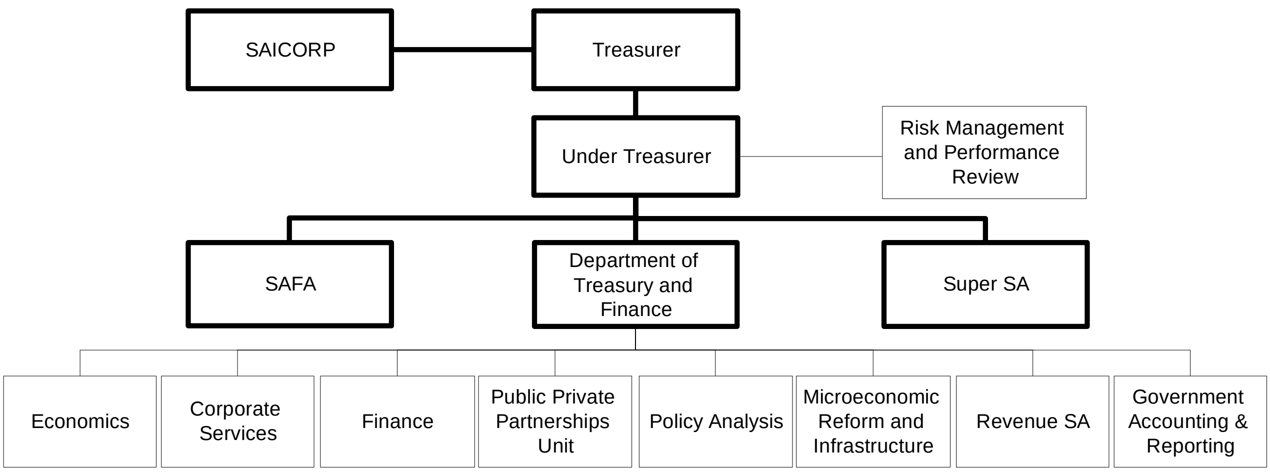
In turn the Department is a major service provider by:

- collecting tax revenue and implementing taxation legislation through RevenueSA;
- raising and managing the State's debt funding through the South Australian Government Financing Authority (SAFA);
- administering public sector superannuation through the State Superannuation Office (Super SA);
- managing and insuring Government risk through the South Australia Government Captive Insurance Corporation (SAICORP).

The Department administers but does not control certain funds on behalf of the Treasurer. These funds are not recorded in the Department's Statement of Financial Performance or Statement of Financial Position, as the Department does not have any discretion to deploy the resources for achievement of its own objectives. Further details are provided in the Schedule of Administered Expenses and Revenues and Note 23 'Other Administered Accounts' appearing in the Department's financial statements.

Economic Entity and Operational Structure of the Department of Treasury and Finance

The organisational structure of the Department and its relationship to the Treasurer and Under Treasurer is reflected in the following diagram:



A description of the functions and responsibilities of the respective branches, as they relate to Output Classes, is set out in Note 4 to the Department's financial statements.

CHANGES TO AGENCY ORGANISATIONAL STRUCTURE

Office of Government Enterprises

Following ministerial portfolio changes in December 2001, the Department was assigned ministerial responsibility for administering the Office of Government Enterprises (OGE). Previously this functional unit was established as part of the Department for Administrative and Information Services (DAIS).

The OGE function has three elements including:

- monitoring and assessing Government Business Enterprises (GBEs) against agreed targets to ensure appropriate business performance, effective risk management and compliance with administrative and statutory responsibilities;
- a project management role to facilitate structural change other than asset sales such as review of ownership and governance arrangements, commercialisation reforms and the implementation of corporatisation;
- a policy advising role on industry issues relevant to GBEs, in particular water, gambling, forestry and workers compensation.

The incorporation of this branch into the controlled financial statements has not had a material affect on the financial position or performance of the Department.

Government Accounting and Reporting

During the year the Government Accounting and Reporting branch was established to undertake functions previously performed within the Finance Branch. The Branch is responsible for developing and maintaining the Department's data collection, analysis and modelling frameworks and processes to ensure the Department meets government and statutory reporting requirements. It also assists in helping the Government achieve its budget objectives and developing budgetary strategies.

SIGNIFICANT FEATURES

- Total expenses from ordinary activities increased by $1.8 million (3.1 percent) to $60.1 million ($58.2 million) due mainly to increases in employee costs, including those related to the transfer of OGE from DAIS.
- Total revenues from ordinary activities decreased by $3.1 million (9.9 percent) to $28 million ($31 million) due mainly to reduced recoveries for services from the Electricity Sales and Reform Unit (now disbanded) and other agencies.
- Net Cost of Services increased to $32 million ($27.2 million).
- Cash decreased by $2.4 million to $17.2 million.

AUDIT MANDATE AND COVERAGE

Audit Authority

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department in respect of each financial year.

Scope of Audit

The audit program covered all major financial systems and was directed primarily towards obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal control environment.

The scope of the audit approach reflected the nature of the Department's operations. The audit addressed those auditable areas which related to the coverage of the Department as an administrative unit and reporting entity in its own right and its role in furnishing the requisite financial information to ensure compliance with the *Public Finance and Audit Act 1987*. It also covered those areas where the Department assumes a position of influence and direction across the wider public sector and facilitates change processes, flowing from various policies and directives issued by the Treasurer.

As a result of this dual aspect of the Department's operations Audit appraises and monitors wider developments sourced from Department activities/initiatives. This is reflected in such areas as state finances and whole-of-government financial reporting. Commentary on these areas appears in Part A of this Report.

An outline of the major areas of audit coverage relating to the Department's own operations is provided hereunder:

Corporate Services

- Expenditure (including payment of accounts, salaries and related payments)
- Non-current assets
- Revenue/debtors
- Accounting and financial management reporting
- Computer processing environment
- Procurement activities, including reviewing the role of the Accredited Purchasing Unit (APU).

RevenueSA

- Financial accounting and recording systems for tax collections
- Emergency Services Levy (ESL) collection system
- First Home Owners Grant applications and disbursements

Insurance Services

Commentary in respect of these activities is included in the section of Part B of this Report covering the South Australian Government Captive Insurance Corporation (SAICORP).

Superannuation Services

Commentary in respect of these activities is included in the section of Part B of this Report covering South Australian Superannuation Board.

Public Finances

In addition, Audit undertakes ongoing work with respect to various aspects of the public finances. These matters are reported in Part A of this Report.

Audit Communications to Management

During the year various letters communicating issues arising from the audit process were forwarded to the Department. Satisfactory responses were received. Further details relating to general financial controls are contained in 'Audit Findings and Comments'.

AUDIT FINDINGS AND COMMENTS

Commentary on General Financial Controls

The overall internal control structure of the Department was assessed as satisfactory. Notwithstanding this, some internal control issues were noted and Audit suggestions were made to address those matters as the underlying principles were considered important. The following outlines some of the more salient issues.

Corporate Services

The Corporate Services branch is responsible for the processing and management of transactions in relation to the Department's own operations. The audit of the branch highlighted that in most cases there was a satisfactory control environment in place, although there were some areas where improvements could be made. This included a number of issues that had been raised previously. The issues raised included:

- non-performance of a key reconciliation during the year due, in part, to the lack of documentation of the tasks to be performed;

- the absence of complete and timely follow-up of outstanding payroll bona fide reports;

- although a business continuity strategy had been developed, a detailed plan had not been established or tested.

A satisfactory response was received for the issues raised.

RevenueSA

RevenueSA is responsible for the collection of approximately $2 billion of taxation revenue on behalf of the government.

As part of the audit, consideration was given to the general control environment in which RevenueSA operates. In particular, Audit noted that RevenueSA was designed around 'functional' lines rather than 'processing' or tax head lines resulting in no one person being responsible for overseeing the day to day administration of individual tax heads from start to finish. This may have led, in Audit's view, to a number of the issues raised relating to the transfer of control responsibilities between different areas in the organisation.

In addition, Audit noted that increasing reliance is being placed on the use of taxpayer self assessments for the collection of taxation revenue. It is important in that environment that RevenueSA has a strong focus on 'risk management', not only in relation to the use of Compliance Services, but as part of the overall management culture of RevenueSA.

In relation to the review completed during 2001-02, the results of Audit work undertaken indicated that while existing systems of internal control were in general operating satisfactorily, a number of issues warranted further action by management, some of which have been recurrent/outstanding over a number of years. Detailed audit findings together with suggested actions to strengthen internal controls were forwarded to management for consideration and comment.

In particular, attention was drawn to the following areas:

Risk Management Approach to RSA Compliance Strategy

The audit findings included comments concerning the development of the RevenueSA annual compliance strategy. In particular, Audit noted that the development of the compliance strategy has not traditionally been focused on a formal, documented risk based approach but rather the identification of opportunities. As an indication of an alternative approach, Audit noted the risk analysis undertaken during the year to determine strategies to address risks associated with self-assessment of stamp duty on documents as a result of the implementation of the RevNet system. It was Audit's view that such an approach may be appropriate for all tax heads.

RevenueSA Response

RevenueSA indicated that the risk management approach adopted to one area in 2001-02:

> *... has been somewhat a ground breaking task but the principles involved will now be applied to the progressive development of similar strategies for the other tax bases. Given the size and complexity of the various tax bases this will be a major project balanced against allocations of resources to primary compliance treatments.*

Debt Management

A common issue that appears in relation to the majority of tax heads is that relating to debt management. In Audit's view there was a need for RevenueSA to consider the adequacy of:

- documented procedures and their application relating to the transfer of debts from processing areas to Debt Management Services;
- current management reporting arrangements relating to outstanding debts in all areas of RevenueSA.

In Audit's view, this latter point is of particular concern, given unsuccessful attempts by Audit to obtain basic debtor information on various tax heads, such as the level and aging of outstanding debts. This is despite the fact that outstanding debts may be of the magnitude of many millions of dollars at various times during the year.

RevenueSA Response

In response, RevenueSA indicated that:

> *... the level and quality of management reporting supplied by existing systems is an issue of concern for the organisation and we are addressing this, to the extent that we can, but total resolution can only be achieved through the implementation of an integrated replacement tax collection system. RevenueSA has submitted a bid for funding to implement such a system ...*

In addition, following a recent review of management responsibilities, a project will be undertaken by RevenueSA to review the adequacy of:

- documented procedures and their application relating to the transfer of debts from processing areas to Debt Management Services;
- current management reporting arrangements relating to outstanding debts in all areas of RevenueSA.

Government Accounting and Reporting Branch

Responsibilities of this Branch include the Appropriation process (including the Governor's Appropriation Fund, Contingency Funds and Ministerial payments), Treasurer's Deposit Accounts and Treasurer's Loans.

The results of Audit work undertaken indicated that while existing systems of internal control were in general operating satisfactorily, there were a number of issues that Audit believe should be considered by DTF. Consideration of the matters raised by Audit may be particularly relevant given a current review of the whole-of-government banking contract that is taking place.

Specific issues raised by Audit included:

- 'sweeping' account bank reconciliations being performed by agencies were not reconciling the agency ledger balance to an externally provided cash at bank figure, but to an internally derived amount calculated by the agency based on the sum of the daily cash movements provided through ReserveLink.

  One reason for this is that the relevant balances of the ledger maintained by DTF were not systematically provided to agencies each month;
- a lack of documented policies and procedures in respect of appropriations, disbursements, Treasurer's Accounts and maintenance of the ledger. This was demonstrated by the need for Audit to often have to refer to one key officer for an understanding and logic of a number of key controls.

DTF Response

The Department responded that each of the matters had either been resolved, or that steps had been put in place to implement the Audit recommendations.

Risk Management and Performance Review

Internal Audit

During the year Internal Audit continued to provide services to the Department and its associated branches. The work performed by Internal Audit is, in part, sourced from external providers and findings emanating from their reviews are reported to the Under Treasurer and Risk Management and Audit Committee.

Where applicable, work performed by the internal audit function was considered in determining the nature and timing of external audit work.

CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Department of Treasury and Finance included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

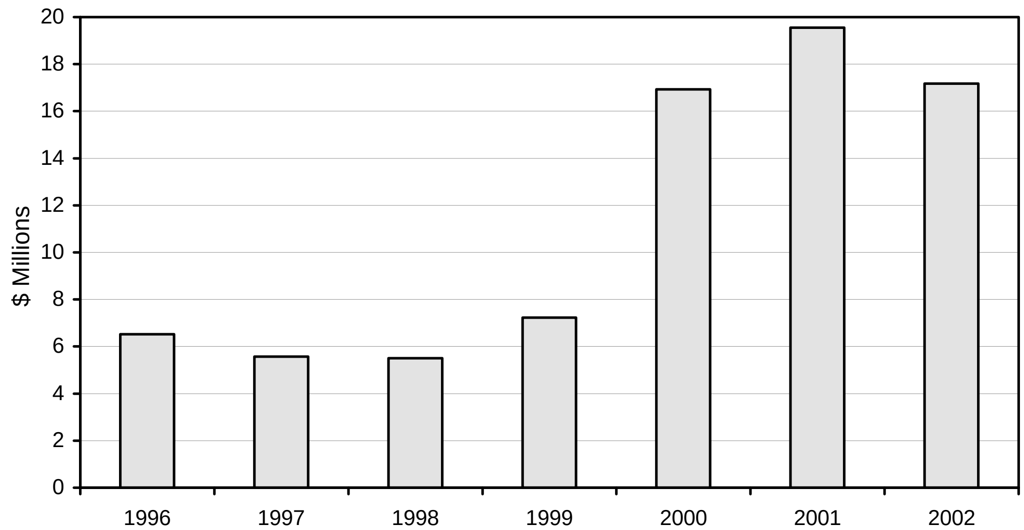
Audit formed the opinion that the controls exercised by the Department of Treasury and Finance in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with law.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Cash

During the year cash decreased by $2.4 million to $17.2 million, however, the Department continues to retain a large accumulated cash balance as illustrated in the following chart:



As a result of the cash balance, interest revenue ($973 000) continues to be a significant item in the Department's net cost of services.

