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

Report

of the

Auditor-General

Annual Report
for the
year ended 30 June 2008

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2008

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

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

ACRONYMS

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

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

VOLUMES I, II, III, IV AND V

REFERENCES TO MATTERS OF SIGNIFICANCE

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

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

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

SOUTH AUSTRALIAN COUNTRY FIRE SERVICE

FUNCTIONAL RESPONSIBILITY

Establishment

The *Fire and Emergency Services Act 2005* (FES Act) provides for the South Australian Country Fire Service (SACFS) as a body corporate and also establishes the South Australian Fire and Emergency Services Commission (SAFECOM). SACFS and SAFECOM are responsible to the Minister for Emergency Services.

The FES Act also defines the Emergency Services sector as consisting of the:

- South Australian Fire and Emergency Services Commission
- South Australian Country Fire Service
- South Australian State Emergency Service
- South Australian Metropolitan Fire Service.

SAFECOM is responsible for establishing and promoting the strategic direction and policy for the emergency services sector and enabling agencies to work towards that strategic direction.

Functions and Funding

The primary function of SACFS is the prevention of fires, and provision of fire and emergency response services to regional and peri-urban areas of South Australia.

SAFECOM provides various services in support of SACFS primary functions, including financial management and accounting services. Also the operations of SACFS are financed by the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*.

For more information about SACFS's objectives refer to Note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and subsection 100(2) of the *Fire and Emergency Services Act 2005* provide for the Auditor-General to audit the accounts of the SACFS in respect of each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

The audit included access to systems and information maintained by SACFS and SAFECOM to conduct relevant financial transaction and control compliance tests of those systems and information.

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

- corporate governance
- procurement
- payroll
- expenditure, including purchase cards
- revenue, receipting and banking

- non-current assets, including capital works
- financial accounting cycle
- cash.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the South Australian Country Fire Service as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the South Australian Country Fire Service in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to workforce plans, payroll and expenditure outlined under 'Communication of Audit Matters' in the section of this part of the Report titled South Australian Fire and Emergency Services Commission, are sufficient to provide reasonable assurance that the financial transactions of the South Australian Country Fire Service have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in a management letter to the Commissioner of Fire and Emergencies and the Chief Officer of SACFS. The response to the management letter was generally considered to be satisfactory.

A summary of matters raised are included under 'Communication of Audit Matters' within this part of the Report titled 'South Australian Fire and Emergency Services Commission'.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Consolidated Financial Report

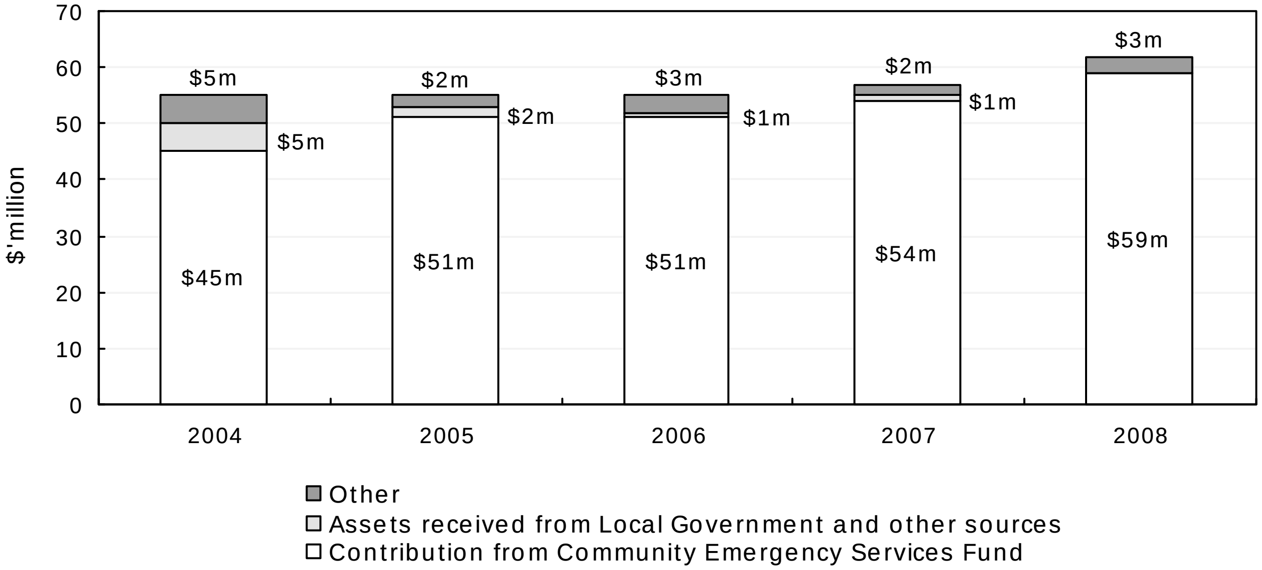
	2008	2007	Percentage
	$'million	$'million	Change
Total Income	**3**	3	-
EXPENSES			
Employee benefits expenses	**9**	9	-
Supplies and services and other expenses	**31**	26	19
Government Radio Network costs	**10**	10	-
Depreciation	**9**	10	(10)
Total Expenses	**59**	55	7
Net cost of providing services	**56**	52	8
Contributions from Community Emergency Services Fund	**59**	54	9
Net Result	**3**	2	50
NET CASH PROVIDED BY OPERATING ACTIVITIES	**14**	12	17
ASSETS			
Current assets	**8**	7	14
Non-current assets	**129**	111	16
Total Assets	**137**	118	16
LIABILITIES			
Current liabilities	**5**	3	67
Non-current liabilities	**4**	4	-
Total Liabilities	**9**	7	29
EQUITY	**128**	111	15

Income Statement

Fund Contributions and Income

For 2008, the contributions from the Fund increased by $5 million (9 percent) to $59 million which represents 95 percent of SACFS's total revenues. This reflects an increase in the approved budget for major incidents during 2007-08 (eg Kangaroo Island fires) and aerial firefighting extensions.

A structural analysis of revenues for the five years to 2008 is presented in the following chart.



The contributions from the Fund over the last five years has increased by $14 million (31 percent) to $59 million.

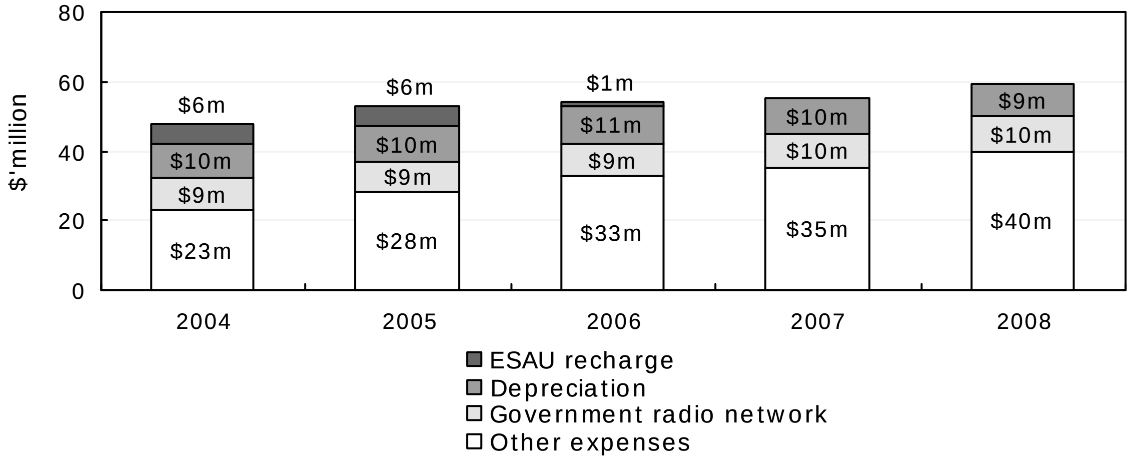
Expenses

Total expenses increased by $4 million (7 percent) to $59 million. The primary reason for the rise was an increase in supplies and services of $5 million and employee benefit expenses of $704 000, offset by a decrease in depreciation of $1 million attributable to vehicles.

The increase in supplies and services expense was due mainly to increases in travel and training costs (up $1 million), aerial support costs (up $560,000) and major incidents causing an increase in consumables, repairs and maintenance, uniforms and protective clothing and other expenses of $2 million.

Employee benefits costs account for only 15 percent of the total expenses of SACFS due to the extensive use of volunteer fire fighters.

For the five years to 2008, a structural analysis of the main expense items for the SACFS is shown in the following chart.



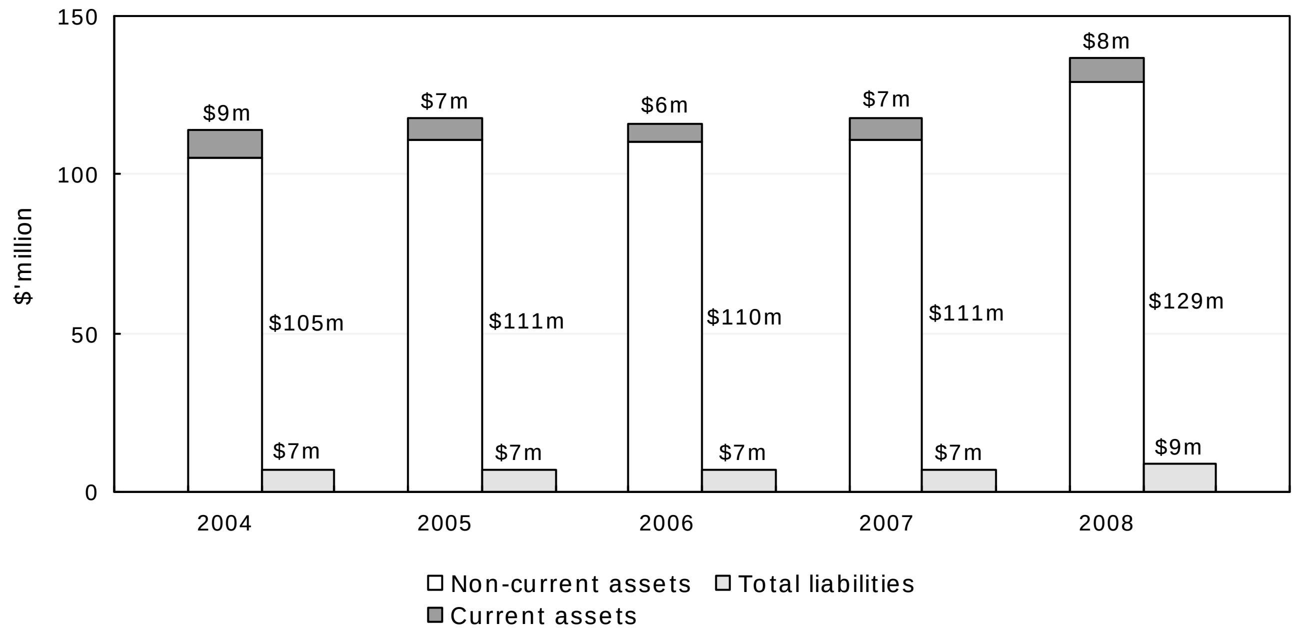
Over the five years, expenses have increased by $11 million or 23 percent.

Net Result before Restructure

The operating result of $3.1 million in 2007-08 was up $902 000 from the previous year essentially due to higher contributions from the Fund.

Balance Sheet

For the five years to 2008, a structural analysis of assets and liabilities is shown in the following chart.



SACFS's financial position is dominated by the non-current asset 'property, plant and equipment' which has grown by 23 percent over the five year period primarily as a result of asset purchases and revaluations of assets. The fair value of these assets totalled $129 million as at 30 June 2008, an increase of $18 million from the previous year. This is due primarily to a revaluation of non-current assets and an increase in capital work in progress during 2007-08.

Income Statement
for the year ended 30 June 2008

		Consolidated		CFS	
		2008	2007	**2008**	2007
EXPENSES:	Note	**$'000**	$'000	**$'000**	$'000
Employee benefits expenses	5	**9 235**	8 531	**9 235**	8 531
Supplies and services	6	**30 691**	26 079	**30 688**	26 078
Government Radio Network expenses	8	**9 539**	9 622	**9 539**	9 622
Grants and contributions		**223**	240	**223**	240
Depreciation	9	**9 331**	10 444	**9 331**	10 444
Total Expenses		**59 019**	54 916	**59 016**	54 915
INCOME:					
Net gain from disposal of non-current assets	10	**12**	56	**12**	56
Revenues from fees and charges	11	**407**	518	**407**	518
Interest revenues	12	**264**	156	**249**	142
Commonwealth revenues		**1 276**	685	**1 276**	685
Groups and brigades funds		**244**	261	**244**	261
Other income	13	**737**	1 625	**719**	1 623
Total Income		**2 940**	3 301	**2 907**	3 285
NET COST OF PROVIDING SERVICES		**56 079**	51 615	**56 109**	51 630
REVENUES FROM SA GOVERNMENT:					
Contributions from Community Emergency Services Fund		**59 199**	53 833	**59 199**	53 833
NET RESULT		**3 120**	2 218	**3 090**	2 203

Net result after restructure is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2008

		Consolidated		CFS	
		2008	2007	**2008**	2007
CURRENT ASSETS:	Note	**$'000**	$'000	**$'000**	$'000
Cash and cash equivalents	14	**4 245**	4 186	**4 040**	3 842
Receivables	15	**1 956**	980	**1 955**	979
Other financial assets		**1 569**	1 476	**1 401**	1 476
Total Current Assets		**7 770**	6 642	**7 396**	6 297
NON-CURRENT ASSETS:					
Property, plant and equipment	16	**129 414**	110 963	**129 414**	110 963
Total Non-Current Assets		**129 414**	110 963	**129 414**	110 963
Total Assets		**137 184**	117 605	**136 810**	117 260
CURRENT LIABILITIES:					
Payables	17	**4 230**	1 391	**4 230**	1 390
Short-term and long-term employee benefits	18	**1 173**	971	**1 173**	971
Short-term provisions	19	**585**	490	**585**	490
Total Current Liabilities		**5 988**	2 852	**5 988**	2 851
NON-CURRENT LIABILITIES:					
Payables	17	**142**	139	**142**	139
Long-term employee benefits	18	**1 515**	1 498	**1 515**	1 498
Long-term provisions	19	**1 934**	1 904	**1 934**	1 904
Total Non-Current Liabilities		**3 591**	3 541	**3 591**	3 541
Total Liabilities		**9 579**	6 393	**9 579**	6 392
NET ASSETS		**127 605**	111 212	**127 231**	110 868
EQUITY:					
Retained earnings		**91 406**	88 286	**91 032**	87 942
Asset revaluation reserve		**36 199**	22 926	**36 199**	22 926
TOTAL EQUITY		**127 605**	111 212	**127 231**	110 868

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	20
Contingent assets and liabilities	21

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

	Consolidated			CFS		
	Asset Revaluation Reserve	Retained Earnings	Total	Asset Revaluation Reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2006	22 530	86 907	109 437	22 530	86 578	109 108
Gain on revaluation of property during 2006-07	396	-	396	396	-	396
Net result for 2006-07	-	2 218	2 218	-	2 203	2 203
Total Recognised Income and Expense for 2006-07	396	2 218	2 614	396	2 203	2 599
De-recognition of other assets during 2006-07	-	(839)	(839)	-	(839)	(839)
Balance at 30 June 2007	22 926	88 286	111 212	22 926	87 942	110 868
Gain on revaluation of property during 2007-08	5 041	-	5 041	5 041	-	5 041
Gain on revaluation of vehicles during 2007-08	8 080	-	8 080	8 080	-	8 080
Gain on revaluation of communications equipment during 2007-08	152	-	152	152	-	152
Net result for 2007-08	-	3 120	3 120	-	3 090	3 090
Total Recognised Income and Expense for 2007-08	13 273	3 120	16 393	13 273	3 090	16 363
Balance at 30 June 2008	**36 199**	**91 406**	**127 605**	**36 199**	**91 032**	**127 231**

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

Cash Flow Statement
for the year ended 30 June 2008

		Consolidated		CFS	
		2008	2007	**2008**	2007
		Inflows	Inflows	**Inflows**	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		**(Outflows)**	(Outflows)	**(Outflows)**	(Outflows)
CASH OUTFLOWS:	Note	**$'000**	$'000	**$'000**	$'000
Employee benefit payments		**(9 016)**	(8 277)	**(9 016)**	(8 277)
Supplies and services		**(29 397)**	(27 488)	**(29 393)**	(27 488)
Government Radio Network payments		**(9 629)**	(9 494)	**(9 629)**	(9 494)
Grants and contributions		**(223)**	(240)	**(223)**	(240)
GST payments on purchases		**(3 476)**	(3 859)	**(3 476)**	(3 859)
Cash used in Operations		**(51 741)**	(49 358)	**(51 737)**	(49 358)
CASH INFLOWS:					
Fees and charges		**407**	518	**407**	518
Receipts from Commonwealth		**1 276**	685	**1 276**	685
Interest received		**240**	187	**225**	173
GST receipts on receivables		**199**	99	**199**	99
GST recovered from the ATO		**4 088**	5 229	**4 088**	5 229
Other receipts		**750**	984	**732**	982
Cash generated from Operations		**6 960**	7 702	**6 927**	7 686
CASH FLOWS FROM SA GOVERNMENT:					
Contributions from Community Emergency Services Fund		**59 199**	53 833	**59 199**	53 833
Cash generated from SA Government		**59 199**	53 833	**59 199**	53 833
Net Cash provided by Operating Activities	23	**14 418**	12 177	**14 389**	12 161
CASH FLOWS FROM INVESTING ACTIVITIES:					
CASH OUTFLOWS:					
Purchase of investments		**(168)**	-	**-**	-
Purchase of property, plant and equipment		**(14 544)**	(12 307)	**(14 544)**	(12 307)
Cash used for Investments		**(14 712)**	(12 307)	**(14 544)**	(12 307)
CASH INFLOWS:					
Proceeds from maturities of investments		**75**	-	**75**	-
Proceeds from sale of property, plant and equipment		**278**	503	**278**	503
Cash generated from Investments		**353**	503	**353**	503
Net Cash used in Investing Activities		**(14 359)**	(11 804)	**(14 191)**	(11 804)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**59**	373	**198**	357
CASH AND CASH EQUIVALENTS AT 1 JULY		**4 186**	3 813	**3 842**	3 485
CASH AND CASH EQUIVALENTS AT 30 JUNE	14	**4 245**	4 186	**4 040**	3 842

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

Objectives

The South Australian Country Fire Service (CFS) is established under the *Fire and Emergency Services Act 2005* (the Act) and is responsible under the Act for the following:

- prevention, control and suppression of fires in the country
- protection of life and property from fire and other emergencies occurring in the country
- planning to cope with the effects of fires or emergencies in the country
- assisting with the recovery in the event of a fire or emergency in the country.

Funding Arrangements

Funding of CFS is derived from the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998.*

Funds generated by Groups and Brigades through fund raising activities are held locally for expenditure on CFS activities in the local community. These funds are recognised in CFS's financial statements.

2. Significant Accounting Policies

(a) Statement of Compliance

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

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the CFS for the reporting period ending 30 June 2008. Refer Note 4.

(b) Basis of Preparation

The presentation of the financial report requires:

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

  (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies;

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

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

  (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

CFS's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

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

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

(c) Reporting Entity

The CFS is established under the Act. Under the Act, the CFS is a separate body corporate acting on behalf of the Crown and part of the consolidated Emergency Services sector.

The financial report includes all the controlled activities of the CFS.

(d) Principles of Consolidation

The financial statements incorporate the assets and liabilities of all entities controlled by CFS (refer Note 25) as at 30 June 2008 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full.

(e) Comparative Information

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

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

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

(f) Rounding

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

(g) Taxation

CFS is not subject to income tax. CFS is liable for payroll tax, FBT and GST.

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

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

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

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

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

(h) Events after Balance Date

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

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

(i) Income and Expenses

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

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

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

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

Income

The following are specific recognition criteria:

Revenues from SA Government

Contributions from the Fund are recognised as income when CFS obtains control over the funding. Control over funding is normally obtained upon receipt.

Resources received Free of Charge

Resources received free of charge are recorded as revenue in the Income Statement at their fair value.

Fees and Charges

Revenues from fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

Disposal of Non-Current Assets

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

Other Income

Other income consists of donations received and other minor revenues.

Expenses

Employee benefits

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

Superannuation
The amount charged to the Income Statement represents the contributions made by the CFS to the superannuation plan in respect of current services of current departmental staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government general purpose financial report.

(j) Current and Non-Current Classification
Assets and liabilities are characterised as either current or non-current in nature. The CFS has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

(k) Cash and Cash Equivalents
Cash and cash equivalents in the Balance Sheet includes cash at bank and on hand and short-term highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

(l) Receivables
Receivables include amounts receivable from goods and services, GST input tax credits recoverable, prepayments and other accruals.

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the organisation will not be able to collect the debt. Bad debts are written off when identified.

(m) Other Financial Assets
CFS measures financial assets and debt at historic cost. Other financial assets recorded in the Balance Sheet are medium-term liquid maturities of between three and 12 months that are readily converted to cash and which are subject to insignificant risk of changes in value. Medium-term maturities are lodged with various financial institutions at their respective medium-term deposit rates.

(n) Non-Current Asset Acquisition and Recognition
Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet.

In accordance with APF III APS 2.15 all non-current tangible assets with a value of $10 000 or greater are capitalised.

(o) Revaluation of Non-Current Assets
Property, plant and equipment are brought to account at fair value. On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every two years and carrying amounts are adjusted accordingly.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, the asset is revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement.

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

(o) Revaluation of Non-Current Assets (continued)

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

The asset revaluation reserve is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is disposed of or assets are transferred to another SA Government entity upon an administrative restructure.

(p) Impairment

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

For revalued assets an impairment loss is offset against the asset's revaluation reserve.

(q) Depreciation of Non-Current Assets

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

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

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

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

Asset Class	*Useful Lives (Years)*
Communications equipment	5-10
Vehicles	5-20
Plant and equipment	5-10
Computer equipment	5-10
Buildings	30-45

(r) Payables

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

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

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

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

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

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

(s) Employee Benefits

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

Wages, Salaries, Annual Leave and Sick Leave

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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

Long Service Leave
The liability for long service leave is recognised after an employee has completed 9 (9.1) years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short-hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the CFS's experience of employee retention and leave taken.

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

(t) Provisions
Provisions are recognised when CFS has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When CFS expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Balance Sheet date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

(u) Financial liabilities
CFS measures financial liabilities at historical cost.

(v) Operating Leases
In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are recognised as an expense in the Income Statement on a basis, which is representative of the pattern of benefits derived from the leased assets.

(w) Program Information
In achieving its objectives, the CFS provides services within four major areas of activity: prevention, preparedness, response and recovery. These activities are classified under one program titled 'South Australian Country Fire Service'.

(x) Unrecognised Contractual Commitments and Contingent Assets and Liabilities
Commitments include those operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a Note and, if quantifiable, are measured at nominal value.

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

3. Financial Risk Management

CFS has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). CFS's exposure to market risk and cash flow interest risk is minimal.

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

In relation to liquidity/funding risk, the continued existence of CFS in its present form, and with its present programs, is dependent on government policy and on continuing payments from the Fund for CFS's administration and programs.

4. Changes in Accounting Policies

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

5. Employee Benefit Expenses

	Consolidated		CFS	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Salaries and wages	**6 485**	6 426	**6 485**	6 426
Payroll tax	**419**	413	**419**	413
Superannuation	**665**	683	**665**	683
Long service leave	**210**	268	**210**	268
Annual leave	**649**	613	**649**	613
Board fees	**9**	7	**9**	7
Other employee related expenses	**798**	121	**798**	121
Total Employee Benefit Expenses	**9 235**	8 531	**9 235**	8 531

Remuneration of Employees

The number of employees whose remuneration received or receivable was $100 000 or more during the year fell within the following bands were:	Consolidated **2008 Number of Employees**	Consolidated 2007 Number of Employees	CFS **2008 Number of Employees**	CFS 2007 Number of Employees
$100 000 - $109 999	**8**	7	**8**	7
$110 000 - $119 999	**9**	10	**9**	10
$120 000 - $129 999	**3**	5	**3**	5
$140 000 - $149 999	**-**	1	**-**	1
$150 000 - $159 999	**1**	-	**1**	-
$200 000 - $209 999	**1**	-	**1**	-
$210 000 - $219 999	**-**	1	**-**	1
Total Number of Employees	**22**	24	**22**	24

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $2 628 000 ($2 877 000).

6. Supplies and Services

	Consolidated **2008 $'000**	Consolidated 2007 $'000	CFS **2008 $'000**	CFS 2007 $'000
Supplies and Services provided by Entities within the SA Government:				
Accommodation	**47**	49	**47**	49
Aerial support costs	**144**	159	**144**	159
Communication expenses	**58**	198	**58**	198
Computing costs	**166**	38	**166**	38
Consultancy, contractor and legal fees	**171**	57	**171**	57
Consumables	**354**	295	**354**	295
Energy	**10**	6	**10**	6
Minor plant and equipment	**1**	33	**1**	33
Operating lease costs	**1 500**	1 262	**1 500**	1 262
Operational costs	**7**	66	**7**	66
Other expenses	**557**	403	**557**	403
Repairs and maintenance	**147**	203	**147**	203
Travel and training	**24**	80	**24**	80
Total Supplies and Services - SA Government Entities	**3 186**	2 849	**3 186**	2 849
Supplies and Services provided by Entities external to the SA Government:				
Accommodation	**54**	36	**54**	36
Aerial support costs	**6 136**	5 561	**6 136**	5 561
Communication expenses	**1 300**	1 142	**1 300**	1 142
Computing costs	**521**	345	**521**	345
Consultancy, contractor and legal fees	**1 727**	1 371	**1 727**	1 371
Consumables	**1 747**	1 546	**1 747**	1 546
Energy	**448**	432	**448**	432
Minor plant and equipment	**2 160**	2 020	**2 160**	2 020
Operating lease costs	**654**	599	**654**	599
Operational costs	**1 750**	1 696	**1 750**	1 696
Other expenses	**2 618**	1 910	**2 615**	1 909
Repairs and maintenance	**4 366**	4 024	**4 366**	4 024
Travel and training	**2 502**	1 362	**2 502**	1 362
Uniforms and protective clothing	**1 522**	1 186	**1 522**	1 186
Total Supplies and Services - Non-SA Government Entities	**27 505**	23 230	**27 502**	23 229
Total Supplies and Services	**30 691**	26 079	**30 688**	26 078

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to CFS not holding a valid tax invoice or payment relating to third party arrangements.

Consultancies

The number and dollar amount of consultancies paid/payable, included within supplies and services expenses, that fell within the following bands were:	Consolidated **2008 Number of Consultants**	Consolidated 2007 Number of Consultants	CFS **2008 Number of Consultants**	CFS 2007 Number of Consultants
Less than $10 000	**5**	5	**5**	5
Total Number of Consultants	**5**	5	**5**	5

	Consolidated **2008 $'000**	Consolidated 2007 $'000	CFS **2008 $'000**	CFS 2007 $'000
Less than $10 000	**13**	10	**13**	10
Total Amount Paid/Payable to Consultants Engaged	**13**	10	**13**	10

7. Remuneration of Auditors

	Consolidated		CFS	
The amount due and payable for audit services provided by:	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Auditor-General's Department	**21**	20	**21**	20
Total Auditor's Remuneration	**21**	20	**21**	20

The auditors provided no other services.

8. Government Radio Network (GRN) Expenses

CFS has been charged by Government ICT Services for costs associated with the provision of emergency communication services, including voice and paging transmission using the GRN.

	Consolidated		CFS	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Contribution towards GRN - Voice	**7 819**	7 907	**7 819**	7 907
Contribution towards GRN - Paging	**1 720**	1 715	**1 720**	1 715
Total GRN Expenses	**9 539**	9 622	**9 539**	9 622

9. Depreciation

Depreciation expenses for the reporting period were charged in respect of:				
Communications equipment	**2 094**	2 073	**2 094**	2 073
Vehicles	**5 171**	6 360	**5 171**	6 360
Plant and equipment	**240**	200	**240**	200
Buildings	**1 537**	1 559	**1 537**	1 559
Computer equipment	**289**	252	**289**	252
Total Depreciation	**9 331**	10 444	**9 331**	10 444

10. Net Gain from Disposal of Assets

Proceeds from disposal of non-current assets	**278**	503	**278**	503
Less: Net book value of non-current assets disposed	**266**	447	**266**	447
Net Gain from Disposal of Assets	**12**	56	**12**	56

11. Revenues from Fees and Charges

Fees and Charges received/receivable from Entities within the SA Government:				
Training and other recoveries	**143**	257	**143**	257
Total Fees and Charges - SA Government Entities	**143**	257	**143**	257
Fees and Charges received/receivable from Entities external to the SA Government:				
Training recoveries	**195**	153	**195**	153
Incident cost recoveries	**69**	108	**69**	108
Total Fees and Charges - Non-SA Government Entities	**264**	261	**264**	261
Total Fees and Charges	**407**	518	**407**	518

12. Interest

Interest received/receivable for the reporting period from:				
Entities within the SA Government	**249**	142	**249**	142
Other	**15**	14	**-**	-
Total Interest Received	**264**	156	**249**	142

13. Other Income

Donations	**74**	91	**56**	89
Rent received	**39**	62	**39**	62
Transfer of capital funding for GRN	**-**	243	**-**	243
Assets received from local government and other sources	**231**	902	**231**	902
Other	**393**	327	**393**	327
Total Other Income	**737**	1 625	**719**	1 623

14. Cash and Cash Equivalents

	Consolidated		CFS	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Cash on hand	**2**	1	**2**	1
Cash at bank	**1 006**	1 064	**801**	888
Cash at bank - Groups and Brigades	**2 752**	2 295	**2 752**	2 295
Short-term deposits	**-**	168	**-**	-
Short-term deposits - Groups and Brigades	**485**	658	**485**	658
Total Cash and Cash Equivalents	**4 245**	4 186	**4 040**	3 842

Short-Term Deposits

Short-term deposits are made for varying periods of between one day and three months and are lodged with various financial institutions at their respective short-term deposit rates.

Interest Rate Risk

Cash on hand is non-interest bearing. Cash at bank earns a floating interest rate based on daily deposit rates, whilst short-term deposits are lodged with various financial institutions at their respective short-term deposit rates. The carrying amount of cash approximates fair value.

Correction of Error

Cash and cash equivalents for the year ended 30 June 2007 included investments of $1 476 000 for CFS. This error had the effect of overstating cash and cash equivalents and understating investments as at 30 June 2007.

The errors have been corrected by restating each of the affected financial statement line items for the prior year.

15. Receivables

	Consolidated		CFS	
	2008	2007	**2008**	2007
Current:	**$'000**	$'000	**$'000**	$'000
Receivables	**143**	168	**142**	167
GST receivable	**1 813**	812	**1 813**	812
Total Current Receivables	**1 956**	980	**1 955**	979

Government/Non-Government Receivables

Receivables from SA Government Entities:				
Receivables	**53**	11	**53**	11
Total Receivables - SA Government Entities	**53**	11	**53**	11
Receivables from Non-SA Government Entities:				
Receivables	**90**	157	**89**	156
GST receivable	**1 813**	812	**1 813**	812
Total Receivables - Non-SA Government Entities	**1 903**	969	**1 902**	968
Total Receivables	**1 956**	980	**1 955**	979

Interest rate and credit risk

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

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

(a) Maturity analysis of receivables – Please refer to Note 24.

(b) Categorisation of financial instruments and risk exposure information - Please refer to Note 24.

16. Non-Current Assets

	Consolidated		CFS	
	2008	2007	**2008**	2007
Property, Plant and Equipment	**$'000**	$'000	**$'000**	$'000
Land	**9 887**	7 663	**9 887**	7 663
Land at valuation	**60**	-	**60**	-
Total Land	**9 947**	7 663	**9 947**	7663
Buildings at valuation	**32 457**	27 561	**32 457**	27 561
Less: Accumulated depreciation	**21**	1 100	**21**	1 100
Total Buildings at Valuation	**32 436**	26 461	**32 436**	26 461
Buildings at cost	**1 089**	2 591	**1 089**	2 591
Less: Accumulated depreciation	**225**	247	**225**	247
Total Buildings at Cost	**864**	2 344	**864**	2 344
Total Buildings	**33 300**	28 805	**33 300**	28 805
Total Property	**43 247**	36 468	**43 247**	36 468

Property, Plant and Equipment (continued)	Consolidated		CFS	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Vehicles at valuation	**60 028**	51 269	**60 028**	51 269
Less: Accumulated depreciation	**-**	6 487	**-**	6 487
Total Vehicles at Valuation	**60 028**	44 782	**60 028**	44 782
Vehicles at cost	**-**	12 176	**-**	12 176
Less: Accumulated depreciation	**-**	738	**-**	738
Total Vehicles at Cost	**-**	11 438	**-**	11 438
Total Vehicles	**60 028**	56 220	**60 028**	56 220
Communications equipment at valuation	**9 320**	-	**9 320**	-
Less: Accumulated depreciation	**-**	-	**-**	-
Total Communications equipment at Valuation	**9 320**	-	**9 320**	-
Communications equipment at cost	**459**	20 883	**459**	20 883
Less: Accumulated depreciation	**202**	9 572	**202**	9 572
Total Communications Equipment at Cost	**257**	11 311	**257**	11 311
Total Communications Equipment	**9 577**	11 311	**9 577**	11 311
Computer equipment at cost	**1 723**	1 467	**1 723**	1 467
Less: Accumulated depreciation	**782**	550	**782**	550
Total Computer Equipment	**941**	917	**941**	917
Plant and equipment at cost	**3 336**	3 029	**3 336**	3 029
Less: Accumulated depreciation	**1 654**	1 493	**1 654**	1 493
Total Plant and Equipment	**1 682**	1 536	**1 682**	1 536
Total Work in Progress at Cost	**13 939**	4 511	**13 939**	4 511
Total Property, Plant and Equipment	**129 414**	110 963	**129 414**	110 963

Valuation of Assets
Independent valuations for land, buildings, vehicles and communication assets were obtained on a rolling basis as at 30 June 2007 and 30 June 2008 from Liquid Pacific. The valuer arrived at fair value on the basis of open market values for existing use.

Impairment
There were no indications of impairment for property, plant and equipment as at 30 June 2008.

Resources Received Free of Charge
Since 1999 negotiations have been undertaken to identify and transition land, buildings, minor plant and equipment and motor vehicles from Local Government, community organisations and other sources into the ownership or the care and control of the Minister for Emergency Services (the Minister).

During 2007-08, six additional properties (two shared with SES) have been transitional into the control of the Minister (valued at fair value of $231 000).

Change in Accounting Estimate
As from 1 July 2007, CFS increased its useful life policy for new buildings from 30 years to 40 years. This change in accounting estimate has impacted on depreciation expense for buildings completed and upgraded during 2007-08 and resulted in building depreciation expense decreasing by $14 000 compared to the former 30 year useful life policy.

The lower depreciation expense will also be reflected in future years.

Reconciliation of Non-Current Assets
The following table shows the movement of non-current assets during 2007-08.

	Land and Buildings $'000	Vehicles $'000	Communi-cation Equipment $'000	Computer Equipment $'000	Plant and Equipment $'000	Work in Progress $'000	**2008 Total $'000**
Carrying amount at 1 July	36 468	56 220	11 311	917	1 536	4 511	**110 963**
Additions	169	35	64	-	40	14 236	**14 544**
Transferred from WIP	2 878	1 111	144	329	346	(4 808)	**-**
Disposals	(3)	(247)	-	(16)	-	-	**(266)**
Revaluation	5 041	8 080	152	-	-	-	**13 273**
Depreciation	(1 537)	(5 171)	(2 094)	(289)	(240)	-	**(9 331)**
Transfer from various parties	231	-	-	-	-	-	**231**
Carrying Amount at 30 June	43 247	60 028	9 577	941	1 682	13 939	**129 414**

Reconciliation of Non-Current Assets (continued)
The following table shows the movement of non-current assets during 2006-07.

	Land and Buildings $'000	Vehicles $'000	Communi-cation Equipment $'000	Computer Equipment $'000	Plant and Equipment $'000	Work in Progress $'000	2007 Total $'000
Carrying amount at 1 July	35 143	53 561	13 019	1 371	1 617	4 377	109 088
Additions	-	-	284	86	150	11 787	12 307
Transferred from WIP	1 601	9 451	115	131	355	(11 653)	-
Disposals	-	(447)	-	-	-	-	(447)
Revaluation	396	-	-	-	-	-	396
Depreciation	(1 559)	(6 360)	(2 073)	(252)	(200)	-	(10 444)
Transfer from various parties	887	15	-	-	-	-	902
De-recognition of assets	-	-	(34)	(419)	(386)	-	(839)
Carrying Amount at 30 June	36 468	56 220	11 311	917	1 536	4 511	110 963

17. Payables

	Consolidated		CFS	
	2008	2007	**2008**	2007
Current Liabilities:	**$'000**	$'000	**$'000**	$'000
Creditors	**2 993**	644	**2 993**	643
Accrued expenses	**603**	577	**603**	577
FBT payable	**444**	-	**444**	-
Employment on-costs	**190**	170	**190**	170
Total Current Payables	**4 230**	1 391	**4 230**	1 390
Non-Current Liabilities:				
Employment on-costs	**142**	139	**142**	139
Total Non-Current Payables	**142**	139	**142**	139
Total Payables	**4 372**	1 530	**4 372**	1 529
Government/Non-Government Payables				
Payables to SA Government Entities:				
Creditors	**1 798**	336	**1 798**	335
Accrued expenses	**448**	469	**448**	469
Employment on-costs	**156**	147	**156**	147
Total Payables to SA Government Entities	**2 402**	952	**2 402**	951
Payables to Non-SA Government Entities:				
Creditors	**1 194**	308	**1 194**	308
Accrued expenses	**156**	108	**156**	108
FBT payable	**443**	-	**443**	-
Employment on-costs	**177**	162	**177**	162
Total Payables to Non-SA Government Entities	**1 970**	578	**1 970**	578
Total Payables	**4 372**	1 530	**4 372**	1 529

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

(a) Maturity analysis of payables – Refer to Note 24.

(b) Categorisation of financial instruments and risk exposure information - Refer to Note 24.

18. Employee Benefits

	Consolidated		CFS	
	2008	2007	**2008**	2007
Current Liabilities:	**$'000**	$'000	**$'000**	$'000
Annual leave	**858**	795	**858**	795
Long service leave	**155**	40	**155**	40
	1 013	835	**1 013**	835
Accrued salaries and wages	**160**	136	**160**	136
Total Current Employee Benefits	**1 173**	971	**1 173**	971
Non-Current Liabilities:				
Long service leave	**1 515**	1 498	**1 515**	1 498
Total Non-Current Employee Benefits	**1 515**	1 498	**1 515**	1 498
Total Employee Benefits	**2 688**	2 469	**2 688**	2 469

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2008 is $1 363 000 and $1 658 000 respectively.

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has been revised from 9.1 years to 9 years.

19. Provisions

	Consolidated		CFS	
	2008	2007	**2008**	2007
Current Liabilities:	**$'000**	$'000	**$'000**	$'000
Provision for workers compensation	**585**	490	**585**	490
Total Current Provisions	**585**	490	**585**	490
Non-Current Liabilities:				
Provision for workers compensation	**1 934**	1 904	**1 934**	1 904
Total Non-Current Provisions	**1 934**	1 904	**1 934**	1 904
Total Provisions	**2 520**	2 394	**2 520**	2 394
Carrying amount at 1 July	**2 394**	2 655	**2 394**	2 655
Additional provisions recognised (released)	**1 363**	330	**1 363**	330
Payments	**(1 238)**	(591)	**(1 238)**	(591)
Carrying Amount at 30 June	**2 519**	2 394	**2 519**	2 394

CFS has reported a liability to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. CFS's liability is an allocation of the Justice Portfolio's total assessment.

A separate valuation of liabilities of CFS has not been undertaken and if such a valuation was performed it may result in a different assessed liability. CFS fully funds this provision for both employees and volunteers.

20. Unrecognised Contractual Commitments

Capital Commitments

	Consolidated		CFS	
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report are payable as follows:	**2008** **$'000**	2007 $'000	**2008** **$'000**	2007 $'000
Within one year	**9 071**	790	**9 071**	790
Total Capital Commitments	**9 071**	790	**9 071**	790

These capital commitments are for building projects.

Remuneration Commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:				
Within one year	**221**	372	**221**	372
Later than one year but not later than five years	**255**	454	**255**	454
Total Remuneration Commitments	**476**	826	**476**	826

Amounts disclosed include commitments arising from executive contracts. CFS does not offer fixed-term remuneration contracts greater than five years. Salary increases of 4.5 percent per annum have been assumed in the calculation of remuneration commitments.

Operating Lease Commitments

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

	Consolidated		CFS	
Commitments under non-cancellable operating leases at the reporting date are payable as follows:	**2008** **$'000**	2007 $'000	**2008** **$'000**	2007 $'000
Within one year	**1 736**	1 760	**1 736**	1 760
Later than one year but not later than five years	**2 564**	2 856	**2 564**	2 856
Later than five years	**77**	152	**77**	152
Total Operating Lease Commitments	**4 377**	4 768	**4 377**	4 768

The above-mentioned operating lease payments are not recognised in the financial statements as liabilities.

These non-cancellable leases relate to vehicle, property and equipment leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement.

Contractual Commitments	Consolidated		CFS	
At the end of the reporting period CFS had the following commitments on contracts:	**2008** **$'000**	2007 $'000	**2008** **$'000**	2007 $'000
Within one year	**873**	1 675	**873**	1 675
Later than one year but not later than five years	**31**	-	**31**	-
Later than five years	**-**	-	**-**	-
Total Other Contractual Commitments	**904**	1 675	**904**	1 675

Contractual commitments relate to aerial firefighting, cleaning, and occupational welfare services.

21. Contingent Assets and Liabilities

CFS has several contingent liabilities in the form of unresolved litigation, the outcome and timing of which cannot be reliably determined. In each case the financial exposure to CFS is limited to $10 000 excess under insurance arrangements.

A number of civil actions have commenced relating to the January 2005 Wangary bushfire, the outcome and timing of which cannot be reliably determined. The financial exposure for CFS is limited to $10 000 excess under insurance arrangements.

CFS is not aware of any contingent assets.

22. Board Members' Remuneration

Board membership during the 2007-08 financial year comprised of:

South Australian Bushfire Prevention Advisory Committee (refer section 71 of the *Fire and Emergency Services Act 2005*)

G Benham*
I Brooks
J Corin
P Davis
C Dearman*
P Dellaverde*
E Ferguson*
M Jenner*
S Lefebvre
G MacPhie*
M Maguire
W McIntosh
D Robertson*
T Roocke
J Rose
K Schutz
W Thorley
R Twisk*
R Underdown*
A Watson*
M Williams*

The number of members whose income from the South Australian Bushfire Prevention Advisory Committee falls within the following bands was:

	2008 Number of Members	2007 Number of Members
$0 - $9 999	**6**	6
Total Number of Board Members	**6**	6

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, fringe benefits tax and any other salary sacrifice arrangements. The total remuneration received or receivable by members was $2000 ($1000).

Other Non-Statutory Advisory Committees
CFS has a number of non-statutory advisory committees in existence for which sitting fees have been paid. 42 (37) members have received less than $1000 ($1000) in remuneration. The total remuneration received or receivable by members was $7000 ($7000).

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

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

23. Cash Flow Reconciliation

Reconciliation of Cash and Cash Equivalents

Cash at 30 June as per:	Consolidated **2008 $'000**	Consolidated 2007 $'000	CFS **2008 $'000**	CFS 2007 $'000
Cash Flow Statement	**4 245**	4 186	**4 040**	3 842
Balance Sheet	**4 245**	4 186	**4 040**	3 842

Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services

	Consolidated **2008 $'000**	Consolidated 2007 $'000	CFS **2008 $'000**	CFS 2007 $'000
Net cash provided by operating activities	**14 418**	12 177	**14 389**	12 161
Contributions from the Fund	**(59 199)**	(53 833)	**(59 199)**	(53 833)
Add/Less: Non-cash items:				
Assets received from local government and other sources	**231**	902	**231**	902
Depreciation	**(9 331)**	(10 444)	**(9 331)**	(10 444)
Net gain from disposal of assets	**12**	56	**12**	56
Changes in Assets/Liabilities:				
Decrease (Increase) in receivables	**976**	(819)	**976**	(819)
(Increase) Decrease in payables	**(2 842)**	339	**(2 843)**	340
Increase in provision for employee benefits	**(219)**	(254)	**(219)**	(254)
(Increase) Decrease in provisions	**(125)**	261	**(125)**	261
Net Cost of Providing Services	**(56 079)**	(51 615)	**(56 109)**	(51 630)

24. Financial Instruments/Financial Risk Management

Categorisation of Financial Instruments

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

		2008		2007	
		Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets	Note	**$'000**	**$'000**	$'000	$'000
Cash and Cash Equivalents:	14	**4 040**	**4 040**	3 842	3 842
Loans and receivables:					
Receivables[(1)]	15	**142**	**142**	167	167
Investments - Held to Maturity:					
Other financial assets	2(m)	**1 401**	**1 401**	1 476	1 476
Financial Liabilities					
Financial Liabilities - At Cost:					
Payables[(1)]	17	**3 679**	**3 679**	1 417	1 417
Total Financial Liabilities at Cost		**3 679**	**3 679**	1 417	1 417

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax, audit receivables/payables etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on cost which are determined via reference to the employee benefit liability to which they relate.

Credit risk

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

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

Ageing Analysis of Financial Assets

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

	Past Due By			
	Overdue for less than 30 Days	**Overdue for 30-60 Days**	**Overdue for more than 60 Days**	**Total**
2008	**$'000**	**$'000**	**$'000**	**$'000**
Not Impaired:				
Receivables	**124**	**1**	**17**	**142**
Other financial assets	**1 401**	**-**	**-**	**1 401**
2007				
Not Impaired:				
Receivables	148	17	2	167
Other financial assets	1 476	-	-	1 476

Maturity Analysis of Financial Assets and Liabilities

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

	Contractual Maturity			
	Carrying Amount	**Less than 1 Year**	**1-5 Years**	**More than 5 Years**
2008	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets:				
Cash and cash equivalents	**4 040**	**4 040**	**-**	**-**
Receivables	**142**	**142**	**-**	**-**
Other financial assets	**1 401**	**1 401**	**-**	**-**
Total Financial Assets	**5 583**	**5 583**	**-**	**-**
Financial Liabilities:				
Payables	**3 679**	**3 679**	**-**	**-**
Total Financial Liabilities	**3 679**	**3 679**	**-**	**-**

Maturity Analysis of Financial Assets and Liabilities (continued)

2007	**Carrying Amount**	**Contractual Maturity** **Less than 1 Year**	**1-5 Years**	**More than 5 Years**
Financial Assets:	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	3 842	3 842	-	-
Receivables	167	167	-	-
Other financial assets	1 476	1 476	-	-
Total Financial Assets	5 485	5 485	-	-
Financial Liabilities:				
Payables	1 417	1 417	-	-
Total Financial Liabilities	1 417	1 417	-	-

The financial assets and liabilities of CFS are all current with maturity within the next 12 months, except employee on-costs (within payables) which are not practical to split the maturity band by years.

Liquidity Risk
The CFS is funded principally from contributions from the Community Emergency Services Fund. The CFS works with the Fund Manager of the Community Emergency Services Fund to determine cash flows associated with its Government approved program of work and with the Department of Treasury and Finance to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

CFS's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in Note 24 'Categorisation of Financial Instruments' represents CFS's maximum exposure to financial liabilities.

Market Risk
The CFS has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). The CFS's exposure to market risk and cash flow interest risk is minimal. There is no exposure to foreign currency or other price risks.

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

25. Controlled Entity
The consolidated financial statements at 30 June 2008 include the following controlled entity:

Name of Controlled Entity	*Place of Incorporation*
The Country Fire Service Foundation	Australia

The Country Fire Service Foundation was incorporated on 22 November 2001 under the *Associations Incorporations Act 1985*.

SOUTH AUSTRALIAN FIRE AND EMERGENCY SERVICES COMMISSION

FUNCTIONAL RESPONSIBILITY

Establishment

The South Australian Fire and Emergency Services Commission (SAFECOM) was established by the *Fire and Emergency Services Act 2005* (the FES Act). The Commission is managed and administered by a board established as the governing body. SAFECOM and its Board are responsible to the Minister for Emergency Services.

From 1 October 2007, the positions of Chief Executive and Chair of the SAFECOM Board were merged.

The FES Act provides for the continuation of the South Australian Metropolitan Fire Service (SAMFS) and the South Australian Country Fire Service (SACFS) as bodies corporate, and the establishment as a separate body corporate of the South Australian State Emergency Service (SASES).

The FES Act also defines the Emergency Services sector as consisting of the:

- South Australian Fire and Emergency Services Commission
- South Australian State Emergency Service
- South Australian Country Fire Service
- South Australian Metropolitan Fire Service.

The FES Act requires that a consolidated financial statement be prepared for the Emergency Services sector.

Functions

SAFECOM is responsible for establishing and promoting the strategic direction and policy for the emergency services sector and supporting agencies to work towards achieving that strategic direction.

For more information about SAFECOM's objectives refer to Note 2 of the financial report.

Community Emergency Services Fund (the Fund)

SAFECOM is also responsible for administering the Fund which is established by the *Emergency Services Funding Act 1998* (ESF Act). Responsibility for administering the Fund was transferred from the Attorney-General's Department on 1 April 2006.

The Fund is the main source of funding for all the Emergency Services sector agencies.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and subsection 21(2) of the FES Act provide for the Auditor-General to audit the accounts of SAFECOM and also the consolidated accounts for the emergency services sector for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

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

- corporate governance
- procurement
- payroll
- expenditure, including purchase cards
- revenue, receipting and banking
- non-current assets, including capital works
- financial accounting cycle
- cash.

The audit also covered the operations of the Fund.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the South Australian Fire and Emergency Services Commission and the consolidated entity as at 30 June 2008, and their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the South Australian Fire and Emergency Services Commission in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to governance and risk management, workforce plans, payroll and expenditure outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Fire and Emergency Services Commission have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the Commissioner of Fire and Emergencies. Responses to the management letters were generally considered to be satisfactory. The major matters raised with SAFECOM and the related responses are outlined below.

Governance and Risk Management

The previous audit identified a number of legal compliance and governance issues for entities in the sector. The status of those matters follows.

SAFECOM

Issues raised last year were the need for SAFECOM to:

- formally document and communicate its strategic framework
- revise, finalise and implement its governance policy
- periodically review, update as necessary and ensure compliance with its risk management framework.

Governance and risk management issues raised were considered as part of the 2007-08 audit. Follow up of these issues revealed that:

- planning workshops were conducted to establish a clear direction for the South Australian Emergency Services sector and identify strategic priorities

- a Statement of Strategic Direction for the South Australian Emergency Services Sector 2008-2014 has been prepared and is intended to be officially endorsed at a specific signing event

- a communication strategy is currently under development to ensure that the Emergency Services sector is aware of developments

- the governance policy was reviewed and updated in April 2008. At the time of finalising the audit, the Board was expecting to ratify the policy at its next Board meeting

- a Risk Management Review of the sector which included corporate governance was undertaken. The review is still in draft form but has identified areas where risk management practices need to be reviewed or updated. The functioning of the Audit and Risk Management Committee was revised and an Internal Audit Plan was developed.

SASES

Issues raised in 2006-07 included:

- the SASES's strategic plan combined both SASES's strategic and business planning. The short-term focus in the combined strategic and business plan may result in SASES not achieving its long-term strategic objectives
- the need to formally monitor and report to SAFECOM on a quarterly basis against business plans
- the need to revise outdated risk management plans.

Governance and risk management issues raised were considered as part of the 2007-08 audit. Follow up of these issues revealed that:

- quarterly reporting against targets selected by SAFECOM has been prepared and implemented
- it is expected that the reporting framework established during 2007-08 is only an interim measure. The SAFECOM strategic plan will provide the framework for the development of the SASES strategic plan and associated business plans
- the formal review of the current SASES Risk Management Plan was commenced in 2007. That review undertook to make full use of the risk management software provided by SAFECOM and has listed risks and actions to mitigate identified risks.

SAMFS

Issues raised last year included a need for SAMFS to:

- report performance against the timeframes set out in SAMFS strategic plan and business plan
- submit quarterly status reports to SAFECOM
- revise outdated risk management plans
- secure timely information to facilitate sound analysis of budget variations including employee costs.

Governance and risk management issues raised were considered as part of the 2007-08 audit. Follow up of these issues revealed that:

- SAMFS developed standardised reporting templates for monthly and quarterly reporting aligned to targets and timeframes established in the SAMFS Strategic plan and business plan
- a summative report capturing key data from SAMFS is incorporated into the SAFECOM monthly and quarterly reports
- SAMFS has aligned its Strategic Planning Calendar to ensure consistency with the SAFECOM Framework
- a revised Risk Management Plan 2008-09 was developed for SAMFS
- a quarterly review process was implemented that analyses the financial status (including employee costs and variances) for all costs centres.

SAMFS Reserves

In 2006-07, Audit noted the possibility of SAMFS using cash reserves to supplement contributions from the Fund to fund its costs. The SAMFS cash reserve was established as a result of monies received pursuant to the *South Australian Metropolitan Fire Service Act 1936* prior to 1999-2000. Audit recommended that the SAMFS and SAFECOM, together with the Department of Treasury and Finance determine the purpose and use of the cash reserve.

Crown Solicitor's Office advice has been received and that cash reserves can be used by SAMFS consistent with the purposes of the FES Act. A policy on the use of cash reserves will be established.

Workforce Plans

Sections 32, 65 and 114 of the FES Act state that for the purposes of the appointments to the staff of SAMFS, SACFS and SASES, respectively:

> *the Chief Officer must, at least once in every year, submit a workforce plan for approval by the Commission; and the Chief Officer must not make an appointment under this Division unless it accords with the workforce plan last approved by the Commission.*

The SAFECOM 'Strategic Management Framework Calendar – Cycle' requires workforce plans for the coming year to be finalised by June of each year. Plans are then reviewed by the Commission and finalised.

Audit noted that workforce plans were not finalised by the Commission on a timely basis during 2007-08. Review of Workforce plans provided to Audit revealed that the Commission provided their endorsement on following dates:

- SACFS – September 2007
- SASES – October 2007
- SAFECOM – November 2007
- SAMFS – December 2007.

SAFECOM responded that they will work with agencies to ensure adherence with annual processes. In addition, workforce plans for 2008-09 were submitted to the Commission in June 2008.

Payroll

Review of previously identified weaknesses in controls over payroll functions revealed that progress has been made during 2007-08. Developments included:

- updating delegations
- documenting leave and recruitment policies and procedures
- updating procedures for reviewing bona fide reports.

As revised policy, procedures and documents were developed progressively throughout 2007-08, compliance with the new arrangements did not fully occur until management had completed training and communication processes.

Notwithstanding these developments, the current audit identified a number of areas where internal controls could be improved. These included:

- inadequate checking of bona fide reports

- bona fides were not evidenced according to documented procedures

- timesheet policies and procedures were not finalised

- award allowances were paid that were not in accordance with the records of time worked by SASES employees

- annual leave balances for a number of SAMFS and SACFS staff were in excess of Commissioner's Standards and approval for carryovers were not documented.

In response SAFECOM advised:

- in consultation with Managers, bona fide procedures will be reviewed, and the importance of bona fides and controls underpinning the process will be raised with senior management across the sector

- policy and procedures for timesheets will be developed and communicated to relevant staff

- SASES will monitor rostering of staff to ensure that the requirements of the award are being met

- agencies will be reminded of the need for approved carryover and active management of excess annual leave balances, and approved carryovers will be maintained on the individual's personnel file.

Expenditure

The expenditure audit highlighted a number of areas where there are opportunities to improve internal controls. These include ensuring that:

- payments are only approved by authorised officers
- checks are performed to ensure that payments are authorised in accordance with delegations
- current delegations are used in checking functions
- requisitions are approved in accordance with procurement authorisations
- adequate audit trails are maintained to substantiate payments
- purchase cards are promptly cancelled for terminated employees.

SAFECOM advised that they intend to:

- reinforce the use of procurement and financial authorisations across the sector and within the Accounts Payable section
- update the Schedule of Financial and Procurement Authorisations and purchasing policy
- implement revised and systematic filing of vendor masterfile and goods received notes
- review the termination advice process for purchase cards and implement appropriate controls that involve Business Managers of the agencies.

Reconciliations

The FMF requires agencies to have in place adequate internal controls to manage risk including preparing reconciliations. Review of key reconciliations prepared by SAFECOM revealed that a number were not prepared on a timely basis. These include the following subsidiary system to general ledger reconciliations:

- accounts receivable
- fixed assets
- work in progress.

Audit recommended that these reconciliations should be performed and checked on a monthly basis.

SAFECOM's response indicated that this will occur.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Consolidated Emergency Services Sector

Highlights of the Financial Report

	2008 $'million	2007 $'million	Percentage Change
Total Income	**15.1**	11.3	34
EXPENSES			
Employee benefit expenses	**94.4**	91.2	4
Depreciation	**16.1**	17.4	(7)
Supplies and services	**54.3**	47.1	15
Other expenses (includes payments to SA Government)	**14.8**	13.5	10
Total Expenses	**180.0**	169.2	6
Net Cost of Providing Services	**164.5**	157.9	4
Contributions from Community Emergency Services Fund	**178.2**	162.6	10
Net Result before Restructure	**13.7**	4.7	-
Net revenue from administrative restructure	**-**	2	-
Net Result after Restructure	**13.7**	6.7	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	**34.8**	22.0	58
ASSETS			
Current assets	**50.4**	39.0	29
Non-current assets	**278.0**	246.2	13
Total Assets	**328.4**	285.2	15
LIABILITIES			
Current liabilities	**21.3**	15.8	35
Non-current liabilities	**25.7**	24.9	3
Total Liabilities	**47.0**	40.7	15
EQUITY	**281.4**	244.5	15

Income Statement

The main source of revenue for the sector is contributions from the Fund of $178.2 million ($162.6 million), which accounts for 92 percent of total income.

Expenses are dominated by employee benefit expenses of $94.4 million ($91.2 million), which represent 52 percent of total expenses.

During 2007-08, supplies and services increased by $7.2 million or 15 percent. This is mainly attributable to an increase in SACFS supplies and services of $4.6 million and an increase in SAFECOM supplies and services of $2.2 million.

The number of employees receiving remuneration in excess of $100 000 reduced to 124 from 165 in 2006-07. This is due to reduced overtime and allowances paid to SAMFS employees during the year. Refer Note 6 of the financial report.

Balance Sheet

The Balance Sheet shows that non-current assets of $278 million represent 85 percent of total assets. The main asset classes held are land and buildings (fair value of $148 million) and vehicles (fair value of $91 million).

Non-current assets increased by $32 million or 13 percent to $278 million as a result of revaluation of various classes of assets ($23 million) and work in progress for various projects ($25 million). This was offset by depreciation charges ($16 million) during the period.

SAFECOM

Highlights of the Financial Report

	2008 $'million	2007 $'million	Percentage Change
Total Income	**2.9**	1.4	-
EXPENSES			
Employee benefit expenses	**9.4**	8.2	15
Supplies and services	**5.6**	3.4	65
Other expenses	**1.2**	0.4	-
Total Expenses	**16.2**	12.0	35
Net Cost of Providing Services	**13.3**	10.6	25
Contributions from Community Emergency Services Fund	**13.9**	11.0	26
Net Result before Restructure	**0.6**	0.4	50
Net revenue from administrative restructure	**-**	1.3	-
Net Result after Restructure	**0.6**	1.7	(65)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**1.7**	0.0	-
ASSETS			
Current assets	**5.1**	4.3	19
Non-current assets	**1.2**	0.4	-
Total Assets	**6.3**	4.7	34
LIABILITIES			
Current liabilities	**2.0**	1.3	54
Non-current liabilities	**2.9**	2.6	12
Total Liabilities	**4.9**	3.9	26
EQUITY	**1.4**	0.8	75

Income Statement

Fund Contributions and Income

SAFECOM is primarily funded from contributions from the Fund which in 2008 totalled $13.9 million ($11.0 million). This represents 83 percent of total revenue.

The increase in Commonwealth revenues of $1.4 million is attributable to the full year effect of the transfer of Commonwealth funded projects to SAFECOM. The Bushfire Mitigation program and the Natural Disaster Mitigation program were previously managed by the Department of the Premier and Cabinet.

Revenues from fees and charges reflect mainly salary recoveries including those for administering the Fund.

Expenses

Employee benefit expenses are the main expense category of SAFECOM totalling $9.4 million in 2008 which represents 58 percent of total expenses. The amount for 2008 includes the impact of additional staffing positions and an increase in salaries and wages by 3.5 percent pursuant to an Enterprise Bargaining Agreement.

The increase in supplies and services expense of $2.2 million or 65 percent was due mainly to an increase in consultancy, contract and legal fees of $733 000 and an increase in travel and training of $526 000.

The increase in grants and contributions of $742 000 reflects the transfer of Commonwealth funded projects to SAFECOM.

Net Result

SAFECOM recorded a net result before restructure in 2008 of $613 000.

Balance Sheet

Assets

The increase in non-current assets of $825 000 is mainly as a result of the computer equipment additions of $573 000 and an increase in works in progress of $298 000.

Administered Income and Expenses

Contributions, by way of levies, are made by all owners (including both state and local government) of both fixed and mobile property to fund the provision of emergency services. Levies are collected in accordance with the ESF Act. The levy on fixed property applies to capital values adjusted for location and land use and is collected by RevenueSA. The levy on mobile property is collected by the Department for Transport, Energy and Infrastructure using the vehicle registration system. In addition, the Government makes a contribution in the form of remissions of levies charged.

All levy receipts are paid into the Fund from which payments are made to emergency services agencies and to meet the costs of collection and administration.

The following table shows the relationship over the past four years between the levies collected and the payments to emergency services agencies. The transactions outlined represent the activities of the Fund combining the administration periods of the Attorney-General's Department and SAFECOM.

	2008	2007	2006	2005
	$'million	$'million	$'million	$'million
Emergency Services levies collected*	**208**	188	176	172
Payments to Emergency Services sector**	**(208)**	(194)	(183)	(168)
	-	(6)	(7)	4
Cash at 30 June	**3**	4	10	17

* Includes other income
** Includes levy collection and administration costs.

The table shows that the payments to the emergency services sector have increased over the four years. In addition, for the past three years payments have exceeded the levies collected. This has resulted in a decrease in the Fund's cash balance.

Emergency Services levies collected increased by $20 million or 11 percent to $208 million due predominantly to the increase in fixed property remissions of $14 million and Fixed Property levies of $5 million.

Levies and other revenues are collected in accordance with the ESF Act to fund the approved budget of emergency service organisations and other payments.

In 2007-08, payments to the emergency services sector increased by $14 million or 7 percent to $208 million. The predominant reason for the increase relates to additional payments to the following emergency service organisations during 2007-08:

- $3 million or 26 percent to $14 million to SAFECOM
- $5 million or 10 percent to $59 million to SACFS
- $8 million or 9 percent to $93 million for SAMFS.

This was offset slightly by a reduction in grant funding to Surf Life Saving of $2 million. In 2006-07 Surf Life Saving received additional building program funds.

Income Statement
for the year ended 30 June 2008

	Note	Consolidated		SAFECOM	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
EXPENSES:					
Employee benefits expenses	6	**94 379**	91 174	**9 396**	8 202
Supplies and services	7	**54 251**	47 068	**5 599**	3 437
Government Radio Network expenses	9	**12 914**	12 900	**-**	-
Depreciation	10	**16 075**	17 430	**46**	42
Grants and contributions		**1 420**	620	**1 123**	381
Total Expenses		**179 039**	169 192	**16 164**	12 062
INCOME:					
Commonwealth Revenues		**6 143**	2 962	**1 989**	579
Revenues from fees and charges	11	**3 862**	3 514	**466**	622
Net gain from disposal of assets	12	**91**	153	**-**	-
Interest revenues	13	**2 729**	1 920	**306**	155
Other income	14	**2 258**	2 766	**150**	63
Total Income		**15 083**	11 315	**2 911**	1 419
NET COST OF PROVIDING SERVICES		**163 956**	157 877	**13 253**	10 643
REVENUES FROM SA GOVERNMENT:					
Contributions from Community Emergency Services Fund		**178 177**	162 615	**13 866**	11 045
Payments to SA Government		**(505)**	-	**-**	-
NET RESULT BEFORE RESTRUCTURE		**13 716**	4 738	**613**	402
Net revenue from administrative restructure	26	**-**	1 968	**-**	1 263
NET RESULT AFTER RESTRUCTURE		**13 716**	6 706	**613**	1 665

Net result after restructure is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2008

	Note	Consolidated		SAFECOM	
		2008	2007	**2008**	2007
	3(d)	**$'000**	$'000	**$'000**	$'000
CURRENT ASSETS:					
Cash and cash equivalents	15	**44 327**	34 079	**4 037**	3 195
Receivables	16	**4 417**	3 404	**1 078**	1 109
Other financial assets		**1 684**	1 594	**-**	-
Total Current Assets		**50 428**	39 077	**5 115**	4 304
NON-CURRENT ASSETS:					
Property, plant and equipment	17	**278 036**	246 159	**1 227**	402
Total Non-Current Assets		**278 036**	246 159	**1 227**	402
Total Assets		**328 464**	285 236	**6 342**	4 706
CURRENT LIABILITIES:					
Payables	18	**8 079**	4 205	**776**	468
Short-term and long-term employee benefits	19	**10 967**	9 714	**1 178**	742
Short-term provisions	20	**2 267**	1 897	**103**	89
Total Current Liabilities		**21 313**	15 816	**2 057**	1 299
NON-CURRENT LIABILITIES:					
Payables	18	**1 575**	1 541	**217**	201
Long-term employee benefits	19	**16 822**	16 042	**2 340**	2 088
Long-term provisions	20	**7 338**	7 302	**342**	345
Total Non-Current Liabilities		**25 735**	24 885	**2 899**	2 634
Total Liabilities		**47 048**	40 701	**4 956**	3 933
NET ASSETS		**281 416**	244 535	**1 386**	773
EQUITY:					
Asset revaluation reserve		**44 095**	20 930	**-**	-
Retained earnings		**237 321**	223 605	**1 386**	773
TOTAL EQUITY		**281 416**	244 535	**1 386**	773

Total equity is attributable to the SA Government as owner

Unrecognised capital commitments	21
Contingent assets and liabilities	22

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

	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Consolidated:			
Balance at 30 June 2006	18 465	219 793	238 258
Error correction	-	296	296
Restated balance at 30 June 2006	18 465	220 089	238 554
Gain on revaluation of property during 2006-07	2 465	-	2 465
Net result after restructure for 2006-07	-	6 706	6 706
Total recognised income and expense for 2006-07	2 465	6 706	9 171
Derecognition of other assets during 2006-07	-	(3 190)	(3 190)
Balance at 30 June 2007	20 930	223 605	244 535
Gain on revaluation of property during 2007-08	12 377	-	12 377
Gain on revaluation of vehicles during 2007-08	10 589	-	10 589
Gain on revaluation of Communication Equipment during 2007-08	199	-	199
Net result for 2007-08	-	13 716	13 716
Total recognised income and expense for 2007-08	23 165	13 716	36 881
Balance at 30 June 2008	**44 095**	**237 231**	**281 416**
SAFECOM:			
Balance at 30 June 2006	-	(643)	(643)
Error correction	-	-	-
Restated balance at 30 June 2006	-	(643)	(643)
Gain on revaluation of property during 2006-07	-	-	-
Net result after restructure for 2006-07	-	1 665	1 665
Total recognised income and expense for 2006-07	-	1 665	1 665
Derecognition of other assets during 2006-07	-	(249)	(249)
Balance at 30 June 2007	-	773	773
Gain on revaluation of property during 2007-08	-	-	-
Net result for 2007-08	-	613	613
Total recognised income and expense for 2007-08	-	613	613
Balance at 30 June 2008	**-**	**1 386**	**1 386**

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

Cash Flow Statement
for the year ended 30 June 2008

		Consolidated		SAFECOM	
	Note	**2008**	2007	**2008**	2007
		Inflows	Inflows	**Inflows**	Inflows
		(Outflows)	(Outflows)	**(Outflows)**	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	3(d)	**$'000**	$'000	**$'000**	$'000
CASH OUTFLOWS:					
Employee benefit payments		**(92 346)**	(89 331)	**(8 708)**	(8 001)
Supplies and services		**(52 730)**	(50 063)	**(6 205)**	(3 864)
Government Radio Network payments		**(13 121)**	(12 675)	**-**	-
Grants and contributions		**(1 420)**	(620)	**(1 123)**	(381)
GST payments on purchases		**(6 478)**	(7 317)	**(1 154)**	(1 309)
Cash used in Operations		**(166 095)**	(160 006)	**(17 190)**	(13 555)
CASH INFLOWS:					
Fees and charges		**3 862**	3 514	**466**	622
Receipts from Commonwealth		**6 533**	-	**2 443**	35
Interest received		**2 616**	1 980	**290**	155
GST receipts on receivables		**730**	594	**44**	31
GST recovered from the ATO		**7 479**	9 133	**1 644**	1 630
Other receipts		**1 964**	4 209	**150**	62
Cash generated from Operations		**23 184**	19 430	**5 037**	2 535
CASH FLOWS FROM SA GOVERNMENT:					
Contributions from Community Emergency Services Fund		**178 177**	162 615	**13 866**	11 045
Payments to SA Government		**(505)**	-	**-**	-
Cash generated from SA Government		**177 672**	162 615	**13 866**	11 045
Net Cash provided by Operating Activities	24	**34 761**	22 039	**1 713**	25
CASH FLOWS FROM INVESTING ACTIVITIES:					
CASH OUTFLOWS:					
Purchase of property, plant and equipment		**(25 011)**	(22 381)	**(871)**	(119)
Purchase of investments		**(168)**	-	**-**	-
Cash used in Investing Activities		**(25 179)**	(22 381)	**(871)**	(119)
CASH INFLOWS:					
Proceeds from sale of property, plant and equipment		**588**	1 062	**-**	-
Proceeds from maturities of investments		**78**	-	**-**	-
Cash generated from Investing Activities		**666**	1 062	**-**	-
Net Cash used in Investing Activities		**(24 513)**	(21 319)	**(871)**	(119)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Transfer from the Department of the Premier and Cabinet		**-**	1 968	**-**	1 263
Net Cash provided by Financing Activities		**-**	1 968	**-**	1 263
NET INCREASE IN CASH AND CASH EQUIVALENTS		**10 248**	2 688	**842**	1 169
CASH AND CASH EQUIVALENTS AT 1 JULY		**34 079**	31 391	**3 195**	2 026
CASH AND CASH EQUIVALENTS AT 30 JUNE	15	**44 327**	34 079	**4 037**	3 195

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment of SAFECOM and the Emergency Services Sector

The *Fire and Emergency Services Act 2005* (the Act) was assented to on 14 July 2005. The Act establishes the South Australian Fire and Emergency Services Commission (SAFECOM) which came into operation on 1 October 2005 replacing the Emergency Services Administrative Unit (ESAU), which was dissolved from 31 December 2005.

The Act provides for the continuation of the South Australian Metropolitan Fire Service (MFS), the South Australian Country Fire Service (CFS) and the South Australian State Emergency Service (SES). MFS and CFS were previously in existence as separate entities whereas the SES was a division of ESAU. The SES is now a separate body corporate. The *Country Fires Act 1989*, the *South Australian Metropolitan Fire Service Act 1936* and the *State Emergency Service Act 1987* were repealed upon the proclamation of the new Act.

The Act also defines the Emergency Services sector as consisting of the:

- South Australian Fire and Emergency Services Commission
- South Australian State Emergency Service
- South Australian Country Fire Service
- South Australian Metropolitan Fire Service.

The Act requires that consolidated statements of account be prepared for the Emergency Services sector.

2. Objectives and Funding

Objectives

SAFECOM has the following objectives:

- to develop and maintain a strategic and policy framework as well as sound corporate governance across the emergency services sector;
- to provide adequate support services to the emergency services organisations and to ensure the effective allocation of resources within the emergency service sector;
- to ensure relevant statutory compliance by the emergency services organisations;
- to build a safer community through integrated emergency service delivery;
- to report regularly to the Minister about relevant issues.

Funding

The funding of SAFECOM is derived from the Community Emergency Services Fund (the Fund) which was established by the *Emergency Services Funding Act 1998.*

3. Significant Accounting Policies

(a) Statement of Compliance

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

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the SAFECOM for the reporting period ending 30 June 2008. Refer Note 5.

(b) Basis of Preparation

The presentation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying SAFECOM's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported;
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in this financial report:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies;
  - (b) expenses incurred as a result of engaging consultants;
  - (c) employees whose normal remuneration is $100 000 or more (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees;
  - (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

(b) Basis of Preparation (continued)

SAFECOM's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

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

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

(c) Principles of Consolidation

The financial statements incorporate the assets and liabilities of all entities controlled by SAFECOM and forming the Emergency Services sector as at 30 June 2008 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full.

(d) Reporting Entity

SAFECOM produces both organisational and administered financial statements. The organisational financial statements include the use of income, expenses, assets and liabilities, controlled or incurred by the organisation in its own right.

The administered financial statements includes the income, expenses, assets and liabilities which the organisation administers on behalf of the SA Government but does not control. The administered items for SAFECOM consist solely of the Fund created pursuant to the *Emergency Services Funding Act 1998*.

Significant accounting policies outlined in Note 3 apply to both the organisational and administered financial statements.

(e) Comparative Information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific APS or AAS has required a change. In some cases, prior period amendments have been made to improve the quality and consistency of information provided.

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

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

(f) Rounding

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

(g) Taxation

SAFECOM is not subject to income tax. SAFECOM is liable for payroll tax, FBT and GST.

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

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

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

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

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

(h) Events After Balance Date

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

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

(i) Income and Expenses

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

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

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

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

Income

The following are specific recognition criteria:

Revenues from SA Government

Contributions from the Fund are recognised as income when SAFECOM obtains control over the funding. Control over funding is normally obtained upon receipt.

Resources Received Free of Charge

Resources received free of charge are recorded as revenue in the Income Statement at their fair value.

Fees and Charges

Revenues from fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

Disposal of Non-Current Assets

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

Other Income

Other income consists of assets received free of charge, donations received, Groups and Brigade Fundraising revenue and other minor revenues.

Expenses

Employee Benefits

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

Superannuation

The amount charged to the Income Statement represents the contributions made by SAFECOM to the superannuation plan in respect of current services of current departmental staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government general purpose financial report.

Payments to SA Government

Payments to the SA Government relate to the payment of proceeds from the sale of property pursuant to Department of the Premier and Cabinet Circular 114 (PC114). As required by PC114, proceeds have been paid to the Treasurer for application to the Consolidated Account.

(j) Current and Non-Current Classification

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

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

(k) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet includes cash at bank and on hand and short-term highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above. Cash is measured at nominal value.

(l) Receivables

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

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that SAFECOM will not be able to collect the debt. Bad debts are written off when identified.

(m) Other Financial Assets

SAFECOM measures financial assets and debt at historical cost. Other financial assets recorded in the Balance Sheet are medium-term liquid maturities of between 3 and 12 months that are readily converted to cash and which are subject to insignificant risk of changes in value. Medium-term maturities are lodged with various financial institutions at their respective medium-term deposit rates.

(n) Non-Current Asset Acquisition and Recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet.

In accordance with APF III APS 2.15 all non-current tangible assets with a value of $10 000 or greater are capitalised.

(o) Revaluation of Non-Current Assets

Property, plant and equipment are brought to account at fair value. On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every two years and carrying amounts are adjusted accordingly.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, the asset is revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement.

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

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

The asset revaluation reserve is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is disposed of or assets are transferred to another SA Government entity upon an administrative restructure.

(p) Impairment

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

For revalued assets an impairment loss is offset against the asset's revaluation reserve.

(q) 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.

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

(q) Depreciation of Non-Current Assets (continued)

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

Asset Class	*Useful Lives (Years)*
Communications equipment	5 - 10
Vehicles	5 - 25
Plant and equipment	5 - 10
Computer equipment	5 - 10
Buildings	30 - 50

(r) Payables

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

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

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

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

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

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

(s) Employee Benefits

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

Wages, Salaries, Annual Leave and Sick Leave

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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

Long Service Leave

The liability for long service leave is recognised after an employee has completed 9 (9.1) years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with SAFECOM's experience of employee retention and leave taken.

Employee Benefit On-Costs

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

(t) Provisions

Provisions are recognised when SAFECOM has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When SAFECOM expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Balance Sheet date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

(u) Financial Liabilities

SAFECOM measures financial liabilities at historical cost.

(v) Operating Leases

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are recognised as an expense in the Income Statement on a basis which is representative of the pattern of benefits derived from the leased assets.

(w) Administrative Restructuring

Pursuant to structural reforms announced within the 2006-07 State Budget speech on 21 September 2006, functions of the Security and Management Office were transferred from the Department of the Premier and Cabinet to SAFECOM (refer Note 26).

(x) Program Information - SAFECOM

In achieving its objectives, SAFECOM provides strategic and corporate support services to the MFS, CFS and SES. These activities are classified under one program titled Fire and Emergency Services Strategic and Corporate Support.

(y) Program Information – SAFECOM Administered Items

The administered program relates to the collection of the Emergency Services Levy and the application of these funds. The levies are collected, in accordance with the *Emergency Services Funding Act 1998*, by RevenueSA and the Department for Transport, Energy and Infrastructure (DTEI) and are credited to the Fund. Payments from the Fund are made to emergency services agencies and other organisations that provide an 'emergency service' as defined under the Act and to meet costs of collecting the levies and operations of the Fund.

4. Financial Risk Management

SAFECOM has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). SAFECOM's exposure to market risk and cash flow interest risk is minimal.

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

In relation to liquidity/funding risk, the continued existence of SAFECOM in its present form, and with its present programs, is dependent on Government policy and on continuing payments from the Fund for SAFECOM`s administration and programs.

5. Changes in Accounting Policies

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

Community Emergency Services Fund – 2006-07

For the year ended 30 June 2006, mobile remissions from DTEI were recognised as revenue upon the receipt of cash by the Fund. From 1 July 2006, the Fund has recognised revenue upon receipt by DTEI and RevenueSA to reflect revenue due to the fund at balance date.

If the abovementioned change in accounting policy had been adopted for the year ended 30 June 2006, an increase of $2 190 000 for Fund revenue and receivables would have resulted.

In addition, for the year ended 30 June 2006, collection services provided to the Fund by DTEI and RevenueSA were recognised as an expense on the receipt of relevant tax invoices. From 1 July 2006, the Fund has recognised DTEI and RevenueSA collection expenses on the delivery of agreed collection services, as defined within Memoranda of Understanding, to reflect payables of the Fund at balance date.

If the abovementioned change in accounting policy had been adopted for the year ended 30 June 2006, an increase of $59 000 for other expenses and payables would have resulted.

6. Employee Benefit Expenses

	Consolidated		SAFECOM	
Employee benefits costs for the reporting period	**2008**	2007	**2008**	2007
comprised:	**$'000**	$'000	**$'000**	$'000
Salaries and wages	**68 422**	67 016	**6 637**	6 047
Payroll tax	**4 527**	4 513	**442**	392
Superannuation	**8 065**	7 691	**849**	750
Long service leave	**3 535**	3 315	**677**	347
Annual leave	**8 481**	7 997	**689**	575
TVSP	**-**	-	**-**	-
Other employee related expenses	**1 349**	642	**102**	91
Total Employee Benefit Expenses	**94 379**	91 174	**9 396**	8 202

Remuneration of Employees

The number of employees whose remuneration received or receivable was $100 000 or more during the year, fell within the following bands:

	Consolidated		SAFECOM	
	2008 Number of Employees	2007 Number of Employees	**2008 Number of Employees**	2007 Number of Employees
$100 000 - $109 999	**51**	83	**9**	6
$110 000 - $119 999	**50**	46	**5**	2
$120 000 - $129 999	**10**	17	**1**	1
$130 000 - $139 999	**3**	10	**-**	1
$140 000 - $149 999	**1**	4	**1**	1
$150 000 - $159 999	**2**	1	**1**	1
$160 000 - $169 999	**1**	1	**-**	-
$170 000 - $179 999	**2**	-	**1**	-
$200 000 - $209 999	**2**	1	**-**	-
$210 000 - $219 999	**-**	1	**-**	-
$240 000 - $249 999	**1**	-	**1**	-
$260 000 - $269 999	**1**	-	**-**	-
$290 000 - $299 999	**1**	1	**-**	-
Total Number of Employees	**124**	165	**19**	**12**

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The aggregate remuneration for all employees referred to above was $14 600 000 ($19 005 000) for the consolidated entity and $2 344 000 ($1 435 000) for SAFECOM.

7. Supplies and Services

	Consolidated		SAFECOM	
Supplies and services provided by Entities within the SA Government:	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Accommodation	**185**	177	**-**	-
Aerial support costs	**144**	159	**-**	-
Communication expenses	**176**	308	**89**	80
Computing costs	**602**	519	**185**	228
Consultancy, contractor and legal fees	**755**	388	**328**	245
Consumables	**527**	492	**13**	4
Energy	**38**	58	**19**	9
Minor plant and equipment	**15**	33	**-**	-
Operating lease costs	**3 529**	3 067	**626**	592
Operational costs	**12**	75	**-**	-
Other expenses	**1 100**	989	**82**	69
Repairs and maintenance	**762**	584	**179**	40
Travel and training	**196**	202	**36**	11
Total Supplies and Services - SA Government Entities	**8 041**	7 051	**1 557**	1 278
Supplies and services provided by Entities external to the SA Government:				
Accommodation	**84**	57	**-**	-
Aerial support costs	**6 136**	5 561	**-**	-
Communication expenses	**2 667**	2 243	**396**	124
Computing costs	**1 611**	1 275	**383**	330
Consultancy, contractor and legal fees	**4 575**	3 807	**1 589**	939
Consumables	**3 373**	3 035	**246**	138
Energy	**959**	860	**-**	-
Minor plant and equipment	**3 701**	3 602	**31**	29
Operating lease costs	**881**	774	**45**	6
Operational costs	**1 982**	1 903	**23**	23
Other expenses	**6 204**	4 998	**408**	201
Repairs and maintenance	**6 702**	6 113	**74**	33
Travel and training	**4 382**	2 906	**831**	330
Uniforms and protective clothing	**2 953**	2 883	**16**	6
Total Supplies and Services - Non-SA Government Entities	**46 210**	40 017	**4 042**	2 159
Total Supplies and Services	**54 251**	47 068	**5 599**	3 437

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to the consolidated entity/SAFECOM not holding a valid tax invoice or payment relating to third party arrangements.

Consultancies

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands were:	Consolidated 2008 Number of Consultants	Consolidated 2007 Number of Consultants	SAFECOM 2008 Number of Consultants	SAFECOM 2007 Number of Consultants
Less than $10 000	**23**	22	**10**	2
$10 000 - $50 000	**6**	7	**4**	2
Above $50 000	**1**	-	**1**	-
Total Number of Consultants	**30**	29	**15**	4

	Consolidated 2008 $'000	Consolidated 2007 $'000	SAFECOM 2008 $'000	SAFECOM 2007 $'000
Less than $10 000	**75**	68	**36**	7
$10 000 - $50 000	**167**	181	**118**	24
Above $50 000	**78**	-	**78**	-
Total Amount Paid / Payable to Consultants Engaged	**320**	249	**232**	31

8. Remuneration of Auditors

Audit fees paid/payable to:

Auditor-General's Department	**142**	138	**77**	77

9. Government Radio Network (GRN) Expenses

SAFECOM has been charged by Government ICT Services for costs associated with the provision of emergency communication services, including paging and voice transmission using the GRN.

	Consolidated 2008 $'000	Consolidated 2007 $'000	SAFECOM 2008 $'000	SAFECOM 2007 $'000
Contribution towards GRN - Voice	**10 380**	10 520	**-**	-
Contribution towards GRN - Paging	**2 534**	2 380	**-**	-
Total GRN Expenses	**12 914**	12 900	**-**	-

	Consolidated 2008 $'000	Consolidated 2007 $'000	SAFECOM 2008 $'000	SAFECOM 2007 $'000
10. Depreciation				
Communications equipment	**2 948**	2 912	**-**	-
Vehicles	**7 300**	8 415	**-**	-
Plant and equipment	**795**	951	**-**	-
Buildings	**4 444**	4 557	**8**	11
Computer equipment	**588**	595	**38**	31
Total Depreciation	**16 075**	17 430	**46**	42
11. Revenues from Fees and Charges				
Fees and Charges received/receivable from Entities within the SA Government comprised:				
Training recoveries	**18**	36	**-**	-
Incident cost recoveries	**-**	-	**-**	-
Fire alarm monitoring fees	**141**	-	**-**	-
Fire attendance fees	**235**	49	**-**	-
Fire safety fees	**27**	4	**-**	-
Other recoveries	**374**	573	**420**	622
Total Fees and Charges - SA Government Entities	**795**	662	**420**	622
Fees and Charges received/receivable from Entities external to the SA Government:				
Training and other recoveries	**151**	115	**-**	-
Incident cost recoveries	**68**	108	**-**	-
Fire alarm monitoring fees	**1 274**	1 343	**-**	-
Fire attendance fees	**1 126**	971	**-**	-
Fire safety fees	**352**	234	**-**	-
Other recoveries	**96**	81	**46**	-
Total Fees and Charges - Non-SA Government Entities	**3 067**	2 852	**46**	-
Total Fees and Charges	**3 862**	3 514	**466**	622
12. Net Gain from Disposal of Non-Current Assets				
Proceeds from disposal of non-current assets	**588**	1 062	**-**	-
Written down value of non-current assets	**(497)**	(909)	**-**	-
Net Gain from Disposals of Non-Current Assets	**91**	153	**-**	-

13. Interest

Interest received/receivable for the reporting period from:	Consolidated 2008 $'000	Consolidated 2007 $'000	SAFECOM 2008 $'000	SAFECOM 2007 $'000
Entities within the SA Government	**2 714**	1 906	**306**	155
Other	**15**	14	**-**	-
Total Interest	**2 729**	1 920	**306**	155

14. Other Income

Other income comprised:	Consolidated 2008 $'000	Consolidated 2007 $'000	SAFECOM 2008 $'000	SAFECOM 2007 $'000
Assets received free of charge	**294**	974	**-**	-
Transfer of capital funding for GRN	**354**	243	**-**	-
Donations	**74**	108	**-**	-
Groups/brigades fundraising revenue	**292**	306	**-**	-
Other	**1 038**	1 000	**142**	63
Rent received	**206**	135	**8**	-
Total Other Income	**2 258**	2 766	**150**	63

15. Cash and Cash Equivalents

	Consolidated 2008 $'000	Consolidated 2007 $'000	SAFECOM 2008 $'000	SAFECOM 2007 $'000
Cash on hand	**12**	15	**-**	2
Cash at bank - Groups and brigades/units	**3 425**	3 089	**-**	-
Cash at bank	**40 350**	30 265	**4 037**	3 193
Short-term deposits - Groups and brigades/units	**540**	710	**-**	-
Total Cash and Cash Equivalents	**44 327**	34 079	**4 037**	3 195

Short-term deposits

Short-term deposits are made for varying periods of between one day and three months and are lodged with various financial institutions at their respective short-term deposit rates.

Interest Rate Risk

Cash on hand is non-interest bearing. Cash at bank earns a floating interest rate based on daily bank deposit rates, whilst short-term deposits are lodged with various financial institutions at their respective short-term deposit rates. The carrying amount of cash approximates fair value.

Correction of error

Cash and cash equivalents for the year ended 30 June 2007 included investments of $1 594 000 for the consolidated entity (nil for SAFECOM). This error had the effect of overstating cash and cash equivalents and understating investments as at 30 June 2007.

The errors have been corrected by restating each of the affected financial statement line items for the prior year.

16. Receivables

Current:	Consolidated 2008 $'000	Consolidated 2007 $'000	SAFECOM 2008 $'000	SAFECOM 2007 $'000
Receivables	**1 171**	1 670	**331**	575
Less: Allowance for doubtful debts	**3**	2	**-**	-
GST receivables	**3 249**	1 736	**747**	534
Total Current Receivables	**4 417**	3 404	**1 078**	1 109

Government/Non-Government Receivables

	Consolidated 2008 $'000	Consolidated 2007 $'000	SAFECOM 2008 $'000	SAFECOM 2007 $'000
Receivables from SA Government Entities:				
Receivables	**606**	1 106	**258**	566
Total Receivables - SA Government Entities	**606**	1 106	**258**	566
Receivables from Non-SA Government Entities:				
Receivables	**562**	562	**73**	9
GST receivables	**3 249**	1 736	**747**	534
Total Receivables - Non-SA Government Entities	**3 811**	2 298	**820**	543
Total Receivables	**4 417**	3 404	**1 078**	1 109

Provision for Doubtful Debts

The provision for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired.

Movement in the provision for doubtful debts (impairment loss):	Consolidated 2008 $'000	Consolidated 2007 $'000	SAFECOM 2008 $'000	SAFECOM 2007 $'000
Carrying amount at 1 July	**(2)**	-	**-**	-
Increase in the provision	**(37)**	(17)	**-**	-
Amounts written off	**36**	15	**-**	-
Carrying Amount at 30 June	**(3)**	(2)	**-**	-

Interest Rate and Credit Risk

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

Bad and Doubtful Debts

SAFECOM has recognised a bad and doubtful debt expense of $nil ($nil) and the consolidated entity $36 000 ($15 000) in the Income Statement.

17. Non-Current Assets

(a) Property, Plant and Equipment

	Consolidated		SAFECOM	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Land at independent valuation	**41 784**	33 266	**-**	-
Land at cost	**919**	4 580	**-**	-
Total Land	**42 703**	37 846	**-**	-
Buildings at independent valuation	**103 519**	85 207	**-**	-
Less: Accumulated depreciation	**427**	3 496	**-**	-
Total Buildings at Valuation	**103 092**	81 711	**-**	-
Buildings at cost	**2 687**	9 564	**366**	366
Less: Accumulated depreciation	**523**	677	**74**	65
Total Buildings at Cost	**2 164**	8 887	**292**	301
Total Buildings	**105 256**	90 598	**292**	301
Total Property	**147 959**	128 444	**292**	301
Vehicles at independent valuation	**90 973**	79 371	**-**	-
Less: Accumulated depreciation	**-**	8 371	**-**	-
Total Vehicles at Valuation	**90 973**	71 000	**-**	-
Vehicles at cost	**212**	16 564	**-**	-
Less: Accumulated depreciation	**209**	1 376	**-**	-
Total Vehicles at Cost	**3**	15 188	**-**	-
Total Vehicles	**90 976**	86 188	**-**	-
Communications equipment at independent valuation	**12 450**	-	**-**	-
Total Communications Equipment at Valuation	**12 450**	-	**-**	-
Communications equipment at cost	**658**	27 567	**-**	-
Less: Accumulated depreciation	**223**	12 807	**-**	-
Total Communications Equipment at Cost	**435**	14 760	**-**	-
Total Communications Equipment	**12 885**	14 760	**-**	-
Computer equipment at cost	**4 423**	3 593	**767**	193
Less: Accumulated depreciation	**2 385**	1 855	**130**	92
Total Computer Equipment	**2 038**	1 738	**637**	101
Plant and equipment at cost	**11 011**	10 393	**-**	-
Less: Accumulated depreciation	**6 275**	5 579	**-**	-
Total Plant and Equipment	**4 736**	4 814	**-**	-
Total Work In Progress	**19 442**	10 215	**298**	-
Total Property, Plant and Equipment	**278 036**	246 159	**1 227**	402

Valuation of Assets

Independent valuations for land, buildings, vehicles and communication assets were obtained on a rolling basis at 30 June 2007 and 30 June 2008 from Liquid Pacific. The valuer arrived at fair value on the basis of open market values for existing use.

Impairment

There were no indications of impairment for property, plant and equipment as at 30 June 2008.

Resources Received Free of Charge (Consolidated Entity)

Since 1990 negotiations have been undertaken to identify and transition land, buildings, minor plant and equipment and motor vehicles from Local Government, community organisations and other sources into the ownership or the care and control of the Minister for Emergency Services (the Minister).

During 2007-08, six additional properties have been transitioned into the control of the Minister (valued at fair value of $294 000).

Change in Accounting Estimate

As from 1 July 2007, the consolidated entity increased its useful life policy for new buildings from 30 years to 40 years. This change in accounting estimate has impacted on depreciation expense for buildings completed and upgraded during 2007-08 and resulted in building depreciation expense decreasing by $38 000 for the consolidated entity ($nil for SAFECOM) compared to the former 30 year useful life policy.

The lower depreciation expense will also be reflected in future years.

(b) Reconciliation of Non-Current Assets

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

	Land and Buildings	Vehicles	Communi-cations Equipment	Computer Equip-ment	Plant and Equip-ment	Work in Progress	**2008 Total**
Consolidated	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
Carrying amount at 1 July	128 444	86 188	14 760	1 738	4 814	10 215	**246 159**
Additions	256	35	233	-	60	24 427	**25 011**
Disposals	(177)	(281)	-	(15)	(24)	-	**(497)**
Transfer from work in progress	11 209	1 745	663	903	680	(15 200)	**-**
Net adjustment on revaluation	12 377	10 589	199	-	-	-	**23 165**
Net adjustment on revaluation	-	-	(21)	-	-	-	**(21)**
Depreciation	(4 444)	(7 300)	(2 949)	(588)	(794)	-	**(16 075)**
Transfer from various parties	294	-	-	-	-	-	**294**
Carrying Amount at 30 June	147 959	90 976	12 885	2 038	4 736	19 442	**278 036**
SAFECOM							
Carrying amount at 1 July 2006	301	-	-	101	-	-	**402**
Additions	-	-	-	-	-	871	**871**
Transfer from work in progress	-	-	-	573	-	(573)	**-**
Depreciation	(8)	-	-	(38)	-	-	**(46)**
Carrying Amount at 30 June 2007	293	-	-	636	-	298	**1 227**

	Land and Buildings	Vehicles	Communi-cations Equipment	Computer Equip-ment	Plant and Equip-ment	Work in Progress	2007 Total
Consolidated	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	121 038	82 930	17 369	3 387	6 220	10 628	241 572
Correction of error	-	-	-	-	-	296	296
Restated carrying amount at 1 July	121 038	82 930	17 369	3 387	6 220	10 924	241 868
Additions	30	1	335	162	743	21 110	22 381
Disposals	(334)	(542)	(26)	-	(7)	-	(909)
Transfer from work in progress	8 843	12 199	243	179	355	(21 819)	-
Net adjustment on revaluation	2 465	-	-	-	-	-	2 465
Depreciation	(4 557)	(8 415)	(2 912)	(595)	(951)	-	(17 430)
Transfer from various parties	959	15	-	-	-	-	974
Derecognition of assets	-	-	(249)	(1 395)	(1 546)	-	(3 190)
Carrying Amount at 30 June	128 444	86 188	14 760	1 738	4 814	10 215	246 159
SAFECOM							
Carrying amount at 1 July 2006	233	-	-	334	4	3	574
Additions	-	-	-	43	-	76	119
Transfer from work in progress	79	-	-	-	-	(79)	-
Depreciation	(11)	-	-	(31)	-	-	(42)
Derecognition of assets	-	-	-	(245)	(4)	-	(249)
Carrying Amount at 30 June	301	-	-	101	-	-	402

18. Payables

	Consolidated		SAFECOM	
	2008	2007	**2008**	2007
Current liabilities:	**$'000**	$'000	**$'000**	$'000
Creditors	**4 478**	1 535	**467**	228
Accrued expenses	**1 330**	1 105	**126**	116
FBT Payable	**523**	-	**-**	-
Employment on-costs	**1 748**	1 565	**183**	124
Total Current Payables	**8 079**	4 205	**776**	468
Non-Current liabilities:				
Employment on-costs	**1 575**	1 541	**217**	201
Total Non-Current Payables	**1 575**	1 541	**217**	201
Total Payables	**9 654**	5 746	**993**	669

Government/Non-Government Payables

	Consolidated		SAFECOM	
	2008	2007	**2008**	2007
Payables to SA Government Entities:				
Creditors	**2 306**	608	**55**	56
Accrued expenses	**823**	766	**74**	70
Employment on-costs	**1 569**	1 507	**192**	161
Total Payables - SA Government Entities	**4 698**	2 881	**321**	287

18. Payables (continued)

	Consolidated 2008 $'000	Consolidated 2007 $'000	SAFECOM 2008 $'000	SAFECOM 2007 $'000
Payables to Non-SA Government Entities:				
Creditors	**2 172**	927	**412**	172
Accrued expenses	**507**	339	**52**	46
FBT payable	**523**	-	**-**	-
Employment on-costs	**1 754**	1 599	**208**	164
Total Payables - Non-SA Government Entities	**4 956**	2 865	**672**	382
Total Payables	**9 654**	5 746	**993**	669

Interest Rate and Credit Risk

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

19. Employee Benefits

	Consolidated 2008 $'000	Consolidated 2007 $'000	SAFECOM 2008 $'000	SAFECOM 2007 $'000
Current:				
Annual leave	**7 976**	7 485	**754**	650
Long service leave	**1 725**	1 405	**240**	40
	9 701	8 890	**994**	690
Accrued salaries and wages	**1 266**	824	**184**	52
Total Current Employee Benefits	**10 967**	9 714	**1 178**	742
Non-Current:				
Long service leave	**16 822**	16 043	**2 340**	2 088
Total Non-Current Employee Benefits	**16 822**	16 043	**2 340**	2 088
Total Employee Benefits	**27 789**	25 757	**3 518**	2 830

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2008 is $12 715 000 and $18 397 000 respectively for the consolidated entity and $1 363 000 and $1 658 000 respectively for SAFECOM.

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has been revised from 9.1 years to 9 years.

20. Provisions

	Consolidated 2008 $'000	Consolidated 2007 $'000	SAFECOM 2008 $'000	SAFECOM 2007 $'000
Current:				
Provisions for workers compensation	**2 267**	1 897	**103**	89
Total Current Provisions	**2 267**	1 897	**103**	89
Non-Current:				
Provision for workers compensation	**7 338**	7 302	**342**	345
Total Non-Current Provisions	**7 338**	7 302	**342**	345
Total Provisions	**9 605**	9 199	**445**	434
Carrying amount at 1 July	**9 199**	9 650	**434**	495
Additional provisions recognised (released)	**3 647**	2 171	**88**	(16)
Payments	**(3 241)**	(2 622)	**(77)**	(45)
Carrying Amount at 30 June	**9 605**	9 199	**445**	434

SAFECOM and the consolidated entity has reported a liability to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. SAFECOM and the consolidated entity's liability is an allocation of the Justice Portfolio's total assessment.

A separate valuation of liabilities of SAFECOM has not been undertaken and if such a valuation was performed it may result in a different assessed liability. SAFECOM fully funds this provision.

21. Unrecognised Contractual Commitments

Capital Commitments

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

	Consolidated 2008 $'000	Consolidated 2007 $'000	SAFECOM 2008 $'000	SAFECOM 2007 $'000
Within one year	**10 801**	2 105	**-**	-
Later than one year but not later than five years	**-**	70	**-**	-
Total Capital Commitments	**10 801**	2 175	**-**	-

These capital commitments are for vehicles, fire stations and other equipment.

Remuneration Commitments

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

	Consolidated		SAFECOM	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Within one year	**1 606**	1 792	**599**	756
Later than one year but not later than five years	**2 188**	3 515	**825**	1 070
Total Remuneration Commitments	**3 794**	5 307	**1 424**	1 826

Amounts disclosed include commitments arising from executive contracts. SAFECOM does not offer fixed-term remuneration contracts greater than five years.

Salary increases of 4.5 percent per annum have been assumed in the calculation of remuneration commitments.

Operating Lease Commitments

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

	Consolidated		SAFECOM	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Within one year	**3 594**	3 423	**597**	491
Later than one year but not later than five years	**4 893**	4 856	**272**	602
Later than five years	**77**	152	**-**	-
Total Operating Lease Commitments	**8 564**	8 431	**869**	1 093

These operating leases are not recognised in the Balance Sheet as liabilities.

The non-cancellable leases are property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement. Options exist to renew the leases at the end of the term of the leases.

Contractual Commitments	Consolidated		SAFECOM	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Within one year	**941**	1 713	**64**	34
Later than one year but not later than five years	**193**	140	**162**	136
Later than five years	**-**	25	**-**	25
Total Other Contractual Commitments	**1 134**	1 878	**226**	195

Contractual commitments relate to a range of services and supplies including building repairs and maintenance, aerial bombing, cleaning and occupational welfare services.

22. Contingent Assets and Liabilities

SAFECOM has no known contingent liabilities however the consolidated entity has a number of contingent liabilities in the form of unresolved litigation. The majority of these liabilities are likely to be finalised early in the 2008-09 financial year, however the outcome cannot be reliably determined.

A number of civil claims have commenced relating to the January 2005 Wangary bushfire, the outcome and timing of which cannot be reliably determined. The financial exposure for CFS is limited to $10 000 excess under insurance arrangements.

SAFECOM is not aware of any contingent assets.

23. Board Members Remuneration

Board membership during the 2007-08 financial year comprised of:

South Australian Fire and Emergency Services Commission Board (refer section 10 of the Act)

Mr Vincent Monterola
Ms Kathy Gramp
Ms Lena Grant*
Mr Derren Halleday
Mr Wayne Thorley
Mr Euan Ferguson*
Mr Grant Lupton*
Mr David Place*
Mr David Ward
Ms Giuilia Bernardi*
Ms Debra Contala*
Mr Andrew Lawson*
Mr Stuart Macleod*
Ms Louise Reynolds
Mr Kenneth Schutz
Mr Michael Smith*
Ms Virginia Hickey

South Australian Fire and Emergency Services Commission Board (continued)

The number of members whose income from the South Australian Fire and Emergency Services Commission Board falls within the following bands was:	**2008 Number of Members**	2007 Number of Members
$0 - $9 999	**3**	2
$10 000 - $19 999	**3**	1
$20 000 - $29 999	**-**	1
$30 000 - $39 999	**-**	2
Total Number of Board Members	**6**	6

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was $62 000 ($108 000).

South Australian Fire and Emergency Services Commission Advisory Board (refer section 18 of the Act)

Ms Linda Eldredge
Mr Roger Dowling*
Ms Doreen Erwin
Mr John Forster
Mr Derren Halleday
Ms Pip McGowan
Ms Dionie McNair
Mr Brett Raymond*
Ms Shiralee Reardon
Ms Louise Reynolds
Mr David Scarce*
Ms Wendy Shirley
Mr Cameron Stott*
Mr Wayne Thorley
Mr David Ward
Mr Phil Harrison

The number of members whose income from the South Australian Fire and Emergency Services Commission Advisory Board falls within the following bands was:	**2008 Number of Members**	2007 Number of Members
$0 - $9 999	**14**	9
Total Number of Board Members	**14**	9

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was $10 000 ($21 000).

South Australian Fire and Emergency Services Commission Audit and Risk Management Committee (refer section 18 of the Act)

Ms Kathy Gramp
Ms Lena Grant*
Mr Peter Barns*
Ms Debra Contala*
Mr Richard Hassam*
Mr Andrew Lawson*
Mr Michael Smith*
Mr Mark Dawson*
Mr Stephen Rogers*
Mr Trevor Pearce*
Ms Heather Hazelgrove*
Mr Rick Janssan*
Mr Matthew Maywald*
Mr David Ward

The number of members whose income from the South Australian Fire and Emergency Services Commission Audit and Risk Management Committee falls within the following bands was:	**2008 Number of Members**	2007 Number of Members
$0 - $9 999	**2**	1
Total Number of Board Members	**2**	1

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was $2000 ($4000).

South Australian Bushfire Prevention Advisory Committee (refer section 71 of the Act)

G Benham*
J Brooks
J Corin
P Davis
P Dellaverde*
E Ferguson*
G MacPhie*
I Brooks
M Jenner*
W McIntosh
K Schutz
M Maguire
T Roocke
W Thorley
R Twisk*
R Underdown*
A Watson*
M Williams*
C Dearman*
S Lefebvre
R Rose

The number of members whose income from the South Australian Bushfire Prevention Advisory Committee falls within the following bands was:	**2008 Number of Members**	2007 Number of Members
$0 - $9 999	**6**	6
Total Number of Board Members	**6**	6

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was $2000 ($1000).

South Australian Metropolitan Fire Service Disciplinary Committee (refer section 71 of the Act)

Mr Bill Morris - 2007	Mr Gregory Howard*
Mr Graham Dart - 2008	Mr Brendan West*
Mr Eric Drohan*	Mr David Harvey*
Mr David Schmerl*	Mr Michael Vander-Jeugd*
Mr Glenn Benham*	Mr Scott Thompson*
Mr Geoffrey Matters*	Mr Colin Lindsay*
Mr George Rodis*	Mr Paul Fletcher*

The number of members whose income from the South Australian Metropolitan Fire Service Disciplinary Committee falls within the following bands was:	**2008 Number of Members**	2007 Number of Members
$0 - $9 999	**1**	1
Total Number of Board Members	**1**	1

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was $4000 ($6000).

Other Non-Statutory Advisory Committees

CFS has a number of non-statutory advisory committees in existence for which sitting fees have been paid. 42 (37) members have received less than $1000 ($1000) in remuneration. The total remuneration received or receivable by members was $7000 ($7000).

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

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

24. Cash Flow Reconciliation

Reconciliation of Cash and Cash Equivalents	Consolidated		SAFECOM	
	2008	2007	**2008**	2007
Cash at 30 June as per:	**$'000**	$'000	**$'000**	$'000
Cash Flow Statement	**44 327**	34 079	**4 037**	3 195
Balance Sheet	**44 327**	34 079	**4 037**	3 195

Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services:				
Net cash provided by operating activities	**34 761**	22 039	**1 713**	25
Contributions from Community Emergency Services Fund	**(178 177)**	(162 615)	**(13 866)**	(11 045)
Payments to SA Government	**505**	-	**-**	-
Add (Less): Non-cash items:				
Depreciation of property, plant and equipment	**(16 075)**	(17 430)	**(46)**	(42)
Net gain from disposal of assets	**91**	153	**-**	-
Revaluations recognised in Income Statement	**(21)**	-	**-**	-
Assets received from local government and other sources	**294**	974	**-**	-
Changes in Assets and Liabilities:				
Increase (Decrease) in receivables	**1 013**	(462)	**(31)**	592
(Increase) Decrease in payables	**(3 908)**	856	**(324)**	(33)
Increase in provision for employee benefits	**(2 033)**	(1 843)	**(688)**	(201)
(Increase) Decrease in other provisions	**(406)**	451	**(11)**	61
Net Cost of Providing Services	**(163 956)**	(157 877)	**(13 253)**	(10 643)

25. Financial Instruments/Financial Risk Management

Categorisation of Financial Instruments

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

Categorisation of Financial Instruments (continued)

Consolidated

Financial Assets	Note	2008 Carrying Amount $'000	2008 Fair Value $'000	2007 Carrying Amount $'000	2007 Fair Value $'000
Cash and cash equivalents	15	**44 327**	**44 327**	34 079	34 079
Loans and receivables:					
Receivables[(1)]	16	**1 167**	**1 167**	1 668	1 668
Held to maturity investments:					
Other financial assets	2(m)	**1 684**	**1 684**	1 594	1 594
Financial Liabilities					
Financial Liabilities - At Cost:					
Payables[(1)]	18	**8 060**	**8 060**	4 852	4 852
Total Financial Liabilities at Cost		**8 060**	**8 060**	4 852	4 852

SAFECOM

Financial Assets	Note	2008 Carrying Amount $'000	2008 Fair Value $'000	2007 Carrying Amount $'000	2007 Fair Value $'000
Cash and cash equivalents	15	**4 037**	**4 037**	3 195	3 195
Loans and receivables:					
Receivables[(1)]	16	**331**	**331**	575	575
Financial Liabilities					
Financial Liabilities - At Cost:					
Payables[(1)]	18	**829**	**829**	527	527
Total Financial Liabilities at Cost		**829**	**829**	527	527

(1) Receivable and payment amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax, audit receivables/payables etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on-costs which are determined via reference to the employee benefit liability to which they relate.

Credit Risk

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

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

Ageing Analysis of Financial Assets

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

Consolidated

	Past Due By			
2008	**Overdue for less than 30 Days $'000**	**Overdue for 30-60 Days $'000**	**Overdue for more than 60 Days $'000**	**Total $'000**
Not Impaired:				
Receivables	**972**	**79**	**116**	**1 167**
Impaired:				
Receivables	**-**	**-**	**3**	**3**
2007				
Not Impaired:				
Receivables	1 136	465	67	1 668
Impaired:				
Receivables	-	-	2	2

SAFECOM

	Past Due By			
2008	**Overdue for less than 30 Days $'000**	**Overdue for 30-60 Days $'000**	**Overdue for more than 60 Days $'000**	**Total $'000**
Not Impaired:				
Receivables	**312**	**18**	**1**	**331**
2007				
Not Impaired:				
Receivables	544	31	-	575

Maturity Analysis of Financial Assets and Liabilities

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

Consolidated		**Contractual Maturity**		
	Carrying Amount	**Less than 1 Year**	**1-5 Years**	**More than 5 Years**
2008	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets:				
Cash and cash equivalent	**44 327**	**44 327**	**-**	**-**
Receivables	**1 167**	**1 167**	**-**	**-**
Other financial assets	**1 684**	**1 684**	**-**	**-**
Total Financial Assets	**47 178**	**47 178**	**-**	**-**
Financial Liabilities:				
Payables	**8 060**	**8 060**	**-**	**-**
Total Financial Liabilities	**8 060**	**8 060**	**-**	**-**
2007				
Financial Assets:				
Cash and cash equivalent	34 079	34 079	-	-
Receivables	1 668	1 668	-	-
Other financial assets	1 594	1 594	-	-
Total Financial Assets	37 341	37 341	-	-
Financial Liabilities:				
Payables	4 852	4 852	-	-
Total Financial Liabilities	4 852	4 852	-	-

SAFECOM		**Contractual Maturity**		
	Carrying Amount	**Less than 1 Year**	**1-5 Years**	**More than 5 Years**
2008	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets:				
Cash and cash equivalent	**4 037**	**4 037**	**-**	**-**
Receivables	**331**	**331**	**-**	**-**
Total Financial Assets	**4 368**	**4 368**	**-**	**-**
Financial Liabilities:				
Payables	**829**	**829**	**-**	**-**
Total Financial Liabilities	**829**	**829**	**-**	**-**
2007				
Financial Assets:				
Cash and cash equivalent	3 195	3 195	-	-
Receivables	575	575	-	-
Total Financial Assets	3 770	3 770	-	-
Financial Liabilities:				
Payables	527	527	-	-
Total Financial Liabilities	527	527	-	-

The financial assets and liabilities of the consolidated entity/SAFECOM are all current with the maturity within the next 12 months, except employee on-costs (within payables) which are not practical to split the maturity by band of years.

Liquidity Risk

The consolidated entity/SAFECOM are funded principally from contributions from the Fund. The consolidated entity/SAFECOM works with the Fund Manager of the Fund to determine cash flows associated with its Government approved program of work and with the Department of Treasury and Finance to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

The consolidated entity's/SAFECOM's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded under Note 25 'Categorisation of Financial Investments' represent the consolidated entity's/SAFECOM's maximum exposure to financial liabilities.

Market Risk

The consolidated entity/SAFECOM have non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). The consolidated entity's/SAFECOM's exposure to market risk and cash flow interest risk is minimal. There is no exposure to foreign currency or other price risk.

Sensitivity Disclosure Analysis

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

26. Administrative Restructure

Transferred functions for the 2006-07 year comprise:

(1) net assets transferred to SAFECOM and the consolidated entity in relation to the transferred functions of the Security and Emergency Management Office (SEMO) from the Department of the Premier and Cabinet ($1 263 000);

(2) net assets transferred to the consolidated entity from the Department of the Premier and Cabinet in relation to the transferred functions of SEMO to the SES ($226 000), the Urban Search and Rescue Program to MFS ($479 000).

	Consolidated	SAFECOM
Total assets and liabilities transferred were:	$'000	$'000
Current assets - Cash	1 968	1 263
Total Net Result from Administrative Restructure for 2006-07	1 968	1 263

Statement of Administered Income and Expenses for the year ended 30 June 2008

	Note 3(d)	**2008 $'000**	2007 $'000
INCOME:			
Community Emergency Services Fund revenue	27	**204 789**	185 135
Revenues from fees and charges		**369**	363
Interest revenues		**2 956**	2 670
Total Administered Income		**208 114**	188 168
EXPENSES:			
Community Emergency Services Fund payments	28	**199 666**	183 602
Grants	29	**1 580**	3 550
Other expenses	30	**6 921**	7 052
Total Administered Expenses		**208 167**	194 204
NET RESULT		**(53)**	(6 036)

Net result is attributable to the SA Government as owner

Statement of Administered Assets and Liabilities as at 30 June 2008

	Note 3(d)	**2008 $'000**	2007 $'000
CURRENT ASSETS:			
Cash and cash equivalents	31	**2 800**	3 505
Receivables	32	**3 618**	3 008
Total Current Assets		**6 418**	6 513
CURRENT LIABILITIES:			
Payables	33	**55**	97
Total Current Liabilities		**55**	97
NET ASSETS		**6 363**	6 416
EQUITY:			
Retained earnings		**6 363**	6 416
TOTAL EQUITY		**6 363**	6 416

Total equity is attributable to the SA Government as owner

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

	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2006	-	10 321	10 321
Change in accounting policy	-	2 131	2 131
Restated balance at 30 June 2006	-	12 452	12 452
Net result for 2006-07	-	(6 036)	(6 036)
Total recognised income and expense for 2006-07	-	(6 036)	(6 036)
Balance at 30 June 2007	-	6 416	6 416
Net result for 2007-08	-	(53)	(53)
Total recognised income and expense for 2007-08	-	(53)	(53)
Balance at 30 June 2008	**-**	**6 363**	**6 363**

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

Statement of Administered Cash Flows
for the year ended 30 June 2008

	Note	**2008 Inflows (Outflows) $'000**	2007 Inflows (Outflows) $'000
CASH FLOWS FORM OPERATING ACTIVITIES:			
CASH INFLOWS:	3 (d)		
Community Emergency Services Fund receipts		**204 145**	184 859
Fees and charges		**352**	363
Interest received		**3 007**	3 211
Cash generated from Operations		**207 504**	188 433
CASH OUTFLOWS:			
Community Emergency Services Fund payments		**(199 666)**	(184 675)
Grants		**(1 580)**	(3 550)
Other payments		**(6 963)**	(7 075)
Cash used in Operations		**(208 209)**	(195 300)
Net Cash used in Operating Activities	34	**(705)**	(6 867)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(705)**	(6 867)
CASH AND CASH EQUIVALENTS AT 1 JULY		**3 505**	10 372
CASH AND CASH EQUIVALENTS AT 30 JUNE	31	**2 800**	3 505

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

27. Community Emergency Services Fund Revenue - Administered Items	**2008 $'000**	2007 $'000
Fixed property collections	**77 066**	72 147
Fixed property remissions	**82 918**	69 326
Mobile collections	**28 794**	28 326
Mobile remissions	**9 930**	9 249
Pensioner concessions	**6 080**	6 087
Total Community Emergency Services Fund Revenue	**204 789**	185 135

28. Community Emergency Services Fund Payments - Administered Items

	2008	2007
	$'000	$'000
SAFECOM	**13 866**	11 045
State Emergency Service	**12 070**	12 513
Country Fire Service	**59 199**	53 833
Metropolitan Fire Service	**93 042**	85 224
SA Police	**16 877**	16 465
SA Police - GRN	**687**	687
Attorney-General's - State Helicopter Rescue	**537**	524
SA Ambulance Service	**907**	885
SA Ambulance Service - GRN	**209**	209
Department for Environment and Heritage	**2 272**	2 217
Total Community Emergency Services Fund Payments	**199 666**	183 602

29. Grants - Administered Items

Surf Life Saving	**539**	2 494
Volunteer Marine Rescue	**725**	775
Shark Beach Patrol	**316**	281
Total Grants	**1 580**	3 550

30. Other Expenses - Administered Items

RevenueSA collection costs	**5 837**	5 926
DTEI collection costs	**692**	680
Administration costs	**392**	446
Total Other Expenses	**6 921**	7 052

31. Cash and Cash Equivalents - Administered Items

Cash at bank	**2 800**	3 505
Total Cash and Cash Equivalents	**2 800**	3 505

Interest Rate Risk

Cash on hand is non-interest bearing. Cash at bank earns a floating interest rate based on daily bank deposit rates, whilst short-term deposits are lodged with various financial institutions at their respective short-term deposit rates. The carrying amount of cash approximates fair value.

32. Receivables - Administered Items

	2008	2007
Current:	**$'000**	$'000
Receivables	**3 618**	3 008
Total Current Receivables	**3 618**	3 008
Government/Non-Government Receivables		
Receivables from SA Government Entities:		
Receivables	**3 618**	3 008
Total Receivables - SA Government Entities	**3 618**	3 008

33. Payables - Administered Items

Payables comprise the following:		
Current Liabilities		
Accrued expenses	**55**	97
Total Current Payables	**55**	97
Government/Non-Government Payables		
Payables to SA Government Entities:		
Accrued expenses	**55**	97
Total Payables - SA Government Entities	**55**	97

34. Cash Flow Reconciliation - Administered Items

Reconciliation of Cash and Cash Equivalents

Cash at 30 June as per:		
Statement of Administered Cash Flows	**2 800**	3 505
Statement of Administered Assets and Liabilities	**2 800**	3 505

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

Net cash used in operating activities	**(705)**	(6 867)
Changes in Assets/Liabilities:		
Change in accounting policy - Refer Note 5	**-**	(2 131)
Increase in receivables	**610**	1 925
Decrease in payables	**42**	1 037
Net Result for 2007-08	**(53)**	(6 036)

SOUTH AUSTRALIAN FORESTRY CORPORATION

FUNCTIONAL RESPONSIBILITY

Establishment

The South Australian Forestry Corporation (the Corporation) is a public corporation, established under the *South Australian Forestry Corporation Act 2000* (the Act). The Corporation is responsible to the Minister for Forests.

Functions

The primary focus of the Corporation is to manage plantation forests for the benefit of the people and the economy of the State. For more information about the Corporation's functions refer to Note 1 of the financial report.

The Act specifies that the Corporation is a statutory corporation to which the provisions of the PCA apply.

Under the PCA 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.

Audit Committee

The Corporation has an Audit Committee comprising members of the Board and is attended by Internal and External Auditors as observers. The Audit Committee 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, reviewing the annual financial statements prior to approval of the Board and communicating on matters raised by the Auditor-General's Department.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Section 31(1)(b) of the PFAA and subsection 32(4) of the PCA provides for the Auditor-General to audit the accounts and financial statements of the Corporation in respect of each financial year.

Assessment of Controls

As required by subsection 36(1)(a)(iii) of the PFAA, the audit of the 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.

Scope of Audit

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

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

- revenue, receipting and banking
- expenditure including purchase cards
- financial accounting

- payroll
- forest logging revenue
- forest logging expenditure
- procurement
- information technology
- risk management.

In addition, specific audit review work and testing was undertaken on the Corporation's systems and processes that underpin the valuation estimate of Growing Timber disclosed in the annual financial report of the Corporation.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

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

> ***Basis For Qualified Auditor's Opinion***
>
> *The Corporation manages South Australia's plantation forests. The Corporation has adopted a market-based method of revaluation for the asset Growing Timber, consistent with the requirements of Australian Accounting Standard AASB 141 Agriculture. Under this method, the Growing Timber is valued at its fair value at the reporting date.*
>
> *The Corporation utilises a comprehensive computer-based model to estimate the actual volume of timber standing in the forests. That is, the existence of the asset Growing Timber is estimated via a predictive growth model. Market prices for timber products are then applied to the volume estimates to establish a value for Growing Timber for financial reporting purposes.*
>
> *In recognition of the complexity of the estimation model and the need for Audit to attest to the existence of the asset, I have, over a number of years, engaged independent consultants with expertise in Forestry to examine the systems and processes used in the estimation of growing timber and to report on their auditability. While these reviews noted that the systems and processes used in the estimation of growing timber were generally of a high technical standard, a number of issues required resolution to enable the attestation of the estimates of the volume of standing timber. This had precluded the independent verification of these estimates within an acceptable level of audit confidence. As a consequence the Independent Auditor's Reports on the Corporation's annual financial reports up to and including 2006-07 were qualified.*
>
> *During 2007-08, the Corporation satisfactorily addressed the main issues giving cause to the qualification. These actions together with additional testing by Audit have enabled me to attest to the estimates of the volume of standing timber within an acceptable level of audit confidence. As a result, while the 2006-07 comparative figure for Growing Timber was subject to qualification, the qualification does not apply for the 2007-08 amount disclosed for Growing Timber.*
>
> ***Qualified Auditor's Opinion***
>
> *In my opinion, except for the effects of the matters referred to in the preceding paragraphs, the financial report presents fairly, in all material respects, the financial position of the South Australian Forestry Corporation as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the* Public Finance and Audit Act 1987 *and Australian Accounting Standards (including the Australian Accounting Interpretations).*

Assessment of Controls

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

Communication of Audit Matters

Matters arising during the course of the audit were detailed in a management letter to the officers responsible for the governance of the Corporation. The response to the management letter was generally considered to be satisfactory.

The principal matters raised with the Corporation were:

- the need to create, review or update a number of policy and procedure documents, principally relating to asset and debtor management
- a need to undertake a complete reconciliation between the Corporation's Geographical Information System (GIS) land records and those held by the South Australian Valuer-General
- instances where bona fide reports and timesheets had not been reviewed, approved and returned in line with the Corporation's policies
- the need to ensure the maintenance of system reports and reconciliations in relation to forestry logging expenditure and revenue to provide evidence of controls performed.

In response to the matter raised regarding the performance of a reconciliation between the GIS and Valuer-General records, the Corporation indicated that this would be undertaken during the 2007-08 year end process. In early September 2008, the majority of the work on this reconciliation had been completed and the records have been materially reconciled. Some remaining issues will require further consultation with the Valuer-General in order to finalise this matter.

In response to the other matters the Corporation advised that they would be undertaking a review of policies and procedures in the first half of 2008-09, and that the remaining matters would be addressed for the 2008-09 financial year.

Growing Timber Valuation

The Corporation's Balance Sheet includes a value for growing timber and changes in the value of growing timber are reflected in the Income Statement. The impact of the value for Growing Timber reported in the financial statements is significant to the Corporation's financial position and operating result. The Independent Auditor's Report on the Financial Report has previously qualified the growing timber valuation for many years.

Progress in 2007-08

Previous reports have highlighted that independent experts have been engaged by Audit over a number of years in order to review the systems and processes used by the Corporation in estimating Growing Timber. The Corporation has implemented a number of the recommendations which have been made by these experts, particularly those which directly impact on the auditability of the processes in place.

During 2007-08 Audit was able to review the Corporation's progress on these matters and consolidate an understanding and test aspects of the current systems and processes used to estimate growing timber volume. The Corporation was able to provide additional information:

- for comparative evidence between estimated timber yield and actual timber yield, both for exactly matched areas and more generally, which supports the accuracy of the modelling used
- to further support the processes of inventory measurement throughout the forest estate.

Based on the additional information provided by the Corporation, Audit undertook field work designed to test the Corporation's systems and processes used in order to estimate growing timber volume for the current year. The field work undertaken was combined with additional Audit work performed in relation to the valuation aspect of the Growing Timber valuation. The combination of these elements has enabled Audit to attest to the estimates of the volume of standing timber within an acceptable level of audit confidence.

Removal of Audit Qualification

During 2007-08, the Corporation progressed work to satisfactorily address the main issues giving cause to the qualification. These actions together with additional testing by Audit have enabled me to attest to the estimates of the volume of standing timber within an acceptable level of audit confidence. As a consequence no qualification is applied to the 2007-08 value for Growing Timber included in the Corporation's financial statements.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

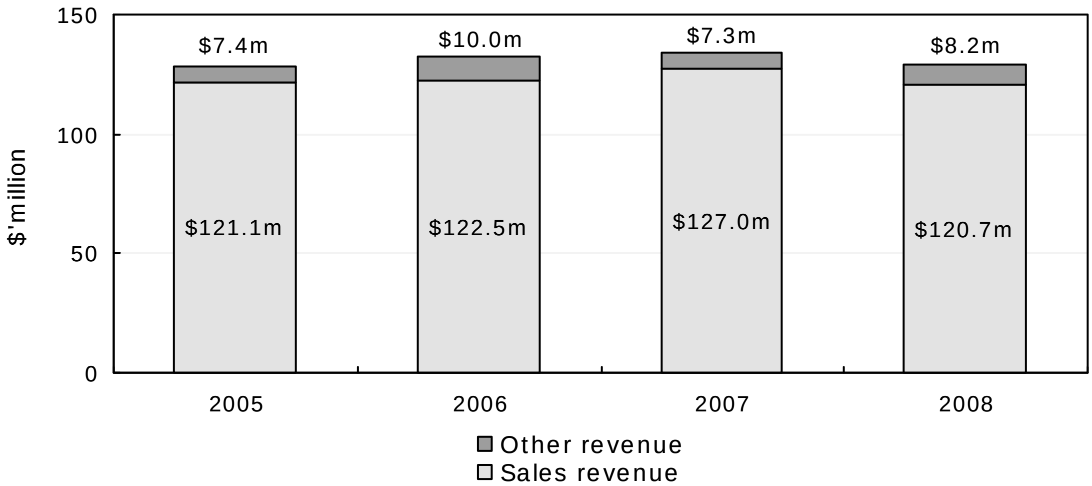
Highlights of the Financial Report

	2008 $'million	2007 $'million	Percentage Change
INCOME			
Sales - Timber products	**120.7**	127.0	(5)
Revenues from SA Government	**3.1**	3.0	3
Other revenue	**5.1**	4.3	19
Total Income	**128.9**	134.3	(4)
EXPENSES			
Employee benefits costs	**15.9**	16.1	(1)
Contractors and woodchip purchases	**53.6**	56.8	(6)
Other expenses	**20.0**	17.6	14
Total Expenses	**89.5**	90.5	(1)
Trading Profit before Revaluation of Growing Timber	**39.4**	43.8	(10)
Net Profit (after Revaluation and Income Tax Equivalents Expense)	**29.6**	54.5	(46)
NET CASH FLOW FROM OPERATING ACTIVITIES	**33.6**	36.8	(9)
ASSETS			
Current assets	**124.2**	121.1	3
Non-current assets	**1 028.8**	995.2	3
Total Assets	**1 153.0**	1 116.3	3
LIABILITIES			
Current liabilities	**14.1**	15.9	(11)
Non-current liabilities	**32.5**	30.1	8
Total Liabilities	**46.6**	46.0	1
EQUITY	**1 106.4**	1 070.3	3

Income Statement

Income

A structural analysis of revenues of the Corporation for the four years to 2008 is presented in the following chart.



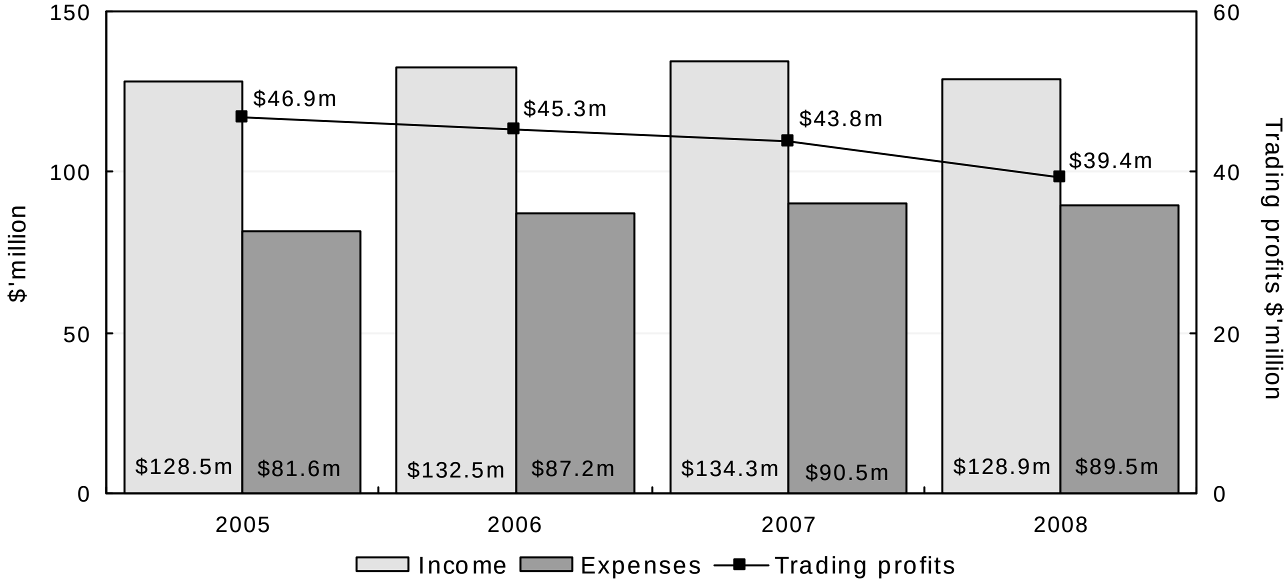
Sales revenue has gradually increased over the period to 2007 due to the strong demand in the housing industry over the last few years. Sales revenue decreased in 2008 as a result of a small decrease in volume, accompanied by a minor decrease in Net Log Revenue, principally attributable to a decrease in the average diameter harvested during the year. The overall trend of the sales revenue over the last four years also reflects the stable nature of the Corporation's operations, due in part to the long-term supply sales agreements with the Corporation's customers.

Expenses

Contractors and woodchip purchases are the main expenditure items for the Corporation representing approximately 60 percent of expenditure. Contractors and woodchip purchases predominantly include harvesting and transporting costs of $48.6 million ($52.0 million).

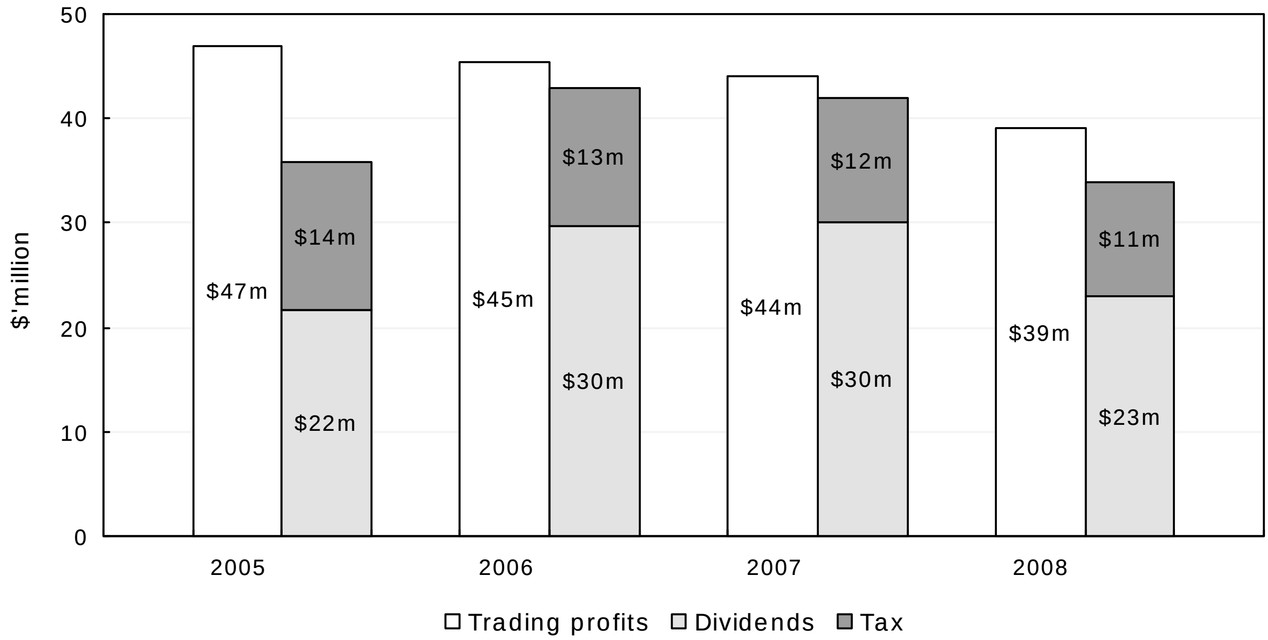
Trading Results

The Corporation's financial performance during the last few years has benefited from the strong demand for housing construction, although this has been impacted by rising fuel costs and decreased competition in the timber industry in 2008.



Distributions to Government

For the four years to 2008 an analysis of the Corporation's Trading Profits before revaluation of Growing Timber compared to returns to government is shown in the following chart.



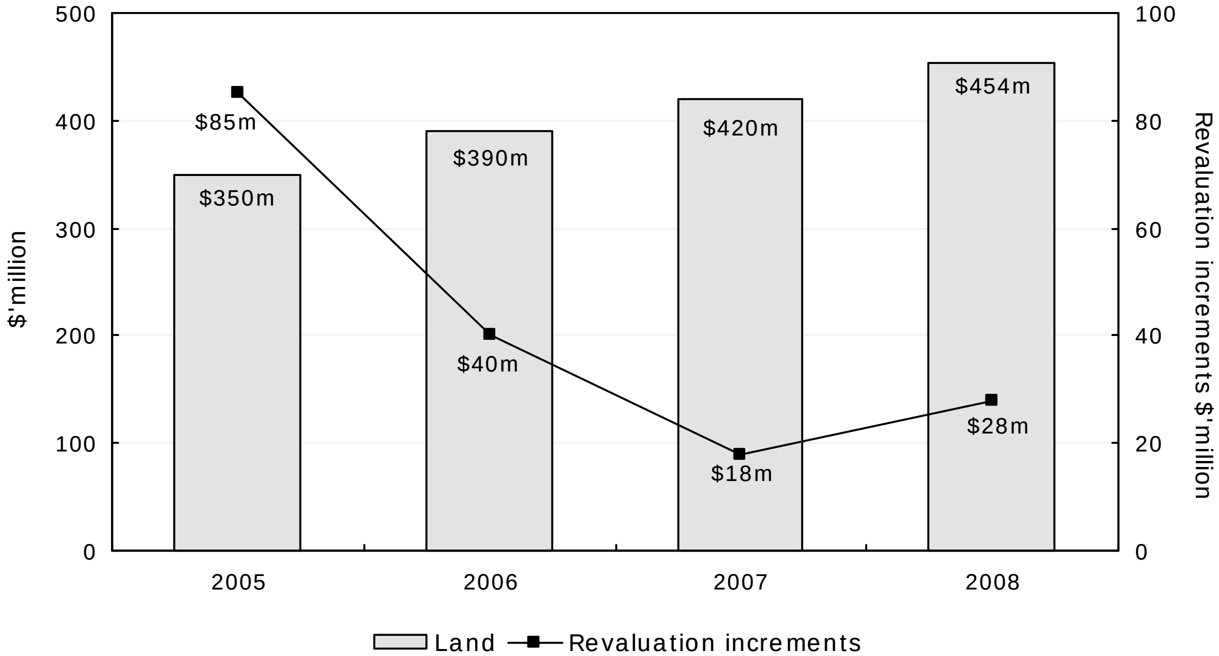
Returns to government are provided by way of income tax equivalent payments and dividends. The above chart indicates that the majority of trading profit is returned to the Government.

Balance Sheet

The two dominant items in the Balance Sheet are 'Growing Timber' and 'Land' which represent approximately 93 percent of the total assets of the Corporation. These are analysed below.

Land

An analysis of land balance for the four years to 2008 is presented in the following chart.



The valuation of land is undertaken each year by the Valuer-General in South Australia and local Councils in Victoria at the current market value of unimproved land. The value of land has risen significantly over the past four years due mainly to the strong real estate market. The main reasons for the significant increases from 2005 to 2008 were adjustments to increase the relativity of the Corporation's land to adjoining/nearby properties and normal market movements due to the high demand for land in the south east region of South Australia. In 2008 the Corporation has also acquired $6 million of additional land.

Growing Timber

Note 2(m) 'Forestry Accounting' to the financial statements explains the basis and main features of the Corporation's valuation methodology for growing timber.

The following table summarises valuations of growing timber for the past four years by region and revaluation increments (decrements).

	2008	2007	2006	2005
	$'million	$' million	$' million	$' million
Region				
South East Region:				
Young plantations	**38.6**	39.0	38.1	39.2
Mature plantations	**509.9**	494.5	473.7	491.2
Central and Northern Regions:				
Young plantations	**6.0**	5.3	5.2	5.3
Mature plantations	**60.3**	73.9	73.3	73.3
	614.8	612.7	590.3	609.0
Revaluation Increments (Decrements)	**1.0**	22.5	(18.7)	(24.5)

The net change in the valuation of growing timber is a combination of the change in the volume of growing timber and the change in price. For further information refer Note 13.

Cash Flow Statement

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

	2008	2007	2006	2005
	$'million	$'million	$'million	$'million
Net Cash Flows				
Operations	**33.6**	36.8	32.4	36.6
Investing	**(8.5)**	(18.9)	(6.7)	(10.3)
Financing	**(19.8)**	(16.1)	(29.4)	(8.5)
Change in Cash	**5.3**	1.8	(3.7)	17.8
Cash at 30 June	**40.7**	35.4	33.6	37.3

The Corporation's surplus cash generated through operating activities is applied to fund its financing activities, predominantly returns to government through dividends paid. Increased outflows for financing activities in 2008 reflect higher loan balances as a result of additional purchases of property in 2007 and 2008. The higher investing cash flows in 2007 was the result of significant one-off purchases associated with the new corporate head office in Mount Gambier.

Income Statement
for the year ended 30 June 2008

		2008	2007
REVENUE:	Note	**$'000**	$'000
Sales - Timber products		**120 671**	127 032
Revenues from SA Government	5(i)	**3 081**	3 015
Interest revenues	5(i)	**3 098**	2 829
Other revenues	5(i)	**2 075**	1 279
Total Revenues		**128 925**	134 155
OTHER INCOME:			
(Loss) Gain on the sale of non-current assets	5(ii)	**(27)**	135
Total Other Income		**(27)**	135
EXPENDITURE:			
Employee benefits costs	7	**15 869**	16 137
Contractors		**47 896**	48 832
Woodchip purchases		**5 697**	7 999
Depreciation and amortisation	5(iii),14,15	**2 447**	2 176
Council rates		**1 200**	1 093
Finance costs	5(iii)	**2 080**	884
Materials		**4 956**	4 610
Other expenses		**8 302**	8 264
Revaluation decrement on non-current assets		**1 062**	460
Total Expenses		**89 509**	90 455
Trading Profit before Revaluation of Growing Timber		**39 389**	43 835
Net change in value of growing timber	13	**1 048**	22 985
Profit before Income Tax Equivalents		**40 437**	66 820
Income tax equivalents expense	6	**10 861**	12 282
NET PROFIT AFTER INCOME TAX EQUIVALENTS		**29 576**	54 538

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

Balance Sheet
as at 30 June 2008

	Note	**2008**	2007
CURRENT ASSETS:		**$'000**	$'000
Cash	9	**40 719**	35 683
Receivables	10	**12 317**	14 331
Inventories	11	**607**	1 325
Growing timber	13	**70 439**	69 629
Assets classified as held-for-sale	12	**150**	175
Total Current Assets		**124 232**	121 143
NON-CURRENT ASSETS:			
Growing timber	13	**544 372**	543 119
Property, plant and equipment	14	**483 963**	451 661
Intangible assets	15	**402**	446
Total Non-Current Assets		**1 028 737**	995 226
Total Assets		**1 152 969**	1 116 369
CURRENT LIABILITIES:			
Payables	16	**7 832**	9 382
Employee benefits	17	**1 564**	1 499
Interest bearing loans	18	**2 417**	1 943
Tax liabilities	6	**2 110**	2 970
Other provisions	19	**124**	95
Total Current Liabilities		**14 047**	15 889
NON-CURRENT LIABILITIES:			
Payables	16	**699**	611
Employee benefits	17	**2 087**	2 210
Interest bearing loans	18	**29 402**	27 049
Other provisions	19	**314**	276
Total Non-Current Liabilities		**32 502**	30 146
Total Liabilities		**46 549**	46 035
NET ASSETS		**1 106 420**	1 070 334
EQUITY:			
Contributed capital		**4 984**	4 984
Reserves		**1 017 257**	983 091
Retained earnings		**84 179**	82 259
TOTAL EQUITY		**1 106 420**	1 070 334

Total equity is attributable to the SA Government as owner

Commitments and contingencies	21		

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

	Contributed Capital $'000	Asset Revaluation Reserve $'000	Growing Timber Reserve $'000	Fire Insurance Fund Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2006	4 984	374 950	559 057	5 386	83 235	1 027 612
Gain on revaluation of property, plant and equipment	-	18 001	-	-	-	18 001
Net income / expense recognised directly in equity	-	18 001	-	-	-	18 001
Net profit for the period	-	-	-	-	54 538	54 538
Total recognised income and expense for 2006-07	-	18 001	-	-	54 538	72 539
Dividend	-	-	-	-	(29 817)	(29 817)
Transfers to (from) equity	-	(186)	22 499	3 384	(25 697)	-
Total change for the period	-	17 815	22 499	3 384	(976)	42 722
Balance at 30 June 2007	4 984	392 765	581 556	8 770	82 259	1 070 334
Gain on revaluation of property plant and equipment	-	29 181	-	-	-	29 181
Net income / expense recognised directly in equity	-	29 181	-	-	-	29 181
Net profit for the period	-	-	-	-	29 576	29 576
Total recognised income and expense for 2007-08	-	29 181	-	-	29 576	58 757
Dividend	-	-	-	-	(22 671)	(22 671)
Transfers to (from) equity	-	(3)	983	4 005	(4 985)	-
Total change for the period	-	29 178	983	4 005	1 920	36 086
Balance at 30 June 2008	**4 984**	**421 943**	**582 539**	**12 775**	**84 179**	**1 106 420**

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

Cash Flow Statement for the year ended 30 June 2008

		2008 Inflows (Outflows)	2007 Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
Receipts from customers		**124 818**	130 590
Payments to suppliers and employees		**(83 918)**	(86 989)
Finance costs		**(2 080)**	(884)
Interest received		**3 071**	2 791
Receipts from SA Government		**3 081**	3 015
GST receipts on sales		**12 825**	12 934
GST payments on purchases		**(6 612)**	(7 891)
GST remitted to ATO		**(5 850)**	(5 213)
Income tax equivalents paid		**(11 721)**	(11 576)
Net Cash Flows from Operating Activities	9(ii)	**33 614**	36 777
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment, including land and timber		**(8 818)**	(19 338)
Proceeds from sale of fixed assets		**353**	390
Net Cash Flows from Investing Activities		**(8 465)**	(18 948)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		**4 860**	19 953
Repayment of borrowings		**(2 033)**	(1 100)
Dividend paid		**(22 671)**	(34 903)
Net Cash Flows from Financing Activities		**(19 844)**	(16 050)
NET INCREASE IN CASH HELD		**5 305**	1 779
CASH AT 1 JULY		**35 414**	33 635
CASH AT 30 JUNE	9(i)	**40 719**	35 414

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

Role and Function of the South Australian Forestry Corporation (SAFC)

SAFC was established under the *South Australian Forestry Corporation Act 2000* on 1 January 2001. The SAFC is subject to the provisions of the PCA. SAFC has key responsibilities to:

- manage plantation forests for commercial production in line with best practice standards for forestry operations and environmental management.
- undertake and where appropriate commercialise forestry related research for the benefit of the Corporation and the State.
- maximise the value of the Corporation.
- encourage and facilitate regionally based economic activities based on forestry and other industries.
- support regional forest resource protection initiatives and programs.
- support the concept of environmental sustainability which assists in the protection of natural assets and market accessibility.
- support cooperative research activities within the forestry industry.

In addition to its business operations, SAFC receives funding from the SA Government for the provision of certain community service obligations (CSOs). These are:

- community use of forests
- native forest management
- community protection (including fire protection).

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

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

Statement of Compliance
AASs include AIFRS and AAS 29.

SAFC's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the applicable valuation policy.

The preparation of the financial report requires the use of certain accounting estimates and requires management to exercise its judgment in the process of applying SAFC's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable Notes.

The preparation of the financial report requires compliance with APSs issued pursuant to section 41 of the PFAA, by authority of TI 19. In the interest of public accountability and transparency the APSs require the following Note disclosures, that have been included in this financial report:

(i) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies

(ii) expenses incurred as a result of engaging consultants

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

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

(b) Comparative Information

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

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

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

(c) Rounding

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

(d) Changes in Accounting Policies

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

(e) Foreign Currency Transactions and Balances

Transactions in foreign currency are initially recorded in the functional currency by applying the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Balance Sheet date. All exchange differences are taken to profit and loss.

SAFC uses derivative financial instruments in the form of foreign exchange hedges to hedge its risks associated with foreign currency exposures. These derivative instruments do not qualify for hedge accounting and changes in fair value are recognised immediately in profit or loss in other revenues and other expenses. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from change in the fair value of derivatives are taken directly to the Income Statement for the year.

(f) Taxes

SAFC is liable for income tax equivalent payments, payroll tax, FBT, GST, emergency services levy, land tax and local government rates.

Income Tax Equivalent
SAFC is an income tax exempt body. As SAFC engages in trading activities in competition with private sector enterprises, a payment in lieu of income tax is paid to the SA Government Consolidated Account. The tax calculation method is prescribed by TI 22.

Income Tax Equivalent (continued)
An amended TI 22 was approved in September 2005 requiring SAFC, as at 1 July 2005, to use the State Tax Equivalent Regime (STER). Under the STER the tax equivalent payment is calculated on the Accounting Profit Model. AASB 112 does not apply to SAFC. The Department of Treasury and Finance provided SAFC with a ruling that excludes unrealised gains and losses relating to growing timber revaluation from the accounting profit used to calculate the income tax equivalent payment. The Capital Gains Tax (CGT) division of the ITAA does not apply to SAFC under the STER.

Under the Accounting Profits Model no future tax assets or future tax liabilities are recognised apart from tax assets or tax liabilities in relation to timing differences in the payment of tax equivalent payments.

GST
In accordance with the requirements of AASs Interpretation 1031, revenue, expenses, liabilities and assets are recognised net of the amount of GST except where the amount of GST incurred by SAFC as a purchaser that is not recoverable from the ATO is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

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

The net GST receivable/payable to the ATO has been recognised as a receivable/payable in the Balance Sheet.

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

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

(g) Income and Expenses
Income and Expense are recognised in SAFC's Income Statement when and only when the flow or consumption or loss of economic benefit(s) has occurred and can be reliably measured.

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

Revenue from Sales – Timber Products is derived from the provision of goods and services to customers. This revenue is driven by consumer demand.

Grants are recognised as income when the SAFC obtains control over the assets. Funding for CSOs received from SA Government related to operational expenditure is recognised as income when the SAFC obtains control over the assets. Funding for CSOs received from SA Government related to capital expenditure is recognised in line with the use of the underlying assets.

Interest revenue is recorded on an accrual basis. Interest is calculated on the average daily balance of the account.

The gain or loss on disposal of assets, including revalued assets, is determined as the difference between the book value of the asset at the time of disposal and the proceeds of disposal, and is included in the results in the year of disposal. When revalued assets are sold, the revaluation increments are transferred to retained earnings in accordance with APF III APS 3.11.

Finance costs are recognised as an expense.

(h) Current and Non-Current Classification
Assets and liabilities are characterised as either current or non-current in nature. SAFC has a regular operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle, even when they are not expected to be realised within 12 months after the reporting date, or held primarily for the purpose of being traded, have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

(i) Cash and Cash Equivalents
Cash and cash equivalents in the Balance Sheet include cash at bank, cash on hand and cash administered on behalf of other organisations (refer Notes 9 and 22).

For the purposes of the Cash Flow Statement, cash includes cash at bank and deposits at call that are readily convertible to cash and are used in the cash management function on a day-to-day basis.

Cash is measured at nominal value.

(j) Financial Assets
In accordance with the SA Government's APF IV, SAFC measures financial assets and liabilities at historical cost.

(k) Trade and Other Receivables

Receivables include trade receivables, prepayments and other revenue accruals.

Receivables are recorded at amounts due to SAFC less a provision for doubtful debts.

Trade receivables arise in the normal course of selling goods and services. Trade receivables are due within one month after the issue of an invoice or the goods/services have been provided under contractual arrangements. Other debtors arise outside the normal course of selling goods and services to the public and agencies.

If payment has not been received within the terms and conditions of the contractual arrangement, SAFC is able to charge interest at commercial rates as specified until the whole amount of the debt has been paid.

SAFC determines the provision for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected. No provision for doubtful debts has been raised.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value in accordance with AASB 102. Harvested log stocks represent timber harvested for sale and are disclosed as a current asset.

(m) Forestry Accounting

Growing timber of a marketable size is valued at its fair value less estimated point of sale costs and disclosed as a current asset for the portion expected to be realised within 12 months after the reporting date and as a non-current asset for the portion expected to be realised more than 12 months after the reporting date. The fair value is determined 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. SAFC has determined the fair value by sampling market conditions over the 12 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 policy is in accordance with the requirements of AASB 141. All amounts are calculated in pre-tax dollars in accordance with the TIs.

Growing timber below a marketable size (classified as young forest in Note 13) is valued at fair value by annually compounding the historical establishment and maintenance cost, from the date of preparation of the site for planting, at the 10 year Commonwealth bond rate. This applied to trees up to 9 years old in the Green Triangle region, 10 years old in the Mt Lofty Ranges region and 12 years old in the Mid-North region.

The difference between the fair value of the growing timber held at the reporting date and the fair value at the previous reporting date is recognised in the Income Statement as the net change in value of growing timber. The reduction in the value of growing timber attributable to fire during the period is reported under Other Expenses. All forest expenditure is recognised as an expense in the year the expenditure takes place.

The net change in the value of growing timber is accounted for in the movement in the Growing Timber Reserve.

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 is continuously being collected from sample inventory plots with the complete forest estate being covered in five yearly intervals. The inventory master database is updated every three to five years and on these occasions the model simulations are repeated. For the Green Triangle forests, the master database was last updated as at June 2007, affecting the growing timber valuation as at 30 June 2008. For the Mount Lofty Ranges forests and the Mid North forests, the master database was last updated in 2006, affecting the growing timber valuation as at 30 June 2006.

The method used to determine the volume of timber contained in the radiata and non-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 practices. This ensures that the fair value is based upon expected realisable volumes.

There is inherent uncertainty in the standing volume estimate and resultant growing timber valuation and profit determination. This is endemic to all forest valuations and best practice methodology is used to generate reliable estimates.

(n) Property, Plant and Equipment

(i) Recognition and Measurement

Assets are initially recorded at cost, plus any incidental costs involved with the acquisition. Where assets are acquired without cash consideration they are recorded at their fair value in the Balance Sheet.

SAFC individually capitalises all non-current physical assets with a value of $1000 or greater and a low value pool is created for assets between $300 and $1000. Componentisation of complex assets is performed when the complex asset’s fair value at the time of acquisition is greater than $1 million. These benchmarks are within the limits prescribed in APF III.

(i) *Recognition and Measurement (continued)*

Plant and Equipment and Roads and Land Improvements are stated at cost less accumulated depreciation and impairment losses.

Land and Buildings and Structures are measured at fair value less accumulated depreciation on Buildings and Structures and impairment losses recognised after the date of the revaluation. Fair value represents the value that is able to be achieved in an active and liquid market. Where an active and liquid market does not exist, then the asset will be brought to account at its written down current cost.

(ii) *Impairment*

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstance indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use.

An impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

For property, plant and equipment, impairment losses are recognised in the Income Statement except for revalued assets where impairment losses are treated as a revaluation decrement to the extent that a revaluation amount exists for the impaired asset.

(iii) *Non-Current Assets Held-for-Sale*

Assets held for sale are separately disclosed and measured at the lower of carrying amount and fair value less cost to sell.

(iv) *Revaluation*

Land has been revalued as at 30 June 2008, whilst Buildings and Structures were revalued as at 30 June 2006. In accordance with APF III, SAFC has no requirement to revalue any of the assets but applies the assumption that the written down value is an appropriate proxy for fair value. Assets in the other asset classes are deemed to have been revalued to their fair values immediately following recognition at cost.

The basis of the revaluation of Land is the current site value of the unimproved land. In accordance with this policy, Land was revalued in 2007 and 2008 using valuations provided by the Valuer General and/or local Councils. SAFC undertakes an annual revaluation of Land to fair value at the end of June. In accordance with APF II APS 3.10, SAFC has elected to take revaluation adjustments to the non-current assets on an individual asset basis.

At least every five years, an independent valuation appraisal of SAFC's Buildings and Structures will be performed. However, if at any time management considers that the carrying amount of an asset class materially differs from its fair value, then the asset class will be revalued regardless of when the last valuation took place. SAFC undertook an independent valuation appraisal of its Buildings and Structures in June 2006.

Non-current physical assets that are acquired between revaluations and are below the revaluation threshold (fair value at the time of acquisition greater than $1 million and useful life greater than three years) as per APF III will be deemed to have been revalued to their fair values immediately following recognition at cost, until revaluation will take place, when they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrement of the same asset previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement.

Any revaluation decrease is recognised in the Income Statement, except to the extent that it offsets a previous revaluation increase for the same asset, in which case the decrease is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

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

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

(v) *Depreciation and Amortisation of Non-Current Assets*

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

(v) Depreciation and Amortisation of Non-Current Assets (continued)

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

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

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

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

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

Class of Asset	*Depreciation Method*	*Useful Life (Years)*
Buildings and structures	Straight line	25-57
Leasehold improvements	Straight line	Life of lease
Roads and land improvements	Straight line	20-25
Plant and equipment	Straight line	3-25

(vi) Crown Land

The value of Crown Land amounts to $420 million ($375 million). SAFC is entitled to the value of the Crown Land and has the use of the Crown Land for forestry purposes. Generally, the issue of title over Crown Land is required before the land can be disposed of, however, SAFC is exempt from some policies and procedures related to the purchase and disposal of Crown Land, as per the Department of the Premier and Cabinet Circular 114 'Purchase and Disposal of Government Real Property (including Crown Lands)'.

(o) Intangible Assets

Intangible assets include purchased software and development costs for software tools. An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost.

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

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

Capitalised software is amortised over the useful life of the asset, with a maximum time limit for amortisation of five years, using the straight-line method. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(p) Trade and Other Payables

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

Payables 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.

Creditors represent the amounts owing for goods and services received prior to, but remaining unpaid, at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of SAFC.

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

All amounts are measured at their nominal amount and are normally settled within 30 days after invoice date.

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

SAFC makes contributions to several superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as the schemes have assumed these. The only liability outstanding at the end of the reporting period relates to any contributions due but not yet paid.

(q) Employee Benefits

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

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

(q) Employee Benefits (continued)

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date. The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2008 and is measured at the undiscounted amount expected to be paid.

In accordance with APF IV APS 5.10, SAFC applies 6.5 years of service (6.5 years) by an employee as the benchmark at which a liability for long service leave is recognised.

(r) Interest Bearing Loans

In accordance with APF IV APS 6.1, SAFC uses the historical cost measurement for interest bearing loans.

All loans are measured at the principal amount. Interest and guarantee fees are recognised as an expense as they accrue.

(s) Leases

SAFC has entered into operating leases but has not entered into any finance leases.

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the lease items. Operating lease payments are charged to the Income Statement on a straight-line basis, which is representative of the pattern of benefits derived from the leased assets.

(t) Insurance

SAFC has arranged, through the South Australian Government Financing Authority, SAICORP division, to insure all major property and liability risks of SAFC. The excess payable under this arrangement is $250 000 from an event or occurrence covered by the agreement.

SAFC is self-insured for major fire losses of the forest (refer Note 2(w)). In addition, SAFC is self insured for workers compensation.

(u) Provisions

Provisions are recognised when SAFC has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When SAFC expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Balance Sheet date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

SAFC self-insures its workers compensation obligations. The workers compensation liability is based on an actuarial assessment provided by the Public Sector Workforce Division of the Department of the Premier and Cabinet of the estimated unsettled workers compensation claims.

(v) Contributed Equity

Contributions made by the SA Government through its role as owner of SAFC, which increase the net assets of the entity, are treated as contributions of equity.

(w) Fire Insurance Fund and Reserve

Cabinet approved SAFC to self-insure for the risk associated with major fire losses of forest from 1 October 2004 and SAFC set up a fund for this purpose at that date. The Fire Insurance Fund has been created as part of SAFC's self-insurance policy. SAFC's annual lump sum contributions to the Fire Insurance Fund are quarantined for both tax equivalent payments and dividend purposes. The use of the Fire Insurance Fund available cash balance is restricted to fund annual fire losses to the plantation of greater than $250 000. These funds will provide cash for clearing, re-establishment and associated costs. Monies in the Fire Insurance Fund are restricted and are therefore not available for distribution. The movement in the Fire Insurance Fund is transferred between Retained Earnings and the Fire Insurance Fund Reserve.

3. Financial Risk Management

SAFC has significant non-interest bearing assets (receivables) and liabilities (payables) and interest bearing assets (deposits) and liabilities (borrowings from the SA Government). SAFC's exposure to market risk and cash flow interest rate risk is in accordance with the risk management policies and procedures approved by the SAFC Board.

The nature and location of SAFC's forestry operations cause concentration of credit risk in relation to trade receivables as 81 percent of transactions for the financial year (87 percent) were transactions with the six largest of SAFC's customers.

As part of its financial risk management policies, SAFC manages and monitors log supply commitments to ensure the commitments are within the long-term forest yield forecasts, thereby maintaining SAFC's long-term viability and profitability.

4. Segment Information

SAFC has no separately identifiable geographic or business segments which require separate preparation and disclosure of segment information.

5. Revenue, Other Income and Expenses

Profit from Ordinary Activities before Income Tax has been determined after:	Note	**2008 $'000**	2007 $'000
(i) Crediting as Revenue			
Community Service Obligation funding(1)	1	**2 731**	2 665
Government Network Radio funding		**350**	350
Revenues from SA Government		**3 081**	3 015

(1) Community Service Obligation (CSO) funding is received for operating expenditure, and is recognised in revenue upon receipt, and for capital expenditure, which is recognised in revenue over the life of the asset.

Interest received or receivable:	Note	**2008 $'000**	2007 $'000
Interest received or receivable related to cash balances(2)		**3 056**	2 669
Interest received or receivable related to trade receivables		**42**	160
Interest Revenue		**3 098**	2 829
Other Operating Revenues:			
Other revenue from SA Government entities(2)		**-**	275
Other revenue from non-SA Government entities		**2 075**	1 004
Other Revenues		**2 075**	1 279
(ii) Net Gain from Disposal of Assets			
Land and Buildings:			
Net proceeds from disposal		**14**	39
Less: Net book value of assets disposed	14	**16**	74
Net Loss from Disposal of Land and Buildings		**(2)**	(35)
Plant and Equipment:			
Net proceeds from disposal		**339**	376
Less: Net book value of assets disposed	14	**364**	206
Net (Loss) Gain from Disposal of Plant and Equipment		**(25)**	170
Total Assets:			
Net proceeds from disposal		**353**	415
Less: Net book value of assets disposed	14	**380**	280
Net (Loss) Gain from Disposal of Total Assets		**(27)**	135
(iii) Charging as Expenses			
Harvesting and transport costs		**48 559**	51 954
Interest and guarantee fee paid or payable(2)	18	**2 080**	884
Depreciation of non-current assets	14	**2 347**	2 082
Amortisation	15	**100**	94
Rental expense on property operating leases		**93**	147
Consultants		**117**	183
Total Other Expenses related to SA Government Entities		**2 928**	2 746

(2) To (From) SA Government entities.

6. Income Tax Equivalents

As at 1 July 2005, as per a South Australian Department of Treasury and Finance determination, SAFC has become subject to the State Tax Equivalent Regime (STER). Under the STER SAFC uses the Accounting Profits Model to calculate the income tax equivalent payment, in accordance with TI 22. Under the Accounting Profits Model, the rate of company income tax is applied to the audited accounting profit. The accounting profit is the net profit/result from ordinary activities determined in accordance with AASB 101.

(i) The prima facie tax on operating profit is reconciled to the income tax equivalent payment provided in the accounts as follows:

Income Tax Equivalents

Accounting for income tax for the 2008 financial year is based on the tax equivalent calculations under the Accounting Profits Model prescribed in the STER and the applicable accounting standards (refer Note 2, not including AASB 112).

Income Tax Equivalents (continued)

	2008	2007
	$'000	$'000
Prima facie tax equivalent at 30 percent on trading profit before revaluation of growing timber(1) less Fire Insurance Fund contributions(2)	**10 861**	12 282
Income Tax Expense	**10 861**	12 282

(1) The Under Treasurer has provided SAFC with written approval to exclude unrealised gains and losses relating to growing timber revaluations from the accounting profit before SAFC calculates its income tax equivalent payment.

(2) The contributions to the Fire Insurance Fund, which equate to $3 186 000 ($2 896 000) are treated as expenses for tax equivalent purposes.

(ii) The income tax equivalent expense comprises amounts set aside as:

	2008	2007
	$'000	$'000
Income tax expense	**10 861**	12 282
Less: Paid during financial year related to financial year	**8 751**	9 312
Income Tax Equivalent payable as at 30 June	**2 110**	2 970

7. Employee Benefits Costs

	2008	2007
Salaries and wages	**11 993**	12 072
Long service leave	**488**	546
Annual Leave	**1 023**	1 162
Employment on-costs - Superannuation	**1 511**	1 546
Employment on-costs - Other	**854**	811
Total Employee Benefits Costs	**15 869**	16 137

8. Auditors' Remuneration

	2008	2007
Amount received, or due and receivable, by the auditors for auditing the accounts	**106**	103

9. Cash

	2008	2007
Cash	**1**	1
Deposit Account - SAFC	**28 022**	26 958
Fire Insurance Fund	**12 696**	8 724
	40 719	35 683

Included in the Deposit Account for 2007 was $269 000 held on behalf of the National Sirex Fund ($nil 2008) (refer to Note 22).

The increase in the Fire Insurance Fund includes the annual contribution of $3 186 000 ($2 896 000) and the interest received during the year of $785 000 ($467 000).

Cash Flows

(i) Components of Cash

For the purpose of the Cash Flow Statement, cash includes cash on hand and deposit account. Cash as shown in the Cash Flow Statement is reconciled to the beginning and end of period Balance Sheet as follows:

	2008	2007
	$'000	$'000
Cash excluding administered items	**40 719**	35 414
Cash related to administered items	**-**	269
Total Cash	**40 719**	35 683

(ii) Reconciliation of Net Profit after Income Tax Equivalent Payments to Net Cash Inflow from Operations

	2008	2007
Net Profit after income tax equivalents	**29 576**	54 538
Other Reconciling Movements:		
Net change in value of growing timber - Attributable to fire	**65**	486
Net change in value of growing timber - Other	**(1 048)**	(22 985)
Loss on revaluation of land	**1 062**	460
Depreciation and amortisation	**2 447**	2 176
Other land transactions	**(14)**	-
Loss (Gain) on sale of assets	**27**	(135)
	2 539	(19 998)

	2008 $'000	2007 $'000
(ii) Reconciliation of Net Profit after Income Tax Equivalent Payments to Net Cash Inflow from Operations (continued)		
Changes in Operating Assets and Liabilities:		
Decrease in debtors	**2 011**	945
Decrease (Increase) in GST receivable	**267**	(200)
Increase in interest receivable	**(27)**	(39)
Decrease in other debtors and prepayments	**30**	1 283
Decrease in assets held-for-sale	**25**	-
Decrease in inventories	**718**	2
Decrease in trade creditors	**(1 076)**	(205)
Increase in GST payable	**96**	29
(Decrease) Increase in employee provisions	**(44)**	239
(Decrease) Increase in income tax payable	**(860)**	706
Increase (Decrease) in other creditors	**359**	(523)
Net Cash Flows from Changes in Operating Balances	**1 499**	2 237
Net Cash Flows from Operating Activities	**33 614**	36 777
Per Cash Flow Statement	**33 614**	36 777

10. Receivables

Current:		
Trade receivables	**11 964**	13 948
Less: Doubtful debts	**-**	-
Other receivables	**23**	21
Accrued revenue	**293**	332
Prepayments	**37**	30
	12 317	14 331

Receivables are raised for all goods and services provided for which payment has not been received.

Receivables are normally settled within 30 days. Trade receivables and accrued revenues are non-interest bearing until after 30 days. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand.

For details of credit and interest rate risks refer to Note 25.

As at 30 June 2008 SAFC did not have any material amounts outstanding greater than 30 days.