Statement of Financial Performance for the year ended 30 June 2002

	Note	2002 $'000	2001 $'000
EXPENSES FROM ORDINARY ACTIVITIES			
Employee costs	5(a)	**35 006**	32 357
Accommodation and service costs		**4 510**	4 734
Depreciation	6	**2 383**	2 117
Other expenses from ordinary activities	7	**18 168**	19 027
Total Expenses		**60 067**	58 235
REVENUE FROM ORDINARY ACTIVITIES			
User charges and fees	8(a)	**24 755**	27 274
Interest		**973**	1 301
Other revenue from ordinary activities	8(b)	**2 226**	2 443
Total Revenues		**27 954**	31 018
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		**(32 113)**	(27 217)
REVENUES FROM GOVERNMENT			
Appropriation		**30 813**	29 457
Grants and subsidies		**-**	861
Total Revenues from Government		**30 813**	30 318
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES BEFORE RESTRUCTURING		**(1 300)**	3 101
NET REVENUES FROM RESTRUCTURING	9	**233**	-
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES AFTER RESTRUCTURING		**(1 067)**	3 101
(DEFICIT) NET SURPLUS		**(1 067)**	3 101
EQUITY INTERESTS			
Net credit to asset revaluation reserve	16	**108**	-
Total revenues, expenses and valuation adjustments recognised directly in equity		**108**	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH STATE GOVERNMENT AS OWNER		**(959)**	3 101

Statement of Financial Position as at 30 June 2002

	Note	2002 $'000	2001 $'000
CURRENT ASSETS:			
Cash assets	10	**17 170**	19 557
Receivables	10,11	**969**	735
Other	12	**630**	360
Total Current Assets		**18 769**	20 652
NON-CURRENT ASSETS:			
Property, plant and equipment	13	**8 047**	6 580
Other	14	**180**	-
Total Non-Current Assets		**8 227**	6 580
Total Assets		**26 996**	27 232
CURRENT LIABILITIES:			
Payables	10,15	**1 740**	2 328
Provision for employee entitlements	5(b)	**2 510**	2 020
Total Current Liabilities		**4 250**	4 348
NON-CURRENT LIABILITIES:			
Payables	10,15	**804**	725
Provision for employee entitlements	5(b)	**6 053**	5 311
Total Non-Current Liabilities		**6 857**	6 036
Total Liabilities		**11 107**	10 384
NET ASSETS		**15 889**	16 848
EQUITY:			
Asset revaluation reserve	16	**108**	-
Retained surplus	16	**15 781**	16 848
TOTAL EQUITY		**15 889**	16 848
Commitments and Contingent Liabilities	17		

Statement of Cash Flows for the year ended 30 June 2002

	Note	2002 Inflows (Outflows) $'000	2001 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
Employee costs		**(33 852)**	(32 028)
Accommodation and service costs		**(4 433)**	(4 681)
Other expenses from operating activities		**(18 766)**	(19 774)
GST payments on purchases		**(2 974)**	(3 431)
GST payments to taxation authority		**(2 345)**	(2 544)
Total Payments		**(62 370)**	(62 458)
RECEIPTS:			
User charges and fees		**24 325**	27 858
Interest		**984**	1 310
Other revenue from operating activities		**2 439**	2 123
GST receipts on receivables		**2 270**	3 487
GST receipts from taxation authority		**2 950**	2 358
Total Receipts		**32 968**	37 136
CASH FLOWS FROM GOVERNMENT:			
Appropriation		**30 813**	29 457
Grants and subsidies		**-**	861
Total Cash Flows from Government		**30 813**	30 318
Net Cash provided by Operating Activities	18	**1 411**	4 996
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for Property, Plant and Equipment		**(3 798)**	(2 364)
Net Cash used in Investing Activities		**(3 798)**	(2 364)
NET (DECREASE) INCREASE IN CASH HELD		**(2 387)**	2 632
CASH AT 1 JULY		**19 557**	16 925
CASH AT 30 JUNE		**17 170**	19 557

Output Class Schedule of Department's Expenses and Revenues for the year ended 30 June 2002

Outputs (refer Note 4)	1.1 $'000	1.2 $'000	1.3 $'000	2.1 $'000	2.2 $'000	2.3 $'000	2.4 $'000	2.5 $'000	Total 2002 $'000	Total 2001 $'000
EXPENSES FROM ORDINARY ACTIVITIES:										
Employee costs	2 403	6 805	810	14 520	2 574	5 121	1 006	1 767	**35 006**	32 357
Accommodation and service costs	253	929	117	2 032	338	547	145	149	**4 510**	4 734
Depreciation	34	439	11	866	403	595	15	20	**2 383**	2 117
Other expenses from ordinary activities	385	3 111	579	8 560	1 343	2 952	618	620	**18 168**	19 027
Total	3 075	11 284	1 517	25 978	4 658	9 215	1 784	2 556	**60 067**	58 235
REVENUES FROM ORDINARY ACTIVITIES:										
User charges and fees	96	881	56	7 256	4 338	8 994	1 719	1 415	**24 755**	27 274
Interest	69	223	28	625	-	-	-	28	**973**	1 301
Other revenue from ordinary activities	26	756	8	967	-	440	22	7	**2 226**	2 443
Revenue from government	1 794	8 358	654	19 260	-	10	-	737	**30 813**	30 318
Total	1 985	10 218	746	28 108	4 338	9 444	1741	2 187	**58 767**	61 336
(DECREASE) INCREASE IN NET ASSETS RESULTING FROM ORDINARY ACTIVITIES	(1 090)	(1 066)	(771)	2 130	(320)	229	(43)	(369)	**(1 300)**	3 101

The allocations to outputs are indicative and are based on broad costing methodologies. In particular, appropriations were not developed on the basis of outputs for 2001-02 and have been allocated on a broad basis.

Output Schedule of Administered Expenses and Revenues for the year ended 30 June 2002

Outputs (refer Note 4)	1.1 $'000	1.2 $'000	1.3 $'000	2.1 $'000	2.2 $'000	2.3 $'000
ADMINISTERED EXPENSES:						
Consolidated Account:						
Operating:						
Payment for which specific appropriation is authorised in various Acts:						
Parliamentary salaries and allowances	-	-	-	-	-	-
Superannuation and pension provisions - incl. ETSA	-	-	-	-	-	55 617
Other payments:						
Interest	-	-	-	-	277 622	-
Past services superannuation liability	-	-	-	-	-	-
Funding for targeted/voluntary separation package schemes	-	-	-	-	-	-
Other	-	-	-	89 228	5 175	176 407
Investing:						
Other payments:						
Other	-	-	-	-	-	-
Financing:						
Repayment of debt	-	-	-	-	12 355	-
Other administered accounts (Refer Note 23)	-	4 249	38 016	112 742	-	61 708
Total Administered Expenses	-	4 249	38 016	201 970	295 152	293 732
ADMINISTERED REVENUES:						
Consolidated Account:						
Operating:						
Taxation	-	-	-	1 823 791	-	-
Interest	-	-	-	-	129 724	-
Other receipts:						
Recoveries	-	332 842	-	-	-	-
Superannuation	-	-	-	-	-	55 465
Fees, fines and charges	-	17 716	-	-	-	306
Commonwealth specific purpose grants	-	-	-	-	5 175	-
Commonwealth general purpose grants	-	-	-	-	2 896 807	-
Investing:						
Other receipts:						
Other	-	-	-	-	-	-
Other Administered Accounts (Refer Note 23)	-	115	12 340	112 579	-	61 708
Total Administered Receipts	-	350 673	12 340	1 936 370	3 031 706	117 479
NET SURPLUS (DEFICIT)	-	346 424	(25 676)	1 734 400	2 736 554	(176 253)

Outputs (refer Note 4)	2.4 $'000	2.5 $'000	Non-Allocated $'000	**Total 2002** **$'000**	Total 2001 $'000
ADMINISTERED EXPENSES:					
Consolidated Account:					
Operating:					
Payment for which specific appropriation is authorised in various Acts:					
Parliamentary salaries and allowances	-	-	173	**173**	199
Superannuation and pension provisions - incl. ETSA	-	-	-	**55 617**	65 831
Other payments:					
Interest	-	-	-	**277 622**	479 407
Past services superannuation liability	-	-	-	**-**	94 000
Funding for targeted/voluntary separation package schemes	-	-	92 300	**92 300**	68 400
Other	7 000	-	323 772	**601 582**	549 254
Investing:					
Other payments:					
Other	-	-	-	**-**	2 333
Financing:					
Repayment of debt	-	-	-	**12 355**	10 887
Other administered accounts (Refer Note 23)	-	-	429 029	**645 744**	3 041 013
Total Administered Expenses	7 000	-	845 274	**1 685 393**	4 311 324
ADMINISTERED REVENUES:					
Consolidated Account:					
Operating:					
Taxation	-	-	-	**1 823 791**	1 877 495
Interest	-	-	-	**129 724**	154 763
Other receipts:					
Recoveries	-	-	33 387	**366 229**	475 521
Superannuation	-	-	-	**55 465**	66 320
Fees, fines and charges	-	-	2 163	**20 185**	19 862
Commonwealth specific purpose grants	-	-	40 620	**45 795**	44 003
Commonwealth general purpose grants	-	-	-	**2 896 807**	2 582 636
Investing:					
Other receipts:					
Other	-	-	-	**-**	2 024
Other Administered Accounts (Refer Note 23)	-	-	482 765	**669 507**	2 900 480
Total Administered Receipts	-	-	558 935	**6 007 503**	8 123 104
NET SURPLUS (DEFICIT)	(7 000)	-	(286 339)	**4 322 110**	3 811 780

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Departmental Objectives

The Department of Treasury and Finance aims to contribute to three major Outcomes. Associated with each outcome are a series of objectives to which the Department makes a significant or sole contribution.

The Outcomes/Objectives

Strengthened State Economy

- Ensure economic and fiscal policies are in place to promote sustainable economic growth;
- Ensure revenue is raised in a manner, which is equitable, efficient and supportive of economic growth.

Strengthened State Finances

- Ensure an equitable share of Commonwealth funding for the State;
- Ensure sustainable outlays in aggregate over the long term, with no borrowings for non-commercial purposes;
- Support efficient service delivery across whole-of-government;
- Maintain Government's capacity over time to deliver essential public services;
- Achieve the lowest possible economic cost of outstanding debt consistent with agreed risk tolerances;
- Ensure comprehensive insurance protection of the State's finances and assets.

Improved Services

- Ensure client needs are integrated into the delivery of services;
- Provide quality superannuation services to all public sector employees which are financially sustainable.

To achieve these Objectives, the Department delivers a number of Outputs for the Government. The Outputs information is summarised in Note 4.

2. Summary of Significant Accounting Policies

(a) Financial Reporting Framework

The financial report is a general purpose financial report.

(b) Basis of Accounting

The accounts have been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Australian Accounting Standards and Urgent Issues Group Consensus Views. The accounts are prepared on the accrual basis and in accordance with conventional historical cost principles except where stated.

(c) The Reporting Entity

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account titled 'Department of Treasury and Finance Operating Account' and all other Funds (for example South Australian Financing Authority) 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 South Australian 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 South Australian Government. Administered resources are reported on an accrual basis with the exception of items processed through the Consolidated Account, which are on a cash basis.

Transactions and balances relating to these administered resources are not recognised as Departmental revenues and expenses but are disclosed in the applicable Outputs schedules.

(d) User Charges and Fees

User charges and fees controlled by the Department are recognised as revenues. User charges and fees 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.

User charges and fees collected by the Department but not controlled by it are not recognised as revenues, but are reported as administered revenues in the Outputs Schedule of Administered Expenses and Revenues. Such amounts are required to be paid to the Consolidated Account or other funds not controlled by the Department.

(e) Appropriations

Appropriations, whether recurrent, capital, special or other, are recognised as revenues when the Department obtains control over the assets comprising the contributions. Control over appropriations is normally obtained upon their receipt.

(f) Non-Current Assets

All non-current assets controlled by the Department are reported in the Statement of Financial Position. The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. System development costs are capitalised, with depreciation commencing once all costs associated with the development of the system have been incurred and the system is ready for its intended use.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

(f) Non-Current Assets (continued)

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Specific classes of non-current assets which have a total value greater than $1.0 million are revalued every three years in accordance with Treasurer's Accounting Policy Statement 3 'Revaluation of Non-Current Assets'. Furniture and Fittings were revalued as at 30 June 2002 by the Department using an Index based on information provided by Contour Management (refer Note 13).

(g) Depreciation 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 made on a regular basis for all assets. The estimated useful lives of each asset class are as follows:

	Years
Furniture and fittings	10
Systems development	5
Office equipment	3

(h) Employee Entitlements

(i) Wages, Salaries and Annual Leave

Liabilities for wages, salaries and annual leave 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) Long Service Leave

A liability for long service leave is calculated by using the product of the current liability in time for all employees who have completed eight or more years of service and the current rate of remuneration for each of these employees respectively. The eight years has been based on an actuarial calculation as directed in the Accounting Policy Statements. The liability is measured as the amount unpaid at the reporting date.

(iii) Superannuation

Contributions are made by the Department to several superannuation schemes operated by the State Government. 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 South Australian Superannuation Board. The only liability outstanding at balance date relates to any contribution due but not yet paid to the South Australian Superannuation Board.

(iv) Employment On-Costs

The liability for employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave. These amounts are classified under payables.

(i) Leases

The Department has entered into a number of operating lease agreements for buildings and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the periods in which they are incurred.

(j) Cash

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

(k) Goods and Services Tax

The accounting policies adopted for the treatment of Goods and Services Tax (GST) are in accordance with Urgent Issue Group Abstract 31 (Accounting for the Goods and Services Tax [GST]). Input tax credits due from the Australian Taxation Office are included in receivables.

The Department prepares a Business Activity Statement on behalf of its administered entities under the grouping provisions of the GST legislation. Under these provisions, the Department is liable for the payment and entitled to the receipt of GST. As such, the GST applicable to these entities forms part of the Statement of Financial Position and Cash Flow Statement of the Department.

(l) Agency Restructuring

These statements include the financial operation of the transferred functions only for that part of the year the functions were the responsibility of the Department (refer Note 3). The net transfer of assets and liabilities as a result of the restructure has been reflected in the Statement of Financial Performance (refer Note 9).

(m) Comparative Figures

The Statement of Financial Performance, Statement of Financial Position and the Statement of Cash Flows and the Notes to the Financial Statements disclose comparative figures for the reporting period ended 30 June 2001.

(n) Rounding

All amounts are rounded to the nearest thousand dollars.

3. Agency Restructure

Responsibility for the Government Business Group, including the Office of Government Enterprises was transferred from the Department for Administrative and Information Services on 4 December 2001. These statements include the financial operation of the transferred function only for that part of the year the functions were the responsibility of the Department. The net transfer of assets and liabilities as a result of the restructure has been reflected in Note 9.

3. Agency Restructure (continued)

The Portfolio restructures on 4 December 2001 also included the transfer of part of electricity functions of the Department (in the Microeconomic Reform and Infrastructure Branch) from the Treasurer to the Minister for Minerals and Energy. Certain staff were transferred to the Department of Primary Industries and Resources for a period of 3 ½ months, but the Department continued to meet the costs of this function and provide the service to the Minister. Therefore full year costs are included in the financial statements.

Expenses for the Government Business Group for the full reporting period of 2001-02 split between the Department of Treasury and Finance (DTF) and the Department for Administrative and Information Services (DAIS) was as follows:

	1.7.01 to 30.6.02 $'000	1.7.01 to 4.12.01 $'000 (DAIS)	5.12.01 to 30.6.02 $'000 (DTF)
Expenses from Ordinary Activities:			
Employee costs	**697**	341	356
Accommodation and service costs	**122**	51	71
Other expenses from Ordinary Activities	**274**	119	155
	1 093	511	582
Increase (Decrease) In Net Assets Resulting From Ordinary Activities	**(1 093)**	(511)	(582)

4. Outputs of the Department

During 2001-02, the Department managed the delivery of eight outputs to the Treasurer and broader community within two output classes. Outputs are defined as goods and services produced, provided to or acquired for external customers. The identity and description of each output of the Department during the year ended 30 June 2002 are summarised below (refer to the Output Schedule of Department's Expenses and Revenues).

Output Class 1: Ensuring Accountability for Public Sector Resources

This output class encompasses the outputs the Department delivers in its role of managing the State's Finances through coordinating resource allocations for government programs and priorities at the whole-of-government level, providing financial and economic policy advice, and reviewing the performance of government businesses.

Output 1.1 *Policy Analysis and Advice*

The Department provides economic policy advice at a whole-of-government level on a range of issues including revenue, taxation policy, intergovernmental financial relations, gambling policy and economic conditions, National Competition Policy, and provision of strategic analysis and evaluation of major policy issues facing government.

Output 1.2 *Budget and Financial Management*

The Department has a central role in managing the State Government finances through the annual Budget Process and the provision of advice on a range of financial and commercial matters relating to government entities. This output includes: management of the State Budget process; provision of policy advice to Government on whole of government budgetary and financial issues including financial risk management; monitoring and reporting of financial performance; providing commercial advice to Government on its consolidated financial position; advice to Government on budgetary and structural reform; facilitation of best practice financial management reforms; and advice on Government Business Enterprise (GBE) operational performance.

Output 1.3 *Microeconomic Reform*

The Department undertakes asset reviews and sales with the objectives on minimising business risk and maximising return to the Government, implementing microeconomic reform and achieving ongoing debt reduction. This output covers the implementation of the Government's objectives for electricity market reforms and asset sales in the context of the national electricity market and the National Competition Policy.

Output Class 2: Financial Service Provision

This output class encompasses the outputs The Department delivers in its role of providing a range of services to the Government and broader community including asset and liability management, collection of state taxes, and insurance and superannuation administration.

Output 2.1 *Revenue Collection and Management*

The Department, through RevenueSA, provides policy advice on taxation issues and the management of taxation legislation, revenue systems and compliance functions to enable the Government to raise revenue using its taxation powers. This output covers the provision of an efficient and effective tax revenue service that is fair and equitable to maximise its value to the Government and taxpayers.

Output 2.2 *Financing Services*

The Department through the South Australian Government Financing Authority, manages the existing stock of government liabilities and provides certainty of funding to the State. This allows the funding of acquisitions of capital goods necessary for the production of a wide range of public goods and services. This output also covers the provision of cash management and financial risk management advisory services to public organisations.

Output 2.3 *Superannuation Services*
The South Australian Superannuation Board is the statutory body responsible for administering the major superannuation schemes for public sector employees. As a branch of the Department, the State Superannuation Office delivers this output by administering the schemes for the Board, under a service level agreement, as well as the superannuation arrangements for parliamentarians, judges and governors. The output also covers the provision of superannuation policy and legislative advice to the Board, the Under Treasurer and the Treasurer.

Output 2.4 *Insurance Services*
The Department is a provider of insurance to other government agencies through the South Australian Government Captive Insurance Corporation (SAICORP). SAICORP insures and reinsures government risks, and provides advice to the Government on issues relating to the insurance and management of those risks. This output ensures the protection of the State's finances from very large property losses or liability claims at competitive and stable premiums.

Output 2.5 *Business Support Services*
The Department provides a number of specialist services to the Government and external clients. These services include corporate services to clients external to the Department. This output also includes the provision of support staff to, and the management of, the Treasurer's Office.

Not Allocated: Certain items administered by the Department are not allocated to outputs.

5. Employee Entitlements

	2002	2001
(a) Employee Costs	**$'000**	$'000
Salaries and wages	**25 247**	23 766
Superannuation and payroll tax expenses	**5 127**	4 843
Annual and long service leave expenses	**3 597**	2 835
Board fees(1)	**82**	78
Other employee related expenses	**953**	835
	35 006	32 357

(1) Represents fees paid to members of the South Australian Superannuation Board and the Board of Directors of SAICORP.

	2002	2001
(b) Provision for Employee Entitlements		
Current Liabilities:		
Annual leave	**2 105**	1 671
Long service leave	**405**	349
	2 510	2 020
Non-Current Liability:		
Long service leave	**6 053**	5 311

	2002 Number	2001 Number
(c) Average Number of Employees during the Financial Year	**554**	539

6. Depreciation

	2002	2001
Depreciation was charged in respect of:	**$'000**	$'000
Furniture and fittings	**428**	388
Office equipment	**279**	193
Systems development	**1 676**	1 536
	2 383	2 117

7. Other Expenses from Ordinary Activities

	2002	2001
General administration	**11 573**	12 124
EDS charges	**3 177**	2 950
Consultants	**457**	808
Contractors	**2 961**	3 145
	18 168	19 027

8. Revenues from Ordinary Activities

	2002	2001
(a) User Charges and Fees Recovered from:		
Agencies for the provision of Corporate Services	**1 537**	2 132
South Australian Government Captive Insurance Corporation	**1 709**	1 381
South Australian Government Financing Authority	**4 325**	4 420
South Australian Superannuation Board	**8 994**	8 857
Electricity Reform and Sales Unit Operating Account	**40**	1 952
Emergency Services Levy	**7 044**	7 560
Other recoveries for services	**1 106**	972
	24 755	27 274
(b) Other Revenue from Ordinary Activities		
Reimbursement for TVSPs paid	**176**	77
Reimbursement for Workers Compensation claims	**-**	6
Land agents enquiry fees	**586**	388
Sundry items	**1 464**	1 972
	2 226	2 443

9. Net Revenue from Restructuring

	2002	2001
	$'000	$'000
Net Assets transferred (from) to the Department:		
Property, plant and equipment	**13**	-
Net Liabilities transferred from (to) the Department:		
Creditors and accruals - Current	**(13)**	-
Provision for employee entitlements - Current	**(78)**	-
Creditors and accruals - Non Current	**(40)**	-
Provision for employee entitlements - Non Current	**(328)**	-
	(459)	-
Costs incurred on behalf of Department of Treasury and Finance by the Department of Administrative and Information Services	**679**	-
Net Revenue from Restructuring	**233**	-

10. Financial Instruments

The following disclosures have been provided to satisfy the requirements of Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments'.

(a) Terms, Conditions and Accounting Policies

(i) Financial Assets

- Cash is available at call and is recorded at cost.
- Receivables are raised for all goods and services provided for which payment has not been received.
- Receivables are normally settled within 30 days.

(ii) Financial Liabilities

- The imprest account is repayable to the Treasurer and is recorded at the value of the monies received.
- Creditors and accruals are raised for all amounts billed but unpaid.
- Sundry creditors are normally settled within 30 days.

(b) Interest Rate Risk

	2002				2001			
Financial Instrument	**Floating Interest Rate**	**Non-Interest Bearing**	**Total Carrying Amount**	**Weighted Average Effective Interest Rate**	Floating Interest Rate	Non-Interest Bearing	Total Carrying Amount	Weighted Average Effective Interest Rate
Financial Assets:	**$'000**	**$'000**	**$'000**	**Percent**	$'000	$'000	$'000	Percent
Cash	**17 163**	**7**	**17 170**	**4.17**	19 550	7	19 557	5.06
Receivables	**-**	**969**	**969**		-	735	735	
	17 163	**976**	**18 139**		19 550	742	20 292	
Financial Liabilities:								
Payables	**-**	**2 544**	**2 544**		-	3 053	3 053	
	-	**2 544**	**2 544**		-	3 053	3 053	

(c) Net Fair Values

Financial instruments are valued at the carrying amount as per the Statement of Financial Position which approximates the net fair value. The carrying amount of financial assets approximates net fair value due to their short-term to maturity or being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

11. Receivables

	2002	2001
	$'000	$'000
Fees receivable	**744**	610
Net GST receivable	**225**	125
	969	735

12. Other Current Assets

	2002	2001
Prepayments	**630**	360

13. Property, Plant and Equipment

	Furniture & Fitting	Office Equipment	Systems Dvlpmnt	Total
Valuation at Current Cost and Historical Cost:	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 30 June 2001	**4 278**	**1 020**	**9 282**	**14 580**
Additions	**236**	**585**	**2 916**	**3 737**
Disposals	**-**	**(430)**	**(75)**	**(505)**
Net Revaluation increments	**390**	**-**	**-**	**390**
Other adjustments	**(91)**	**-**	**-**	**(91)**
Balance at 30 June 2002	**4 813**	**1 175**	**12 123**	**18 111**
Accumulated Depreciation:				
Balance at 30 June 2001	**(2 511)**	**(613)**	**(4 876)**	**(8 000)**
Disposals	**-**	**430**	**75**	**505**
Depreciation expense	**(428)**	**(279)**	**(1 676)**	**(2 383)**
Net Revaluation increments	**(283)**	**-**	**-**	**(283)**
Other adjustments	**97**	**-**	**-**	**97**
Balance at 30 June 2002	**(3 125)**	**(462)**	**(6 477)**	**(10 064)**
Net Book Value as at 30 June 2001	1 767	407	4 406	6 580
Net Book Value as at 30 June 2002	**1 688**	**713**	**5 646**	**8 047**

13. Property, Plant and Equipment (continued)

Valuations of asset classes greater than $1 million, for furniture and fittings were determined as at 30 June 2002 based on an index provided by Contour Management.

Systems development reflects costs incurred in the design and development of in-house applications, including the development of systems within the Finance Branch, RevenueSA and Super SA. It includes an amount of $3 297 000 ($627 000) for work in progress upon which depreciation will not be charged until the development is complete.

14. Other Non Current Assets

	2002 $'000	2001 $'000
Prepayments	**180**	-

15. Payables

	2002 $'000	2001 $'000
Current:		
Employee on-costs	**604**	766
Accommodation and service costs	**81**	75
General administration	**886**	1 137
Consultants	**54**	100
Unearned revenue	**15**	74
Purchases of non-current assets	**70**	134
Provision for workers compensation	**29**	25
Others	**1**	17
	1 740	2 328
Non-Current:		
Employee on-costs	**700**	628
Provision for Workers Compensation	**97**	90
Other borrowings	**7**	7
	804	725

16. Equity

	2002 $'000	2001 $'000
Retained surplus:		
Retained surplus at 1 July	**16 848**	13 747
Increase (Decrease) in net assets resulting from ordinary activities	**(1 067)**	3 101
Retained Surplus at 30 June	**15 781**	16 848
Asset Revaluation Reserve:		
Balance as at 1 July	**-**	-
Revaluation adjustment for Furniture and Fittings	**108**	-
Balance as at 30 June	**108**	-

17. Commitments For Expenditure and Contingent Liabilities

(a) Operating Leases

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 Administrative and Information Services (DAIS). The leases are non-cancellable with terms ranging from five to eight 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 arrears.

- 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 $3 359 000.

Operating Lease Commitments	2002	2001
Commitments under non-cancellable operating leases at the reporting date are payable as follows:	$'000	$'000
Not later than one year	**3 196**	3 283
Later than one year and not later than five years	**3 377**	6 880
Later than five years	**-**	-
	6 573	10 163

(b) Capital Commitments

The Department's capital commitments are for software licence agreements.

Capital expenditure contracted for at the reporting date but not recognised in the financial report as liabilities, are payable as follows:		
Not later than one year	**83**	465
Later than one year but not later than five years	**-**	-
Later than five years	**-**	-
	83	465

(c) Contingent Liabilities

The Department is not aware of any contingent liabilities or claims against the Department not accounted for in the Financial Statements.

18. Reconciliation of Net Cash provided by (used in) Operating Activities to Net Surplus (Cost) of Services from Ordinary Activities

	2002 $'000	2001 $'000
Net cash provided by (used in) operating activities	**1 411**	4 996
Less: Appropriation from government	**(30 813)**	(30 318)
Non-Cash items:		
(Increase) Decrease in doubtful debts	**-**	5
Depreciation expense	**(2 383)**	(2 117)
Gain (Loss) on disposal of fixed assets	**(5)**	(8)
Cost incurred on behalf of Department of Treasury and Finance by the Department for Administrative and Information Services	**(679)**	-
Change in operating assets and liabilities:		
Increase (Decrease) in receivables	**180**	(475)
Increase (Decrease) in prepayments	**450**	32
(Increase) Decrease in payables	**551**	858
(Increase) Decrease in provision for employee entitlements	**(825)**	(190)
Net Surplus (Cost) of Services from Ordinary Activities	**(32 113)**	(27 217)

19. Remuneration of Employees

The number of employees whose total employment cost was over $100 000 fell within the following bands:	2002 Number of Employees	2001 Number of Employees
$100 000 - $109 999	**5**	11
$110 000 - $119 999	**12**	7
$120 000 - $129 999	**4**	4
$130 000 - $139 999	**3**	1
$140 000 - $149 999	**2**	3
$150 000 - $159 999	**2**	3
$160 000 - $169 999	**2**	1
$170 000 - $179 999	**-**	1
$180 000 - $189 999	**2**	-
$250 000 - $259 999	**-**	1
$280 000 - $289 999	**1**	-
	33	32

The tables includes all employees who received remuneration of $100 000 or more during the year. The total remuneration received by these employees for the year was $4.501 million ($4.108 million).

20. Payments to Consultants

Payments to consultants fell within the following bands:	2002 Number of Consultants	2001 Number of Consultants
$0 - $10 000	**24**	27
$10 001 - $50 000	**5**	10
$50 001 - $100 000	**1**	-
$150 001 - $200 000	**-**	1
$200 001 - $250 000	**1**	1
Over $250 000	**-**	1

The total payments to the 31 (40) consultants engaged was $457 000 ($935 000). Of this amount $457 000 ($808 000) was met from operating expenses and $nil ($127 000) was capitalised.

21. Remuneration of Auditors

Amounts received or due and receivable by the auditors with respect to the audit of the Department are:	2002 $'000	2001 $'000
Auditing the Department's activities	**309**	337

22. Targeted/Voluntary Separation Package (TVSPs) Schemes

	2002 Number of Employees	2001 Number of Employees
Number of employees paid TVSPs	**2**	1

Amount paid to these employees:	2002 $'000	2001 $'000
TVSP	**176**	77
Accrued annual and long service leave	**87**	38
	263	115
Amount recovered from the Targeted/Voluntary Separation Package Schemes Special Deposit Account	**176**	77

These amounts are included in the financial statement.

23. Other Administered Accounts

The following deposit accounts established pursuant to section 8 of the *Public Finance and Audit Act 1987* are administered by the Department. Reflected below are a summary of revenues and expenses, and assets and liabilities of each administered item.