	2008 $'000	2007 $'000
SA Government Receivables:		
Trade debtors	**284**	46
Other than trade receivables	**266**	239
	550	285
Non-SA Government Receivables:		
Trade debtors	**11 680**	13 903
Other than trade receivables	**87**	143
	11 767	14 046

11. Inventories

Current:		
Harvested log stocks	**59**	50
Chip stocks	**69**	1 003
Materials and stores	**479**	272
	607	1 325

12. Assets Classified as Held-for-Sale

Non-Current Assets Classified as Held-for-Sale:		
Land and buildings	**150**	175
	150	175

13. Growing Timber

Opening balance	**612 748**	590 249
New growing timber acquisitions	**1 080**	-
New plantings	**2 793**	3 434
Loss due to fire	**(65)**	(486)
Harvesting	**(72 655)**	(73 043)
Physical changes (ie growth)	**68 956**	68 151
Price changes	**1 954**	24 443
Closing Balance	**614 811**	612 748

13. Growing Timber (continued)

The Growing Timber comprises the following:	**2008**	2007
	$'000	$'000
Fair value:		
Mature forest	**570 212**	568 470
Young forest	**44 599**	44 278
Total Fair Value	**614 811**	612 748

	2008	2007
Volume:	**'000 m^3**	'000 m^3
Mature forest	**18 406**	18 150
Young forest	**969**	969
Total Volume	**19 375**	19 119

	2008	2007
Area:	**ha**	ha
Mature forest	**59 819**	59 223
Young forest	**23 529**	22 790
Total Area	**83 348**	82 013

	2008	2007
Current Asset:	**$'000**	$'000
Current portion of growing timber valuation	**70 439**	69 629
Non-Current Asset:		
Non-current portion of growing timber valuation	**544 372**	543 119

14. Property, Plant and Equipment

	Land	Buildings & Structures	Roads & Land Improvmts	Plant & Equipment	**Total**
Year ended 30 June 2008:	$'000	$'000	$'000	$'000	**$'000**
As at 1 July 2007, net of accumulated depreciation and impairment	419 985	10 459	4 002	17 215	**451 661**
Additions	5 778	144	505	633	**7 060**
Disposals	(14)	(2)	(8)	(356)	**(380)**
Assets reclassified to assets held-for-sale	(150)	-	-	-	**(150)**
Revaluation increments	29 181	-	-	-	**29 181**
Revaluation decrements	(1 062)	-	-	-	**(1 062)**
Depreciation charge for the year	-	(407)	(283)	(1 657)	**(2 347)**
Net of Accumulated Depreciation and Impairment	453 718	10 194	4 216	15 835	**483 963**
At 1 July 2007:					
Cost or fair value	419 985	10 731	6 583	26 825	**464 124**
Accumulated depreciation and impairment	-	(272)	(2 581)	(9 610)	**(12 463)**
Net Carrying Amount	419 985	10 459	4 002	17 215	**451 661**
At 30 June 2008:					
Cost or fair value	453 718	10 873	7 078	26 577	**498 246**
Accumulated depreciation and impairment	-	(679)	(2 862)	(10 742)	**(14 283)**
Net Carrying Amount	453 718	10 194	4 216	15 835	**483 963**
Year ended 30 June 2007:					
As at 1 July 2006, net of accumulated depreciation and impairment	390 426	6 409	4 096	15 092	416 023
Additions	12 043	4 583	181	3 652	20 459
Disposals	(25)	(49)	-	(206)	(280)
Assets reclassified to assets held-for-sale	-	-	-	-	-
Revaluation increments	18 001	-	-	-	18 001
Revaluation decrements	(460)	-	-	-	(460)
Depreciation charge for the year	-	(484)	(275)	(1 323)	(2 082)
Net of Accumulated Depreciation and Impairment	419 985	10 459	4 002	17 215	451 661
At 1 July 2006:					
Cost or fair value	390 426	6 409	6 402	25 697	428 934
Accumulated depreciation and impairment	-	-	(2 306)	(10 605)	(12 911)
Net Carrying Amount	390 426	6 409	4 096	15 092	416 023
At 30 June 2007:					
Cost or fair value	419 985	10 731	6 583	26 825	464 124
Accumulated depreciation and impairment	-	(272)	(2 581)	(9 610)	(12 463)
Net Carrying Amount	419 985	10 459	4 002	17 215	451 661

Revaluation of Land and Buildings and Structures
In 2006 SAFC engaged Maloney Field Services, an accredited independent valuer, to determine the fair value of its Buildings and Structures. The effective date of the revaluations is 30 June 2006.

SAFC uses the services of the Valuer-General in SA and local government councils in Victoria to determine the fair value of its land. Fair value is determined by reference to market-based government evidence, which is the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. The effective date of the land revaluations is 30 June 2008 (30 June 2007).

Fair Value of Roads and Land Improvements and Plant and Equipment
The Roads and Land Improvements and Plant and Equipment asset classes contain no single asset with a purchase price (regarded as the fair value at the time of acquisition) of over $1 million. In accordance with APF III, SAFC has no requirement to revalue any of the assets but applies the assumption that the written down value is an appropriate proxy for fair value.

If Land and Buildings and Structures were measured using the cost model the carrying amounts would be as follows:

	Land	Buildings and Structures	Roads and Land Improvements	Plant and Equipment	**Total**
At 30 June 2008:	$'000	$'000	$'000	$'000	**$'000**
Cost	37 477	8 114	7 078	26 576	**79 245**
Accumulated depreciation and impairment	-	(3 379)	(2 862)	(10 741)	**(16 982)**
Net Carrying Amount	37 477	4 735	4 216	15 835	**62 263**
At 30 June 2007:					
Cost	31 862	7 973	6 583	26 825	73 243
Accumulated depreciation and impairment	-	(2 973)	(2 581)	(9 610)	(15 164)
Net Carrying Amount	31 862	5 000	4 002	17 215	58 079

The carrying value of Plant and Equipment held under finance leases at 30 June 2008 is $nil ($nil). Leasehold Improvements are included in Plant and Equipment.

Included in the Roads and Land Improvements and Plant and Equipment at 30 June 2008 and 30 June 2007 are some plant and improvements in the course of construction.

Impairment
There were no indications of impairment of Roads and Land Improvements and Plant and Equipment assets at 30 June 2008.

15. Intangible Assets

	2008	2007
Computer Software:	**$'000**	$'000
As at 1 July, net of accumulated amortisation and impairment	**446**	377
Additions	**56**	163
Amortisation charge for the year	**(100)**	(94)
Total Computer Software, Net of Accumulated Amortisation and Impairment	**402**	446

The intangible assets consist of software for operational systems. The remaining useful life of the software is between zero and four years. SAFC has no contractual commitments for the acquisition of intangible assets.

	2008
As at 30 June:	**$'000**
Cost or fair value	**1 319**
Accumulated amortisation and impairment	**(917)**
Net Carrying Amount	**402**

	2007
As at 1 July:	$'000
Cost or fair value	1 263
Accumulated amortisation and impairment	(817)
Net Carrying Amount	446

16. Payables

	2008	2007
Current:	**$'000**	$'000
Trade payables	**5 215**	7 481
Accrued expenses	**2 318**	1 350
Other payables	**-**	269
Other payables - Deferred income	**25**	6
Employee benefit on-costs	**274**	276
	7 832	9 382

16. Payables (continued)

	2008	2007
Non-Current:	**$'000**	$'000
Other payables - Deferred income	**300**	158
Employee benefit on-costs	**399**	453
	699	611
SA Government Payables (included above):		
Trade payables	**224**	251
Accrued expenses	**106**	103
	330	354

17. Employee Benefits

Current:		
Accrued salaries and wages	**406**	309
Long service leave	**410**	390
Annual leave	**748**	800
	1 564	1 499
Non-Current:		
Long service leave	**2 087**	2 210
	2 087	2 210

The total current and non-current employee benefits and employee benefit on-costs for 2008 is $4 324 000 ($4 438 000). Employee benefit related on-costs are disclosed as payables.

18. Interest Bearing Loans

Current:		
Unsecured [1]	**2 417**	1 943
Non-Current:		
Unsecured [1]	**29 402**	27 049

(1) SAFC's loans are all provided by the South Australian Government Financing Authority and are unsecured.

Details of the fair value of SAFC's interest bearing liabilities, maturity analysis and analysis of interest rate risk are set out in Note 25.

Repayments of principal and interest are due monthly with the final payment due on 25 June 2018 (26 June 2017).

19. Other Provisions

	2008	2007
Current:	**$'000**	$'000
Workers compensation	**124**	95
Opening balance	**95**	94
Payments	**(92)**	(46)
Increments in provision	**121**	47
Closing Balance	**124**	95
Non-Current:		
Workers compensation	**314**	276
Opening balance	**276**	245
Increments in provision	**38**	31
Closing Balance	**314**	276

20. Equity

Equity represents the residual interest in the net assets of the SAFC. The SA Government holds the equity interest in the Corporation on behalf of the community.

Since 2006 the requirements of the ownership framework for SAFC indicate that SAFC shall pay an annual contribution to Government consisting of a dividend calculated as 90 percent of after tax profit, adjusted for unrealised gains and losses in relation to forest valuation and for the annual contribution to the fire insurance fund, plus an income tax equivalent payment. SAFC declared dividends of $22 671 000 ($29 817 000). This included an adjustment for prior year overpaid dividends of $1 406 000 (prior year underpayments of $2 710 000). Based on the above agreement SAFC proposes to include in the 2008-09 interim dividend an adjustment to the 2007-08 declared dividends of $1 269 000. In accordance with AASB 110 no receivable has been accounted for this amount.

21. Commitments and Contingencies

(a) Commitments

(i) Operating Lease Commitments

	2008 $'000	2007 $'000
Non-cancellable operating leases contracted for but not capitalised in the accounts:		
Due not later than one year	**867**	954
Due later than one year but not later than five years	**716**	1 026
Total Operating Lease Commitments	**1 583**	1 980

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

(ii) Remuneration Commitments

	2008 $'000	2007 $'000
Due not later than one year	**2 860**	3 194
Due later than one year but not later than five years	**3 888**	3 327
Due than five years	**-**	-
Total Remuneration Commitments	**6 748**	6 521

The remuneration commitments relate to employee agreements SAFC has entered into with employees for a fixed period of time. The nature of the calculations to derive the amounts presented, which are based on a range of simplified assumptions about variables that will impact the future dollar outcome of the commitments to SAFC, is such that the presented figures provide an indicative amount.

(iii) *Other Commitments*	**2008** **$'000**	2007 $'000
Due not later than one year	**26 167**	36 078
Due later than one year but not later than five years	**70 595**	133 756
Due later than five years	**3 966**	15 523
Total Other Commitments	**100 728**	185 357

SAFC's contracting commitments are for agreements for the harvesting and transport of log, silvicultural services and other commitments. The nature of the calculations to derive the amounts presented, which are based on a range of simplified assumptions about variables that will impact the future dollar outcome of the commitments to SAFC, is such that the presented figures provide an indicative amount.

SAFC has also entered into supply agreements to sell timber that is harvested. The terms and conditions of these agreements vary.

(b) Contingent Liabilities

Legal Proceedings

SAFC is a defendant in proceedings taken by Auspine Limited in regard to a matter pertaining to the sale of log. SAFC is confident of a successful outcome with regards to this matter.

Defined Benefit Plans - Superannuation Board Payments

SAFC and the SA Superannuation Board entered into an arrangement at the time of incorporation of SAFC to allow officers and employees of SAFC, who were immediately before incorporation of SAFC contributors to the State Superannuation Scheme, to remain contributors under the *Superannuation Act 1988*.

SAFC was notified by the SA Superannuation Board in 2006 of a $2 490 000 ($2 490 000) actuarially assessed funding deficit relating to defined benefit members employed by SAFC, requiring additional contributions over 15 years. SAFC has expensed $216 000 ($208 000) being the amount payable during the current financial year. A liability has not been recognised for the remaining balance.

(c) Contingent Assets

SAFC holds bank guarantees provided by various banks on behalf of SAFC's customers to provide security for amounts receivable.

22. Schedule of Administered Items

Sirex Fund

SAFC administered a fund on behalf of a collective group interested in the effective control of the Sirex. The fund is for the research into Sirex. The only asset of the fund was cash and there are no assets or liabilities at 30 June 2008 (Cash of $269 000). From 29 November 2007 this fund is no longer controlled by ForestrySA.

Summary of Cash Flows:	**2008** **$'000**	2007 $'000
Cash at 1 July	**269**	212
Net funds received (paid)	**(276)**	41
Interest received	**7**	16
Cash at 30 June	**-**	269

23. Executive Disclosures

(a) Details of Key Management Personnel

Executive

BW Farmer	Chief Executive
P Fuss	Executive General Manager
G Kensington	Executive General Manager - resigned 24 March 2008
J O'Hehir	Executive General Manager
I Robertson	Executive General Manager
W Materne	Chief Financial Officer - appointed 7 April 2008

(b) Compensation of Key Management Personnel

	2008	2007
	$'000	$'000
Short-term employee benefits paid or due and payable to or on behalf of key management personnel	**743**	681
Superannuation benefits paid or due and payable to or on behalf of key management personnel	**78**	76
Total	**821**	757

(c) Compensation of Employees whose Income was over $100 000

The number of employees whose income was within the following bands:	**2008 Number of Employees**	2007 Number of Employees
$100 000 - $109 999	**4**	4
$110 000 - $119 999	**2**	1
$120 000 - $129 999	**1**	1
$130 000 - $139 999	**1**	-
$140 000 - $149 999	**-**	1
$160 000 - $169 999	**-**	1
$180 000 - $189 999	**1**	-
$210 000 - $219 999	**-**	1
$220 000 - $229 999	**1**	-

Employee Remuneration	**2008**	2007
	$'000	$'000
Income paid or due and payable to or on behalf of employees whose income was $100 000 or more	**1 308**	1 185

24. Directors and Related Party Disclosures

The following persons held the position of director of the Corporation during the financial year:

S Duncan
G Foreman
D Lloyd
J Meeking
J Ross - Chairman

Transactions between SAFC and its directors are made at arm's length.

Director's Remuneration	**2008**	2007
	$'000	$'000
Income paid or due and payable to or on behalf of directors, excluding superannuation benefits	**152**	161
Superannuation benefits paid or due and payable to or on behalf of directors	**17**	10
	169	171

The number of directors whose income was within the following bands:	**2008 Number of Directors**	2007 Number of Directors
$20 000 - $29 999	**-**	2
$30 000 - $39 999	**4**	2
$40 000 - $49 999	**1**	1

D Lloyd has a declared conflict of interest relating to an associate's involvement in business with Auspine Limited.

25. Financial Instruments

(i) Credit Risk Exposures

The credit risk on financial assets of the economic entity which have been recognised in the Balance Sheet, is generally the carrying amount, net of any doubtful debts.

The nature and location of SAFC's forestry operations cause concentration of credit risk in relation to trade receivables as 81 percent of transactions for the financial year were transactions with the six largest of SAFC's customers.

(i) Credit Risk Exposures (continued)

Credit risk in trade receivables is managed in the following ways:

- Payment terms are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
- A risk assessment process is used for customers with balances over $10 000.
- Bank guarantees are obtained for specific customers (refer Note 21).
- Interest is charged on overdue balances.

(ii) Foreign Currency Risk Exposures

As at 30 June 2008 SAFC has no direct exposure to foreign currencies.

In 2007 Trade Receivables included receivables in US dollars (US$1 162 000).

SAFC was previously exposed to a foreign currency risk in the Trade Creditors in US dollars (US$922 000) as the export of woodchip was traded based on the US dollar.

During 2007-08 SAFC ceased transacting in US dollars.

Foreign currency risk in trade receivables and trade payables was managed by taking out short-term foreign exchange hedges between the US dollar and the Australian dollar for the period of exposure with SAFA.

Net Gain (Loss) on Foreign Currency Contracts	**2008**	2007
	$'000	$'000
Net loss on foreign currency contracts	**(33)**	(33)

(iii) Interest Rate Risk Exposures

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.

In addition to the interest rate SAFC paid a guarantee fee to SAFA of 0.60 percent on the daily balance of the outstanding loan amounts (0.65 percent). The guarantee fee from 1 July 2008 is 0.64 percent.

		Non-	Fixed Interest Maturing				
	Floating Rate	Interest Bearing	1 year or less	Over 1 to 5 years	Over 5 years	**2008 Total**	2007 Total
Financial Assets:	$'000	$'000	$'000	$'000	$'000	**$'000**	$'000
Cash	40 719	-	-	-	-	**40 719**	35 414
Receivables	974	11 343	-	-	-	**12 317**	14 331
	41 693	11 343	-	-	-	**53 036**	49 745
Weighted average interest rate (percent)	8.46	-	-	-	-		
Financial Liabilities:							
Interest bearing loans	-	-	4 424	17 606	21 438	**43 468**	41 545
Payables	-	8 531	-	-	-	**8 531**	9 993
Tax Liabilities (net)	-	2 110	-	-	-	**2 110**	2 970
	-	10 641	4 424	17 606	21 438	**54 109**	54 508
Weighted average interest rate (percent)	-	-	6.45	6.45	6.67		
Net Financial Assets (Liabilities)	41 693	702	(4 424)	(17 606)	(21 438)	**(1 073)**	(4 763)

A separate sensitivity analysis for movements in interest rates has not been provided as all of SAFC's interest bearing financial liabilities are at fixed interest rates which will not be affected by market movements.

All financial assets and liabilities have been recognised at the balance date at their net fair value, except for the following:

	Carrying Amount		Net Fair Value	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Financial Liabilities:				
Long-term borrowings	**31 819**	28 992	**27 966**	25 711

(iv) Financial Liabilities carried at an Amount in Excess of Net Fair Value

Interest Bearing Loans with a carrying value of $31 819 000 ($28 992 000) are recorded at the nominal principal amount to be settled. This is in excess of their net fair value of $27 966 000 ($25 711 000).

(v) Net Fair Value of Financial Assets and Liabilities

The net fair value of Cash, Trade Receivables (excl Accrued Revenue) and Trade Creditors approximates their carrying amount.

Short-term Accrued Revenue: The carrying amount approximates fair value because of their short-term to maturity.

Short-term Borrowings: The carrying amount approximates fair value because of their short-term to maturity.

Long-term Borrowings: The fair values of long-term borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowings.

(vi) Hedging Instruments

Hedges of Specific Instruments

SAFC entered into a number of short-term foreign exchange hedges between the US dollar and the Australian dollar during the current and previous financial year. There are no hedges open as at year end ($nil).

(vii) Liquidity Risk

Liquidity Risk relates to difficulties that SAFC may encounter in meeting obligations associated with its financial liabilities. SAFC manages this risk by maintaining a strong working capital position and having appropriate financing arrangements in place.

SAFC's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY

FUNCTIONAL RESPONSIBILITY

Establishment

The South Australian Government Financing Authority (SAFA), a body corporate, was established under the *Government Financing Authority Act 1982* (SAFA Act).

Functions

SAFA functions as the central borrowing authority for the State of South Australia, and 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.

Pursuant to section 15 of the SAFA Act, the liabilities of SAFA are guaranteed by the Treasurer.

SAFA also administers the Government's insurance and risk management arrangements through its insurance division trading as 'SAICORP'.

For details of SAFA's objectives refer to Note 1 of the financial report.

SAFA Advisory Board

The SAFA Act provides that SAFA is constituted of the Under Treasurer and establishes the South Australian Government Financing Advisory Board (the Advisory Board).

The Advisory Board comprises up to seven 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 SAFA 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 SAFA has decided not to follow and the Treasurer's or SAFA's reason for that decision.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1) of the PFAA and subsection 25(2) of the SAFA Act provide for the Auditor-General to audit the accounts of SAFA for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

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

- Treasury operations (including Insurance Investments), including:
  - transaction initiation
  - confirmation and settlement processes
  - management reporting of the activities undertaken

- risk management, monitoring and reporting, including:
  - interest rate risk management
  - credit risk management
  - liquidity and funding risk management
  - foreign exchange risk management.
- Common Public Sector Interest Rate (CPSIR) calculation
- financial accounting for Financing and Insurance functions
- insurance premium revenue
- insurance claims expenditure
- areas of the information technology environment, including:
  - information resource strategy and planning
  - business continuity planning
  - relationship with outsourced vendors
  - information security
- SAFA investment products and services.

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

- Monthly findings of the Compliance Unit's review of operations.
- Half yearly reviews for the period ending 30 November 2007 and period ending 31 May 2008.
- Insurance Division review.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the South Australian Government Financing Authority as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

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

Communication of Audit Matters

Matters arising during the course of the audit were detailed in a management letter to the General Manager. The response to the management letter was generally considered to be satisfactory. The principal matters raised with SAFA and the related responses are outlined below.

Policy and Procedure Manual – Insurance Function

For a number of years I have reported that the former SAICORP had been preparing a single Policy and Procedure Manual.

With the amalgamation of SAICORP and SAFA, a decision was made that SAICORP's policies and procedures should form part of SAFA's Policy and Procedure Manuals.

Interim policies and procedures were established for the SAFA insurance functions and approved by the Acting Treasurer on 28 June 2006.

SAFA's Policy Manual has been updated to reflect policies relating to SAFA's insurance functions. The revised Policy Manual was approved by the Treasurer on 22 November 2007.

SAFA's Procedure Manual has been updated to incorporate procedures relating to SAFA's insurance function and is currently being reviewed by the General Manager.

The Procedures Manual will be submitted to the SAFA Advisory Board Audit Committee for endorsement at its meeting in October 2008 prior to formal approval by the General Manager.

Administration of Assistance to Industry – Rail Reform Transition Program

SAFA administer the Rail Reform Transition Program (RRTP) on behalf of the Department of Treasury and Finance. The RRTP is subject to a Deed of Conditions of Grant between the State and the Commonwealth. The RRTP was extended by the Commonwealth to 31 December 2005.

The 2006-07 audit identified the need to clarify with the Commonwealth:

- reporting arrangements relating to the RRTP
- the treatment of unspent RRTP funds
- the treatment of recovered RRTP funds.

Follow-up in 2007-08 revealed SAFA sought clarification of the reporting and financial arrangements from the Commonwealth. SAFA received a response from the Commonwealth in July 2008, for their consideration.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008	2007	Percentage
	$'million	$'million	Change
Interest revenue	**940.2**	844.6	11
Interest expense	**(894.9)**	(812.3)	10
Net (loss) profit on financial instruments and derivatives	**(56.0)**	30.5	-
Net Interest Income	**(10.7)**	62.8	-
Net gain from amalgamation	**-**	90.2	-
Other revenue	**55.7**	34.8	60
Insurance claim (expense) gain	**(87.7)**	8.2	-
Other expenses	**(14.3)**	(21.2)	(33)
Operating (Loss) Profit before income tax	**(57.0)**	174.8	-
Income tax equivalent expense	**(17.1)**	25.4	-
Net (Loss) Profit after Income Tax	**(39.9)**	149.4	-
ASSETS			
Cash, short-term assets and investments	**3 014**	3 550	(15)
Loans, advances and receivables	**5 554**	5 580	-
Other assets	**132**	67	97
Total Assets	**8 700**	9 197	(5)
LIABILITIES			
Deposits and short-term borrowings	**3 573**	3 186	12
Bonds, notes and debentures	**4 494**	5 400	(17)
Outstanding claims	**278**	211	32
Other liabilities	**123**	128	(4)
Total Liabilities	**8 468**	8 925	(5)
EQUITY	**232**	272	(15)

Income Statement

Interest Income and Expense

Interest income and expense is determined on a market value accounting basis which combines actual interest revenue and expenses with realised and unrealised gains and losses arising from interest rate movements. Interest revenue has increased by $95.6 million or 11 percent. This has been associated with a corresponding increase in interest expenses of $82.6 million or 10 percent.

Net (Loss) Profit on Financial Instruments and Derivatives

Net (loss) profit on financial instruments and derivatives comprises a number of specific items. The main items for 2007-08 are as follows.

SAICORP Investments

Since SAFA became responsible for the SAICORP insurance activities, realised and unrealised gains from SAICORP investments are included under this item. SAFA's investments are managed by Funds SA. SAFA's insurance investment revenue is a combination of realised investment revenue and unrealised investment market value movement. Investment revenue for 2007-08 returned a net loss of $33.8 million ($42.7 million gain) reflecting the poor year experienced by investment markets. Refer to Note 23.1 of the financial report.

Adelaide to Darwin Railway Project

In 2007-08, net (loss) profit on financial instruments and derivatives includes a $35 million impairment expense for SAFA's holding of corporate securities issued for the Adelaide to Darwin railway project. There is reasonable doubt that not all the principal and interest will be collected in accordance with the terms of the securities. The provision represents SAFA's estimate as at 30 June 2008 of the amount at risk. Under the arrangements put in place at the time for the State's interest in the project, in April 2001 the then Premier provided a guarantee and indemnity to SAFA against loss SAFA might suffer on the investment. Accordingly, the impairment provision expense is matched by a receivable from the Premier. The amount payable is recognised in the financial report for the Department of the Premier and Cabinet in this Report. Refer also to Notes 2(a) - parts 2.7 and 3.4, 6, 8 and 22.5 of SAFA's financial report.

Insurance Premium Revenue

Insurance premium revenue, for Fund 1 insurance, was $29.1 million ($31.3 million). The lower premium revenue for 2007-08 reflects a general reduction in property and liability premiums for 2007-08 after taking into account net assets and risks such as claims estimates. Medical malpractice premiums were unchanged.

Other Revenue

Other revenue increased to $26.6 million ($3.5 million) due mainly to:

- increased insurance claims recoveries, $15.2 million (1.4 million), recorded in the accounts as revenue from entities external to the SA Government. This was due mainly to an estimated recovery for the fire claims
- a receivable from the Treasurer $9.6 million, to reimburse SAFA for the loss incurred for the insurance Fund 2. Due to the nature of Fund 2's activities, the Treasurer has approved that any operating profit before tax will be nil. In 2006-07, this policy resulted in a profit of $5.4 million being offset by a payable to the Treasurer for the same amount. Refer to Notes 2.6 and 3 of the financial report.

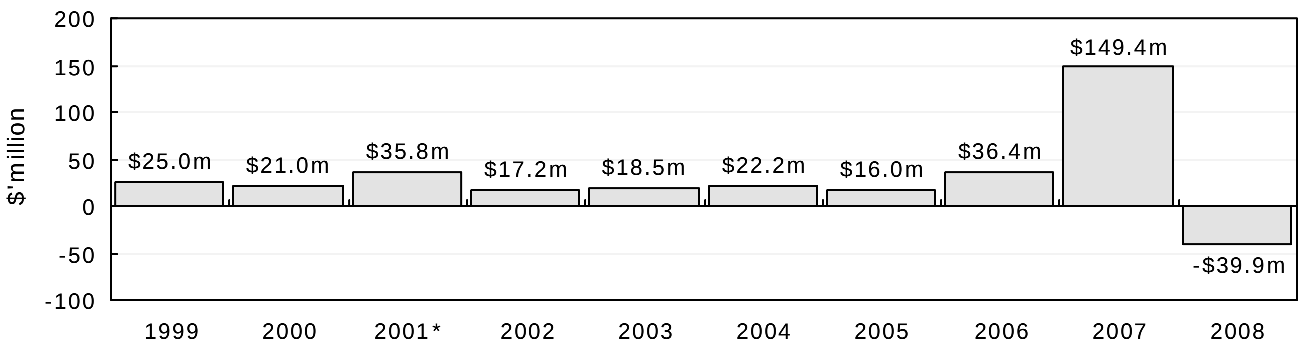
Operating (Loss) Profit

SAFA's operating loss before income tax equivalent was $57 million.

The loss for 2007-08 is attributable to Fund 1 insurance activities (refer to Note 23.1 of the financial report) namely:

- net investment losses of $29.3 million
- an increase in the outstanding claims balance as at 30 June 2008 compared to the balance as at 1 July 2007. This resulted in an insurance claim expense of $83.6 million (gain of $3.8 million).

The 10 year trend in SAFA's net result (after income tax expense) is demonstrated in the following chart.



The chart shows that until 2006, results are reasonably steady. This essentially reflects that other than occasional superior revenues, SAFA's operating result is underpinned by investing retained earnings and small margins from financing activities. SAFA became responsible for insurance activities from 1 July 2006. The results for 2007 and 2008 are influenced by the insurance activities.

The 2006-07 profit result reflects:

- a $90.2 million gain on amalgamation with SAICORP - being the net assets of the former SAICORP Fund 1

- Fund 1 insurance investment revenue of $42.1 million.

In contrast, 2007-08 shows the first loss result in the 10 year time series. As previously discussed this is attributable to net investment losses on insurance assets and a large increase in claims expense.

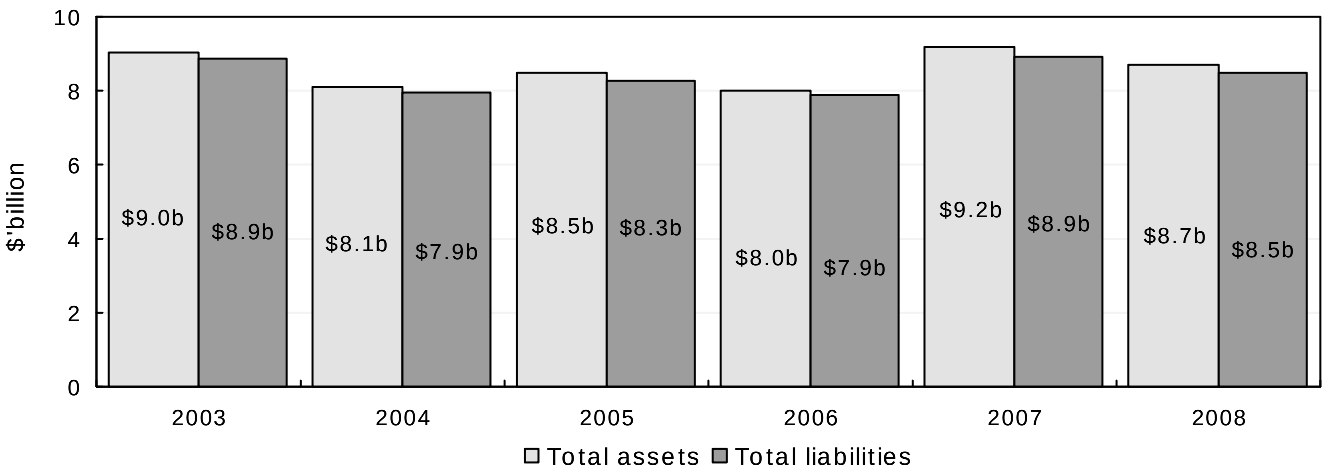
The operating result before income tax equivalent is, in net terms, only affected by Fund 1 results. This is because under the arrangements put in place, as discussed under 'Other Revenue', SAFA is quarantined from Fund 2 profits or losses. This arrangement reflects the fact that Fund 2 is used to meet 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 Fund 1. No premium income is earned for Fund 2. Payments or receivables arising are reflected in the Consolidated Account when settled.

The operating result after income tax is also influenced by Treasurer's approvals. SAFA is under a Tax Equivalent Regime (TER) and taxed at 30 percent using the Accounting Profits Tax Model. The Treasurer approved that the SAICORP amalgamation profit, $90.2 million, was exempt from SAFA's TER calculation for 2006-07. For 2007-08, the Treasurer approved SAFA carrying forward a deferred tax asset of $17.1 million due to the operating loss caused by insurance activities in 2007-08. This asset will be used to offset TER income tax on future profits.

Balance Sheet

Assets and Liabilities

A structural analysis of assets and liabilities for the six years to 2008 is shown in the following chart. The chart shows the level of assets and liabilities has remained relatively unchanged.



Insurance Activities

While small in SAFA's balance sheet, as shown previously, insurance activities have had a significant influence on SAFA's operating results over the past two years.

Outstanding claims and investments for the two years to 30 June 2008 are set out in the following table.

	Fund 1		Fund 2	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Outstanding claims	**223.1**	145.7	**55.0**	65.1
Investments*	**247.5**	278.6	**44.0**	-

* Investments are not the total assets for the Funds.

Notes 2(a) 3.7, 3 and 23 of the financial report provide detail disclosures for insurance activities.

Outstanding claims for Fund 1 increased by $77.4 million primarily due to increases in the value of reported claims. Note 23.4 shows movements in outstanding claims. Outstanding claims are estimated annually by an independent actuary.

Insurance investments are managed by the Superannuation Funds Management Corporation (Funds SA). SAFA is a declared prescribed authority for the purpose of investing funds with Funds SA. SAFA's insurance investments are not direct holdings of investments such as equities, but rather are interests in Funds SA's pooled investment portfolios. SAFA is responsible for setting the investment objectives whilst Funds SA is responsible for managing the investment portfolio and strategic asset allocation in accordance with the agreed investment objectives. During 2007-08, SAFA transferred $50 million to Funds SA to establish investments for Fund 2. Details of the asset allocations for SAFA's insurance assets are shown in Fund SA's financial report, Note 17 (o) and (p).

Investment assets for Fund 1 reduced by $31.1 million and Fund 2 reduced by $6 million due to negative net investment returns for the year.

Capital and Distributions

At 30 June 2008, SAFA's capital reserves were represented solely by its Retained earnings, which stood at $232 million ($272 million). No distribution was made to the Treasurer from SAFA this financial year ($nil).

Cash Flow Statement

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

	2008	2007	2006	2005
	$'million	$'million	$'million	$'million
Net Cash Flows				
Operating Activities	**-**	148	92	82
Investing Activities	**583**	(1 050)	281	(318)
Financing Activities	**(466)**	759	(372)	369
Change in Cash	**117**	(143)	1	133
Cash at 30 June	**177**	60	203	202

The analysis of cash flows shows that SAFA's cash position has fluctuated over the four years in line with the net effects of the various activities. Strong cash balances have been maintained in line with liquidity needs.

FURTHER COMMENTARY ON OPERATIONS

The Common Public Sector Interest Rate (CPSIR)

A major proportion of funding provided by SAFA is 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.

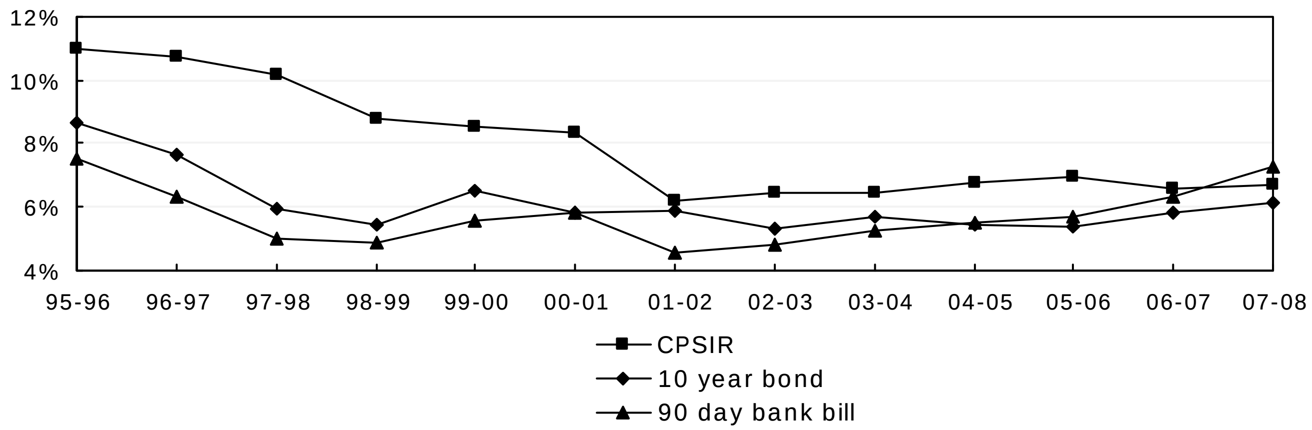
The CPSIR rate is calculated based on historical cost principles, and hence tends to be slow to react to changes in market rates as the 'CPSIR pool' consists of a large number of transactions at differing interest rates and maturities (ie changes to CPSIR should occur when transactions mature or are re-priced).

The average annual CPSIR for 2007-08 was approximately 6.56 percent (6.56 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 chart indicates the movements in the average CPSIR against the 90 day bank bill rate and the 10 year Bond rate.

Interest Rate Comparison



Business Risk Management

Operational Risk Management

Although SAFA do not have in place a formal risk management plan, they do have a number of mechanisms to manage operational risks, including:

- an annual risk assessment performed by the internal auditors addressing changes to SAFA's operating environment and financial markets they transact with. This assessment is used to determine the scope of the internal audit program

- the establishment of a policy manual which details parameters within which SAFA pursues its core objectives; including dealings with financial markets, reporting requirements and management of assets and liabilities

- the compliance unit performing daily, weekly and monthly reviews to ensure compliance with policy requirements.

Market Risk

In order to manage SAFA's financing operations and associated risks, SAFA has split its financing operations into a number of portfolios. The portfolio structure includes two Treasurer's portfolios, managed and passive.

The main task of the managed portfolio (representing $57.1 million at 30 June 2008) is to minimise interest rate risk within the portfolio with respect to the policy benchmark approved by the Treasurer. The management of this portfolio involves the use of measurements including:

- Value-at-Risk (VaR) — VaR is a single number estimate of how much an entity could lose due to the price volatility of the assets and liabilities it holds or is contracted to hold

- Duration/Modified Duration — Duration is a weighted average measure of the present value of a series of cash flows. Modified duration is a measure of the sensitivity of a portfolio of interest bearing securities to changes in interest rates

- Basis Point Sensitivity (PVO1) — PVO1 is the change in market value through a change in interest rates by one basis point.

The passive portfolio ($2.95 billion at 30 June 2008) contains transactions such as indexed liabilities and loans, Commonwealth housing loans, 2015 zero coupon bonds and rolling loans and deposits. These deals are not included in the managed portfolio due to the nature of the transactions and inability to readily manage these to the Treasurer's benchmarks.

Net expenses in the Treasurer's portfolios are passed through to the Treasurer with a margin attached. Realised gains and losses are reflected in movements in the Government's indebtedness to SAFA reported in Statement J in the Treasurer's Financial Statements. The result of this is that SAFA has no interest rate risk from the Treasurer's portfolios.

In addition to the Treasurer's portfolio, a number of principal portfolios are maintained including:

- Domestic
- Offshore
- Adelaide Darwin Railway
- Reinvestment Portfolio
- Capital
- Foreign Exchange Hedging Service Portfolio
- Cash Management Fund
- Cash Enhanced Fund.

These portfolios (holding assets of $5.3 billion at 30 June 2008) 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 Income Statement.

Catastrophe Reinsurance Program

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 in a year, a catastrophe reinsurance program is placed in the international insurance market through SAFA.

Reinsurance premium expense for 2007-08 was $6.5 million ($7 million).

The structure of SAFA's catastrophe reinsurance program is depicted as follows:

	Industrial Special Risks	Aviation Liability	Public and Products Liability	Professional Indemnity	Directors and Officers Liability	Medical Malpractice
Catastrophe Program Cover (Reinsurance)	$600m	$500m	$350m	$300m	$100m	$100m
Aggregate Annual Retention (SAFA)	$15m		$20m	$20m	$20m	
Each and Every Event Retention (Agency and/or SAFA)	$1m	$25 000/ $5 000	$1m/$3m	$1m/$3m	$1m/$3m	$12.5m

While a lower premium was paid for 2007-08 than the previous year, catastrophe coverage was the same other than an increase in the extent of cover for professional indemnity to $300 million ($250 million).

Risk Management Activity Across the Public Sector

Throughout the year, SAFA provided a range of insurance and risk management services to government agencies to assist in raising risk management awareness.

Clinical risk management within public hospitals has remained an issue that requires ongoing focus and evaluation as a result of the impact that this area has on SAFA's medical malpractice claim liabilities.

Income Statement
for the year ended 30 June 2008

	Note	**2008**	2007
REVENUE:		**$'million**	$'million
Interest revenue	13	**940.2**	844.6
Less: Interest expense	13	**894.9**	812.3
Net (loss) profit on financial instruments and derivatives	13	**(56.0)**	30.5
		(10.7)	62.8
Insurance premium revenue	13	**29.1**	31.3
Other revenue	13	**26.6**	3.5
Net gain from amalgamation	13	**-**	90.2
Total Revenue		**45.0**	187.8
EXPENSES:			
Insurance claim expense (gain)	14	**87.7**	(8.2)
Outward reinsurance premium expense	14	**6.9**	7.7
Payable to the Treasurer	14	**-**	5.4
Operating expense	14	**7.4**	8.1
Total Expenses		**102.0**	13.0
OPERATING (LOSS) PROFIT BEFORE INCOME TAX		**(57.0)**	174.8
Income tax equivalent expense		**(17.1)**	25.4
NET (LOSS) PROFIT AFTER INCOME TAX		**(39.9)**	149.4

Net (loss) profit after income tax is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2008

	Note	**2008**	2007
ASSETS:		**$'million**	$'million
Cash and short-term assets	5	**1 798**	2 189
Investments	6	**1 216**	1 361
Loans, advances and receivables	7	**5 554**	5 580
Other assets	8	**132**	67
Total Assets		**8 700**	9 197
LIABILITIES:			
Deposits and short-term borrowings	9	**3 573**	3 186
Bonds, notes and debentures	10	**4 494**	5 400
Outstanding claims	11	**278**	211
Other liabilities	12	**123**	128
Total Liabilities		**8 468**	8 925
NET ASSETS		**232**	272
EQUITY:			
Retained earnings		**232**	272
TOTAL EQUITY		**232**	272

Total equity is attributable to the SA Government as owner

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

	Retained Earnings $'million
Balance at 30 June 2006	122.7
Profit after income tax equivalent for 2006-07	149.4
Total recognised income and expense for 2006-07	149.4
Dividend as determined by Treasurer of South Australia	-
Balance at 30 June 2007	272.1
(Loss) after income tax equivalent for 2007-08	(39.9)
Total recognised income and expense for 2007-08	(39.9)
Dividend as determined by Treasurer of South Australia	-
Balance at 30 June 2008	**232.2**

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

Cash Flow Statement
for the year ended 30 June 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**2008 Inflows (Outflows) $'million**	2007 Inflows (Outflows) $'million
Proceeds from:			
Interest received		**611**	635
Direct insurance placement		**2**	3
Premiums received		**29**	32
Derivatives net interest received		**(12)**	2
Stamp duty received from agencies		**4**	4
Cash from amalgamation		**-**	28
Amalgamation receipt from the Treasurer		**-**	69
Other income		**3**	29
Payments for:			
Interest paid		**(579)**	(586)
Claims paid		**(21)**	(28)
Outwards reinsurance premium paid		**(7)**	(7)
Direct insurance placement		**(3)**	(3)
Stamp duty paid to RevenueSA		**(4)**	(4)
Operating expenses paid		**(9)**	(8)
Income tax (TER) paid		**(14)**	(18)
Net Cash provided by Operating Activities	16.2	**-**	148
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net proceeds from client loans		**75**	(91)
Purchase of investments		**(22 135)**	(22 904)
Proceeds from investments		**22 643**	21 945
Net Cash provided by (used in) Investing Activities		**583**	(1 050)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net Repayments of borrowings		**(466)**	759
Net Cash (used in) provided by Financing Activities		**(466)**	759
NET INCREASE (DECREASE) IN CASH HELD		**117**	(143)
CASH AT 1 JULY		**60**	203
CASH AT 30 JUNE	16.1	**177**	60

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives

The South Australian Government Financing Authority is a statutory authority constituted as the Under Treasurer under the *Government Financing Authority Act 1982*, and is referred to as 'SAFA' in the financial report. The registered address of SAFA is Level 5, State Administration Centre, 200 Victoria Square East, Adelaide, South Australia, 5000. From 1 July 2006 SAFA amalgamated with the South Australian Government Captive Insurance Corporation (SAICORP) (Note 4).

SAFA's objectives are:

- to develop and implement borrowing and investment programs for the benefit of semi-government authorities;
- to engage in such other financial activities as are determined by the Treasurer of South Australia (the Treasurer) to be in the interest of the State;
- administer the Government's insurance and risk management arrangements;
- insure, co-insure and reinsure the risks of the Crown;
- provide advice on the management of risks of the Crown.

2. Significant Accounting Policies

(a) Basis of Preparation

The financial report has been prepared as a general purpose financial report and complies with the requirements of the AASs and the requirements of the TIs relating to financial reporting by statutory authorities which are issued pursuant to the PFAA.

The financial report does not include SAFA consolidated with its controlled entities. These entities were wound up during 2007-08 and they were dormant during 2006-07 and 2007-08.

The financial report is prepared in accordance with AIFRS.

Statement of Compliance

AASs include AIFRS. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by SAFA for the reporting period ending 30 June 2008.

SAFA's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are valued in accordance with the valuation policy applicable.

The preparation of the financial report requires compliance with APSs issued pursuant to section 41 of the PFAA, by authority of TI 19. In the interest of public accountability and transparency the APSs require the following Note disclosures, that have been included in this financial report:

(a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies;

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

SAFA's financial performance and position are detailed in the Notes between the Finance and Insurance activities. Additionally, the Insurance activities are further broken down between those of Insurance Fund 1 and Insurance Fund 2.

1. Market Value Accounting

SAFA designates at initial recognition to account for all financial transactions at fair value (MV) through profit and loss. SAFA believes that this better reflects how SAFA manages its assets and liabilities and provides a better basis for making decisions and evaluating performance. Financial assets and liabilities (including derivatives) are recorded at fair value in the Balance Sheet. All financial instruments are revalued to reflect market movements with gains and losses, whether realised or unrealised, being recognised immediately in the Income Statement (Note 13). Financial instruments are revalued regularly (at least monthly) either at their quoted market price or their cash flows are discounted against the relevant yield curve.

2. Revenue and Expense Recognition

2.1 Interest

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 borrowings.

Net realised gains/losses and unrealised gains/losses are included in the Income Statement, but are separately identified in Note 13.

2.2 Other Revenue

Fee income in respect of services provided is recognised in the period in which the service is provided.

2.3 Premium Revenue

The earned portion of premiums received and receivable is recognised as premium revenue excluding amounts collected for stamp duties. 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 SA Government agencies are required to insure with SAFA unless exempted by the Treasurer. In those circumstances where SAFA considers it more appropriate for some of the risks of a government agency to be insured directly with a commercial insurance organisation, SAFA will arrange for such insurance and will recover the insurance premium from the agency concerned. For the purposes of the financial report, these arrangements are referred to as Direct Insurance Placements.

2.4 Outwards 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 of $6.467 million ($7.728 million) was expensed for cover provided under the Government's catastrophe reinsurance program. This program has been effected 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.

2.5 Claims

Claims Expense is comprised of claim payments, deductible receipts and movements in underlying claim estimates.

2.6 Receivable from/Payable to the Treasurer

Due to the nature of Fund 2's activities, the Treasurer has approved that any operating profit before tax will be nil. This is achieved by negating the operating profit with either a payable to or receivable from the Treasurer. In 2007-08, this policy resulted in a receivable from the Treasurer of $9.6 million (payable to the Treasurer of $5.4 million). These amounts will be settled in 2008-09 therefore, in the Balance Sheet they have been recorded as a net receivable of $4.2 million.

2.7 Receivable from the Premier

The Premier on behalf of the State of South Australia has guaranteed one of SAFA's corporate security investments. As at 30 June 2008, this investment was considered to be impaired and its decrease in value was recognised in the Income Statement. The estimated decrease in value of the investment is equal to the value of the guarantee that affords SAFA the right to sell its investment to the Premier at its fair value prior to taking account of any impairment. This has been recognised as a receivable in the Balance Sheet and as a gain in Net Profit (Loss) on Financial Instruments and Derivatives in the Income Statement.

3. *Assets and Liabilities*

3.1 Cash and Short-Term Assets

Primarily, Short-Term Money Market Deposits and Negotiable Discount Securities, are held for liquidity and short-term investment purposes.

3.2 Investments

Investments are assets originating outside the SA public sector, which are purchased as part of SAFA's cash management products, for 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 SA public sector. Additionally, SAFA may hold investments it has purchased at the direction of the SA Government and/or as may be determined by the Treasurer to be in the interests of the State of South Australia. SAFA does not hold investments for trading purposes.

In accordance with AASB 1023, SAFA's longer term insurance investments with Funds SA are measured at fair value as advised by the fund managers.

3.3 Common Public Sector Interest Rate (CPSIR) Loan

The CPSIR loan to the Treasurer is funded through a range of financial assets and liabilities within the Treasurer's Portfolio (refer Note 22). Any gains or losses, whether realised or unrealised, on the assets and liabilities in the Treasurer's Portfolio that fund the CPSIR loan are equally offset by a loss or gain on the CPSIR loan to the Treasurer.

3.4 Impairment of Financial Assets

Financial assets are recognised at fair value before assessing any required provisions for impairment. The Treasurer guarantees all loans and advances to SA public sector entities. Financial assets are reviewed at balance sheet date whether there is objective evidence that a financial asset is impaired. Objective evidence results from one or more loss events (a loss event is an event after initial recognition and prior to balance sheet date) that have occurred and is considered to have an impact on the estimated future cash flows of the financial asset. The review assesses whether objective evidence of impairment exists individually for assets. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. SAFA uses its experienced judgment in estimating future cash flows. Impaired financial assets and their impacts are shown in Notes 6, 8, 13 and 22.5.

3.5 Repurchase Agreements

Securities sold under an agreement to repurchase remain as an investment whilst the obligation to repurchase is recorded as a liability in Deposits and Short-Term Borrowings (refer Note 9).

3.6 Bonds, Notes and Debentures and Other Borrowings

Funds are raised through various instruments including bonds, notes and debentures. All borrowings are raised on an unsecured basis.

3.7 Outstanding Claims

Insurance activities are segregated into two funds. Liabilities for outstanding claims for Fund 1 are recognised in respect of occurred incidents. 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, SAFA 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 (same percentages were applied in 2006-07). Liabilities for outstanding claims for Fund 2 are recognised in respect of occurred incidents including the anticipated costs of settling these claims and a prudential margin as for Fund 1.

The claims liabilities are measured as the present values of the expected future claims payments. An inflation rate of 7.5 (7.25) percent per annum, comprising 4.5 (4.25) percent wage inflation plus 3.0 (3.0) percent superimposed inflation, has been assumed. In the calculation of present values, discount rates of 6.6 (6.4) percent per annum has been assumed across all classes.

Claims incurred but not paid and claim settlement costs that can be directly attributed to particular claims are assessed by reviewing individual claim files. In respect of IBNR claims, SAFA has employed the 'Net Written Premium' method modified to allow for IBNER claims.

Indirect claim settlement costs are those claim settlement costs that cannot be directly allocated to a specific claim and have been estimated at 5 percent of the outstanding claims liabilities.

The above methodologies are used by SAFA as there is insufficient historical data to perform a portfolio analysis to derive a statistical methodology for the calculation of claims liabilities. Brett and Watson Pty Ltd - Consulting Actuaries have been engaged to consider the appropriateness of the above methodologies and to recommend appropriate discount and inflation rates, prudential margins and indirect claim settlement costs percentages to be used for annual financial reporting. Their recommendations were adopted for the preparation of the financial report.

3.8 Derivative Instruments

SAFA utilises derivative instruments in fundraising, 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. Interest receipts and interest payments are accrued on a gross basis and classified as interest revenue and interest expense in the Income Statement.

3.9 Other Assets and Liabilities

Other assets, including debtors, fee accruals, and other liabilities, including interest paid in advance, creditors, expense accruals and provisions, are all stated at cost.

Recoveries receivable on claims paid and claims reported but not yet paid are recognised as income and assets where they can be reliably measured.

Recoveries receivable are measured as the present values of the expected future recovery receipts. An inflation rate of 7.5 (7.25) percent per annum, comprising 4.5 (4.25) percent wage inflation plus 3.0 (3.0) percent superimposed inflation, has been assumed. In the calculation of present values, discount rates of 6.6 (6.4) percent per annum has been assumed across all classes.

(b) Foreign Currency Translation
Foreign currency assets and liabilities are recognised in the financial report at the exchange rate applying at 30 June 2008. 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 recognised in the Income Statement.

Forward foreign exchange contracts are translated at the exchange rate applying at 30 June 2008. Resulting exchange differences are recognised in the Income Statement.

(c) 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. Treasury meets long service leave liabilities as they fall due.

(d) Taxation
Accounting Profits Model
SAFA and its controlled entities came under a Tax Equivalent Regime (TER) as from 1 July 1995 and are taxed at 30 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. Taxable losses are carried forward as deferred taxes to be offset against future taxable profits.

The Treasurer approved that the profit from the amalgamation of SAFA and SAICORP, $90.15 million, was exempt from SAFA's TER calculation for 2006-07.

GST
SAFA is grouped with Treasury for GST purposes.

Income, expenses and assets are recognised net of the amount of 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; or
- 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.

Stamp Duty
Amounts collected for stamp duty are excluded from premiums and on-paid monthly to RevenueSA.

(e) Comparatives
The comparative amounts provided for the previous year have been reclassified to facilitate comparison with changes in presentation in the current year.

(f) Transactions with SA Government
In accordance with the APF the financial report's body and Notes to the accounts disclose any transactions with an entity within the SA Government as at the reporting date, classified according to their nature.

(g) Rounding
Unless otherwise indicated, all amounts have been rounded to the nearest million Australian dollars.

(h) Average Balances
The average balances presented in Note 21 refer to average month end balances and reflect the face value of the assets and liabilities of SAFA's activities. The average rate equals interest divided by the average balance of interest bearing assets and liabilities.

(i) 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 2008, to the contractual repayment date of the individual assets and liabilities. The amounts shown represent the principal and interest cash flows of the financial assets and liabilities as at 30 June 2008 (refer Note 22) for SAFA's Finance activities.

(j) Insurance Risk Assumptions
The Insurance division writes four broad classes of insurance: Property, Liability, Other Liability and Medical Malpractice. Full details of the actuarial assumptions and risk margins adopted for the Insurance activities are in Note 23.7.

3. Segment Information
Business Segments
SAFA operates in the following segments:

- Finance industry and lends funds and provides financial advice to the SA Government, semi-government authorities, SA Public Sector Financial Institutions and government agencies.

- Insurance industry underwriting several types of general insurance for SA Government agencies.

Business Segments (continued)

The Insurance activities are further broken down into Fund 1 and Fund 2 in Note 23. Fund 1 reflects the normal commercial activities of SAFA whilst Fund 2 is used to meet 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 Fund 1.

	Finance $'million	Insurance $'million	Eliminations $'million	**2008 Total $'million**
Revenue	24.9	20.1	-	**45.0**
Expenses	(6.5)	(95.5)	-	**(102.0)**
Profit (Loss) Before Tax	18.4	(75.4)	-	**(57.0)**
Income tax expense	(5.5)	22.6	-	**17.1**
Profit (Loss) for the Year	12.9	(52.8)	-	**(39.9)**
Segment assets	8 361.0	364.5	(25.1)	**8 700.4**
Segment liabilities	(8 214.6)	(278.7)	25.1	**8 468.2**
Net Assets	146.4	85.8	-	**232.2**

	Finance $'million	Insurance $'million	Eliminations $'million	2007 Total $'million
Revenue	22.0	165.8	-	187.8
Expenses	(6.6)	(6.4)	-	(13.0)
Profit Before Tax	15.4	159.4	-	174.8
Income tax expense	(4.6)	(20.8)	-	(25.4)
Profit for the Year	10.8	138.6	-	149.4
Segment assets	8 913.5	369.2	(85.7)	9 197.0
Segment liabilities	(8 780.1)	(230.5)	85.7	(8 924.9)
Net Assets	133.4	138.7	-	272.1

4. Transferred Functions 2006-07

The Public Corporations (Dissolution of South Australian Captive Insurance Corporation) Regulations 2006 promulgated pursuant to the PCA, came into operation on 1 July 2006. From 1 July 2006 SAICORP amalgamated with SAFA.

SAICORP assets and liabilities as at 30 June 2006 were transferred to SAFA and reported in accordance with APSs contained within APF II.

On amalgamation, SAFA recognised the transfer of the following assets and liabilities from SAICORP, together with the compensating amalgamation receipt from the Treasurer:

	Fund 1 $'million	Fund 2 $'million	**Total $'million**
Assets:			
Cash and short-term assets	15.0	12.6	**27.6**
Investments	226.8	-	**226.8**
Other assets	15.5	3.6	**19.1**
Total Assets	257.3	16.2	**273.5**
Liabilities:			
Outstanding claims	(158.6)	(85.6)	**(244.2)**
Other liabilities	(8.5)	-	**(8.5)**
Total Liabilities	(167.1)	(85.6)	**(252.7)**
Net Assets	90.2	(69.4)	**20.8**
Amalgamation receipt from the Treasurer	-	69.4	**69.4**
Net Gain from Amalgamation	90.2	-	**90.2**

The amalgamation receipt from the Treasurer was compensation for assuming the net liability position of Fund 2.

5. Cash and Short-Term Assets

	2008 $'million	2007 $'million
Finance:		
Cash at bank	**1.8**	2.4
Deposits with the Treasurer	**54.5**	39.0
Short-term money market deposits	**115.7**	0.5
Negotiable certificates of deposit	**1 620.6**	2 128.9
	1 792.6	2 170.8
Insurance:		
Deposits with the Treasurer	**5.7**	18.2
	5.7	18.2
Total Cash and Short-Term Assets	**1 798.3**	2 189.0

		2008	2007
6.	**Investments**		
	Finance:	**$'million**	$'million
	Semi-government securities	**143.2**	198.2
	Commonwealth government securities	**69.0**	101.9
	Local government securities	**18.5**	20.5
	Indexed securities	**68.7**	66.9
	Bank and corporate securities	**640.8**	627.6
	Provision for impairment - Corporate securities	**(35.0)**	-
		905.2	1 015.1
	Insurance:		
	Growth Fund (Funds SA)	**291.5**	278.6
	Bank and corporate securities	**19.6**	67.6
		311.1	346.2
	Total Investments	**1 216.3**	1 361.3

7.	**Loans, Advances and Receivables**		
	Finance:		
	Loans to the Treasurer at market	**37.1**	56.6
	Loans to the Treasurer at CPSIR	**2 620.3**	2 730.5
	Loans to the SA Government	**229.6**	206.5
	Loans to public non-financial corporations	**1 483.4**	1 383.4
	Loans to public financial corporations	**1 183.5**	1 203.1
	Total Loans, Advances and Receivables	**5 553.9**	5 580.1

8.	**Other Assets**		
	Finance:		
	Derivatives - Receivable SA Government	**2.9**	4.1
	Derivatives - Receivable	**50.4**	57.3
	Sundry debtors SA Government	**1.3**	0.2
	Sundry debtors	**0.2**	0.1
	Receivable from the Premier	**35.0**	-
		89.8	61.7
	Insurance:		
	Recoveries receivable	**17.6**	3.1
	Prepaid outwards reinsurance	**1.9**	1.6
	Sundry debtors SA Government	**1.0**	0.1
	Sundry debtors	**0.3**	-
	Deferred tax assets	**17.1**	-
	Receivables from the Treasurer	**4.2**	-
		42.1	4.8
	Total Other Assets	**131.9**	66.5

* Note SA Government includes the Treasurer.

9.	**Deposits and Short-term Borrowings**		
	Finance:		
	Call deposits	**115.0**	152.8
	Deposits from the Treasurer	**1 973.3**	1 768.0
	Deposits from SA Government	**772.8**	605.6
	Repurchase agreements	**188.5**	263.0
	Commercial paper	**523.6**	396.4
	Total Deposits and Short-Term Borrowings	**3 573.2**	3 185.8

10.	**Bonds, Notes and Debentures**		
	Finance:		
	Select lines	**3 335.9**	4 225.6
	Retail stock	**143.5**	131.2
	Zero coupon	**208.5**	202.5
	Inflation linked bonds and securities	**271.0**	288.7
	Obligation to Commonwealth Government	**535.2**	551.7
	Total Bonds, Notes and Debentures	**4 494.1**	5 399.7

11.	**Outstanding Claims**		
	Insurance:		
	Outstanding claims	**262.3**	186.9
	Outstanding claims SA Government	**15.8**	24.0
	Total Outstanding Claims	**278.1**	210.9

12. Other Liabilities

	Note	2008 $'million	2007 $'million
Finance:			
Derivatives - Payable SA Government		**3.0**	1.5
Derivatives - Payable		**99.0**	82.6
Interest received in advance from the Treasurer		**17.7**	21.4
Sundry creditors SA Government		**0.2**	0.5
Sundry creditors		**2.2**	2.2
TER payable		**-**	0.6
		122.1	108.8
Insurance:			
Stamp duty payable		**-**	0.1
TER payable		**-**	13.9
Other		**0.4**	0.3
Payable to the Treasurer		**-**	5.4
		0.4	19.7
Total Other Liabilities		**122.5**	128.5

* Note SA Government includes the Treasurer.

13. Revenue

	Note	2008	2007
Interest Revenue:			
External to SA Government:			
Cash and short-term assets		**125.8**	102.8
Investments		**77.3**	71.3
Other assets		**327.5**	294.8
Internal to SA Government:			
Cash and short-term assets		**1.9**	1.6
Loans, advances and receivables		**375.7**	338.5
Other assets		**32.0**	35.6
		940.2	844.6
Less: Interest Expense:			
External to SA Government:			
Deposits and short-term borrowings		**61.4**	55.8
Bonds, notes and debentures		**294.1**	295.0
Other liabilities		**346.9**	304.7
Internal to SA Government:			
Deposits and short-term borrowings		**160.0**	127.0
Other liabilities		**32.5**	29.8
		894.9	812.3
Net Profit (Loss) on Financial Instruments and Derivatives:			
External to SA Government:			
Realised		**(9.0)**	32.2
Unrealised		**18.6**	49.1
Impairment - Corporate securities		**(35.0)**	-
Internal to SA Government:			
Realised		**2.3**	(2.3)
Unrealised		**(67.9)**	(48.5)
Receivable from the Premier		**35.0**	-
		(56.0)	30.5
		(10.7)	62.8
Premium Revenue:			
External to SA Government		**1.6**	2.1
Internal to SA Government		**27.5**	29.2
		29.1	31.3
Other Revenue:			
Other revenue external to SA Government		**15.2**	1.4
Other revenue internal to SA Government		**0.1**	-
Brokerage external to SA Government		**-**	0.2
Management fees internal to SA Government		**1.7**	1.9
Receivable from the Treasurer	2.6,23.1	**9.6**	-
		26.6	3.5
		45.0	97.6
Net gain from amalgamation	4	**-**	90.2
Total Revenue		**45.0**	187.8

* Note SA Government includes the Treasurer

14. Expenses

	Note	**2008 $'million**	2007 $'million
Insurance Claim Expenses (Gain):			
External to SA Government		**85.3**	(21.4)
Internal to SA Government		**2.4**	13.2
		87.7	(8.2)
Reinsurance and other recoveries expense external to SA Government		**6.9**	7.7
Payable to the Treasurer	2.6,23.1	**-**	5.4
Operating Expenses:			
SLA internal to SA Government		**6.7**	6.8
Program and debt management fees		**0.9**	1.0
Underwriting		**(0.3)**	0.2
Other		**0.1**	0.1
		7.4	8.1
Total Expenses		**102.0**	13.0

* Note SA Government includes the Treasurer

The SLA 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 audit. The majority of the fee relates to staffing, accommodation, audit and network systems.

$1 055 642 ($956 124) from the SLA cost for insurance has been allocated directly to claims and acquisition expense. This reflects a more accurate underwriting result.

15. Contingent Assets and Liabilities

Contingent Assets

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.

Contingent Liabilities

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.

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 different to those recognised in the financial report.

Guarantees

SAFA has guaranteed as at 30 June 2008:

- the South Australian Housing Trust's performance under certain letters of credit. These guarantees totalled $300 000;
- Land Management Corporation for the Port Waterfront Redevelopment. This guarantee totalled $5 million.

Unused Loan Facilities

As at 30 June 2008, SAFA had extended loan facilities that were unutilised totalling $988 million.

16. Cash Flow Information

	2008 $'million	2007 $'million
16.1 Reconciliation of Cash		
Includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts	**177.0**	59.6
16.2 Reconciliation of Net Cash provided by Operating Activities to Net (Loss) Profit after Income Tax		
Net (loss) profit after income tax	**(39.9)**	149.4
Insurance investments on amalgamation	**-**	(226.8)
Add: Non-Cash Items:		
Change in net market value of financial instruments	**25.3**	7.4
Amortisation of financial instruments	**5.2**	4.1
Change in net market value of insurance investments	**37.1**	(47.3)

16.2 Reconciliation of Net Cash provided by Operating Activities to Net (Loss) Profit after Income Tax (continued)	**2008 $'million**	2007 $'million
Changes in Assets and Liabilities:		
(Increase) Decrease in accrued interest receivable	**(9.6)**	12.6
Increase in recoveries receivable	**(14.5)**	(3.1)
Increase in sundry debtors and other assets	**(43.5)**	(2.0)
(Decrease) Increase in accrued interest payable	**(25.4)**	23.9
Increase in outstanding claims	**67.2**	210.8
(Decrease) Increase in sundry creditors and other liabilities	**(1.6)**	18.4
FX movement	**-**	-
Net Cash provided by Operating Activities	**0.3**	147.4

16.3 Non-Cash Financing and Investing Activities

During 2007-08, $3.9 million was adjusted against the Treasurer's debt for book losses arising from debt management activity.

17. Auditor's Remuneration

	2008 $'000	2007 $'000
Audit fees paid to the Auditor-General's Department	**148**	155

18. Key Management Personnel

(a) Board Members

Remuneration:	**2008 Number of Members**	2007 Number of Members
$0	**3**	2
$20 001 - $30 000	**3**	4
$30 001 - $40 000	**2**	1
Total Number of Members	**8**	7

	2008 $	2007 $
Total Remuneration	**138 432**	136 126

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

Advisory Board
Mr J Wright (Presiding Member)*
Mr B Brownjohn
Mr L Foster
Ms A Howe*
Mr C Long
Ms Y Sneddon
Mrs J Tongs (appointment expired 8 June 2008)
Ms J Brown (appointed 9 June 2008)

Audit Committee
Ms Y Sneddon
Mr L Foster
Mr P Mendo*

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. Amounts paid to a superannuation plan for board/committee members was $9608 ($9180).

* Those members who are permanently employed under the PSM Act, or on similar terms, are not entitled to fees.

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

(b) Other Key Management Personnel

The following persons also held authority and responsibility for planning, directing and controlling the activities of SAFA, directly or indirectly during the financial year:

Mr K Cantley	General Manager
Mr I Welch	Director, Finance
Mr B Daniels	Director, Insurance
Mr D Posaner	Director, Corporate Governance and Planning
Mr A Thompson	Director, Financial Markets and Client Services

The above are employed by Treasury and provided to SAFA through an SLA. Details of their remuneration are included in the Treasury financial statements.

19. Consultants

	2008 Number of Consultants	2007 Number of Consultants
Between $10 001 - $50 000	**2**	1
Total Consultants	**2**	1

		2008	2007
19.	**Consultants (continued)**	**$**	$
	Total Consultants Expense	**49 489**	33 010

20. Fiduciary Activities

SAFA provides asset and liability management services to clients and these financial assets and liabilities are not recognised on SAFA's Balance Sheet. 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. As at 30 June 2008, assets under management totalled $nil ($nil) and liabilities total $1255.8 million ($1170.5 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 market value of these portfolios as at 30 June 2008 was $762.8 million ($665.7 million). The assets and liabilities of these portfolios are reported within SAFA's Balance Sheet.

21. Average Balance Sheet and Margin Analysis

	2008			2007		
Assets:	**Average Balance $'million**	**Interest $'million**	**Average Rate Percent**	Average Balance $'million	Interest $'million	Average Rate Percent
Interest Earning Assets:						
Cash and short-term assets	**1 922.1**	**127.7**	**6.64**	1 762.0	104.4	5.93
Investments	**1 024.0**	**77.3**	**7.55**	1 069.1	71.3	6.67
Loans, advances and receivables	**5 570.1**	**375.7**	**6.74**	5 326.5	338.5	6.36
Other assets	**-**	**359.5**	**-**	-	330.4	-
Total Assets	**8 516.2**	**940.2**	**6.82**	8 157.6	844.6	6.30
Liabilities:						
Interest Bearing Liabilities:						
Deposits and short-term borrowings	**3 474.6**	**221.4**	**6.37**	3 086.6	182.8	5.92
Bonds, notes and debentures	**4 993.3**	**294.1**	**5.89**	5 096.1	295.0	5.79
Other liabilities	**-**	**379.4**	**-**	-	334.5	-
Total Liabilities	**8 467.9**	**894.9**	**6.09**	8 182.7	812.3	5.84

22. Specific Disclosure - Finance

22.1 Financial Risk Management

SAFA's core Finance functions are fundraising, asset and liability management and the provision of financial risk management and advisory services to its public sector clients. SAFA aims to undertake its functions in a manner that protects 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 four portfolios comprising the Treasurer's Portfolio. Any profit or loss resulting from the operations of Principal Portfolios is for SAFA's account whilst net interest expenses and market revaluations in the Treasurer's Portfolio are for the account of the Treasurer. The Treasurer's Portfolio comprises assets and liabilities that together comprise the CPSIR loan to the Treasurer. Effectively, the CPSIR loan mirrors the other assets and liabilities in that portfolio. The Principal Portfolios are managed within strict risk limits to minimise exposure to SAFA. The Treasurer's Portfolio is managed within duration limits and value at risk limits with all the risk being borne by the Treasurer.

Interest Rate Risk

SAFA uses a variety of methods to measure interest rate risk, including basis point sensitivity, duration/modified duration, and Value-at-Risk (VaR). The Under Treasurer and Treasurer approve interest rate risk limits for SAFA's portfolios. Limits on interest rate risk for portfolios managed on behalf of clients are set in consultation with the clients.

SAFA 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.

SAFA utilises futures contracts to manage interest rate exposures on a specific transaction or portfolio of transactions.

(i) Interest Rate Futures Contracts (continued)
As at 30 June 2008, open interest rate futures positions represented a total notional principal of $301.3 million ($305.5 million).

The mark to market movement in futures contracts is recognised in the Income Statement, except where it was undertaken as part of the Treasurer's Portfolios, and is passed onto 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.

SAFA 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 on a monthly, quarterly or semi-annual basis. As at 30 June 2008, the notional value of interest rate swaps totalled $5829.1 million negative MV $48.8 million ($5741.2 million negative MV $22.7 million).

(iii) Swaptions/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 2008, there were no outstanding exchange traded 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.

SAFA utilises FRAs to manage interest rate exposures on a specific transaction or portfolio of transactions. The notional value of FRAs as at 30 June 2008 was $nil ($150 million).

The settled amount for FRAs is recognised immediately in the Income Statement, except where it was undertaken as part of the Treasurer's Portfolios, and is passed onto the Treasurer as an adjustment to his debt level.

(v) Sensitivity Analysis
SAFA manages the sensitivity of its portfolios for changes in market risk variables by calculating Value-at-Risk (VaR) daily and monitoring the calculated VaR against pre determined exposure limits. VaR is the calculation of the potential loss due to rate movements for any one day.

SAFA calculates VaR using the Historical Simulation method and a two year interest rate horizon. The daily VaR is assessed at the 95 percent confidence level. VaR for the Domestic Portfolio is managed daily against an approved working limit of $500 000.

As at 30 June 2008 the computed VaR on SAFA's principal portfolios were:

• Domestic Portfolio	$180 945
• Reinvestment Portfolio	$529
• Cash Management Fund	$31 910

Should future rates vary from those used in the historic rate horizon, profit/losses will vary from the expected results calculated under VaR.

All risk on the Treasurer's portfolios is borne directly by the Treasurer.

(vi) Market Value Movements Attributable to Changes in Credit Risk
The majority of SAFA's lending (over 75 percent) is to agencies and corporations of the SA Government. Consequently, SAFA's profit does not reflect any component that relates to credit movement for this part of its business. The profit or loss resulting from credit movements for the remainder have been examined and are immaterial.

Foreign Exchange Risk
SAFA 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.

SAFA utilises cross currency swaps to eliminate foreign currency exposures associated with foreign currency borrowings. Currently SAFA has no cross currency swaps.

(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 on 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.

SAFA 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 SA public sector agencies and to hedge profits from overseas subsidiaries.

SAFA 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 $11.9 million ($29.2 million) in face value as at 30 June 2008, but the foreign exchange exposure from these transitions is $nil.

(iii) Currency Exposures

The following table summarises SAFA'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.

	GBP A$'million
Less Than One Year:	
Net foreign currency assets	1.3
Net derivatives	-
Net	1.3
Greater Than One Year:	
Net foreign currency assets	(1.0)
Net Derivatives	-
Net	(1.0)
Total Net	0.3

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 of 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 debt 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 SA 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.

22.2 Interest Rate Risk

SAFA's exposure to interest rate risk, repricing maturities and effective rates on financial instruments in Australian dollars is detailed below. The market value of the assets and liabilities and the historic yields have been used.

	Weighted Average Effective Interest Rate Percent	2008 0 to 3 months $'million	3 to 12 months $'million	1 to 2 years $'million	2 to 3 years $'million	3 to 4 years $'million	4 to 5 years $'million	Over 5 years $'million	**Total $'million**
Assets:									
Cash and short-term assets	7.73	1 616.3	175.9	-	-	-	-	-	**1 792.2**
Investments	7.22	619.6	1.1	23.8	70.8	1.9	34.4	188.6	**940.2**
Loans, advances and receivables	7.02	4 356.8	190.8	256.8	229.9	85.9	189.7	243.4	**5 553.3**
Non-interest bearing assets	-	2.4	-	-	-	-	-	-	**2.4**
Total		6 595.1	367.8	280.6	300.7	87.8	224.1	432.0	**8 288.1**
Liabilities:									
Deposits and short-term borrowings	7.34	3 425.7	147.5	-	-	-	-	-	**3 573.2**
Bonds, notes and debentures	6.26	54.9	43.0	1 470.3	988.8	74.8	849.6	1 012.7	**4 494.1**
Non-interest bearing liabilities	-	25.8	-	-	-	-	-	-	**25.8**
Total		3 506.4	190.5	1 470.3	988.8	74.8	849.6	1 012.7	**8 093.1**
Net		3 088.7	177.3	(1 189.7)	(688.1)	13.0	(625.5)	(580.7)	**195.0**
Derivatives (off Balance Sheet)	(0.80)	(1 735.5)	(301.4)	1 015.0	664.2	(67.4)	495.4	(119.1)	**(48.8)**

22.2 Interest Rate Risk (continued)

	Weighted Average Effective Interest Rate	2007							
Assets:	Percent	0 to 3 months $'million	3 to 12 months $'million	1 to 2 years $'million	2 to 3 years $'million	3 to 4 years $'million	4 to 5 years $'million	Over 5 years $'million	Total $'million
Cash and short-term assets	6.45	1 595.6	574.7	-	-	-	-	-	2 170.3
Investments	6.30	518.1	26.3	68.0	42.8	68.3	6.8	284.8	1 015.1
Loans, advances and receivables	6.37	4 310.1	213.3	270.8	258.3	98.5	88.1	340.7	5 579.8
Non-interest bearing assets	-	1.2	-	-	-	-	-	-	1.2
Total		6 425.0	814.3	338.8	301.1	166.8	94.9	625.5	8 766.4
Liabilities:									
Deposits and short-term borrowings	6.35	3 089.6	95.8	-	-	-	-	-	3 185.4
Bonds, notes and debentures	6.12	56.0	1 303.5	26.6	1 341.4	858.2	77.6	1 736.2	5 399.5
Non-interest bearing liabilities	-	25.4	-	-	-	-	-	-	25.4
Total		3 171.0	1 399.3	26.6	1 341.4	858.2	77.6	1 736.2	8 610.3
Net		3 254.0	(585.0)	312.2	(1 040.3)	(691.4)	17.3	(1 110.7)	156.1
Derivatives (off Balance Sheet)	(0.04)	(1 775.9)	97.5	(219.3)	936.2	645.4	(23.2)	316.6	(22.7)

22.3 Maturity Analysis of Financial Instruments

The maturity analysis has been calculated based on the repayment of the principal (face value) and interest.

	2008							
Assets	0 to 3 months $'million	3 to 12 months $'million	1 to 2 years $'million	2 to 3 years $'million	3 to 4 years $'million	4 to 5 years $'million	Over 5 years $'million	**Total $'million**
Cash and short-term assets	1 627.0	182.0	-	-	-	-	-	**1 809.0**
Investments	118.6	132.9	381.4	153.2	46.2	64.4	252.9	**1 149.6**
Loans, advances and other receivables	497.6	481.4	1 111.4	975.9	328.8	733.3	2 988.3	**7 116.7**
Total	2 243.2	796.3	1 492.8	1 129.1	375.0	797.7	3 241.2	**10 075.3**
Liabilities								
Deposits and short-term borrowings	3 377.0	152.8	-	-	-	-	-	**3 529.8**
Bonds, notes and debentures	91.8	282.1	1 702.5	1 260.1	97.4	1 004.8	1 507.7	**5 946.4**
Total	3 468.8	434.9	1 702.5	1 260.1	97.4	1 004.8	1 507.7	**9 476.2**
Net	(1 225.6)	361.4	(209.7)	(131.0)	277.6	(207.1)	1 733.5	**599.1**
Derivatives (off Balance Sheet)	(9.7)	(17.9)	(4.0)	(15.9)	(2.8)	(3.3)	2.4	**(51.2)**

	2007							
Assets	0 to 3 months $'million	3 to 12 months $'million	1 to 2 years $'million	2 to 3 years $'million	3 to 4 years $'million	4 to 5 years $'million	Over 5 years $'million	Total $'million
Cash and short-term assets	1 622.1	586.0	-	-	-	-	-	2 208.1
Investments	36.6	108.9	220.9	377.1	117.2	66.2	354.2	1 281.1
Loans, advances and other receivables	389.7	559.4	588.4	990.6	728.3	310.3	3 430.1	6 996.8
Total	2 048.4	1 254.3	809.3	1 367.7	845.5	376.5	3 784.3	10 486.0
Liabilities								
Deposits and short-term borrowings	2 959.7	98.5	-	-	-	-	-	3 058.2
Bonds, notes and debentures	109.3	1 542.8	293.8	1 551.3	1 067.0	74.6	2 338.4	6 977.2
Total	3 069.0	1 641.3	293.8	1 551.3	1 067.0	74.6	2 338.4	10 035.4
Net	(1 020.6)	(387.0)	515.5	(183.6)	(221.5)	301.9	1 445.9	450.6
Derivatives (off Balance Sheet)	(5.2)	4.1	(0.7)	13.3	(2.7)	0.9	1.3	11.0

22.4 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.

SAFA incurs credit risk through undertaking its core functions of fundraising, debt management and liquidity management.

SAFA'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 payment of principal and interest.

22.4 Credit Risk (continued)

To minimise the potential for credit loss, SAFA 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 SA governmental entities.

No credit losses were incurred by SAFA over the reporting period.

SAFA 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 2008 and 30 June 2007 is detailed below.

				2008			
	Australia	Canada	France	Germany	Hong Kong	Japan	Netherlands
Total by Counter-party Class	(AAA) $'million	(AAA) $'million	(AAA) $'million	(AAA) $'million	(AA) $'million	(AA) $'million	(AAA) $'million
SA Government	5 591.0	-	-	-	-	-	-
Commonwealth/ State Government	225.3	-	-	-	-	-	-
Banks	1 842.2	57.6	120.0	35.0	30.0	111.0	15.8
Corporate/Other	198.3	-	-	-	-	-	-
Total by Country	7 856.8	57.6	120.0	35.0	30.0	111.0	15.8

	Singapore	Supra-national	- Switzerland	United Kingdom	United States	
Total by Counter-party Class	(AAA) $'million	(AAA) $'million	(AAA) $'million	(AAA) $'million	(AAA) $'million	**Total $'million**
SA Government	-	-	-	-	-	**5 591.0**
Commonwealth/ State Government	-	-	-	-	-	**225.3**
Banks	70.0	-	1.6	95.0	70.2	**2448.4**
Corporate/Other	-	63.0	9.4	-	-	**270.7**
Total by Country	70.0	63.0	11.0	95.0	70.2	**8 535.4**

				2008			
Total by Asset Class	Australia $'million	Canada $'million	France $'million	Germany $'million	Hong Kong $'million	Japan $'million	Nether-lands $'million
Loans/Investments	7 789.9	50.0	120.0	15.0	30.0	111.0	15.0
Interest rate swaps	65.3	7.6	-	20.0	-	-	0.8
FX contracts	1.6	-	-	-	-	-	-
Total by Country	7 856.8	57.6	120.0	35.0	30.0	111.0	15.8

Total by Asset Class	Singapore $'million	Supra-national $'million	- Switzerland $'million	United Kingdom $'million	United States $'million	**Total $'million**
Loans/Investments	70.0	63.0	0.4	95.0	56.4	**8 415.7**
Interest rate swaps	-	-	10.6	-	13.8	**118.1**
FX contracts	-	-	-	-	-	**1.6**
Total by Country	70.0	63.0	11.0	95.0	70.2	**8 535.4**

						2008 Rating				
Asset Class	AAA $'million	AA+ $'million	AA $'million	AA- $'million	A+ $'million	A $'million	A- $'million	BBB+ $'million	NR* $'million	**Total $'million**
Loans/Investments	738.9	1.3	1 295.3	170.4	493.0	80.0	-	24.0	5 612.8	**8 415.7**
Interest rate swaps	-	-	81.5	19.0	-	3.2	-	-	14.4	**118.1**
FX contracts	-	-	-	-	-	-	-	-	1.6	**1.6**
Total	738.9	1.3	1 376.8	189.4	493.0	83.2	-	24.0	5 628.8	**8 535.4**

* Includes loans to SA Government of $5 556.7 million.
NR Amounts not classified under particular ratings.

						2007				
	Australia	Canada	Germany	Nether-lands	Singa-pore	Supra-national	Switzer-land	United Kingdom	United States	
Total by Counter-party Class	(AAA) $'million	(AAA) $'million	(AAA) $'million	(AAA) $'million	(AAA) $'million	(AAA) $'million	(AAA) $'million	(AAA) $'million	(AAA) $'million	Total $'million
SA Government	5 566.9	-	-	-	-	-	-	-	-	5 566.9
Commonwealth/ State Government	313.0	-	-	-	-	-	-	-	-	313.0
Banks	2 290.6	9.6	58.0	140.0	36.6	-	1.8	230.0	67.5	2 834.1
Corporate/Other	241.5	-	-	-	-	58.5	10.4	-	-	310.4
Total by Country	8 412.0	9.6	58.0	140.0	36.6	58.5	12.2	230.0	67.5	9 024.4

						2007				
Total by Asset Class	Australia $'million	Canada $'million	Germany $'million	Nether-lands $'million	Singa-pore $'million	Supra-national $'million	Switzer-land $'million	United Kingdom $'million	United States $'million	Total $'million
Loans/Investments	8 308.3	5.4	40.0	140.0	34.0	58.5	0.9	230.0	51.6	8 868.7
Interest rate swaps	101.2	4.2	18.0	-	2.6	-	11.3	-	15.9	153.2
FX contracts	2.5	-	-	-	-	-	-	-	-	2.5
Total by Country	8 412.0	9.6	58.0	140.0	36.6	58.5	12.2	230.0	67.5	9 024.4

22.4 Credit Risk (continued)

	2007 Rating									
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	NR*	Total
Asset Class	$'million	$'million	$'million	$'million	$'million	$'million	$'million	$'million	$'million	$'million
Loans/Investments	888.9	52.4	1 961.5	45.4	308.5	-	-	29.0	5 583.0	8 868.7
Interest rate swaps	-	23.7	81.3	26.6	-	7.0	-	-	14.6	153.2
FX contracts	-	-	-	-	-	-	-	-	2.5	2.5
Total	888.9	76.1	2 042.8	72.0	308.5	7.0	-	29.0	5 600.1	9 024.4

* Includes loans to SA Government of $5422.9 million.
NR Amounts not classified under particular ratings.

SAFA's credit guidelines also permit SAFA to undertake credit exposure transactions with counterparties from New Zealand and Norway. As at 30 June 2008, SAFA did not have any credit exposure to these countries.

22.5 Ageing Analysis of Financial Assets

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

	Past Due By			
2008	**Overdue for less than 30 Days $million**	**Overdue for 30-60 Days $million**	**Overdue for more than 60 Days $million**	**Total $million**
Not Impaired:				
Investments	**-**	**-**	**4.8**	**4.8**
Loans, advances and other receivables	**1.2**	**-**	**-**	**1.2**
Impaired:				
Investments	**-**	**-**	**35.0**	**35.0**
2007				
Not Impaired:				
Investments	-	-	36.1	36.1

SAFA's impaired investments do not impact profit as the investments are guaranteed by the SA Government.

22.6 Mortgage - Backed Securities

As at 30 June 2008, SAFA's investments included $162.6 million of mortgage-backed securities (MBS) secured by Australian residential mortgages. All these securities were rated AAA by Standard & Poor's rating agency. SAFA also had $96.5 million of Australian bank floating rate notes (FRN). Adverse movements in trading margins on these MBS and bank FRNs during 2007-08 resulted in a negative impact on SAFA's profit of $582 000. However, SAFA does not consider there is objective evidence that the principal or interest cash flows of these financial assets has been impaired. Therefore, SAFA does not consider these assets to be impaired.

23. Specific Disclosure - Insurance

23.1 Income Statement

	Fund 1		Fund 2	
	2008	2007	**2008**	2007
Net Earned Premium:	**$'million**	$'million	**$'million**	$'million
Premium revenue	**29.1**	31.3	**-**	-
Outwards reinsurance expense	**(6.5)**	(7.0)	**-**	-
Outwards reinsurance fees	**(0.3)**	(0.4)	**-**	-
Outwards reinsurance brokerage	**-**	0.2	**-**	-
	22.3	24.1	**-**	-
Net Claims Incurred:				
Claims (expense) revenue	**(83.6)**	3.8	**(4.1)**	4.4
Recoveries	**15.9**	0.7	**(0.7)**	0.7
Doubtful debts	**(0.1)**	(0.3)	**-**	-
	(67.8)	4.2	**(4.8)**	5.1
Underwriting (Expense) Revenue	**0.3**	(0.2)	**-**	-
Underwriting Result	**(45.2)**	28.1	**(4.8)**	5.1
Investment revenue (loss)	**(29.3)**	42.1	**(4.5)**	0.6
Operating expense	**(0.9)**	(0.9)	**(0.3)**	(0.3)
Receivable (payable) to the Treasurer	**-**	-	**9.6**	(5.4)
Operating Profit before Income Tax Equivalents	**(75.4)**	69.3	**-**	-

23.2 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.

23.2 Net Claims Incurred (continued)

Fund 1	In Respect of Current Year $'000	In Respect of Prior Years $'000	**2008 Total $'000**
Gross Claims Incurred and Related Expenses Undiscounted	40 417	80 401	**120 818**
Other recoveries undiscounted	(22)	(19 253)	**(19 275)**
Net Claims Incurred - Undiscounted	40 395	61 148	**101 543**
Discount and Discount Movement:			
Gross claims incurred	(18 127)	(19 079)	**(37 206)**
Other recoveries	3	3 383	**3 386**
Net Discount Movement	(18 124)	(15 696)	**(33 820)**
Net Claims Incurred	22 271	45 452	**67 723**

The net claims incurred during 2007-08 in respect of claims incurred prior to 30 June 2007 was $45.4 million. This is equivalent to 20 percent of the outstanding liability as at 30 June 2008 in respect of claims incurred prior to 30 June 2007. The net claims incurred of $45.4 million is a result of:

	2008 $'million
Interest on the 30 June 2007 provision less payments during 2007-08	**9.1**
Release of administration allowance and risk margin in respect of payments during 2007-08	**(1.3)**
Change in actuarial assumptions	**0.5**
Experience deviation from expected	**37.1**
	(45.4)

Fund 2	In Respect of Current Year $'000	In Respect of Prior Years $'000	**2008 Total $'000**
Gross claims incurred and related expenses undiscounted	27	3 488	**3 515**
Other recoveries undiscounted	-	1 098	**1 098**
Net Claims Incurred - Undiscounted	27	4 586	**4 613**
Discount and Discount Movement:			
Gross claims incurred	-	625	**625**
Other recoveries	-	(363)	**(363)**
Net Discount Movement	-	262	**262**
Net Claims Incurred	27	4 848	**4 875**

The net claims incurred during 2007-08 in respect of claims incurred prior to 30 June 2007 was $4.8 million. This is equivalent to 9 percent of the outstanding liability as at 30 June 2008 in respect of claims incurred prior to 30 June 2007. The net claims incurred of $4.8 million is a result of:

	2008 $'million
Interest on the 30 June 2007 provision less payments during 2007-08	**3.6**
Release of administration allowance and risk margin in respect of payments during 2007-08	**(2.5)**
Change in actuarial assumptions	**0.1**
Experience deviation from expected	**3.6**
	4.8

23.3 Total Outstanding Claims

Fund 1	Central Estimate $'million	Risk Margin $'million	Indirect Claim Settlements Margin $'million	**2008 $'million**
Expected future claims payments (inflated/undiscounted)	274.5	55.4	12.7	**342.6**
Discount to present value	(93.8)	(21.2)	(4.5)	**(119.5)**
Total Outstanding Claims	180.7	34.2	8.2	**223.1**

	2008 $'million
Current:	
Liability:	
Medical malpractice	**9.6**
Other liability	**6.8**
Property	**5.1**
Total Current Outstanding Claims	**21.5**

23.3 Total Outstanding Claims (continued)

	2008
Non-Current:	**$'million**
Liability:	
Medical malpractice	**142.6**
Other liability	**53.1**
Property	**5.8**
Other	**0.1**
Total Non-Current Outstanding Claims	**201.6**
Total Outstanding Claims	**223.1**
Outstanding claims payable to entities internal to the SA Government	**10.9**
Outstanding claims payable to entities external to the SA Government	**212.2**
Total Outstanding Claims	**223.1**

The impact of the revision of the inflation and discount assumptions is detailed below:

	(1)Balance under 2007 Assumptions $'million	**Balance under 2008 Assumptions $'million**	Change due to Revision of Assumptions $'million
Medical Malpractice	106.5	**152.2**	45.7
Liability	23.4	**59.9**	36.5
Property	15.7	**10.9**	(4.8)
Other	0.1	**0.1**	-
Total Outstanding Claims	145.7	**223.1**	77.4

(1) The outstanding claims position, both current and non-current, as at 30 June 2008 and the economic assumptions as at 30 June 2007 have been used to identify the impact due to revision of those assumptions.

Fund 2	Central Estimate $'million	Risk Margin $'million	Indirect Claim Settlements Margin $'million	**2008 $'million**
Expected future claims payments (inflated/undiscounted)	58.0	13.2	2.9	**74.1**
Discount to present value	(14.8)	(3.6)	(0.7)	**(19.1)**
Total Outstanding Claims	43.2	9.6	2.2	**55.0**

	2008
Current:	**$'million**
Liability:	
Medical malpractice	**7.1**
Other liability	**12.0**
Property	**4.8**
Total Current Outstanding Claims	**23.9**
Non-Current:	
Liability:	
Medical malpractice	**29.4**
Other liability	**1.6**
Property	**0.1**
Total Non-Current Outstanding Claims	**31.1**
Total Outstanding Claims	**55.0**
Outstanding claims payable to entities internal to the SA Government	**4.9**
Outstanding claims payable to entities external to the SA Government	**50.1**
Total Outstanding Claims	**55.0**

The impact of the revision of the inflation and discount assumptions is detailed below:

	(1)Balance under 2007 Assumptions $'million	**Balance under 2008 Assumptions $'million**	Change due to Revision of Assumptions $'million
Medical Malpractice	38.5	**36.5**	(2.0)
Liability	18.2	**13.6**	(4.6)
Property	8.4	**4.9**	(3.5)
Total Outstanding Claims	65.1	**55.0**	(10.1)

(1) The outstanding claims position, both current and non-current, as at 30 June 2008 and the economic assumptions as at 30 June 2007 have been used to identify the impact due to revision of those assumptions.

23.4 Reconciliation of Movements in Outstanding Claims

Fund 1	2007 Balance $'million	Paid $'million	Reported Claims $'million	IBNR/ IBNER Reserve $'million	Risk Margin $'million	Indirect Claims Settlement Reserve $'million	**2008 Balance $'million**
Medical Malpractice	106.5	(0.3)	34.5	0.9	8.9	1.8	**152.3**
Liability*	23.5	(4.4)	39.5	(0.2)	0.6	0.9	**59.9**
Property	15.7	(2.2)	(2.0)	(0.1)	(0.3)	(0.2)	**10.9**
	145.7	(6.9)	72.0	0.6	9.2	2.5	**223.1**

Fund 2	2007 Balance $'million	Paid $'million	Reported Claims $'million	IBNR/ IBNER Reserve $'million	Risk Margin $'million	Indirect Claims Settlement Reserve $'million	**2008 Balance $'million**
Medical Malpractice	38.5	(2.2)	(0.6)	-	(0.2)	1.0	**36.5**
Liability*	18.2	(7.6)	4.4	-	(0.2)	(1.2)	**13.6**
Property	8.4	(4.8)	1.3	-	-	-	**4.9**
	65.1	(14.6)	5.1	-	(0.4)	(0.2)	**55.0**

* Includes other.

23.5 Claims Development

The following tables show the development of incurred cost on net undiscounted outstanding claims (Medical Malpractice, Liability and Property) relative to the ultimate expected estimate over the seven most recent financial years.

Fund 1

Medical Malpractice

Loss Year Ending 30 June	Cumulative Payments Plus Undiscounted Outstanding Liability Measurement as at 30 June 2002 $'000	2003 $'000	2004 $'000	2005 $'000	2006 $'000	2007 $'000	2008 $'000	Paid to Date $'000	Undiscounted Liability June 2008 $'000	Discount to Present Value $'000
Prior	73 414	52 662	44 101	38 865	46 016	45 396	59 973	10 629	49 344	34 661
1999	4 411	2 406	2 315	6 215	11 825	11 364	16 680	857	15 823	10 732
2000	7 965	6 190	5 518	9 471	15 422	10 960	11 769	6 879	4 890	3 119
2001	11 274	8 879	7 140	7 060	10 273	9 967	9 925	31	9 894	6 316
2002	16 522	15 038	13 328	7 581	10 253	9 625	12 742	109	12 633	7 855
2003		11 619	21 220	17 077	14 533	13 159	13 789	38	13 751	8 333
2004			14 397	12 260	9 012	3 355	11 643	76	11 567	6 673
2005				18 826	16 683	12 519	7 752	122	7 630	3 962
2006					21 363	17 896	25 892	19	25 873	13 182
2007						21 513	22 589	40	22 549	10 796
2008							22 947	45	22 902	10 820
					Totals		215 701	18 845	196 856	116 449

Liability

Loss Year Ending 30 June	Cumulative Payments Plus Undiscounted Outstanding Liability Measurement as at 30 June 2002 $'000	2003 $'000	2004 $'000	2005 $'000	2006 $'000	2007 $'000	2008 $'000	Paid to Date $'000	Undiscounted Liability June 2008 $'000	Discount to Present Value $'000
Prior	10 588	10 703	11 237	11 426	13 141	11 984	13 420	10 900	2 520	2 273
1999	3 877	3 106	3 067	3 132	3 347	2 890	3 089	2 726	363	318
2000	3 367	4 157	10 275	8 651	9 614	4 833	6 185	4 084	2 101	1 943
2001	2 045	2 606	4 214	4 931	7 892	4 784	4 729	3 765	964	866
2002	4 226	2 383	2 046	3 402	3 684	3 753	5 543	1 796	3 747	3 325
2003		4 670	2 792	2 593	2 280	2 237	2 099	1 277	822	660
2004			5 078	2 686	3 093	2 733	2 813	1 135	1 678	1 346
2005				6 283	5 187	4 407	23 291	1 466	21 825	17 900
2006					7 922	3 488	2 295	207	2 088	1 584
2007						7 366	3 564	170	3 394	2 503
2008							6 359	25	6 334	4 643
					Totals		73 387	27 551	45 836	37 361

23.5 Claims Development (continued)

Fund 1

Property

Loss Year Ending 30 June	Cumulative Payments Plus Undiscounted Outstanding Liability Measurement as at 30 June 2002	2003	2004	2005	2006	2007	2008	Paid to Date	Undiscounted Liability June 2008	Discount to Present Value
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior	10 418	5 177	5 177	5 177	5 173	4 961	5 770	5 177	593	575
1999	361	361	361	361	360	312	361	361	-	-
2000	1 512	991	984	459	487	492	1 274	1 305	(31)	(30)
2001	808	1 256	1 146	1 418	1 386	1 190	1 180	1 180	-	-
2002	1 372	4 041	3 802	3 817	1 737	3 872	1 529	543	986	955
2003		1 162	853	586	426	668	447	447	-	-
2004			2 764	2 920	2 444	4 430	4 111	2 624	1 487	1 394
2005				12 812	4 035	4 027	2 849	672	2 177	1 975
2006					1 667	2 461	1 927	709	1 218	1 084
2007						3 269	2 907	944	1 963	1 704
2008							2 347	564	1 783	1 519
					Totals		24 702	14 526	10 176	9 176

This information is not disclosed for Fund 2 as it is not considered appropriate for its activities.

23.6 Recoveries Receivable

Fund 1	**2008 $'million**
Total Discounted Recoveries Receivable before Provision for Doubtful Debts:	
Expected future recoveries (inflated/undiscounted)	**21.8**
Discount to present value	**(3.9)**
Total Discounted Recoveries Receivable before provision for Doubtful Debts	**17.9**
Provision for doubtful debts	**(0.9)**
Total Discounted Recoveries Receivable after Provision for Doubtful Debts	**17.0**
Current:	
Recoveries receivable	**0.4**
Provision for doubtful debts	**-**
Total Current Recoveries Receivable after Provision for Doubtful Debts	**0.4**
Non-Current:	
Recoveries receivable	**17.5**
Provision for doubtful debts	**(0.9)**
Total Non-Current Recoveries Receivable after Provision for Doubtful Debts	**16.6**
Total Recoveries Receivable after Provision for Doubtful Debts	**17.0**
Current recoveries from entities external to SA Government	**0.4**
Non-current recoveries from entities external to SA Government	**16.6**
Total Recoveries Receivable from Entities External to the SA Government	**17.0**
Total Recoveries Receivable	**17.0**

During some preceding years, 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. A significant part of the Provision for Doubtful Debts has been written off along with the corresponding recovery asset to more appropriately reflect the amount that might reasonably be expected to be received from the liquidators of HIH Insurance Ltd if a payout was to occur.

Fund 2	**2008 $'million**
Total Discounted Recoveries Receivable before Provision for Doubtful Debts:	
Expected future recoveries (inflated/undiscounted)	**0.8**
Discount to present value	**(0.2)**
Total Discounted Recoveries Receivable before provision for Doubtful Debts	**0.6**
Provision for doubtful debts	**-**
Total Discounted Recoveries Receivable after Provision for Doubtful Debts	**0.6**

23.6 *Recoveries Receivable (continued)*

Fund 2 (continued)	**2008**
Current:	**$'million**
Recoveries receivable	**0.2**
Provision for doubtful debts	**-**
Total Current Recoveries Receivable after Provision for Doubtful Debts	**0.2**
Non-Current:	
Reinsurance recoveries receivable	**0.4**
Provision for doubtful debts	**-**
Total Non-Current Recoveries Receivable after Provision for Doubtful Debts	**0.4**
Total Recoveries Receivable after Provision for Doubtful Debts	**0.6**
Current recoveries from entities external to SA Government	**0.2**
Non-current recoveries from entities external to SA Government	**0.4**
Total Recoveries Receivable from Entities External to the SA Government	**0.6**
Total Recoveries Receivable	**0.6**

23.7 *Actuarial Assumptions and Methods*

SAFA writes four broad classes of general insurance: Property, Liability, Other Liability and Medical Malpractice. Products included in those broad classes are detailed below:

Property (Short Tail)	*Liability (Long Tail)*	*Medical Malpractice*	*Other (Long Tail)*
Aviation Property	Aviation Liability	Medical Malpractice	Other
Buildings and Contents	General Liability		
Consequential Loss	Marine Liability		
Fidelity Guarantee	Other		
General Property	Professional Indemnity		
Machinery Breakdown	Volunteers		
Marine Property	Personal Accident/ Corporate Travel		
Motor Vehicle			
Standing Timber			

Percentage Risk Margin Adopted for Fund 1 and Fund 2

The percentage risk margin adopted to reflect the inherent uncertainty of the central estimate was applied at the following rates by broad class:

	2008 Percent	2007 Percent
Liability:		
Medical malpractice	**25**	25
Other	**20**	20
Property	**10**	10
Other	**20**	20

The process used to determine the risk margin took into account the stochastic nature of insurance, uncertainty regarding the central estimate and environmental uncertainty including:

- random variation in the claim process;
- case estimates subject to movement up or down;
- uncertainty regarding economic and other assumptions used for the central estimate;
- impact of adverse changes in future rates of inflation and interest;
- court precedents for liability claims;
- social attitudes.

AASB 1023 does not prescribe a fixed risk margin or probability of sufficiency. However, it is a requirement of Australian Prudential Regulation Authority (APRA) guidelines for private sector insurers that a minimum of 75 percent probability of sufficiency be satisfied through the application of the risk margin. Taking into account the nature of the risks underwritten by SAFA and distributions regarded as relevant by the industry for those risks, the application of the above risk margins by class result in a 75 percent probability that the provision for outstanding claims will be sufficient.

Discount/Inflation Rates

SAFA used the following discount and inflation assumptions in the measurement of its outstanding claims:

For the succeeding year:	**2008 Percent**	2007 Percent
Inflation rate (which includes superimposed inflation)	**7.50**	7.25
Discount rate - Medical malpractice	**6.60**	6.40
Discount rate - Short tail classes	**6.60**	6.40
Discount rate - Long tail classes	**6.60**	6.40

Discount/Inflation Rates (continued)

For subsequent years:	**2008 Percent**	2007 Percent
Inflation rate (which includes superimposed inflation)	**7.50**	7.25
Discount rate - Medical malpractice	**6.60**	6.40
Discount rate - Short tail classes	**6.60**	6.40
Discount rate - Long tail classes	**6.60**	6.40

Weighted Average Expected Term to Settlement of Outstanding Claims from the Balance Date	**Fund 1 2008 Years**	**Fund 2 2008 Years**	Fund 1 2007 Years	Fund 2 2007 Years
Medical malpractice	**9.00**	**6.70**	9.30	6.70
Liability (other than medical malpractice)	**3.50**	**1.00**	4.00	1.00
Property	**1.60**	**0.50**	1.60	0.50

23.8 *Underwriting Expense*

Fund 1	**2008 $'million**	2007 $'million
Underwriting Expense paid/payable to Entities internal to the SA Government:		
Acquisition costs	**-**	(0.2)
Direct insurance placement revenue	**2.9**	2.5
Total Underwriting Expense paid/payable to entities internal to the SA Government	**2.9**	2.3
Underwriting Expense paid/payable to Entities external to the SA Government:		
Brokerage revenue	**0.3**	0.2
Direct insurance placement revenue	**0.1**	0.2
Direct insurance placement expense	**(3.0)**	(2.9)
Total Underwriting Expense paid/payable to entities external to the SA Government	**(2.6)**	(2.5)
Total Underwriting (Expense) Revenue	**0.3**	(0.2)

This information is not produced for Fund 2 as it is not appropriate for its activities.

23.9 *General Insurance Risk Management*

Insurance Risk

SAFA uses a variety of objectives, policies and processes for managing the risk associated with its activities. The most relevant methods include:

- the continual monitoring of the experience and development of claims;
- premium setting methodologies that reflect the latest development in the risks SAFA Insurance division is insuring;
- placing reinsurance to protect the capital base against a severe adverse event or a series of severe adverse events;
- regular review of the investment strategy for assets backing insurance liabilities.

23.10 *Financial Risk Management*

Interest Rate Risk

The insurance investments invested with Funds SA in the Growth Fund do not present an interest rate risk, however they are subject to market value movements. The cash balance, $5.7 million held with Westpac and other short-term investments, $19.5 million, earns an overnight call rate.

Liquidity Risk

A sufficient cash balance is maintained to meet claim payment projections and operational expenses for the current year.

Credit Risk

The agencies of the SA Government present very little credit risk in the collection of premium revenue as it is mandated that SAFA be used as the Government's captive insurer. In addition, the operations of SAFA's Insurance division are backed by the Treasurer's indemnity in the event that SAFA could not meet its obligations. Credit risk exists in the form of reinsurance recoveries. Should a participant on the Government's reinsurance program become insolvent or cease trading, the recoveries to which SAFA may be entitled could be jeopardised in full or in part, or the timing of any recovery may be subject to an insolvency action.

Market Risk
The table below shows the impact of a positive/negative 10 percent movement in the value of investment funds held with Funds SA.

2008	**Investment**	**Profit (Post Tax)**		**Equity**	
		-10%	**+10%**	**-10%**	**+10%**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Funds:					
Fund 1	**247 574**	**(17 330)**	**17 330**	**(17 330)**	**17 330**
Fund 2*	**43 962**	**(3 078)**	**3 078**	**(3 078)**	**3 078**
Total	**291 536**	**(20 408)**	**20 408**	**(20 408)**	**20 408**

* Due to the nature of Fund 2's activities, the Treasurer has approved that any operating profit before tax will be nil. Therefore any movement in the value of Fund 2's investments with Funds SA would be offset by the Treasurer's indemnity (see Note 2.6).

Sensitivity Analysis
SAFA has tested the sensitivity of the results to the key assumptions used in the valuation of outstanding claims liabilities. For this purpose SAFA has considered case estimates, IBNR percentages, the discount rate and the inflation rate. SAFA has not examined the effect of varying the assumed payment pattern as the results are quite insensitive to this assumption. A large variation in the implied average terms to payment would be required to have a significant effect.

The following table sets out the tests carried out and the results.

	2008			
	Present Value of Outstanding Liability **Fund 1**	Present Value of Outstanding Liability **Fund 2**	Change from Central Estimate **Fund 1**	Change from Central Estimate **Fund 2**
1. Case Estimates:	$'000	$'000	Percent	Percent
10 percent increase	175 148	46 889	7.5	10.0
10 percent decrease	150 822	38 363	(7.5)	(10.0)
2. IBNR/IBNER:				
10 percent increase	167 120	N/A	2.5	N/A
10 percent decrease	158 849	N/A	(2.5)	N/A
3. Discount Rate:				
Decrease by 1 percent to 5.6 percent	172 815	44 343	6.0	4.0
4. Inflation Rate:				
Decrease by 1 percent to 6.25 percent	154 564	41 041	(5.2)	(3.7)

24. Controlled Entities

As at 30 June 2008, SAFA did not control any entities either through ownership or management control. However, two entities that were controlled by SAFA (South Australian Finance Trust Limited and SABT Pty Ltd) were wound up in 2007-08. These were dormant during 2007-08 up to and including their wind up.

25. Events after Balance Date

No event has arisen since 30 June 2008 that would be likely to materially affect the operations or the state of affairs of SAFA.

SOUTH AUSTRALIAN HOUSING TRUST

FUNCTIONAL RESPONSIBILITY

Establishment

The South Australian Housing Trust (the Trust) was established by the *South Australian Housing Trust Act 1995*. The Trust also administers the *Housing Improvement Act 1940*.

Functions

The functions of the Trust include the following:

- The ownership of houses and units for tenant occupation.
- The construction and purchase of houses and other properties.
- The management of tenancy arrangements for Trust properties including the assessment of rents and provision of reduced rents, and the raising and receiving of rent and other monies from tenants.
- The management of costs associated with ownership of Trust properties including the maintenance of those properties.

In addition, the Trust manages a range of programs related to housing on behalf of the Government with respect to which the Trust receives direct capital and recurrent grant funding. The range of grant programs managed is detailed in Note 11 to the Trust's financial report.

The Trust has a performance agreement with the Department for Families and Communities (DFC) Housing SA to provide housing services on its behalf. Under the agreement, the Deputy Chief Executive of DFC manages these services on behalf of the Trust. The Deputy Chief Executive is also a member of the Trust Board.

Changes to Corporate Structure

Effective 1 July 2007, the Trust became responsible for operations previously controlled by the South Australian Aboriginal Housing Authority (SAAHA) and the South Australian Community Housing Authority (SACHA). The changes were effected by the *Statutes Amendment (Affordable Housing) Act 2007* which was proclaimed on 1 July 2007 and provided for dissolving SACHA and transferring the assets and liabilities of SACHA to the Trust. In addition, a regulation under the *Housing and Urban Development (Administrative Arrangements) Act 1995* was proclaimed which dissolved SAAHA and transferred the assets and liabilities of the SAAHA to the Trust with effect from 1 July 2007.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Section 31 of the PFAA and subsection 27(4) of the *South Australian Housing Trust Act 1995* requires the Auditor-General to audit the accounts of the Trust each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

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

- revenue, including rent raising and recovery
- accounts payable
- staffing costs
- maintenance expenditure
- council and water rates
- borrowings
- fixed assets, including rental properties
- inventory
- fixed asset and inventory work in progress.

In addition, system operations and activities undertaken by DFC on behalf of the Trust, which included corporate related services, payroll and aspects of accounts payable processing, were reviewed as part of the audit of that Department.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position the South Australian Housing Trust as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the South Australian Housing Trust in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to inventory and fixed asset work in progress, accounts payable, rent, maintenance expenditure, water and council rates, payroll and the maintenance works system project as outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Housing Trust have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the Deputy Chief Executive of DFC. Major matters raised and the related responses are considered herein.

Inventory and Fixed Asset Work in Progress

The Trust's capital project systems support recording and reporting on the Trust's expenditure on housing projects covering a range of projects, from major urban renewal projects, such as the Westwood redevelopment project to small redevelopments of individual allotments. It is Audit's view that good systems support effective project management and early identification of problems associated with projects. It also supports reliable reporting of this activity in the Trust's financial statements. Account balances supported by these systems include inventory and fixed asset work in progress which were $71 million and $77 million respectively in 2008, and cost of sales for work in progress inventory which was $44 million in 2008 and which has a direct impact on the Net Result reported by the Trust.

The Trust's arrangements for management and control of capital projects, and particularly accounting for work in progress, have been the subject of review and comment by Audit over a number of years. In 2007-08 progress has been made to address certain concerns raised by Audit. In particular, Audit noted:

- policies and procedures covering the substantiation process have been finalised

- automation of journals from the Project Accounting System has been in operation during 2007-08

- reconciliation of data between systems has been made more efficient by the use of macros
- completion of a project to transfer the Capital Projects Database to a more robust platform resulting with the establishment of the Project Assets Works System.

Consistent with previous years' findings, Audit found that the Trust has not as yet loaded project budgets into the Job Cost system and there is no alternate structured system to record actual performance against budget for each individual capital project.

Audit noted that the Trust has commenced a project to load project budgets into the Job Cost system. In response to Audit's request for information about the timing of completion of this project the Trust indicated that it is expected to be completed by May 2009.

Accounts Payable

The Trust has developed specific systems to control processing and reporting of payments related to maintenance activities and for council and water rates. In addition to these specialised systems, the accounts payable system controls processing and reporting of a significant volume and value of expenditure related to administration costs, financing costs, capital work in progress and inventory expenditure.

An integral part of the accounts payable system is the Online Purchase Order System which provides for authorisation of purchases in accordance with predetermined authority limits and matching of invoice and order details to facilitate payment. The use of this system, which is mandated by Trust policy, provides for a stronger control environment than can be achieved through the manual payment voucher system and associated manual checking procedures

Since 2003-04 Audit has raised issues with the Trust about the limited use of the Online Purchase Order System to process payments. This again was the case in 2007-08.

The continued substantial use of manual payment of vouchers has led to a suite of manual controls being implemented, such as checking the authorisation of invoices over $50 000, which are primarily performed by the Accounts Payable Section. This section transferred to Shared Services SA in the Department of Treasury and Finance in July 2008. Audit will assess the impact of this change in 2008-09.

Other areas of concerns raised with the Trust were:

- instances where exemption codes were invalidly used
- controls to ensure manual payment vouchers were authorised in accordance with the delegations of authority were ineffective
- instances where contract documents and tender recommendations were not signed by an officer with appropriate delegation of authority.

The Trust's response advised of measures to address the issues raised, in particular the intention to introduce new software which will enhance the manual authorisation process. However, with the transition to shared services, it may take up to 18 months for this to be implemented.

In response to the issue of use of the Online Purchase Order System, the Trust did not offer any comment regarding measures to increase its use.

Rent

The systems, policies and procedures which support raising and collection of rent from tenants are an important part of the Trust's operations and financial management activities. They support:

- recording tenant details and assessing their entitlement to rent rebates
- periodic review of tenant's continuing entitlement to rent rebates which may change if household composition or income changes
- control over the write-off of tenant debt in accordance with Trust policies.

The following matters were raised with the Trust in 2007-08. A number of these issues were raised as a result of the 2006-07 audit and were yet to be satisfactorily addressed by the Trust.

- There was scope to improve controls to ensure all benefit reviews, which confirm tenants' ongoing entitlement to rent rebates, were performed. The Trust had planned to upgrade its system to improve controls but implementation of this action had been delayed.

- The Trust policies had not been updated to document the process to ensure all exceptions recorded on the Income Confirmation Service (ICS) exception reports are investigated and appropriately actioned. The ICS enables the Trust to confirm tenants' incomes directly with Centrelink where the tenants are recipients of Centrelink benefits. Audit noted instances where exception reports had not been appropriately followed up.

- Rent calculation overrides processed by regional staff and benefit review officers, which enable non-systematic adjustments to tenants' rent, were not always independently reviewed to ensure that all adjustments were appropriately authorised.

- Instances were noted where Trust procedures for requesting credit notes were not complied with.

- Instances were noted where procedures in relation to debtor write-offs were not complied with.

- There is no independent check of adjustments to market rents manually processed into the HOMES database. This database is used as the basis for updating rent in the rent management system. There is also no policy regarding the independent check of adjustments to data in the HOMES database.

- There was a need to improve policies and procedures.

In response the Trust advised of action taken or proposed to address the matters raised. The Trust advised a number of further refinements to the Rent Management System and processes will be implemented to address issues raised by Audit.

Maintenance Expenditure

The Trust manages the costs associated with ownership of Trust properties including their maintenance. In 2007-08 audit review highlighted areas where it was considered that controls could be improved. A number of these areas had been raised with the Trust as a result of previous audits. The more notable findings included:

- Access profiles in the maintenance system for approving orders and invoices were not updated in a timely manner to reflect changes in the Trust's delegations of authority.

- There was scope to improve processes to monitor and review compliance with Trust policy requiring inspection of work carried out by contractors.

- The review of user access levels within the Maintenance system was ineffective.

- The delegations provided to contractors to place orders and approve payments on the Trust's behalf may not be in compliance with the requirements of TI 8.

The Trust responded advising of the actions being taken to address the issues raised by Audit.

Water and Council Rates

Water and council rates expenditure processed through the Water/Council Rate system represents a significant expenditure ($55 million in 2007-08) item for the Trust. Audit review in 2006-07 found that the Council rate payments were checked but not formally authorised prior to disbursement. In response the Trust advised that it implemented an authorisation procedure for council rate payments to ensure compliance with the Trust's Levels of Authority. Audit review in 2007-08 found that the action proposed by the Trust had not been implemented and that Council rate payments were still not authorised prior to disbursement.

In response the Trust indicated that a reconciliation and authorisation procedure for council rates similar to that used for water rates would be implemented.

Payroll

DFC was responsible for processing payroll transactions for staff assigned to the Trust in accordance with a service level agreement. Audit review of DFC's payroll function revealed that internal controls over the processing of the payroll transactions were ineffective in key areas including:

- bona fide certificate processes
- leave recording
- policies and procedures relating to investigation processes.

Further commentary on these matters is provided under the DFC section of this Report under the heading 'Communication of Audit Matters - Payroll'.

Maintenance Works System Project

For a number of years the Trust responded to issues raised by Audit about improving financial arrangements and controls over the maintenance activity advising that the anticipated implementation of a new Maintenance Works System (MWS) would address many of Audit's concerns.

The MWS project commenced in 2003 as a replacement for an ageing legacy system which the Trust considered no longer met the current or future needs of the business. The project was an 'in house' development managed by the SAHT Housing Systems Group.

As a result of serious problems associated with the project management and development of the MWS, in June 2008 the SAHT Board cancelled the project with a resultant write-off of $4.7 million in capitalised expenditure. The following is a summary from Board papers of key aspects of the project and some Audit observations and enquiries subsequent to the project cancellation.

During the course of the project there were a number of external reviews conducted by consultants which highlighted concerns about the management of the project. A common theme of concern throughout the development cycle of the project was the failure to develop, complete and approve key documentation such as user requirement specifications, functional requirements and technical specification documents. Development work commenced before the detailed user specifications or system design had been fully developed and various business cases were put forward requesting funding. All were based on incomplete specifications.

The approach of undertaking development tasks prior to finalisation and approval of user requirements specifications was a constant throughout the project and introduced considerable risk to the system development.

Another key observation concerned adherence to a structured system development methodology. With system developments the size of the MWS project, it was considered appropriate by the external consultants to use a more formal and structured approach to project development. Methodologies introduce rigour to system developments and assist in defining project standards, processes, reviewing approval checkpoints and deliverables, and providing a better foundation for project estimates. At the time of the initial phases of development of the MWS project a standard project system development methodology had not been adopted within the Housing Systems Group. Without a structured approach imposed by a proven system development methodology, scope and deliverables from the project were unclear. This introduced uncertainty in terms of estimation of time, cost and resources.

The Board cancelled the MWS project based on advice from an external consultant who assessed the revised business case for the project. The recommendation from the consultant also included consideration of the Housing SA business and ICT strategies which were in the process of change and development.

In light of the difficulties experienced in the management of the MWS project which led to its cancellation, Audit sought advice from the Trust as to the way forward in terms of its ICT strategy and project management processes and how the replacement of the legacy Maintenance System would be addressed.

In response the Trust advised that a number of steps have been taken to improve ICT governance including:

- creating an Executive level ICT Committee reporting directly to the Deputy Chief Executive DFC to oversee system development projects
- moving the management of all Housing ICT initiatives to the direct control of the Deputy Chief Executive DFC
- appointing a Director, Housing ICT to manage the Housing ICT group which now has been restructured into Housing SA
- implementing a program management office and implementing a program management framework and formal project management methodology throughout Housing SA
- developing an ICT Strategic Plan for Housing SA moving towards the future
- adopting for all future ICT projects a modular approach where possible to contain risk.

The ICT strategy was approved by the Board in March 2008 and a key part of the plan is the establishment of the ICT foundation in terms of a greater emphasis on the practice of Enterprise Architecture and business process modelling. It also involves the development of a business case for systems modernisation which is expected to be completed towards the end of 2008-09.

In relation to the replacement of the legacy Maintenance System it was concluded that there were no components of the MWS which were salvageable and further analysis would be undertaken in 2008-09 to explore replacement options in a detailed business case for the Housing Information Technology Executive Committee. Any further development work in relation to maintenance systems would address the areas of concern of audit and would be supported by a business case for development in accordance with the newly established corporate governance and project management processes including implementation of modular releases. In the meantime manual controls have been implemented to address the maintenance system issues raised by Audit in the past.

Other Reviews

During the year DFC officers continued investigations of matters associated with instances of breakdown in controls over aspects of operations conducted by the former SAAHA. The remaining outstanding matter is subject to ongoing review by DFC officers and SA Police.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

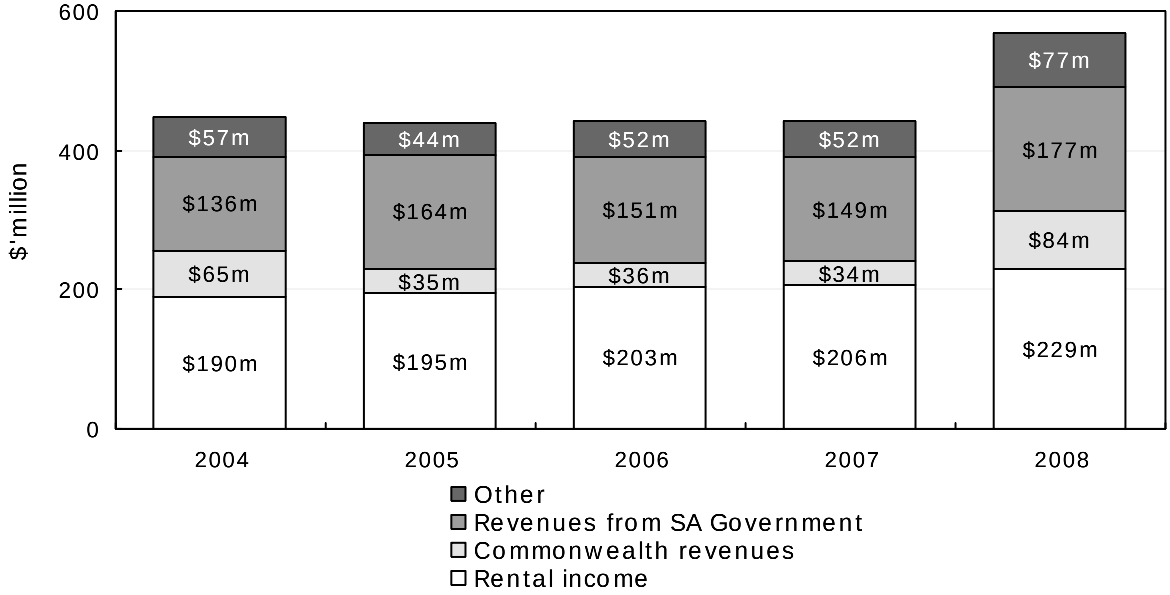
The 2008 figures include the operations of the former SACHA and SAAHA whose operations were taken over from 1 July 2007 following legislative changes.

	2008 $'million	2007 $'million	Percentage Change
INCOME			
Rental income	**229**	206	11
Commonwealth revenues	**84**	34	-
Other	**77**	52	48
Total Income	**390**	292	34
EXPENSES			
Staffing costs	**55**	43	28
Finance costs	**45**	40	13
Maintenance	**84**	77	9
Council rates and water charges	**55**	53	4
Land tax equivalent	**130**	123	6
Depreciation and amortisation	**72**	60	20
Other expenses	**103**	101	2
Total Expenses	**544**	497	9
Net Cost of Providing Services	**(154)**	(205)	(25)
Revenues from Government	**177**	149	19
Net Result before Income Tax Equivalent and Restructure	**23**	(56)	-
Net Result from an Administrative Restructure	**1 038**	-	-
Income Tax Equivalent	**5**	-	-
Net Result after Income Tax Equivalent and Restructure	**1 056**	(56)	-
NET CASH FROM OPERATING ACTIVITIES	**44**	(9)	-
ASSETS			
Current assets	**265**	190	39
Non-current assets	**7 478**	6 053	24
Total Assets	**7 743**	6 243	24
LIABILITIES			
Current liabilities	**77**	58	33
Non-current liabilities	**749**	753	(1)
Total Liabilities	**826**	811	2
EQUITY	**6 917**	5 432	27

Income Statement

Income

For the five years to 2008 a structural analysis of Income for the Trust is presented in the following chart.



Total income was $567 million, an increase of $126 million over the previous year. The main increases related to:

- Revenues from government increased by $28 million primarily as a result of:
  - Tax equivalent reimbursement, up $13 million. Under the Commonwealth State Housing Agreement (CSHA) funds received from the Commonwealth are not permitted to be used to fund tax equivalent payments. As a consequence the State provides reimbursement for any tax equivalent amounts paid by the Trust which results in tax equivalent transactions having no impact on the Trust's net result. This year land tax equivalent reimbursements were impacted by increasing property values and totalled $131 million ($123 million). An income tax equivalent reimbursement of $5 million ($nil) was received due to the Trust recording a surplus in 2008.
  - CSHA matching funding, up $11 million. Additional funding was received in relation to activities now undertaken by the Trust which were previously undertaken by SACHA and SAAHA.
  - New funding for the Foyer Plus initiative, $4 million and Common Ground, Port Augusta project, $3 million was received in June 2008.

- Commonwealth revenues increased by $50 million primarily as a result of:
  - CSHA base funding, up $21 million due to funding for activities previously undertaken by SACHA and SAAHA.
  - CSHA funding received for the aboriginal rental housing program ($9 million) and community housing program ($5 million) following the Trust becoming responsible for these programs as a result of the restructure.
  - New funding of $8 million for disability supported accommodation was received in June 2008.
  - Funding of $6 million from the Department of Families, Housing, Community Services and Indigenous Affairs for the community housing and infrastructure program which transferred to the Trust from SAAHA.

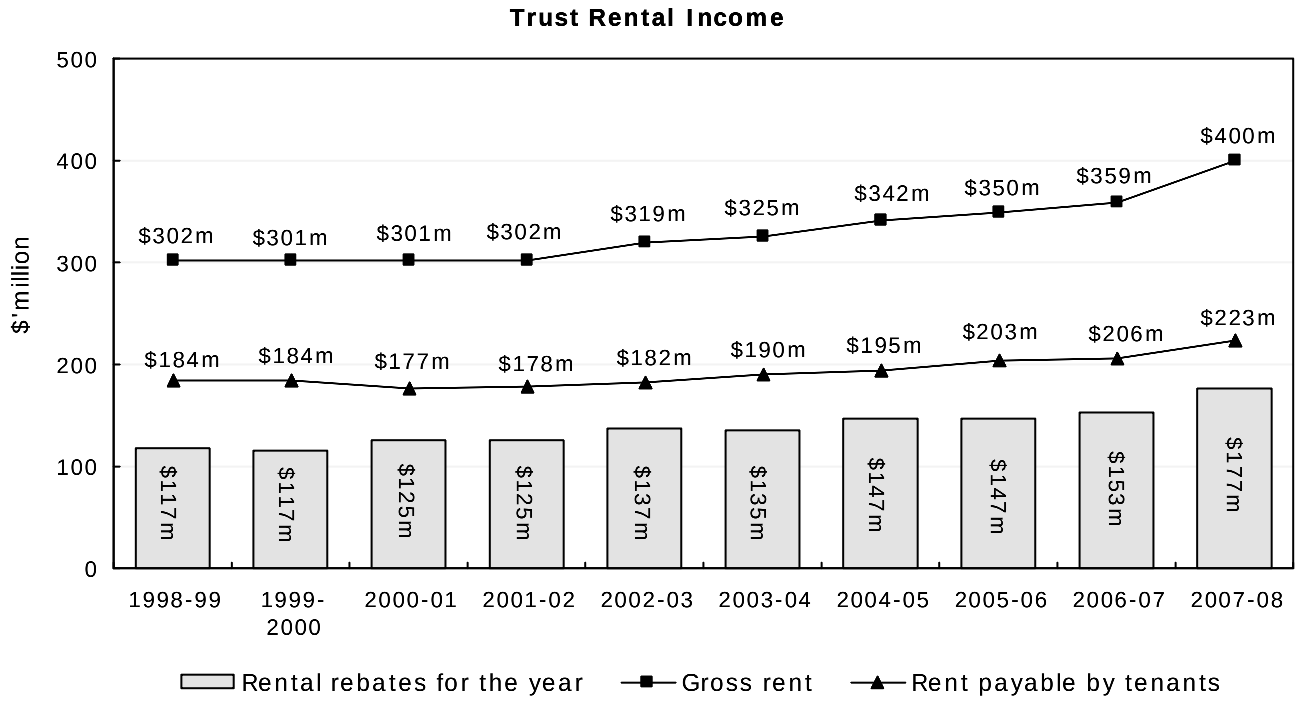
- Rental income increased by $23 million mainly as result of having responsibility for additional rental properties following the restructure.

Rental Operations

As at 30 June 2008 the level of housing stock, excluding unlettable properties, was 45 819 (44 886) of which 98 percent (98 percent) was tenanted.

85 percent (85 percent) of tenants pay reduced (rebated) rent due to low income.

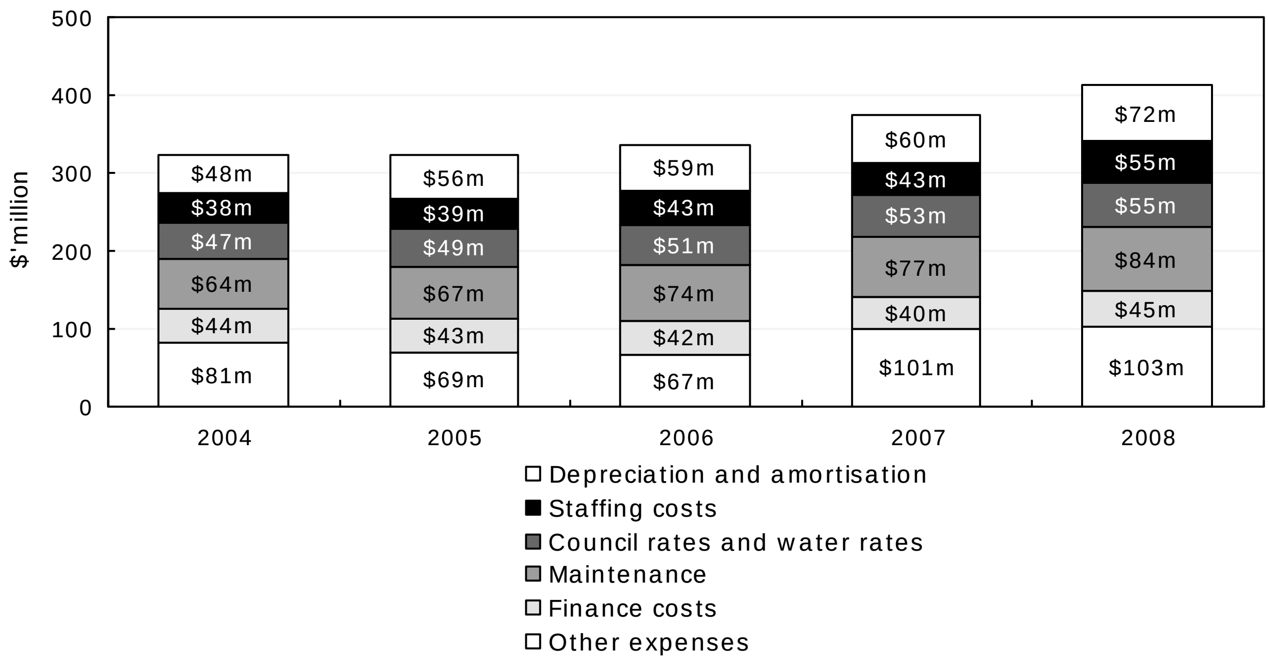
Data relating to housing stock levels and tenancies was provided by the Trust and is unaudited. The trend of rents and rebates is illustrated in the following chart:



The chart highlights that gross rent has steadily increased since 2001-02 due to increases in market rents and 2007-08 was also affected by an increase in tenant numbers due to the Trust taking over responsibility for indigenous housing. In 2008 gross rent increased 11 percent ($41 million), rent revenue increased 8 percent ($17 million) and rent rebates increased 16 percent ($24 million).

Expenses

For the five years to 2008, a structural analysis of the major expense items for the Trust, other than tax equivalent expenses, is shown in the following chart.



The chart shows an upward trend in expenses over the last two years. For the period 2004 to 2006 total expenses were relatively stable but over the last two years depreciation and amortisation expenses and maintenance costs have increased. In 2008 staffing costs also contributed to the increase in expenses.

In 2008 total expenses increased by $47 million (9 percent). This increase was due mainly to increases in depreciation and amortisation ($12 million), staffing costs ($12 million) and maintenance ($7 million). All of these expense increases are directly attributable to the impact of the restructure with the Trust now responsible for managing more properties and also more staff following the take over of responsibility for SACHA and SAAHA.

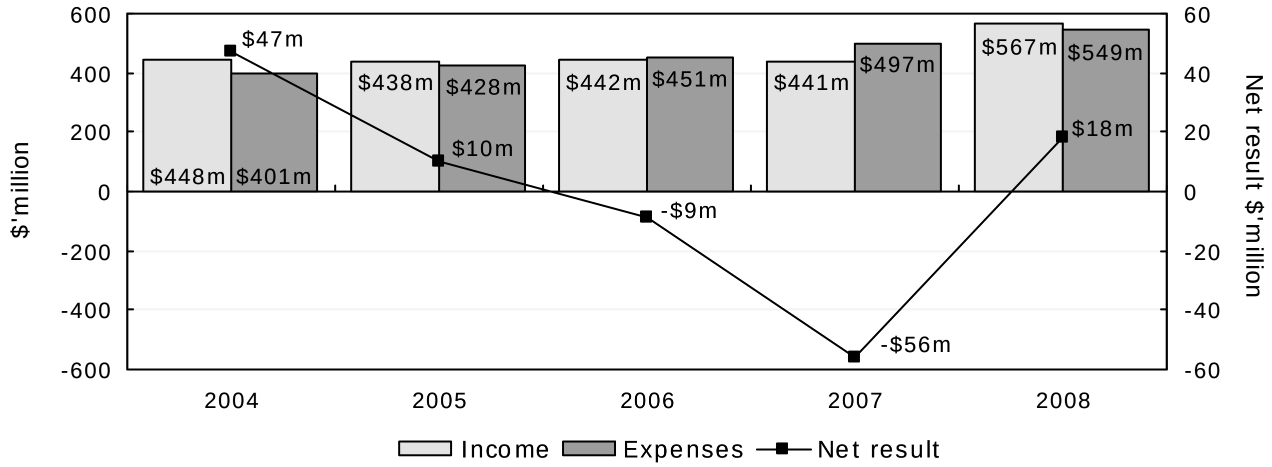
Grant Funded Programs

The Trust's recurrent direct expenditure with respect to grant funded programs was $28 million ($37 million). This decrease of $9 million was mainly as a result of:

- grants paid for rural and remote housing of $8 million which are new to the Trust this year as a result of the restructure
- grants for affordable housing initiatives (up $6 million) as a result of payments to various non-government organisations
- a one-off grant of $18 million paid in 2007 for debt retirement funding.

Net Result

The following chart shows the income and expenses (including income tax equivalent but excluding administrative restructure) and net result for the five years to 2008.



The chart demonstrates that the net result has fluctuated over the period under review. As mentioned previously, the impact of the restructure has significantly increased both income and expenses. The improvement in net result from 2007 to 2008 was due mainly to:

- revenues from State Government (excluding tax equivalent reimbursements), up $16 million
- revenues from Commonwealth Government, up $50 million.

There have been fluctuations in other items of income and expense but overall these have had minimal impact on the net result.

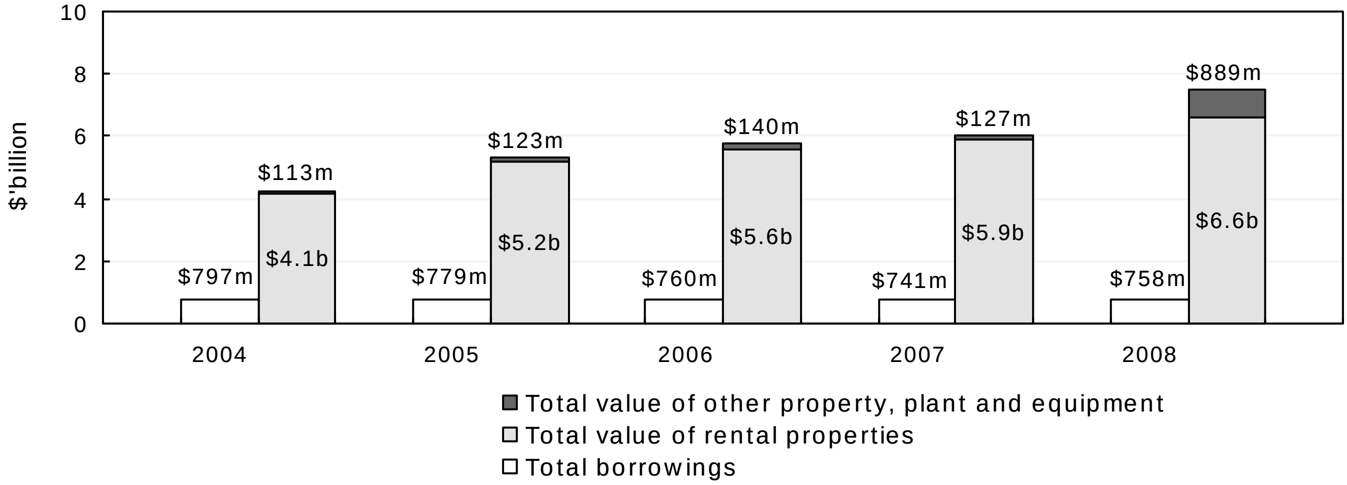
In relation to the revenues received from both State and Commonwealth Governments, funds have been received for a number of projects which are yet to be expended. Note 35 to the financial report details that $24 million of grant funds received during 2007-08 were unspent as at 30 June 2008.

Unspent grants and also grants received for capital purposes (where the resultant expenditure is brought to account through the Balance Sheet and not the Income Statement) can impact on the net result achieved for the year.

Balance Sheet

The Trust's financial position is dominated by non-current property, plant and equipment assets and non-current interest bearing liabilities. Current assets and liabilities are, while significant in their own right, not material relative to the non-current assets and liabilities. Notwithstanding, at 30 June 2008 current liabilities amounted to $76 million, while current assets were $265 million.

The following chart demonstrates the Trust's indebtedness over the past five years in comparison to the value of the Trust's assets.



Rental properties increased by $665 million (11 percent) in 2008 to $6.6 billion with an additional $333 million in value taken up as part of the restructure. The chart shows the steady increase in value during the 2005 to 2007 period following a significant increase in value from 2004 to 2005 primarily as a result of asset revaluation. Also as at 30 June 2008 assets under arrangement, taken over as part of the restructure, totalled $771 million and are included in the value of other property, plant and equipment.

During the period under review total borrowings steadily decreased until 2008 when they increased by $17 million. This increase is a result of borrowings assumed as part of the restructure of $102 million and new borrowings of $19 million offset by repayments of $104 million.

Of the total borrowings of $758 million, $717 million is subject to concessional interest rates which are fixed and range from 3.0 percent to 5.73 percent. These rates compare to the common public sector interest rate which averaged 6.56 percent for 2007-08. The fair value of borrowings at 30 June 2008 was $612 million ($591 million).

Cash Flow Statement

	2008	2007	2006	2005	2004
	$'million	$'million	$'million	$'million	million
Net Cash Flows					
Operations	**44**	(9)	26	61	72
Investing	**41**	28	(3)	(31)	(29)
Financing	**(61)**	(20)	(19)	(17)	(17)
Change in Cash	**24**	(1)	4	13	26
Cash at 30 June	**121**	97	98	94	81

In 2008 the Trust recorded an increase in cash of $24 million compared to a net cash deficit of $1 million in 2007.

The change in net cash flows from operating activities is attributable largely to an increase in cash received from the State Government and Commonwealth Government. Unspent grants at 30 June 2008 totalled $24 million, up $15 million from the previous year. Refer to Note 35 of the financial report.

The Trust's investing activities saw the proceeds from the sale of property, plant and equipment ($164 million) exceed the cash used to purchase property, plant and equipment ($123 million) by $41 million. This enabled the Trust to fund the early repayment of borrowings which occurs as part of financing activities.

The net result for financing activities was a net cash outflow of $61 million, an increase of $41 million over the previous year. Repayment of borrowings was $104 million (up $85 million) offset by additional borrowings of $19 million and cash received as part of the restructure of $25 million.

The Trust currently has a policy which is designed to see the sale of trust properties realise funds which can, in part, be used to reduce borrowings.

Income Statement
for the year ended 30 June 2008

	Note	**2008**	2007
EXPENSES:		**$'000**	$'000
Staffing costs	6	**55 327**	42 543
Supplies and services	7	**26 250**	21 178
Business service fees	8	**22 278**	16 948
Rental properties expenses	9	**270 621**	254 436
Depreciation and amortisation	10	**72 432**	59 895
Grants and subsidies	11	**28 497**	36 645
Finance costs	12	**44 645**	40 133
Impairment expenses	13	**23 293**	25 339
Total Expenses		**543 343**	497 117
INCOME:			
Rental income	14	**228 896**	205 594
Interest revenue	15	**12 845**	6 688
Net gain from disposal of assets	16	**39 286**	29 543
Recoveries	17	**15 307**	11 969
Commonwealth revenues	18	**83 972**	34 372
Other revenue	19	**9 292**	3 840
Total Income		**389 598**	292 006
NET COST OF PROVIDING SERVICES		**153 745**	205 111
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government	20	**177 562**	149 415
Net Result Before Income Tax Equivalent and Restructure		**23 817**	(55 696)
Income tax equivalent expense		**5 496**	-
Net Result After Income Tax Equivalent and Before Restructure		**18 321**	(55 696)
Net revenue from an administrative restructure	21	**1 037 964**	-
NET RESULT AFTER INCOME TAX EQUIVALENT AND RESTRUCTURE		**1 056 285**	(55 696)

Net result after income tax equivalent and restructure is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2008

	Note	2008 $'000	2007 $'000
CURRENT ASSETS:			
Cash and cash equivalents	22	**121 618**	97 467
Receivables	23	**29 015**	14 042
Inventories	24	**99 784**	60 742
Non-current assets classified as held-for-sale	25	**14 203**	17 423
Total Current Assets		**264 620**	189 674
NON-CURRENT ASSETS:			
Inventories	24	**3 192**	846
Property, plant and equipment	26	**7 470 705**	6 043 185
Intangible assets	27	**4 409**	8 759
Receivables	23	**29**	97
Total Non-Current Assets		**7 478 335**	6 052 887
Total Assets		**7 742 955**	6 242 561
CURRENT LIABILITIES:			
Payables	28	**33 757**	19 947
Staffing entitlements	29	**6 675**	5 221
Interest bearing liabilities	30	**24 643**	20 285
Provisions	31	**2 119**	4 426
Other liabilities	32	**9 128**	7 854
Total Current Liabilities		**76 322**	57 733
NON-CURRENT LIABILITIES:			
Interest bearing liabilities	30	**733 101**	720 504
Staffing entitlements	29	**11 348**	10 047
Provisions	31	**1 274**	18 652
Payables	28	**1 056**	960
Other liabilities	32	**2 489**	2 677
Total Non-Current Liabilities		**749 268**	752 840
Total Liabilities		**825 590**	810 573
NET ASSETS		**6 917 365**	5 431 988
EQUITY:			
Retained earnings		**2 170 417**	1 037 765
Asset revaluation reserve		**4 746 948**	4 394 223
TOTAL EQUITY		**6 917 365**	5 431 988
Unrecognised contractual commitments	33		
Contingent assets and liabilities	34		

Total equity is attributable to the SA Government as owner

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

	Note	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2006		4 123 638	1 031 570	5 155 208
Error correction	2.22	-	(8 133)	(8 133)
Restated Balance at 30 June 2006		4 123 638	1 023 437	5 147 075
Revaluation of property during 2006-07:				
Decrement in rental houses due to revaluation:				
Transferred to capital works		(36 684)	-	(36 684)
Subject to sales contract		(583)	-	(583)
Increment in freehold land and buildings due to revaluation		377 876	-	377 876
Transfer to retained earnings of increment realised on sale of freehold land and buildings		(70 024)	-	(70 024)
Realisation of asset revaluation reserve on sale of freehold land and buildings		-	70 024	70 024
Net Income Recognised Directly in Equity for 2006-07		270 585	70 024	340 609
Net Result After Income Tax Equivalent and Restructure for 2006-07		-	(55 696)	(55 696)
Total Recognised Income and Expense for 2006-07		270 585	14 328	284 913
Restated Balance at 30 June 2007		4 394 223	1 037 765	5 431 988
Prior period adjustment		-	415	415
Error correction	2.22	-	(307)	(307)
Revaluation of property during 2007-08:				
Decrement in rental houses due to revaluation:				
Transferred to capital works		(34 837)	-	(34 837)
Subject to sales contract		(436)	-	(436)
Increment in freehold land and buildings due to revaluation		464 257	-	464 257
Transfer to retained earnings of increment realised on sale of freehold land and buildings		(76 259)	-	(76 259)
Realisation of asset revaluation reserve on sale of freehold land and buildings		-	76 259	76 259
Net Income Recognised Directly in Equity for 2007-08		352 725	76 367	429 092
Net Result After Income Tax Equivalent and Restructure for 2007-08		-	1 056 285	1 056 285
Total Recognised Income and Expense for 2007-08		352 725	1 132 652	1 485 377
Balance at 30 June 2008		**4 746 948**	**2 170 417**	**6 917 365**

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

Cash Flow Statement
for the year ended 30 June 2008

	Note	**2008 Inflows (Outflows) $'000**	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Staffing costs		**(71 411)**	(43 465)
Supplies and services		**(19 622)**	(17 069)
Business service fees		**(22 278)**	(16 935)
Rental property expenses		**(269 525)**	(252 884)
Grants and subsidies		**(28 497)**	(36 645)
Interest paid		**(39 617)**	(33 871)
Other finance costs		**(5 208)**	(4 908)
GST payments on purchase		**(6 944)**	(3 439)
GST paid to DFC		**(6 241)**	(6 414)
Other payments		**(6 646)**	(5 357)
Cash used in Operations		**(475 989)**	(420 987)
CASH INFLOWS:			
Rent received		**226 923**	197 762
Recoveries received		**15 307**	11 969
Other receipts		**5 160**	2 672
Receipts from Commonwealth		**75 882**	34 372
Interest received		**12 205**	6 587
GST receipts on receivables		**6 220**	3 852
GST receipts from DFC		**6 253**	5 334
Cash generated from Operations		**347 950**	262 548
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**171 971**	149 415
Cash flows from SA Government		**171 971**	149 415
Net Cash provided by (used in) Operating Activities	36	**43 932**	(9 024)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(120 730)**	(115 765)
Purchase of intangibles		**(2 857)**	(762)
Cash used in Investing Activities		**(123 587)**	(116 527)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		**164 081**	144 311
Proceeds from interest bearing receivables		**27**	13
Cash generated from Investing Activities		**164 108**	144 324
Net Cash provided by Investing Activities		**40 521**	27 797
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of borrowings		**(104 270)**	(19 420)
Cash used in Financing Activities		**(104 270)**	(19 420)
CASH INFLOWS:			
Proceeds from borrowings		**19 043**	-
Revenues from restructure		**24 925**	-
Cash generated from Financing Activities		**43 968**	-
Net Cash used in Financing Activities		**(60 302)**	(19 420)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		**24 151**	(647)
CASH AND CASH EQUIVALENTS AT 1 JULY		**97 467**	98 114
CASH AND CASH EQUIVALENTS AT 30 JUNE	22	**121 618**	97 467

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

Refer Note 5	Public Housing 2008 $'000	Public Housing 2007 $'000	Indigenous Housing 2008 $'000	Indigenous Housing 2007 $'000	Community Housing 2008 $'000	Community Housing 2007 $'000
EXPENSES:						
Staffing costs	**43 457**	38 359	**5 830**	-	**1 654**	-
Supplies and services	**20 377**	19 957	**3 741**	-	**921**	-
Business service fees	**15 203**	15 342	**5 289**	-	**387**	-
Rental property expenses	**261 012**	254 413	**9 141**	-	**451**	-
Depreciation and amortisation	**61 848**	59 704	**3 298**	-	**7 101**	-
Grants and subsidies	**13 464**	30 432	**8 389**	-	**316**	-
Finance costs	**38 030**	40 010	**300**	-	**6 263**	-
Impairment expenses	**17 052**	23 149	**4 168**	-	**99**	-
Total Expenses	**470 443**	481 366	**40 156**	-	**17 192**	-
INCOME:						
Rental income	**212 527**	205 594	**10 112**	-	**6 257**	-
Interest revenue	**12 845**	6 688	**-**	-	**-**	-
Net gain (loss) from disposal of assets	**37 275**	29 543	**2 071**	-	**(60)**	-
Recoveries	**8 980**	8 519	**2 622**	-	**221**	-
Commonwealth revenues	**36 995**	26 692	**21 669**	-	**18 426**	-
Other revenue	**6 863**	3 714	**2 250**	-	**19**	-
Total Income	**315 485**	280 750	**38 724**	-	**24 863**	-
NET COST OF PROVIDING SERVICES	**(154 958)**	(200 616)	**(1 432)**	-	**7 671**	-
REVENUES FROM SA GOVERNMENT:						
Revenues from SA Government	**157 200**	144 934	**4 533**	-	**11 927**	-
NET RESULT BEFORE INCOME TAX EQUIVALENT AND RESTRUCTURE	**2 242**	(55 682)	**3 101**	-	**19 598**	-
Income tax equivalent expense	**445**	-	**676**	-	**4 375**	-
NET RESULT AFTER INCOME TAX EQUIVALENT AND BEFORE RESTRUCTURE	**1 797**	(55 682)	**2 425**	-	**15 223**	-
Net revenue from administrative restructure	**176**	-	**350 011**	-	**687 777**	-
NET RESULT AFTER INCOME TAX EQUIVALENT AND RESTRUCTURE	**1 973**	(55 682)	**352 436**	-	**703 000**	-

Program Schedule of Expenses and Income for the year ended 30 June 2008 (continued)

(Refer Note 5)	Private Rental Assistance		Supported Accommodation Assistance Program		Total	
	2008	2007	**2008**	2007	**2008**	2007
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Staffing costs	**3 672**	4 184	**714**	-	**55 327**	42 543
Supplies and services	**1 045**	1 221	**166**	-	**26 250**	21 178
Business service fees	**1 272**	1 606	**127**	-	**22 278**	16 948
Rental property expenses	**17**	23	**-**	-	**270 621**	254 436
Depreciation and amortisation	**168**	191	**17**	-	**72 432**	59 895
Grants and subsidies	**6 225**	6 213	**103**	-	**28 497**	36 645
Finance costs	**46**	123	**6**	-	**44 645**	40 133
Impairment expenses	**1 937**	2 190	**37**	-	**23 293**	25 339
Total Expenses	**14 382**	15 751	**1 170**	-	**543 343**	497 117
INCOME:						
Rental income	**-**	-	**-**	-	**228 896**	205 594
Interest revenue	**-**	-	**-**	-	**12 845**	6 688
Net gain (loss) from disposal of assets	**-**	-	**-**	-	**39 286**	29 543
Recoveries	**3 445**	3 450	**39**	-	**15 307**	11 969
Commonwealth revenues	**6 882**	7 680	**-**	-	**83 972**	34 372
Other revenue	**153**	126	**7**	-	**9 292**	3 840
Total Income	**10 480**	11 256	**46**	-	**389 598**	292 006
NET COST OF PROVIDING SERVICES	**(3 902)**	(4 495)	**(1 124)**	-	**(153 745)**	(205 111)
REVENUES FROM SA GOVERNMENT:						
Revenues from SA Government	**3 902**	4 481	**-**	-	**177 562**	149 415
NET RESULT BEFORE INCOME TAX EQUIVALENT AND RESTRUCTURE	**-**	(14)	**(1 124)**	-	**23 817**	(55 696)
Income tax equivalent expense	**-**	-	**-**	-	**5 496**	-
NET RESULT AFTER INCOME TAX EQUIVALENT AND BEFORE RESTRUCTURE	**-**	(14)	**(1 124)**	-	**18 321**	(55 696)
Net revenue from administrative restructure	**-**	-	**-**	-	**1 037 964**	-
NET RESULT AFTER INCOME TAX EQUIVALENT AND RESTRUCTURE	**-**	(14)	**(1 124)**	-	**1 056 285**	(55 696)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the South Australian Housing Trust

1.1 Objectives

The South Australian Housing Trust (the Trust) is the State's principal public housing authority. The Trust's roles and powers are based on the *South Australian Housing Trust Act 1995* (the Act), the *South Australian Co-operative and Community Housing Act 1991* (SACCH Act) and the *Housing Improvement Act 1940*. The Board of the Trust is responsible to the Minister for Housing for overseeing the operations of the Trust. This responsibility is formalised in a Ministerial Performance Agreement in accordance with section 28 of the Act that defines the objectives and responsibilities of the Trust.

The Trust, through Housing SA, focuses primarily on those households and families in the greatest need, who have difficulty maintaining tenancy in the private rental market or moving into home ownership. Its objectives are to:

- work with others to expand and improve affordable housing choices across the State and help build communities that prosper;
- develop and implement better high need housing and service responses for people at risk or in need;
- support community based initiatives that seek to build capacity and improve social and economic elements of communities;
- ensure children, young people and families are safe through the provision of emergency accommodation and property modifications for victims of domestic violence situations;
- establish and maintain efficient, effective and sustainable business practises to underpin delivery of the Government's strategic agenda.

1.2 Changes to Corporate Structure

In June 2007 Parliament passed the *Statutes Amendment (Affordable Housing) Act 2007*. The new legislation came into effect on 1 July 2007. The separate boards of the South Australian Community Housing Authority (SACHA) and the Aboriginal Housing Authority (AHA) were dissolved and their responsibilities encompassed within the Trust Board.

2. Summary of Significant Accounting Policies

2.1 Statement of Compliance

The financial report is a general purpose financial report. The accounts have been prepared in accordance with:

- TIs and the APSs promulgated under the provisions of the PFAA
- applicable AASs.

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Trust for the reporting period ending 30 June 2008. Refer to Note 4.

2.2 Basis of Preparation

The preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Trust's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable Notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported;
- compliance with APSs issued pursuant to section 41 of the PFAA, by authority of TI 19. In the interest of public accountability and transparency the APSs require the following Note disclosures, which have been included in this financial report:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies;
  - (b) expenses incurred as a result of engaging consultants;
  - (c) employees whose normal remuneration is $100 000 or more (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees;
  - (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Trust's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that have been revalued.

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

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

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

2.3 Reporting Entity

The Trust's financial report includes only Trust activities and does not incorporate any administered items. The Trust's financial statements include assets, income, expenses and liabilities, controlled or incurred by the Trust in its own right.

2.4 Comparative Figures

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

Where presentation or classification of items in the financial report has been amended comparative amounts have been reclassified where practicable.

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

The 2006-07 comparatives include only the operations of the Trust as at 30 June 2007, prior to the restructure.

Note 33 'Unrecognised Contractual Commitments, Remuneration Commitments' does not have a comparative as this is the first year that this category has been disclosed and the comparative information is not available.

2.5 Rounding

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

2.6 Income and Expenses

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

Income and expenses have been classified according to their nature and have not been offset unless required or permitted by another accounting standard.

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

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

Expenses

Staffing Costs
Staffing costs includes all costs related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

Superannuation
The amount charged to the Income Statement represents the contributions made by the Trust to the superannuation plan in respect of current services of current Trust staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole of government financial statements.

Finance costs
All finance costs, including borrowing costs, are recognised as expenses.

Grants and Subsidy Expenses
The Trust provides grants and subsidies to the Community Housing Organisations (CHOs) to assist them with property maintenance costs, insurance arrangements, administrative costs, peak body representation, and training and education. Expenses are recognised when paid, which occurs in accordance with relevant funding agreements.

Income

Rent Receivable
Rent receivable in respect of each property is recognised as revenue and charged to tenants weekly, in advance.

The Trust determines a market rent for each property, structured on the basis of regional rental markets. This represents the potential rental income derivable from the rental stock. The Trust's rental policy is that no tenant will be required to pay more than 25 percent of their household income in rent. The difference between the assessed rent for the property and the market rent is recognised as a rental rebate subsidy provided to tenants.

Revenues from Government
Revenues received from SA Government are recognised as revenues when the Trust obtains control over them, normally upon receipt.

Grants Received
Grants received for any purpose have been included as revenue upon receipt.

Disposal of Non-Current Assets
Income from disposal of real property asset sales is recognised by the Trust when settlements are complete, which is determined to be the point when control of the asset has passed to the buyer. Refer to Note 16 for further details.

When revalued assets are sold, the revaluation increments are transferred to retained earnings.

Recoveries
Recoveries for costs on-charged to tenants by the Trust are included as income.

2.7 Taxation

In accordance with section 25 of the Act, the Trust may be required to pay to the State Government tax equivalents. Tax equivalent payments are required in respect of income tax, land tax, other state taxes and local government rates.

The income tax liability is based on applying the Treasurer's accounting profit method which requires that the corporate income tax rate be applied to the net operating profit of the Trust. Land tax is calculated in the same manner as if it were payable under the *Land Tax Act 1936* which uses a site valuation of multiple holdings.

2.7 Taxation (continued)

Under the Commonwealth State Housing Agreement (CSHA) the use of funds provided under the agreement or revenues derived from CSHA-funded assets, cannot be used to meet the cost of tax equivalent payments levied by the State. Consequently, Treasury reimburses the cost of tax equivalent payments to the Trust resulting in a nil effect on the net result.

The Trust is liable for the cost of payroll tax, FBT and GST.

With respect to GST, the Trust is part of a GST group of which the nominated representative of the group is the Department for Families and Communities (DFC), which is responsible for paying GST and is entitled to claim input tax credits. Administrative arrangements between DFC and the Trust provide for the reimbursement of the GST consequence incurred/earned by the Trust. The reimbursement receivable from/payable to the Trust has been recognised as a payable/receivable in the Balance Sheet.

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

- the amount of GST incurred by the Trust as a purchaser that is not recoverable from the ATO is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- receivables and payables are stated with the unrecoverable portion of GST included;
- cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

2.8 Current and Non-Current Items

Assets and liabilities are characterised as either current or non-current in nature. The Trust has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.9 Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet includes cash at bank, cash on hand, including petty cash, cash management funds and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis and which are subject to insignificant risk of changes in value.

Cash is measured at nominal value.

2.10 Receivables

Receivables include amounts receivable from debtors, GST input tax credits recoverable, prepayments and other accruals.

The majority of receivables relate to rent in respect of rental properties. Rents are recognised as revenue and charged to tenants weekly, in advance.

Trade receivables that arise in the normal course of selling goods and services to other agencies and to the public are normally settled within 30 days.

Other debtors that arise outside the normal course of selling goods and services to other agencies and to the public are subject to 30 days settlement terms.

The provision for doubtful debts/impairment loss is based on an actuarial review conducted by the consulting actuaries Brett & Watson Pty Ltd in May 2008. The actuarial assessment conducted by Brett & Watson Pty Ltd was based on the requirements of AASB 139. The basic assumptions used in calculating the impairment loss included a discount rate of 6.5 percent per annum, based on the risk free rate as at 30 June 2008, an estimated future debt write-off of 6.5 percent per annum and an assumption that 90 percent of first arrangements will be written off by the end of their twelfth year. The provision covers variations to the net present value of debts as well as the debts not expected to be recovered.

2.11 Inventories

Inventories include capital work in progress, developed land and vacant land that are expected to be sold in the ordinary course of business.

(i) Capital work in progress relates to development projects containing both land and building components that are expected to be sold on completion and is carried at cost. The amount of any inventory write-down to net realisable value is recognised as an expense in the period the write-down occurred. Any write-down reversals are recognised as an expense reduction.

(ii) Developed land relates to land that has been developed and may be sold in its current condition or transferred to capital work in progress as part of a development project. It is carried at cost.

(iii) Vacant land consists of land that is expected to be sold and is valued using the Valuer-General's values for rating purposes as at 1 July 2007.

2.12 Non-Current Assets Held-For-Sale

Non-current assets classified as held-for-sale relate to rental properties that are no longer required for public rental and are expected to be sold within the next 12 months. These assets are measured at the lower of their carrying amount and fair value less costs to sell and are not depreciated.

2.13 Property, Plant and Equipment

(i) Acquisition and recognition

Assets acquired at no value, or minimal value, are recorded at their fair value in the Balance Sheet unless they are acquired as part of a restructuring of administrative arrangement, in which case they are recorded at the value recorded by the transferor prior to transfer.

All other assets are initially brought to account as follows:

Rental Properties, Administrative Properties, Vacant Land and Plant and Equipment

These assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition and are depreciated as outlined below. The Trust capitalises assets with a value of $5000 or greater.

Subsequent costs are included in the asset's carrying amount, as appropriate, including capitalised maintenance costs on rental properties.

Assets Under Arrangement

Assets under arrangement are tenantable properties which have had their legal title transferred to a Community Housing Organisation (CHO) in return for which the CHO has issued a debenture at fair value. Recognition is based on the Trust's ability to control the future service potential of the asset and that these are probable and can be reliably measured. Control of a debentured property resides with the Trust through the SACCH Act and Funding Agreements which prescribe how the community houses are to be used and managed on behalf of government, the eligible tenants that are entitled to use them and the rent that can be charged by the CHO.

The SACCH Act provides for members of Housing Co-operatives and tenants of Associations to acquire equity in the properties they occupy, by the Co-operative or Association issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific Co-operative property.

Assets under arrangement are initially recognised at market value.

Capital Work in Progress

Capital work in progress reflects assets under construction that will either be sold or utilised in the Trust's operation.

The carrying amount for capital work in progress includes all construction costs, charges for administrative expenses and a revaluation increment or decrement where the property has previously been revalued but excludes any borrowing costs and feasibility or pre-construction costs.

(ii) Valuation

Rental Properties, Administrative Properties, Vacant Land and Assets Under Arrangement

In compliance with AASB 116, all land and buildings are subsequently measured at fair value less accumulated depreciation.

The Trust revalues all land and buildings annually using the Valuer-General's values for rating purposes, issued as at 1 July 2007 reflecting 'the capital amount that an unencumbered estate of fee simple in the land might reasonably be expected to realise upon sale' in accordance with the *Valuation of Land Act 1971* and is determined in line with the property market evidence at that time. This value is deemed to be fair value for financial reporting purposes.

Revaluation occurred at 31 October 2007, using the 1 July 2007 values, for all land and buildings with the exception of Assets under Arrangement which were acquired from SACHA at 1 July 2007 values.

Capital Work in Progress

The carrying value of a constructed asset is compared to its market value upon capitalisation and an adjustment is effected to ensure that the carrying amount does not exceed fair value.

Plant and Equipment

Plant and equipment is brought to account at historical cost.

(iii) Depreciation

Property, plant and equipment assets have a limited useful life and are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential ranging from 3 to 50 years. The useful lives of all major assets held by the Trust are reassessed on an annual basis.

(iii) *Depreciation (continued)*

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

Land, vacant land improvements and capital work in progress are not depreciated.

Depreciation of property, plant and equipment is determined as follows:

Class of Asset	*Depreciation Method*	*Useful Life (Years)*
Rental properties (dwellings)*	Straight line	50
Administrative properties	Straight line	10 - 30
Plant and equipment	Straight line	3 - 10

* An estimated useful life of 50 years is assumed for rental dwellings and depreciation expense is calculated at a rate of 2 percent per annum on the opening revalued amount for each property. This is consistent with the national APF for State Housing Entities and promotes consistency and comparability between these entities.

2.14 Intangibles

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset as outlined in AASB 138 and when the amount of expenditure is greater than or equal to $5000. Amortisation is calculated on a straight-line basis over three years from the date that the asset is ready for use.

All research and development projects that do not meet the capitalisation criteria outlined in AASB 138 are expensed.

2.15 Impairment

Receivables were tested for indications of impairment by way of an actuarial review at 30 June as detailed in Note 2.10. The impairment loss has been offset against receivables and has been recognised in the Income Statement under Impairment Expenses.

All other non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. If the amount by which the assets carrying amount exceeds the recoverable amount is material it is recorded as an impairment loss.

A review of Intangible Work in Progress identified impairment losses totalling $4.638 million ($4.706 million) which have been recognised in the Income Statement under Impairment Expenses.

For revalued assets an impairment loss is offset against the asset revaluation reserve.

2.16 Payables

Payables include creditors and accrued expenses.

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

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

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

2.17 Staff Entitlements

Under section 17 of the Act the Trust utilises staff of DFC for the provision of services. The delivery of housing services is undertaken by Housing SA, DFC under a Service Level Agreement whereby the Trust delivers its services through DFC.

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

Wages, Salaries, Annual Leave and Sick Leave

Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

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

Staff Entitlement On-costs
Staff entitlement on-costs of payroll tax and superannuation are recognised separately under payables.

2.18 Provisions

Insurance
The Trust has arranged, through South Australian Government Financing Authority, SAICORP Division, to insure all major risks of the Trust. The excess payable under this arrangement varies depending on each class of insurance held. The amount of insurance expense recognised is the premium paid to SAICORP and any losses met by the Trust as deductibles under the cover.

The Trust undertakes annual reviews of insurance risks and provides for losses or other charges that are not covered by the Treasurer's indemnity with respect to each category of potential loss or claim reflected below.

The provision for Public Risk and Professional Indemnity includes estimates for future claim payments for reported claims with an allowance for claims incurred but not reported at balance date. This provision is internally calculated.

For all classes of insurance, claims liabilities are measured as the present values of the expected future payments.

Workers Compensation
DFC is an exempt employer under the WRCA.

The workers compensation liability recognised for the staff who provide services to the Trust is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 30 April 2008 data. Taylor Fry Consulting Actuaries extrapolate this data to 30 June 2008.

2.19 Interest Bearing Liabilities

Interest bearing liabilities are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, interest bearing liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability using the effective interest rate method.

The interest bearing liabilities include an amount relating to the conversion of the superannuation provision to a loan liability during 2007-08.

2.20 Leases

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are charged to the Income Statement on a straight-line basis, which is representative of the pattern of benefits derived from the leased items.

As at 30 June 2008 the Trust has no finance leases.

2.21 Unearned Revenue

Unearned revenue includes lump sums received for leases assigned on Trust properties that are progressively brought to account as income on a straight-line basis over the term of their respective agreements.

2.22 Correction of Error

DFC provides staff services to the Trust. All employee entitlements for DFC staff assigned to Housing are met by the Trust as and when they fall due. The accounting treatment of employee entitlements was reviewed in 2007-08. As a result it was established that prior year financial reports had understated the liability by $8.133 million. In accordance with AASB 108 this error has been corrected by increasing the value of provisions in the current and prior year to reflect the full cost of departmental employees providing services to Housing SA. Opening equity has also been adjusted to reflect the impact of the correction on earlier years.

An additional amount of $307 000 has been corrected as a result of an error in the amount of staff entitlements being taken up from SACHA as part of the Housing Reform.

2.23 Unrecognised Contractual Commitments and Contingent Assets and Liabilities

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

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a Note and, if quantifiable, are measured at nominal value.

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

3. Financial Risk Management

The Trust has certainty with respect to the interest expense arising from the fixed rate concessional loans from the Treasurer, which comprises the major part of its debt. Note 30 details the interest rates applicable to interest bearing liabilities and Note 22 details the interest rates applicable to the cash held in the bank accounts.

While the Trust has significant non-interest bearing and interest bearing assets and liabilities, such as cash on hand and on call, receivables and payables and borrowings from the SA Government its exposure to market risk and cash flow interest risk is minimal.

The Trust is exposed to credit risk associated with the amounts due to it from tenants for rent and other charges. Credit risk is ameliorated by the fact that amounts due from individual tenants are relatively small. The Trust manages credit risk associated with its tenants by establishment of a credit policy which is communicated to Trust staff and tenants. The performance of individual tenants and of components of the total population of tenants are monitored and reported upon to Trust management and the Board.

The entity has calculated net fair value for concessional loans using estimated equivalent cost of borrowing at current yields for matching terms.

The fair value of the Trust's other financial assets and liabilities which are subject to normal trade credit terms, is considered to be book value.

In relation to liquidity/funding risk, the continued existence of the Trust in its present form, and with its present programs, is dependent on government policy for the Trust's administration and outputs.