	2002			
	Revenues	**Expenses**	**Assets**	**Liabilities**
	$'000	**$'000**	**$'000**	**$'000**
Agency Provisions for Future Asset Replacements	**-**	**-**	**7 499**	**7 499**
Asset Sales Unit	**115**	**4 249**	**1 136**	**1 136**
Bank SA Sale Account	**-**	**446**	**-**	**-**
Commonwealth Mirror Taxes on Commonwealth Places Revenue Account	**97 842**	**97 842**	**-**	**-**
Community Development Fund	**19 500**	**19 500**	**-**	**-**
Country Equalisation Scheme	**10 000**	**-**	**10 000**	**-**
Electricity Planning Council	**1 743**	**1 682**	**927**	**316**
Electricity Reform and Sales Unit	**11**	**9 534**	**879**	**50**
Emergency Service Levy	**107 580**	**107 743**	**79**	**50**
ETSA Sales/Lease Proceeds Account	**10 544**	**25 807**	**20**	**510 455**
Gas Supply Options Operating Account	**41**	**968**	**-**	**-**
Home Purchases Assistance Account	**232**	**232**	**736**	**736**
Home Builders Account No.2	**480**	**480**	**-**	**-**
Hospitals Fund	**139 403**	**139 403**	**11 025**	**11 025**
Independent Gambling Authority	**1 143**	**764**	**581**	**49**
Inter-regional Settlements Residues Account	**18 743**	**18 607**	**20**	**20**
Local Government Concessions Senior Card Holders	**1 621**	**1 521**	**100**	**-**
Local Government Disaster Fund	**1 674**	**539**	**38 491**	**-**
NEM Taskforce	**1**	**25**	**-**	**-**
Ports Corp sale/lease - Proceeds	**134 013**	**99 040**	**35 073**	**100**
SAAMC - Returns to Treasurer	**-**	**-**	**-**	**-**
SAIIR	**3 748**	**3 013**	**3 788**	**2 133**
Stony Point Indenture Account	**3 439**	**3 439**	**17 054**	**17 054**
TAB sale - Proceeds	**46 806**	**40 082**	**11 172**	**4 448**
Totalizator Dividend Adjustment Account	**1 561**	**1 561**	**-**	**-**
Treasury Working Account	**69 267**	**69 267**	**608**	**608**
Void cheques	**-**	**-**	**-**	**-**
	669 507	**645 744**	**139 188**	**555 679**

Accounts of the South Australian Government Financing Authority, the South Australian Finance Trust Limited and the South Australian Government Captive Insurance Corporation established pursuant to the *Public Finance and Audit Act 1987* are not included. For further information on these accounts reference should be made to the financial statements of the South Australian Government Financing Authority and the South Australian Government Captive Insurance Corporation.

XTAB PTY LTD

INTRODUCTION

Following the sale of the business of the SA TAB Pty Ltd (formerly known as the South Australian Totalizator Agency Board) on 14 January 2002 to TAB Queensland Pty Ltd, the SA TAB Pty Ltd was renamed XTAB Pty Ltd.

A number of employees, who did not transfer to TAB Queensland Pty Ltd or take a redundancy package, remain in the employment of XTAB Pty Ltd and are able to utilise the career transition facilities until 13 January 2003.

STATUS OF FINANCIAL STATEMENTS

XTAB Pty Ltd was unable to finalise its financial statements for the year ended 30 June 2002 in sufficient time to enable the audit to be completed at the date of finalisation of this Report.

The audited financial statements of XTAB Pty Ltd for the year ended 30 June 2002 will be included in a Supplementary Audit Report to Parliament.

APPENDIX TO

AUDITOR-GENERAL'S

ANNUAL REPORT

TREASURER'S

FINANCIAL STATEMENTS

(Pursuant to section 22 of the *Public Finance and Audit Act 1987*)

2001-02

STATEMENT A

SUMMARY OF THE CONSOLIDATED
ACCOUNT FOR THE YEAR ENDED 30 JUNE 2002
(Section 22 *(a)* (i) *Public Finance and Audit Act 1987*)
(Prepared on a Cash Basis)

	Budget	Actual
	$	**$**
RECEIPTS		
Taxation	1 856 858 000	2 055 692 764
Commonwealth General Purpose grants	2 818 400 000	2 896 807 057
Commonwealth Specific Purpose grants	325 790 000	66 534 335
Contributions from State Undertakings	629 211 000	341 842 416
Fees and Charges	103 053 000	104 927 251
Recoveries	112 617 000	182 696 494
Royalties	101 100 000	82 623 205
Other Receipts	252 763 000	229 225 853
Total Receipts	6 199 792 000	5 960 349 375
PAYMENTS		
Appropriation Act	6 140 780 000	5 858 043 845
Specific Appropriation Authorised in Various Acts	129 618 000	222 071 202
Total Payments	6 270 398 000	6 080 115 047
CONSOLIDATED ACCOUNT FINANCING REQUIREMENT	70 606 000	119 765 672
BORROWING FROM SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY	70 606 000	119 765 672

MIKE RANN, Acting Treasurer

STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT OF THE GOVERNMENT OF SOUTH AUSTRALIA
FOR THE YEAR ENDED 30 JUNE 2002
(Section 22 *(a)* (i) *Public Finance and Audit Act 1987*)
(Prepared on a Cash Basis)

	Budget 2001-02	Actual 2001-02
RECEIPTS	$	$
TAXATION		
Payroll Tax	714 800 000	754 124 597
Commonwealth places mirror payroll tax	11 300 000	4 678 220
Stamp Duties	624 800 000	771 606 926
Commonwealth places mirror stamp duties	1 100 000	589 353
Land Tax	144 800 000	141 573 301
Commonwealth places mirror land tax	500 000	542 931
Financial Institutions Duty	8 300 000	10 337 795
Debits Tax	58 800 000	58 784 749
Commonwealth places mirror debits tax	600 000	175 013
Gaming Machines Tax	192 700 000	211 609 793
Contribution from Lotteries Commission	69 400 000	66 512 628
Contribution from Casino Operations	13 600 000	15 649 656
Contribution from Totalizator Agency Board	12 500 000	13 733 928
Contribution from On-course Totalizators, Bookmakers and Small Lotteries	3 458 000	3 314 805
Recoup from Recreation and Sport Fund	200 000	263 069
Hindmarsh Island Bridge Levy	-	2 196 000
Total Taxation Receipts	1 856 858 000	2 055 692 764
COMMONWEALTH GENERAL PURPOSE GRANTS		
Competition Grants	55 300 000	55 660 903
GST Revenue Grants	2 540 500 000	2 476 614 050
Transitional Grants	222 600 000	364 532 104
Total Commonwealth General Purpose Grants	2 818 400 000	2 896 807 057
COMMONWEALTH SPECIFIC PURPOSE GRANTS		
Additional First Home Owners Grants	9 300 000	23 250 000
Companies Code - Fees	10 900 000	11 056 836
Concessions to Pensioners and Others	16 593 000	16 899 000
Debt Redemption Assistance	5 180 000	5 175 454
Housing Interest Assistance	940 000	470 250
Legal Aid	8 962 000	9 682 795
Native Title Legislation – Administration	473 000	-
Non-Government Schools (a)	264 112 000	-
Non-Government Schools - National Equity Program Scheme (a)	4 795 000	-
School Language and Literacy - Community Languages in Ethnic Schools (a)	469 000	-
Special Education - Intervention Support (a)	4 066 000	-
Total Commonwealth Specific Purpose Grants	325 790 000	66 534 335
CONTRIBUTIONS FROM STATE UNDERTAKINGS		
Adelaide Entertainments Corporation—		
Dividend	700 000	-
Administrative and Information Services (excluding SAGERP) —		
Dividend	37 502 000	49 537 000
Income Tax Equivalent	1 544 000	3 123 000
Local Government Rate Equivalent	546 000	534 533

(a) Commonwealth Specific Purpose Grants processed directly through the Department of Education, Training and Employment special deposit account reported in Statement F

STATEMENT A—*continued*

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS TO THE CONSOLIDATED ACCOUNT, 2001-02—*continued*

	Budget 2001-02	Actual 2001-02
RECEIPTS-*continued*	$	$
CONTRIBUTIONS FROM STATE UNDERTAKINGS—*continued*		
Forestry SA—		
Dividend	14 048 000	12 380 534
Income Tax Equivalent	8 666 000	10 352 001
Local Government Rate Equivalent	1 000	-
Funds SA (and subsidiaries)—		
Income Tax Equivalent	-	1 382 632
Local Government Rate Equivalent	138 000	130 599
HomeStart Finance—		
Income Tax Equivalent	2 100 000	2 098 343
Industrial and Commercial Premises Corporation—		
Dividend	144 000	246 237
Income Tax Equivalent	409 000	1 361 990
Land Management Corporation—		
Dividend	3 028 000	3 028 000
Income Tax Equivalent	1 653 000	2 981 000
Local Government Rate Equivalent	105 000	118 983
Lotteries Commission—		
Income Tax Equivalent	6 900 000	8 152 815
Local Government Rate Equivalent	31 000	27 475
Motor Accident Commission—		
Dividend	10 000 000	-
Police Security Services—		
Income Tax Equivalent	146 000	83 034
Public Trustee Office—		
Dividend	1 379 000	1 367 600
Income Tax Equivalent	959 000	1 163 761
Local Government Rate Equivalent	25 000	22 034
South Australian Asset Management Corporation—		
Dividend	194 000 000	-
South Australian Government Captive Insurance Corporation—		
Income Tax Equivalent	5 045 000	7 440 341
Payments in lieu of other taxes	3 932 000	-
South Australian Government Employee Residential Properties—		
Dividend	640 000	-
Income Tax Equivalent	270 000	-
South Australian Government Financing Authority—		
Dividend	102 700 000	20 000 000
Income Tax Equivalent	7 300 000	7 610 999
South Australian Housing Trust—		
Income Tax Equivalent	246 000	-
South Australian Ports Corporation—		
Dividend	6 476 000	3 570 000
Income Tax Equivalent	5 473 000	2 465 971
Local Government Rate Equivalent	130 000	-
South Australian Totalizator Agency Board—		
Income Tax Equivalent	1 000 000	654 988
South Australian Water Corporation—		
Dividend	143 974 000	137 175 000
Income Tax Equivalent	51 381 000	57 998 014
Local Government Rate Equivalent	900 000	985 629

STATEMENT A—*continued*

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2001-02—*continued*

	Budget 2001-02	Actual 2001-02
RECEIPTS-*continued*	$	$
CONTRIBUTIONS FROM STATE UNDERTAKINGS—*continued*		
TransAdelaide—		
Dividend	436 000	352 800
Income Tax Equivalent	311 000	-
Local Government Rate Equivalent	82 000	115 804
Transport, Urban Planning and the Arts—		
Dividend	10 549 000	3 423 410
Income Tax Equivalent	3 128 000	1 558 638
Local Government Rate Equivalent	82 000	75 562
West Beach Trust—		
Income Tax Equivalent	1 132 000	323 689
Total Contributions from State Undertakings	629 211 000	341 842 416
FEES AND CHARGES		
Auditor-General's Department - Fees for audit and other sundry receipts	8 459 000	7 195 507
Court and Probate fees	12 676 000	2 415 171
Court fines	15 945 000	25 149 148
Environment Protection Agency - Excess Water Charges	2 300 000	773 502
Guarantee fees	17 877 000	17 929 383
Infringement notice schemes - Expiation fees	45 774 000	51 070 520
Sundry fees	22 000	394 020
Total Fees and Charges	103 053 000	104 927 251
RECOVERIES		
Child Abuse Protection Program - Intra sector grants received	200 000	200 000
Community Development Fund - St John Australia SA Inc	100 000	100 000
Contingency provisions - Recoveries	2 235 000	-
Contribution to the cost of private plated vehicles	10 000	28 968
Helicopter service - Recovery of costs and sponsorships	1 146 000	1 502 168
Independent Gaming Corporation contribution to Gamblers Rehabilitation Fund	1 500 000	1 500 000
Legislature - Sale of publications	548 000	359 177
Light motor vehicle fleet - Rental payments recovery	4 300 000	5 333 219
National Tax Equivalent Program	6 000	-
Recoup from Commonwealth for fire protection of Commonwealth property	1 122 000	-
Recoveries of hardship and assistance support	-	24 979
Return of Commonwealth places mirror taxes collected-		
for the period 6 October 1997 to 13 February 2002	81 819 000	91 856 093
for the 2001-02 financial year (a)	13 500 000	-
Return of deposit account balances	-	13 450 655
Sale of evidence/transcripts	1 161 000	967 227
Sale of Government Gazette	150 000	61 739
South Australian Independent Industry Regulator	2 783 000	3 131 000
Superannuation receipts recovered from-		
Electricity Industry Superannuation Scheme – Employer share of benefits paid	-	536 812
Electricity Industry Superannuation Scheme – Fund share of benefits paid	-	54 928 090
Sundry recoups	109 000	6 767 296
Unclaimed monies	1 928 000	1 949 071
Total Recoveries	112 617 000	182 696 494

(a) Refer to the Taxation Receipts for details of Commonwealth places mirror taxes collected for the 2001-02 financial year

STATEMENT A—*continued*

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS
TO THE CONSOLIDATED ACCOUNT, 2001-02—*continued*

	Budget 2001-02	Actual 2001-02
RECEIPTS-*continued*	$	$
ROYALTIES		
Department of Primary Industries and Resources	101 100 000	82 623 205
Total Royalties	101 100 000	82 623 205
OTHER RECEIPTS		
Interest on investments	69 000 000	58 792 515
Interest recoveries from—		
General government entities	20 012 000	17 207 415
Non commercial public trading enterprises	55 541 000	50 191 079
Private sector	1 610 000	1 892 859
Universities	1 640 000	1 640 250
Repayment of advances—		
South Australian Housing Trust	15 498 000	15 388 715
Transport, Urban Planning and the Arts	11 010 000	10 900 000
University of South Australia	5 000 000	5 000 000
Residual electricity entities	14 300 000	-
Other	17 474 000	18 622 170
Repayment of equity capital contributions—		
Forestry SA	20 000 000	20 000 000
South Australian Water Corporation	11 000 000	11 000 000
Residual Electricity Entities	-	14 733 260
Sale of land and buildings	3 728 000	2 849 115
Other	6 950 000	1 008 475
Total Other Receipts	252 763 000	229 225 853
TOTAL CONSOLIDATED ACCOUNT RECEIPTS	6 199 792 000	5 960 349 375

STATEMENT A—*continued*

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT OF THE GOVERNMENT OF SOUTH AUSTRALIA
FOR THE YEAR ENDED 30 JUNE 2002
(Section 22 *(a)* (i) *Public Finance and Audit Act 1987*)
(Prepared on a Cash Basis)