4. Changes in Accounting Policies

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

5. Programs of the Trust

In achieving its objectives, the Trust has organised its operations into the following business programs:

Public Housing

Management of public housing tenancies and assets, and promotion of the development of the social housing sector. Managing tenancies includes assessment of customers for eligibility, allocation of public houses to those in need, provision of rental subsidies, linking customers with appropriate support services, provision of transitional housing and management of supported tenancies by providing properties to support agencies. Managing assets includes maintenance, area regeneration and urban renewal programs, stock replacement programs (construction, purchase and disposal), modification of houses for those with a disability and strategic management and planning for future public housing stock needs. Promoting development of the social housing sector includes furthering the Government's strategies to address the key issues of affordable housing and homelessness, as well as promoting innovation and partnering with private sector organisations.

Indigenous Housing

Management of tenancies and housing assets specifically for indigenous customers (who may also choose to access assistance via general public housing), and management of the Community Housing Program. The Community Housing Program provides funding support to Indigenous Community Housing Organisations across South Australia for new housing, housing upgrades, insurance, community administration assistance, and repairs and maintenance subsidies.

Community Housing

Development, support and promotion of the community housing sector, including administering the SACCH Act and assisting in the establishment, regulation and administration of Housing Co-operatives and Housing Associations in South Australia.

Private Rental Assistance

Provision of financial assistance, information, referral, advocacy and counselling to assist households who are experiencing instability, poverty or housing difficulty in the private rental market.

Supported Accommodation Assistance Program

Provision and management of grant funding to non-Government organisations for the delivery of supported accommodation and support services to assist people who are homeless or at imminent risk of homelessness.

6. Staffing Costs

	2008	2007
	$'000	$'000
Salaries and wages	**41 066**	33 613
Superannuation	**5 721**	4 488
Annual leave	**4 593**	3 242
Payroll tax	**2 920**	2 495
Other employee expenses	**2 368**	1 749
Long service leave	**1 731**	1 584
Workers compensation	**1 102**	547
Board fees	**147**	267
Charged to capital program	**(4 321)**	(5 442)
Total Staffing Costs	**55 327**	42 543

Remuneration of Staff

The number of staff whose remuneration received or receivable falls within the following bands:	Executive 2008 Number	Executive 2007 Number	Staff 2008 Number	Staff 2007 Number
$100 000 - $109 999	**4**	3	**8**	6
$110 000 - $119 999	**5**	1	**1**	1
$120 000 - $129 999	**1**	1	**1**	-
$130 000 - $139 999	**1**	1	**-**	-
$150 000 - $159 999	**-**	1	**-**	-
$160 000 - $169 999	**2**	2	**-**	-
$170 000 - $179 999	**1**	-	**-**	-
$190 000 - $199 999	**1**	1	**-**	-
$200 000 - $209 999	**1**	-	**-**	-
$210 000 - $219 999	**1**	-	**-**	-
$240 000 - $249 999	**-**	1	**-**	-
Total Number of Staff	**17**	11	**10**	7

The table includes DFC staff paid by the Trust under the service level agreement with DFC who received remuneration of $100 000 or more during the year. Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these staff for the year was $3.441 million ($2.332 million).

Remuneration of Board and Committee Members

Membership for various Boards and Committees during 2007-08 were:

SAHT Governing Board (appointed by the Governor)	*South Australian Affordable Housing Trust Board* (appointed by the Board)	*Audit Committee* (appointed by the Board)
M Marsland (Chair)	M Marsland (Chair)	M Patetsos (Chair)
M Patetsos	M Patetsos	E Byrt
J Dance (term expired 19 Oct 2007)	G Crafter	C Davidson
E Byrt	E Byrt	P Agars
G Crafter	E Bowman	
C Davidson	T Maras	
P Smith(1)		

The following additional committees have been disclosed in accordance with APF II APS 4.12:

Public Housing Appeals Board (appointed by the Governor)	*Westwood Urban Renewal Project Committee* (appointed under the terms of the Westwood Agreement)	*Minister's Strategic Housing Advisory Committee* (appointed by the Minister)
G Cotton Kenny	R Payze	A Beer
G Hone	M Marsland	H Connolly
K Millar	K Gligic(1)	L Garrett
N Ferencz	M Curran(1)	C Halsey
K Warren	M Kourakis(1)	S Langton
M Castles (term expired 31 Jan 2008)	(resigned 22 November 2007)	W Malycha
C Finn (term expired 31 Jan 2008)	M Boxall(1)	A Matheson
U Dahl (term expired 31 Jan 2008)		B Seeger
F Meredith (term expired 31 Jan 2008)		P R Smith
K McEvoy (term expired 31 Jan 2008)		R Snell
		M Woodward
		N Zivkovic

Homes for 100 Project Committee
W Cossey (Chair)
J Birkill(1)
M Dyson(1)
E Clare(1)
L Clift(1)
D Caudrey(1)
P Fagan-Schmidt(1)

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

Remuneration of Board and Committee Members (continued)
The fees paid to Board members in their capacity as Board Members are set by Executive Council.

The number of Board and Committee members whose remuneration from the Trust falls within the following bands:	**2008 Number**	2007 Number
$1 - $10 000	**13**	6
$10 001 - $20 000	**3**	4
$20 001 - $30 000	**1**	4
$30 001 - $40 000	**3**	2
$40 001 - $50 000	**-**	1
$50 001 - $60 000	**1**	-
	21	17

	2008 $'000	2007 $'000
Total remuneration received, or due and received by Board and Committee members	**259**	209
Amounts paid to a superannuation plan for Board and Committee members	**23**	19

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

7. Supplies and Services

Supplies and Services provided by Entities within the SA Government:	**2008 $'000**	2007 $'000
Insurance	**1 855**	1 778
Contractors	**199**	139
Debt management	**317**	315
Accommodation expenses	**4 724**	3 992
Subsidy repayment	**497**	-
Computer expenses	**127**	-
Audit fees - Auditor-General's Department[(2)]	**323**	287
Total Supplies and Services - SA Government Entities	**8 042**	6 511
Supplies and Services provided by Entities external to the SA Government:		
Accommodation expenses	**3 699**	2 901
Insurance	**2 481**	3 418
Contractors	**3 366**	5 588
Administration expenses	**1 969**	880
Printing, stationery and postage	**1 209**	1 348
Travel and accommodation	**942**	458
Agent fees	**842**	1 306
Communications	**774**	686
Other customer related expenses	**591**	210
Computer expenses	**1 756**	1 285
Tenant relocation	**502**	298
Consultants	**345**	180
Staff development	**309**	240
Debt management	**248**	259
Brokerage	**108**	-
Charged to capital program	**(933)**	(4 390)
Total Supplies and Services - Non-SA Government Entities	**18 208**	14 667
Total Supplies and Services	**26 250**	21 178

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

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

	2008		2007	
	Number	**$'000**	Number	$'000
Below $10 000	**11**	**40**	6	25
Between $10 000 and $50 000	**5**	**109**	6	155
Above $50 000	**2**	**196**	-	-
Total Paid / Payable to the Consultants Engaged	**18**	**345**	12	180

8. Business Service Fees

	2008 $'000	2007 $'000
Computing services and processing charges	**9 727**	7 934
Motor vehicles hire charges	**2 982**	2 091
Legal and financial services	**1 683**	488
GST expense	**1 045**	831
Staff development	**1 030**	923
Human resources services	**1 004**	691
Records management and mail services	**902**	895
Administration premises management	**730**	469
Procurement services	**692**	228
Geographical information services	**575**	797
Payroll services	**492**	471
Internal audit	**479**	475
Business planning strategy and quality assurance	**387**	127
Insurance	**195**	160
Media and communications services	**195**	137
Telecommunications management and charges	**160**	231
Total Business Service Fees	**22 278**	16 948

9. Rental Property Expenses

	2008 $'000	2007 $'000
Rental Property Expenses provided by Entities within the SA Government:		
Land tax equivalent	**129 927**	122 849
Water rates	**21 256**	21 850
Stamp duty and search fees	**413**	260
Valuations	**136**	133
Emergency Services Levy	**115**	134
Total Rental Property Expenses - SA Government Entities	**151 847**	145 226
Rental Property Expenses provided by Entities external to the SA Government:		
Maintenance	**83 687**	77 335
Council rates	**33 868**	30 718
Construction variances	**1 052**	854
Property expenses	**167**	303
Total Rental Property Expenses - Non-SA Government Entities	**118 774**	109 210
Total Rental Property Expenses	**270 621**	254 436

10. Depreciation and Amortisation

	2008 $'000	2007 $'000
Depreciation:		
Rental properties	**63 253**	58 053
Assets under arrangement	**6 964**	-
Plant and equipment	**310**	179
Administrative properties	**84**	175
Total Depreciation	**70 611**	58 407
Amortisation:		
Intangible assets	**1 362**	1 047
Leasehold improvements	**459**	441
Total Amortisation	**1 821**	1 488
Total Depreciation and Amortisation	**72 432**	59 895

11. Grants and Subsidies

	2008 $'000	2007 $'000
Grants and Subsidies paid/payable to Entities within the SA Government:		
Affordable housing initiatives	**4 659**	5 251
Home living skills assistance	**320**	-
CSHA State base funds	**25**	-
Common ground initiative payment to DFC	**-**	5 000
Debt retirement funding	**-**	17 745
Total Grants and Subsidies - SA Government Entities	**5 004**	27 996
Grants and Subsidies paid/payable to Entities external to the SA Government:		
Rural and remote housing	**8 068**	-
Affordable housing initiative	**7 911**	1 312
Private rental assistance	**6 225**	6 210
Crisis accommodation	**779**	805
Community development	**245**	-
Other	**135**	-
CSHA Commonwealth base funding	**87**	-
Community housing organisation deficit funding	**43**	-
Social inclusion initiatives	**-**	322
Total Grants and Subsidies - Non-SA Government Entities	**23 493**	8 649
Total Grants and Subsidies	**28 497**	36 645

		2008	2007
12.	**Finance Costs**	**$'000**	$'000
	Interest on borrowings	**39 617**	33 871
	Treasurer's guarantee fee	**5 028**	4 890
	Interest accrued against provision for superannuation	**-**	1 372
	Total Finance Costs - SA Government Entities	**44 645**	40 133
13.	**Impairment Expenses**		
	Impairment Expenses paid/payable to Entities external to the SA Government:		
	Asset write-offs[3]	**9 858**	12 823
	Bad debts expense	**6 646**	4 769
	Computer systems write-offs	**4 638**	4 706
	Doubtful debts expense	**2 151**	3 040
	Total Impairment Expenses - Non-SA Government Entities	**23 293**	25 338

(3) Expensing of book value of assets demolished.

14.	**Rental Income**		
	Rent received/receivable from Entities external to the SA Government:		
	Market rent income	**400 054**	359 066
	Less: Rental rebates	**177 490**	153 472
	Other rent	**6 332**	-
	Total Rental Income - Non-SA Government Entities	**228 896**	205 594
15.	**Interest Revenue**		
	Interest from entities within the SA Government	**12 689**	6 506
	Interest from entities external to the SA Government	**156**	182
	Total Interest Revenue	**12 845**	6 688
16.	**Net Gain from Disposal of Assets**		
	Rental Properties:		
	Proceeds from disposal	**97 162**	46 931
	Net book value of assets disposed[4]	**79 990**	41 329
	Net Gain from Disposal of Rental Properties	**17 172**	5 602
	Inventory - Capital Works in Progress:		
	Proceeds from disposal	**65 087**	96 627
	Net book value of assets disposed[4]	**43 507**	72 951
	Net Gain from Disposal of Completed Assets	**21 580**	23 676
	Inventory - Vacant Land:		
	Proceeds from disposal	**1 717**	657
	Net book value of assets disposed[4]	**1 183**	392
	Net Gain from Disposal of Vacant Land	**534**	265
	Total Assets:		
	Total proceeds from disposal	**163 966**	144 215
	Total value of assets disposed[4]	**124 680**	114 672
	Net Gain from Disposal of Assets	**39 286**	29 543

(4) The cost of sales comprise the carrying amount of the properties at the depreciated Valuer-General's property valuations, plus the costs of marketing and agent fees and the cost of separating services and titles in respect of double units sold. In establishing the property value, the Valuer-General includes the impact of capital improvements effected by the tenants. Tenants purchasing properties are allowed discounts consistent with their personal investment in the property.

		2008	2007
17.	**Recoveries**		
	Recoveries received/receivable from Entities within the SA Government:	**$'000**	$'000
	Administrative services to other agencies	**5 650**	2 705
	Total Recoveries - SA Government Entities	**5 650**	2 705
	Recoveries received/receivable from Entities external to the SA Government:		
	Maintenance	**4 130**	3 746
	Private Rental Assistance Program	**2 682**	2 784
	Water charges	**1 580**	1 870
	Housing Improvement Act recoveries	**513**	472
	General service recoveries	**496**	310
	Insurance	**168**	28
	Other	**88**	54
	Total Recoveries - Non-SA Government Entities	**9 657**	9 264
	Total Recoveries	**15 307**	11 969

18. Commonwealth Revenues

	2008	2007
	$'000	$'000
CSHA - Base funding	**44 464**	23 580
CSHA - Aboriginal rental housing program	**8 804**	-
CSHA - Private rental assistance program	**6 882**	7 680
CSHA - Community housing program	**5 103**	-
CSHA - Crisis accommodation program	**3 162**	3 112
Disability supported accommodation	**8 090**	-
Department of Families, Housing, Community Services and Indigenous Affairs	**6 020**	-
Other Commonwealth receipts	**1 447**	-
Total Commonwealth Revenues	**83 972**	34 372

19. Other Revenue

Bad debts recovered	**4 173**	2 397
Write-back of asset decrements	**3 854**	1 127
Interest discount due to early repayment of loans	**737**	3
Sundry revenue	**528**	313
Total Other Revenue - Non-SA Government Entities	**9 292**	3 840

20. Revenues from SA Government

Tax equivalent reimbursement	**135 767**	123 134
CSHA matching	**22 265**	11 530
Special purpose capital funding	**5 495**	6 264
Foyer Plus Initiative	**4 000**	-
CSHA - Private rental assistance	**3 441**	3 750
Common ground	**2 800**	-
General purpose	**2 224**	3 200
Social inclusion initiatives	**1 113**	807
Housing improvement and rent control	**457**	730
Total Revenues from SA Government	**177 562**	149 415

21. Net Revenue from Administrative Restructure

	SACHA	AHA	DFC	**2008 Total**
Current Assets:	$'000	$'000	$'000	**$'000**
Cash	4 372	20 553	-	**24 925**
Receivables	1 379	2 195	-	**3 574**
Inventories	-	11	-	**11**
Non-current assets held-for-sale	2 799	-	-	**2 799**
Total Current Assets	8 550	22 759	-	**31 309**
Non-Current Assets:				
Intangible assets	-	40	-	**40**
Property, plant and equipment	784 293	330 911	30	**1 115 234**
Total Non-Current Assets	784 293	330 951	30	**1 115 274**
Total Assets	792 843	353 710	30	**1 146 583**
Current Liabilities:				
Payables	2 481	2 644	-	**5 125**
Staff entitlements	-	-	(179)	**(179)**
Provisions	72	220	-	**292**
Borrowings	2 667	-	-	**2 667**
Other	-	191	-	**191**
Total Current Liabilities	5 220	3 055	(179)	**8 096**
Non-Current Liabilities:				
Payables	215	677	-	**892**
Provisions	116	-	-	**116**
Borrowings	99 515	-	-	**99 515**
Total Non-Current Liabilities	99 846	677	-	**100 523**
Total Liabilities	105 066	3 732	(179)	**108 619**
Net Assets	687 777	349 978	209	**1 037 964**

22. Cash and Cash Equivalents

	2008	2007
	$'000	$'000
Cash held at SAFA cash management fund	**112 075**	70 779
Deposits with the Treasurer	**7 169**	24 354
Cash - Development projects	**1 938**	1 696
Deposits at call with other entities	**400**	597
Cash on hand	**36**	41
Total Cash and Cash Equivalents	**121 618**	97 467

Deposits with the Treasurer
Relates to working cash held in the Westpac Working account through the SA Department of Treasury and Finance.

Cash - Development Projects
Relates to ANZ accounts held for the Playford and Westwood development projects.

Deposits at Call with Other Entities
Tenants can make payments through Australia Post. This account relates to monies received by Australia Post on behalf of the Trust that have not been transferred to the Westpac working account as at balance date.

Interest Rates Applicable at 30 June 2008
Deposits with the Treasurer: 6.17 percent - 7.09 percent (5.68 percent – 6.10 percent)
Cash - Development Projects: 3.25 percent - 7.33 percent (3.70 percent – 6.28 percent)
Cash held at SAFA Cash Management Fund: 6.39 percent - 7.62 percent (5.88 percent – 6.41 percent)

The cash balance includes funds relating to the Affordable Housing Initiative, the movements in the funds cash balance are as follows:

	2008
	$'000
Affordable Housing Initiative Fund Opening Balance at 1 July	**37 652**
Grant revenue	**6 800**
Interest revenue	**5 645**
Equity Start sales revenue	**18 912**
Less: Funds withheld for debt retirement	**5 350**
Less: Approved payments from fund	**10 281**
Affordable Housing Initiative Fund Balance as at 30 June	**53 378**

23. Receivables

	2008	2007
Current:	**$'000**	$'000
Receivables	**31 781**	20 402
Less: Allowance for doubtful debts	**11 962**	7 661
Income tax equivalent	**5 496**	-
Accrued revenues	**2 006**	818
GST receivable	**1 221**	379
Prepayments	**458**	89
Interest bearing receivables	**15**	15
Total Current Receivables	**29 015**	14 042
Non-Current:		
Interest bearing receivables	**29**	56
Receivables	**-**	41
Total Non-current Receivables	**29**	97
Total Receivables	**29 044**	14 139

Government/Non-Government Receivables

Receivables from SA Government Entities:		
Receivables	**4 702**	3 432
Accrued revenues	**1 436**	668
Income tax equivalent	**5 496**	-
GST receivable from DFC	**1 221**	379
Prepayments	**-**	25
Total Receivables - SA Government Entities	**12 855**	4 504
Receivables from Non-SA Government Entities		
Receivables	**15 117**	9 350
Accrued revenues	**570**	150
Prepayments	**458**	64
Interest bearing receivables	**44**	71
Total Receivables - Non-SA Government Entities	**16 189**	9 635
Total Receivables	**29 044**	14 139

Interest Rate and Credit Risk
Receivables are raised for all goods and services provided for which payment has not been received. Rent is payable in advance and charged weekly. All other receivables are subject to a term of 30 days.

Other than what is recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being received on demand. The credit risk is concentrated in the rental area due to the nature of the business of the Trust.

Prepayments, accrued revenues and the majority of receivables are non-interest bearing.

The Trust has some minor interest bearing receivables relating to Shared Home Ownership mortgages.

Allowance for Doubtful Debts

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

Movements in the allowance for doubtful debts (impairment loss):	**2008**	2007
	$'000	$'000
Carrying amount at 1 July	**7 661**	4 620
Increase in the provision	**10 947**	7 810
Amounts written off	**(6 646)**	(4 769)
Carrying Amount at 30 June	**11 962**	7 661

Bad and Doubtful Debts

The Trust has recognised a bad and doubtful debts expense of $8.797 million ($7.809 million) in the Income Statement.

An additional amount of $2.15 million was taken up as a result of the restructure.

Maturity analysis of receivables – refer to Note 37.

Categorisation of financial instruments and risk exposure information – refer to Note 37.

24. Inventories

	2008	2007
Current:	**$'000**	$'000
Capital work in progress	**68 057**	37 117
Developed land	**31 656**	21 378
Vacant land	**71**	2 247
Total Current Inventories	**99 784**	60 742
Non-Current:		
Capital work in progress	**3 192**	846
Total Non-Current Inventories	**3 192**	846
Total Inventories	**102 976**	61 588

25. Non-Current Assets Classified as Held-for-Sale

Current:		
Rental properties:		
Land	**7 175**	9 189
Buildings	**7 028**	8 234
Total Non-Current Assets Classified as Held-for-Sale	**14 203**	17 423

26. Property, Plant and Equipment

Rental Properties:		
Land:		
Land at fair value	**3 430 900**	3 025 029
Buildings:		
Buildings at fair value	**3 193 815**	2 931 207
Accumulated depreciation	**(42 796)**	(39 659)
Total Buildings	**3 151 019**	2 891 548
Total Rental Properties	**6 581 919**	5 916 577
Administrative Properties:		
Land:		
Freehold Land	**1 343**	1 001
Buildings:		
Buildings	**3 376**	2 834
Accumulated depreciation	**(97)**	(141)
Total Buildings	**3 279**	2 693
Leasehold improvements:		
Leasehold improvements	**5 635**	5 014
Accumulated depreciation	**(2 950)**	(2 491)
Total Leasehold Improvements	**2 685**	2 523
Total Administrative Properties	**7 307**	6 217
Assets Under Arrangement:		
Land:		
Assets under arrangement	**388 492**	-
Buildings:		
Assets under arrangement	**389 246**	-
Accumulated depreciation	**(6 926)**	-
Total Assets Under Arrangement - Buildings	**382 320**	-
Total Assets Under Arrangement	**770 812**	-

26. Property, Plant and Equipment (continued)

	2008 $'000	2007 $'000
Vacant Land:		
Land:		
Freehold Land	**31 460**	20 870
Improvements:		
Improvements	**461**	461
Total Vacant Land	**31 921**	21 331
Plant and Equipment:		
Plant and equipment at cost (deemed fair value)	**2 358**	1 512
Accumulated deprecation	**(1 091)**	(737)
Total Plant and Equipment	**1 267**	775
Capital Works in Progress:		
Freehold land	**61 804**	64 853
Buildings	**15 675**	33 432
Total Capital Works in Progress	**77 479**	98 285
Total Property, Plant and Equipment	**7 470 705**	6 043 185
Total property, plant and equipment at fair value	**7 444 728**	5 986 416
Total property, plant and equipment at cost	**79 837**	99 797
Total accumulated depreciation	**(53 860)**	(43 028)
Total Property, Plant and Equipment	**7 470 705**	6 043 185

Refer to Note 38 for reconciliation of property, plant and equipment.

27. Intangible Assets

	2008 $'000	2007 $'000
Computer Software:		
Internally generated computer software	**9 716**	7 881
Accumulated amortisation	**(6 325)**	(4 963)
Total Computer Software	**3 391**	2 918
Work in progress computer system development	**1 018**	5 841
Total Intangible Assets	**4 409**	8 759

	Internally Generated Software		Work in Progress Computer System Development		**Total**	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Balance at 1 July	**7 881**	6 965	**5 841**	8 095	**13 722**	15 060
Additions	**1 835**	916	**2 855**	4 558	**4 690**	5 474
Project expenses	**-**	-	**(1 244)**	(578)	**(1 244)**	(578)
Transfers	**-**	-	**(1 796)**	(1 528)	**(1 796)**	(1 528)
Impairment	**-**	-	**(4 638)**	(4 706)	**(4 638)**	(4 706)
Accumulated amortisation	**(6 325)**	(4 963)	**-**	-	**(6 325)**	(4 963)
Balance at 30 June	**3 391**	2 918	**1 018**	5 841	**4 409**	8 759

28. Payables

	2008 $'000	2007 $'000
Current:		
Creditors	**22 893**	12 502
Accrued expenses	**4 332**	6 481
Income tax equivalent	**5 496**	-
GST payable	**527**	382
Staff on-costs	**509**	582
Total Current Payables	**33 757**	19 947
Non-Current:		
Creditors	**619**	574
Staff on-costs	**437**	386
Total Non-Current Payables	**1 056**	960
Total Payables	**34 813**	20 907
Payables to SA Government Entities:		
Creditors	**8 759**	1 710
Accrued expenses	**4 299**	3 322
Income tax equivalent	**5 496**	-
GST payable to DFC	**527**	382
Staff on-costs	**946**	968
Total Payables - SA Government Entities	**20 027**	6 382
Payables to Non-SA Government Entities:		
Creditors	**14 753**	11 366
Accrued expenses	**33**	3 159
Total Payables - Non-SA Government Entities	**14 786**	14 525
Total Payables	**34 813**	20 907

Interest Rate and Credit Risk
Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

Maturity analysis of payables - refer to Note 37.

Categorisation of financial instruments and risk exposure information - refer to Note 37.

29. Staff Entitlements

	2008	2007
Current:	$'000	$'000
Annual leave	**4 221**	3 302
Long service leave	**1 261**	1 116
Accrued salaries and wages	**1 193**	803
Total Current Staff Entitlements	**6 675**	5 221
Non-Current:		
Long service leave	**11 348**	10 047
Total Non-Current Staff Entitlements	**11 348**	10 047
Total Staff Entitlements	**18 023**	15 268

30. Interest Bearing Liabilities

Current:		
Borrowings - SA Department of Treasury and Finance	**20 710**	20 042
Borrowings - SAFA	**3 690**	-
Managed houses scheme	**243**	243
Total Current Interest Bearing Liabilities	**24 643**	20 285
Non-Current:		
Borrowings - SA Department of Treasury and Finance	**696 334**	717 043
Borrowings - SAFA	**33 549**	-
Managed Houses Scheme	**3 218**	3 461
Total Non-Current Interest Bearing Liabilities	**733 101**	720 504
Total Interest Bearing Liabilities - SA Government Entities	**757 744**	740 789

SA Department of Treasury and Finance loans consist of concessional interest rate borrowing (originally under the CSHA), of $717.0 million ($737.1 million) which are repayable over a period of 53 years, with the final instalment scheduled for the year 2042. The loans are subject to principal repayments and interest at fixed interest rates ranging from 3.0 percent - 5.73 percent (3.0 percent - 5.73 percent). The weighted average interest rate is 4.6 percent (4.5 percent).

The fair value of the SA Department of Treasury and Finance loans is $571.8 million ($633.6 million).

The SAFA loans are subject to principal repayments and interest at fixed interest rates ranging from 5.85 percent - 7.14 percent (3.0 percent - 5.73 percent). The fair value of SAFA loans is $36.8 million.

31. Provisions

	2008	2007
Current:	$'000	$'000
Public risk	**1 393**	1 424
Workers compensation	**458**	392
Professional indemnity	**196**	151
General insurance	**72**	-
Insurance of rental and purchase agreement properties	**-**	1 027
Superannuation	**-**	1 432
Total Current Provisions - SA Government Entities	**2 119**	4 426
Non-Current:		
Workers compensation	**1 158**	1 041
General insurance	**116**	-
Superannuation	**-**	17 611
Total Non-Current Provisions - SA Government Entities	**1 274**	18 652
Total Provisions	**3 393**	23 078

	Public Risk $'000	Workers Compensation $'000	Professional Indemnity $'000	General Insurance $'000
Carrying amount at 1 July	1 424	1 432	151	-
Additional provisions recognised	2 996	1 286	132	188
Reduction in provisions	(2 833)	-	(85)	-
Payments made	(194)	(1 102)	(2)	-
Carrying Amount at 30 June	1 393	1 616	196	188

31. Provisions (continued)

	Insurance of of Rental and Purchase Agreement Properties $'000	Super-annuation $'000	**2008 Total $'000**
Carrying amount at 1 July	1 027	19 043	**23 077**
Additional provisions recognised	-	-	**4 602**
Reduction in provisions	(1 027)	-	**(3 945)**
Payments made	-	(19 043)	**(20 341)**
Carrying Amount at 30 June	-	-	**3 393**

32. Other Liabilities

	2008	2007
Current:	**$'000**	$'000
Rent received in advance	**6 504**	5 116
Deposits held:		
Tenant deposits held	**2 205**	2 163
Sale deposits held	**220**	255
Unearned revenue	**199**	320
Total Current Other Liabilities	**9 128**	7 854
Non-Current:		
Rent received in advance	**2 489**	2 677
Total Non-Current Other Liabilities	**2 489**	2 677
Total Other Liabilities	**11 617**	10 531
Other Liabilities - SA Government Entities:		
Unearned revenue	**1 794**	1 732
Total Other Liabilities - SA Government Entities	**1 794**	1 732
Other Liabilities - Non-SA Government Entities:		
Rent received in advance	**6 504**	5 116
Unearned revenue	**894**	1 265
Deposits held:		
Tenant deposits held	**2 205**	2 163
Sale deposits held	**220**	255
Total Other Liabilities - Non-SA Government Entities	**9 823**	8 799
Total Other Liabilities	**11 617**	10 531

33. Unrecognised Contractual Commitments

Remuneration Commitments

Commitments for payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	2008 $'000	2007 $'000
Not later than one year	**2 781**	n/a
Later than one year but not later than five years	**1 522**	n/a
Later than five years	**-**	n/a
Total Remuneration Commitments	**4 303**	n/a

Amounts disclosed include commitments arising from executive and other service contracts. The Trust does not offer fixed-term contracts greater than five years. Information for 2007 comparatives was not available.

Capital Commitments

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

	2008 $'000	2007 $'000
Not later than one year	**23 547**	43 604
Later than one year but not later than five years	**379**	989
Later than five years	**-**	-
Total Capital Commitments	**23 926**	44 593

Recurrent Commitments

The Trust's recurrent commitments are for agreements for expenditure on operations, maintenance and grant funded programs contracted but not provided for and payable, are as follows:

	2008 $'000	2007 $'000
Not later than one year	**5 084**	6 635
Later than one year but not later than five years	**-**	-
Later than five years	**-**	-
Total Recurrent Commitments	**5 084**	6 635

Management Agreement Commitments

The Trust's management agreement commitments are to manage houses subject to lease arrangements with Funds SA and Colonial First State (formerly Motor Accident Commission) which are contracted but not provided for are payable as follows:

	2008	2007
	$'000	$'000
Not later than one year	1 097	1 070
Later than one year but not later than five years	4 667	4 554
Later than five years	13 901	15 111
Total Management Agreement Commitments	**19 665**	20 735

Operating Lease Commitments

The Trust's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to 10 years with some leases having the right of renewal.

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

	2008	2007
	$'000	$'000
Not later than one year	5 327	4 999
Later than one year but not later than five years	15 476	11 302
Later than five years	13 967	2 035
Total Operating Lease Commitments	**34 770**	18 336

34. Contingent Assets and Liabilities

Contingent Assets

The Trust does not have any contingent assets as at 30 June 2008.

Contingent Liabilities

Progressive Purchase Scheme

Under this scheme the Trust owns portions of properties as tenant in common with other persons. Where the Trust has signed agreements with lending institutions advancing persons mortgage monies, the Trust can be called upon in cases of default to purchase the defaulter's interest at current market value. Approximately 48 (65) of the properties included in the scheme are subject to mortgages with a collective loan balance of $1.504 million ($1.915 million). The Tenants share of the value of the properties subject to mortgage is estimated to be $5.039 million ($6.128 million), based on the Valuer-General's overall capital value.

Rental Purchase and Sale Under Agreement House Purchase Schemes

The rental purchase and sale under agreement portfolio was transferred to HomeStart Finance on 10 December 1993 and due to conditions in some of the agreements, the Trust remains responsible to make good for loss or damage to the subject properties for specific events. There are 15 (22) properties currently under this scheme. The Trust remains the legal owner of these properties until they are transferred to the purchasers upon completion of this agreement. The properties included in the scheme that are subject to indemnity clauses have a collective estimated replacement value of $2.775 million ($3.499 million). These properties together with the Trust's rental properties are subject to an agency agreement with South Australian Government Financing Authority, SAICORP Division, and in the event of a claim will be indemnified by the Treasurer so as to limit the exposure of the Trust to $1 million.

Bonding Agreements with Local Government

The Trust is required by the City of Port Adelaide Enfield to execute Bonding Agreements in relation to the Trust's Gilles Plains and Kilburn South projects. The Council requires the agreements to be supported by a guarantee from the South Australian Government Financing Authority. As at 30 June 2008 the bond stands at $308 000 ($943 000).

Bond Guarantee Scheme

Under the bond guarantee scheme a guarantee for the bond is given to the landlord. In the event of a claim by a landlord, the Residential Tenancies Branch makes a payment. The Trust then reimburses the Residential Tenancies Branch and the private rental customer becomes liable to the Trust for the amount. The value of bond guarantees issued and outstanding at 30 June 2008 is $14.201 million ($13.221 million). The value of claims made this financial year is $2.464 million ($2.654 million).

The Trust pays interest at an agreed market determined rate to the Residential Tenancies Branch based on the daily outstanding balance of bond guarantees issued.

Equity Shares

The SACCH Act provides for members of Housing Co-operatives and tenants of Associations to acquire equity in the properties they occupy, by the Co-operative or Association issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific Co-operative or Association property. The Trust is obliged to repurchase the equity shares from holders who leave relevant Co-operatives or Associations at a value reflecting their proportion of the current value of the property at the time the equity shares are redeemed. The value of these equity shares at 30 June 2008 is $7.913 million ($7.965 million).

35. Unexpended Funding Commitments

Unspent Grant Commitments

The following table shows grant revenue received during the financial year, but which remained unspent at year-end.

	2008	2007
Unspent SA Government Revenues	**$'000**	$'000
Strathmont Centre Redevelopment	**5 495**	6 264
FOYER Accommodation Project	**4 000**	-
Common Ground Port Augusta Project	**2 800**	-
Total Unspent SA Government Commitments	**12 295**	6 264
Unspent Commonwealth Government Revenues		
Disability Supported Accommodation	**8 090**	-
Crisis Accommodation Program*	**2 383**	2 307
APY Safe House (Coober Pedy) Project	**906**	-
Total Unspent Commonwealth Grant Commitments	**11 379**	2 307
Total Unspent Grants	**23 674**	8 571

* Represents funding for capital programs

36. Cash Flow Reconciliation

Reconciliation of cash - Cash at 30 June:

Cash Flow Statement	**121 618**	97 467
Balance Sheet	**121 618**	97 467

Reconciliation of Net Cash inflows from Operating Activities to Net Cost of Providing Services:

Net cash inflows from operating activities	**43 932**	(9 024)
Less: Revenues from SA Government	**171 971**	149 415
	(128 039)	(158 439)
Add (Less): Non-Cash Items:		
Depreciation and amortisation	**(72 432)**	(59 895)
Loan amortisation	**162**	243
Administrative charges to Systems Development Projects	**-**	3 605
Write-off of computer software	**(4 638)**	(5 284)
Systems development projects transferred to expenses	**(1 245)**	-
Buildings written off	**(9 858)**	(12 823)
Provision for doubtful debts	**(2 151)**	(3 041)
Provision adjustment	**(45)**	(698)
Construction variance, surplus on property	**(1 052)**	(854)
Revaluation adjustment	**4 173**	1 127
Net gain from disposal of assets	**39 286**	29 543
Notional interest on superannuation provision	**-**	(1 372)
	(47 800)	(49 449)
Changes in Assets/Liabilities:		
Increase in receivables	**8 068**	1 949
Increase in payables	**(2 491)**	(76)
Increase in staffing entitlements	**(2 659)**	(810)
Decrease in provisions	**20 139**	1 378
(Increase) Decrease in other liabilities	**(963)**	336
	22 094	2 777
Net Cost of Providing Services	**(153 745)**	(205 111)

37. Financial Instruments/Financial Risk Management

Categorisation of Financial Instruments

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

		2008		2007	
		Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets	Note	**$'000**	**$'000**	$'000	$'000
Cash:					
Cash and cash equivalents	22	**121 618**	**121 618**	97 467	97 467
Loans and receivables:					
Receivables (at cost)	23	**29 044**	**29 044**	14 139	14 139
Financial Liabilities					
Payables:					
Payables (at cost)	28	**34 813**	**34 813**	20 907	20 907
Interest bearing liabilities:					
Interest bearing liabilities (at cost)	29	**757 744**	**612 087**	740 789	590 541

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

Provisions for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently the Trust does not hold any collateral as security to any of its financial assets.

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

Ageing Analysis of Financial Assets

	Overdue for less than 30 Days $'000	Overdue for 30-60 Days $'000	Overdue for more than 60 Days $'000	2008 Total $'000
2008				
Not Impaired:				
Receivables	**25 868**	**-**	**-**	**25 868**
Impaired:				
Receivables	**2 657**	**1 268**	**11 213**	***15 138**
2007				
Not Impaired:				
Receivables	12 520	-	-	12 520
Impaired:				
Receivables	22	38	9 220	*9 280

* Gross amount before application of allowance for doubtful debts.

Maturity Analysis of Financial Assets and Liabilities
The following table discloses the maturity analysis of financial assets and financial liabilities.

	Carrying Amount $'000	Less than 1 Year $'000	1-5 Years $'000	More than 5 Years $'000
2008				
Financial Assets:				
Cash and cash equivalents	**121 618**	**121 618**	**-**	**-**
Receivables	**29 044**	**20 863**	**4 403**	**3 778**
Total Financial Assets	**150 662**	**142 481**	**4 403**	**3 778**
Financial Liabilities:				
Payables	**34 813**	**33 641**	**1 172**	**-**
Interest bearing liabilities	**757 744**	**24 643**	**125 534**	**607 567**
Total Financial Liabilities	**792 557**	**58 284**	**126 706**	**607 567**
2007				
Financial Assets:				
Cash and cash equivalents	97 467	97 467	-	-
Receivables	14 139	6 925	3 534	3 680
Total Financial Assets	111 606	104 392	3 534	3 680
Financial Liabilities:				
Payables	20 907	19 546	1 361	-
Interest bearing liabilities	740 789	20 285	87 406	633 098
Total Financial Liabilities	761 696	39 831	88 767	633 098

38. Reconciliation of Property, Plant and Equipment
The following table shows the movement of property, plant and equipment during 2007-08.

	Rental Properties Land		Rental Properties Buildings		Admin Properties Land	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Carrying amount at 1 July	**3 025 029**	2 849 819	**2 891 548**	2 784 019	**1 001**	785
Assets transferred in due to restructure	**186 233**	-	**147 098**	-	**157**	-
Additions	**37 574**	32 128	**58 868**	63 376	**115**	145
Maintenance upgrades	**-**	-	**17 778**	13 259	**-**	-
Assets classified as held-for-sale 2007-08	**2 014**	(6 354)	**1 220**	(4 857)	**-**	-
Disposals	**(108 633)**	(89 372)	**(72 731)**	(45 417)	**(64)**	-
Revaluation increment	**288 981**	238 808	**169 811**	138 795	**134**	71
Depreciation and amortisation expenses	**-**	-	**(63 253)**	(58 053)	**-**	-
Depreciation and amortisation on disposals	**-**	-	**680**	426	**-**	-
Other movements	**(298)**	-	**-**	-	**-**	-
Carrying Amount at 30 June	**3 430 900**	3 025 029	**3 151 019**	2 891 548	**1 343**	1 001

38. Reconciliation of Property, Plant and Equipment (continued)

	Admin Properties Buildings		Admin Properties Leasehold Improvements		Assets Under Arrangement Land	
	2008	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Carrying amount at 1 July	**2 693**	2 130	**2 523**	2 865	**-**	-
Assets transferred in due to restructure	**319**	-	**502**	-	**387 740**	-
Additions	**128**	536	**507**	405	**11 911**	-
Maintenance upgrades	**-**	-	**-**	-	**-**	-
Assets classified as held-for-sale 2007-08	**-**	-	**-**	-	**-**	-
Disposals	**(22)**	-	**(388)**	(306)	**(11 159)**	-
Revaluation increment	**245**	202	**-**	-	**-**	-
Depreciation and amortisation expenses	**(84)**	(175)	**(459)**	(441)	**-**	-
Depreciation and amortisation on disposals	**-**	-	**-**	-	**-**	-
Other movements	**-**	-	**-**	-	**-**	-
Carrying Amount at 30 June	**3 279**	2 693	**2 685**	2 523	**388 492**	-

	Assets Under Arrangement Buildings		Vacant Land Land		Vacant Land Improvements	
	2008	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Carrying amount at 1 July	**-**	-	**20 870**	15 294	**461**	25
Assets transferred in due to restructure	**374 256**	-	**4 857**	-	**-**	-
Additions	**24 465**	-	**11 749**	8 792	**-**	436
Maintenance upgrades	**-**	-	**-**	-	**-**	-
Assets classified as held-for-sale 2007-08	**-**	-	**-**	-	**-**	-
Disposals	**(9 475)**	-	**(11 019)**	(4 414)	**-**	-
Revaluation increment	**-**	-	**3 854**	1 127	**-**	-
Depreciation and amortisation expenses	**(6 964)**	-	**-**	-	**-**	-
Depreciation and amortisation on disposals	**38**	-	**-**	-	**-**	-
Other movements	**-**	-	**1 149**	71	**-**	-
Carrying Amount at 30 June	**382 320**	-	**31 460**	20 870	**461**	461

	Plant and Equipment		Capital Work in Progress Land		Capital Work in Progress Buildings	
	2008	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Carrying amount at 1 July	**775**	855	**64 853**	79 843	**33 432**	38 612
Assets transferred in due to restructure	**162**	-	**11 096**	-	**2 814**	-
Additions	**1 021**	99	**-**	-	**-**	-
Maintenance upgrades	**-**	-	**-**	-	**-**	-
Assets classified as held-for-sale 2007-08	**-**	-	**-**	-	**-**	-
Disposals	**(337)**	(138)	**(14 145)**	(14 990)	**(20 571)**	(5 180)
Revaluation increment	**-**	-	**-**	-	**-**	-
Depreciation and amortisation expenses	**(310)**	(179)	**-**	-	**-**	-
Depreciation and amortisation on disposals	**338**	138	**-**	-	**-**	-
Other movements	**(382)**	-	**-**	-	**-**	-
Carrying Amount at 30 June	**1 267**	775	**61 804**	64 853	**15 675**	33 432

	Total Property, Plant and Equipment	
	2008	2007
	$'000	$'000
Carrying amount at 1 July	**6 043 185**	5 774 247
Assets transferred in due to restructure	**1 115 234**	-
Additions	**146 338**	105 917
Maintenance upgrades	**17 778**	13 259
Assets classified as held for sale 2007-08	**3 234**	(11 211)
Disposals	**(248 544)**	(159 817)
Revaluation increment	**463 025**	379 003
Depreciation and amortisation expenses	**(71 070)**	(58 848)
Depreciation and amortisation on disposals	**1 056**	564
Other movements	**469**	71
Carrying Amount at 30 June	**7 470 705**	6 043 185

SOUTH AUSTRALIAN METROPOLITAN FIRE SERVICE

FUNCTIONAL RESPONSIBILITY

Establishment

The *Fire and Emergency Services Act 2005* (FES Act) provides for the South Australian Metropolitan Fire Service (SAMFS) as a body corporate and also establishes the South Australian Fire and Emergency Services Commission (SAFECOM). SAMFS and SAFECOM are responsible to the Minister for Emergency Services.

The FES Act also defines the Emergency Services sector as consisting of the:

- South Australian Fire and Emergency Services Commission
- South Australian Metropolitan Fire Service
- South Australian State Emergency Service
- South Australian Country Fire Service.

SAFECOM is responsible for establishing and promoting the strategic direction and policy for the emergency services sector and enabling agencies to work towards that strategic direction.

Functions and Funding

The SAMFS is the primary provider of structural fire fighting services to the State of South Australia.

SAFECOM provides various services in support of SAMFS primary functions, including financial management and accounting services. Also the operations of SAMFS are financed by the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*.

For more information about SAMFS's objectives refer to Note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and subsection 52(2) of the FES Act provide for the Auditor-General to audit the accounts of SAMFS for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

The audit included access to systems and information maintained by SAMFS and SAFECOM to conduct relevant financial transaction and control compliance tests of those systems and information.

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

- corporate governance
- procurement
- payroll
- expenditure, including purchase cards
- revenue, receipting and banking

- non-current assets, including capital works
- financial accounting cycle
- cash.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the South Australian Metropolitan Fire Services as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the South Australian Metropolitan Fire Service in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to governance and risk management, workforce plans, payroll and expenditure outlined under 'Communication of Audit Matters' in the section of this part of the Report titled South Australian Fire and Emergency Services Commission, are sufficient to provide reasonable assurance that the financial transactions of the South Australian Metropolitan Fire Service have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in a management letter to the Commissioner of Fire and Emergencies and the Chief Officer of SAMFS. The response to the management letter was generally considered to be satisfactory.

A summary of matters raised is included under 'Communication of Audit Matters' within this part of the Report titled 'South Australian Fire and Emergency Services Commission'.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008	2007	Percentage
	$'million	$'million	Change
Total Income	**8**	6	33
EXPENSES			
Employee benefits expenses	**73**	72	1
Supplies and services	**13**	12	8
Other expenses (includes payment to SA Government)	**7**	8	(12)
Total Expenses	**92**	90	2
Net cost of providing services	**85**	84	1
Contributions from Community Emergency Services Fund	**93**	85	9
Net Result after Restructure	**9**	1	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	**15**	8	88
ASSETS			
Current assets	**35**	26	35
Non-current assets	**126**	116	9
Total Assets	**161**	142	13
LIABILITIES			
Current liabilities	**12**	11	9
Non-current liabilities	**18**	17	6
Total Liabilities	**30**	28	7
EQUITY	**131**	114	15

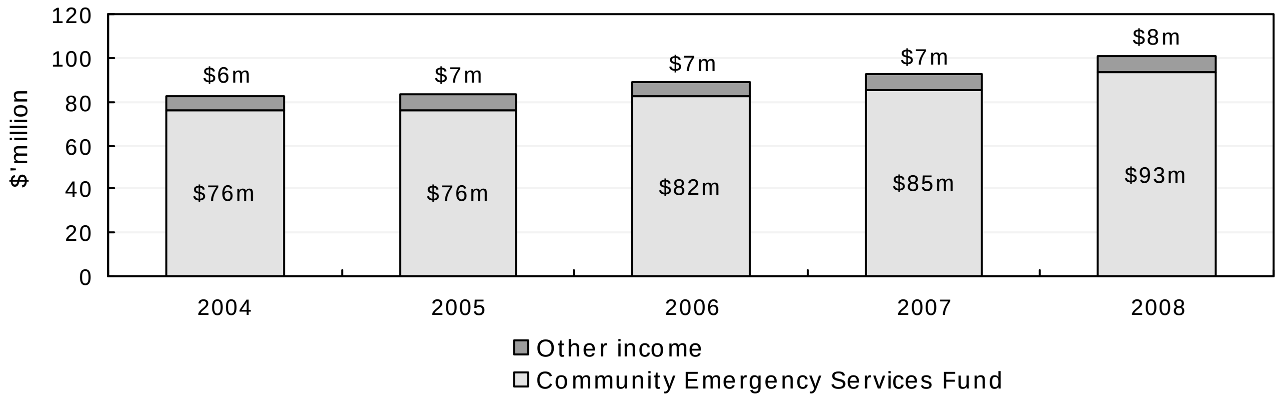
Income Statement

Fund Contributions and Income

For 2008, the contributions from the Fund increased by $8 million (9 percent) to $93 million which represents 92 percent of SAMFS's total revenues. The additional funding is attributable to enterprise bargaining increases, CPI on supplies and services and additional capital funding for works at Port Lincoln.

Other income also increased by $2 million (33 percent). This is due to an increase in Commonwealth revenues of $1 million, an increase in interest revenues of $500 000 due to the build up of cash at bank and an increase in revenues from fees and charges of $500 000.

A structural analysis of income for SAMFS for the five years to 2008 is presented in the following chart.



The chart highlights that the contributions from the Fund have been steadily increasing over recent years.

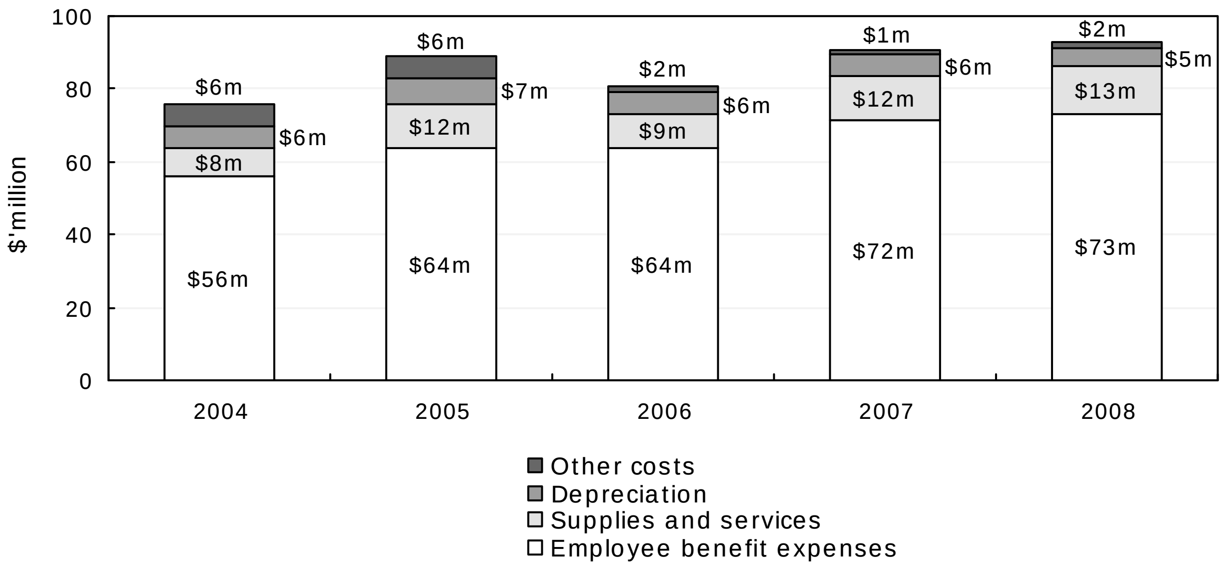
Expenses

Total expenses increased by $3 million (3 percent) to $93 million including Payments to SA Government of $500 000. The one-off Payment to SA Government of $500 000 relates to the sale of land and buildings.

Employee benefits costs account for 78 percent of the total expenses of SAMFS. Employee benefits expenses increased by $1 million (2 percent) to $73 million. This is due primarily to increases in salaries and wages ($686 000), annual leave ($346 000) and superannuation ($304 000).

The number of employees receiving remuneration in excess of $100 000 reduced to 73 from 120 in 2006-07 due to reduced overtime and allowances paid during the year. Refer Note 5 of the financial report.

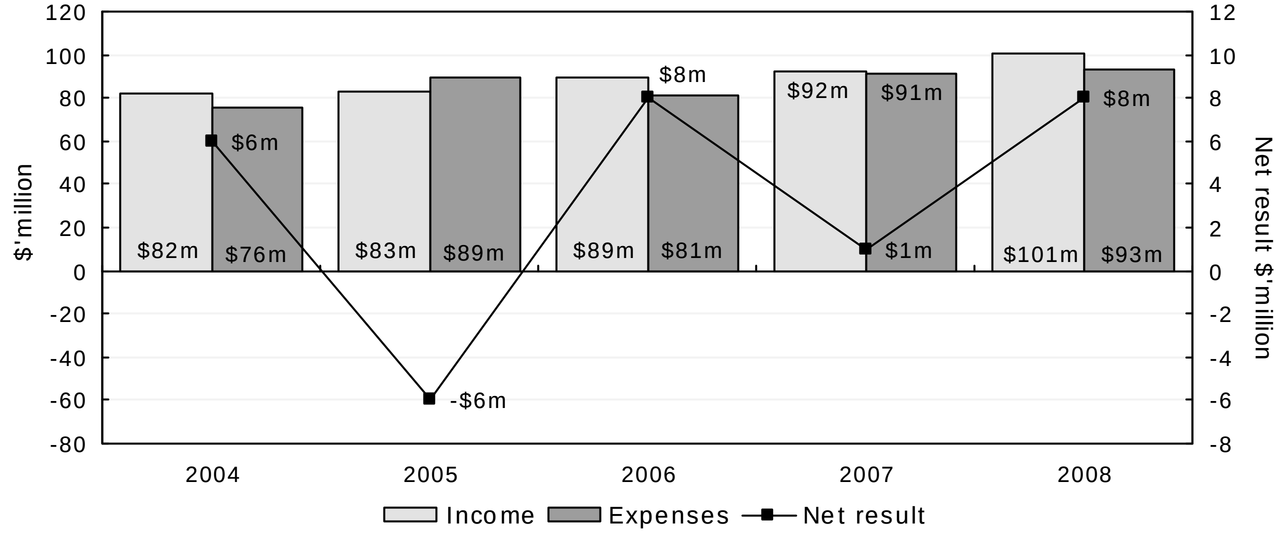
For the five years to 2008, an analysis of the main operating expense items (excluding Payments to SA Government) for SAMFS is shown in the following chart.



Over the five years, expenses have increased by $17 million or 22 percent.

Net Result before Restructure

The following chart shows the income, expenses and net result for the five years to 2008.



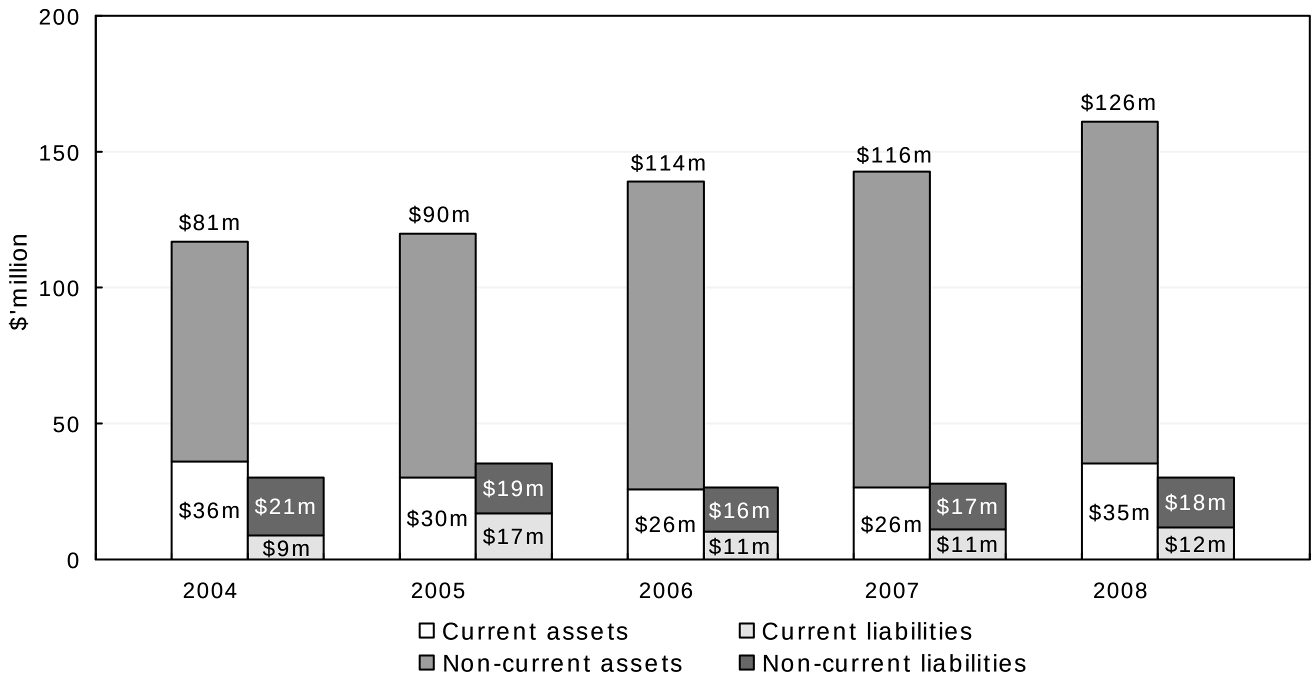
As can be seen from the chart that follows, the net result for SAMFS has fluctuated over the past five years with differing factors contributing to the various results.

SAMFS has recorded a surplus of $8 million in 2008 following the surplus of $1 million the previous year. The increase in the surplus in 2008 is attributable to an increase in contributions from the Fund while other revenues and total expenses only marginally increased.

The deficit of $6 million in 2005 came about mainly as a result of increased employee expenses and supplies and services costs.

Balance Sheet

For the five years to 2008, a structural analysis of assets and liabilities is shown in the following chart.



SAMFS's financial position is dominated by the non-current asset 'property, plant and equipment' which has grown by 56 percent over the five year period primarily as a result of asset purchases and revaluations of assets.

Current Assets also increased during 2007-08 by $9 million to $35 million. This is predominantly due to a build up in cash and cash equivalents of $9 million as a result of increased contributions from the Fund.

The decrease in current liabilities in 2006 is due mainly to settlement of an interest bearing liability.

Cash Flow Statement

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

	2008	2007	2006	2005
	$'million	$'million	$'million	$'million
Net Cash Flows				
Operations	**15.5**	7.8	10.2	7.5
Investing	**(6.9)**	(7.1)	(9.6)	(11.7)
Financing	**-**	0.5	(5.2)	-
Change in Cash	**8.6**	1.2	(4.6)	(4.2)
Cash at 30 June	**34.2**	25.6	24.4	29.0

Cash flows from operations increased by $7.7 million. This is predominantly due to increased contributions received from the Fund of $7.8 million. Fund contributions comprise funds to be used for operations and investing purposes (Capital Works).

Over the period under review the cash holdings have fluctuated which reflects the timing differences between the receipt and use of funds for capital purposes.

Income Statement
for the year ended 30 June 2008

	Note	**2008 $'000**	2007 $'000
EXPENSES:			
Employee benefits expenses	5	**72 725**	71 508
Supplies and services	6	**12 871**	12 228
Government Radio Network expenses	8	**1 565**	1 486
Depreciation	9	**5 403**	5 652
Net loss from disposal of non-current assets	10	**13**	-
Total Expenses		**92 577**	90 874
INCOME:			
Net gain from disposal of non-current assets	10	**-**	60
Revenue from fees and charges	11	**3 162**	2 645
Interest revenues		**2 056**	1 565
Commonwealth revenues		**2 359**	1 324
Other income	12	**880**	561
Total Income		**8 457**	6 155
NET COST OF PROVIDING SERVICES		**84 120**	84 719
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Contributions from Community Emergency Services Fund		**93 042**	85 224
Payments to SA Government		**(505)**	-
NET RESULT BEFORE RESTRUCTURE		**8 417**	505
Net revenue from administrative restructure	24	**-**	479
NET RESULT AFTER RESTRUCTURE		**8 417**	984

Net result after restructure is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2008

	Note	2008	2007
CURRENT ASSETS:		**$'000**	$'000
Cash and cash equivalents	13	**34 222**	25 609
Receivables	14	**1 016**	860
Total Current Assets		**35 238**	26 469
NON-CURRENT ASSETS:			
Property, plant and equipment	15	**125 762**	115 861
Total Non-Current Assets		**125 762**	115 861
Total Assets		**161 000**	142 330
CURRENT LIABILITIES:			
Payables	16	**2 365**	1 838
Short-term and long-term employee benefits	17	**8 250**	7 751
Short-term provisions	18	**1 413**	1 202
Total Current Liabilities		**12 028**	10 791
NON-CURRENT LIABILITIES:			
Payables	16	**1 151**	1 128
Long-term employee benefits	17	**12 279**	11 706
Long-term provisions	18	**4 668**	4 674
Total Non-Current Liabilities		**18 098**	17 508
Total Liabilities		**30 126**	28 299
NET ASSETS		**130 874**	114 031
EQUITY:			
Retained earnings		**40 443**	32 026
Asset revaluation reserve		**90 431**	82 005
TOTAL EQUITY		**130 874**	114 031

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	19
Contingent assets and liabilities	20

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

	Asset Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2006	79 855	32 364	112 219
Gain on revaluation of property during 2006-07	2 150	-	2 150
Net Result after restructure for 2006-07	-	984	984
Total Recognised Income and Expense for 2006-07	2 150	984	3 134
Derecognition of assets during 2006-07	-	(1 322)	(1 322)
Balance at 30 June 2007	82 005	32 026	114 031
Loss on revaluation of property during 2007-08	6 524	-	6 524
Gain on revaluation of vehicles during 2007-08	1 855	-	1 855
Gain on revaluation of communications equipment during 2007-08	47	-	47
Net Result for 2007-08	-	8 417	8 417
Total Recognised Income and Expense for 2007-08	(758)	8 417	7 659
Balance at 30 June 2008	**90 431**	**40 443**	**130 874**

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

Cash Flow Statement for the year ended 30 June 2008

	Note	2008 Inflows (Outflows) $'000	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefits payments		**(71 653)**	(70 202)
Supplies and services		**(12 288)**	(12 499)
Government Radio Network costs		**(1 637)**	(1 450)
GST payments on purchases		**(1 282)**	(1 523)
Cash used in Operations		**(86 860)**	(85 674)
CASH INFLOWS:			
Fees and charges		**3 162**	2 645
Interest received		**1 988**	1 585
Receipts from Commonwealth		**2 295**	1 249
GST receipts on receivables		**447**	435
GST recovered from the ATO		**1 055**	1 677
Other receipts		**850**	636
Cash generated from Operations		**9 797**	8 227
CASH FLOWS FROM SA GOVERNMENT:			
Contributions from Community Emergency Services Fund		**93 042**	85 224
Payments to SA Government		**(505)**	-
Cash generated from SA Government		**92 537**	85 224
Net Cash provided by Operating Activities	22	**15 474**	7 777
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(6 944)**	(7 498)
Proceeds from the sale of property, plant and equipment		**83**	433
Net Cash used in Investing Activities		**(6 861)**	(7 065)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Transfer from the Department of the Premier and Cabinet		**-**	479
Net Cash provided by Financing Activities		**-**	479
NET INCREASE IN CASH AND CASH EQUIVALENTS		**8 613**	1 191
CASH AND CASH EQUIVALENTS AT 1 JULY		**25 609**	24 418
CASH AND CASH EQUIVALENTS AT 30 JUNE	13	**34 222**	25 609

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

Objectives

The South Australian Metropolitan Fire Service (MFS) continues in existence under the *Fire and Emergency Services Act 2005* (the Act) and under the Act has the following functions:

- to provide services with a view to preventing the outbreak of fires, or reducing the impact of fires, in any fire district;
- to provide efficient and responsive services in any fire district for the purpose of fighting fires, dealing with other emergencies or undertaking any rescue;
- to protect life, property and environmental assets from fire or other emergencies in any fire district;
- to develop and maintain plans to cope with the effects of fires or emergencies in any fire district;
- to provide services or support to assist with recovery in the event of a fire or other emergency in a fire district;
- to perform any other function assigned to the MFS by or under this or any other Act.

Funding
Funding of MFS is primarily derived from the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998.*

2. Significant Accounting Policies

(a) Statement of Compliance

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

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the MFS for the reporting period ending 30 June 2008 (Refer Note 4).

(b) Basis of Preparation

The presentation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying MFS's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable Notes;

- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported;

- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following Note disclosures, that have been included in this financial report:

  (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies;

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

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

  (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

MFS's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

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

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

(c) Reporting Entity

The MFS is established under the Act. Under the Act, the MFS is a separate body corporate acting on behalf of the Crown and part of the consolidated Emergency Services sector.

The financial report includes all the controlled activities of the MFS.

(d) Comparative Information

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

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

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

(e) Rounding

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

(f) Taxation

MFS is not subject to income tax. MFS is liable for payroll tax, FBT and GST.

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

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

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

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

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

(g) Events after Balance Date

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

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

(h) Income and Expenses

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

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

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

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

Income

The following are specific recognition criteria:

Revenues from SA Government

Contributions from the Fund are recognised as income when MFS obtains control over the funding. Control over funding is normally obtained upon receipt.

Fees and Charges

Revenues from fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

Disposal of Non-Current Assets

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

Expenses

Employee Benefits

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

Superannuation

The amount charged to the Income Statement represents the contributions made by the MFS to the superannuation plan in respect of current services of current departmental staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government general purpose financial report.

Payments to SA Government
Payments to the SA Government relate to the payment of proceeds from the sale of property pursuant to Premier and Cabinet Circular 114 (PC114). As required by PC114, proceeds have been paid to the Treasurer for application to the Consolidated Account.

(i) Current and Non-Current Classification
Assets and liabilities are characterised as either current or non-current in nature. The MFS has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

(j) Cash and Cash Equivalents
Cash and cash equivalents in the Balance Sheet includes cash at bank and on hand and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash is measured at nominal value.

(k) Receivables
Receivables include amounts receivable from goods and services, GST input tax credits recoverable, prepayments and other accruals.

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the MFS will not be able to collect the debt. Bad debts are written off when identified.

(l) Non-Current Asset Acquisition and Recognition
Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet.

In accordance with APF III APS 2.15 all non-current tangible assets with a value of $10 000 or greater are capitalised.

(m) Revaluation of Non-Current Assets
Property, plant and equipment are brought to account at fair value. On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every two years and carrying amounts are adjusted accordingly.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, the asset is revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement.

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

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

The asset revaluation reserve is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is disposed of or assets are transferred to another SA Government entity upon an administrative restructure.

(n) Impairment

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

For revalued assets an impairment loss is offset against the asset's revaluation reserve.

(o) 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.

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

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

Asset Class	*Useful Lives (Years)*
Communications equipment	5-10
Vehicles	5-20
Plant and equipment	5-10
Computer equipment	5-10
Buildings	30-50

(p) Payables

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

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

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

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

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

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

(q) Employee Benefits

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

Wages, Salaries, Annual Leave and Sick Leave

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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

Long Service Leave

The liability for long service leave is recognised after an employee has completed 9 (9.1) years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short-hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the MFS's experience of employee retention and leave taken.

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

(r) Provisions
Provisions are recognised when MFS has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When MFS expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

(s) Financial Liabilities
MFS measures financial liabilities at historical cost.

(t) Operating Leases
In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are recognised as an expense in the Income Statement on a basis, which is representative of the pattern of benefits derived from the leased assets.

(u) Administrative Restructuring
Pursuant to structural reforms announced within the 2006-07 State Budget on 21 September 2006, functions of the Urban Search and Rescue (USAR) Program were transferred from the Department of the Premier and Cabinet to the MFS during the 2006-07 financial year (refer Note 23).

(v) Program Information
In achieving its objectives, the MFS provides services within four major areas of activity: prevention, preparedness, response and recovery. These activities are classified under one program titled 'MFS'.

(w) Unrecognised Contractual Commitments And Contingent Assets and Liabilities
Commitments include those operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

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

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

3. Financial Risk Management

MFS has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). MFS's exposure to market risk and cash flow interest risk is minimal.

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

In relation to liquidity/funding risk, the continued existence of MFS in its present form, and with its present programs, is dependent on government policy and on continuing payments from the Fund for MFS's administration and programs.

4. Changes in Accounting Policies

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

5. Employee Benefits Expenses

	2008	2007
	$'000	$'000
Salaries and wages	**53 120**	52 434
Payroll tax	**3 543**	3 581
Superannuation	**6 277**	5 973
Long service leave	**2 556**	2 556
Annual leave	**6 953**	6 607
Other employee related expenses	**276**	357
Total Employee Benefits Expenses	**72 725**	71 508

Remuneration of Employees

The number of employees whose remuneration received or receivable was $100 000 or more during the year, fell within the following bands were:

	2008 Number of Employees	2007 Number of Employees
$100 000 - $109 999	**29**	69
$110 000 - $119 999	**33**	31
$120 000 - $129 999	**5**	9
$130 000 - $139 999	**3**	8
$160 000 - $169 999	**-**	1
$170 000 - $179 999	**1**	-
$200 000 - $209 999	**1**	1
$260 000 - $269 999	**1**	-
$290 000 - $299 999	**-**	1
Total Number of Employees	**73**	120

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $8 455 000 ($13 581 000).

6. Supplies and Services

	2008 $'000	2007 $'000
Supplies and Services provided by Entities within the SA Government:		
Accommodation	**134**	124
Computing costs	**210**	224
Consultancy, contractor and legal fees	**231**	51
Consumables	**43**	75
Minor plant and equipment	**14**	1
Operating lease costs	**690**	677
Operational costs	**3**	4
Other expenses	**342**	333
Repairs and maintenance	**295**	291
Travel and training	**228**	298
Total Supplies and Services - SA Government Entities	**2 190**	2 078
Supplies and Services provided by Entities external to the SA Government:		
Accommodation	**17**	8
Communication expenses	**688**	707
Computing costs	**599**	422
Consultancy, contractor and legal fees	**754**	995
Consumables	**1 087**	1 040
Energy	**450**	370
Minor plant and equipment	**927**	522
Operating lease costs	**39**	50
Operational costs	**75**	45
Other expenses	**2 732**	2 489
Repairs and maintenance	**1 582**	1 502
Travel and training	**619**	648
Uniforms and protective clothing	**1 121**	1 352
Total Supplies and Services - Non-SA Government Entities	**10 681**	10 150
Total Supplies and Services	**12 871**	12 228

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to MFS not holding a valid tax invoice or payment relating to third party arrangements.

Consultancies

The number and dollar amount of consultancies paid/payable, included within supplies and services expenses, that fell within the following bands were:

	2008 Number of Consultancies	2007 Number of Consultancies
Less than $10 000	**6**	11
$10 000 - $50 000	**1**	4
Total Number of Consultants	**7**	15

	2008 $'000	2007 $'000
Less than $10 000	**8**	35
$10 000 - $50 000	**36**	122
Total Amount Paid / Payable to Consultants Engaged	**44**	157

		2008	2007
7.	**Remuneration of Auditor's**	**$'000**	$'000
	The amount due and payable for audit services provided by the Auditor-General's Department	**24**	19
	Total Auditor's Remuneration	**24**	19

The auditors provided no other services.

8. Government Radio Network (GRN) Expenses

The MFS has been charged by Government ICT Services for costs associated with the provision of emergency communication services, including voice and paging transmission using the GRN.

	2008	2007
Contribution towards GRN - Voice	**994**	971
Contribution towards GRN - Paging	**571**	515
Total GRN Expenses	**1 565**	1 486

9. Depreciation

Depreciation expenses for the reporting period were charged in respect of:

	2008	2007
Communications equipment	**683**	672
Vehicles	**1 618**	1 543
Plant and equipment	**396**	599
Buildings	**2 541**	2 614
Computer equipment	**165**	224
Total Depreciation	**5 403**	5 652

10. Net Loss from Disposal of Non-Current Assets

	2008	2007
Proceeds from disposal of non-current assets	**83**	433
Less: Net book value of non-current assets disposed	**96**	373
Net (Loss) Gain from Disposal of Non-Current Assets	**(13)**	60

11. Revenues from Fees and Charges

	2008	2007
Fees and Charges received/receivable from Entities within the SA Government:		
Fire alarm monitoring fees	**141**	-
Fire attendance fees	**234**	49
Fire safety fees	**24**	5
Other recoveries	**6**	-
Total Fees and Charges - SA Government Entities	**405**	54
Fees and Charges received/receivable from Entities external to the SA Government:		
Fire alarm monitoring fees	**1 274**	1 343
Fire attendance fees	**1 126**	971
Fire safety fees	**275**	192
Other recoveries	**82**	85
Total Fees and Charges - Non-SA Government Entities	**2 757**	2 591
Total Fees and Charges	**3 162**	2 645

12. Other Income

	2008	2007
Rent received	**159**	113
Transfer of capital funding for GRN	**355**	-
Assets received free of charge from CFS	**30**	-
Other	**336**	448
Total Other Income	**880**	561

13. Cash and Cash Equivalents

	2008	2007
Cash on hand	**8**	10
Cash at bank	**34 214**	25 599
Total Cash and Cash Equivalents	**34 222**	25 609

Interest Rate Risk

Cash on hand is non-interest bearing, cash at bank bears a floating interest rate between 6.17 percent and 7.09 percent (5.68 percent to 6.10 percent). The carrying amount of cash approximates fair value.

14. Receivables

	2008	2007
Current:		
Receivables	**611**	638
Less: Allowance for doubtful debts	**3**	2
	608	636
GST receivables	**408**	224
Total Current Receivables	**1 016**	860

14. Receivables (continued)

	2008	2007
Government/Non-Government Receivables	**$'000**	$'000
Receivables from SA Government Entities:		
Receivables	**241**	259
Total Receivables - SA Government Entities	**241**	259
Receivables from Non-SA Government Entities:		
Receivables	**367**	377
GST receivables	**408**	224
Total Receivables - Non-SA Government Entities	**775**	601
Total Receivables	**1 016**	860

Provision for Doubtful Debts

The provision for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired.

Movements in the Provision for Doubtful Debts (Impairment Loss):		
Carrying amount at 1 July	**(2)**	-
Increase in the provision	**(7)**	(17)
Amounts written off	**6**	15
Carrying Amount at 30 June	**(3)**	(2)

Interest Rate and Credit Risk

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

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

Bad and Doubtful Debts

MFS has recognised a bad and doubtful debt expense of $6 000 ($15 000) in the Income Statement.

(a) Maturity analysis of receivables - refer to Note 23.
(b) Categorisation of financial instruments and risk exposure information - refer to Note 23.

15. Non-Current Assets

(a) Property, Plant and Equipment

2008	Cost / Valuation $'000	Accumulated Depreciation $'000	Written Down Value $'000
Land at independent valuation	**30 284**	**-**	**30 284**
Land at cost	**859**	**-**	**859**
Buildings at independent valuation	**61 969**	**(382)**	**61 587**
Buildings at cost	**802**	**(187)**	**615**
Vehicles at independent valuation	**23 552**	**-**	**23 552**
Vehicles at cost	**212**	**(209)**	**3**
Communications equipment at independent valuation	**2 300**	**-**	**2 300**
Communications equipment at cost	**199**	**(21)**	**178**
Computer equipment at cost	**1 410**	**(1 166)**	**244**
Plant and equipment at cost	**5 984**	**(3 899)**	**2 085**
Work in progress	**4 055**	**-**	**4 055**
Total Property, Plant and Equipment	**131 626**	**(5 864)**	**125 762**

2007	Cost/ Valuation $'000	Accumulated Depreciation $'000	Written Down Value $'000
Land at independent valuation	24 608	-	24 608
Land at cost	4 440	-	4 440
Buildings at independent valuation	53 323	(2 230)	51 093
Buildings at cost	4 978	(266)	4 712
Vehicles at independent valuation	21 534	(1 446)	20 088
Vehicles at cost	3 209	(558)	2 651
Communications equipment at cost	4 979	(2 247)	2 732
Computer equipment at cost	1 410	(1 001)	409
Plant and equipment at cost	5 824	(3 523)	2 301
Work in progress	2 827	-	2 827
Total Property, Plant and Equipment	127 132	(11 271)	115 861

Valuation of Assets
Independent valuations for land, buildings, vehicles and communication assets were obtained on a rolling basis as at 30 June 2007 and 30 June 2008 from Liquid Pacific. The valuer arrived at fair value on the basis of open market values for existing use.

Resources Received Free of Charge
During 2007-08, CFS transferred ownership of two vehicles to MFS (valued at fair value of $30 000).

Impairment
There were no indications of impairment for property, plant and equipment as at 30 June 2008.

Change in Accounting Estimate
As from 1 July 2007, MFS increased its useful life policy for new buildings from 30 years to 40 years. This change in accounting estimate has impacted on depreciation expense for buildings completed and upgraded during 2007-08 and resulted in building depreciation expense decreasing by $8 000 compared to the former 30 year useful life policy.

The lower depreciation expense will also be reflected in future years.

(b) Reconciliation of Non-Current Assets
The following table shows the movement of non-current assets during 2007-08.

	Land and Buildings $'000	Vehicles $'000	Communi-cation Equipment $'000	Computer Equipment $'000	Plant and Equipment $'000	Work in Progress $'000	**Total $'000**
Carrying amount at 1 July	84 853	22 739	2 732	409	2 301	2 827	**115 861**
Additions	82	-	169	-	-	6 693	**6 944**
Transferred from WIP	4 500	549	213	-	203	(5 465)	**-**
Disposals	(73)	-	-	-	(23)	-	**(96)**
Revaluation	6 524	1 855	47	-	-	-	**8 426**
Depreciation	(2 541)	(1 618)	(683)	(165)	(396)	-	**(5 403)**
Transfer from various parties	-	30	-	-	-	-	**30**
Carrying Amount at 30 June	93 345	23 555	2 478	244	2 085	4 055	**125 762**

The following table shows the movement of non-current assets during 2006-07.

	Land and Buildings $'000	Vehicles $'000	Communi-cation Equipment $'000	Computer Equipment $'000	Plant and Equipment $'000	Work in Progress $'000	Total $'000
Carrying amount at 1 July	79 594	21 989	3 333	926	3 296	4 422	113 560
Additions	30	-	-	32	577	6 859	7 498
Transferred from WIP	6 027	2 299	128	-	-	(8 454)	-
Disposals	(334)	(6)	(26)	-	(7)	-	(373)
Revaluation	2 150	-	-	-	-	-	2 150
Depreciation	(2 614)	(1 543)	(672)	(224)	(599)	-	(5 652)
Transfer from various parties	-	-	-	-	-	-	-
De-recognition of assets	-	-	(31)	(325)	(966)	-	(1 322)
Carrying Amount at 30 June	84 853	22 739	2 732	409	2 301	2 827	115 861

16. Payables

	2008 $'000	2007 $'000
Current Liabilities:		
Creditors	**622**	432
Accrued expenses	**426**	176
Employment on-costs	**1 317**	1 230
Total Current Payables	**2 365**	1 838
Non-Current Liabilities:		
Employment on-costs	**1 151**	1 128
Total Non-Current Payables	**1 151**	1 128
Total Payables	**3 516**	2 966

Government/Non-Government Payables

Payables to SA Government Entities:		
Creditors	**160**	161
Accrued expenses	**202**	82
Employment on-costs	**1 162**	1 141
Total Payables to SA Government Entities	**1 524**	1 384

16. Payables (continued)

	2008	2007
Payables to Non-SA Government Entities:	**$'000**	$'000
Creditors	**462**	271
Accrued expenses	**224**	94
Employment on-costs	**1 306**	1 217
Total Payables to Non-SA Government Entities	**1 992**	1 582
Total Payables	**3 516**	2 966

Interest Rate and Credit Risk

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

(a) Maturity analysis of payables – refer to Note 23.
(b) Categorisation of financial instruments and risk exposure information - refer to Note 23.

17. Employee Benefits

	2008	2007
Current Liabilities:	**$'000**	$'000
Annual leave	**6 122**	5 834
Long service leave	**1 259**	1 305
	7 381	7 139
Accrued salaries and wages	**869**	612
Total Current Employee Benefits	**8 250**	7 751
Non-Current Liabilities:		
Long service leave	**12 279**	11 706
Total Non-Current Employee Benefits	**12 279**	11 706
Total Employee Benefits	**20 529**	19 457

The total current and non-current employee expense (ie aggregate employee benefit plus related on costs) for 2008 is $9 567 000 and $13 429 000 respectively.

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has been revised from 9.1 years to 9 years.

18. Provisions

	2008	2007
Current Liabilities:	**$'000**	$'000
Provision for workers compensation	**1 413**	1 202
Total Current Provisions	**1 413**	1 202
Non-Current Liabilities:		
Provision for workers compensation	**4 668**	4 674
Total Non-Current Provisions	**4 668**	4 674
Total Provisions	**6 081**	5 876
Carrying amount at 1 July	**5 876**	6 062
Additional provisions recognised (released)	**1 989**	1 703
Payments	**(1 784)**	(1 889)
Carrying Amount at 30 June	**6 081**	5 876

MFS has reported a liability to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. MFS's liability is an allocation of the Justice Portfolio's total assessment.

A separate valuation of liabilities of MFS has not been undertaken and if such a valuation was performed it may result in a different assessed liability. MFS fully funds this provision.

19. Unrecognised Contractual Commitments

Capital Commitments

	2008	2007
Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report are payable as follows:	**$'000**	$'000
Within one year	**1 146**	1 161
Later than one year but not later than five years	**-**	70
Total Capital Commitments	**1 146**	1 231

These capital commitments are for property and equipment.

Remuneration Commitments

	2008	2007
Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not yet recognised as liabilities are payable as follows:	**$'000**	$'000
Within one year	**614**	633
Later than one year but not later than five years	**836**	1 776
Total Remuneration Commitments	**1 450**	2 409

Amounts disclosed include commitments arising from executive contracts. MFS does not offer fixed-term remuneration contracts greater than five years. Salary increases of 4.5 percent per annum have been assumed in the calculation of remuneration commitments.

Operating Lease Commitments

	2008	2007
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:	**$'000**	$'000
Within one year	**452**	548
Later than one year but not later than five years	**357**	495
Total Operating Lease Commitments	**809**	1 043

The above-mentioned operating lease payments are not recognised in the financial statements as liabilities.

These non-cancellable leases relate to vehicle and property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement.

Contractual Commitments

At the end of the reporting period MFS had the following commitments on contracts:

	2008	2007
	$'000	$'000
Within one year	**4**	4
Later than one year but not longer than five years	**-**	3
Total Contractual Commitments	**4**	7

Contractual commitments relate to building services.

20. Contingent Assets and Liabilities

MFS has several contingent liabilities in the form of unresolved litigation. The majority of these liabilities are likely to be finalised early in the 2008-09 financial year, however the outcome cannot be reliably determined.

MFS is not aware of any contingent assets.

21. Board Members Remuneration

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

South Australian Metropolitan Fire Service Disciplinary Committee
(refer section 71 of the *Fire and Emergency Services Act 2005*)

Mr Bill Morris - 2007
Mr Graham Dart - 2008
Mr Eric Drohan*
Mr David Schmerl*
Mr Glenn Benham*
Mr Geoffrey Matters*
Mr George Rodis*
Mr Gregory Howard*
Mr Brendan West*
Mr David Harvey*
Mr Michael Vander-Jeugd*
Mr Scott Thompson*
Mr Colin Lindsay*
Mr Paul Fletcher*

The number of members whose income from the South Australian Metropolitan Fire Service Disciplinary Committee falls within the following bands was:

	2008	2007
	Number of Members	Number of Members
$0 - $9 999	**1**	1
Total Number of Board Members	**1**	1

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was $4000 ($6000).

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

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

22. Cash Flow Reconciliation

Reconciliation of Cash and Cash Equivalents

	2008 $'000	2007 $'000
Cash at 30 June as per:		
Cash Flow Statement	**34 222**	25 609
Balance Sheet	**34 222**	25 609

Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services

	2008 $'000	2007 $'000
Net cash provided by operating activities	**15 474**	7 777
Less: Contribution from Community Emergency Services Fund	**(93 042)**	(85 224)
Add: Payments to SA Government	**505**	-
Add (Less): Non-Cash Items:		
Depreciation	**(5 403)**	(5 652)
Net (loss) gain from disposal of non-current assets	**(13)**	60
Assets received free of charge	**30**	-
Changes in Assets and Liabilities:		
Increase (Decrease) in receivables	**156**	(245)
Increase in payables	**(550)**	(315)
Increase in provision for employee benefits	**(1 072)**	(1 306)
(Increase) Decrease in provisions	**(205)**	186
Net Cost of Providing Services	**(84 120)**	(84 719)

23. Financial Instruments/Financial Risk Management

Categorisation of Financial Instruments

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

		2008		2007	
		Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets	Note	**$'000**	**$'000**	$'000	$'000
Cash and cash equivalents	13	**34 222**	**34 222**	25 609	25 609
Receivables[(1)]:	14				
Loans and receivables		**608**	**608**	636	636
Financial Liabilities					
Payables[(1)]:	16				
Financial liabilities at cost		**2 918**	**2 918**	2 900	2 900
Total Financial Liabilities		**2 918**	**2 918**	2 900	2 900

(1) Receivable and payment amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax, audit receivables/payables etc they would be excluded from the disclosure. The Standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on-cost which are determined via reference to the employee benefit liability to which they relate.

Credit Risk

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

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

Ageing Analysis of Financial Assets

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

	Past Due By			
	Overdue for less than 30 Days	**Overdue for 30-60 Days**	**Overdue for more than 60 Days**	**Total**
2008	**$'000**	**$'000**	**$'000**	**$'000**
Not Impaired:				
Receivables	**495**	**60**	**53**	**608**
Impaired:				
Receivables	-	-	3	3
2007				
Not Impaired:				
Receivables	421	150	65	636
Impaired:				
Receivables	-	-	2	2

Maturity Analysis of Financial Assets and Liabilities

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

		Contractual Maturity		
2008	**Carrying Amount $'000**	**Less than 1 Year $'000**	**1-5 Years $'000**	**More than 5 Years $'000**
Financial Assets:				
Cash and cash equivalents	**34 222**	**34 222**	**-**	**-**
Receivables	**608**	**608**	**-**	**-**
Total Financial Assets	**34 830**	**34 830**	**-**	**-**
Financial Liabilities:				
Payables	**2 918**	**2 918**	**-**	**-**
Total Financial Liabilities	**2 918**	**2 918**	**-**	**-**
2007				
Financial Assets:				
Cash and cash equivalents	25 609	25 609	-	-
Receivables	636	636	-	-
Total Financial Assets	26 245	26 245	-	-
Financial Liabilities:				
Payables	2 380	2 380	-	-
Total Financial Liabilities	2 380	2 380	-	-

The financial assets and liabilities of MFS are all current with maturity within the next 12 months, except employee on-costs (within payables) which are not practical to split the maturity by band of years.

Liquidity Risk

The MFS is funded principally from contributions from the Community Emergency Services Fund. The MFS works with the Fund Manager of the Community Emergency Services Fund to determine cash flows associated with its Government approved program of work and with the Department of Treasury and Finance to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

MFS's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in Note 23 'Categorisation of Financial Instruments' represents MFS's maximum exposure to financial liabilities.

Market Risk

The MFS has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). The MFS's exposure to market risk and cash flow interest risk is minimal. There is no exposure to foreign currency or other price risk.

Sensitivity Disclosure Analysis

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

24. Administrative Restructure

Transferred Functions for the year 2006-07 year comprise:

	2007 $'000
Net assets transferred to MFS in relation to the transferred functions of the USAR Program from the Department of the Premier and Cabinet.	
Current assets - Cash	479
Total Net Revenue from Administrative Restructure for 2006-07	479

SOUTH AUSTRALIAN MOTOR SPORT BOARD

FUNCTIONAL RESPONSIBILITY

Establishment

The South Australian Motor Sport Board (the Board) was established pursuant to the *South Australian Motor Sport Act 1984* (SAMS Act).

Functions

The main functions of the Board are to promote motor sport events within the state including entering into agreements, establishing a temporary motor racing circuit and conducting and managing motor racing events. For details of the Board's functions refer to Note 1 of the financial report.

The Board comprises no more than nine members (nine members as at 30 June 2008) appointed by the Governor and is subject to the general control and direction of the Deputy Premier.

The Board has secured the right to stage a motor sport event for a period of 10 years, concluding in 2015. Pursuant to a Naming Rights Sponsorship Agreement, the event is known as the 'Clipsal 500 Adelaide'.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and subsection 18(3) of the SAMS Act provide for the Auditor-General to audit the accounts of the Board for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

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

- payroll
- expenditure
- revenue
- cash at bank
- non-current assets.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

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

> ***Basis For Qualified Auditor's Opinion***
>
> ***Amortisation of State Government Grants***
>
> *As detailed in Note 2.2 to the financial report, the South Australian Motor Sport Board have amortised capital grants received since 1999 over a period of five years. The grants have been recognised as a Deferred State Government Grant - Capital liability.*

As a result, of the total $10.438 million received by way of capital grants only $9.526 million has been recognised as revenue. The remaining $912 000 is recognised as a liability as at 30 June 2008.

In 2007-08, the Board received $7.495 million for infrastructure grants. Only $627 000 was recognised as revenue in 2007-08. The remaining $6.868 million is recognised as a Deferred State Government Grant – Infrastructure liability as at 30 June 2008.

Accounting Standard AASB 1004 'Contributions' and the Department of Treasury and Finance Accounting Policy Framework APF V 'Income Framework' require that contributions to a not-for-profit entity must be recognised as an asset and income when the Authority obtains control of the contributions and the income recognition criteria are met.

The total financial effect of the Board not complying with AASB 1004 'Contributions' and APF V 'Income Framework' is as follows:

2008

Income and the operating surplus are both understated in the current year by $6.521 million. Total liabilities are overstated by $7.78 million. Equally total equity is understated by $7.78 million.

2007

Income and the operating surplus are both overstated by $358 000. Total liabilities are overstated by $1.259 million. Equally total equity is understated by $1.259 million.

Qualified Auditor's Opinion

In my opinion, except for the effects of the matters referred to in the preceding paragraphs, the financial report presents fairly, in all material respects, the financial position of the South Australian Motor Sport Board as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 *and Australian Accounting Standards (including the Australian Accounting Interpretations).*

Assessment of Controls

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

Communication of Audit Matters

Matters arising during the course of the audit were conveyed in a management letter to the Chief Executive. A satisfactory response was received from the Board.

Some minor internal control improvements were raised, including to the reconciliation process applied to the Board's fixed asset register. Also specific comment on the future financial accounting treatment for the Victoria Park asset redevelopment (upgrade) program was provided to the Board for consideration and comment. This was provided in recognition of the materiality of the financial outlays that will occur in relation to the asset upgrade and the associated requirement to appropriately account and report in future financial statements on the outlays.

This matter is discussed below and further particulars regarding the program is provided later in this section of the report under the heading 'Temporary Pit Building and Infrastructure'.

Victoria Park Assets

Asset Capitalisation

It is evident from the review of relevant documentation (Cabinet Submission and Public Works Committee Submission) that $20 million is provided for the proposed Victoria Park capital works. Audit anticipates that a significant portion of this amount will be purchase and professional costs incurred in asset acquisition or construction and therefore will be capitalised as an asset. The Board's present practice does recognise the importance of allocating costs between the balance sheet (capitalised and recorded as an asset) and income statement (recorded as an expense) based on the nature of the costs, an assessment from the construction contractor and relevant accounting standards.

Audit recommended that the Board ensure that financial outlays associated with the approved $20 million upgrade are accounted for in accordance with requirements of a particular accounting standard, AASB 116 and other appropriate accounting policy frameworks.

The Board responded with its proposed approach to the matter of asset capitalisation and recognised the requirements of AASB 116. This matter will be subject of Audit assessment annually in conjunction with the Board's assessment and determination.

Depreciation of Assets

AASB 116 requires the depreciable amount of an asset to be allocated on a systematic basis over its useful life. Defining the constructed assets useful life, is an accounting estimation process, and consideration will need to be given to the appropriate accounting frameworks.

Evidence provided to the Public Works Committee, indicated that the demountable pit building asset will have a 'construction' life of 20 years and that its useful life is likely to extend beyond the Board's 2015 contracted rights to the Clipsal 500 Adelaide'.

Audit noted that consideration should be given to the expected useful life of the assets. AASB 116 requires that useful and residual value be reassessed each year. Should expectation as to the useful life change in the future, then the estimated useful life should change in that year.

Audit recommended that in assessing the constructed assets useful life and depreciation rates, consideration should be given to the accounting standards and frameworks and estimates should be based on probable outcomes.

The Board responded that estimates of depreciation will be based on the probable estimated useful life and residual value of the asset. This matter, along with the matter of asset capitalisation, will be assessed annually in conjunction with the Board's assessment.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008	2007	Percentage
	$'000	$'000	Change
INCOME			
State Government grants	**2 555**	1 871	37
User charges	**21 148**	19 379	9
Amortisation of capital grants	**747**	758	(1)
Other	**865**	451	92
Total Income	**25 315**	22 459	13
EXPENSES			
Supplies and services	**22 780**	19 541	17
Depreciation and amortisation	**743**	1 089	(32)
Salaries, wages and related payments	**930**	812	15
Other	**10**	-	-
Total Expenses	**24 463**	21 442	14
Operating Surplus	**852**	1 017	(16)
NET CASH PROVIDED BY OPERATIONS	**645**	1 398	(54)
ASSETS			
Current assets	**12 855**	5 051	155
Non-current assets	**2 777**	2 682	4
Total Assets	**15 632**	7 733	102
LIABILITIES			
Current liabilities	**3 318**	2 971	12
Non-current liabilities	**7 399**	699	-
Total Liabilities	**10 717**	3 670	292
EQUITY	**4 915**	4 063	21

Income Statement

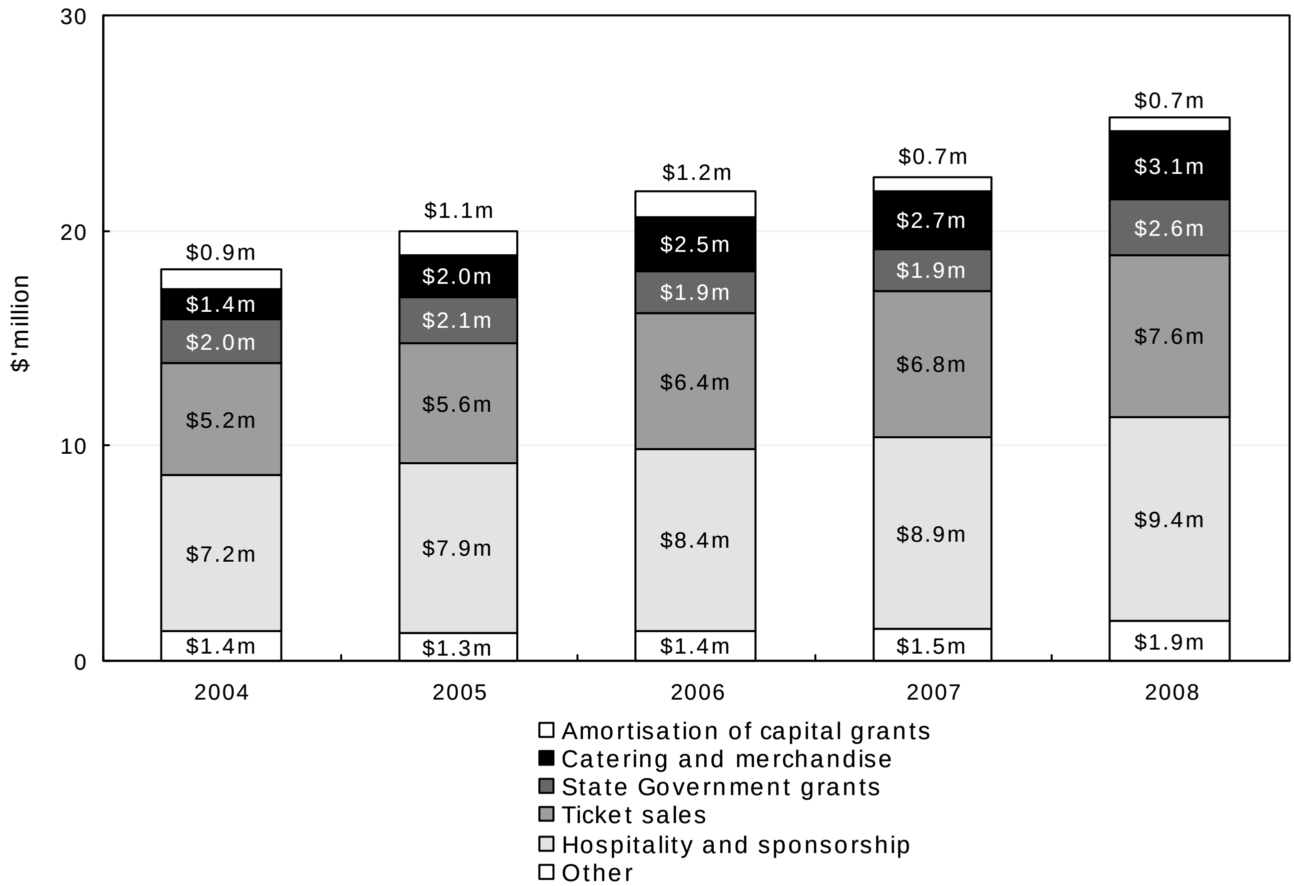
Income

The Income Statement of the Board for the period ended 30 June 2008 records an Operating Surplus of $852 000 ($1 million).

The Board has not applied AASs and mandatory APFs when reporting its capital and infrastructure grant revenues. Reference should be made to Note 2.2 of the Board's financial report and to commentary provided above under the heading 'Auditor's Report on the Financial Report'.

The Board's decision not to apply APF V and AASB 1004 has resulted in an understatement of income of $6.5 million (overstatement $358 000).

A structural analysis of income for the Board for the five years to 2008 is presented in the following chart.



The chart illustrates that income from 'ticket sales' and 'hospitality and sponsorship' and 'catering and merchandise' has increased each year since 2004 reflecting continued growth in the 'Clipsal 500 Adelaide'.

The increase in State government grants of $684 000 to $2.6 million primarily reflects additional infrastructure grants. During 2007-08 the Board received from the State Government, infrastructure grants of $7.5 million for construction of the proposed Victoria Park temporary pit building and infrastructure. Of this funding, only $627 000 was recognised as State Government Grant revenue. The remaining portion $6.9 million is being held as a non-current deferred revenue liability in the Balance Sheet.

A further $1.4 million ($1.6 million) was received from the State Government to meet costs associated with the cancelled Victoria Park redevelopment. These revenues and expenses are reflected as administered items in Note 22, of the Board's financial report. Reference should be made to discussion under 'Administered Items' below.

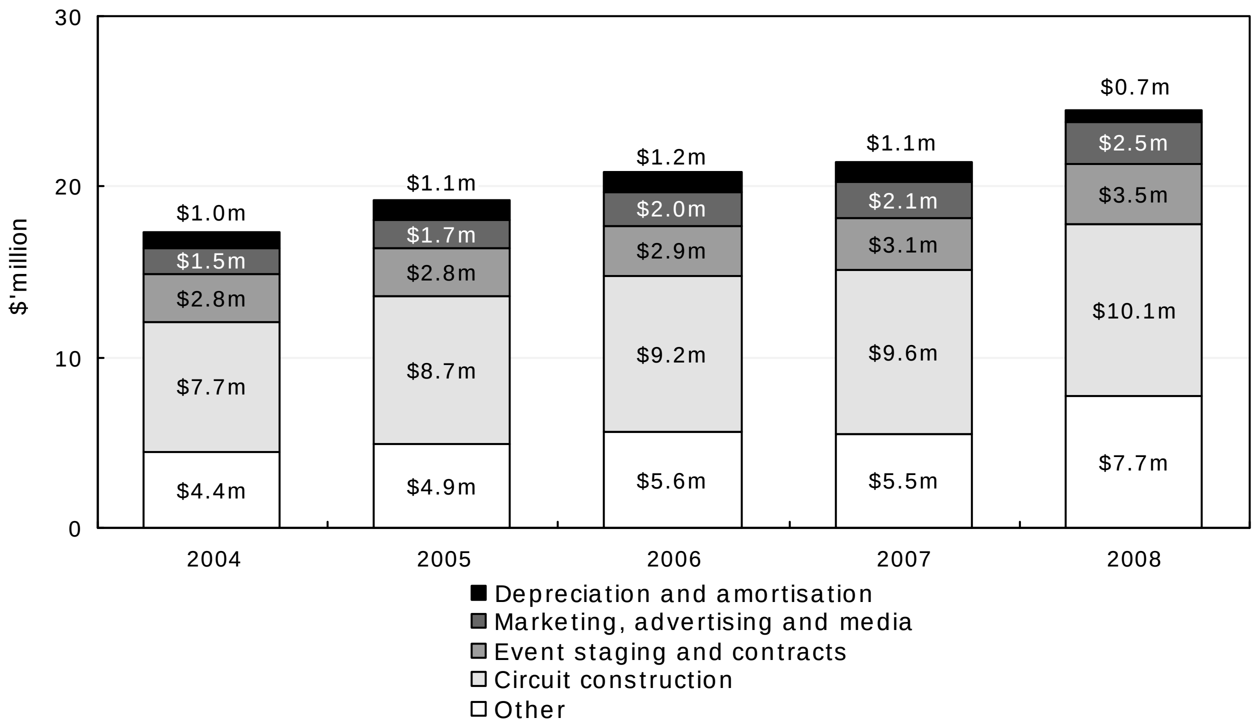
An increase in other revenue of $351 000 to $1.9 million primarily reflects increased interest income of $436 000 due to increased cash balances and interest rate rises.

Expenses

Total expenses increased by $3 million (14 percent) to $24.5 million.

The Board's activities are predominately delivered through contracted services. Consequently, employee expenses are only a small proportion of total expenses.

For the five years to 2008, a structural analysis of the main expense items for the Board is shown in the following chart.



The chart demonstrates steady growth for most expense categories over the past five years.

Other expenditure increase by $2.2 million to $7.7 million. Of note were the following items:

- increase in entertainment costs of $618 000 to $1.4 million
- increase in catering and merchandise costs of $186 000 to $1.4 million
- $627 000 expenditure relating to concept and design of the proposed Victoria Park temporary pit building and infrastructure.

Cash Flow Statement

The analysis of cash flows highlights that the operations of the Board generated a positive cash flow for the past four years. The Board is reliant upon support from the SA Government for its ongoing operations.

	2008	2007	2006	2005
	$'000	$'000	$'000	$'000
Net Cash Flows				
Operations	**645**	1 398	1 178	730
Investing	**7 059**	(16)	(182)	(236)
Financing	**-**	-	-	-
Change in Cash	**7 704**	1 382	996	494
Cash at 30 June	**11 603**	3 899	2 517	1 521

Cash flows from operations decreased by $753 000, mainly due to $627 000 expenditure for concept and design of the proposed Victoria Park temporary pit building and infrastructure.

Cash flows from investing activities reflects the cash receipt of State Government grants for infrastructure, $7.5 million, and capital, $400 000, reduced by cash out flows of $837 000 for the purchase of non-current assets.

Administered Items

Cancelled Victoria Park (Bakkabakkandi) Redevelopment

The Board's financial report includes administered revenues and expenses relating to the cancelled Victoria Park (Bakkabakkandi) redevelopment as administered by the Board on behalf of the SA Government. Reference should be made to Note 22 of the Board's financial report.

In August 2006 the Government approved the Board undertaking redevelopment works at Victoria Park Racecourse for a proposed multi-purpose building for both the South Australian Jockey Club (SAJC) and the Board on Adelaide City Council parklands. The proposed redevelopment included relocation and rebuilding of the motor sport track and associated facilities and return of land to parklands.

In November 2007 the Adelaide City Council (ACC) declined to enter into a lease of Victoria Park. Without ACC support the Victoria Park Master Plan was unable to be achieved and an alternative modified plan to provide only for an upgrade to existing temporary facilities and other infrastructure was approved by Cabinet in early December 2007.

The State Government appropriated a total of $3 million for the redevelopment over the two years ending 30 June 2008. Expenditure on the cancelled redevelopment totalled $3 million and related to design, development applications and investigations.

Temporary Pit Building and Infrastructure

As mentioned above, in December 2007, Cabinet approved the modification of the proposed Victoria Park (Bakkabakkandi) master plan to provide for an upgrade to the existing temporary facilities and other infrastructure used for the Clipsal 500 Adelaide. Total expenditure of $23 million was approved by Cabinet, of which $3 million had been expended on the cancelled Victoria Park redevelopment.

The following infrastructure upgrades are expected to be completed prior to the March 2009 race:

- New demountable pit building, $15 million
- Resurface of existing track in Victoria Park, $1.5 million
- Temporary Shade over Pit Straight and Hairpin grandstands, $1.75 million
- Temporary Shade over all other grandstands, $1 million
- Upgrades to certain tracks and paths, $750 000.

Cabinet approved a delegation to the Board to manage and undertake the upgrade. The Crown Solicitor's Office advised that the Board, on the condition of appropriate approval, had the power to undertake or manage the construction under its Act. Ownership of the proposed upgrade of temporary facilities will reside with the Board.

The Public Works Committee Report recommending the proposed capital works was presented to Parliament in May 2008.

In August 2007 and March 2008 the Board received infrastructure grants totalling $7.5 million from the State Government for construction of temporary pit building and infrastructure. Of this funding, $627 000 was recognised as State Government Grant revenue. The remaining portion $6.9 million is being held as a non-current deferred revenue liability in the balance sheet. Refer to Notes 1 and 2.2 for the Board's accounting treatment of these grants.

The Board expended $627 000 on the project in 2007-08, on concept and design. These expenses are included as Supplies and Services in the Income Statement.

Income Statement
for the year ended 30 June 2008

	Note	**2008**	2007
		$'000	$'000
INCOME:			
State Government operating grants	1	**1 928**	1 871
State Government infrastructure grants	1	**627**	-
Interest:			
Interest received from SA Government entities		**819**	393
Interest received from non-SA Government entities		**45**	35
User charges	3	**21 148**	19 379
Amortisation of capital grants	1,2.1,2.2,12	**747**	758
Profit on sale of fixed assets		**1**	-
Provision for doubtful debts written back		**-**	23
Total Income		**25 315**	22 459
EXPENSES:			
Supplies and services	4	**22 780**	19 541
Depreciation and amortisation	9	**743**	1 089
Salaries, wages and related payments	2.12,5	**930**	812
Bad debts written off		**10**	-
Total Expenses		**24 463**	21 442
OPERATING SURPLUS		**852**	1 017

Operating result is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2008

	Note	**2008** **$'000**	2007 $'000
CURRENT ASSETS:			
Cash and cash equivalents	7,15.1	**11 603**	3 899
Receivables	8	**1 252**	1 131
Prepayments		**-**	21
Total Current Assets		**12 855**	5 051
NON-CURRENT ASSETS:			
Concrete safety barriers, racing infrastructure, plant and equipment	9	**2 777**	2 682
Total Non-Current Assets		**2 777**	2 682
Total Assets		**15 632**	7 733
CURRENT LIABILITIES:			
Payables	10	**2 728**	2 212
Staffing entitlements and related provisions	11	**158**	91
Deferred State Government grant - Capital	12	**432**	668
Total Current Liabilities		**3 318**	2 971
NON-CURRENT LIABILITIES:			
Staffing entitlements and related provisions	11	**51**	108
Deferred State Government grant - Capital	12	**480**	591
Deferred State Government grant - Infrastructure	12	**6 868**	-
Total Non-Current Liabilities		**7 399**	699
Total Liabilities and Deferred State Government Grants		**10 717**	3 670
NET ASSETS		**4 915**	4 063
EQUITY:			
Reserves	2.3	**1 000**	1 000
Accumulated surplus		**3 915**	3 063
TOTAL EQUITY		**4 915**	4 063

Total equity is attributable to the SA Government as owner

Contingent liabilities	13
Commitments for expenditure	14
Administered item	22

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

	2008	2007
	$'000	$'000
RESERVES AND ACCUMULATED SURPLUS:		
Reserve for extreme weather:		
Balance at 1 July	**1 000**	1 000
Reserve for Extreme Weather at 30 June	**1 000**	1 000

The basis for the creation of this reserve is contained in Note 2.3

	2008	2007
Accumulated surplus at 1 July	**3 063**	2 046
Operating surplus	**852**	1 017
Accumulated Surplus at 30 June	**3 915**	3 063
TOTAL RESERVES AND ACCUMULATED SURPLUS	**4 915**	4 063

Cash Flow Statement
for the year ended 30 June 2008

		2008	2007
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
Receipts from customers and sponsors		**21 017**	19 484
GST receipts		**2 218**	1 953
Payments to suppliers and staff		**(23 318)**	(20 385)
GST payments		**(2 515)**	(2 112)
Refunds of GST		**983**	750
Payments of GST		**(532)**	(591)
Interest received		**864**	428
State Government contributions - Operating		**1 928**	1 871
Net Cash provided by Operating Activities	15.2	**645**	1 398
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for racing infrastructure, plant and equipment		**(837)**	(416)
Proceeds from the sales of plant and equipment		**1**	-
State Government contributions - Capital		**400**	400
State Government contributions - Infrastructure		**7 495**	-
Net Cash provided by (used in) Investing Activities		**7 059**	(16)
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		**7 704**	1 382
CASH AND CASH EQUIVALENTS AT 1 JULY		**3 899**	2 517
CASH AND CASH EQUIVALENTS AT 30 JUNE	15.1	**11 603**	3 899

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Organisational Structure, Objectives and Funding

The South Australian Motor Sport Board (the Board) was established pursuant to the *South Australian Motor Sport Act 1984* (SAMS Act).

The principal objectives of the Board are to:

- enter into agreements on behalf of the State under which motor sport events, whether promoted by the Board or by some person approved by the Minister, are held in the State;
- undertake on behalf of the State the promotion of motor sport events;
- establish a temporary motor racing circuit and conduct and manage motor racing events promoted by the Board;
- provide advisory consultancy, management or other services on the conduct of sporting, entertainment or other special events or projects, whether within or outside the State.

The Board has the right to stage a motor sport event for a period of ten years concluding in 2015. Pursuant thereto the event is known as the 'Clipsal 500 Adelaide'.

The Board received funding from the State Government of $1.928 million for operating activities and $400 000 for capital in the year (refer Note 2.16). The State Government received signage, hospitality and other promotional benefits from the event under the 'South Australia – a Brilliant Blend' logo.

The Board's financial report includes both controlled and administered items. The financial statements include the use of assets, income, expenses and liabilities, controlled or incurred by the Board in its own right. As administered items are insignificant in relation to the Board's overall financial performance and position, they have been disclosed in a schedule of administered items as Note 22 to the accounts. The administered item includes $1.429 million ($1.602 million) received from the State Government for the initial redevelopment programme of Victoria Park. This initiative of the State Government has subsequently been cancelled.

Subsequent to the cancellation of the initial Victoria Park redevelopment programme, the State Government has approved $23 million for upgrades and additions to the infrastructure assets of the Board used in Victoria Park. The approved funding includes the $3.031 million expended as an administered item, for the cancelled redevelopment of Victoria Park. During the year the Board received a further $7.495 million for these works of which $627 000 has been expended. An equivalent amount is included in income - State Government infrastructure grants. The balance of $6.868 million is disclosed as a non-current liability - Deferred State Government grant - Infrastructure.

2. Statement of Significant Accounting Policies

2.1 Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs and TIs and APSs promulgated under the provision of the PFAA except as described in Note 2.2 below in relation to the entity's financial accounting and reporting treatment of the Capital Grant funds provided by the State Government.

Statement of Compliance

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2008.

The preparation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Board's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes;
- compliance with APSs issued pursuant to section 41 of the PFAA, by authority of TI 19. In the interest of public accountability and transparency the APSs require the following Note disclosures, that have been included in this financial report:

  (a) Revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature.

  (b) Expenses incurred as a result of engaging consultants (as reported in the Income Statement).

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

  (d) Board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Board's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention and do not take into account changing money values except where it is specifically stated.

Statement of Compliance (continued)
The Cash Flow Statement has been prepared on a cash basis.

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

2.2 Amortisation of State Government Grant

The State Government has since 1999 provided a total of $10.438 million for race staging capital. During the year a further $7.495 million was provided for the Infrastructure upgrade of which $627 000 has been spent on non-capital items. The balance of $6.868 million is held as a non-current liability 'Deferred State Government Grant – Infrastructure'. As the upgrade project progresses, this amount will be apportioned as to capital and recurrent expenditure. On completion of the upgrade the balance of the deferred infrastructure grant will be amortised over the life of the associated asset in accordance with International Accounting Standard IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'.

In accordance with IAS 20, capital grants received are being amortised over a period of five years. The grants have been recognised as a deferred State Government Capital Grant liability.

AASB 1004 and Treasurer's APF V require that a contribution to a not-for-profit entity must be recognised as an asset and income when the Authority obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable). The Board believes that application of this policy would incorrectly report the trading result. If AASB 1004 and APF V had been applied, the result for the reporting period would have been as follows:

	2008		2007	
	AASB 1004 APF V $'000	**Board Policy $'000**	AASB 1004 APF V $'000	Board Policy $'000
Revenue - State Government Grant - Capital	**400**	**747**	400	758
Revenue - State Government Grant - Infrastructure	**7 495**	**627**	-	-
Operating surplus	**7 373**	**852**	659	1 017
Assets	**15 632**	**15 632**	7 733	7 733
Liabilities	**2 937**	**10 717**	2 411	3 670
Equity	**12 695**	**4 915**	5 322	4 063

Therefore the application of AASB 1004 and APF V would result in an operating surplus for the year of $7.373 million. The application of IAS 20 results in an operating surplus of $852 000 which the Board believes to be a true reflection of the result for the year.

2.3 Reserve for Extreme Weather

The Directors believe that rain or excessive heat over the period of the event will have a significant impact on the financial position of the organisation. The Board have considered that it is prudent and commercially sound to create a Reserve for Extreme Weather at future events. This Reserve ($1 million) has been created by transfers from Accumulated Surplus and will be utilised at events adversely affected by rain or extreme heat.

2.4 Revenue Recognition

Except as described in Note 2.2 above, revenues are recorded in the Income Statement at the time they are earned or at the time control passes to the Board. Interest revenues are recognised as they accrue.

2.5 Non-Current Assets

The Board does not own any land or permanent buildings.

All non-current assets controlled by the Board are reported in the Balance Sheet. The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Board. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

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

In accordance with APF III:

- all non-current tangible assets are valued at written down current cost (a proxy for fair value)
- revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than three years.

In prior years the South Australian Motor Sport Board has revalued its non-current assets every three years. This has been amended in accordance with APF III which requires a revaluation every five years. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last revaluation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, when they are revalued to fair value.

2.6 Depreciation and Amortisation

Depreciation is calculated on a straight-line basis to write-off the assets over their useful economic lives.

Racing Infrastructure, Plant and Equipment useful lives range from 1-20 years. Lease improvements are written off over the period of the lease or the estimated useful life of the asset, whichever is lower.

Concrete Safety Barriers' useful life is determined by reference to their likely rate of deterioration, namely from 10 to 20 years. This is supported by independent valuation of Concrete Barriers and Debris Fencing obtained by the Board as reported in Note 2.5. Depreciation of Concrete Safety Barriers and Debris Fencing has been determined using the basis provided by the independent valuation. This has resulted in a decrease in depreciation of $164 000 due to changes in the estimated useful life of the assets.

2.7 Recoverable Amounts of Non-Current Assets

All non-current assets are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amount.

2.8 Principles of Consolidation

There were no controlled entities during the reporting period.

2.9 Income Tax

The entity is exempt from income tax.

2.10 Leased Assets

The entity has no finance leases. In respect of Operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to the ownership of the leased assets. Operating lease payments are recognised as an expense on the basis that it is representative of the pattern of benefits derived from the leased assets.

2.11 Staffing Entitlements

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

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

Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

The liability for long service leave is recognised based on staff completing 6.5 years of service in accordance with APF IV. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of staff throughout the South Australian public sector determined that the liability measured using the short-hand method was not materially different from the liability measured using the present value of expected future payments. The South Australian Motor Sport Board also accrues additional long service leave based on experience of staffing retention and leave taken.

2.12 Changes to Staffing Arrangements

Pursuant to a proclamation, the *Statutes Amendment (Public Sector Employment) Act 2007*, (PSE Act) came into operation on 1 April 2007.

The PSE Act amended the employment provisions of the *South Australian Motor Sport Act 1984* (SAMS Act) to provide that the Chief Executive of the Department of Treasury and Finance is to be the 'employing authority' of all staff of the Board. Prior to the operation of the PSE Act, the Board had the power to appoint staff.

Consistent with the PSE Act, the Chief Executive of the Department of Treasury and Finance has delegated all of his powers and functions relating to the employment of staff to the Chief Executive of the Board. The Treasurer, pursuant to the PSE Act, has also issued a direction to the Board to make payments with respect to any matter arising in connection with the employment of a person under the SAMS Act.

As a consequence of these changes, the total staffing expenses reflected in this financial report comprise the staffing expenses of the agency for the reporting period. Staffing expenses in 2007 comprise employee expenses of the agency for the period 1 July 2006 to 31 March 2007 and the staffing expenses of the agency for the period 1 April to 30 June 2007.

As a consequence of the operation of the PSE Act, the Board is no longer able to be registered as a non-exempt employer with WorkCover under section 59(1) of the WRCA. As an exempt (self insured) employer the Board is required to recognise in the accounts a liability for outstanding workers compensation claims where applicable. An independent actuarial valuation of the agency's liability for workers compensation by Taylor Fry Consulting Actuaries reflects that no such liability exists at the reporting date.

2.13 Cash on Hand and on Deposit

For purposes of the Cash Flow Statement, cash includes cash deposits, which are used in the cash management function on a day-to-day basis. Interest revenues are recognised as they accrue. The average interest rate for the reporting period was 6.6 (5.6) percent.

2.14 Financial Instruments

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

Financial Assets

Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.

Cash comprises Cash on hand and at Bank and Deposits at call. Cash is recorded at nominal amounts. Interest on cash is credited to revenue as it accrues.

Receivables are recognised at the nominal amounts due less provision for bad or doubtful debts (maximum credit risk).

Credit terms, other than those specified in contractual agreements, are net 14 days.

Financial Liabilities

Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.

Payables are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. With the exception of staffing on-costs, payables are normally settled within 30 days. It is policy to effect early payment where a discount can be achieved.

Interest Rate Risk

The Board's only exposure to interest rate risk relates to Cash. The average interest rate in relation to Cash is 6.6 percent (5.6 percent). All other Financial Assets and Financial Liabilities of the Board have no exposure to interest rate risk.

Credit Risk

The Board does not have any significant credit risk exposure to any single debtor.

The carrying amount of financial assets recorded in the financial statements, net of provisions for doubtful debts, represent the Board's maximum exposure to credit risk.

Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represent their respective net fair values.

2.15 GST

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

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

The net GST payable to the ATO is included as part of payables in the Balance Sheet.

2.16 Economic Dependency

The ongoing activities of the Board in promoting and staging motor sport events within South Australia are dependent on the ongoing financial support by the SA Government.

2.17 Rounding

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

3. User Charges

	2008	2007
User Charges Received/Receivable from Entities within the SA Government:	**$'000**	$'000
Other income	**24**	13
Total User Charges - SA Government	**24**	13
User Charges Received/Receivable from Entities external to the SA Government:		
Hospitality and sponsorship	**9 442**	8 865
Ticketing sales	**7 620**	6 760
Catering and merchandise	**3 074**	2 679
Entry fees	**182**	291
Asset hire	**14**	10
Other	**792**	761
Total User Charges - Non-SA Government	**21 124**	19 366
Total User Charges	**21 148**	19 379

4. Supplies and Services

Supplies and Services provided by Entities within the SA Government:	Note	2008 $'000	2007 $'000
Hospitality, sponsorship and ticketing costs		**184**	157
Administration		**103**	121
Event staging and contracts		**45**	60
Marketing, advertising and media		**57**	24
Circuit construction		**66**	60
Total Supplies and Services - SA Government Entities		**455**	422
Supplies and Services provided by Entities external to the SA Government:			
Circuit construction		**10 029**	9 507
Hospitality, sponsorship and ticketing costs		**1 455**	1 314
Catering and merchandise costs		**1 356**	1 170
Event staging and contracts		**3 448**	3 051
Entertainment		**1 351**	733
Security and ground staff		**924**	800
Administration		**644**	512
Marketing, advertising and media		**2 491**	2 032
Victoria Park infrastructural expenditure		**627**	-
Total Supplies and Services - Non-SA Government Entities		**22 325**	19 119
Total Supplies and Services		**22 780**	19 541

5. Salaries, Wages and Related Payments

Salaries, wages and related payments comprise:			
Salaries, wages, annual and sick leave		**772**	680
Long service leave		**11**	12
Superannuation	6	**71**	60
Other staffing on-costs		**76**	60
Total Salaries, Wages and Related Payments	2.12	**930**	812

Total number of full-time equivalent staff at reporting date was 10.9 (7.8).

6. Superannuation

The superannuation costs included in the Financial Statements relate to the Commonwealth Government's Superannuation guarantee legislation. The payments of $71 000 ($60 000) have been made to externally managed funds.

7. Cash and Cash Equivalents

	Note	2008 $'000	2007 $'000
Cash on deposit with SAFA		**11 245**	3 448
Cash on hand and at bank - Other		**358**	451
		11 603	3 899

8. Receivables

Current:			
Trade debtors		**8**	9
Amount owing by BASS for funds held in trust	10	**1 244**	1 123
Allowance for doubtful debts		**-**	(1)
		1 252	1 131
SA Government/Non-SA Government Receivables:			
Receivables from SA Government entities		**1 244**	1 123
Receivables from non-SA Government entities		**8**	8
		1 252	1 131

Receivables amounting to $1 065 000 ($937 000) and the corresponding liability relating to Advanced ticket sales exclusive of GST for Year 2009 event (refer Note 10) have not been recognised as they have been treated as agreements equally proportionately unperformed.

9. Concrete Barriers, Racing Infrastructure, Plant and Equipment and Leasehold Improvements

Concrete Safety Barriers:	2008 $'000	2007 $'000
Gross carrying amount:		
Balance at 1 July	**1 441**	1 441
Balance at 30 June	**1 441**	1 441
Accumulated depreciation:		
Balance at 1 July	**(864)**	(764)
Depreciation expense	**(24)**	(100)
Balance at 30 June	**(888)**	(864)
Net Carrying Amount	**553**	577

		2008	2007
9.	**Concrete Barriers, Racing Infrastructure, Plant and Equipment and Leasehold Improvements (continued)**	**$'000**	$'000
	Other Racing Infrastructure, Plant and Equipment:		
	Gross carrying amount:		
	Balance at 1 July	**10 876**	10 472
	Additions	**837**	404
	Disposals	**(7)**	-
	Balance at 30 June	**11 706**	10 876
	Accumulated depreciation:		
	Balance at 1 July	**(8 949)**	(7 991)
	Depreciation expense	**(686)**	(958)
	Disposals	**7**	-
	Balance at 30 June	**(9 628)**	(8 949)
	Net Carrying Amount	**2 078**	1 927
	Leasehold Improvements:		
	Gross carrying amount:		
	Balance at 1 July	**219**	207
	Additions	**-**	12
	Balance at 30 June	**219**	219
	Accumulated depreciation:		
	Balance at 1 July	**(41)**	(10)
	Depreciation expense	**(32)**	(31)
	Balance at 30 June	**(73)**	(41)
	Net Carrying Amount	**146**	178
	Total Concrete Barriers, Racing Infrastructure, Plant and Equipment and Leasehold Improvements	**2 777**	2 682

10.	**Payables**		
	Current:		
	Trade creditors	**474**	555
	Other creditors and accruals	**1 173**	674
	Funds held in trust[(i)]	**1 081**	983
		2 728	2 212

(i) Advanced ticket sales exclusive of GST for Year 2009 event (refer Note 8).

			2008	2007
11.	**Staff Benefits and Related On-Cost Liabilities**			
	Annual Leave:	Note	**$'000**	$'000
	Included in other creditors - Current	10	**23**	12
	Provision for staff benefits - Current		**92**	74
			115	86
	Long Service Leave:			
	Included in other creditors - Current	10	**7**	16
	Provision for staff benefits - Current		**66**	17
	Provision for staff benefits - Non-Current		**51**	108
			124	141
	Aggregate Staff Benefit and Related On-Cost Liabilities		**239**	227

12.	**Deferred State Government Grant - Capital**		
	Deferred State Government Grant - Capital	**10 438**	10 038
	Less: Accumulated amortisation	**9 527**	8 779
		911	1 259
	Reconciled to:		
	Current	**431**	668
	Non-Current	**480**	591
		911	1 259
	Infrastructure Grant:		
	Deferred State Government Grant - Infrastructure	**7 495**	-
	Transferred to Income (Note 1)	**(627)**	-
	Unspent Balance of Infrastructure Grant	**6 868**	-

13. Contingent Liabilities

Contingent obligations are items in the nature of liabilities, which at the reporting date, are not recognised in the Balance Sheet because they have been assessed as being dependent on certain events taking place before a present obligation for the Board to make payments in respect of them will arise. The Board is not aware of any contingent liabilities.

14. Commitments for Expenditure

14.1 Operating Lease Commitments

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

	2008	2007
	$'000	$'000
Within one year	**149**	144
Later than one year but not longer than five years	**562**	626
Later than five years	**-**	84
Total Operating Lease Commitments	**711**	854

The lease is for office accommodation leased from Perpetual Trustee Company Limited. The lease is non-cancellable with a term of seven years, having the right of renewal and rent is payable monthly in advance.

14.2 Event Staging Commitments

The Board has commitments for the staging of future events. Commitments contracted at the reporting date but not recognised as liabilities are payable as follows:

	2008	2007
	$'000	$'000
Within one year	**3 712**	8 489
Later than one year but not longer than five years	**8 497**	8 006
Later than five years	**4 052**	4 627
Total Event Staging Commitments	**16 261**	21 122

15. Notes to the Cash Flow Statement

15.1 Reconciliation of Cash

Cash on hand	**3**	4
Cash at bank	**11 600**	3 895
	11 603	3 899

15.2 Reconciliation of Net Cash provided by Operating Activities to Operating Surplus

Operating surplus	**852**	1 017
Adjustments for non-cash income and expense items:		
Depreciation and amortisation	**743**	1 089
Amortisation of State Government grant - Capital	**(747)**	(758)
Profit on sale of fixed assets	**(1)**	-
Bad debts written off	**10**	(23)
State Government contributions - Infrastructure	**(627)**	-
Changes in assets and liabilities:		
(Increase) Decrease in assets:		
Receivables	**(132)**	104
Prepayments	**21**	(21)
(Decrease) Increase in liabilities:		
Staff entitlements	**10**	17
Payables	**516**	(27)
Net Cash provided by Operating Activities	**645**	1 398

16. Financing Arrangements

The State Government pledges financial support for the entity.

17. Staffing Remuneration

The number of officers who received or were due to receive total remuneration of $100 000 or more:	2008 Number of Staff	2007 Number of Staff
$130 000 - $140 000	**1**	1
$230 000 - $240 000	**-**	1
$260 000 - $270 000	**1**	-

The total remuneration (including superannuation, motor vehicles including FBT thereon and parking) amounted to $396 000 ($371 000).

18. Auditors' Remuneration

Amounts due and receivable by the Auditor-General's Department for the audit of the Board for the reporting period total $26 000 ($25 000).

19. Related Parties

19.1 Directors

The SAMS Act requires two members to be nominated by the Corporation of the City of Adelaide, and one member to be nominated by the Confederation of Australian Motor Sport. The following persons held the position of director during the reporting period:

R Cook AM - Chairman
G Boulton - Deputy Chairman
B Carter
A Ford
R Hayward (resigned 9 September 2007, reappointed 24 January 2008)
A Moran (resigned 9 September 2007)
T Schenken
C Smerdon
J Turbill
F Wong (appointed 24 January 2008)

19.2 Directors' Loans

There are no loans to directors.

19.3 Other Director Transactions

Directors of the economic entity and directors of its related parties, or their director related entities, conduct transactions with entities within the economic entity that occur within a normal staffing, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at arm's length in similar circumstances. These transactions include the following and have been quantified below where transactions are considered likely to be of interest to the users of these financial statements:

T Schenken	CAMS Ltd	$108 669	License fees, permit fees and insurance
T Schenken	CAMS Ltd	$2 500	Sponsorship of CAMS award
C Smerdon	Kangaroo Island Sealink Pty Ltd	$38 439	Travel wholesaler commission
A Ford	Woods Bagot Pty Ltd	$348	Victoria Park Development costs
R Hayward, F Wong	Adelaide City Council	$58 000	Sponsorship revenue and signage
R Hayward	Adelaide Festival Centre Trust	$194 377	Ticketing and associated costs
R Hayward, F Wong	Adelaide City Council	$68 426	Circuit construction and sponsor costs

All corporate facilities purchased by directors or by related entities are at arm's-length rates.

20. Remuneration of Directors of the Board

	2008	2007
The number of directors who received, or were due to receive, remuneration (including superannuation) were:	**Number of Directors**	Number of Directors
$1 - $10 000	**4**	1
$10 001 - $20 000	**6**	8

The total remuneration of the Directors was $92 000 ($100 000). The aggregate amount paid to a superannuation fund amounted to $7000 ($7000).

21. Consultants

There were no consultants engaged where individual amounts exceeded $10 000. Payments to consultants amounted to $22 000 ($4000).

22. Disclosure of Administered Item for the Year Ended 30 June 2008

	2008	2007
Income:	**$'000**	$'000
State Government grants	**1 429**	1 602
Total Income	**1 429**	1 602
Expenses:		
Supplies and services - SA Government entities	**28**	22
Supplies and services - Non-SA Government	**1 403**	1 578
Total Expenses	**1 431**	1 600
Operating Surplus	**(2)**	2
Current Assets:		
Cash	**-**	714
Total Current Assets	**-**	714
Current Liabilities:		
Payables	**-**	712
Total Current Liabilities	**-**	712
Net Assets	**-**	2

22.1 Administered Revenues and Administered Cash Inflows

The Board receives funding from the SA Government for the initial Victoria Park redevelopment programme, an initiative of the State Government that was cancelled in November 2007. The amounts were administered by the Board but have not been recognised as revenue. These amounts are disclosed as administered revenues and administered cash inflows.

22.2 *Administered Expenses and Administered Cash Outflows*

The Board makes payments to various suppliers in the capacity of an agent responsible for the administration of the initial Victoria Park redevelopment programme. These transfers are disclosed as administered expenses and administered cash outflows.

22.3 *Administered Assets and Liabilities*

The Board manages various assets and liabilities on behalf of the Government. These amounts are disclosed as administered assets and liabilities

22.4 *Changes in Administered Equity*

Changes in equity relate to the net operating loss of the administered item (Operating surplus $2000)

22.5 *Commitments*

There are no commitments contracted at the reporting date but not recognised as liabilities ($1 069 000).

SOUTH AUSTRALIAN STATE EMERGENCY SERVICE

FUNCTIONAL RESPONSIBILITY

Establishment

The *Fire and Emergency Services Act 2005* (FES Act) provides for the South Australian State Emergency Services (SASES) as a body corporate and also establishes the South Australian Fire and Emergency Services Commission (SAFECOM). SASES and SAFECOM are responsible to the Minister for Emergency Services.

The FES Act also defines the Emergency Services sector as consisting of the:

- South Australian Fire and Emergency Services Commission
- South Australian State Emergency Service
- South Australian Country Fire Service
- South Australian Metropolitan Fire Service.

SAFECOM is responsible for establishing and promoting the strategic direction and policy for the emergency services sector and enabling agencies to work towards that strategic direction.

Functions and Funding

The primary function of SASES is to provide emergency services to the State of South Australia and work towards a safe and prepared community.

SAFECOM provides various services in support of SASES primary functions, including financial management and accounting services. Also the operations of SASES are financed by the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*.

For more information about SASES's objectives refer to Note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and subsection 120(2) of the FES Act provide for the Auditor-General to audit the accounts of the SASES for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

The audit included access to systems and information maintained by SAFECOM to conduct relevant financial transaction and control compliance tests of those systems and information.

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

- corporate governance
- procurement
- payroll
- expenditure, including purchase cards
- revenue, receipting and banking

- non-current assets, including capital works
- financial accounting cycle
- cash.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the South Australian State Emergency Service as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the South Australian State Emergency Service in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to governance and risk management, workforce plan, payroll and expenditure outlined under 'Communication of Audit Matters', in the section of this part of the Report titled South Australian Fire and Emergency Services Commission, are sufficient to provide reasonable assurance that the financial transactions of the South Australian State Emergency Service have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in a management letter to the Commissioner of Fire and Emergencies and the Chief Officer of SASES. The response to the management letter was generally considered to be satisfactory.

A summary of matters raised is included under 'Communication of Audit Matters' within this part of the Report titled 'South Australian Fire and Emergency Services Commission'.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008	2007	Percentage
	$'million	$'million	Change
Total Income	**1.0**	0.8	40
EXPENSES			
Employee benefits expenses	**3.1**	3.0	3
Supplies and services	**5.2**	5.6	(7)
Other expenses	**3.2**	3.1	3
Total Expenses	**11.5**	11.7	(2)
Net Cost of Providing Services	**10.5**	10.9	(4)
Contributions from Community Emergency Services Fund	**12.1**	12.5	(8)
Net Result after Restructure	**1.6**	1.6	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	**3.2**	2.1	52
ASSETS			
Current assets	**2.3**	1.7	35
Non-current assets	**21.6**	18.9	14
Total Assets	**23.9**	20.6	16
LIABILITIES			
Current liabilities	**1.2**	0.9	33
Non-current liabilities	**1.1**	1.2	(8)
Total Liabilities	**2.3**	2.1	10
EQUITY	**21.6**	18.5	17

Income Statement

The main source of funds for the SASES are the contributions from the Fund which accounts for 92 percent of revenues.

The contributions from the Fund to SASES in 2007-08 ($12.1 million) was similar to the level of contribution funding received in 2006-07 ($12.5 million). In 2006-07 SASES received a one-off cash injection of $1.3 million.

Balance Sheet

The Balance Sheet is dominated by the non-current asset 'property, plant and equipment' which totalled $21.6 million in 2008. The fair value of the main asset classes held by the SASES were land and buildings ($11.1 million) and vehicles ($7.4 million).

Income Statement
for the year ended 30 June 2008

	Note	2008	2007
	2(b)	$'000	$'000
EXPENSES:			
Employee benefits expenses	5	**3 064**	2 988
Supplies and services	6	**5 229**	5 585
Government Radio Network expenses	8	**1 811**	1 793
Depreciation	9	**1 296**	1 292
Grants and contributions		**74**	-
Total Expenses		**11 474**	11 658
INCOME:			
Net gain from disposal of non-current assets	10	**62**	37
Interest revenues		**102**	44
Commonwealth revenues		**520**	374
Other income	11	**286**	301
Total Income		**970**	756
NET COST OF PROVIDING SERVICES		**10 504**	10 902
REVENUES FROM SA GOVERNMENT:			
Contributions from Community Emergency Services Fund		**12 070**	12 513
NET RESULT BEFORE RESTRUCTURE		**1 566**	1 611
Net revenue from administrative restructure	21	**-**	226
NET RESULT AFTER RESTRUCTURE		**1 566**	1 837

Net result after restructure is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2008

	Note	2008 $'000	2007 $'000
CURRENT ASSETS:			
Cash and cash equivalents	12	**1 823**	1 089
Receivables	13	**365**	455
Other financial assts		**115**	118
Total Current Assets		**2 303**	1 662
NON-CURRENT ASSETS:			
Property, plant and equipment	14	**21 633**	18 933
Total Non-Current Assets		**21 633**	18 933
Total Assets		**23 936**	20 595
CURRENT LIABILITIES:			
Payables	15	**709**	507
Short-term and long-term employee benefits	16	**366**	251
Short-term provisions	17	**165**	117
Total Current Liabilities		**1 240**	875
NON-CURRENT LIABILITIES:			
Payables	15	**64**	72
Long-term employee benefits	16	**688**	751
Long-term provisions	17	**394**	379
Total Non-Current Liabilities		**1 146**	1 202
Total Liabilities		**2 386**	2 077
NET ASSETS		**21 550**	18 518
EQUITY:			
Retained earnings		**19 629**	18 063
Asset revaluation reserve		**1 921**	455
TOTAL EQUITY		**21 550**	18 518

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	18
Contingent assets and liabilities	19

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

	Asset Revaluation Reserve	Retained Earnings	Total
	$'000	$'000	$'000
Balance at 30 June 2006	536	16 710	17 246
Error corrections	-	296	296
Restated balance as at 30 June 2006	536	17 006	17 542
Loss on revaluation of property during 2006-07	(81)	-	(81)
Net result after restructure for 2006-07	-	1 837	1 837
Total Recognised Income and Expense for 2006-07	(81)	1 837	1 756
Derecognition of other assets during 2006-07	-	(780)	(780)
Balance at 30 June 2007	455	18 063	18 518
Gain on revaluation of property during 2007-08	812	-	812
Gain on revaluation of vehicles during 2007-08	654	-	654
Net Result after restructure for 2007-08	-	1 566	1 566
Total Recognised Income and Expense for 2007-08	1 466	1 566	3 032
Balance at 30 June 2008	**1 921**	**19 629**	**21 550**

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

Cash Flow Statement
for the year ended 30 June 2008

	Note	2008	2007
	2(b)	**Inflows**	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		**(Outflows)**	(Outflows)
CASH OUTFLOWS:		**$'000**	$'000
Employee benefit payments		**(3 012)**	(2 904)
Supplies and services		**(4 977)**	(6 473)
Government Radio Network costs		**(1 856)**	(1 732)
Grants and contributions		**(74)**	-
GST payments on purchases		**(566)**	(626)
Cash used in Operations		**(10 485)**	(11 735)
CASH INFLOWS:			
Receipts from Commonwealth		**520**	374
Interest received		**97**	53
GST receipts on receivables		**40**	29
GST recovered from the ATO		**692**	597
Other receipts		**223**	229
Cash generated from Operations		**1 572**	1 282
CASH FLOWS FROM SA GOVERNMENT:			
Contributions from Community Emergency Services Fund		**12 070**	12 513
Cash generated from SA Government		**12 070**	12 513
Net Cash provided by Operating Activities	20	**3 157**	2 060
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		**(2 653)**	(2 457)
Proceeds from the sale of property, plant and equipment		**227**	126
Proceeds from maturities of investments		**3**	-
Net Cash used in Investing Activities		**(2 423)**	(2 331)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Transfer from the Department of the Premier and Cabinet		**-**	226
Net Cash provided by Financing Activities		**-**	226
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**734**	(45)
CASH AND CASH EQUIVALENTS AT 1 JULY		**1 089**	1 134
CASH AND CASH EQUIVALENTS AT 30 JUNE	12	**1 823**	1 089

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

Objectives

The South Australian State Emergency Service (SES) was established on 1 October 2005 under the *Fire and Emergency Services Act 2005* (the Act) with the following objectives:

- to assist the Commissioner of Police, South Australian Metropolitan Fire Service and South Australian Country Fire Service in dealing with any emergency;
- to assist the State Co-ordinator, in accordance with the State Emergency Management Plan, in carrying out prevention, preparedness, response or recovery operations under the *Emergency Management Act 2004*;
- to deal with any emergency where the emergency is caused by flood or storm damage, or where there is no other body or person with lawful authority to assume control of operations for dealing with the emergency;
- to deal with any emergency until such time as any other body or person that has lawful authority to assume control of operations for dealing with the emergency has assumed control;
- to respond to emergency calls and where appropriate, provide assistance in any situation of need whether or not the situation constitutes an emergency;
- to undertake rescues.

Funding Arrangements

Funding of SES is derived from the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*.

Funds generated by Units through fund raising activities are held locally for expenditure in the local community. These funds are recognised as part of Other Income within SES's financial statements.

2. Significant Accounting Policies

(a) Statement of Compliance

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

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the SES for the reporting period ending 30 June 2008. Refer Note 4.

(b) Basis of Preparation

The presentation of the financial report requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying SES's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable Notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported;
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the accounting policy statements require the following Note disclosures, that have been included in this financial report:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies;
  - (b) expenses incurred as a result of engaging consultants;
  - (c) employees whose normal remuneration is $100 000 or more (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees;
  - (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

SES's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

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

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

(c) Reporting Entity

The SES is established under the Act. Under the Act, the SES is a separate body corporate acting on behalf of the Crown and part of the consolidated Emergency Services sector.

The financial report includes all the controlled activities of the SES.

(d) Comparative Information

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

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

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

(e) Rounding

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

(f) Taxation

SES is not subject to income tax. SES is liable for payroll tax, FBT and GST.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable;

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

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

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

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

(g) Events after Balance Date

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

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

(h) Income and Expenses

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

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

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

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

Income

The following are specific recognition criteria:

Revenues from SA Government

Contributions from the Fund are recognised as income when SES obtains control over the funding. Control over funding is normally obtained upon receipt.

Resources Received Free of Charge

Resources received free of charge are recorded as revenue in the Income Statement at their fair value.

Fees and Charges
Revenues from fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

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

Other Income
Other income consists of Commonwealth grants, fuel rebates and other minor revenues.

Expenses
Employee Benefits
Employee benefit expense includes all costs related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

Superannuation
The amount charged to the Income Statement represents the contributions made by the SES to the superannuation plan in respect of current services of current departmental staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government general purpose financial report.

(i) Current and Non-Current Classification
Assets and liabilities are characterised as either current or non-current in nature. The SES has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

(j) Cash and Cash Equivalents
Cash and cash equivalents in the Balance Sheet includes cash at bank and on hand and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above. Cash is measured at nominal value.

(k) Receivables
Receivables include amounts receivable from goods and services, GST, input tax credits recoverable, prepayments and other accruals.

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the organisation will not be able to collect the debt. Bad debts are written off when identified.

(l) Other Financial Assets
SES measures financial assets and debt at historic cost. Other financial assets recorded in the Balance Sheet are medium-term liquid maturities of between three and twelve months that are readily converted to cash and which are subject to insignificant risk of changes in value. Medium-term maturities are lodged with various financial institutions at their respective medium-term deposit rates.

(m) Non-Current Asset Acquisition and Recognition
Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet.

In accordance with APF III APS 2.15 all non-current tangible assets with a value of $10 000 or greater are capitalised.

(n) Revaluation of Non-Current Assets
Property, plant and equipment is brought to account at fair value. On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every two years and carrying amounts are adjusted accordingly.

(n) Revaluation of Non-Current Assets (continued)

If at any time management considers that the carrying amount of an asset materially differs from its fair value, the asset is revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement.

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

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

The asset revaluation reserve is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is disposed of or assets are transferred to another SA Government entity upon an administrative restructure.

(o) Impairment

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

For revalued assets an impairment loss is offset against the asset's revaluation reserve.

(p) 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.

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

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

Asset Class:	*Useful Lives (Years)*
Communications equipment	5-10
Vehicles	5-20
Plant and equipment	6-10
Computer equipment	5
Buildings	30-45

(q) Payables

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

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

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

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

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

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

(r) Employee Benefits

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

Wages, Salaries, Annual Leave and Sick Leave

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages and annual leave are payable later than 12 months, the liability will be measured at present value.

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

Long Service Leave

The liability for long service leave is recognised after an employee has completed 9 (9.1) years of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short-hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the SES's experience of employee retention and leave taken.

Employee Benefit On-Costs

Employee benefit on-costs (payroll tax, workcover and superannuation) are recognised separately under payables.

(s) Provisions

Provisions are recognised when SES has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When SES expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Balance Sheet date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

(t) Financial Liabilities

SES measures financial liabilities at historical cost.

(u) Operating Leases

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are recognised as an expense in the Income Statement on a basis, which is representative of the pattern of benefits derived from the leased assets.

(v) Administrative Restructuring

Pursuant to structural reforms announced within the 2006-07 State Budget speech on 21 September 2006, functions of the Security and Emergency Management Office (SEMO) were transferred from the Department of the Premier and Cabinet to the SES during the 2006-07 financial year (refer Note 21).

(w) Program Information

In achieving its objectives, the SES provides services within four major areas of activity: prevention, preparedness, response and recovery. These activities are classified under one program titled 'State Emergency Service'.

(x) Unrecognised Contractual Commitments and Contingent Assets and Liabilities

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

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a Note and, if quantifiable, are measured at nominal value.

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

3. Financial Risk Management

SES has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). SES's exposure to market risk and cash flow interest risk is minimal.

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

In relation to liquidity/funding risk, the continued existence of SES in its present form, and with its present programs, is dependent on Government policy and on continuing payments from the Fund for SES's administration and programs.

4. Changes in Accounting Policies

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

5. Employee Benefit Expenses	**2008 $'000**	2007 $'000
Salaries and wages	**2 222**	2 174
Payroll tax	**124**	127
Superannuation	**274**	284
Long service leave	**91**	143
Annual leave	**190**	202
Other employee related expenses	**163**	58
Total Employee Benefit Expenses	**3 064**	2 988

Remuneration of Employees The number of employees whose remuneration received or receivable was $100 000 or more during the year, fell within the following bands:	**2008 Number of Employees**	2007 Number of Employees
$100 000 - $109 999	**5**	1
$110 000 - $119 999	**3**	3
$120 000 - $129 999	**1**	2
$130 000 - $139 999	**-**	1
$140 000 - $149 999	**-**	2
$160 000 - $169 999	**1**	-
Total Number of Employees	**10**	9

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $1 172 000 ($1 112 000).

6. Supplies and Services	**2008**	2007
Supplies and Services provided by Entities within the SA Government:	**$'000**	$'000
Accommodation	**3**	5
Communication expenses	**29**	30
Computing costs	**41**	29
Consultancy, contractor and legal fees	**36**	36
Consumables	**117**	117
Energy	**10**	42
Operating lease costs	**718**	579
Operational costs	**2**	9
Other expenses	**121**	185
Repairs and maintenance	**146**	49
Travel and training	**24**	26
Total Supplies and Services - SA Government Entities	**1 247**	1 107
Supplies and Services provided by Entities external to the SA Government:		
Accommodation	**13**	12
Communication expenses	**282**	271
Computing costs	**117**	177
Consultancy, contractor and legal fees	**505**	502
Consumables	**292**	311
Energy	**62**	58
Minor plant and equipment	**582**	1 031
Operating lease costs	**144**	118
Operational costs	**135**	139
Other expenses	**446**	399
Repairs and maintenance	**679**	554
Travel and training	**429**	566
Uniforms and protective clothing	**296**	340
Total Supplies and Services - Non-SA Government Entities	**3 982**	4 478
Total Supplies and Services	**5 229**	5 585

6. Supplies and Services (continued)

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to SES not holding a valid tax invoice or payment relating to third party arrangements.

Consultancies

The number and dollar amount of consultancies paid/payable that fell within the following bands were:	**2008 Number of Consultancies**	2007 Number of Consultancies
Below $10 000	**3**	4
$10 000 - $50 000	**1**	1
Total Number of Consultants	**4**	5

	2008 $'000	2007 $'000
Below $10 000	**18**	16
$10 000 - $50 000	**13**	35
Total Amount Paid / payable to Consultants Engaged	**31**	51

7. Remuneration of Auditors

The amount due and payable for audit services provided by the Auditor-General's Department:	**20**	21
Total Auditor-General's Department	**20**	21

The auditors provided no other service.

8. Government Radio Network (GRN) Expenses

SES has been charged by Government ICT Services for costs associated with the provision of emergency communication services, including voice and paging transmission using the GRN.

	2008 $'000	2007 $'000
Contribution towards GRN - Voice	**1 567**	1 642
Contribution towards GRN - Paging	**244**	151
Total GRN Expenses	**1 811**	1 793

9. Depreciation

Depreciation expenses for the reporting period were charged in respect of:

Communications equipment	**172**	167
Vehicles	**512**	512
Plant and equipment	**158**	152
Buildings	**358**	373
Computer equipment	**96**	88
Total Depreciation	**1 296**	1 292

10. Net Gain from Disposal of Non-Current Assets

Proceeds from disposal of non-current assets	**227**	126
Less: Net book value of non-current assets disposed	**165**	89
Net Gain from Disposal of Non-Current Assets	**62**	37

11. Other Income

Fundraising by SES units	**48**	46
Assets received free of charge from Local Government	**63**	71
Other	**175**	184
Total Other Income	**286**	301

12. Cash and Cash Equivalents

Cash on hand	**1**	2
Cash at bank	**1 093**	410
Cash at bank - Groups and brigades/units	**674**	622
Short-term deposits	**2**	1
Short-term deposits - Groups and brigades	**53**	54
Total Cash and Cash Equivalents	**1 823**	1 089

Short-Term Deposits

Short-term deposits are made for varying periods of between one day and three months and are lodged with various financial institutions at their respective short-term deposit rates.

Interest Rate Risk

Cash on hand is non-interest bearing. Cash at bank earns a floating interest rate based on daily bank deposit rates, whilst short-term deposits are lodged with various financial institutions at their respective short-term deposit rates. The carrying amount of cash approximates fair value.

Correction of Error
Cash and cash equivalents for the year ended 30 June 2007 included investments of $118 000 for SES. This error had the effect of overstating cash and cash equivalents and understating investments as at 30 June 2007.

The errors have been corrected by restating each of the affected financial statement line items for the prior year.

13. Receivables

	2008	2007
Current:	$'000	$'000
Receivables	85	289
GST receivables	280	166
Total Current Receivables	**365**	455

Government/Non-Government Receivables

	2008	2007
Receivables from SA Government Entities:		
Receivables	54	270
Total Receivables from SA Government Entities	**54**	270
Receivables from Non-SA Government Entities:		
Receivables	31	19
GST receivable	280	166
Total Receivables from Non-SA Government Entities	**311**	185
Total Receivables	**365**	455

Provision for Doubtful Debts
The provision for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired.

	2008	2007
Movements in the provision for doubtful debts (impairment loss)	$'000	$'000
Carrying amount at 1 July	-	-
Increase in the provision	(30)	-
Amounts written off	30	-
Carrying amount at 30 June	**-**	-

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

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

(a) Maturity analysis of receivables - refer to Note 22.
(b) Categorisation of financial instruments and risk exposure information - refer to Note 22.

14. Non-Current Assets

(a) Property, Plant and Equipment

2008

	Cost / Valuation $'000	Accumulated Depreciation $'000	Written Down Value $'000
Land at independent valuation	1 613	-	1 613
Buildings at independent valuation	9 093	(24)	9 069
Buildings at cost	430	(37)	393
Vehicles at independent valuation	7 392	-	7 392
Communications equipment at independent valuation	830	-	830
Computer equipment	523	(308)	215
Plant and equipment	1 691	(721)	970
Work in progress	1 151	-	1 151
Total Property, Plant and Equipment	**22 723**	**(1 090)**	**21 633**

2007

	Cost/ Valuation $'000	Accumulated Depreciation $'000	Written Down Value $'000
Land at independent valuation	995	-	995
Land at cost	140	-	140
Buildings at independent valuation	4 323	(166)	4 157
Buildings at cost	1 629	(99)	1 530
Vehicles at independent valuation	6 568	(438)	6 130
Vehicles at cost	1 179	(80)	1 099

(a) Property, Plant and Equipment (continued)

	2007		
	Cost/ Valuation $'000	Accumulated Depreciation $'000	Written Down Value $'000
Communications equipment at cost	1 705	(988)	717
Computer equipment at cost	523	(212)	311
Plant and equipment at cost	1 540	(563)	977
Work in progress	2 877	-	2 877
Total Property, Plant and Equipment	21 479	(2 546)	18 933

Valuation of Assets
Independent valuations for land, buildings, vehicles and communication assets were obtained on a rolling basis as at 30 June 2007 and 30 June 2008 from Liquid Pacific. The valuer arrived at fair value on the basis of open market values for existing use.

Impairment
There were no indications of impairment for property, plant and equipment as at 30 June 2008.

Resources Received Free of Charge
Since 1999 negotiations have been undertaken to identify and transition land, buildings, minor plant and equipment and motor vehicles from Local Government, community organisations and other sources into the ownership or the care and control of the Minister for Emergency Services (the Minister).

During 2007-08 two additional properties (shared with CFS) have been transitioned into the control of the Minister (valued at fair value of $63 000).

Change in Accounting Estimate
As from 1 July 2007, SES increased its useful life policy for new buildings from 30 years to 40 years. This change in accounting estimate has impacted on depreciation expense for buildings completed and upgraded during 2007-08 and resulted in building depreciation expense decreasing by $16 000 compared to the former 30 year useful life policy.

The lower depreciation expense will also be reflected in future years.

(b) Reconciliation of Non-Current Assets

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

	Land and Buildings $'000	Vehicle $'000	Communi-cations Equipment $'000	Computer Equip-ment $'000	Plant and Equip-ment $'000	Work in Progress $'000	**Total $'000**
Carrying amount at 1 July	6 822	7 229	717	311	977	2 877	**18 933**
Additions	6	-	-	-	20	2 627	**2 653**
Transfer from WIP	3 831	85	306	-	131	(4 353)	**-**
Disposals	(101)	(64)	-	-	-	-	**(165)**
Revaluation	812	654	-	-	-	-	**1 466**
Revaluation - recognised	-	-	(21)	-	-	-	**(21)**
Depreciation	(358)	(512)	(172)	(96)	(158)	-	**(1 296)**
Transfer from various parties	63	-	-	-	-	-	**63**
Change in accounting estimates	-	-	-	-	-	-	**-**
Carrying Amount at 30 June	11 075	7 392	830	215	970	1 151	**21 633**

The following table shows the movement of non-current assets during 2006-07.

	Land and Buildings $'000	Vehicle $'000	Communi-cation Equipment $'000	Computer Equip-ment $'000	Plant and Equip-ment $'000	Work in Progress $'000	Total $'000
Carrying amount at 1 July	6 068	7 380	1 017	756	1 303	1 826	18 350
Correction of error	-	-	-	-	-	296	296
Restated carrying amount at 1 July	6 068	7 380	1 017	756	1 303	2 122	18 646
Additions	-	1	51	1	16	2 388	2 457
Transfer from WIP	1 136	449	-	48	-	(1 633)	-
Disposals	-	(89)	-	-	-	-	(89)
Revaluation	(81)	-	-	-	-	-	(81)
Depreciation	(373)	(512)	(167)	(88)	(152)	-	(1 292)
Transfer from various parties	72	-	-	-	-	-	72
Change in accounting estimate	-	-	-	-	-	-	-
Asset de-recognition	-	-	(184)	(406)	(190)	-	(780)
Carrying Amount at 30 June	6 822	7 229	717	311	977	2 877	18 933

15. Payables

	2008	2007
	$'000	$'000
Current Liabilities:		
Creditors	**397**	230
Accrued expenses	**174**	236
FBT payable	**80**	-
Employment on-costs	**58**	41
Total Current Payables	**709**	507
Non-Current Liabilities:		
Employment on-costs	**64**	72
Total Non-Current Payables	**64**	72
Total Payables	**773**	579

Government/Non-Government Payables

	2008	2007
Payables to SA Government Entities:		
Creditors	**293**	55
Accrued expenses	**100**	146
Employment on-costs	**58**	57
Total Payables - SA Government Entities	**451**	258
Payables to Non-SA Government Entities:		
Creditors	**104**	175
Accrued expenses	**74**	90
FBT payable	**80**	-
Employment on-costs	**64**	56
Total Payables - Non-SA Government Entities	**322**	321
Total Payables	**773**	579

Interest Rate and Credit Risk

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

(a) Maturity analysis of payables - refer to Note 22.
(b) Categorisation of financial instruments and risk exposure information - refer to Note 22.

16. Employee Benefits

	2008	2007
	$'000	$'000
Current Liabilities:		
Annual leave	**242**	207
Long service leave	**70**	20
	312	227
Accrued salaries and wages	**54**	24
Total Current Employee Benefits	**366**	251
Non-Current Liabilities:		
Long service leave	**688**	751
Total Non-Current Employee Benefits	**688**	751
Total Employee Benefits	**1 054**	1 002

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2008 is $423 000 and $752 000 respectively.

Based on an actuarial assessment performed by the Department of Treasury and Finance, the benchmark for the measurement of the long service leave liability has been revised from 9.1 years to 9 years.

17. Provisions

	2008	2007
	$'000	$'000
Current Liabilities:		
Provision for workers compensation	**165**	117
Total Current Provisions	**165**	117
Non-Current Liabilities:		
Provision for workers compensation	**394**	379
Total Non-Current Provisions	**394**	379
Total Provisions	**559**	496
Carrying amount at 1 July	**496**	438
Additional provisions recognised (released)	**205**	155
Payments	**(142)**	(97)
Carrying Amount at 30 June	**559**	496

17. Provisions (continued)

SES has reported a liability to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. SES's liability is an allocation of the Justice Portfolio's total assessment.

A separate valuation of liabilities of SES has not been undertaken and if such a valuation was performed it may result in a different assessed liability. SES fully funds this provision for both employees and volunteers.

18. Unrecognised Contractual Commitments

Commitments for Capital Expenditure	**2008 $'000**	2007 $'000
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report are payable as follows:		
Within one year	**584**	154
Later than one year but not later than five years	**-**	-
Total Capital Commitments	**584**	154

These capital commitments are for buildings.

Remuneration Commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	**172**	31
Later than one year but not later than five years	**273**	215
Total Remuneration Commitments	**445**	246

Amounts disclosed include commitments arising from executive contracts. SES does not offer fixed-term remuneration contracts greater than five years. Salary increases of 4.5 percent per annum have been assumed in the calculation of remuneration commitments.

Operating Lease Commitments	**2008 $'000**	2007 $'000
Commitments in relation to operating leases are contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	**809**	624
Later than one year but not later than five years	**1 700**	904
Later than five years	**-**	-
Total Operating Lease Commitment	**2 509**	1 528

The above-mentioned operating lease payments are not recognised in the financial statements as liabilities.

These non-cancellable leases relate to vehicle and property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement.

19. Contingent Assets and Liabilities

SES has one contingent liability in the form of unresolved litigation. This liability is likely to be finalised early in the 2008-09 financial year, however the outcome cannot be reliably determined. The financial exposure to SES is limited to $10 000 excess under insurance arrangements.

SES is not aware of any contingent assets.

20. Cash Flow Reconciliation

Reconciliation of Cash and Cash Equivalents	**2008 $'000**	2007 $'000
Cash at 30 June as per:		
Cash Flow Statement	**1 823**	1 089
Balance Sheet	**1 823**	1 089

Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services

Net cash provided by operating activities	**3 157**	2 060
Contributions from Community Emergency Services Fund	**(12 070)**	(12 513)
Add (Less): Non-cash items:		
Assets received from local government	**63**	72
Depreciation	**(1 296)**	(1 292)
Net gain from disposal of non-current assets	**62**	37
Revaluations recognised in Income Statement	**(21)**	-
Change in Assets and Liabilities:		
(Decrease) Increase in receivables	**(90)**	9
(Increase) Decrease in payables	**(194)**	867
Increase in provision for employee benefits	**(52)**	(84)
Increase in provisions	**(63)**	(58)
Net Cost of Providing Services	**(10 504)**	(10 902)

21. Administrative Restructure

Transferred functions for the 2006-07 year comprise net assets transferred to SES in relation to the transferred functions of SEMO from the Department of the Premier and Cabinet.

	2007 $'000
Current assets - Cash	226
Total Net Revenue from Administrative Restructure for 2006-07	226

22. Financial Instruments/Financial Risk Management

Categorisation of Financial Instruments

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

		2008		2007	
Financial Assets	Note	**Carrying Amount $'000**	**Fair Value $'000**	Carrying Amount $'000	Fair Value $'000
Cash and cash equivalents	12	**1 823**	**1 823**	1 089	1 089
Loans and receivables:					
Receivables[(1)]	13	**85**	**85**	289	289
Held to maturity investments:					
Other financial assets	2(l)	**115**	**115**	118	118
Financial Liabilities					
Financial liabilities at cost:					
Payables[(1)]	15	**633**	**633**	528	528
Total Financial Liabilities at cost		**633**	**633**	528	528

(1) Receivable and payment amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax, audit receivables/payables etc they would be excluded from the disclosure. The Standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on-cost which are determined via reference to the employee benefit liability to which they relate.

Credit Risk

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

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

Ageing Analysis of Financial Assets

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

	Past Due By			
2008	**Overdue for less than 30 Days $'000**	**Overdue for 30-60 Days $'000**	**Overdue for more than 60 Days $'000**	**Total $'000**
Not Impaired:				
Receivables	**40**	**-**	**45**	**85**
Other financial assets	**115**	**-**	**-**	**115**
2007				
Not Impaired:				
Receivables	22	267	-	289
Other financial assets	118	-	-	118

Maturity Analysis of Financial Assets and Liabilities

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

	Contractual Maturity			
	Carrying Amount	**Less than 1 Year**	**1-5 Years**	**More than 5 Years**
2008	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets:				
Cash and cash equivalent	**1 823**	**1 823**	**-**	**-**
Receivables	**85**	**85**	**-**	**-**
Other financial assets	**115**	**115**	**-**	**-**
Total Financial Assets	**2 023**	**2 023**	**-**	**-**
Financial Liabilities:				
Payables	**633**	**633**	**-**	**-**
Total Financial Liabilities	**633**	**633**	**-**	**-**
2007				
Financial Assets:				
Cash and cash equivalent	1 089	1 089	-	-
Receivables	289	289	-	-
Other financial assets	118	118	-	-
Total Financial Assets	1 496	1 496	-	-
Financial Liabilities:				
Payables	528	528	-	-
Total Financial Liabilities	528	528	-	-

The financial assets and liabilities of SES are all current with maturity within the next 12 months, except employee on-costs (within payables) which are not practical to split the maturity by band of years.

Liquidity Risk

The SES is funded principally from contributions from the Fund. The SES works with the Fund Manager of the Fund to determine cash flows associated with its Government approved program of work and with the Department of Treasury and Finance to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

SES's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in Note 22 'Categorisation of Financial Instruments' represents SES's maximum exposure to financial liabilities.

Market Risk

The SES has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). The SES's exposure to market risk and cash flow interest risk is minimal. There is no exposure to foreign currency or other price risks.

Sensitivity Disclosure Analysis

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

SOUTH AUSTRALIAN SUPERANNUATION BOARD

FUNCTIONAL RESPONSIBILITY

Establishment

The South Australian Superannuation Board (the Board) is a body corporate established by subsection 6(2) of the *Superannuation Act 1988* (the Act). The Board is responsible to the Treasurer.

Functions

The Board is responsible for the administration of the following three superannuation schemes:

- South Australian Superannuation Scheme (the Scheme) under the Act comprising:
  - South Australian Superannuation Fund
  - Employer Contribution Accounts.
- Southern State Superannuation Scheme (the Triple S Scheme) under the *Southern State Superannuation Act 1994* comprising:
  - Southern State Superannuation Fund
  - Southern State Superannuation (Employers) Fund
  - Super SA Allocated Pension
  - Super SA Flexible Rollover.
- South Australian Ambulance Service Superannuation Scheme (the SA Ambulance Scheme) under Schedule 3 of the Act.

The Board's administration of these three schemes encompasses maintenance of:

- accounts in the name of all members
- employer contribution accounts
- proper accounts for each financial year on receipts of contributions and payments of benefits.

For further details of the Board's functions refer to Note 1 of the financial report. For details of the objectives, scheme structures and funding arrangements of the superannuation schemes refer to Note 1 of the financial report of the individual superannuation schemes which directly follow this section of Part B of this Report.

Service Provision Arrangements

The Board utilises the services of the Department of Treasury and Finance – State Superannuation Office (Super SA) to administer the superannuation schemes. The services provided are defined in a service level contract.

The Superannuation Funds Management Corporation of South Australia (Funds SA) is responsible for the investment and management of the schemes' funds under the above legislation and the *Superannuation Funds Management Corporation of South Australia Act 1995*.

For further information on 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.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

Information on the audit coverage, findings and audit opinion on the financial reports of the individual superannuation schemes is provided under the 'South Australian Ambulance Service Superannuation Scheme', 'South Australian Superannuation Scheme' and 'Southern State Superannuation Scheme' which directly follow this section of Part B of this Report.

The commentary under the heading 'Communication of Audit Matters' provides the overall issues that are not covered in the comments on the individual schemes.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the South Australian Superannuation Board as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

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

Communication of Audit Matters

The audit indicated that the internal controls over the Board's administration of the schemes were generally satisfactory. Some matters were detailed in a management letter to the Presiding Member of the Board.

The matters related to improving control procedures, notably for the follow up of outstanding presented cheques; applying consistent administrative practices across the superannuation schemes; and evidencing the independent review of benefit payment processing functions. Responses from management effectively addressed the matters raised.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

The Board, with the approval of the Treasurer, has prepared its first financial report to improve the transparency and accountability of its operations. In prior years, the Board's operations were reflected in the financial reports of the three superannuation schemes which it administers.

Highlights of the Financial Report

	2008 $'million	2007 $'million	Percentage Change
Total Income	**15.3**	15.9	(4)
Total Expenses	**14.1**	15.1	(7)
Net Surplus	**1.2**	0.8	50
NET CASH PROVIDED BY OPERATING ACTIVITIES	**1.1**	0.8	38
ASSETS			
Cash and cash equivalents	**3.3**	2.4	38
Receivables	**0.3**	-	100
Total Assets	**3.6**	2.4	50
Total Liabilities	**0.2**	-	100
EQUITY	**3.4**	2.4	42

Income Statement

The net surplus for the year was $1.2 million. This result reflects:

- revenues from fees and charges of $15.3 million. A majority of this amount represents the administration fee charged to the three superannuation schemes administered by the Board.

- administration expense of $14.1 million. A majority of this amount represents the costs paid to the Department of Treasury and Finance for administrative services.

Income Statement
for the year ended 30 June 2008

	Note	2008	2007
INCOME:		**$'000**	$'000
Revenue from fees and charges	2(g)	**15 332**	15 933
Total Income		**15 332**	15 933
EXPENSES:			
Administration expense	2(g)	**14 134**	15 084
Total Expenses		**14 134**	15 084
NET SURPLUS		**1 198**	849

Net surplus is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2008

	Note	2008	2007
CURRENT ASSETS:		**$'000**	$'000
Cash and cash equivalents	2(h)	**3 262**	2 170
Receivables	2(i)	**322**	-
Total Assets		**3 584**	2 170
CURRENT LIABILITIES:			
Payables	2(j)	**216**	-
Total Liabilities		**216**	-
NET ASSETS		**3 368**	2 170
EQUITY:			
Reserves	4	**3 368**	2 170
TOTAL EQUITY		**3 368**	2 170

Total equity is attributable to the SA Government as owner

Contingent assets and liabilities 5

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

	Reserves	Retained Earnings	Total
	$'000	$'000	$'000
Balance as at 30 June 2006	1 321	-	1 321
Total recognised income and expenses for 2006-07	-	849	849
Transferred to Reserves	849	(849)	-
Balance as at 30 June 2007	2 170	-	2 170
Total recognised income and expense for 2007-08	-	1 198	1 198
Transferred to Reserves	1 198	(1 198)	-
Balance as at 30 June 2008	**3 368**	**-**	**3 368**

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

Cash Flow Statement
for the year ended 30 June 2008

		2008	2007
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	**$'000**	$'000
CASH OUTFLOWS:			
Administration expenses		**13 198**	15 084
Cash used in Operations		**13 198**	15 084
CASH INFLOWS:			
Receipts from fees and charges		**15 010**	15 933
Cash generated from Operations		**15 010**	15 933
Net Cash provided by Operating Activities	7	**1 092**	849
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1 092**	849
CASH AND CASH EQUIVALENTS AT 1 JULY		**2 170**	1 321
CASH AND CASH EQUIVALENTS AT 30 JUNE		**3 262**	2 170

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding of the South Australian Superannuation Board

(a) Objectives of the South Australian Superannuation Board

The South Australian Superannuation Board (the Board) was established under section 6 of the *Superannuation Act 1988* (the Act) and is responsible to the Treasurer for all aspects of the administration of the Act (Pension and Lump Sum schemes), and the *Southern State Superannuation Act 1994* (Triple S Scheme, Flexible Rollover Product and Allocated Pension), except for investment matters relating to the schemes and products. Under clause 2(1)(d) of Schedule 3 of the Act, the Treasurer has declared that the Board act as the Trustee of the SA Ambulance Service Superannuation Scheme and be responsible for administering the Trust Deed and Rules.