	Budget 2001-02	Actual 2001-02
PAYMENTS - AUTHORISED BY VARIOUS ACTS	$	$
SALARIES AND ALLOWANCES		
Agent-General - Pursuant to Agent-General Act	242 000	252 966
Auditor-General - Pursuant to Public Finance and Audit Act	197 000	198 697
Commissioner of Police - Pursuant to Police Act	222 000	253 941
Electoral Commissioner and Deputy Electoral Commissioner - Pursuant to Electoral Act	271 000	242 729
Employee Ombudsman - Pursuant to the Industrial and Employee Relations Act	81 000	82 896
Governor - Pursuant to Constitution Act	225 000	185 807
Judges - Pursuant to Remuneration Act—		
Chief Justice	347 000	374 585
Judges	11 869 000	12 025 772
Magistrates - Pursuant to Remuneration Act	7 166 000	7 255 641
Members of various Standing Committees - Pursuant to Parliamentary Remuneration Act and Parliamentary Committees (Miscellaneous) Act	379 000	304 228
Ombudsman - Pursuant to Ombudsman Act	201 000	202 269
Parliamentary Salaries and Electorate and Expense Allowances—		
Ministers, Officers and Members of Parliament - Pursuant to Parliamentary Remuneration Act	9 292 000	9 587 991
Senior Judge and Judges of the Industrial Relations Commission - Pursuant to Remuneration Act	1 300 000	1 266 712
Solicitor-General - Pursuant to Solicitor-General Act	232 000	298 453
Valuer-General - Pursuant to Valuation of Land Act	94 000	101 199
SUPERANNUATION AND PENSION PROVISIONS		
Electricity Trust of South Australia Superannuation Scheme-Pursuant to Electricity Trust of South Australia Act	-	55 616 754
OTHER		
Compensation for Injuries Resulting from Criminal Acts – Pursuant to Criminal Injuries Compensation Act	8 200 000	8 200 000
Electoral Districts Boundaries Commission - Pursuant to Constitution Act	-	130 742
First Home Owners’ Grants - Pursuant to First Home Owner Grant Act	89 300 000	125 489 820
Total Payments Authorised by Various Acts	129 618 000	222 071 202

STATEMENT A—*continued*

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS
FROM THE CONSOLIDATED ACCOUNT, 2001-02—*continued*

	Budget (*Appropriation Act 2001*)			Actual
	Initial Section 4(1)	Transfers Section 5	Balance	2001-02
PAYMENTS	$	$	$	$
Legislative Council	3 692 000	-	3 692 000	2 911 629
House of Assembly	5 774 000	-	5 774 000	4 857 954
Joint Parliamentary Services	6 205 000	-	6 205 000	6 160 220
Department of the Premier and Cabinet	47 063 000	(2 656 000)	44 407 000	44 542 000
Administered Items for the Department of the Premier and Cabinet	3 149 000	-	3 149 000	2 797 182
State Governor's Establishment	2 132 000	-	2 132 000	2 130 000
Auditor-General's Department	9 293 000	-	9 293 000	9 231 000
Administered Items for the Auditor-General's Department	835 000	-	835 000	735 262
Department of Primary Industries and Resources	117 544 000	-	117 544 000	118 165 299
Administered Items for Department of Primary Industries and Resources, Natural Resources and Regional Development	96 629 000	-	96 629 000	85 722 936
Department of Treasury and Finance	30 734 000	-	30 734 000	30 813 000
Administered Items for Department of Treasury and Finance	899 814 000	-	899 814 000	863 622 061
Department of Industry and Trade	186 295 000	-	186 295 000	187 246 852
Administered Items for Department of Industry and Trade	2 400 000	-	2 400 000	-
Department of Justice	557 297 000	1 499 000	558 796 000	558 169 900
Administered Items for Attorney-General's Department	43 522 000	-	43 522 000	47 208 537
Administered Items for State Electoral office	300 000	-	300 000	-
Department of Human Services	1 506 541 000	(88 930 000)	1 417 611 000	1 416 706 227
Administered Items for Department of Human Services	800 000	88 380 000	89 180 000	89 180 000
Minister for Human Services-Other Items	9 020 000	-	9 020 000	9 020 000
Department for Transport, Urban Planning and the Arts	332 228 000	(1 944 000)	330 284 000	331 433 658
Administered Items for Transport, Urban Planning and the Arts	10 846 000	-	10 846 000	12 558 301
TransAdelaide	10 542 000	-	10 542 000	7 431 501
Minister for Transport and Urban Planning, Minister for the Arts and Minister for the Status of Women - Other Items	4 180 000	-	4 180 000	-
Minister for Government Enterprises and Minister for Information Economy - Other Items	24 953 000	-	24 953 000	21 873 030
Department of Education, Training and Employment	1 449 899 000	-	1 449 899 000	1 489 274 000
Administered Items for Department of Education, Training and Employment	386 558 000	550 000	387 108 000	117 001 305
Department for Environment and Heritage	112 440 000	(19 093 000)	93 347 000	93 576 056
Administered Items for Department for Environment and Heritage	5 278 000	-	5 278 000	5 278 000
Department for Water Resources	43 134 000	-	43 134 000	43 107 000
Administered Items for Department for Water Resources	2 201 000	-	2 201 000	2 201 000
South Australian Tourism Commission	53 048 000	-	53 048 000	53 024 000
Minister for Tourism - Other Items	6 708 000	-	6 708 000	8 330 000
South Australian Police Department	9 857 000	-	9 857 000	9 857 000
Administered Items for South Australian Police Department	3 343 000	-	3 343 000	3 191 751
Minister for Police, Correctional Services and Emergency Services - Other Items	1 716 000	-	1 716 000	1 301 000
Department for Administrative and Information Services	153 856 000	22 194 000	176 050 000	178 893 184
Minister for Workplace Relations	493 000	-	493 000	493 000
Minister for Local Government - Other items	461 000	-	461 000	-
Department of Water , Land and Biodiversity Conservation	-	-	-	-
Total Payments Appropriated for Departments and Ministers	6 140 780 000	-	6 140 780 000	5 858 043 845
TOTAL CONSOLIDATED ACCOUNT PAYMENTS	6 270 398 000	-	6 270 398 000	6 080 115 047

MIKE RANN, Acting Treasurer

STATEMENT B

SUMMARY OF MOVEMENTS OF FUNDS OF THE TREASURER
DURING THE YEAR ENDED 30 JUNE 2002
(Section 22 *(a)* (ii) *Public Finance and Audit Act 1987*)
(Prepared on a Cash Basis)

	2001-02	2000-01
	$'000	$'000
SOURCE OF FUNDS		
Consolidated Account Receipts —		
Taxation	2 055 693	2 086 308
Commonwealth—General Purpose Grants	2 896 807	2 582 636
Commonwealth—Specific Purpose Grants	66 534	63 875
Contributions from State Undertakings	341 842	376 086
Fees and Charges	104 927	101 394
Recoveries	182 697	81 447
Royalties	82 623	106 563
Other Receipts	229 226	345 005
Total Receipts	5 960 349	5 743 314
Borrowing from the South Australian Government Financing Authority (a)	119 766	150 796
Increase in balance of Special Deposit Accounts	35 899	-
Decrease in deposits by the Treasurer with SAFA	-	1 604 242
Decrease in balance of Imprest Accounts	-	19
Decrease in cash at bank	202 542	-
Increase in the value of cheques drawn but not presented	20 820	2 280
	6 339 376	7 500 651
APPLICATION OF FUNDS		
Consolidated Account Payments	6 080 115	5 894 110
Increase in deposits by the Treasurer with SAFA	225 710	-
Increase in deposits by the Treasurer with LGFA	2 700	6 000
Decrease in balance of Special Deposit Accounts	-	1 396 646
Decrease in balance of Deposits lodged with the Treasurer	30 851	85 912
Increase in cash at bank	-	117 983
	6 339 376	7 500 651

(a) As reported in Statement A and J, the deficit on Consolidated Account for 2001-02 was met by borrowings from the South Australian Government Financing Authority of that amount.

MIKE RANN, Acting Treasurer

STATEMENT C

FUNDS OF THE TREASURER AS AT 30 JUNE 2002
(Section 22 *(a)* (xiv) *Public Finance and Audit Act 1987*)

	2001-02	2000-01
	$'000	$'000
BALANCE OF FUNDS		
CONSOLIDATED ACCOUNT—See Statement A	-	-
SPECIAL DEPOSIT ACCOUNT BALANCES—See Statement F	947 473	911 574
DEPOSITS LODGED WITH THE TREASURER—See Statement G	514 059	544 910
CHEQUES DRAWN BUT NOT PRESENTED	64 669	43 850
	1 526 201	1 500 334
REPRESENTED BY		
CASH AT BANK	233 219	435 761
DEPOSITS WITH SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY—See Statement J	1 253 315	1 027 606
DEPOSITS WITH LOCAL GOVERNMENT FINANCE AUTHORITY OF SA —See Statement E	38 000	35 300
DEPARTMENTAL IMPREST ACCOUNTS—See Statement H	1 667	1 667
	1 526 201	1 500 334

MIKE RANN, Acting Treasurer

STATEMENT D

ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2002 (a)
(Section 22 *(a)* (iii) *Public Finance and Audit Act 1987*)

PAYMENTS FOR OPERATING ACTIVITIES MADE, AND RECOVERIES IN THE NATURE OF EARNINGS, FEES AND RECOUPS, IN CARRYING OUT THE VARIOUS STATE FUNCTIONS WERE AS UNDER—

	$'000 Payments	$'000 Recoveries	$'000 Cost	$'000
The Legislature	13 930	359	13 571	
Department of the Premier and Cabinet	47 339	-	47 339	
State Governor's Establishment	2 130	-	2 130	
Auditor-General's Department	9 966	7 196	2 770	
Department of Primary Industries and Resources	203 796	-	203 796	
Department of Treasury and Finance	882 080	675 354	206 726	
Department of Industry and Trade	187 247	25	187 222	
Department of Justice	558 170	28 612	529 558	
Attorney-General's Department	47 209	20 947	26 262	
Department of Human Services	1 478 043	-	1 478 043	
Minister for Human Services-Other Items	9 020	-	9 020	
Department for Transport, Urban Planning and the Arts	296 969	-	296 969	
Minister for Transport and Urban Planning, Minister for the Arts and Minister for the Status of Women	7 432	-	7 432	
Minister for Government Enterprises and Minister for Information Economy	21 873	-	21 873	
Department of Education, Training and Employment	1 601 812	-	1 601 812	
Department for Environment and Heritage	98 854	2 849	96 005	
Department for Water Resources	45 308	773	44 535	
South Australian Tourism Commission	53 024	-	53 024	
Minister for Tourism- Other Items	8 330	-	8 330	
South Australia Police Department	3 192	52 673	(49 481)	
Minister for Police, Correctional Services and Emergency Services	1 301	-	1 301	
Department for Administrative and Information Services	141 054	-	141 054	
Minister for Workplace Relations	493	62	431	
Special Acts (b)	222 071	55 465	166 606	
Total	5 940 643	844 315	5 096 328	
TOTAL NET COST TO CONSOLIDATED ACCOUNT FOR OPERATING ACTIVITIES				5 096 328

RECEIPTS FROM THE FOLLOWING SOURCES WERE APPLIED TOWARDS MEETING THE ABOVE NET COST—

	$'000	$'000	$'000
State Taxation—			
Payroll Tax	754 124		
Stamp Duties	771 607		
Land Tax	141 573		
Financial Institutions Duty	10 338		
Debits Tax	58 785		
Commonwealth Places Mirror Tax	5 986		
Gaming Machines Tax	211 610		
Contribution from Lotteries Commission	66 513		
Contribution from Casino Operations	15 650		
Contribution From Totalizator Agency Board	13 733		
Contribution from On-course Totalizators, Bookmakers and Small Lotteries	3 315		
Recoup from Recreation and Sport Fund	263		
Hindmarsh Island Bridge Levy	2 196		
Total Receipts from State Taxation		2 055 693	
Commonwealth Government General Purpose Grants		2 896 807	
Royalties		82 623	
Total Direct Receipts			5 035 123
LEAVING A DEFICIT ON ACCOUNT OF OPERATING ACTIVITIES FOR THE YEAR OF			61 205
THIS WAS INCREASED BY THE NET OF—			
Payments for investing activities		127 117	
Payments for financing activities		12 355	
Receipts from investing activities		(80 911)	
			58 561
RESULTING IN A CONSOLIDATED ACCOUNT DEFICIT FOR THE YEAR OF			119 766
BORROWINGS FROM THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY			119 766

STATEMENT D - *continued*

ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2002 (a) - *continued*
(Section 22 *(a)* (iii) *Public Finance and Audit Act 1987)*

(a) This statement meets the requirements of section 22 (a) (iii) of the *Public Finance and Audit Act 1987* which specifies a statement showing the 'net recurrent cost to the Consolidated Account'. Under the revised presentation of the budget on an accrual-output class basis, the categorisation of Consolidated Account transactions as recurrent or capital has been replaced with classifications contained in the Australian Accounting Standards. Consequently amounts described in this statement as operating activities correspond to transactions of a 'recurrent' nature and similarly investing and financing activities correspond to the transactions of a 'capital' nature.

(b) Payments authorised under various Acts (eg Parliamentary & Judicial Salaries).

MIKE RANN, Acting Treasurer

STATEMENT E

ORGANISATIONS (OTHER THAN THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY)
WITH WHICH THE TREASURER INVESTED FUNDS DURING
THE YEAR ENDED 30 JUNE 2002
(Section 22 *(a)* (iv) *Public Finance and Audit Act 1987*)

Local Government Finance Authority of South Australia (a)

(a) As a result of an agreement between the Local Government Association and the Government, the Local Government Disaster Fund was established in August 1990 to fund assistance to the Stirling Council and to help meet the cost of providing assistance to local authorities which face unusually high expenditures as a result of natural disasters. The Fund was financed by a surcharge of 0.005 per cent on Financial Institutions Duty. As part of the arrangements agreed between the Treasurer, the Minister for Local Government Relations and the Local Government Association the majority of the balance in the Fund is invested with the Local Government Finance Authority of South Australia. At 30 June 2002 the amount invested with the Local Government Finance Authority of South Australia under these arrangements was $38.0 million.

MIKE RANN, Acting Treasurer

STATEMENT F

SPECIAL DEPOSIT ACCOUNTS—BALANCES ON 30 JUNE 2002
(Section 22 *(a)* (v) (C) *Public Finance and Audit Act 1987)*

Account	Balance $
Interest Bearing—	
Accrual Appropriation Excess Funds	163 858 997
Adelaide Convention Centre Future Asset Replacement Account	5 690 447
Adelaide Convention Centre Operating Account	6 469 433
Administrative and Information Services Operating Account	225 281 402
Attorney-General's Operating Account	21 193 539
Auditor-General's Operating Account	948 434
Community Emergency Services Fund	12 253 601
Correctional Services Operating Account	381 574
Country Equalisation Scheme	10 000 000
Criminal Injuries Compensation Fund	20 178 647
Dog Fence Fund - for Administration of Dog Fence Act	31 161
Education, Training and Employment Operating Account	11 690 502
Electoral Office Operating Account	1 068 398
Electricity Reform and Sales Operating Account	878 592
Electricity Sale/Lease Proceeds Account	-
Emergency Services Administrative Unit Operating Account	10 600 153
Environment and Heritage Operating Account	3 099 609
Forestry SA – Insurance Reserve Account	-
Gamblers Rehabilitation Fund	259 901
Gaming Supervisory Authority Operating Account	-
Gas Supply Options RFS Operating Account	-
Governors' Pensions Account	14 975
HIH Builders Indemnity Assistance Account	540 090
Home Builders' Account No. 2	-
Home Purchase Assistance Account	-
HomeStart Finance Account	1 099 644
Housing Loans Redemption Fund	5 963 710
Human Services Operating Account	55 262 858
Industry and Trade Operating Account	34 675 954
Judges' Pensions Account	174 213
Justice Operating Account	78 599
Local Government Disaster Fund	260 396
National Wine Centre Operating Account	272 962
Natural Disaster Relief Fund	-
Office of Venue Management Operating Account	-
Ombudsman's Office Operating Account	147 273
Parliamentary Superannuation Scheme Account	151 654
Playford Centre Operating Account	637 200
Police Complaints Authority	852 308
Police Operating Account	30 802 577
Police Superannuation Scheme Contribution Account	2 285 506
Ports Corp Sale/Lease Proceeds	34 928 047
Premier and Cabinet Operating Account	30 446 770
Primary Industries (Log Rebate Funding) Operating Account	-
Primary Industries and Resources Operating Account	103 369
Public Trustee Office Operating Account	4 692 140
Rural Finance Account	17 937 882
Rural Industry Adjustment and Development Fund	14 675 409
School Loans Scheme	482 662
South Australian Aboriginal Heritage Fund	365 588
South Australian Government Insurance and Risk Management Fund	9 425 630
South Australian Local Government Grants Commission Account	499 790
South Australian Superannuation Fund Account	8 487 720
Southern State Superannuation Fund Account	9 396 825
State Emergency Services Operating Account	-
State Governor's Establishment Operating Account	621 600
TAB Sale – Proceeds	11 055 027
Transport, Urban Planning and the Arts Operating Account	11 061 476

STATEMENT F—*continued*

SPECIAL DEPOSIT ACCOUNTS—BALANCES ON 30 JUNE 2002
(Section 22 *(a)* (v) (C) *Public Finance and Audit Act 1987)*

Account	Balance $
Interest bearing— *continued*	
Treasury and Finance Operating Account	12 359 727
Water Resources Operating Account	7 780 354
Sub-Total	801 424 325
Non-interest bearing—	
Agency Provisions for Future Asset Replacements	7 499 348
Asset Sales Operating Account	1 135 708
BankSA Sale Account	-
Charitable and Social Welfare Fund	1 311 937
Commonwealth Mirror Taxes on Commonwealth Places Revenue Account	-
Dingo Control Fund	28 835
Egg Industry Deregulation Account	464 749
Firearms Acquisition/Compensation Account	50 869
Firearms Acquisition/Disposal - Full-Time Firearms Dealers	-
Government Workers Rehabilitation and Compensation Fund	3 333 107
Highways Fund	72 633 946
Hospitals Fund	-
Industry Development Fund	-
Interregional Settlements Residues Account	15 684
Local Government Concessions - Seniors Card Holders	100 268
Local Government Disaster Fund	38 000 000
Motor Vehicles - Clearing Account	13 840 995
NEM Taskforce Operating Account	-
Office for Government Enterprises Asset Sales Operating Account	61 627
Police Occupational Superannuation (Employer Contribution Account)	-
SAAMC – Returns to Treasurer	-
Sale of Government Land and Property	2 623 204
South Australian Electricity Supply Industry Planning Council Operating Account	671 092
South Australian Independent Industry Regulator	2 248 384
Sport and Recreation Fund	1 384 253
State - Local Government Reform Fund	-
Stony Point (Liquids Project) Indenture Account	-
Targeted/Voluntary Separation Package Schemes	172 758
Totalizator Dividends Adjustment Account	-
Treasury – Working Account	472 105
Sub-Total	146 048 869
Total Special Deposit Accounts	947 473 194

MIKE RANN, Acting Treasurer

STATEMENT F (1)

SPECIAL DEPOSIT ACCOUNTS IN OPERATION ON 30 JUNE 2002
(Section 22 *(a)* (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Accrual Appropriation Excess Funds	To record all receipts and payments associated with surplus cash balances generated in agencies by the shift to accrual appropriations.
Adelaide Convention Centre Future Asset Replacement Account	To record all receipts and payments associated with surplus cash balances generated by the Adelaide Convention Centre for future asset replacement.
Adelaide Convention Centre Operating Account........	To record receipts and disbursements relating to the operation of the Adelaide Convention Centre and borrowings by the Minister of Tourism.
Administrative and Information Services Operating Account	To record all the activities of the Department (including those formerly carried on by the Department for State Government Services, and the Department of Information Technology Services, and the Department of Primary industries (Forestry), and the Land Titles Office component of the Department of Environment and Natural Resources, and the Industrial Relations Programs and Services component of the Department for Industrial Affairs, and the Registration and Licensing component of the Department of Transport) including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Agency Provisions for Future Asset Replacements ...	To record all receipts and payments associated with surplus cash balances generated within agencies for future asset replacements.
Asset Sales Operating Account	To record all of the financial transactions of the Asset Sales Unit including expenses incurred by the Asset Management Task Force prior to 31 March 1997 not yet brought to account, recurrent and capital expenditure on disposal of assets, revenue from various activities, injections of funds provided from the Consolidated Account and to apply net proceeds from asset sales to repay the Government’s indebtedness to SAFA or for other approved purposes.
Attorney-General’s Operating Account	To record all of the activities of the Department (including those carried on by the Attorney-General’s and Public and Consumer Affairs components of the former Department of Justice) including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Auditor General’s Operating Account.........................	To record all activities of the Department (excluding those administered by the Auditor General’s Department) including recurrent expenditure, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
BankSA Sale Account	To record all of the activities of the BankSA Sale Task Force including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and to apply proceeds from asset sales to the repayment of the Government’s indebtedness to SAFA.

STATEMENT F (1)—*continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION ON 30 JUNE 2002—*continued*
(Section 22 *(a)* (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Charitable and Social Welfare Fund..........................	To record receipts and disbursements associated with the Gaming Machines (Miscellaneous) Amendment Bill 1996 relating to supporting the work of not-for-profit charities and community based social welfare organisations.
Commonwealth Mirror Taxes on Commonwealth Places Revenue Account...	To receive amounts that are levied pursuant to the *Commonwealth Places (Mirror Taxes) Act 1998* of the Commonwealth as contemplated by the arrangements entered into by the State and the Commonwealth pursuant to that Act and to *the Commonwealth Places (Mirror Taxes Administration) Act 1999* of the State, and to deal with those amounts as contemplated by those Acts and arrangements.
Community Emergency Services Fund.....................	To record all of the activities of the Community Emergency Services Fund as outlined in Parts 3 and 4 of the *Emergency Services Funding Act, 1998* and any amendments as approved by Parliament.
Correctional Services Operating Account..................	To record all the activities of the Department (including those carried on by the Correctional Services component of the former Department of Justice and those formerly carried on by the Justice Information System Division within the Office of Information Technology) including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Country Equalisation Scheme	To record injections of funds provided from the Consolidated Account, and to make 'refund' payments' to electricity retailers in accordance with the Country Equalisation Scheme.
Criminal Injuries Compensation Fund	To provide for the receipt of fines, levies and recoveries from offenders and for payment of compensation/costs to victims of crime and any other payments approved by the Attorney-General as being in the interests of victims of crime.
Dingo Control Fund..	To record rates paid by landholders inside and outside the State's dog fence and to provide payments for the destruction of dingoes and any other purpose relating to the control of dingoes.
Dog Fence Fund - for administration of Dog Fence Act	To record receipts and disbursements relating to the operation of the Dog Fence Board.
Education, Training and Employment Operating Account	To record all of the activities of the Department (including those formerly carried on by the Department for Education and Children's Services, and the Department of Education, Training and Employment, and the Information Technology Workforce Strategy Office) including recurrent and capital expenditures, revenue for various activities, injections of funds provided from the Consolidated Account and borrowings, the receipt of various Commonwealth Government grants and associated payments.

STATEMENT F (1)—*continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION ON 30 JUNE 2002—*continued*
(Section 22 *(a)* (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Egg Industry Deregulation Account............................	To facilitate all transactions associated with or resulting from deregulation of the Egg Industry and the winding up of the SA Egg Board.
Electoral Office Operating Account............................	To record all of the activities of the Office and those formerly carried on by the Electoral Department including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Electricity Reform and Sales Operating Account........	To record all of the financial transactions of the Electricity Reform and Sales Unit, recurrent and capital expenditure on disposal of assets, revenue from various activities, injections of funds provided from the Consolidated Account, to make payments to the Electricity Sale/Lease Proceeds Account and to apply net or gross proceeds from a sale/lease agreement, sale or lease to repay the Government's indebtedness or for other approved purposes.
Electricity Sale/Lease Proceeds Account	To receive proceeds of a sale/lease agreement, sale or lease under the *Electricity Corporations (Restructuring and Disposal) Act 1999* and other funds as approved by the Treasurer, and to receive interest payments from other interest bearing accounts in which sale/lease agreement proceeds are placed, and to invest those monies and to apply those monies, and income from their investment, towards the retirement of State debt.
Emergency Services Administrative Unit Operating Account	To record all of the activities of the Emergency Services Administrative Unit (including those formerly carried on by the Country Fire Service, SA Metropolitan Fire Service and State Emergency Service SA) including operating, investing and financing activities, transfer and receipt of funds from/to other special deposit accounts, revenue from various activities, injection of funds provided from the Consolidated Account and borrowings.
Environment and Heritage Operating Account	To record all of the activities of the Department (including those formally carried on by the Department for Environment, Heritage and Aboriginal Affairs other than the Division of State Aboriginal Affairs and the Office of Recreation and Sport within the Department of Industry and Trade) including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Firearms Acquisition/Compensation Account	To record receipts and disbursements relating to the purchase of firearms from members of the public.
Firearms Acquisition/Disposal - Full-Time Firearms Dealers	To record receipts and disbursements relating to the operation of firearms and disposal.
ForestrySA – Insurance Reserve Account.................	To record receipts and payments associated with the self-insurance of ForestrySA's growing timber assets.
Gamblers Rehabilitation Fund....................................	To record receipts and disbursements relating to programs for the rehabilitation of addicted gamblers, for counselling such gamblers and their families and for the development of early intervention strategies.

STATEMENT F (1)—*continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION ON 30 JUNE 2002—*continued*
(Section 22 *(a)* (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Gaming Supervisory Authority Operating Account.....	To record all the activities of the Authority including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Gas Supply Options RFS Operating Account	To record all of the financial transactions associated with the management of the Request for Submissions process to provide new gas supply options into South Australia including injections of funds from the Consolidated Account.
Government Workers Rehabilitation and Compensation Fund...	To provide for the funding of rehabilitation programs and payment of workers compensation benefits for Government workers in accordance with current workers compensation legislation and in respect of claims for damages at common law for injury or disease suffered as a result of work.
Governors' Pensions Account	To record receipts and payments for the Governors' Pensions scheme.
Highways Fund	To record all transactions associated with the Highways Act including the receipt of State and Commonwealth funds and expenditure on the construction and maintenance of roads and bridges.
HIH Builders' Indemnity Assistance Account	To account for the expenditure of funds made available from the Budget and from an increase in building work contractor licence fees to assist consumers relying on builders' warranty indemnity insurance with the HIH Group and to cover administrative costs of the assistance scheme.
Home Builders' Account No. 2...................................	Established in 1971 to facilitate the recording of transactions associated with the administration of welfare housing funds provided by the State during 1971-72 and 1972-73 in terms of the Housing Grants Administration Act.
Home Purchase Assistance Account	Established in 1978 to facilitate the recording of transactions associated with the administration of welfare housing loans under Housing Agreements between the Commonwealth and the State.
HomeStart Finance Account......................................	To provide for the administration of loans under the Home Ownership Made Easy and HomeStart schemes, including the administration of borrowings required to fund the scheme.
Hospitals Fund	To record receipts from the State Lotteries Commission, Totalizator Agency Board and from Stamp Duty on Third Party Insurance policies to be used for the purpose of maintenance, development and improvement of public hospitals, to refund unclaimed dividends from unauthorised Racing Clubs and to make payments to the Racing Clubs and Trotting Clubs for a share of tax on winning bets made with book-makers.
Housing Loans Redemption Fund.............................	Established under the *Housing Loans Redemption Fund Act (1962)* to control amounts received in respect of a low cost insurance scheme established by the South Australian Government which is administered through various lending authorities.

STATEMENT F (1)—*continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION ON 30 JUNE 2002—*continued*
(Section 22 *(a)* (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Human Services Operating Account..........................	To record all of the activities of the Department (including those formerly carried on by the Department for Family and Community Services, and the Department of Housing and Urban Development other than the Planning Division) including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Industry and Trade Operating Account......................	To record all of the activities of the Department including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings, and to make payments to the department for Transport, Urban Planning and the Arts and the Department for Environment and Heritage.
Industry Development Fund.......................................	For the purpose of recording payments and receipts associated with providing industry development packages.
Interregional Settlements Residues Account.............	To deposit and distribute funds under the Inter-regional Settlements Residue (IRSR) Auction Process, including the payment of auction costs.
Judges' Pensions Account...	To record receipts and payments for the Judges' Pensions scheme.
Justice Operating Account...	To record all the activities of the Department and various activities within the Justice Portfolio including the transfer of funds to other agencies within the portfolio, operating and investing expenditures, revenue from various activities and injections of funds provided from Consolidated Account including from borrowings.
Local Government Concessions – Seniors Cardholders..	To administer receipts and payments for Local Government Concessions – Seniors Cardholders.
Local Government Disaster Fund	To record transactions related to the administration of a local government disaster fund in a manner agreed between the Treasurer, the Minister of Local Government and the Local Government Association of South Australia.
Motor Vehicles - Clearing Account.............................	To record the majority of Motor Registration Division receipts pending clearance at the end of each month.
National Wine Centre Operating Account..................	To record all the activities of the Centre including recurrent and capital expenditures, revenue from various activities, injections of funds from Consolidated Account and borrowings.
Natural Disaster Relief Fund......................................	To facilitate the administration of natural disaster relief particularly by way of loans to farmers.
NEM Taskforce Operating Account	To record all of the financial transactions associated with the management of the NEM Taskforce including injections of funds from the Consolidated Account.