The Act provides that the Board may, with the approval of the Treasurer, make use of the staff or facilities of an administrative unit of the SA Public Sector. The State Superannuation Office, a branch of the Department of Treasury and Finance, provides administrative services to the Board. The State Superannuation Office adopts the 'Super SA' name as administrator of the Board schemes. The superannuation legislation also provides for the Board to charge administration costs.

(a) Objectives of South Australian Superannuation Board (continued)

The Board is responsible for payment of the Service Level Agreement (SLA) to the Department of Treasury and Finance for costs incurred in the administration of the Schemes. This amount is then recouped from the various Schemes as per the Board's authority.

The Board has carefully considered anticipated future expenditure and sets aside money to cover expected future administrative costs.

(b) Format and Content of Financial Report

The Board, with the approval of the Treasurer, has prepared its first general purpose financial report to improve the transparency and accountability of its operations. In prior years, the Board's operations were reflected in the financial reports of the following public sector superannuation schemes which it administers:

- South Australian Superannuation Scheme
- Southern State Superannuation Scheme
- South Australian Ambulance Service Superannuation Scheme.

2. Summary of Significant Accounting Policies

(a) Statement of Compliance

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

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2008. The impact of the new and amended Standards has been assessed and there will be no impact on the accounting policies.

(b) Basis of Preparation

The preparation of the financial report requires:

- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported;
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following Note disclosures, which have been included in this financial report:
  - revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. All transactions of the Board are with SA Government, except bank fees;
  - board member and remuneration information, where a board member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Board's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis.

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

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

(c) Comparative Information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific accounting policy statement or Australian accounting standard has required a change.

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

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

(d) Rounding

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

(e) Taxation

The Board is not subject to income tax. The Board is not registered for GST and no GST is recoverable or payable to the ATO.

(f) Events After Balance Date

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

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

(g) Income and Expenses

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

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

The following are specific recognition criteria:

Income

Revenue is derived from the recovery of the administration fee from the three superannuation schemes which the Board administers.

Interest comprises of the interest received on the cash held in the Deposit Account at the applicable SA Government rate and advised monthly by the Department of Treasury and Finance.

Expenses

Administration expense is the payment of the administration fee to the Department of Treasury and Finance for the provision of services to the Board. This expense is recognised upon delivery of the service.

(h) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet includes deposits with the Treasurer and cash on hand.

For the purpose of the Cash Flow Statement cash consists of cash and cash equivalents as outlined above.

Cash is measured at nominal value.

(i) Receivables

Receivables include amounts owing for services provided prior to the end of the reporting period that are unpaid at the end of the reporting period. Receivables include all amounts not received relating to the normal operations of the Board.

(j) Payables

Payables include creditors and accrued expenses.

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

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

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

3. Auditor's Remuneration

	2008 $'000	2007 $'000
Audit fees paid/payable to the Auditor-General's Department	**14**	-
Total Auditor's Remuneration	**14**	-

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

4. Reserves

Reserves:	Opening Balance $'000	Transfers to Reserve $'000	Transfers from Reserve $'000	**2008 $'000**	2007 $'000
Board Election Reserve [(i)]					
South Australian Superannuation Scheme	85	1	-	**86**	85
Southern State Superannuation Scheme	115	1	-	**116**	115
Office Administration Reserve [(ii)]					
South Australian Superannuation Scheme	169	534	-	**703**	169
Southern State Superannuation Scheme	221	356	-	**577**	221
Capital and Development Reserve [(iii)]					
South Australian Superannuation Scheme	804	306	-	**1 110**	804
Southern State Superannuation Scheme	479	-	-	**479**	479
Triple S Investment Reserve [(iv)]					
Southern State Superannuation Scheme	297	-	-	**297**	297
Total Reserves	2 170	1 198	-	**3 368**	2 170

The transfers to/from Reserves are outlined below:

(i) The Board Election Reserve represents amounts which have been put aside for the three yearly board election costs. These amounts represent investment earnings received during the year.

4. Reserves (continued)

(ii) The Office Administration Reserve represents amounts which are to be used on the approval of the Board for specified purposes and any unspent funds are returned to this reserve on a yearly basis. These amounts represent investment earnings received during the year plus the refund of the under spent SLA for 2007-08.

(iii) The Capital and Development Reserve represents amounts which have been put aside for future capital replacement costs. The transfer to Reserves for the South Australian Superannuation Scheme represents investment earnings received during the year plus a refund of $225 000 from the SA Ambulance Service Superannuation Scheme for initial implementation costs.

(iv) The Triple S Investment Reserve – Prior to the merger of the Triple S Scheme and the State Superannuation Benefit Scheme 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. Transfers from the Investment Reserve represent adjustments processed to member accounts to correct data integrity issues, while transfers to the Investment Reserve are due to interest income. While the level of data integrity adjustments is now minimal, the Board has endorsed the maintenance of the Reserve to cover any shortfall in legal liability cover from SAICORP.

5. Contingent Assets and Liabilities

The Board is not aware of any contingent assets or liabilities.

6. Remuneration of Board Members

Members that were entitled to receive remuneration for membership during the 2008 financial year were:

Super SA Board

Hedley Bachmann	1 July 2007 - 30 June 2008
*Kevin Cantley (John Wright - Deputy)	1 July 2007 - 30 June 2008
*#Virginia Deegan (Liz Hipala - Deputy)	1 July 2007 - 30 June 2008
Jan McMahon (Leah York - Deputy)	1 July 2007 - 30 June 2008
Ros Sumner (Joslene Mazel - Deputy)	1 July 2007 - 30 June 2008

The number of members whose remuneration received or receivable falls within the following bands:	**2008 Number**	2007 Number
$1 - $9 999	**1**	1
$20 000 - $29 999	**2**	3
$30 000 - $39 999	**1**	-
	4	4

Remuneration of members reflects all costs of performing board member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangement. The total remuneration of the SA Super Board members was $79 000 ($75 000).

Amounts paid to a superannuation plan for board members was $6900 ($6600).

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

\# Virginia Deegan ceased to be a SA Government employee on 28 March 2008 consequently was eligible for remuneration for board services from that date.

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

7. Cash Flow Reconciliation

	2008	2007
Reconciliation of cash and cash equivalents - Cash at 30 June as per:	**$'000**	$'000
Cash and cash equivalents disclosed in the Balance Sheet	**3 262**	2 372
Balance as per Cash Flow Statement	**3 262**	2 372
Reconciliation of Net Surplus to Net Cash provided by Operating Activities		
Net surplus	**1 198**	849
Movement in assets and liabilities:		
(Increase) in receivables	**(322)**	-
Increase in payables	**216**	-
Net Cash provided by Operating Activities	**1 092**	849

8. Financial Instruments

The Board holds all cash in a Deposit Account with the Department of Treasury and Finance which receives interest at the applicable SA Government rate. There is minimal financial risk associated with the Board's financial instruments.

SOUTH AUSTRALIAN AMBULANCE SERVICE SUPERANNUATION SCHEME

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Section 9 of Schedule 3 of the *Superannuation Act 1988* provides for the Auditor-General to audit the accounts and financial statements of the South Australian Ambulance Service Superannuation Scheme (the Scheme) for each financial year.

Scope of Audit

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

During 2007-08, areas of review included:

- receipting and banking of contributions
- processing of contribution data
- maintenance of member accounts
- benefit payments
- liability for accrued benefits.

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

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations), the net assets of the South Australian Ambulance Service Superannuation Scheme as at 30 June 2008 and the changes in net assets for the year ended 30 June 2008.

Communication of Audit Matters

The audit did not identify any specific matters relating to the Scheme's operations that warranted formal communication to the South Australian Superannuation Board.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

In accordance with AAS 25, the financial report comprises a Statement of Net Assets and a Statement of Changes in Net Assets. Consequently, a Statement of Cash Flows has not been prepared and benefit related liabilities are disclosed in the Notes to the financial statements.

Highlights of the Financial Report

	2008	2007	Percentage
	$'000	$'000	Change
REVENUE			
Contribution revenue	**13.9**	11.2	24
Investment revenue	**(12.2)**	18.7	-
Other revenue	**0.2**	0.2	-
Transfer from SA Ambulance Service Superannuation Fund	**-**	94.6	-
Total Revenue	**1.9**	124.7	(98)

	2008 $'000	2007 $'000	Percentage Change
EXPENSES			
Benefit expenses	**5.4**	4.4	23
Other expenses	**1.1**	1.0	10
Income tax expense	**(1.0)**	3.4	-
Total Expenses	**5.5**	8.8	38
Net (Decrease) Increase in Funds	**(3.7)**	115.9	-
ASSETS			
Investments	**112.2**	118.8	(6)
Other assets	**3.2**	0.6	-
Total Assets	**115.4**	119.4	(3)
LIABILITIES			
Current liabilities	**3.2**	2.7	19
Non-current liabilities	**-**	0.8	(100)
Total Liabilities	**3.2**	3.5	(9)
Net Assets available to Pay Benefits	**112.2**	115.9	(3)

Statement of Changes in Net Assets

There was a net decrease in funds of $3.7 million for 2007-08 (net increase of $115.9 million in 2006-07), reflecting the following matters:

- In 2006-07 the Scheme received net assets of $94.6 million from the former Scheme. Refer to Note 12 of the financial report.

- In 2007-08 the Scheme experienced negative returns on investments of $12.2 million. Investment returns are further discussed in the audit commentary for Funds SA elsewhere in Part B of this Report.

Statement of Net Assets

The main item in the Statement of Net Assets is investments which decreased by $6.6 million to $112.2 million. The decrease is due mainly to the decrease in investment revenue for 2007-08.

FURTHER COMMENTARY ON OPERATIONS

Liability for Accrued Benefits

An actuarial review is undertaken every three years. The most recent review was undertaken as at 30 June 2005. The estimated liability for accrued benefits at 30 June 2005 was $78.4 million as disclosed in Note 9 of the financial report.

The vested benefits as at 30 June 2008 were $111.9 million as disclosed in Note 10 of the financial report. Vested benefits represent benefits which members are entitled to receive had their membership been terminated at reporting date.

Members

The number of members and contributions received for the year were:

	2008	2007
Non-contributory members	**52**	60
Contributory members	**1 104**	1 017
Contributions from members received ($'000)	**1 306**	1 201

Statement of Changes in Net Assets for the year ended 30 June 2008

	Note	**2008 $'000**	2007 $'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT 1 JULY		**115 895**	-
REVENUE:			
Investment revenue		**(12 223)**	18 692
Other revenue		**203**	184
Contribution revenue:			
Contributions by employers	3	**11 155**	8 781
Contributions by members		**1 306**	1 201
Rollovers from other schemes		**1 387**	1 070
Spouse contributions		**13**	11
Government co-contributions		**71**	108
Total Contribution Revenue		**13 932**	11 171
Transfers from SA Ambulance Service Superannuation Fund	12	**-**	94 675
Total Revenue		**1 912**	124 722
EXPENSES:			
Direct investment expense		**526**	608
Administration expense	4	**580**	372
Benefit expense	8	**5 488**	4 425
Total Expenses		**6 594**	5 405
INCOME TAX EXPENSE	14(a)(b)	**(1 017)**	3 422
NET (DECREASE) INCREASE IN FUNDS		**(3 665)**	115 895
NET ASSETS AVAILABLE TO PAY BENEFITS AT 30 JUNE		**112 230**	115 895

Statement of Net Assets
as at 30 June 2008

	Note	**2008**	2007
		$'000	$'000
INVESTMENTS:			
Inflation linked securities		**14 128**	12 724
Property		**9 368**	10 908
Australian equities		**37 609**	42 462
International equities		**24 437**	27 047
Fixed interest		**16 387**	15 017
Diversified strategies - Growth		**2 591**	2 304
Diversified strategies - Income		**6 459**	4 424
Cash		**1 237**	3 960
Total Investments		**112 216**	118 846
OTHER ASSETS:			
Cash and cash equivalents		**966**	516
Contributions receivable		**-**	3
Deferred tax assets	14(e)	**2 262**	4
Other receivables		**29**	35
Total Other Assets		**3 257**	558
Total Assets		**115 473**	119 404
CURRENT LIABILITIES:			
Benefits payable		**232**	38
Pre-paid contributions		**455**	-
Other liabilities		**97**	30
Current tax liabilities	14(c)	**2 458**	2 669
Total Current Liabilities		**3 242**	2 737
NON-CURRENT LIABILITIES:			
Deferred tax liabilities	14(d)	**1**	772
Total Liabilities		**3 243**	3 509
NET ASSETS AVAILABLE TO PAY BENEFITS		**112 230**	115 895

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) SA Ambulance Service Superannuation Scheme

On 29 June 2006, the Treasurer declared the South Australian Ambulance Service Superannuation Scheme (the Scheme) a scheme and fund established pursuant to clause 2 of Schedule 3 of the *Superannuation Act 1988* (the Act). The net assets of the SA Ambulance Service Superannuation Fund (the former Scheme) as at 30 June 2006 were transferred to the Scheme.

The Scheme is an exempt public sector superannuation scheme in terms of Schedule 1AA of the Superannuation Industry (Supervision) Regulations 1994 (Cwlth). The Scheme is a taxed scheme by virtue of Schedule 4 of the Income Tax Assessment Regulations 1997 (Cwlth).

(a) SA Ambulance Service Superannuation Scheme (continued)

The Scheme is governed by a Trust Deed and Rules pursuant to the Act and became effective from 1 July 2006. The Scheme's membership includes contributory, non-contributory, spouse, and preserved members. The main benefit for contributory members is a defined benefit. Non-contributory, spouse and preserved members are only entitled to non-defined accumulation benefits. A member, other than a spouse member, has the option of transferring between the category of being a contributory and non-contributory member. The Scheme provides benefits to members on retirement, resignation, death, permanent or temporary disablement and serious ill health.

Member and Employer contributions are deposited by the Treasurer into the fund established for the Scheme (the Fund).

(b) South Australian Superannuation Board

Pursuant to clause 2(1)(d) of Schedule 3 of the Act, the Treasurer declared the South Australian Superannuation Board (the Board) the Trustee of the Scheme from 1 July 2006. As Trustee of the Scheme, the Board is responsible for administering the Trust Deed and Rules.

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

Pursuant to clause 2(1)(c) of Schedule 3 of the Act, the Treasurer declared the Fund to be invested and managed by Funds SA from 1 July 2006.

For further information on the investment of the Fund, reference should be made to the annual report of Funds SA.

(d) Funding Arrangements

For the year ended 30 June 2008, contributory members contributed 5 percent of salary from post-tax salary or 5.9 percent of salary from pre-tax salary. Members could also make additional voluntary contributions on either a pre-tax or post-tax basis. The employer contributed at the rate of 11.6 percent of member salaries. For members who were entitled to the SA Ambulance Service Award superannuation benefit under the Scheme, the employer contributed an additional 3 percent of salaries (3.72 percent for Elective services employees and Emergency services staff).

Non-contributory members are employees employed on a casual basis or those employees who elected prior to 30 June 2006 to not be a defined benefit member. Non-contributory members may make voluntary post-tax or pre-tax contributions. The employer contribution for non-contributory members is 9 percent of salary in order to satisfy the Superannuation Guarantee requirements under Commonwealth law.

From 1 July 2006, the insurance cover for Death, Total and Permanent Disablement and Income Protection was provided as a self-insurance arrangement within the fund, and funded by a specific additional contribution paid by the employer. The 11.6 percent employer contribution for the defined benefit scheme members comprises: 1 percent represents administration expenses, 1 percent represents insurance premiums for Death and Total and Permanent Disablement cover, and 1.2 percent premiums for Income Protection cover and 8.4 percent for the defined benefit employer contribution. The components, which comprise Contributions by employers, are provided in Note 3.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

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

AAS 25 is the principal standard applied in preparing this financial report. Other Accounting Standards are also applied where necessary except to the extent that they differ from AAS 25. A number of AASs have been issued or amended and may be applicable to the Scheme but are not yet effective. The impact of the new and amended standards has been assessed and there will be no impact on the accounting policies.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

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

(b) Basis of Valuations of Assets and Liabilities

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

(i) Inflation Linked Securities

The Inflation Linked Securities portfolio comprises two sub-sectors:

- *Internally Managed*

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

(i) Inflation Linked Securities (continued)

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

(ii) Property

Property portfolio comprises two sub-sectors:

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

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

(iii) Australian Equities

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

(iv) International Equities

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

(v) Fixed Interest

Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified Strategies (Growth)

Diversified Strategies (Growth) portfolio comprises investments in domestic and overseas private equity funds and domestic and overseas pooled funds, which are invested and managed by external managers. Valuations of private equity funds are based on the most recently available valuations by the relevant managers. Both domestic and international funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (October 2006). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies (Income)

Diversified Strategies (Income) portfolio comprises investments in both domestic (Australian) and overseas pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) Cash

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

(c) Income Tax

The Scheme is a complying superannuation fund within the provisions of the ITAA and accordingly the concessional tax rate of 15 percent has been applied.

Current Tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities, which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Scheme expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

(d) Operation of Investment Portfolio

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2008, Funds SA managed seven separate investment options distinguished by differing strategic asset allocations, namely:

- High Growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital Defensive
- Cash.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options.

(e) Revenue

Superannuation contributions are brought to account on an accrual basis. Transfers and rollovers from other schemes are brought to account when received. Other revenue is brought to account on an accrual basis.

Spouse contributions are additional voluntary contributions by members on behalf of an eligible spouse. Government co-contributions are additional contributions made by the Federal Government on behalf of eligible members. Rollovers from other schemes are contributions received by the Board from external agencies on behalf of the SA Ambulance Service members.

(f) Receivables and Payables

Receivables are carried at nominal amounts due which approximate fair value.

Benefits payable comprises the entitlements of members who ceased employment prior to year end but had not been paid at that time.

(g) GST

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

Receivables and payables in the Statement of Net Assets are shown inclusive of GST.

(h) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank, demand deposits and short-term, highly liquid investments that are readily converted to known amounts of cash.

3. Contributions by Employers

	2008	2007
	$'000	$'000
Employer contributions	**9 374**	7 433
Group life premiums	**1 224**	927
Administration expense	**557**	421
	11 155	8 781

4. Administration Expenses

	2008	2007
	$'000	$'000
Administration fees	261	251
Other expenses	19	121
Transfer to the Board	300	-
	580	372

5. Auditor's Remuneration

Amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Scheme for the reporting period totalled $22 000 ($21 000). No other services were provided by the Auditor-General's Department.

6. Consultancy Expense

The number and dollar amount of consultancies paid/payable that fell within the following bands:	Number	2008 $'000	2007 $'000
Below $10 000	4	-	14
Between $10 000 and $50 000	2	-	44
Total Paid/Payable to Consultants Engaged	6	-	58

7. Direct Investment Expense

Direct Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount based on the Scheme's proportionate investment.

8. Benefits Expense

	2008	2007
	$'000	$'000
Retirement	2 884	2 207
Resignation	959	1 541
Total and permanent disablement	1 319	630
Death	290	-
Disability income protection	6	33
Temporary disablement	30	14
	5 488	4 425

9. Liability for Accrued Benefits

Actuarial valuations to determine the liability for accrued benefits are conducted at least every three years. The most recent actuarial valuation was undertaken as at 30 June 2005 and the next review to be undertaken as at 30 June 2008. The liability was determined on the basis of the present value of the expected future payments that will arise from membership of the Scheme up to 30 June 2005. The figure reported has been determined by reference to the expected future salary levels (4 percent) and by application of the market-based, risk-adjusted discount rate and relevant actuarial assumptions (including 7 percent for the future rate of investment return).

	2005
	$'000
Liability for Accrued Benefits	78 445

10. Vested Benefits

Vested benefits are benefits that are not conditional upon continued membership of the Scheme (or any factor other than resignation from the Scheme) and include benefits which members were entitled to receive had they terminated their Scheme membership as at the reporting date. The figure reported has been determined by reference to the expected future salary levels (4 percent) and by application of the market-based, risk-adjusted discount rate and relevant actuarial assumptions (including 7 percent for the future rate of investment return).

	2008	2007
	$'000	$'000
Vested Benefits	111 948	113 345

11. Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for accrued benefits.

12. Transfer from SA Ambulance Service Superannuation Fund

The SA Ambulance Service Superannuation Fund was wound up on 30 June 2006 with all member entitlements being transferred to the Scheme administered by the State Superannuation Office. Total assets of $95.6 million and total liabilities of $965 000 were transferred at that date.

13. Insurance Reserve

	2008	2007
	$'000	$'000
Opening balance of reserve	958	-
Add: Employer fees	1 224	927
Premium deduction	(153)	-
Investment revenue	(104)	72
Less: Benefits payments:		
Total and permanent disablement	435	27
Death	283	-
Temporary disablement	29	14
Closing Balance of Reserve	1 178	958

14. Taxation

	2008	2007
(a) Major Components of Tax Expense	**$'000**	$'000
Current Income Tax:		
Current tax charge	**2 458**	2 669
Adjustment to current tax for prior periods	**(446)**	(15)
Deferred Income Tax:		
Relating to the originating and reversal of temporary differences	**(3 029)**	768
Income Tax Expense	**(1 017)**	3 422
(b) Income Tax Expense		
Changes in net assets before tax	**(4 608)**	119 317
Tax applicable at the rate of 15 percent	**(691)**	17 897
Tax Effect of Income that is not assessable in determining Taxable Income:		
Investment income	**198**	(158)
Member contributions	**(209)**	(198)
Transfers in	**(171)**	(95)
Transfers in - SA Ambulance Superannuation Fund	**-**	(14 201)
Insurance proceeds	**(24)**	(16)
Tax Effect of Expenses that are not deductible in determining Taxable Income:		
Benefits expense	**857**	664
Tax Effect of Other Adjustments:		
Imputation and foreign tax credits	**(403)**	(456)
Over provision prior period	**(446)**	(15)
Self-insurance deduction	**(128)**	-
Income Tax Expense	**(1 017)**	3 422
(c) Current Tax Liabilities		
Balance at 1 July	**2 669**	-
Income tax paid - Prior periods	**(2 223)**	(438)
Current year's income tax provision	**2 458**	2 669
Transfer to successor fund - Prior period	**-**	453
Over provision - Prior period	**(446)**	(15)
Total Current Tax Liabilities	**2 458**	2 669
(d) Deferred Tax Liabilities		
The amount of deferred tax liabilities recognised in the Statement of Net Assets:		
Interest receivable	**1**	1
Unrealised capital gains	**-**	771
Total Deferred Tax Liabilities	**1**	772
(e) Deferred Tax Assets		
The amount of deferred tax assets recognised in the Statement of Net Assets:		
Accrued expenses	**3**	4
Realised capital losses carried forward	**2 197**	-
Prepaid employer contributions	**62**	-
Total Deferred Tax Assets	**2 262**	4

15. Related Parties

The Board acts as Trustee for the SA Ambulance Service Superannuation Scheme. For details of Board membership and remuneration refer to the Board's financial report.

16. Financial Instruments

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

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

16. Financial Instruments (continued)

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

- market risk
- credit risk
- liquidity risk.

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

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

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

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

(a) Market Risk

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

(i) Currency Risk

Currency risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates. The Scheme's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income), property and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures in the international equities asset sector are one-third hedged to Australian dollars.

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

(ii) Interest Rate Risk

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

Funds SA manages interest rate risk through:

- ensuring asset allocations of different investment products are consistent with the time horizon of each;
- the use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

(iii) Other Market Price Risk

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

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

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

- Ensuring a diversity of exposures to different financial markets and sub markets.
- Ensuring asset allocations for different investment products are consistent with the time horizon of each.

(iv) Sensitivity Analysis

The Funds SA Board has determined that the forecast risk/return profile provides a reasonably possible change in the value of the investments in each investment option in the year ahead. The standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investment assets from possible changes in market price risk.

Investment Option	Sensitivity Variable	Standard Deviation Percent	**Changes in Investment Assets $'000**
2008			
Balanced	Nominal standard deviation	10.00	**11 222**
Total			**11 222**
2007			
Balanced	Nominal standard deviation	9.5	11 290
Total			11 290

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

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

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

(b) Credit Risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets, included in the Statement of Net Assets, represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counter party or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

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

(c) Liquidity Risk

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

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

Funds SA manages liquidity risk as follows:

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

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

2008	**Less Than Three Months $'000**	**Three Months to One Year $'000**	**Total Contractual Cash Flows $'000**	**Carrying Amount (Assets) Liabilities $'000**
Benefits payable	**232**	**-**	**232**	**232**
Sundry creditors	**22**	**-**	**22**	**22**
Current tax liabilities	**2 458**	**-**	**2 458**	**2 458**
Vested benefits [(i)]	**111 941**	**-**	**111 941**	**111 941**
Total	**114 653**	**-**	**114 653**	**114 653**

(c) Liquidity Risk (continued)

2007	Less Than Three Months $'000	Three Months to One Year $'000	Total Contractual Cash Flows $'000	Carrying Amount (Assets) Liabilities $'000
Benefits payable	38	-	38	38
Sundry creditors	30	-	30	30
Current tax liabilities	2 669	-	2 669	2 669
Vested benefits [i]	113 345	-	113 345	113 345
Total	116 082	-	116 082	116 082

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

(d) Fair Value Estimation

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

(e) Derivative Financial Instruments

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

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

SOUTH AUSTRALIAN SUPERANNUATION SCHEME

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 20AB(2) of the *Superannuation Act 1988* (the Act) provides for the Auditor-General to audit the accounts kept by the South Australian Superannuation Board (the Board) for each financial year. The Board maintains the accounts of the South Australian Superannuation Scheme (the Scheme).

Scope of Audit

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

During 2007-08, areas of review included:

- receipting and banking of contributions
- processing of contribution data
- maintenance of member accounts
- benefit payments
- liability for accrued benefits.

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

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the South Australian Superannuation Scheme as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Communication of Audit Matters

The audit did not identify any specific matters relating to the Scheme's operations that warranted formal communication to the Board.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008 $'million	2007 $'million	Percentage Change
REVENUE			
Investment revenue	**(574)**	945	-
Contribution revenue	**385**	419	(8)
Other revenue	**33**	30	10
Total Revenue	**(156)**	1 394	-
EXPENSES			
Benefits expense	**1 025**	914	12
Direct investment expense	**31**	33	(6)
Other expenses	**16**	18	(11)
Total Expenses	**1 072**	965	11
Transfer to Consolidated Account	**30**	-	100
Operating Result	**(1 258)**	429	-

	2008 $'million	2007 $'million	Percentage Change
NET CASH USED IN OPERATING ACTIVITIES	**(224)**	(105)	-
ASSETS			
Investments	**4 672**	5 509	(15)
Other assets	**20**	14	43
Total Assets	**4 692**	5 523	15
LIABILITIES			
Liability for accrued benefits	**9 853**	9 432	4
Current liabilities	**18**	12	50
Total Liabilities	**9 871**	9 444	5
EXCESS OF LIABILITIES OVER NET ASSETS	**(5 179)**	(3 921)	32

Operating Statement

Revenues

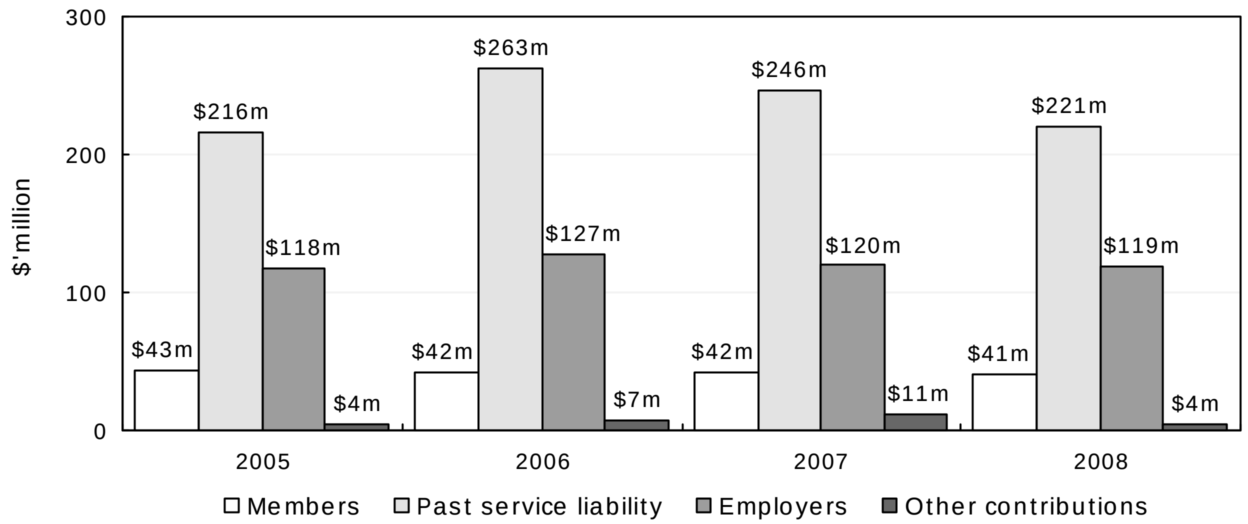
Investment activity for the year resulted in a negative return of $574 million compared to a positive return of $945 million in the previous year. Investment returns are discussed in the commentary for Funds SA.

Contribution revenue decreased by $34 million to $385 million, due mainly to decreases of $25.6 million in contributions for past service liability and $4.4 million in rollovers from other schemes.

During the year the Government transferred $201 million ($244 million) into the 'South Australian Superannuation Scheme Contribution Account' (the Employer Account) for past service liability funding. Of this amount, $30 million was transferred back to the Consolidated Account by 30 June 2008.

The decrease in contribution revenue was partly offset by an increase in contributions received from the South Australian Housing Trust of $19 million ($1.4 million). The payment extinguishes the South Australian Housing Trust's outstanding accrued superannuation liability. Refer to Note 1(d) of the financial report.

A structural analysis of contribution revenues of the Scheme for the four years to 2008 is presented in the following chart.

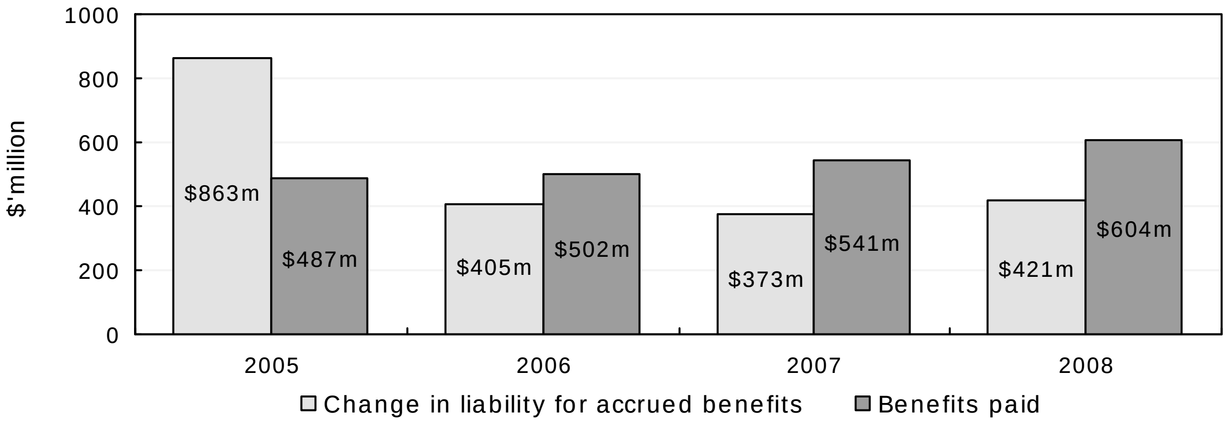


The chart shows that over the last four years employer and member contributions have remained relatively constant. This is expected as the new and old schemes are closed schemes with no new contributors. Past service liability payments represent funding from the Government (since 1994) to meet accrued superannuation liabilities. The Government expects to fully fund liabilities by 30 June 2034.

Expenses

The Scheme's dominant expenditure item is benefits expense which increased by $111.3 million to $1.03 billion for the year.

For the four years to 2008 a structural analysis of the components of benefits expense is shown in the following chart.



Benefits expense comprises the benefits paid and the change in the liability for accrued benefits. The above chart demonstrates that benefits expense can fluctuate significantly due to changing assumptions in the calculation of the estimated liability for accrued benefits. An actuarial review is undertaken every three years but the assumptions from this review are used to calculate the accrued liability in years between reviews. Further details of the liability is provided below under the heading 'Statement of Financial Position'.

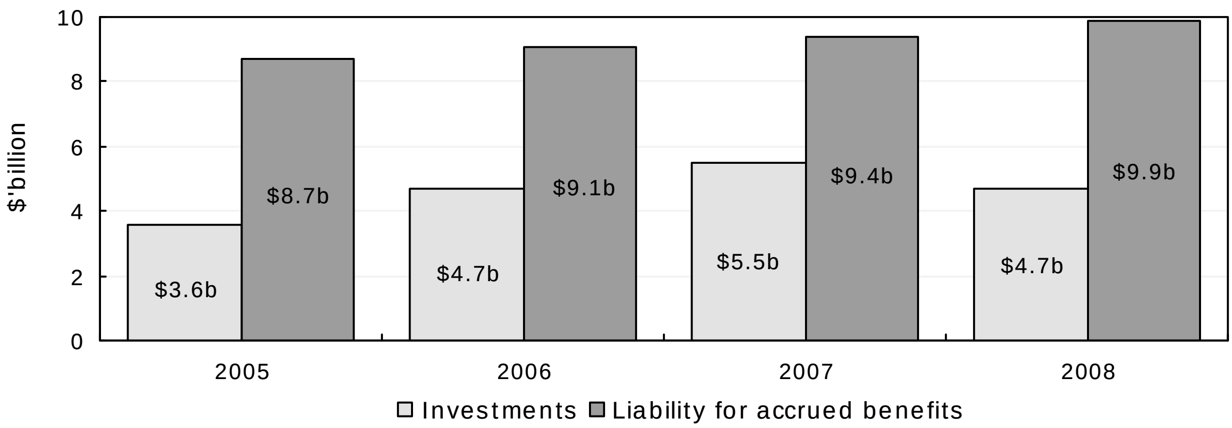
Over the period of review there has been a steady increase in benefits paid. This is expected as the benefits paid are affected by increases in final salary and inflation adjustments to pensions.

As mentioned previously, in 2007-08 the Treasurer approved a transfer of $30 million to the Consolidated Account. The Treasurer subsequently approved the transfer from the Consolidated Account of, $18 million to the Parliamentary Superannuation Scheme and $12 million to the Judges' Pensions Scheme.

Statement of Financial Position

The estimated liability for accrued benefits increased by $421 million to $9.9 billion ($9.4 billion) for which net assets of $4.7 billion were available to pay benefits. This has resulted in an excess of liabilities over net assets of $5.2 billion. Of the $9.9 billion liability, $8.2 billion (83 percent) represents the old scheme (pension) liability and $1.7 billion (17 percent) is the new scheme (lump sum) liability. While the demographic assumptions of the 2007 triennial actuarial review were applied to the calculation of the liability for accrued benefits, the economic assumptions remained unchanged. The liability has increased as there is an additional year of past service which has accrued at reporting date. Refer to Note 8 to the financial report for further details.

For the four years to 2008 a structural analysis of investments and liability for accrued benefits is shown in the following chart.



Prior to 2008 there has been a steady growth in investments as a result of: the decision by the Government to move to full funding of the public sector superannuation liability; increase in contributions; and accumulation of strong investment earnings. The decrease in investments in 2008 is due to the negative returns on investments in 2007-08.

Statement of Cash Flows

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

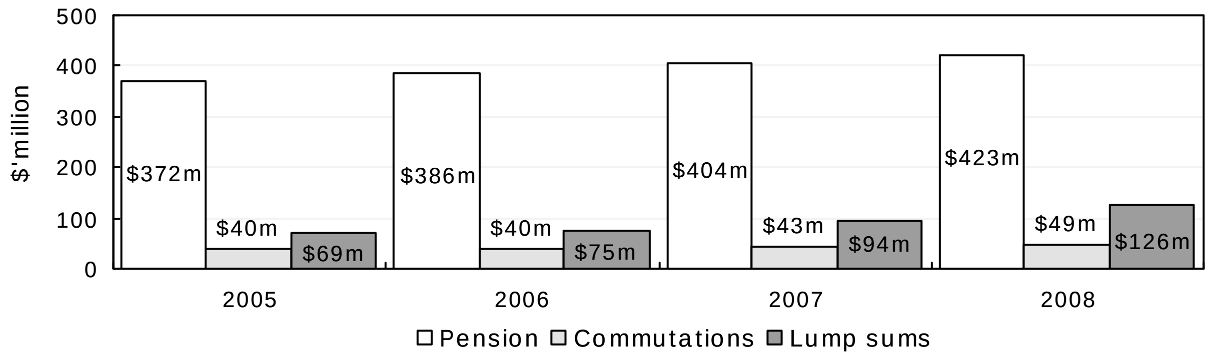
	2008 **$'million**	2007 $'million	2006 $'million	2005 $'million
Net Cash Flows				
Operations	**(224.3)**	(105.4)	450.9	(49.0)
Investing	**231.8**	108.9	(450.8)	48.2
Change in Cash	**7.5**	3.5	0.1	(0.8)
Cash at 30 June	**13.6**	6.1	2.6	2.5

The operating cash flows decreased in 2007-08 due to the transfer of $30 million to Consolidated Account; a $25 million decrease in contributions for past service liability; and an increase of $56 million in benefits paid.

Benefits Paid

In 2007-08 total benefits paid amounted to $598 million ($542 million), which included $423 million ($404 million) paid as pensions. Details of benefits paid/payable are disclosed in Note 7 of the Financial Report.

The following chart analyses benefits paid for the four years to 2008.



The chart shows an increasing amount of pensions and lump sums paid as more members reach retirement age. Pensions are adjusted for increases in inflation.

FURTHER COMMENTARY ON OPERATIONS

Funding of Benefit Payments

Benefit payments are funded from a number of sources which have remained relatively consistent. Over half of the benefit payments are funded from the SA Government employer account.

The SA Superannuation 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

- contribute fortnightly to Employer Contribution Accounts managed by Funds SA, in this way funding their accruing liability
- make cash contributions to the Treasurer, who in turn forwards these monies to Funds SA.

Note 1(d) to the financial report provides details of the various funding arrangements.

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.

Pensioners

The number of pensioners and pensions paid for the past four years were:

	2008	2007	2006	2005
Pensioners	**15 283**	14 940	14 842	14 855
Pensions paid ($'million)	**423**	404	386	372

Contributions by Members

The number of contributors and contributions received from members for the past three years were:

	2008				
	Old Scheme	**New Scheme**	**Total**	2007 Total	2006 Total
Contributors (excludes preserved members)	**3 621**	**6 159**	**9 780**	10 686	11 362
Contributions revenue ($'000)	**14 603**	**26 081**	**40 684**	42 095	42 490

Operating Statement
for the year ended 30 June 2008

	Note	**2008**	2007
REVENUE:		**$'000**	$'000
Investment revenue		**(574 214)**	945 125
Other revenue	17	**33 328**	29 547
Contribution revenue:			
Contribution for past service liability		**220 512**	246 117
Contributions by employers		**118 868**	120 058
Contributions by members		**40 684**	42 095
Rollovers from other schemes		**2 664**	7 023
Government co-contributions	18	**1 719**	4 073
Total Contribution Revenue		**384 447**	419 366
Total Revenue		**(156 439)**	1 394 038
EXPENSES:			
Direct investment expenses	4	**31 495**	32 955
Co-contributions transferred to other scheme	18	**1 719**	4 073
Higher education superannuation costs	20	**8 077**	8 427
Administration expenses	5	**5 099**	5 799
Benefits expense	8	**1 024 983**	913 696
Total Expenses		**1 071 373**	964 950
TRANSFER TO CONSOLIDATED ACCOUNT	21	**30 000**	-
OPERATING RESULT FOR THE PERIOD		**(1 257 812)**	429 088

Statement of Financial Position
as at 30 June 2008

	Note	**2008**	2007
		$'000	$'000
INVESTMENTS:	10		
Inflation linked securities		**414 468**	422 399
Property		**477 976**	558 874
Australian equities		**1 460 201**	1 875 933
International equities		**1 462 220**	1 741 338
Fixed interest		**264 568**	254 058
Diversified Strategies - Growth		**221 609**	223 304
Diversified Strategies - Income		**312 092**	203 219
Cash		**58 458**	230 224
		4 671 592	5 509 349
OTHER ASSETS:			
Cash and cash equivalents	12	**13 681**	6 148
Contributions receivable	3	**3 401**	2 882
Other income receivable	16	**2 951**	4 140
Sundry debtors		**117**	114
		20 150	13 284
Total Assets		**4 691 742**	5 522 633
CURRENT LIABILITIES:			
Benefits payable	19	**17 317**	11 621
Sundry creditors	13	**460**	137
PAYG withholding tax	14	**61**	133
Total Liabilities		**17 838**	11 891
NET ASSETS AVAILABLE TO PAY BENEFITS	6	**4 673 904**	5 510 742
Less: **LIABILITY FOR ACCRUED BENEFITS**	8	**9 852 875**	9 431 901
EXCESS OF LIABILITIES OVER NET ASSETS		**(5 178 971)**	(3 921 159)

Statement of Cash Flows
for the year ended 30 June 2008

	Note	2008 Inflows (Outflows) $'000	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Contributions received:			
Contributions for past service liability		**220 696**	245 792
Contributions by employers		**118 295**	125 904
Contributions by members		**40 554**	42 758
Rollovers from other schemes		**2 643**	7 044
Government co-contributions		**1 719**	4 073
		383 907	425 571
Other income:			
Reimbursement from other sources:			
Public authorities		**33 951**	28 557
Temporary disability reimbursements		**93**	123
Interest received		**468**	366
Other		**461**	360
		34 973	29 406
GST recoup received		**428**	446
Benefits paid:			
Pensions		**(422 807)**	(404 353)
Commutation of pension benefits		**(49 722)**	(43 265)
Lump sums		**(125 776)**	(94 400)
PAYG withholding tax		**(72)**	15
		(598 377)	(542 003)
Administration expense		**(5 401)**	(6 281)
Co-contributions transferred to other scheme		**(1 719)**	(4 073)
Higher Education Superannuation costs		**(8 077)**	(8 427)
Transferred to Consolidated Account		**(30 000)**	-
Net Cash used in Operating Activities	11	**(224 266)**	(105 361)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from Funds SA		**475 900**	390 700
Payments to Funds SA		**(244 101)**	(281 800)
Net Cash provided by Investing Activities		**231 799**	108 900
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		**7 533**	3 539
CASH AND CASH EQUIVALENTS AT 1 JULY		**6 148**	2 609
CASH AND CASH EQUIVALENTS AT 30 JUNE	12	**13 681**	6 148

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(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 between 5 and 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 Australian Superannuation Fund (the Fund), which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

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 the Department of Treasury and Finance to provide the administrative services. A portion of the administrative costs are recovered from the Scheme. The Board's financial report provides the total administration costs paid to the Department of Treasury and Finance.

Under the Act, the Board is required to determine rates of return to be credited to each division of the Fund, with those rates being credited to each contribution account at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by Funds SA for each division of the Fund.

(c) Superannuation Funds Management Corporation of South Australia

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

For further information on the investment of the Fund and the South Australian Superannuation Scheme Contribution Account (the Account), reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expense contained in these financial statements are related to the investment activities of Funds SA (an SA Government entity).

(d) Funding Arrangements

Under section 20B of the Act, any payment made to a contributor must be made out of the Consolidated Account 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 determined by the Board in accordance with section 43A of the Act. During the year ended 30 June 2008 payments of $30 million were made to the Consolidated 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 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. Employer contributions for these agencies were 24 percent (24 percent) for old scheme contributors and 14.5 percent (13.5 percent) for new scheme contributors.

(d) Funding Arrangements (continued)

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. During the reporting period $89.1 million ($93.1 million) was received or receivable from State Government Departments.

Since 30 June 1994 the Government has commenced a process of funding its accrued past service superannuation liabilities. During the year ended 30 June 2008 the Government transferred a total of $201 million ($244 million) into the Account. 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.

(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 the Employer Contribution Accounts. The Treasurer seeks reimbursement from the Employer Contribution Account balances as benefits are paid.

  The South Australian Housing Trust has implemented a 30 year program of funding its accrued superannuation liabilities. A total of $19 million was received from the South Australian Housing Trust to extinguish its outstanding accrued superannuation liability.

  Contributions of $337 000 ($324 000) have also been received from SA Water, $216 000 ($208 000) from WorkCover and $216 000 ($208 000) from Forestry SA to fund their accrued 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.

Of the total contributions received from Statutory Authorities, $29.1 million ($26.3 million) relates to amounts received or receivable from SA Government entities and $605 700 ($668 000) relates to amounts received from non-SA Government entities.

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

AAS 25 is the principal standard applied in preparing this financial report. Other Accounting Standards are also applied where necessary except to the extent that they differ from AAS 25. A number of AASs have been issued or amended and may be applicable to the Scheme but are not yet effective. The impact of the new and amended Standards has been assessed and there will be no impact on the accounting policies.

(a) Basis of Accounting (continued)

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

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

(b) Basis of Valuations of Assets and Liabilities

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

(i) Inflation Linked Securities

The Inflation Linked Securities portfolio comprises two sub-sectors:

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

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

(ii) Property

The Property portfolio comprises two sub-sectors:

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

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

(iii) Australian Equities

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

(iv) International Equities

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

(v) Fixed Interest

The Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified Strategies – Growth

The Diversified Strategies (Growth) portfolio comprises investments in domestic and overseas private equity funds and domestic and overseas pooled funds, which are invested and managed by external managers. Valuations of private equity funds are based on the most recently available valuations by the relevant managers. Both domestic and international funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (October 2006). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies – Income

The Diversified Strategies (Income) portfolio comprises investments in both domestic (Australian) and overseas pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) *Cash*

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

(c) Taxation

The Scheme is constitutionally protected under the Regulations to the ITAA and is exempt from income tax. Therefore no income tax has been brought to account in this financial report.

(d) Operation of Investment Portfolio

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2008, Funds SA managed seven separate investment options distinguished by differing strategic asset allocations, namely:

- High Growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital Defensive
- Cash.

During the financial year all of the above investment options were available to members for assets invested in the South Australian Superannuation Fund Account (New Scheme Division). The assets of the South Australian Superannuation Fund Account (Old Scheme Division) and the Account are invested in the Growth option.

Reference should be made to Funds SA Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

(e) Revenue

Superannuation contributions are brought to account on an accrual basis. Transfers and rollovers from other schemes are brought to account when received. Other revenue is brought to account on an accrual basis.

(f) Receivables and Payables

Contributions receivable are contributions relating to the 2007-08 financial year received by the Scheme after 30 June 2008.

Other receivables are carried at nominal amounts due which approximate fair value. Other payables are recognised when the Scheme is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable relate to members who have ceased employment and provided the Scheme with appropriate notification prior to 30 June 2008 but who had not been paid until after 30 June 2008.

(g) GST

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

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

3. Contributions Receivable

	2008	2007
	$'000	$'000
Contributions by members	**696**	566
Contributions by employers	**2 705**	2 316
	3 401	2 882

4. Direct Investment Expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's proportionate investment.

5. Administration Expenses

	Old Scheme Division	**New Scheme Division**	Total **2008**	Total 2007
	$'000	**$'000**	**$'000**	$'000
Administration expenses[(i)]	**2 704**	**2 212**	**4 916**	5 643
Audit expense[(ii)]	**50**	**41**	**91**	105
Bank fees	**21**	**17**	**38**	29
Other expenses	**23**	**12**	**35**	-
Consultancy Expenses	**19**	**-**	**19**	22
Total Administration Expenses	**2 817**	**2 282**	**5 099**	5 799

5. Administration Expenses (continued)

(i) Administration Expense

Comprises the costs incurred by the Department of Treasury and Finance in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. The Board recovers a portion of the administration cost from the Scheme. 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.

(ii) Audit Expense

These are amounts paid or due and payable to the Auditor-General's Department (a SA Government Entity) for the audit of the Scheme for the reporting period. No other services were provided by the Auditor-General's Department.

6. Net Assets available to Pay Benefits

Net assets available to pay benefits consist of the combined balances of the South Australia Superannuation Fund and the Account. Movements in the balances of these accounts are detailed below:

(a) SA Superannuation Fund Account (Employee Component)

		2008		Total	
		Old Scheme Division	**New Scheme Division**	**2008**	2007
		$'000	**$'000**	**$'000**	$'000
Funds held at 1 July		**1 740 732**	**712 601**	**2 453 333**	2 109 820
Add:	Contributions	**14 603**	**26 081**	**40 684**	42 095
	Rollovers from other schemes	**257**	**2 407**	**2 664**	7 023
	Investment revenue	**(178 313)**	**(72 930)**	**(251 243)**	417 880
	Government co-contributions	**326**	**1 393**	**1 719**	4 073
	Other income	**79**	**64**	**143**	225
		(163 048)	**(42 985)**	**(206 033)**	471 296
Less:	Benefits paid	**83 067**	**47 757**	**130 824**	107 369
	Direct Investment expense	**9 777**	**4 011**	**13 788**	14 617
	Co-contributions transferred to other schemes	**326**	**1 393**	**1 719**	4 073
	Administration expenses	**830**	**680**	**1 510**	1 724
		94 000	**53 841**	**147 841**	127 783
	Funds Held at 30 June	**1 483 684**	**615 775**	**2 099 459**	2 453 333

(b) SA Superannuation Scheme Contribution Account (Employer Component)

		2008	2007
		$'000	$'000
Funds held at 1 July		**3 057 049**	2 599 033
Add:	Employer contributions:		
	State Government Departments	**89 130**	93 096
	Statutory Authorities	**29 738**	26 962
	Contribution for past service liability	**220 512**	246 117
		339 380	366 175
	Investment revenue	**(322 971)**	527 245
	Other income - Public Authorities	**32 748**	28 658
	Other income - Temporary disability	**106**	125
	Other income - Interest received	**331**	277
	Other income - Other	**-**	262
		49 594	922 742
Less:	Benefits paid:		
	Old Scheme contributors	**396 914**	381 465
	New Scheme contributors	**76 271**	52 061
	Direct Investment expense	**17 707**	18 338
	Higher Education Superannuation costs	**8 077**	8 427
	Administration expenses	**3 589**	4 075
	Transfer to Consolidated Account	**30 000**	-
		532 558	464 366
	Funds Held at 30 June	**2 574 445**	3 057 409
	Total Net Assets Available to Pay Benefits	**4 673 904**	5 510 742

7. Benefits Paid / Payable

	2008 Old Scheme Division $'000	2008 New Scheme Division $'000	2008 Total $'000	2007 Old Scheme Division $'000	2007 New Scheme Division $'000	2007 Total $'000
Pensions:						
Funded from:						
SA Superannuation Fund	**73 259**	**88**	**73 347**	66 906	92	66 998
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	**41 216**	**399**	**41 615**	40 720	442	41 162
Public authorities	**27 605**	**-**	**27 605**	26 854	-	26 854
SA Government employer account	**282 778**	**273**	**283 051**	270 560	242	270 802
Gross Scheme Costs	**424 858**	**760**	**425 618**	405 040	776	405 816
Commutations:						
Funded from:						
SA Superannuation Fund	**8 724**	**-**	**8 724**	7 054	-	7 054
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	**7 172**	**-**	**7 172**	6 605	-	6 605
Public authorities	**3 374**	**-**	**3 374**	710	-	710
SA Government employer account	**31 252**	**-**	**31 252**	28 243	-	28 243
Gross Scheme Costs	**50 522**	**-**	**50 522**	42 612	-	42 612
Lump Sums:						
Funded from:						
SA Superannuation Fund	**1 081**	**47 444**	**48 525**	1 935	29 074	31 009
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	**691**	**27 861**	**28 552**	1 088	14 249	15 337
Public authorities	**301**	**1 592**	**1 893**	92	989	1 081
SA Government employer account	**2 462**	**45 595**	**48 057**	3 600	34 448	38 048
Gross Scheme Costs	**4 535**	**122 492**	**127 027**	6 715	78 760	85 475
Retrenchments:						
Funded from:						
SA Superannuation Fund	**3**	**225**	**228**	2	290	292
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	**-**	**551**	**551**	-	196	196
Public authorities	**63**	**-**	**63**	35	426	461
Gross Scheme Costs	**66**	**776**	**842**	37	912	949
Targeted Separation Packages:						
Funded from:						
SA Superannuation Fund	**-**	**-**	**-**	1 174	842	2 016
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	**-**	**-**	**-**	-	112	112
SA Government employer account	**-**	**-**	**-**	2 958	957	3 915
Gross Scheme Costs	**-**	**-**	**-**	4 132	1 911	6 043
Total Benefits Paid / Payable	**479 981**	**124 028**	**604 009**	458 536	82 359	540 895

8. Liability for Accrued Benefits

The accrued liabilities of the 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 2008 based on membership data as at 30 June 2007.

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 2008.

The expected future benefit payments have been determined using the 2007 triennial review assumptions relating to mortality, disability, withdrawal, preservation and retirement. The review's salary promotion scale and economic assumptions have also been used, while general salary increases of 1.5 percent per annum above the Adelaide Consumer Price Index (CPI) have been allowed for. In accordance with AAS 25, the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of 4.5 percent per annum above the CPI.

Changes in the liability for accrued benefits:	2008 Old Scheme Division $'000	2008 New Scheme Division $'000	2008 Total $'000	2007 Old Scheme Division $'000	2007 New Scheme Division $'000	2007 Total $'000
Liability for accrued benefits at 1 July	**7 737 500**	**1 694 401**	**9 431 901**	7 554 600	1 504 500	9 059 100
Add: Benefits expense(i)	**919 381**	**105 602**	**1 024 983**	641 436	272 260	913 696
Less: Benefits paid(ii)	**479 981**	**124 028**	**604 009**	458 536	82 359	540 895
Liability for Accrued Benefits at 30 June	**8 176 900**	**1 675 975**	**9 852 875**	7 737 500	1 694 401	9 431 901

8. Liability for Accrued Benefits (continued)

	2008 Old Scheme Division $'000	2008 New Scheme Division $'000	2008 Total $'000	2007 Old Scheme Division $'000	2007 New Scheme Division $'000	2007 Total $'000
Represented by:						
SA Superannuation Fund	**1 672 700**	**615 755**	**2 288 475**	1 306 100	712 601	2 018 701
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	**1 077 900**	**343 900**	**1 421 800**	1 048 000	314 500	1 362 500
SA Government employer account	**5 120 700**	**701 800**	**5 822 500**	5 094 500	653 400	5 747 900
Public authorities	**305 600**	**14 500**	**320 100**	288 900	13 900	302 800
Total	**8 176 900**	**1 675 975**	**9 852 875**	7 737 500	1 694 401	9 431 901

(i) This figure represents the change in Liability for Accrued Benefits plus Benefits Paid for the year.
(ii) Refer to Note 7.

Although the total liability for accrued benefits shown above is $9.9 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.

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 2007 by Mr Laurie Brett, Fellow of the Institute of Actuaries of Australia. His report, dated 30 November 2007, to the Minister was tabled in Parliament on 4 March 2008. 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.

9. 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 Old Scheme Division (Pension Scheme) and three options in the New Scheme Division (Lump Sum Scheme). Firstly, they can elect to take a cash refund of their own contributions, accumulated with interest, with their employer Superannuation Guarantee entitlement preserved in the Scheme. Secondly, they can elect to take a fully vested, preserved benefit which will be based on their full accrued entitlement as the date of resignation and will be increased during preservation in line with increases in investment earnings and the CPI. Alternatively, Lump Sum Scheme 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 2008 based on membership data as at 30 June 2007.

	2008 Old Scheme Division $'000	2008 New Scheme Division $'000	2008 Total $'000	2007 Old Scheme Division $'000	2007 New Scheme Division $'000	2007 Total $'000
SA Superannuation Fund	**1 604 300**	**615 775**	**2 220 075**	1 268 400	712 600	1 981 000
SA Superannuation Scheme Contribution Account:						
Employer contribution accounts	**1 022 200**	**396 000**	**1 418 200**	998 400	351 700	1 350 100
SA Government employer account	**4 916 100**	**866 600**	**5 782 700**	4 900 000	763 900	5 663 900
Public authorities	**302 000**	**15 800**	**317 800**	286 300	9 300	295 600
Total	**7 844 600**	**1 894 175**	**9 738 775**	7 453 100	1 837 500	9 290 600

10. Summary of Investment Holdings

The interests of the Fund and the Account in the unitised investment portfolio of Funds SA are as follows:

	2008 Fund - Old Scheme Division $'000	2008 Fund - New Scheme Division $'000	2008 Scheme Contribution Accounts $'000	Total 2008 $'000	Total 2007 $'000
Inflation linked securities	**131 577**	**53 594**	**229 297**	**414 468**	422 399
Property	**151 668**	**61 999**	**264 309**	**477 976**	558 874
Australian equities	**463 422**	**189 182**	**807 597**	**1 460 201**	1 875 933
International equities	**464 043**	**189 499**	**808 678**	**1 462 220**	1 741 338
Fixed interest	**83 102**	**36 645**	**144 821**	**264 568**	254 058
Diversified Strategies - Growth	**70 306**	**28 781**	**122 522**	**221 609**	223 304
Diversified Strategies - Income	**98 844**	**40 994**	**172 254**	**312 092**	203 219
Cash	**16 059**	**14 414**	**27 985**	**58 458**	230 224
Total	**1 479 021**	**615 108**	**2 577 463**	**4 671 592**	5 509 349

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

	2008 $'000	2007 $'000
Operating result	**(1 257 812)**	429 088
Increase in liability for accrued benefits	**420 974**	372 801
Investment revenue	**574 463**	(945 125)
Direct investment expense	**31 495**	32 955
Decrease in other income receivable	**1 189**	11
(Increase) Decrease in contributions receivable	**(519)**	6 183
(Decrease) Increase in PAYG withholding tax	**(72)**	15
Increase (Decrease) in benefits payable	**5 696**	(1 091)
Increase in other debtors	**(3)**	(45)
Increase (Decrease) in other creditors	**323**	(153)
Net Cash used in Operating Activities	**(224 266)**	(171 271)

12. Reconciliation of Cash and Cash Equivalents

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

	2008 $'000	2007 $'000
Cash and cash equivalents	**13 681**	6 148

13. Sundry Creditors

	2008 $'000	2007 $'000
Audit fees	**110**	109
Bank fees	**3**	2
Payments to the Board	**234**	21
GST payable	**113**	5
	460	137

14. PAYG Withholding Tax

The PAYG Withholding Tax represents taxation due on benefit payments made in June 2008 which had not been remitted to the Commissioner of Taxation as at 30 June 2008. This amount was forwarded to the Commissioner of Taxation early in the 2008-09 financial year.

15. Guaranteed Benefits

Contributors' benefit entitlements are specified by the *Superannuation Act 1988*.

16. Other Income Receivable

	2008 $'000	2007 $'000
Temporary disability debtors	**72**	58
Public authorities	**2 879**	4 082
	2 951	4 140

17. Other Revenue

	2008 $'000	2007 $'000
Bank account interest	**474**	396
Public authorities	**32 748**	28 658
Temporary disability	**106**	125
Refund of underspent SLA fee	**-**	368
	33 328	29 547

18. Government Co-contributions

During the 2007-08 financial year, the Scheme received Co-contributions from the ATO amounting to $1.7 million ($4 million). Whilst members of the Scheme are eligible to receive the Co-contribution, the contributions are not retained in the Scheme and are immediately transferred to the Southern State Superannuation Scheme upon receipt for crediting to members' existing or newly created accounts.

19. Benefits Payable

	2008 $'000	2007 $'000
Benefits payable by SA Superannuation Fund	**3 989**	2 239
Benefits payable by SA Superannuation Scheme Contribution Account	**13 328**	9 382
	17 317	11 621

20. Higher Education Superannuation Costs

An amount of $8.077 million ($8.427 million) was paid to the Commonwealth Government which related to the South Australian share of the 2006-07 higher education superannuation costs under the Commonwealth – State agreement. This provides that the employer component of the superannuation benefits payable to former employees of a South Australian University who were members of one of the main State Schemes, be shared.

21. Transfer to Consolidated Account

The Treasurer approved a transfer of $30 million to the Consolidated Account in 2007-08.

22. Financial Instruments

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

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

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

- market risk
- credit risk
- liquidity risk.

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

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

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

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

(a) Market Risk

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

(i) Currency Risk

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

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

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income), property and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures in the international equities asset sector are one-third hedged to Australian dollars.

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

(ii) Interest Rate Risk

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

Funds SA manages interest rate risk through:

- Ensuring asset allocations of different investment products are consistent with the time horizon of each.
- The use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

(iii) Other Market Price Risk

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

(iii) Other Market Price Risk (continued)

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

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

- Ensuring a diversity of exposures to different financial markets and sub markets.
- Ensuring asset allocations for different investment products are consistent with the time horizon of each.

(iv) Sensitivity Analysis

The Funds SA Board has determined that the forecast risk/return profile provide a reasonably possible change in the value of the investments in each investment option in the year ahead. The standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investment assets from possible changes in market price risk.

Investment Option	Sensitivity variable	Standard Deviation Percent	**Change in Investment Assets $'000**
2008			
High growth	Nominal standard deviation	13.30	**2 599**
Growth	Nominal standard deviation	11.70	**541 085**
Balanced	Nominal standard deviation	10.40	**993**
Moderate	Nominal standard deviation	7.90	**228**
Conservative	Nominal standard deviation	6.00	**308**
Capital defensive	Nominal standard deviation	3.30	**80**
Cash	Nominal standard deviation	1.20	**89**
Total			**545 381**
2007			
High growth	Nominal standard deviation	12.70	2 494
Growth	Nominal standard deviation	11.30	618 238
Balanced	Nominal standard deviation	10.00	1 031
Moderate	Nominal standard deviation	8.00	134
Conservative	Nominal standard deviation	6.20	296
Capital defensive	Nominal standard deviation	3.60	51
Cash	Nominal standard deviation	3.40	14
Total			622 258

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

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

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

(b) Credit Risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counter party or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

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

(c) Liquidity Risk

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

(c) Liquidity Risk (continued)

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

Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.

- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

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

2008	**Less Than Three Months $'000**	**Three Months to One Year $'000**	**Total Contractual Cash Flows $'000**	**Carrying Amount (Asset) Liabilities $'000**
Benefits payable	**17 317**	**-**	**17 317**	**17 317**
Sundry creditors	**521**	**-**	**521**	**521**
Vested benefits[(i)]	**9 738 775**	**-**	**9 738 775**	**9 738 775**
Total	**9 756 613**	**-**	**9 756 613**	**9 756 613**
2007				
Benefits payable	11 621	-	11 621	11 621
Sundry creditors	270	-	270	270
Vested benefits[(i)]	9 292 600	-	9 292 600	9 292 600
Total	9 304 491	-	9 304 491	9 304 491

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

(d) Fair Value Estimation

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

(e) Derivative Financial Instruments

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

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

23. Related Parties

Details of the members of the Board and their remuneration for the 2007-08 financial year are disclosed in the Notes to the Board's financial report.

SOUTHERN STATE SUPERANNUATION SCHEME

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Section 8 of the *Southern State Superannuation Act 1994* (Triple S Act) provides for the Auditor-General to audit the accounts of the Southern State Superannuation Scheme (the Scheme) for each financial year.

Scope of Audit

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

During 2007-08, areas of review included:

- receipting and banking of contributions
- processing of contributions data
- maintenance of member accounts
- benefit payments
- liability for accrued benefits.

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

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Southern State Superannuation Scheme as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Communication of Audit Matters

The audit did not identify any specific matters relating to the Scheme's operations that warranted formal communication to the Board.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008 **$'million**	2007 $'million	Percentage Change
REVENUE			
Investment revenue	**(575)**	894	-
Contribution revenue	**842**	741	14
Other revenue	**1**	1	-
Total Revenue	**268**	1 636	-
EXPENSES			
Direct investment expenses	**34**	33	3
Income Tax Expense	**9**	9	-
Other expenses	**9**	8	13
Total Expenses	**52**	50	4
Benefits Accrued as a Result of Operations	**216**	1 586	-

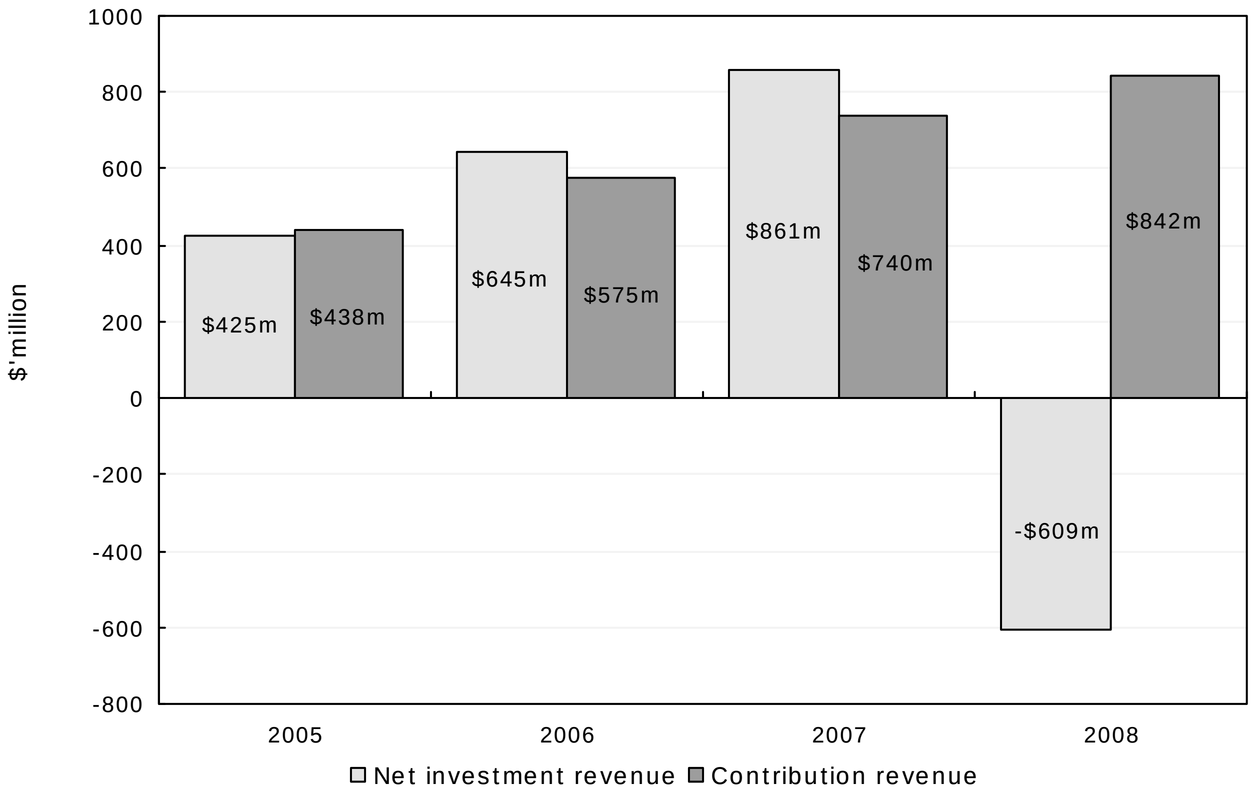
	2008 $'million	2007 $'million	Percentage Change
NET CASH PROVIDED BY OPERATING ACTIVITIES	**576**	568	1
Benefits paid	**245**	160	53
ASSETS			
Investments	**5 960**	5 982	-
Other assets	**30**	36	(17)
Total Assets	**5 990**	6 018	-
LIABILITIES			
Current liabilities	**7**	5	40
Non-current liabilities	**-**	1	(100)
Total Liabilities	**7**	6	17
NET ASSETS AVAILABLE TO PAY BENEFITS	**5 983**	6 012	-
LIABILITY FOR ACCRUED BENEFITS	**5 983**	6 012	-

Operating Statement

Revenues

Total revenue decreased by $1.4 billion. The decrease is due to a negative return on investments of $575 million compared to a positive return of $894 million in the previous year.

A structural analysis of net investment revenue (investment revenue less direct investment expenses) and contribution revenue of the Scheme for the four years to 2008 is presented in the following chart.

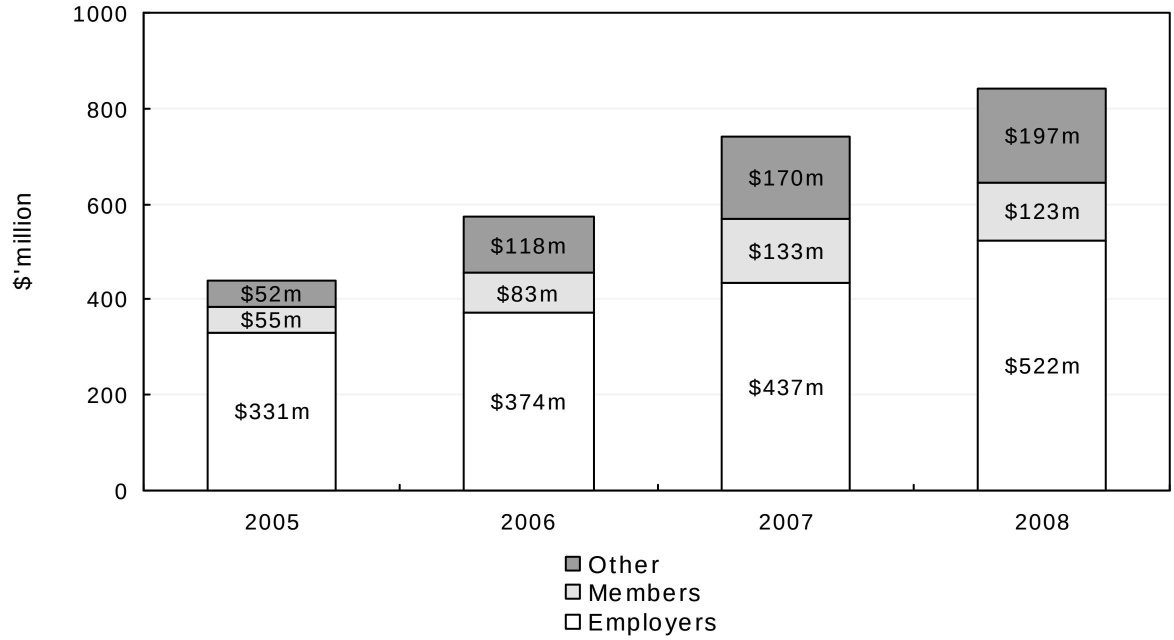


Revenue from contributions has risen rapidly over the last four years due to an increase in both the value of contributions and number of contributors to the Scheme. The chart also demonstrates the significant reversal in 2008 of the high growth trend in net investment returns experienced in previous years. The negative return of $609 million in 2008 is in marked contrast to the positive return of $861 million in 2007.

Investment returns are discussed in the commentary for Funds SA.

Contribution Revenue

Active members of the Scheme can elect to make contributions. Employers are required to make contributions for all active members of the Scheme. An analysis of amounts contributed by members and employers for the four years to 2008 is presented in the following chart.



The chart indicates that the value of contributions by employers has increased over the four year period by $191 million (58 percent). This is predominantly a result of increased number of active members in the Scheme and salary increases. Contributions by members have increased over the same period by $68 million (124 percent) due mainly to increases in the numbers of members contributing.

Membership statistics for the last three years are provided in the following table.

	2008	2007	2006
	Numbers	Numbers	Numbers
Contributory	**32 364**	29 241	25 665
Non-contributory	**71 871**	70 180	71 052

	2008	2007	2006
	Percent	Percent	Percent
Contributory	**31.0**	29.4	26.5
Non-contributory	**69.0**	70.6	73.5

In 2008 other contributions increased by $26.7 million, due mainly to an increase of $37.9 million in rollovers from other schemes. Of this amount, $31.2 million represents an increase in monies into the Post Retirement Products. The increase was partly offset by a decrease of $11.2 million in Government co-contributions. These payments are made pursuant to the *Superannuation* (*Government Co-contribution for Low Income Earners) Act 2003* (Cwlth). The co-contribution applies to members who make after-tax contributions post 1 July 2003. The co-contribution amount has been paid straight into the member's superannuation account. As a result of the 2007 Federal Budget, a one-off additional payment to eligible members was made in 2006-07.

Statement of Financial Position

In 2005 to 2008 there has been a steady growth in investments and liability for accrued benefits. The lack of growth in 2008 is reflective of the negative investment returns experienced in 2008. The steady growth over the years is indicative of the accumulative nature of the Scheme where the increases reflect the total of contributions received and net investment income less benefits paid and other expenses. The accumulative nature of the Scheme means that it is fully funded.

The net assets available to pay benefits over the last four years were:

Year	$'billion
2005	3.5
2006	4.6
2007	6.0
2008	**6.0**

Statement of Cash Flows

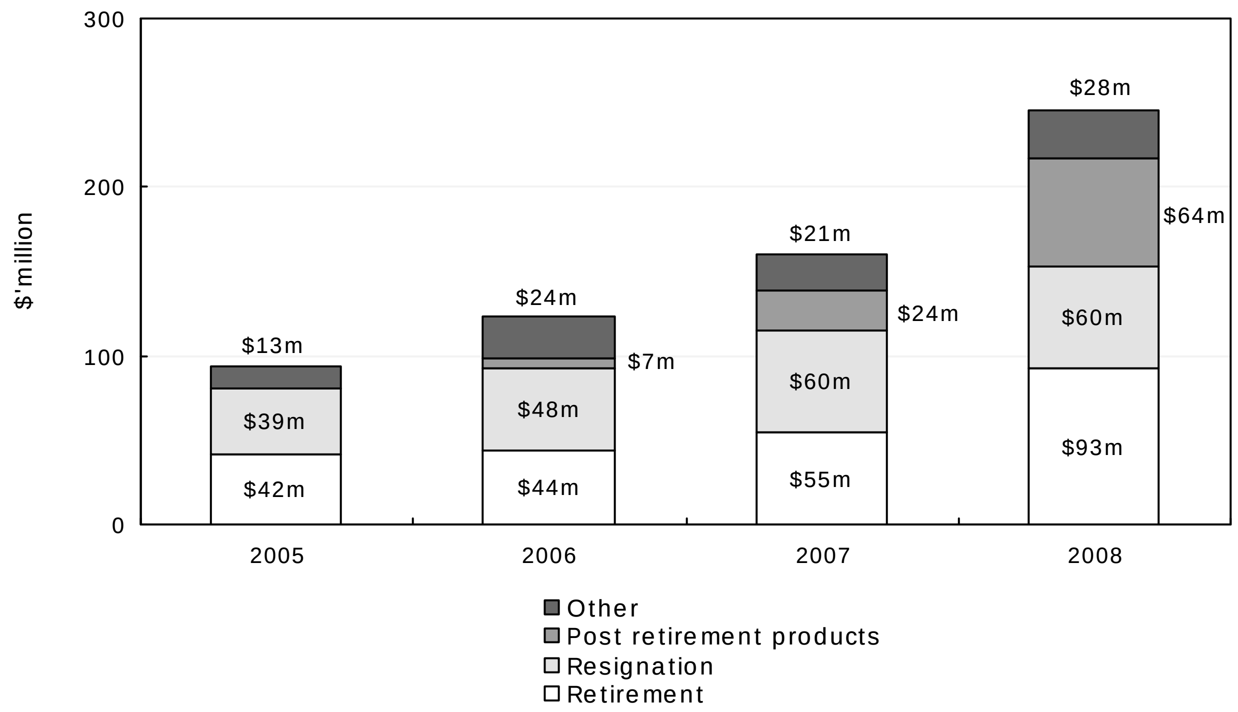
The following table summarises the net cash flows for the four years to 2008.

	2008 $'million	2007 $'million	2006 $'million	2005 $'million
Net Cash Flows				
Operations	**575.6**	567.9	447.0	331.6
Investing	**(587.4)**	(551.1)	(443.0)	(327.2)
Change in Cash	**(11.8)**	16.8	4.0	4.4
Cash at 30 June	**15.1**	26.9	10.1	6.1

The analysis of cash flows shows that the Scheme maintains a relatively small balance of funds on hand. Amounts not used to pay benefits and other expenses are transferred to Funds SA for investment. At 30 June 2007 the cash balance was high due to the receipt of the additional government co-contribution in late June.

Benefits Paid

Total benefits paid amounted to $244.6 million ($159.7 million). The following chart analyses benefits paid for the four years to 30 June 2008 and shows an increasing trend. This is expected in an open scheme which was established 13 years ago. The introduction of post retirement products in 2006 has also contributed to the upward trend. These payments have grown significantly in 2008 (167 percent).



Operating Statement
for the year ended 30 June 2008

	Note	**2008 $'000**	2007 $'000
REVENUE:			
Investment revenue		**(575 111)**	894 043
Other revenue		**1 540**	1 372
Contribution revenue:			
Contributions by members		**122 623**	133 311
Contributions by employers		**522 196**	436 541
Government co-contributions		**13 359**	24 551
Rollovers from other schemes		**183 709**	145 840
Total Contribution Revenue		**841 887**	740 243
Total Revenue		**268 316**	1 635 658
EXPENSES:			
Direct investment expense	7	**34 499**	32 845
Insurance administration expense	9	**528**	567
Administration expense	8	**7 656**	7 751
Total Expenses		**42 683**	41 163
BENEFITS ACCRUED		**225 633**	1 594 495
INCOME TAX EXPENSE	12(a)(b)	**9 361**	8 814
BENEFITS ACCRUED AS A RESULT OF OPERATIONS		**216 272**	1 585 681

Statement of Financial Position
as at 30 June 2008

	Note	2008 $'000	2007 $'000
INVESTMENTS:			
Inflation linked securities		**647 958**	584 549
Property		**546 199**	554 724
Australian equities		**1 646 130**	1 838 864
International equities		**1 625 996**	1 675 455
Fixed interest		**661 921**	593 693
Diversified strategies:			
Growth		**276 058**	245 639
Income		**392 730**	229 223
Cash		**163 027**	260 033
		5 960 019	5 982 180
OTHER ASSETS:			
Cash and cash equivalents	14	**15 136**	26 918
Contributions receivable	3	**12 063**	9 031
Deferred tax assets	12(e)	**2 269**	-
Sundry debtors		**389**	97
		29 857	36 046
Total Assets		**5 989 876**	6 018 226
CURRENT LIABILITIES:			
Benefits payable	4	**4 103**	2 627
Sundry creditors		**81**	85
PAYG withholding tax		**107**	186
Current tax liabilities	12(c)	**2 775**	2 012
		7 066	4 910
NON-CURRENT LIABILITIES:			
Deferred tax liabilities	12(d)	**-**	757
Total Liabilities		**7 066**	5 667
NET ASSETS AVAILABLE TO PAY BENEFITS	6	**5 982 810**	6 012 559
REPRESENTED BY:			
LIABILITY FOR ACCRUED BENEFITS:			
Allocated to members' accounts	17	**5 859 166**	5 890 071
Not Allocated to members' accounts	18	**17 064**	3 238
		5 876 230	5 893 309
RESERVES:			
Death, invalidity and income protection insurance reserve	9	**99 090**	111 672
Administration reserve	10	**7 490**	7 578
		106 580	119 250
		5 982 810	6 012 559

Statement of Cash Flows
for the year ended 30 June 2008

		2008	2007
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		**(Outflows)**	(Outflows)
Contributions received:	Note	**$'000**	$'000
Contributions by members		**122 870**	133 237
Contributions by employers		**518 920**	439 977
Government co-contributions		**13 358**	24 551
Rollovers from other schemes		**183 730**	145 820
		838 878	743 585
GST paid/recoup received		**(94)**	634
Other revenue		**1 315**	1 309
Benefits paid:			
Retirement		**(93 445)**	(55 285)
Resignation		**(60 355)**	(60 256)
Retrenchment		**(178)**	(554)
Invalidity		**(14 082)**	(10 053)
Death		**(9 869)**	(8 629)
Payments to Unclaimed Monies		**(3)**	(27)
Temporary disability		**(2 607)**	(1 360)
Allocated pension		**(11 306)**	(3 379)
Flexible rollover product		**(52 780)**	(20 148)
		(244 625)	(159 691)
Insurance administration expense		**(528)**	(608)
Administration expense		**(7 653)**	(8 259)
Income tax expense		**(11 626)**	(9 066)
Net Cash provided by Operating Activities	13	**575 667**	567 904
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receipts from Funds SA		**98 318**	1 709
Payments to Funds SA		**(685 767)**	(552 839)
Net Cash used in Investing Activities		**(587 449)**	(551 130)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS HELD		**(11 782)**	16 774
CASH AND CASH EQUIVALENTS AT 1 JULY		**26 918**	10 144
CASH AND CASH EQUIVALENTS AT 30 JUNE	14	**15 136**	26 918

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) *Southern State Superannuation Scheme*

The Southern State Superannuation Scheme (the Scheme/the Triple S Scheme) is both a contributory and non-contributory superannuation scheme established pursuant to the *Southern State Superannuation Act 1994* (the Act). The 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 Act and the *Superannuation (Benefit Scheme) Act 1992*. At that time, all members of the State Superannuation Benefit Scheme were effectively transferred into the Scheme and the State Superannuation Benefit Scheme ceased to exist.

(a) Southern State Superannuation Scheme (continued)

Members can elect to make contributions to the 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 Employee Fund) which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

An employer is required to pay contributions to the Treasurer under section 26 of the Act. The employer contributes 9 percent of salary where the member has elected to contribute less than 4.5 percent of salary. Where the member has elected to contribute 4.5 percent or more of salary, the employer must contribute at a rate of 10 percent. 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.

In accordance with section 47(B) of the Act the South Australian Superannuation Board (the Board) introduced the Super SA Flexible Rollover Product and the Super SA Allocated Pension from 1 April 2005. These products form part of and are consolidated with the Scheme for financial reporting purposes at 30 June 2008. From 1 July 2006 a Non-Commutable Allocated Pension option was made available to members.

During June 2008, legislation was passed that enabled the lump sum scheme members of the Police Superannuation Scheme to transfer to Triple S from 1 July 2008.

(b) South Australian Superannuation Board

The purpose of this financial report is to discharge the responsibilities of 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 Employee Fund, the Employers Fund, the Allocated Pension and the Flexible Rollover Product. The Act also provides the Board with the necessary powers to administer the Scheme.

The Board determines a rate of return to be credited to member accounts pursuant to section 7A of the Act. In determining the rate the Board considers the net rate of return achieved by the investment of the Employee 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 Employee Fund, the Employers Fund, the Allocated Pension and the Flexible Rollover Product. 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 (Funds SA)

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

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 annual report of Funds SA. The financial report of Funds SA disclose the investment assets, liabilities, income and expenses relating to the investment activities of Funds SA (an SA Government Entity).

(d) Funding Arrangements

The Act requires that member contributions, rollovers and transfers from other schemes be paid to the Treasurer, who in turn deposits these amounts into the Employee Fund.

The Act requires that employer payments be made to the Treasurer, who in turn deposits these amounts into the Employers Fund. All employer contributions are received from SA Government Entities.