STATEMENT F (1)—*continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION ON 30 JUNE 2002—*continued*
(Section 22 *(a)* (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Office for Government Enterprises Asset Sales Operating Account	To record all of the financial transactions of the Office for Government Enterprises Asset Sales Unit, recurrent and capital expenditure on disposal of assets, revenue from the various activities, injections of funds provided from the Consolidated Account and to apply net proceeds from asset sales to repay the Government's indebtedness to SAFA or for other approved purposes.
Office of Venue Management Operating Account......	To record all the activities of the Office of Venue Management including recurrent and capital expenditures, revenue from various activities, injections of funds provided from Consolidated Account and borrowings.
Ombudsman's Office Operating Account...................	To record all the activities of the Ombudsman's Office including recurrent and capital expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
Parliamentary Superannuation Scheme Account	To record receipts and payments for the Parliamentary Superannuation Scheme.
Playford Centre Operating Account...........................	To reflect all financial transactions of the Playford Centre in its objective to encourage development of the information industry in South Australia.
Police Complaints Authority.......................................	To record costs incurred while investigating complaints against the Police.
Police Occupational Superannuation (Employer Contribution Account)	To record receipts and payments in respect of the Police Occupational Superannuation Scheme
Police Operating Account	To record all the activities of the Police Department (including those formerly carried on by Security Services in the Department of Housing and Construction) including recurrent and capital expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
Police Superannuation Scheme Contribution Account	To record receipts and payments for the Police Superannuation Scheme.
Ports Corp sale/lease - proceeds	To apply proceeds of the sale/lease in accordance with Section 12 of the *South Australian Ports (Disposal of Maritime Assets) Act 2000* and to account for the net proceeds.

STATEMENT F (1)—*continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION ON 30 JUNE 2002—*continued*
(Section 22 *(a)* (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Premier and Cabinet Operating Account	To record all the activities of the Department (including those formerly carried on by the Division of Public Sector Reform within the former Office of Government Management, the Office for the Commissioner for Public Employment, the Office of Multicultural and Ethnic Affairs, the Economic Development Policy component of the Economic Development Authority, and the Policy component of the Department for Industrial Affairs) including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account, borrowings and to make payments to the Department of Treasury and Finance.
Primary Industries (Log Rebate Funding) Operating Account	To record the receipt and the disbursement of rebates as per the agreement for the sale of Forwood Products and Mount Burr Mill.
Primary Industries and Resources Operating Account	To record all of the activities of the Department including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings, and to make payments to the Department for Water Resources.
Public Trustee Office Operating Account....................	To record all the business and other activities of the Public Trustee Office including recurrent and capital expenditures, revenue raised from commercial activities, injections of funds provided from the Consolidated Account and borrowings.
Rural Finance Account..	To provide for the administration of separate funds covering - · the agreement between the Commonwealth and the States relating to: - rural reconstruction entered into on 4 June 1971 - rural assistance entered into on 1 January 1977 - rural assistance entered into on 1 July 1985 - rural assistance entered into on 1 January 1989 - rural assistance entered into on 1 January 1993 - Marginal Dairy Farms and Dairy Adjustment; · loans under the Commercial Rural Loans Scheme; · loans made to producer Co-operatives and borrowings required to fund the scheme; To facilitate the Minister for Primary Industries becoming a unit holder in rural property trusts set up by the State Bank of South Australia to assist farmers on Eyre Peninsula and to make payments to the Rural Industry Adjustment and Development Fund and to make payments from profits on the Commercial Rural Loans Scheme to the Primary Industries Operating Account.
Rural Industry Adjustment and Development Fund	To record receipts and payments authorised by the *Rural Industry Adjustment and Development Act 1985*.
SAAMC - Returns to Treasurer..................................	To receive proceeds from the repatriation of SAAMC capital and/or surplus funds of SAAMC and to apply such proceeds to the repayment of the Government's indebtedness.
Sale of Government Land and Property	To record all receipts and payments associated with the sale of Crown lands and other Government land and property.

STATEMENT F (1)—*continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION ON 30 JUNE 2002—*continued*
(Section 22 *(a)* (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
School Loans Scheme	To administer loans to Schools.
South Australian Aboriginal Heritage Fund	To receive funds from the Commonwealth, State and other sources for application towards the protection and preservation of Aboriginal heritage.
South Australian Electricity Supply Industry Planning Council Operating Account	To record all financial transactions for the South Australian Electricity Supply Industry Planning Council.
South Australian Government Insurance and Risk Management Fund	To record receipts and payments associated with the operation of the Government's insurance and risk management program.
South Australian Independent Industry Regulator	To record the financial transactions of the South Australian Independent Regulator.
South Australian Local Government Grants Commission Account	To record all transactions associated with the South Australian Local Government Grants Commission Act including the receipt and payment of Commonwealth funds and expenditure on the administration of the Act.
South Australian Superannuation Fund Account	To record receipts and payments in respect of the South Australian Superannuation Fund.
Southern State Superannuation Fund Account	To record receipts and payments in respect of the Southern State Superannuation Fund.
Sport and Recreation Fund	To record receipts and disbursements associated with the Gaming Machines (Miscellaneous) Amendment Bill 1996 relating to the provision of financial assistance to sporting and recreational organisations.
State Emergency Services Operating Account	To record all the activities of the organisation including recurrent and capital expenditures, revenue from various activities, injection of funds provided from Consolidated Account and borrowings.
State Governor's Establishment Operating Account	To record all the activities of the Establishment including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
State - Local Government Reform Fund	To administer and fund particular functions/programs nominated by the State Government for negotiation with Local Government.
Stony Point (Liquids Project) Indenture Account	To facilitate financial dealings between the Government and the Cooper Basin Producers.
TAB sale - proceeds	To apply proceeds of the sale in accordance with Section 14 of the *TAB (Disposal) Act 2000* and to account for the net proceeds.
Targeted/Voluntary Separation Package Scheme	To administer the costs associated with the Targeted/Voluntary Separation Package Scheme.
Totalizator Dividends Adjustment Account	Established under the provisions of the *Racing Act (1976)* to collect from the Totalizator Agency Board fractions from the calculation of dividends which are then transferred to the Hospitals Fund.

STATEMENT F (1)—*continued*

SPECIAL DEPOSIT ACCOUNTS IN OPERATION ON 30 JUNE 2002—*continued*
(Section 22 *(a)* (v) (B) *Public Finance and Audit Act 1987*)

Account	Purpose
Transport, Urban Planing and the Arts Operating Account	To record all of the activities of the Department (including those formerly carried on by the Department for the Arts and Cultural Development and the Department of Transport other than Registration and Licensing, and the Department of Recreation and Sport other than Sport Facilities and Industry Development) including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Treasury and Finance Operating Account	To record all the activities of the Department (including those formerly carried on by the Corporate Services Division within the Department of the Premier and Cabinet) including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Treasury - Working Account.......................................	To hold charges incurred by the Agent-General in London for semi-Government and non-Government bodies, to record receipts and payments for small lotteries, to record certain receipts and payments arising from various superannuation arrangements, to record certain interest receipts and payments, to effect accounting adjustments and transfers and to hold amounts in suspense pending determination of appropriate treatment.
Water Resources Operating Account	To record all of the activities of the Department (including those water related activities formally carried on by the Department of Primary Industries and Resources and the Department for Environment and Heritage) including recurrent and capital expenditures, revenue from the Consolidated Account and borrowings.

MIKE RANN, Acting Treasurer

STATEMENT F (2)

SPECIAL DEPOSIT ACCOUNTS OPENED DURING THE YEAR ENDED 30 JUNE 2002
(Section 22 *(a)* (v) (A) *Public Finance and Audit Act 1987*)

Account	Purpose
Country Equalisation Scheme	To record injections of funds provided from the Consolidated Account, and to make 'refund' payments' to electricity retailers in accordance with the Country Equalisation Scheme.
HIH Builders' Indemnity Assistance Account	To account for the expenditure of funds made available from the Budget and from an increase in building work contractor licence fees to assist consumers relying on builders' warranty indemnity insurance with the HIH Group and to cover administrative costs of the assistance scheme.
Local Government Concessions - Seniors Cardholders..	To administer receipts and payments for Local Government Concessions – Seniors Cardholders.
Ports Corp Sale/Lease – Proceeds	To apply proceeds of the sale/lease in accordance with Section 12 of the *South Australian Ports (Disposal of Maritime Assets) Act 2000* and to account for the net proceeds.
South Australian Independent Industry Regulator......	To record the financial transactions of the South Australian Independent Regulator.
TAB Sale – Proceeds..	To apply proceeds of the sale in accordance with Section 14 of the *TAB (Disposal) Act 2000* and to account for the net proceeds.

MIKE RANN, Acting Treasurer

STATEMENT G

DEPOSITS LODGED WITH THE TREASURER—BALANCES ON 30 JUNE 2002
(Section 22 *(a)* (vi) *Public Finance and Audit Act 1987*)

The balances listed below represent amounts held by the Treasurer (pursuant to Section 21 of the *Public Finance and Audit Act 1987*) on behalf of various bodies.	$
Interest bearing—	
Adelaide Festival Centre Trust	10 411 964
Adelaide Festival Trust Fund	1 263
Agents Indemnity Fund	529 393
Arid Areas Catchment Water Management Board	648 502
Art Gallery Board Bequests Account	1 991 148
Basketball Association of South Australia	10 293
Beekeeper's Compensation Fund	-
Bio-Innovation SA	132 269
Boating Administration - Working Account	670 183
Botanic Gardens Board Endowment and Commercial Fund	2 266 832
Carrick Hill Trust	83 202
Cattle Compensation Fund	2 989 831
Cooperative Research Centre for Molecular Plant Breeding	273 521
Cooperative Research Centre for Sustainable Aquaculture of Finfish	548 864
Country Fire Services Workers Compensation Fund	-
Courts Administration Authority	7 143 302
Crown Solicitor's Trust Account	5 940 648
Daniel Livingston Scholarship	25 014
Deer Keepers' Compensation Fund	106 669
Distribution Lessor Corporation Account	141 203
District Court Suitors' Fund	1 697 004
Dried Fruits Board	102 189
Education Department - Scholarships and Prizes	108 074
Electricity Industry Superannuation Fund	12 586 175
Employment and Technical and Further Education – College Council Funds	1 033 114
Employment and Technical and Further Education – Scholarships and Prizes	2 717
Environment Protection Fund	3 761 611
ETSA Employer Fund (ETSA Contributory Scheme)	-
Eyre Peninsula Catchment Water Management Board	287 531
Fire Equipment Services Operating Account	155 625
Generation Lessor Corporation Account	92 356
Grains Industry Levy Fund	987 019
Gulf St Vincent Prawn Fishery Voluntary Contributions	18 947
History Trust of South Australia	642 884
Independent Gambling Authority	424 934
Industrial & Commercial Premises Corporation	4 801 928
Institute of Medical and Veterinary Science	13 470 437
Land Management Corporation	77 623 387
Land Technologies Alliance Fund	187 636
Langhorne Creek Wine Industry Fund	22 416
Legal Practitioners Act	173 198
Libraries Board of South Australia	3 261 161
Local Government Taxation Equivalents Fund	1 298 835
Lower Murray Reclaimed Irrigation Areas Operating Account	-
Loxton Irrigation Scheme	-
Motor Accident Commission Account	14 232 675
Museum Board – Bequests Account	1 180 505
National Action Plan for Salinity and Water Quality	5 622 685
National Parks General Reserves Account	4 003 159
Native Vegetation Fund	1 160 468
Northern Adelaide and Barossa Catchment Water Management Board	2 118 912
Office of Catchment Water Management Boards'	3 976 928
Onkaparinga Catchment Water Management Board	1 510 940
Outback Areas Community Development Fund	758 095
Passenger Transport Board	10 857 961
Passenger Transport Research and Development Fund	1 383 319

STATEMENT G—*continued*

DEPOSITS LODGED WITH THE TREASURER—BALANCES ON 30 JUNE 2002—*continued*
(Section 22 *(a)* (vi) *Public Finance and Audit Act 1987*)

The balances listed below represent amounts held by the Treasurer (pursuant to Section 21 of the *Public Finance and Audit Act 1987*) on behalf of various bodies.	$
Phylloxera and Grape Industry Fund	941 550
Pitjantjatjara Council - Replacement of Plant Account	147 873
Planning and Development Fund	7 091 446
Pleuro Pneumonia Fund	70 606
Police Superannuation Fund	1 011 119
Racing Industry Development Authority	-
Real Property Act Assurance Fund	3 933 644
Real Property Act Trust Account	51 267
Recreation and Sport Disability Foundation of South Australia	47 702
Recreational Boating Facilities Fund	1 769 897
RESI Corporation Account	260 098
RESI FP Pty Ltd Account	-
Residential Tenancies Fund	468 191
Retail Shop Leases Fund	229 365
Returned and Services League of Australia - Poppy Day Trust Inc - Enfield Project Account	282 053
Returned and Services League of Australia (South Australian Branch) Incorporated	623 903
River Murray Catchment Water Management Board	3 119 468
Riverland Wine Industry Fund	65 573
SA BITS Funds Pty Ltd – Playford Centre Capital	4 302 997
Second-Hand Vehicles Compensation Fund	359 819
Soil Conservation and Land Care Fund	24 033
South Australian Aboriginal Housing Authority	7 125 066
South Australian Apiary Industry Fund	125 657
South Australian Community Housing Development Fund	11 524 339
South Australian Co-ordinated Care - SA Health Plus	-
South Australian Country Arts Trust	1 370 421
South Australian Film Corporation Investors Returns Account	571 894
South Australian Finance Trust Limited	-
South Australian Forestry Corporation	15 991 637
South Australian Government Financing Authority	60 453 625
South Australian Housing Trust	58 523 029
South Australian Metropolitan Fire Service	22 589 828
South Australian Metropolitan Fire Service Superannuation Trustees Account	-
South Australian Pig Industry Fund	1 177 093
South Australian Ports Corporation	4 101 686
South Australian Sheep Industry Fund	521 538
South Australian Timber Corporation	1 353 597
South Australian Tourism Commission	9 800 792
South Australian Water Corporation	2 212 267
South East Catchment Water Management Board	1 053 625
Southern Group Insurance Corporate Account	140 373
State Disaster Relief Fund	91 654
State Supply Board – Gaming Machine Operations	3 341 869
Superannuation Funds Management Corporation Operating Account	1 469 618
Supreme Court Suitors Fund	19 918 797
Swine Compensation Fund	-
Teachers' Registration Board	1 238 541
Totalizator Agency Board – Capital Infrastructure Fund	-
TransAdelaide	15 910 125
Transmission Lessor Corporation Account	67 399
Upper South East Dryland Salinity Project	-
Water Resources Levy Fund	177 743
Wildlife Conservation Fund	564 385
Woods and Forests - Research into Forest Pest Disease	9 815
Woods, Bagot, Jory and Laybourne-Smith - National War Memorial Account	1 899
World Congress on Information Technology 2002	991 165
Sub-Total	470 679 007

STATEMENT G—*continued*

DEPOSITS LODGED WITH THE TREASURER—BALANCES ON 30 JUNE 2002—*continued*
(Section 22 *(a)* (vi) *Public Finance and Audit Act 1987*)

The balances listed below represent amounts held by the Treasurer (pursuant to Section 21 of the *Public Finance and Audit Act 1987*) on behalf of various bodies.	$
Non-interest bearing—	
Adelaide Children's Court	3 664
Adelaide Magistrates Court	183 757
Agriculture – Research and Services Grants	16 054 736
Animal and Plant Control Commission Fund	15 408
Children's Services Office – Capital Assistance Fund	192 235
Coast Protection Fund	368 343
Commissioner for Equal Opportunity Account	-
Companies Liquidation Account	18 548
Contractors' Deposits	289 140
Co-operatives Liquidation Account	64 993
Correctional Services - Prisoners' Moneys	251 931
Economic Development Authority	12 543 811
Extractive Areas Rehabilitation Fund	3 791 639
Fisheries – Research and Development Fund	1 416 064
Government's Light Motor Vehicle Replacement Program	6 424 467
Metropolitan Drainage Maintenance Fund	101 557
Natural Gas Authority of South Australia	402 198
Recreation and Sport Fund	237 806
Sheriff's Office Account	35 040
South Eastern Water Conservation and Drainage Board	20 685
State Heritage Fund	269 666
Unclaimed Salaries and Wages Account	295 015
Void Departmental Cheques	-
Workmen's Liens	398 760
Sub-Total	43 379 463
Total Deposits lodged with the Treasurer	514 058 470

MIKE RANN, Acting Treasurer

STATEMENT H

IMPREST ACCOUNTS
(Section 22 *(a)* (vii) *Public Finance and Audit Act 1987*)

These amounts represent moneys advanced by the Treasurer to Chief Executive Officers pursuant to Section 9 of the *Public Finance and Audit Act 1987*. Imprest accounts provide funds to meet payments at short notice and are subsequently recouped from departmental moneys.

By Whom Held	Agency	Unappropriated Funds Allocated
		$
Chief Executive	Department for Administrative and Information Services	120 950
Chief Executive	Attorney-General's Department	41 020
Auditor-General	Auditor-General's Department	3 100
Chief Executive	Department of Education, Training and Employment	619 700
Clerk	House of Assembly	344
Chief Executive	Department of Human Services	285 000
Chief Executive	Department of Industry and Trade	3 000
Chief Executive	South Australian Police Department	200 000
Chief Executive	Department of the Premier and Cabinet	4 380
Chief Executive	Department of Primary Industries and Resources	92 000
Electoral Commissioner	State Electoral Office	200
Chief Executive	Department for Environment and Heritage	8 000
Chief Executive	Department for Transport, Urban Planning and the Arts	282 590
Under Treasurer	Department of Treasury and Finance	7 000
	Total	1 667 284

MIKE RANN, Acting Treasurer

STATEMENT I

INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2002
(Section 22 *(a)* (viii) *Public Finance and Audit Act 1987*)

This statement provides details on the total indebtedness of the Treasurer as prescribed in Section 22 *(a)* (viii) of the *Public Finance and Audit Act 1987.*

Lending arrangements within the South Australian public sector in essence give rise to a direct debt relationship between the South Australian Government Financing Authority (SAFA) and commercial sector agencies and the consolidation of non-commercial sector debt with the Treasurer.

As the State's central financing authority, SAFA's main function is to develop and provide a range of borrowing, investment, and other financial services for South Australian public sector entities. The Treasurer has appointed SAFA to manage the portfolio forming the non-commercial sector debt and is in turn indebted to SAFA.

As a result of these arrangements all of the Treasurer's indebtedness is to SAFA and the balance as at 30 June 2002 was $3 864.3 million. Details on the management of the Treasurer's debt portfolio can be found in SAFA's Annual Report.

The Consolidated Account is the Treasurer's main operating account and it is through this Account that public monies are received and expended pursuant to the requirements of the *Public Finance and Audit Act 1987*. Each year the Treasurer borrows from SAFA an amount equal to the Consolidated Account financing requirement. If there is a negative Consolidated Account financing requirement then an equivalent amount of the Treasurer's debt to SAFA is repaid.

In 2001-02 the Consolidated Account financing requirement was $119.8 million and was met by borrowings of that amount from SAFA.

The indebtedness of the Treasurer to SAFA is serviced from Consolidated Account and is recovered, in part, from loans provided by the Treasurer to public sector agencies and other bodies as described below. In addition the Treasurer has provided equity contributions to certain agencies some of which pay dividends to Consolidated Account as shown in Statement A.

The Treasurer's indebtedness to SAFA has been applied in the public accounts as follows:-

	2001-02 $ 000	2000-01 $ 000
Loans to State Government Departments		
Administrative and Information Services—		
Operations	2 769	3 497
Government Commercial Properties	51 187	51 187
Government Employee Residential Properties	37 349	40 109
Environment and Heritage	38 054	38 054
Industry and Trade	2 309	6 290
Primary Industries and Resources—		
Gulf St Vincent Prawn Fishery	1 016	3 053
Rural Loans	2 044	2 285
Transport, Urban Planning and the Arts	47 761	58 661
	182 489	203 136
Loans to Statutory Authorities and Other Bodies		
Adelaide Bank	909	1 406
Adelaide Festival Centre Trust	28 258	28 368
Basketball Association of South Australia Incorporated	10 595	10 870
Board of the Botanic Gardens	-	200
ETAFE National Centre	-	124
Fire Equipment Services Incorporated	-	300
Flinders Medical Centre	23 824	23 489
Home Builders' Account No. 2	14 364	14 364
Land Management Corporation	3 906	3 904
Lotteries Commission	8 249	9 571
Lyrup Village Association	66	69
Medical Board of South Australia	128	157
Minister for Education and Children's Services	9 460	9 460
Minister for Government Enterprises	28 830	28 830
Minister for Industry and Trade	5 223	5 970
Minister for Recreation, Sport and Racing	488	514
Passenger Transport Board	4 068	3 849
Pyap Irrigation Trust	29	32

STATEMENT I—*continued*

INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2001—*continued*
(Section 22 *(a)* (viii) *Public Finance and Audit Act 1987*)

	2001-02 $ 000	2000-01 $ 000
Loans to Statutory Authorities and Other Bodies-*continued*		
Renmark Irrigation Trust	1 925	2 016
South Australian Country Arts Trust	15 757	15 777
South Australian Cricket Association Incorporated	5 922	6 518
South Australian Housing Trust	826 219	841 608
South Australian Motor Sport Board	-	2 250
South Western Suburbs Drainage	3 269	3 373
South Australian Tourism Commission	1 287	1 400
TransAdelaide	105 514	112 233
University of South Australia	15 000	20 000
West Beach Trust	2 716	2 716
Womens and Childrens Hospital	5 823	5 897
Woodville, Henley and Grange Drainage	279	284
	1 122 108	1 155 549
Equity Contributions		
Adelaide Convention Centre	77 794	77 794
Adelaide Entertainments Corporation	55 536	55 536
Administrative and Information Services—		
Operations	139 505	101 665
Government Commercial Properties	63 529	63 529
Distribution Lessor Corporation	28 273	33 273
Education, Training and Employment	4 463	-
Forestry SA	4 984	24 984
Generation Lessor Corporation	24 539	24 539
Human Services	27 843	-
National Electricity Administrator	93	93
National Electricity Market Management Company	490	490
Passenger Transport Board	9 800	4 000
Police Department	25 069	15 212
Primary Industries and Resources	1 059	1 059
SA Water Corporation	263 950	274 950
South Australian Asset Management Corporation	52 716	52 716
South Australian Film Corporation	8 460	8 460
South Australian Ports Corporation	15 000	15 000
Transport, Urban Planning and the Arts	80 237	39 014
	883 340	792 314
Other Indebtedness		
Debt associated with indemnity payments to the former State Bank of South Australia	2 002 173	2 002 173
Debt associated with recapitalisation of State Government Insurance Commission	335 077	335 077
Unallocated debt	(660 853)	(747 209)
	1 676 397	1 590 041
Total Treasurer's Indebtedness to SAFA	3 864 334	3 741 040

Further information on the Treasurer's indebtedness to SAFA can be found in Statement J – Financial Relationships and Transactions between the Treasurer and the South Australian Government Financing Authority.

The Treasurer is also authorised or required under a number of Acts to guarantee credit arrangements (eg repayment of borrowings) of various bodies. In the event of default, payment is made from the Consolidated Account. There is, therefore, a contingent liability of the Treasurer.

These fall into two main categories:

- general guarantees in respect of the operations of certain statutory bodies; and
- guarantees to assist the development of an industry or service (eg in respect of the indebtedness of companies and individuals pursuant to the Industries Development Act).

In addition, the Treasurer may incur contingent liabilities under the Government Financing Authority Act arising from SAFA's role in financing the South Australian Public Sector. These liabilities arise as a result of guarantees and indemnities provided, together with swap contracts and forward foreign currency transactions.

MIKE RANN, Acting Treasurer

STATEMENT J

FINANCIAL RELATIONSHIPS AND TRANSACTIONS BETWEEN THE TREASURER AND THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY

(Section 22 *(a)* (ix) *Public Finance and Audit Act 1987*)

The South Australian Government Financing Authority (SAFA) is an integral part of the management of the Government's finances. Transactions between SAFA and the Public Accounts are described below—

Indebtedness

The indebtedness of the Government to SAFA stems from—

- direct loans from SAFA to the Government;
- indebtedness resulting from the assumption by SAFA of the obligations of the State to the Commonwealth Government under the Financial Agreement, Housing and other Specific Purpose Agreements;
- indebtedness in respect of payments made on account of the Government's indemnity arrangements with the former State Bank of South Australia;
- indebtedness resulting from debt rearrangements within the South Australian Public Sector whereby SAFA is assigned loan assets in return for assuming the associated debt servicing obligations of the South Australian Government; and
- assumption by the Government of obligations of semi-government authorities and Public Sector financial institutions for past loans from SAFA.

The overall movement in the Government's indebtedness to SAFA during 2001-02 is summarised as follows—

	$ million
Balance at 30 June 2001	3 755
Add- Consolidated Account borrowing in 2001-02	120
Add- Assumption of SA Ports Corporation debt	9
Add- SAFA book gains/losses (net)	6
Less- Repayment of borrowing	14
Less- Other minor adjustments (net)	11
Balance at 30 June 2002	3 865
Add- SAFA adjustment to market value	155
Market value at 30 June 2002	4 020

SAFA's accounting policy in relation to gains and losses resulting from debt management transactions is to recognise these gains and losses immediately in its profit and loss account and recoup the gain/loss through an adjustment to the Treasurer's debt level.

Cash Balances

Arrangements for the management of cash require that virtually all funds under the control of the Treasurer which are not immediately required, are deposited with SAFA each day on an at call basis. During 2001-02 interest at the Common Public Sector Interest Rate (CPSIR) was paid to the Treasurer by SAFA in respect of those balances held by the Treasurer which earn interest at the CPSIR. The Treasurer received interest at a rate determined by reference to SAFA's overnight borrowing rate in respect of the remaining funds deposited with SAFA.

At 30 June 2002 the amount deposited by the Treasurer with SAFA was $1 253 million (SAFA's market valuation $1 259 million).

Statement C shows details of cash balances held by the Treasurer at 30 June 2002 and the form in which those balances were held.

Capital and Surpluses

Consistent with the South Australian Commission of Audit recommendations of April 1994, SAFA has repaid all capital contributions from the Government.

The size of SAFA's operating surplus in 2001-02 prior to income tax was $24.4 million. SAFA and its controlled entities come under the Tax Equivalent Regime (TER) and under this arrangement $7.6 million from the surplus was paid to Consolidated Account in 2001-02 and is reported in Statement A.

After taking account of the retained surplus carried forward from previous years and the TER payment in 2001-02 the amount of SAFA's surplus potentially available for distribution at 30 June 2002 was $280.5 million. The Treasurer determined that the distribution for 2001-02 would be $ 20 million.

STATEMENT J—*continued*

FINANCIAL RELATIONSHIPS AND TRANSACTIONS BETWEEN THE TREASURER AND THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY—*continued*
(Section 22 *(a)* (ix) *Public Finance and Audit Act 1987*)

Banking Arrangements

Similar to many other semi-government authorities, SAFA operates a Deposit Account—see Statement G. Any surplus funds otherwise standing to the credit of the Account are invested by SAFA each day.

Government Guarantee

All the liabilities of SAFA are unconditionally guaranteed by the State pursuant to Section 15 of the Government Financing Authority Act. The Government does not foresee any circumstances in which the guarantee is likely to be called upon.

MIKE RANN, Acting Treasurer

STATEMENT K

STATEMENT OF APPROPRIATION AUTHORITIES

GOVERNOR'S APPROPRIATION FUND
(Section 22 *(a)* (xi) (A) and (B) *Public Finance and Audit Act 1987*)

	$
Maximum amount that could have been appropriated from the Fund in 2001-02	174 606 240

Purpose of Appropriation	Amounts Issued and Applied $
Department of the Premier and Cabinet	135 000
Department of Primary Industries and Resources	621 299
Department of Treasury and Finance	79 000
Department of Industry and Trade	951 852
Administered Items for Attorney-General's Department	3 686 537
Department of Transport, Urban Planning and the Arts	1 149 658
Administered Items for the Department of Transport, Urban Planning and the Arts	1 712 301
Department of Education, Training and Employment	39 375 000
Department for Environment and Heritage	229 056
Minister for Tourism – Other Items	1 622 000
Department of Administrative and Information Services	2 843 184
Total	52 404 887

STATEMENT K—*continued*

STATEMENT OF APPROPRIATION AUTHORITIES—*continued*

TRANSFERS AUTHORISED PURSUANT TO SECTION 13 OF THE PUBLIC FINANCE AND AUDIT ACT 1987
(Section 22 *(a)* (xii) *Public Finance and Audit Act 1987*)

No transfers were made during 2001-02.

REDUCTIONS AUTHORISED PURSUANT TO SECTION 14 OF THE PUBLIC FINANCE AND AUDIT ACT 1987
(Section 22 *(a)* (xiv) *Public Finance and Audit Act 1987*)

No reductions were made during 2001-02.

APPROPRIATION AUTHORITIES FOR ACTUAL PAYMENTS FROM THE
CONSOLIDATED ACCOUNT, 2001-02
(Section 22 *(a)* (xiii) *Public Finance and Audit Act 1987*)

	Appropriation Authority	Actual Payments
	$	$
Appropriation Act 2001 Section 4	6 140 780 000	
Public Finance and Audit Act 1987—Section 15	-	
	6 140 780 000	5 805 638 958
The Governor's Appropriation Fund, *Public Finance and Audit Act 1987*—Section 12	174 606 240	52 404 887
	6 315 386 240	5 858 043 845
Specific appropriation authorised in various Acts	222 071 202	222 071 202
Total	6 537 457 442	6 080 115 047

MIKE RANN, Acting Treasurer

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of the

Auditor-General

for the

Year ended 30 June 2002