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 current reporting period payments were made from a Special Deposit Account.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

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

AAS 25 is the principal standard applied in preparing this financial report. Other AASs are also applied where necessary except to the extent that they differ from AAS 25. A number of AASs have been issued or amended and may be applicable to the Scheme but are not yet effective. The impact of the new and amended Standards has been assessed and there will be no impact on the accounting policies.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

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

(b) Basis of Valuations of Assets and Liabilities

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

(i) *Inflation Linked Securities*

The Inflation Linked Securities portfolio comprises two sub-sectors:

- *Internally Managed*
  These investments, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at 30 June 2008 was performed by an independent valuer, Macquarie Bank Limited.

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

(ii) *Property*

Property portfolio comprises two sub-sectors:

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

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

(iii) *Australian Equities*

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

(iv) *International Equities*

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

(v) *Fixed Interest*

Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) *Diversified Strategies (Growth)*

Diversified Strategies (Growth) portfolio comprises investments in domestic and overseas private equity funds and domestic and overseas pooled funds, which are invested and managed by external managers. Valuations of private equity funds are based on the most recently available valuations by the relevant managers. Both domestic and international funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (October 2006). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) *Diversified Strategies (Income)*

Diversified Strategies (Income) portfolio comprises investments in both domestic (Australian) and overseas pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) *Cash*

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

(c) Income Tax

The Board is a body corporate established under the *Superannuation Act, 1988* (SA) and is responsible for the administration of a number of schemes that are constitutionally protected superannuation funds under section 267 of the ITAA, Regulation 177 and Schedule 14 of the Regulations to that Act. The constitutionally protected superannuation funds are exempt from income tax. All funds are constitutionally protected superannuation funds except the Super SA Flexible Rollover Product and Super SA Allocated Pension.

The Super SA Flexible Rollover Product and Super SA Allocated Pension commenced on 1 April 2005 and are entitled to concessional tax treatment at the rate of 15 percent.

Current Tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

(d) Operation of Investment Portfolio

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2008, Funds SA managed seven separate investment options distinguished by differing strategic asset allocations, namely:

- High Growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital Defensive
- Cash.

During the financial year all of the above investment options were available to members of the Southern State Superannuation Scheme.

Members of the post-retirement products, the Super SA Flexible Rollover Product and the Super SA Allocated Pension, have the same seven investment options as other members, but the asset allocations differ slightly.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

(e) Revenue

Superannuation contributions are brought to account on an accrual basis. Transfers and rollovers from other schemes are brought to account when received. Other revenue is brought to account on an accrual basis.

(f) Receivables and Payables

Contributions receivable are contributions relating to the 2007-08 financial year received by the Scheme after 30 June 2008.

Other receivables are carried at nominal amounts due which approximate fair value. Other payables are recognised when the Scheme is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable comprises the entitlements of members who ceased employment and had provided the Scheme with appropriate notification, but where the benefits had not been paid prior to year end.

(g) GST

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

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

3. Contributions Receivable

	2008	2007
	$'000	$'000
Contributions from members	**1 240**	1 487
Contributions from employers	**10 823**	7 544
	12 063	9 031

4. Benefits Payable

	2008	2007
Benefits payable by Southern State Superannuation (Employee) Fund	**625**	827
Benefits payable by Southern State Superannuation (Employers) Fund	**3 267**	1 744
Benefits payable by Allocated Pension	**211**	56
	4 103	2 627

5. 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 plus the value of reserves and amounts not allocated to member accounts.

	2008	2007
	$'000	$'000
Liability for accrued benefits at 1 July	**6 012 559**	4 517 677
Add: Increase in accrued benefits	**216 272**	1 585 681
Less: Benefits paid and payable	**246 021**	90 799
Liability for Accrued Benefits at 30 June	**5 982 810**	6 012 559

6. Net Assets Available to Pay Benefits

(a) Southern State Superannuation (Employee) Fund

		2008	2007
Funds held at 1 July		**1 089 549**	758 928
Add:	Contributions by members	**92 261**	108 312
	Government co-contributions	**13 171**	24 393
	Rollovers from other schemes	**95 505**	89 002
	Spouse Contributions	**1 467**	1 427
	Internal transfers[(i)]	**464**	-
	Investment income	**(107 200)**	153 894
	Other revenue	**145**	91
		95 813	377 119
Less:	Benefits paid and payable	**38 554**	25 728
	Internal transfers [(i)]	**38 944**	15 064
	Direct investment expense	**6 394**	5 706
		83 892	46 498
	Funds Held at 30 June	**1 101 470**	1 089 549

(b) Southern State Superannuation (Employers) Fund

		2008	2007
Funds held at 1 July		**4 753 797**	3 758 749
Add:	Employer contributions	**522 196**	436 541
	Investment income	**(445 906)**	721 136
	Other revenue	**1 660**	1 265
		77 950	1 158 942
Less:	Benefits paid and payable	**143 225**	108 992
	Internal transfers [(i)]	**42 031**	20 338
	Direct investment expense	**27 118**	26 455
	Administration expense	**7 627**	7 542
	Insurance administration	**528**	567
		220 529	163 894
	Funds Held at 30 June	**4 611 218**	4 753 797

(c) ***Allocated Pension***	**2008**	2007
	$'000	$'000
Funds held at 1 July	**49 476**	20 667
Add: Rollovers from other schemes	**15 032**	3 701
Internal transfers (i)	**86 140**	24 399
Investment income	**(10 202)**	5 659
Other revenue	**27**	4
	90 997	33 763
Less: Benefits paid and payable	**11 462**	3 413
Direct investment expense	**382**	198
Administration expense	**277**	149
Internal transfers (i)	**816**	506
Income Tax	**2 475**	688
	15 412	4 954
Funds Held at 30 June	**125 061**	49 476

(d) ***Flexible Rollover Product***		
Funds held at 1 July	**119 737**	46 814
Add: Contributions by members	**27 764**	21 657
Government co-contributions	**188**	158
Rollovers from other schemes	**73 172**	53 138
Internal transfers (i)	**52 334**	27 612
Spouse contributions	**1 131**	1 915
Investment income	**(11 803)**	13 354
Other revenue	**64**	12
	142 850	117 846
Less: Benefits paid and payable	**52 780**	20 148
Direct investment expense	**605**	486
Administration expense	**108**	60
Internal transfers (i)	**57 147**	16 103
Income Tax	**6 886**	8 126
	117 526	44 923
Funds held at 30 June	**145 061**	119 737
Total Net Assets Available to Pay Benefits	**5 982 810**	6 012 559

(i) Internal transfers relates to transfers between the Employee Fund, the Employer Fund, the Allocated Pension and the Flexible Rollover Product and do not appear in the Operating Statement as they are within the Scheme.

7. Direct Investment Expenses

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

8. Administration Expenses

	2008	2007
	$'000	$'000
Administration expenses (i)	**7 453**	7 680
Other expenses	**111**	16
Actuarial review of insurance pool	**31**	-
Audit expense (ii)	**61**	55
	7 656	7 751

(i) Administration Expense

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 determined by the Board. For the year ended 30 June 2008 the charge is $1 per week ($1 per week) per member for all members, active and non-active. The charge for a member with an aggregate balance of $1000 or less, is the lesser of the charges applicable to members, or the amount of interest credited to the member's Employer Account with a minimum of $10. This charge is included on member annual statements. For the year ended 30 June 2008 the amount charged to members' employer contribution accounts was $7.9 million ($7.8 million).

Administration expenses incurred by the Board in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Board monthly. The charge for the year ended 30 June 2008, based on actual costs of administering the Scheme, amounted to $7.5 million including GST ($7.7 million).

(ii) Audit Expense

These amounts are paid or due and payable to the Auditor-General's Department (an SA Government Entity) for the audit of the Scheme for the reporting period. No other services have been provided by the Auditor-General's Department.

9. Death, Invalidity and Income Protection Insurance Reserve

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

The Standard Insurance benefit of one unit of cover costs $0.75 per week ($0.75 per week) and is compulsory for most members of the scheme except some casual employees who opt out of insurance 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 5 units of Standard Insurance cover. The value of a unit under Standard Insurance for members up to age 34 years is $75 000 ($75 000). The value of a unit declines from age 35. 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. Additional units can be purchased (subject to medical evidence) to provide permanent employees with cover up to $1 000 000 ($1 000 000) and casual employees up to $500 000 ($500 000).

Triple S insurance changes were introduced from 1 February 2007. These changes enhanced the attractiveness of Triple S insurance offerings, and included the following changes; extending the age for invalidity insurance through to age 65, extending the age limit for income protection payments to age 60, increasing income protection benefits to 75 percent of salary, abolishing the need to exhaust all sick leave prior to making an income protection claim and replacing this with a 30 day waiting period, an increase in the benefit payment period and enabling non-contributory members to opt in for income protection insurance. The enhancements to the insurance offerings had a significant impact on take up rates, with applications for insurance doubling on average since the February introduction.

As required by section 13A of the Act, a report was obtained on the costs and liabilities of the insurance arrangements in existence as at 30 June 2007. The actuary concluded that the current premiums are below the break even premiums but there are adequate reserves to support the current premiums for over 20 years.

In the event of invalidity, the Basic and Additional units of insurance are paid to the member. In the event of death, the Basic and Additional units of insurance are 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.

	2008	2007
	$'000	$'000
Opening balance of the Death, Invalidity and Income Protection Insurance Reserve	**111 672**	95 349
Add: Investment earnings on insurance reserve	**(10 229)**	16 797
Contributions	**9 646**	8 428
	(583)	25 225
Less: Benefit Payments:		
Invalidity	**5 715**	3 810
Death	**3 153**	3 170
Disability pensions	**2 572**	1 355
Less: Actuarial review of insurance pool	**31**	-
Less: Administration costs [(i)]	**528**	567
	11 999	8 902
Net Transfer Value to the Death, Invalidity and Income Protection Insurance Reserve	**(12 582)**	16 323
Closing Balance of Reserve	**99 090**	111 672

(i) The amount relates to the annual administration charge paid to the Department of Treasury and Finance for administering the insurance arrangements.

10. Administration Reserve

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

	2008	2007
	$'000	$'000
Balance as at 1 July	**7 578**	6 234
Transfers to reserves	**7 881**	8 886
Transfers out of reserves	**(7 969)**	(7 542)
Balance as at 30 June	**7 490**	7 578

11. 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 Scheme. Vested Benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date.

	2008	2007
Vested Benefits:	**$'000**	$'000
Triple S	**5 589 077**	5 719 417
Allocated Pension	**125 518**	49 993
Flexible Rollover Product	**144 571**	120 661
	5 859 166	5 890 071

12. Income Tax

(a) Major Components of Tax Expense

Current Income Tax:		
Current tax charge	**12 639**	8 304
Adjustment to current tax for prior periods	**(250)**	(89)
Deferred Income Tax:		
Relating to the originating and reversal of temporary differences	**(3 028)**	599
Income Tax Expense	**9 361**	8 814

(b) Income Tax Expense

Benefits accrued before tax	**225 633**	1 594 495
Changes in net assets related to constitutionally protected schemes	**6 198**	(1 443 794)
Total change in net assets related to retirement products	**231 831**	150 701
Tax applicable at the rate of 15 percent	**34 775**	22 591
Tax effect of expenses that are not deductible in determining taxable income:		
Non-deductible expenses	**99**	52
Tax effect of income that is not accessible in determining taxable income:		
Investment income	**1 027**	(312)
Member contributions	**(26 311)**	(12 378)
Exempt pension income	**710**	(577)
Tax effect of other adjustments:		
Imputation and foreign tax credits	**(689)**	(473)
Over provision prior period	**(250)**	(89)
Income Tax Expense	**9 361**	8 814

(c) Current Tax Liabilities

Balance at 1 July	**2 012**	2 863
Income tax paid - Current period	**(9 864)**	(6 292)
Income tax paid - Prior periods	**(1 762)**	(2 774)
Current years income tax provision	**12 639**	8 304
Over provision prior period	**(250)**	(89)
	2 775	2 012

(d) Deferred Tax Liabilities

The amount of deferred tax liability recognised in the Statement of Financial Position:

Net unrealised capital gains (discounted)	**-**	757

(e) Deferred Tax Assets

The amount of deferred tax assets recognised in the Statement of Financial Position at reporting date is made up as follows:

Accrued expenses	**2 269**	-

13. Reconciliation of Benefits Accrued as a Result of Operations to Net Cash provided by Operating Activities

Benefits accrued as a result of operations	**216 272**	1 585 681
Benefits paid and payable	**(246 021)**	(158 280)
Investment revenue	**575 111**	(894 043)
Direct investment expense	**34 499**	32 845
(Increase) Decrease in contributions receivable	**(3 032)**	3 364
Increase in sundry debtors	**(292)**	(7)
(Increase) Decrease in deferred tax assets	**(2 269)**	21
Increase (Decrease) in current tax liabilities	**763**	(851)
(Decrease) Increase in deferred tax liabilities	**(757)**	577
(Decrease) Increase in sundry creditors	**(4)**	8
(Decrease) Increase in PAYG withholding tax	**(79)**	76
Increase (Decrease) in benefits payable	**1 476**	(1 487)
Net Cash provided by Operating Activities	**575 667**	567 904

14. Reconciliation of Cash

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

	2008	2007
Cash and Cash Equivalents:	$'000	$'000
Triple S	**13 430**	24 902
Flexible Rollover Product	**656**	1 817
Allocated Pension	**1 050**	1 512
	15 136	28 231

15. Guaranteed Benefits

Benefit entitlements are specified by the *Southern State Superannuation Act 1994*.

16. Sundry Creditors

Audit fees payable	**77**	75
Other	**4**	10
	81	85

17. Allocated to Members' Accounts

The value of funds which have been formally allocated to member accounts equals the Vested Benefits as per Note 11. The formal allocation of earnings to members' accounts has been determined for the 2008 year.

18. Not Allocated to Members' Accounts

All accumulation schemes carry some type of unallocated amount. This unallocated amount arises because the financial report of the Scheme is prepared on an accrual basis while monies are allocated to members on a cash basis.

19. Financial Instruments

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

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

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

- market risk
- credit risk
- liquidity risk.

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

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

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

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

(a) Market Risk

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

(i) Currency Risk

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

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

(i) Currency Risk (continued)

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income), property and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures in the international equities asset sector are one-third hedged to Australian dollars.

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

(ii) Interest Rate Risk

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

Funds SA manages interest rate risk through:

- Ensuring asset allocations of different investment products are consistent with the time horizon of each.
- The use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

(iii) Other Market Price Risk

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

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

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

- Ensuring a diversity of exposures to different financial markets and sub markets.
- Ensuring asset allocations for different investment products are consistent with the time horizon of each.

(iv) Sensitivity Analysis

The Funds SA Board has determined that the forecast risk/return profile provide a reasonably possible change in the value of the investments in each investment option. The standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investment assets from possible changes in market price risk.

Investment Option	Sensitivity variable	Standard Deviation Percent	**Change in Investment Assets $'000**
2008			
High growth	Nominal standard deviation	13.29	**66 789**
Growth	Nominal standard deviation	11.64	**24 842**
Balanced	Nominal standard deviation	10.40	**521 563**
Moderate	Nominal standard deviation	7.65	**1 888**
Conservative	Nominal standard deviation	6.00	**5 372**
Capital defensive	Nominal standard deviation	3.36	**874**
Cash	Nominal standard deviation	1.14	**1 012**
Total			**622 340**
2007			
High growth	Nominal standard deviation	12.71	65 236
Growth	Nominal standard deviation	11.31	21 106
Balanced	Nominal standard deviation	10.00	515 366
Moderate	Nominal standard deviation	8.04	801
Conservative	Nominal standard deviation	6.20	5 440
Capital defensive	Nominal standard deviation	3.59	375
Cash	Nominal standard deviation	3.38	693
Total			609 017

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

(iv) *Sensitivity Analysis (continued)*

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

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

(b) Credit Risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counter party or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

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

(c) Liquidity Risk

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

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

Funds SA manages liquidity risk as follows:

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

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

2008	**Less Than Three Months $'000**	**Three Months to One Year $'000**	**Total Contractual Cash Flows $'000**	**Carrying Amount (Asset) Liabilities $'000**
Benefits payable	**4 103**	**-**	**4 103**	**4 103**
Sundry creditors	**188**	**-**	**188**	**188**
Current tax liabilities	**2 775**	**-**	**2 775**	**2 775**
Vested benefits (i)	**5 859 166**	**-**	**5 859 166**	**5 859 166**
Total	**5 866 232**	**-**	**5 866 232**	**5 866 232**
2007				
Benefits payable	2 627	-	2 627	2 627
Sundry creditors	271	-	271	271
Current tax liabilities	2 102	-	2 102	2 102
Vested benefits (i)	5 890 071	-	5 890 071	5 890 071
Total	5 895 071	-	5 895 071	5 895 071

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

(d) Fair Value Estimation

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

(e) Derivative Financial Instruments

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

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

20. Related Parties

Details of the members of the Board and their remuneration for the 2007-08 financial year are disclosed in the notes to the Board's financial report.

SOUTH AUSTRALIAN TOURISM COMMISSION

FUNCTIONAL RESPONSIBILITY

Establishment

The South Australian Tourism Commission (the Commission), a body corporate, was established pursuant to the *South Australian Tourism Commission Act 1993*. The Commission is responsible to the Minister for Tourism.

Functions

The Commission was established to promote South Australia as a tourist destination and further develop and improve the State's tourism industry.

For more information about the Commission's objectives refer to Note 1 of the financial report.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and subsection 23(3) of the *South Australian Tourism Commission Act 1993* provides for the Auditor-General to audit the accounts of the Commission for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

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

- corporate governance
- payroll
- expenditure (including contract management)
- revenue
- cash
- financial accounting
- legal compliance.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the South Australian Tourism Commission as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

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

Communication of Audit Matters

Matters raised during the course of the audit were reported in management letters to the Chief Executive of the Commission and satisfactory responses were received. A summary of matters raised and responses is provided hereunder.

Contract Execution

The Commission was not able to locate Ministerial approval to execute one agreement and to extend another agreement.

The Commission responded that they were currently in negotiation to enter into new contract agreements and these agreements would have the appropriate approvals. The Commission also stated they were drafting a contract management framework to improve the management of agreements.

On-Line Booking/Reservation System

In June 2008, some matters were raised with the Commission relating to its Online Booking/Reservation System and service provider agreements associated with the operation of the system.

It was considered timely to raise the issues with the Commission as it had commenced the process of replacing the system. The matters raised included, the requirement for adequate documentation of the system covering functionality, security and disaster recovery planning, and the need to review and ensure compliance of conditions in service provider agreements.

The Commission's response advised that the matters are to be addressed in the system replacement process.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008	2007	Percentage
	$'million	$'million	Change
INCOME			
Revenues from SA Government	**50.3**	43.9	15
Other	**7.3**	6.7	9
Total Income	**57.6**	50.6	14
EXPENSES			
Employee benefit expenses	**13.0**	12.8	2
Advertising and promotion	**17.5**	14.4	22
Industry assistance	**11.9**	9.5	25
Other	**15.3**	14.1	9
Total Expenses	**57.7**	50.8	14
Net Result	**(0.1)**	(0.2)	50
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	**1.0**	(0.3)	-
ASSETS			
Current assets	**5.7**	5.1	12
Non-current assets	**1.9**	2.1	(10)
Total Assets	**7.6**	7.2	6
LIABILITIES			
Current liabilities	**4.2**	3.9	8
Non-current liabilities	**1.6**	1.4	14
Total Liabilities	**5.8**	5.3	9
EQUITY	**1.8**	1.9	(5)

Income Statement

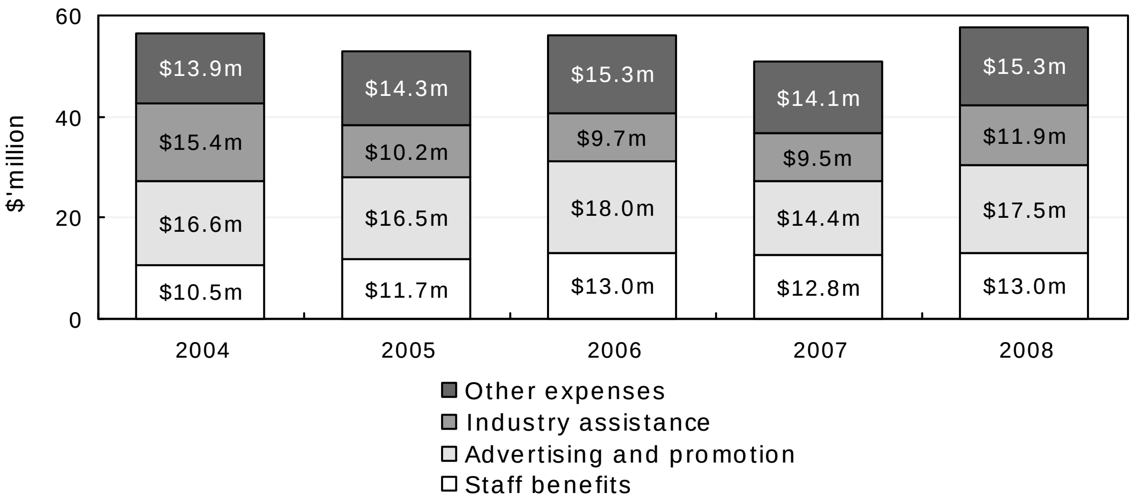
Income

Income for the year totalled $57.6 million ($50.6 million). This includes revenue appropriated from Government for operating purposes of $50.3 million ($43.9 million) representing 87 percent of total income. The Commission is dependent on the ongoing financial support of the State Government and government funding is based on estimated expenses less income generated by the Commission.

Other income predominantly consists of participation fees, event entry fees, refunds/recoups of salaries and expenses. The increase in other income is mainly as a result of an increase in participation fees partly offset by a decrease in event entry fees. The increase in participation fees reflects new sponsorships obtained in 2007-08. The decrease in event entry fees reflects the biennial staging of the Great Australian Cattle Drive which was held in 2006-07.

Expenses

For the five years to 2008, a structural analysis of the main expense items for the Commission is shown in the following chart.



Expenses increased in 2008 mainly as a result of an increase in advertising and promotion costs and industry assistance.

The increase in advertising and promotion costs was mainly due to the new winter advertising campaign during 2007-08. In addition, in 2006-07, brochure printing was rationalised. The increase in industry assistance was mainly due to new events being sponsored.

Income Statement
for the year ended 30 June 2008

	Note	2008 $'000	2007 $'000
EXPENSES:			
Employee benefit expenses	4	**13 041**	12 752
Advertising and promotion		**17 542**	14 442
Industry assistance	5	**11 881**	9 499
Administration and accommodation	6	**8 268**	9 202
Event operations		**6 174**	4 495
Depreciation expense	7	**682**	354
Goodwill written off	14	**88**	10
Borrowing costs		**35**	46
Total Expenses		**57 711**	50 800
INCOME:			
Participation fees	8	**4 114**	2 523
Commission on sales		**514**	779
Other revenue	9	**2 676**	3 368
Net loss from the disposal of non-current assets	10	**(8)**	(22)
Total Income		**7 296**	6 648
NET COST OF PROVIDING SERVICES		**50 415**	44 152
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government		**50 306**	43 948
NET RESULT		**(109)**	(204)

The net result is attributable to the SA Government as owner

Balance Sheet
as at 30 June 2008

	Note	**2008 $'000**	2007 $'000
CURRENT ASSETS:			
Cash and cash equivalents	11	**3 537**	3 265
Receivables	12	**2 121**	1 819
Total Current Assets		**5 658**	5 084
NON-CURRENT ASSETS:			
Plant and equipment	13	**1 471**	1 594
Intangible assets	14	**-**	88
Investment in Australian Tourism Data Warehouse Ltd	15	**400**	400
Total Non-Current Assets		**1 871**	2 082
Total Assets		**7 529**	7 166
CURRENT LIABILITIES:			
Payables	16	**2 653**	2 214
Other current liabilities	17	**161**	211
Short-term employee benefits	18	**1 167**	1 291
Short-term borrowings	19	**180**	169
Total Current Liabilities		**4 161**	3 885
NON-CURRENT LIABILITIES:			
Payables	16	**110**	81
Long-term employee benefits	18	**1 222**	874
Long-term borrowings	19	**243**	424
Total Non-Current Liabilities		**1 575**	1 379
Total Liabilities		**5 736**	5 264
NET ASSETS		**1 793**	1 902
EQUITY:			
Retained earnings		**1 793**	1 902
TOTAL EQUITY		**1 793**	1 902

The total equity is attributable to the SA Government as owner

Commitments	20		

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

	Retained Earnings $'000
Balance at 30 June 2006	2 251
Error correction	(145)
Restated balance at 30 June 2006	2 106
Total recognised income and expense for 2006-07	(204)
Balance at 30 June 2007	1 902
Total recognised income and expense for 2007-08	(109)
Balance at 30 June 2008	**1 793**

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

Cash Flow Statement
for the year ended 30 June 2008

	Note	2008 Inflows (Outflows) $'000	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefit payments		**(12 756)**	(12 508)
Payments for supplies and services		**(43 317)**	(39 027)
Interest paid		**(35)**	(46)
GST payments on purchases		**(3 569)**	(3 194)
Cash used in Operations		**(59 677)**	(54 775)
CASH INFLOWS:			
Fees and charges		**3 720**	2 523
Commission earned		**514**	779
GST recovered from the ATO		**2 720**	2 876
GST receipts on receivables		**800**	642
Other receipts		**2 626**	3 748
Cash generated from Operations		**10 380**	10 568
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**50 306**	43 948
Cash generated from SA Government		**50 306**	43 948
Net Cash provided by (used in) Operating Activities	23	**1 009**	(259)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchases of plant and equipment		**(571)**	(243)
Cash used in Investing Activities		**(571)**	(243)
CASH INFLOWS:			
Proceeds from sale of plant and equipment		**4**	2
Cash generated from Investing Activities		**4**	2
Net Cash used in Investing Activities		**(567)**	(241)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Repayment of Borrowings		**(170)**	(157)
Net Cash used in Financing Activities		**(170)**	(157)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**272**	(657)
CASH AND CASH EQUIVALENTS AT 1 JULY		**3 265**	3 922
CASH AND CASH EQUIVALENTS AT 30 JUNE	11	**3 537**	3 265

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the South Australian Tourism Commission

Objectives

The purpose of the South Australian Tourism Commission (the Commission) established under the *South Australian Tourism Commission Act 1993* (SATC Act) is, on behalf of the Government, to work in partnership with the private sector in productively marketing South Australia's tourism product intrastate, interstate and internationally to ensure that South Australia is a compelling part of any Australian holiday. The principal goals of the Commission are to:

- add value to the efforts of the tourism industry and other government agencies, by ensuring a coordinated approach to the promotion of South Australia which results in an increase in visitor numbers to all regions of the State thereby increasing the value of tourism to the economy and generating employment for South Australians;
- attract, develop, own and support major and strategic events that generate substantial economic and social benefits for South Australia and promote the image and profile of Adelaide and South Australia;
- ensure the development of South Australia's tourism resources in a socially responsible way with emphasis on the continued maintenance and preservation of South Australia's environmental and cultural heritage and the profitability and effective utilisation of infrastructure;
- achieve a strong corporate team and positive corporate culture that uses its resources in the most effective and efficient manner.

Financial Arrangements

The Commission's principal source of funding consists of monies appropriated by Parliament. The financial activities of the Commission are primarily conducted through a Special Deposit Account pursuant to section 21 of the PFAA.

2. Summary of Significant Accounting Policies

(a) Statement of Compliance

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

AASs include AIFRS and AAS 29. AASs and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Commission for the reporting period ending 30 June 2008.

(b) Basis of Preparation

The preparation of the financial report requires:

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

  (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies;

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

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

  (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Commission's Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

(b) Basis of Preparation (continued)

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

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

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

(c) Reporting Entity

The Commission is a statutory corporation of the State of South Australia, established pursuant to the SATC Act.

The financial report includes all the controlled activities of the Commission. Transactions and balances relating to administered resources are not recognised as Commission income, expense, assets and liabilities. As administered items are insignificant in relation to the Commission's overall financial performance and position, they are disclosed in the schedule of administered items at the back of the controlled General Purpose Financial Report. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for Commission items.

(d) Administered Items

The Commission is responsible for the administration of the items described below. These items are not recorded in the Income Statement or Balance Sheet as the Commission does not have control over how these funds are to be spent. Administered revenues, expenses, assets and liabilities are detailed separately in Note 26. Administered items comprise:

(i) South Australian Visitor and Travel Centre

The Commission operates the South Australian Visitor and Travel Centre (SAV&TC) which arranges bookings of tourism products such as accommodation, transfers and tours on behalf of tourism operators. The SAV&TC administers the collection of money from customers and forwards payments to operators. Administered income, expenditure, assets and liabilities have been included in the Administered Schedule in Note 26.

(ii) 2007 World Police and Fire Games

The 2007 World Police and Fire Games Corporation was established on 1 October 2003. The Commission managed the finances of the Corporation until the 30 June 2004. The balance of assets and liabilities held at 30 June 2004 were transferred to the Corporation in 2004-05. The 2007 World Police and Fire Games Corporation dissolved on 31 December 2007 under the sunset clause of the Public Corporations (2007 World Police and Fire Games Corporation) Regulations 2003, at which time the assets and liabilities of the Corporation vested in the Minister.

(e) Comparative Information

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

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

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

(f) Rounding

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

(g) Taxation

The Commission is not subject to income tax. The Commission is liable for payroll tax, FBT, GST and the emergency services levy.

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

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

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

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

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

(h) Income and Expenses

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

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

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

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

Income

The following are specific recognition criteria:

Revenues from SA Government

Appropriations for program funding are recognised as revenues when the Commission obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Commission

Commission earned on sales through the SAV&TC is recognised at the date of ticketing. The gross sales collected on behalf of tourism operators by the SAV&TC are recorded in the schedule of administered items.

Participation Fees

The Commission earns income from participants in the Tourism Industry through cooperative marketing schemes, sponsorship of events, subscriptions and training fees. This income is recognised as it accrues.

Other Income

Other income comprises event entry fees, merchandise sales, recoups of expenditure from regional marketing boards and other government agencies.

Expenses

Employee Benefits

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

Superannuation

The amount charged to the Income Statement represents the contributions made by the Commission to the superannuation plan in respect of current services of current Commission staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of-government financial statements.

Borrowing Costs

All borrowing costs are recognised as expenses.

(i) Current and Non-Current Classification

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

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

(j) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet and Cash Flow Statement comprise cash on hand and at bank and deposits with the Treasurer.

(k) Receivables

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

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectability of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised where there is objective evidence that the Commission will not be able to collect the debt. Bad debts are written off when identified.

(l) Non-Current Asset Acquisition, Recognition and Revaluation

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Balance Sheet.

Items of plant and equipment controlled by the Commission with an individual value greater than $5000 are recognised as non-current assets in the Balance Sheet. Items of plant and equipment are recorded at historic cost less accumulated depreciation.

Minor items of plant and equipment with an individual value less than $5000 are expensed in the Income Statement at the time of acquisition.

All Pageant Floats, regardless of their value, are recognised as non-current assets in the Balance Sheet. Pageant Floats are recorded at historic cost less accumulated depreciation.

Asset revaluation would occur if the fair value at the time of acquisition was greater than $1 million and estimated useful life was greater than three years.

(m) Depreciation of Non-Current Assets

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

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

	Years
General plant and equipment	3-5
Pageant plant and equipment	5-15

Fitouts are depreciated over the shorter of the length of the lease or the useful life of the fitout using the straight line method. The useful lives of all major assets held by the Commission are reviewed and adjusted if appropriate, on an annual basis.

(n) Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated impairment losses. Goodwill was assessed for impairment in 2007-08 and written off. Refer Note 14.

(o) Payables

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

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

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

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

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

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

(p) Employee Benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts. Related on-costs consequential to the employment of employees have been included in payables.

Wages, salaries, annual leave and sick leave

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid, calculated on current pay rates plus an inflation allowance of 4 percent.

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

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

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

Workers Compensation
There is no provision for Workers Compensation as the Commission pays a levy to the WorkCover Corporation of South Australia.

(q) Foreign Currency
Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date. Associated currency gains and losses are not material and therefore have not been disclosed separately in the Income Statement.

(r) Commitments
Commitments include those operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value. Commitments are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the commitments are disclosed on a gross basis.

3. Program Class Schedule of Expenses and Income for the year ended 30 June 2008
The Commission has identified four broad program classes that reflect the nature of the services delivered to the South Australian community. These are:

Program Class 1: ***Strategic Advice***
To assist the tourism industry by providing tourism forecasting data and statistical research advice and evaluation, and industry policy and planning services.

Program Class 2: ***Tourism Development***
To provide advice and assistance to tourism operators and develop sustainable tourism products and infrastructure to raise the standard of tourism services and facilities across the State.

Program Class 3: ***Tourism Events***
To bid for and stage major events in South Australia.

Program Class 4: ***Tourism Marketing***
To provide high quality marketing services and development of marketing strategies and campaigns that increase the number of visitors to South Australia.

Expenses and income by Program Class for the year are as follows:

	Strategic Advice		Tourism Development		Tourism Events	
	2008	2007	**2008**	2007	**2008**	2007
Expenses:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**961**	871	**1 174**	1 217	**2 423**	2 236
Advertising and promotion	**543**	720	**146**	107	**2 015**	972
Industry assistance	**222**	363	**2 442**	2 455	**5 123**	1 627
Administration and accommodation	**273**	318	**523**	426	**2 460**	2 897
Event operations	**-**	-	**-**	-	**6 158**	4 487
Depreciation expense	**33**	17	**44**	19	**210**	121
Goodwill written off	**-**	-	**-**	-	**88**	10
Borrowing costs	**2**	3	**3**	3	**7**	8
Total Expenses	**2 034**	2 292	**4 332**	4 227	**18 484**	12 358
Income:						
Participation fees	**14**	6	**46**	14	**2 706**	1 720
Commission on sales	**-**	-	**-**	-	**-**	-
Other revenue	**17**	11	**35**	68	**1 307**	1 444
Net loss from the disposal of non-current assets	**-**	(1)	**(1)**	(2)	**(1)**	(6)
Total Income	**31**	16	**80**	80	**4 012**	3 158
Net Cost of Providing Services	**2 003**	2 276	**4 252**	4 147	**14 472**	9 200
Revenues from SA Government:						
Revenues from SA Government	**1 897**	2 255	**4 436**	4 177	**14 243**	8 797
NET RESULT	**(106)**	(21)	**184**	30	**(229)**	(403)

3. Program Class Schedule of Expenses and Income for the year ended 30 June 2008 (continued)

	Tourism Marketing		Total	
	2008	2007	**2008**	2007
Expenses:	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**8 483**	8 428	**13 041**	12 752
Advertising and promotion	**14 838**	12 643	**17 542**	14 442
Industry assistance	**4 094**	5 054	**11 881**	9 499
Administration and accommodation	**5 012**	5 561	**8 268**	9 202
Event operations	**16**	8	**6 174**	4 495
Depreciation expense	**395**	197	**682**	354
Goodwill written off	**-**	-	**88**	10
Borrowing costs	**23**	32	**35**	46
Total Expenses	**32 861**	31 923	**57 711**	50 800
Income:				
Participation fees	**1 348**	783	**4 114**	2 523
Commission on sales	**514**	779	**514**	779
Other income	**1 317**	1 845	**2 676**	3 368
Net loss from the disposal of non-current assets	**(6)**	(13)	**(8)**	(22)
Total Income	**3 173**	3 394	**7 296**	6 648
Net Cost of Providing Services	**29 688**	28 529	**50 415**	44 152
Revenues from SA Government:				
Revenues from SA Government	**29 730**	28 719	**50 306**	43 948
NET RESULT	**42**	190	**(109)**	(204)

4. Employee Benefit Expenses

	2008	2007
	$'000	$'000
Salaries and wages	**9 940**	9 826
Long service leave	**439**	305
Annual leave	**785**	778
Employment on-costs - Superannuation	**1 042**	1 056
Employment on-costs - Other	**685**	672
Board fees	**113**	110
Other employee related expenses	**37**	5
Total Employee Benefit Expenses	**13 041**	12 752

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:	**2008 Number**	2007 Number
$100 000 - $109 999	**1**	2
$110 000 - $119 999	**1**	1
$120 000 - $129 999	**-**	1
$130 000 - $139 999	**2**	1
$140 000 - $149 999	**1**	1
$150 000 - $159 999	**1**	-
$160 000 - $169 999	**-**	1
$170 000 - $179 999	**-**	1
$190 000 - $199 999	**1**	-
$230 000 - $239 999	**-**	1
$330 000 - $339 999	**1**	-
Total Number of Staff	**8**	9

The table includes all employees who received remuneration of $100 000 or more during the year. Remuneration of employees reflects all costs of employment and includes salary and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $1 320 000 ($1 308 000).

5. Industry Assistance

Industry Assistance paid/payable to Entities external to the SA Government:	**2008**	2007
	$'000	$'000
Sponsorship of events	**5 633**	4 223
Tourism infrastructure grants	**2 238**	2 143
Tourism marketing boards/information centre grants	**1 414**	1 796
Marketing/industry support	**2 277**	1 194
Trade show subsidies/membership of tourism industry bodies	**319**	143
Total Industry Assistance	**11 881**	9 499

6. Administration and Accommodation

	2008	2007
Administration and Accommodation paid/payable to Entities external to the SA Government:	**$'000**	$'000
Communication and computing	**1 590**	1 779
Stationery, postage, couriers and freight	**467**	589
Contractors and consultants	**1 086**	1 431
Taxis, hire cars and car parking	**223**	285
Domestic and international travel	**842**	634
Seminars, courses and training	**278**	181
Accommodation and service costs	**771**	1 105
Bad debts and allowances for doubtful debts	**6**	4
Other	**749**	756
	6 012	6764
Administration and Accommodation paid/payable to Entities within the SA Government:		
Accommodation and service costs	**1 193**	1 196
Motor vehicle	**508**	608
Computer processing	**126**	365
Contractors	**95**	-
Insurance	**114**	107
Audit, legal and other fees	**220**	162
	2 256	2 438
Total Administration and Accommodation	**8 268**	9 202

Consultants

The number and dollar amount of consultancies paid/payable (included in Administration and Accommodation) that fell within the following bands:	**2008** Number of Consultants	**2008** $'000	2007 Number of Consultants	2007 $'000
Below $10 000	**1**	**5**	-	-
Between $10 000 and $50 000	**1**	**11**	2	50
Total Consultants	**2**	**16**	2	50

7. Depreciation Expense

	2008	2007
Depreciation expense:	**$'000**	$'000
General plant and equipment	**100**	71
Fitouts	**484**	210
Pageant assets	**98**	73
Total Depreciation Expense	**682**	354

8. Participation Fees

Participation Fees received/receivable from Entities external to the SA Government:		
Cooperative marketing/advertising	**1 337**	979
Sponsorship revenue	**1 713**	1 348
Trade/consumer show participation/workshops/training	**166**	130
Contra transactions	**773**	66
	3 989	2 523
Participation Fees received/receivable from Entities within the SA Government:		
Sponsorship revenue	**125**	-
Total Participation Fees	**4 114**	2 523

9. Other Revenue

Other Revenue received/receivable from Entities external to the SA Government:		
Event entry fees	**801**	909
Refunds/recoups of expenses	**676**	716
Service fees	**41**	38
Salary recoups	**514**	513
Familiarisation expenditure recouped	**119**	130
Sales of merchandise	**94**	85
Sundry income	**431**	478
	2 676	2 869
Other Revenue received/receivable from Entities within the SA Government:		
Grants	**-**	350
Recoups	**-**	149
	-	499
Total Other Revenue	**2 676**	3 368

10. Net Loss from the Disposal of Non-Current Assets

Plant and Equipment:		
Proceeds from disposal	**4**	2
Less: Net book value of assets disposed	**12**	24
Total Net Loss from the Disposal of Non-Current Assets	**(8)**	(22)

11. Cash and Cash Equivalents

	2008 $'000	2007 $'000
Cash on hand and at bank	**2 265**	1 911
Deposits with the Treasurer	**1 272**	1 354
Total Cash and Cash Equivalents	**3 537**	3 265

Deposits with the Treasurer

Funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use; ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

Interest Rate Risk

Cash on hand and at bank and deposits with the Treasurer are non-interest bearing.

12. Receivables

	2008 $'000	2007 $'000
Current:		
Receivables	**1 064**	646
Less: Allowance for doubtful debts	**12**	11
	1 052	635
GST input tax recoverable	**439**	530
Accrued revenue	**547**	63
Prepayments	**83**	591
Total Receivables	**2 121**	1 819
Receivables from SA Government entities:		
Receivables	**57**	-
Total Receivables from SA Government Entities	**57**	-
Receivables from Non-SA Government Entities:		
Receivables	**1 007**	646
Less: Allowance for doubtful debts	**12**	11
	995	635
GST input tax recoverable	**439**	530
Accrued revenue	**547**	63
Prepayments	**83**	591
Total Receivables from Non-SA Government Entities	**2 064**	1 819
Total Receivables	**2 121**	1 819

Movement in the Allowance for Doubtful Debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. The Commission has recognised a bad and doubtful debts expense of $6000 ($4000) in the Income Statement under administration and accommodation.

	2008 $'000	2007 $'000
Carrying amount at 1 July	**11**	1 900
Increase in the allowance	**3**	-
Amounts written off	**(2)**	(1 889)
Carrying amount at 30 June	**12**	11

On 7 September 2006, a contested legal claim relating to the staging of the Le Mans event in Adelaide was settled and $1.87 million was written off in 2006-07. This was previously recognised as a provision for doubtful debts in 2005-06.

Interest Rate and Credit Risk

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

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

13. Plant and Equipment

	General Plant and Equipment $'000	Fitouts $'000	Pageant Plant and Equipment $'000	2008 Total $'000
Gross Carrying Amount:				
Balance at 1 July	720	2 409	977	**4 106**
Purchases	97	285	189	**571**
Disposals	(104)	-	-	**(104)**
Balance at 30 June	713	2 694	1 166	**4 573**

13. Plant and Equipment (continued)

	General Plant and Equipment $'000	Fitouts $'000	Pageant Plant and Equipment $'000	**2008 Total $'000**
Accumulated Depreciation:				
Balance at 1 July	361	1 609	542	**2 512**
Depreciation expense	100	484	98	**682**
Disposals	(92)	-	-	**(92)**
Balance at 30 June	369	2 093	640	**3 102**
Net Book Value:				
As at 30 June 2008	**344**	**601**	**526**	**1 471**
As at 30 June 2007	359	800	435	1 594

14. Intangible Assets

	Christmas Pageant Goodwill **2008 $'000**	2007 $'000
Christmas Pageant Goodwill		
Net carrying amount	**88**	98
Less: Write-off following impairment assessment	**88**	10
Total Christmas Pageant Goodwill	**-**	88

The Commission carried out an impairment assessment of the value of goodwill as at 30 June 2008. As future economic benefits are assessed to be minimal, goodwill has been written down to zero.

15. Investment in Australian Tourism Data Warehouse

The Australian Tourism Data Warehouse (ATDW) is a joint project of all State and Territory tourism authorities working with the Tourism Australia (TA) to present and market Australian tourism product to the world through the TA's website. Operators listed on the ATDW have their details uploaded onto the new consumer website offering worldwide exposure. The Commission's shareholding of 400 000 D Class shares in ATDW does not give the Commission controlling interest in ATDW.

16. Payables

	2008 $'000	2007 $'000
Current:		
Creditors	**649**	-
Accrued expenses	**1 793**	1 895
GST payable	**-**	140
Employment on-costs	**211**	179
Total Current Payables	**2 653**	2 214
Non-Current:		
Employment on-costs	**110**	81
Total Non-Current Payables	**110**	81

Interest Rate and Credit Risk

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

17. Other Liabilities

	2008 $'000	2007 $'000
Current:		
Unclaimed monies	**14**	13
Unearned revenue	**147**	198
Total Other Liabilities	**161**	211

18. Employee Benefits

Current:		
Annual leave	**731**	769
Short-term long service leave	**202**	285
Accrued salaries and wages	**234**	237
Total Current Employee Benefits	**1 167**	1 291
Non-Current:		
Long-term long service leave	**1 222**	874
Total Non-Current Employee Benefits	**1 222**	874

The total current and non-current employee benefits (ie aggregate employee benefit plus related on-costs) for 2008 was $1 378 000 ($1 470 000) and $1 332 000 ($955 000) respectively.

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

19. Borrowings

	2008	2007
	$'000	$'000
Balance 1 July	**593**	750
Less: Repayments	**170**	157
Balance 30 June	**423**	593
Represented by:		
Current borrowings	**180**	169
Non-current borrowings	**243**	424
Total Borrowings	**423**	593

All borrowings held at 30 June 2008 were payable to SA Government. Borrowings are recognised at cost and have a maturity date of 21 September 2010. The interest rate is 6.72 percent for the life of the loan.

20. Commitments

(a) Operating Lease Commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:	**2008**	2007
	$'000	$'000
Within one year	**1 436**	1 165
Later than one year but not longer than five years	**5 255**	2 506
Later than five years	**6 540**	1 219
Total Operating Lease Commitments	**13 231**	4 890

These commitments have been calculated at rates specified in the lease agreements. The leases are non-cancellable with terms ranging up to 11 years with some leases having the right of renewal. Rent is payable in arrears.

The weighted average interest rate implicit in the non-cancellable operating leases is 4 percent. Where lease agreements refer to a market rate of CPI a rate of 4 percent has been applied.

(b) Other Commitments

	2008	2007
	$'000	$'000
Within one year	**6 400**	10 886
Later than one year but not longer than five years	**7 337**	7 670
Later than five years	**891**	235
Total Other Commitments	**14 628**	18 791

The Commission's other commitments are for grants to Regional Tourism Marketing Boards, international marketing representation fees, tourism development projects, event sponsorship and other cooperative and service contracts.

(c) Remuneration Commitments

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

	2008	2007
	$'000	$'000
Within one year	**3 269**	3 201
Later than one year but not longer than five years	**2 669**	1 639
Total Remuneration Commitments	**5 938**	4 840

Amounts disclosed include commitments arising from the executive and other service contracts. The Commission does not offer fixed-term remuneration contracts greater than five years.

21. Auditors' Remuneration

Audit fees paid/payable to the Auditor-General's Department	**65**	60

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

22. Remuneration of Board Members

Members who were entitled to receive remuneration for membership during the 2008 financial year were:

South Australian Tourism Commission Board

R Foord
A Skipper
L Tuit
J Ellison
I Horne
J Jeffreys (appointed 16 August 2007)
M Michalewicz (appointed 1 October 2007)
W Campana (appointed 1 October 2007)
M Tilley (appointed 3 April 2008)
M Butler (term expired 20 July 2007)
J Clarke (term expired 30 September 2007)
F Connor (term expired 30 September 2007)
J James (term expired 31 December 2007)

22. Remuneration of Board Members (continued)

The number of Directors whose total remuneration received or receivable fell within the following bands was:	**2008 Number**	2007 Number
$0 - $9 999	**6**	6
$10 000 - $19 999	**7**	6
Total Number of Directors	**13**	12

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, fringe benefits tax and any other salary sacrifice arrangements. Total remuneration received or receivable by members was $127 000 ($117 000).

Amounts paid to a superannuation plan for board members were $51 000 ($24 000).

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

23. Cash Flow Reconciliation

Reconciliation of Cash and Cash Equivalents - cash at 30 June as per:	**2008 $'000**	2007 $'000
Balance Sheet	**3 537**	3 265
Cash Flow Statement	**3 537**	3 265

Reconciliation of Net Cash provided by (used in) Operating Activities to Net Cost of Providing Services:		
Net cash provided by (used in) operating activities	**1 009**	(259)
Less: Revenues from SA Government	**(50 306)**	(43 948)
Less: Non-cash items:		
Depreciation expense and impairment of non-current assets	**(770)**	(364)
Loss from disposal of non-current assets	**(8)**	(22)
Movement in assets and liabilities:		
Increase in receivables	**374**	92
Increase in employee benefits	**(224)**	(244)
Decease (Increase) in other liabilities	**50**	(168)
(Increase) Decrease in payables	**(540)**	761
Net Cost of Providing Services	**(50 415)**	(44 152)

24. Financial Instruments/Financial Risk Management

Categorisation of Financial Instruments

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

		Carrying Amount	
		2008	2007
	Note	**$'000**	$'000
Financial Assets			
Cash and cash equivalents:			
Cash and cash equivalents	11	**3 537**	3 265
Loans and loan receivables:			
Receivables (1)	12	**1 599**	698
Held to maturity investments:			
Shares	15	**400**	400
Total Financial Assets		**5 536**	4 363
Financial Liabilities			
Financial Liabilities - At Cost:			
Payables (1)	16	**2 442**	1 895
Other current liabilities	17	**161**	211
Borrowings	18	**423**	593
Total Financial Liabilities		**3 026**	2 699

(1) Receivable and payable amounts disclosed above exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax, audit receivables/payables etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost. The fair value of all financial assets and liabilities is represented by their carrying amount.

Credit Risk

Credit risk arises when there is the possibility of the Commission's debtors defaulting on their contractual obligations resulting in financial loss to the Commission. The Commission measures credit risk on a fair value basis and monitors risk on a regular basis. The Commission has minimal concentration of credit risk. The Commission has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

The Commission does not engage in high risk hedging for its financial assets. The hedges in 2007-08 were for payment of representation fees in overseas offices. In 2007-08 the Commission entered into four (nine) cashflow hedging contracts totalling $576 000AUD ($469 000AUD). As at 30 June 2008 the Commission had no hedge contracts outstanding. As with all hedges there are minimal financial risks. Cash flows from the hedges in 2007-08 are included in the Income Statement, but not shown separately as the gains (losses) are immaterial.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently the Commission does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer to Note 12 for information on the allowance for impairment in relation to receivables.

Ageing Analysis of Financial Assets

	Past Due By			
	Less than 30 Days $'000	**30-60 Days $'000**	**More than 60 Days $'000**	**Total $'000**
2008				
Not Impaired:				
Receivables [1]	**887**	**123**	**42**	**1 052**
Impaired:				
Receivables	**-**	**-**	**12**	**12**
2007				
Not Impaired:				
Receivables [1]	429	177	29	635
Impaired:				
Receivables	-	-	11	11

Maturity Analysis of Financial Assets and Liabilities

	Contractual Maturities			
	Carrying Amount $'000	**Less than 1 Year $'000**	**1-5 Years $'000**	**More than 5 Years $'000**
2008				
Financial Assets:				
Cash and cash equivalents	**3 537**	**3 537**	**-**	**-**
Receivables	**1 599**	**1 599**	**-**	**-**
Shares	**400**	**-**	**-**	**400**
Total Financial Assets	**5 536**	**5 136**	**-**	**400**
Financial Liabilities:				
Payables	**2 442**	**2 442**	**-**	**-**
Borrowings	**423**	**180**	**243**	**-**
Other financial liabilities	**161**	**161**	**-**	**-**
Total Financial Liabilities	**3 026**	**2 783**	**243**	**-**
2007				
Financial Assets:				
Cash and cash equivalent	3 265	3 265	-	-
Receivables	698	698	-	-
Shares	400	-	-	400
Total Financial Assets	4 363	3 963	-	400
Financial Liabilities:				
Payables	1 895	1 895	-	-
Borrowings	593	169	424	-
Other financial liabilities	211	211	-	-
Total Financial Liabilities	2 699	2 275	424	-

Liquidity Risk

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

Market Risk

Market risk for the Commission is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The South Australian Tourism Commission's interest bearing liabilities are managed through the South Australian Government Financing Authority and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

Sensitivity Disclosure Analysis

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

Credit Standby Arrangements

The Commission has a $284 000 ($273 000) credit card facility with the ANZ Bank. The unused portion of this facility as at 30 June 2008 was $227 000 ($195 000).

25. Disclosure of Administered Items

	2007 World Police and Fire Games		SA Visitor and Travel Centre		Total	
	2008	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Administered Income:						
Revenues from SA Government	**-**	2 160	**-**	-	**-**	2 160
Gross sales revenue	**-**	-	**5 449**	7 045	**5 449**	7 045
Total Administered Income	**-**	2 160	**5 449**	7 045	**5 449**	9 205
Administered Expenses:						
Transfers to 2007 World Police and Fire Games	**-**	2 160	**-**	-	**-**	2 160
Commission paid to SATC	**-**	-	**540**	907	**540**	907
Expenditure to Tourism Operators	**-**	-	**4 909**	6 138	**4 909**	6 138
Total Administered Expenses	**-**	2 160	**5 449**	7 045	**5 449**	9 205
Administered Assets:						
Cash and cash equivalents	**-**	-	**1 874**	916	**1 874**	916
Receivables	**-**	-	**2**	1	**2**	1
Total Administered Assets	**-**	-	**1 876**	917	**1 876**	917
Administered Liabilities						
Payables	**-**	-	**1 001**	846	**1 001**	846
Deposits on bookings	**-**	-	**324**	12	**324**	12
Commission payable to the SATC	**-**	-	**547**	57	**547**	57
GST payable to SATC	**-**	-	**4**	2	**4**	2
Total Administered Liabilities	**-**	-	**1 876**	917	**1 876**	917

SOUTH AUSTRALIAN WATER CORPORATION

FUNCTIONAL RESPONSIBILITY

Establishment

The South Australian Water Corporation (the Corporation) was established pursuant to the *South Australian Water Corporation Act 1994*. The Corporation is responsible to the Minister for Water Security.

Functions

The primary functions of the Corporation, in accordance with the *South Australian Water Corporation Act 1994*, 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.

The PCA applies to the Corporation and requires a charter and performance statement to be prepared by the Minister and the Treasurer after consultation with the Corporation.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA and subsection 32(4) of the PCA provides for the Auditor-General to audit the accounts of the Corporation in respect of each financial year.

Assessment of Controls

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

Scope of Audit

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

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

- revenue raising, collection, receipting and banking
- contract management
- expenditure including procurement, accounts payable, purchase cards and rebate schemes
- payroll
- financial accounting
- capital planning and management
- non-current asset recording, valuation and depreciation
- borrowing and finance leases.

The work of internal audit was considered in planning the audit programs.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the South Australian Water Corporation as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Assessment of Controls

In my opinion, the controls exercised by the South Australian Water Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to rebate schemes, payroll, accounts payable, procurement and capital planning and project management, outlined under 'Communication of Audit Matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Water Corporation have been conducted properly and in accordance with law.

Communication of Audit Matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive, copies of which were forwarded to the Chair of the Corporation's Audit Committee. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Corporation and the related responses are considered herein.

Rebate Schemes

During the year the Corporation introduced the Water Efficiency Rebate Scheme, which resulted in a significant increase in the volume of rebates paid. An audit of the rebate schemes revealed that:

- there was no documentation of the risk environment and associated mitigation strategies
- there were no approved comprehensive policies and procedures for the administration and processing of rebates. As a result there were inconsistencies in the processing of applications and payments, and some expected control activities were not identified and performed
- several mechanisms were used to process rebate transactions including spreadsheets, a database and a combination of both. Due to problems with the database, the systems used to process payments varied several times. This, together with gaps in detailed transaction checking and reconciliation of information between systems, resulted in the controls over the transaction processing environment being ineffective
- the scheme was not formally considered in the context of matters that may have needed to be addressed under the framework of requirements of the Treasurer's Instruction dealing with public sector initiatives.

Audit was advised the short timeframe available to implement the Water Efficiency Rebate Scheme contributed to the aforementioned observations.

The response from the Corporation detailed actions to address all of the matters raised including performing a risk assessment, developing polices and procedures and improving data management controls.

Payroll

The audit of the payroll function identified insufficient controls for ensuring all office employee leave and time worked adjustments were recorded in the payroll system. The audit also identified that controls for the monitoring the pertinence of user access and the removal of terminated employees access to the payroll system could be improved.

The Corporation responded with action to be taken to address the issues raised.

Accounts Payable

The audit of the accounts payable business cycle identified some areas where internal controls, documentation of procedures and compliance with existing procedures could be improved for system user access; supplier master file additions and modifications; monitoring and auditing of non-order transactions; and credit cards.

The Corporation's response satisfactorily addressed the matters raised.

Revenue

The audit of the revenue business cycle identified some areas for improvement including updating policies and procedures; performing regular reconciliations to the general ledger; and planning, conducting and monitoring internal billing audits.

A satisfactory response was received from the Corporation.

Procurement

An audit of the procurement and contracting activities observed that:

- some policies and procedures required review, were inconsistent, or were in draft form
- there was no current Strategic Procurement Plan and no procurement annual plan forecasting the year's procurement needs
- there was no requirement for the development of an acquisition plan or a tender evaluation plan
- the Contracts Register had some missing information for contracts and purchase orders and there was no documented procedures for the quarterly review of the contracts register for missing information.

The Corporation's response indicated that the role and responsibilities for procurement were changing and that new policies and procedures were being developed that would incorporate all the above matters.

Capital Planning and Project Management

In 2006-07 Audit reported on a review of Capital Planning and Project Management. Matters identified by the review related to outdated and superseded policies, procedures and guidelines; updating of management information systems; management review; contract variation approval; risk of double payments; and use of close out reports and post implementation reviews.

A follow up audit in 2007-08 noted the Corporation has made progress in addressing the matters raised. The main areas identified where further work was required were:

- update of policies and procedures to ensure all information is accurate and that current processes are documented and approved
- improving the reporting of projects to senior management and the Board
- use of information from project close out reports and post implementation reviews to improve the Corporation's project procurement and management.

The Corporation responded that policies and procedures would be updated, reporting would be improved and the use of close out reports and post implementation reviews would be improved.

Human Resource Management System (HRMS) CPE

In 2006-07 audit raised a number of matters with the computer processing environment for the CHRIS HRMS system. The key matters raised related to the finalisation of:

- the service level agreement between the Corporation and the external service provider for bureau processing services
- the Disaster Recovery Plan and Emergency Management Plan
- corporate or CHRIS specific procedures
- classification of data for information security purposes.

In 2007-08, a follow up of the status of action by the Corporation revealed that satisfactory resolution of the matters had occurred with the exception of the finalisation of the Disaster and Emergency Plans. The Corporation advised that the Disaster Recovery Plan and Emergency Management Plan would be completed in late 2008.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

Highlights of the Financial Report

	2008	2007	Percentage
	$'million	$'million	Change
INCOME			
Rates and charges	**582**	578	1
Community service obligations	**165**	156	6
Other	**143**	122	17
Total Income	**890**	856	4

	2008 $'million	2007 $'million	Percentage Change
EXPENSES			
Employment expenses	**84**	71	18
Depreciation and amortisation expense	**162**	147	10
Operational and service contracts	**115**	102	13
Finance costs	**100**	88	14
Other expenses	**142**	134	6
Total Expenses	**603**	542	11
Net Profit after Income Tax Expense	**201**	220	(9)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**320**	308	4
ASSETS			
Current assets	**101**	93	9
Non-current assets	**8 461**	7 861	8
Total Assets	**8 562**	7 954	8
LIABILITIES			
Current liabilities	**214**	195	10
Non-current liabilities	**2 318**	2 090	11
Total Liabilities	**2 532**	2 285	11
EQUITY	**6 030**	5 669	6

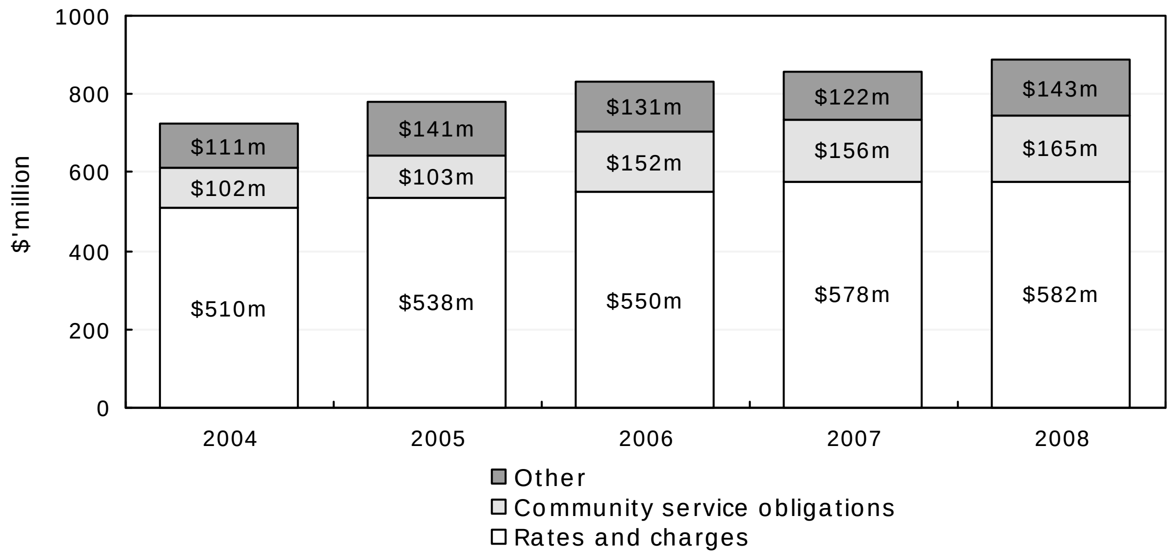
Income Statement

Income

Total income increased by $34 million to $890 million. The increase was due mainly to:

- additional recoverable works of $14.6 million for various government initiatives
- community service obligations increasing by $8.4 million for more country services and new initiatives
- water and wastewater rates and charges increasing by $4.8 million due to an increase in rates that was largely offset by a decrease in water consumption
- increased contributed assets of $3 million.

A structural analysis of income for the Corporation in the five years to 2008 is presented in the following chart.



The above chart shows total income has increased by $167 million since 2004. Comments on the trend over this period are:

- The main factors affecting water and wastewater rates and charges are price increases and water consumption. Water restrictions which commenced in November 2006 have resulted in an overall reduction of water consumption since that time. Consequently the increase since that time is attributable to price increases and growth in customer numbers.

- The increase in community service obligations is due to revised funding arrangements implemented in 2005-06 under the Financial Ownership Framework agreed with the Department of Treasury and Finance. This resulted in a higher overall level of payments received by the Corporation on an ongoing basis.

- Other income includes contributed assets and recoverable works which can vary from year to year depending on economic conditions and government initiatives.

Expenses

Total expenses increased by $61 million to $603 million. The major components of the increase were:

- finance costs increased by $11.6 million due to increased borrowings and increased interest rates

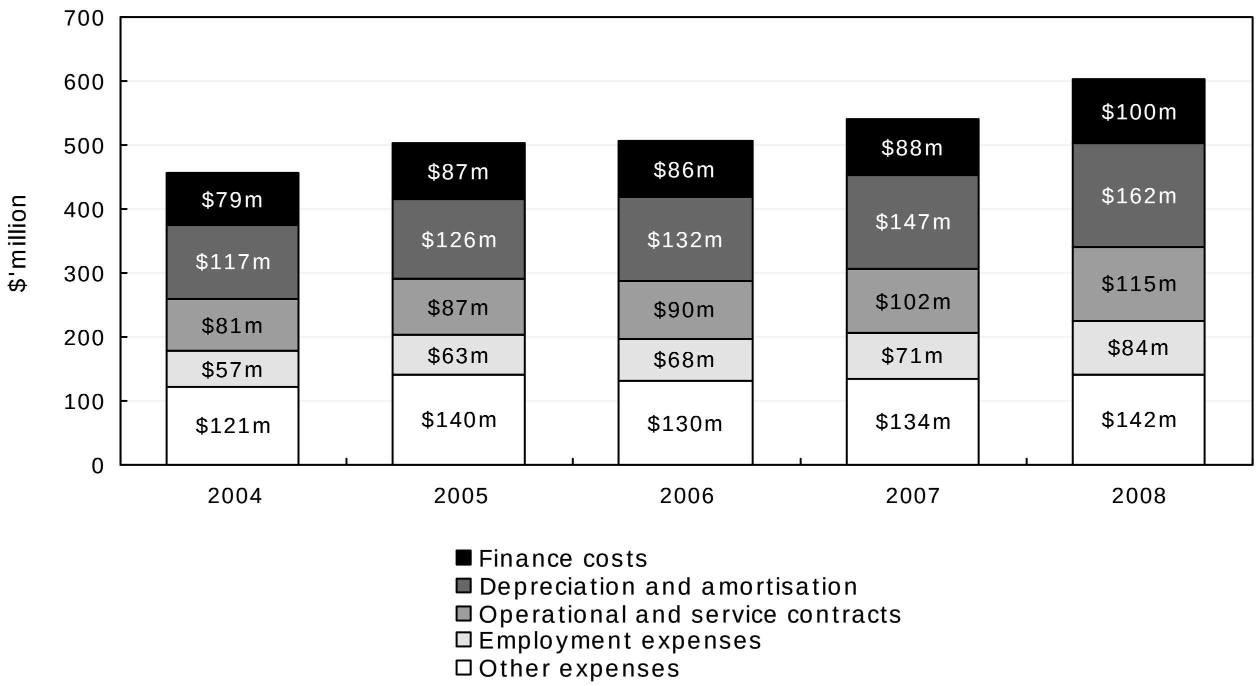
- depreciation and amortisation increased by $15.7 million due mainly to higher asset values

- operation and service costs increased by $12.9 million due mainly to additional recoverable works and community service obligations being undertaken

- employment expenses increased by $12.6 million due to salary escalation and the appointment of additional employees for drought and water security initiatives

- other expenses increased by $7.9 million due mainly to services and supplies increasing by $16.2 million due to the introduction of new rebates schemes, more costs of goods sold and higher fuel, taxes (eg land) and maintenance costs. These increases have been offset by a decrease in electricity costs of $8.3 million.

A structural analysis of the main expense items for the Corporation for the five years to 2008 is shown in the following chart.



Since 2004 expenses have increased by $148 million. Major factors affecting expenses this period are:

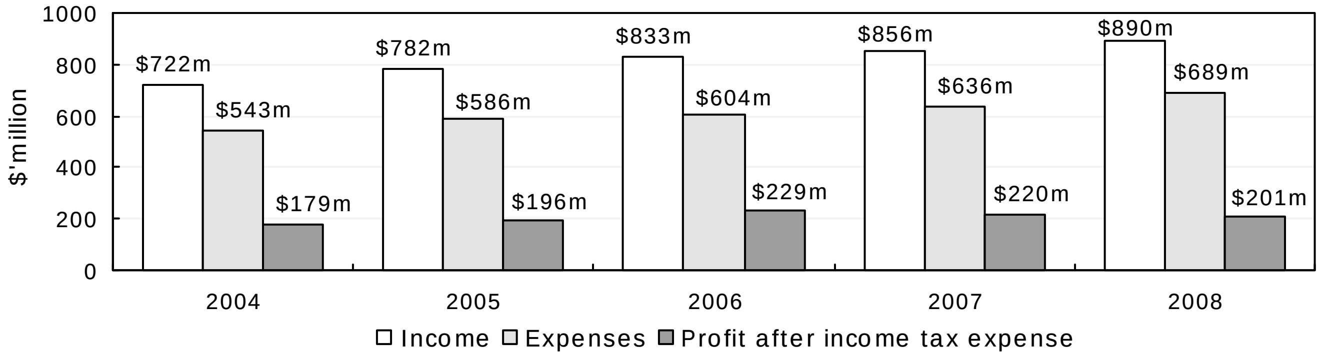
- Finance costs increased in 2007 and 2008 reflecting additional borrowings and increased interest rates (see further commentary under Balance Sheet below).

- Depreciation and amortisation costs continue to grow significantly in line with the impact of asset revaluations. Over the past five years this expense has increased by $45 million, primarily due to asset revaluations .
- Operational and service contracts increasing over the past two years due mainly to increased costs for water security, water restrictions and the drought.
- Employment expenses over the past two years exceeded salary rate increases due to additional staff hired to meet workload demand from water restrictions and drought initiatives.
- Other expenses include electricity costs which were higher in 2007 due to additional pumping of River Murray water into storage.

Operating Result

The Corporation's profit after income tax decreased by $18.9 million ($9 million) to $201 million ($220 million).

The following chart shows the income, expenses (including tax equivalent expense) and profit after income tax for the five years to 2008.



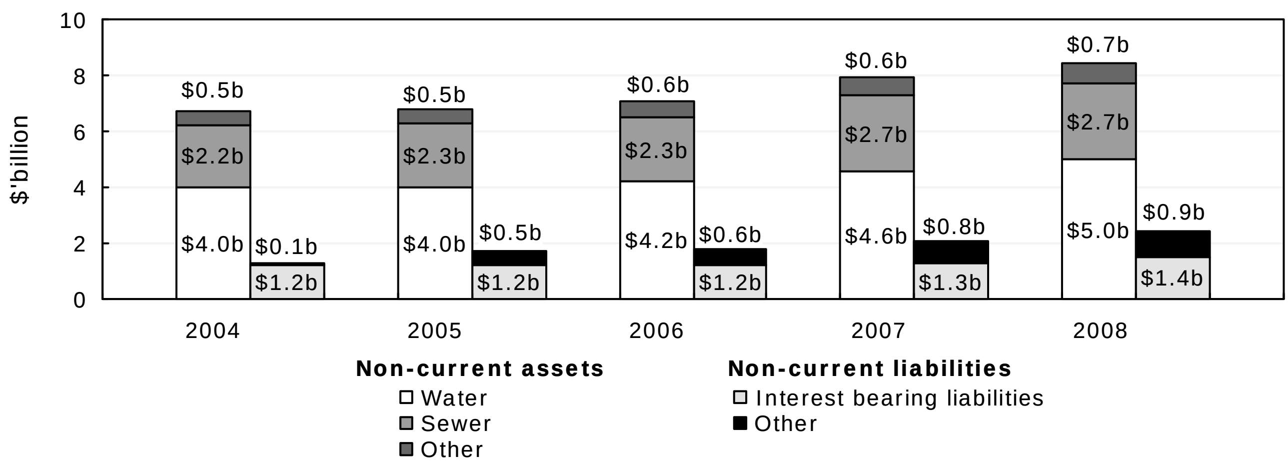
The chart shows that both income and expenses have increased over the period since 2004. The chart also shows that for the past two years the profit after income tax has decreased, while the years prior to that profit had increased.

The biggest impact on the Corporation's profit has been various drought and water security initiatives causing higher operating costs.

Balance Sheet

The Corporation's financial position is dominated by non-current infrastructure assets and related borrowings. Current assets and liabilities are, while significant in their own right, not material relative to the non-current assets and liabilities. Notwithstanding, at 30 June 2008 current liabilities amounted to $214 million ($195 million), exceeding current assets of $101 million ($94 million) by $113 million ($101 million). While such a large deficiency in working capital can be of concern, the Corporation has a strong cash flow position from operating activities which would enable all of its current liabilities to be met.

A structural analysis of non-current assets and non-current liabilities for the five years to 2008, is shown in the following chart.



In 2007-08 total non-current assets increased by $600 million ($726 million) to $8.5 billion ($7.9 billion). The increase was due mainly to infrastructure, plant and equipment revaluations of $481 million ($665 million) and additions of $266 million ($199 million). These increases were offset by depreciation expense of $160 million ($144 million). The combined revaluations for infrastructure, plant and equipment asset over the past two years amounted to $1.1 billion. Note 15 to the financial statements details asset movement for infrastructure, plant and equipment revaluations.

Revaluation of assets is based on independent valuation or director's valuation. Director's valuation is determined by using current contract rates for various asset types or applying an indexation factor based on the price of new construction outputs. Note 1(d) to the financial statements details the Corporation's revaluation policies.

There have been a number of factors contributing to the revaluation quantum including higher contract rates and indexation factors being used in the revaluation process. These factors include an increase in fuel costs and labour costs. An increase in the demand for pipes also resulted in a higher contract rate. In addition, in 2008 earth storages and water dosing stations were independently valued.

Cash Flow Statement

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

	2008	2007	2006	2005	2004
	$'000	$'000	$'000	$'000	$'000
Net Cash Flows					
Operations	**320 394**	307 510	400 436	276 844	272 371
Investing	**(248 834)**	(160 108)	(105 893)	(114 613)	(184 293)
Financing	**(73 892)**	(144 749)	(290 455)	(162 689)	(88 310)
Change in Cash	**(2 332)**	2 653	4 088	(458)	(232)
Cash at 30 June	**2 430**	4 762	2 109	*(1 979)	*906

* 2004 included cash amounts for the Administered Item Pensioner Concessions. 2005 included cash amounts for the Administered Items United Water Compensation Payments and the Cooperative Research Centre. These items are no longer included in the cash balance due to a change in accounting policy. Balances of cash held in 2004 and 2005 have not been adjusted.

The table shows that cash flows from operations are used to fund investing and financing activities. Factors effecting cash flows over the five years include:

- changed community service obligation funding arrangements being introduced in 2006 that affected the timing of operating receipts in that year
- a high level of investment in the construction and purchase of infrastructure, plant and equipment. In 2008 investing activities increased by $88.7 million to $248.8 million, while over a five year period investing activities totalled $813.7 million
- payment of dividend to the Government. This amounted to $186.1 million ($208.1 million) in 2008
- increased net borrowings. In 2008 net cash flows from borrowings were $112.2 million ($63.3 million)
- repayment of $74.3 million of capital in 2006 made as a result of revised Community Service Obligation funding arrangements.

FURTHER COMMENTARY ON OPERATIONS

Performance Charter

As a public corporation SA Water is bound by a Charter and is also required to meet a range of performance targets set out in an annual Performance Statement, as agreed to between the Corporation, the Minister for Water Security and the Treasurer. The Performance Statement defines the contribution to the Government in terms of dividends, repayment of capital, income tax equivalents and other taxes and rates.

Two key financial performance measures agreed to in the Performance Statement are set out in the following table.

Performance measure	Target 2007-08	Actual Result 2007-08
Profit before tax ($'million)	**286.0**	**286.8**
Rate of return on assets (percent) [(1)]	**4.8**	**4.1**

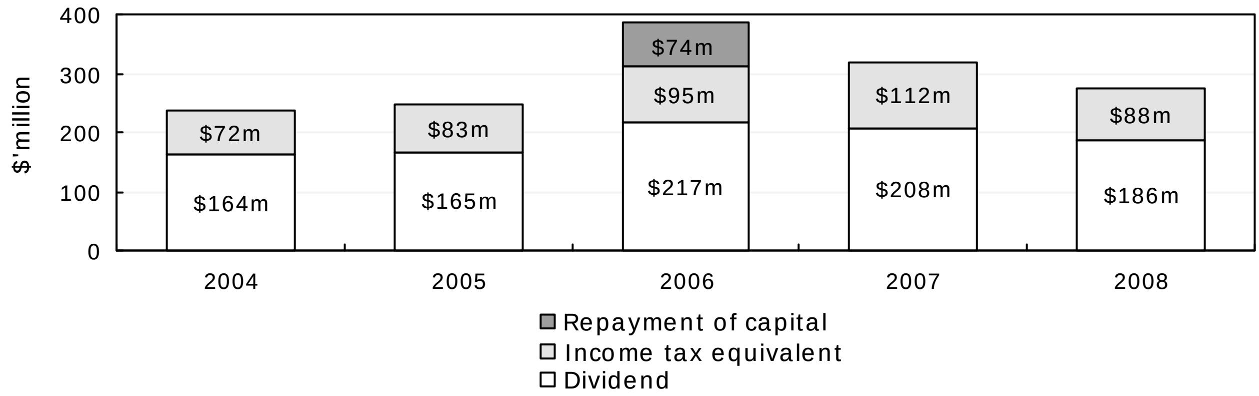
(1) (Profit before tax plus net interest costs, less free assets revenue, plus free assets depreciation) divided by (assets excluding free assets).

The Corporation has achieved the profit before tax target. The Corporation's rate of return on assets is less than the target primarily due to increased asset values from revaluations.

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.

A structural analysis of particular contributions (dividends, capital repayments, income tax equivalent) paid to the Government for the five years to 2008 is shown in the following chart.



The Corporation operates under a Financial Ownership Framework developed by the Department of Treasury and Finance for Public Non-Financial Corporations which was implemented in 2005-06. The main features of the framework are:

- Debt to total assets ratio range of 15-25 percent for the next four to five years.
- Dividend payout ratio of 95 percent based on after tax profit.
- Arrangements for the government to purchase non-commercial services for which community service obligation payments are made.

The following table summarises movements in the major items influencing borrowings and the debt to asset (gearing) ratio.

	2008 $'000	2007 $'000	2006 $'000	2005 $'000	2004 $'000
Net cash inflows from operating activities	**320 394**	307 510	400 436	276 844	272 371
Net cash outflows from investing activities	**(248 834)**	(160 108)	(105 893)	(114 613)	(184 293)
Surplus cash from operations after investing activities	**71 560**	147 402	294 543	162 231	88 078
Repayments to owners	**(186 054)**	(208 059)	(291 795)	(165 189)	(164 110)
Shortfall in funds available to pay owners	**114 494**	60 657	(2 748)	2 958	76 032
Net increase in borrowings	**112 162**	63 310	1 340	2 500	75 800
Debt/Asset Ratio (percent)	**17.3**	17.2	18.1	18.4	19.0

In four of the last five years net cash generated from operating activities was sufficient to cover the net cash used in investing activities (ie essentially the purchase of property, plant and equipment, etc), but insufficient to pay the level of dividend and return of capital required by the Department of Treasury and Finance. To meet its payment obligations to government and finance its capital works programs the Corporation's net increase in borrowings has risen significantly in 2007 and 2008.

The table also shows that the debt/asset ratio remains below the target of 20 percent in the Financial Ownership Framework. Although borrowings have increased, the value of assets has also significantly increased due to the revaluation of assets. This has had the affect of maintaining the debt/asset ratio in 2008.

Water Security - Adelaide Desalination Project

Background

A number of water security projects are being considered by government. A major work which commenced during the year was the Adelaide Desalination Project (ADP).

The water security projects result from the recommendations of the Desalination Working Group (DWG). The Government established the DWG in March 2007 to advise the Minster for Water Security on the potential for sea water desalination for metropolitan Adelaide. In November 2007, Cabinet endorsed the recommendations of the DWG, including in particular:

- continuation of support for the Water Proofing Adelaide Strategy
- increasing the Mt Lofty Ranges storage capacity as a buffer against rainfall variability
- construction on a 50 gigalitre desalination plant, indicating Port Stanvac as the preferred site for the plant
- building of an interconnection pipe to balance reliability across the north and south of Adelaide water distribution system.

The November 2007 Cabinet submission approved in principle the construction of a 50 gigalitre desalination plant and preparations for a pilot plant to investigate the treatment of sea water for detailed design of a desalination plant.

Adelaide Desalination Project

Governance Arrangements

The delivery of the ADP is governed by the Adelaide Desalination Project Steering Committee. In March 2008 Cabinet approved the appointment of an independent project advisor for the ADP and to be chair of the Committee. Membership of the Committee comprises the Under Treasurer, and the Chief Executives of the SA Water Corporation, the Department for Transport, Energy and Infrastructure, the Department of Water, Land and Biodiversity Conservation and the Department for Environment and Heritage.

A separate project team established within SA Water Corporation has responsibility for executing the procurement and delivery arrangements for the pilot and full scale desalination plant facilities.

Pilot Desalination Plant

In February 2008, Cabinet approved the procurement of a pilot plant up to the value of $9.5 million (excluding GST), and its referral to the Public Works Committee. The Report of the Public Works Committee which was tabled in Parliament in March 2008 recommended the proposed public work.

The pilot plant sited at Port Stanvac is to establish key design criteria, functionality and performance verification for the full scale plant, including production flow and water quality requirements and environmental impacts.

Full Scale Plant

In February 2008 and June 2008 Cabinet, among other matters, approved methods of procurement for the development of the full scale facility intended also to be located at Port Stanvac. The main components of the facility are the main plant, intake/outfall marine works, and the desalination water transfer pipeline from the facility at Port Stanvac to the Happy Valley treated water storage.

Cabinet approved the Design, Build, Operate and Maintain (DBOM) procurement method for the main plant and marine works, and a Early Contractor Involvement (ECI) method for the transfer pipeline. A procurement analysis study report prepared by an external consultant, and which accompanied the February 2008 submission to Cabinet, recommended procuring the three components as a single (complete) package using the DBOM procurement method.

The separation of the transfer pipeline and adoption of the ECI procurement method for this component received Cabinet approval as a result of the June 2008 Cabinet submission. That submission advised Cabinet of the undertaking of a comprehensive review of the packaging options by internal and external specialists, and included the analysis paper of the review. Important matters considered in the review and documented in the paper included timely delivery and interface of the plant and transfer pipeline, design and water quality, cost minimisation and community issues.

Acceleration of the ADP

In July 2008 Cabinet approved the acceleration of the procurement of the full scale plant. In essence, project acceleration is to be achieved through shortening the tendering, construction and commissioning processes.

The submission indicated that this will involve changes to project arrangements (including procurement and approval processes) which are to be reviewed by the ADP Steering Committee. It will involve appropriate strategies of risk mitigation and additional costs, including contractor acceleration costs (for example, extra personnel, out of hours work/shift work). There is also the matter of the nature of input of the pilot plant work into the design and operation of the full scale plant.

Aspects of the procurement strategy and process is to be reviewed by Audit in 2008-09.

Project Expenditure to Date

The Cabinet submission in July 2008, indicated that the cost of the project at completion, taking into account project acceleration, is estimated to be $1.374 billion.

SA Water Corporation advised that ADP project costs to 30 June 2008 were $11.4 million, including $3.7 million for the pilot plant.

Water Rates Setting

The water security projects, including the ADP, will influence the water charges levied by SA Water Corporation.

In setting charges government and SA Water Corporation need to have regard to the 1994 Council of Australian Governments pricing principles and regulatory framework and the 2004 National Water Initiative obligations.

These requirements recognise the setting of water charges on a nationally consistent basis, including going forward to recover the cost of new investment decisions that address water supply security. The water rate increases for 2008-09 and future years, are based on financial modelling which establishes this longer term revenue direction.

A Cabinet submission in November 2007, that was the basis for approval of the 2008-09 rates, advised Cabinet that an independent consultancy would be commissioned to review the robustness of the financial modelling which underpins the longer term in principle revenue direction.

Income Statement
for the year ended 30 June 2008

	Note	**2008**	2007
INCOME:		**$'000**	$'000
Revenue from ordinary activities	4	**887 153**	854 756
Other income	5	**2 313**	1 365
Total Income		**889 466**	856 121
EXPENSES:			
Depreciation and amortisation expense	6	**(162 128)**	(146 468)
Finance costs	6	**(99 821)**	(88 251)
Electricity expense		**(27 792)**	(36 085)
Services and supplies		**(114 002)**	(97 817)
Operational and service contracts		**(114 917)**	(102 033)
Salaries and employee benefits expense		**(84 005)**	(71 417)
Total Expenses		**(602 665)**	(542 071)
PROFIT BEFORE INCOME TAX		**286 801**	314 050
Income tax expense	7	**(85 771)**	(94 217)
NET PROFIT AFTER INCOME TAX		**201 030**	219 833

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

Balance Sheet
as at 30 June 2008

	Note	2008 $'000	2007 $'000
CURRENT ASSETS:			
Cash and cash equivalents	29	**2 430**	4 762
Receivables	9	**91 644**	81 130
Inventories	10	**5 123**	4 833
Other current assets	11	**1 795**	2 924
Total Current Assets		**100 992**	93 649
NON-CURRENT ASSETS:			
Derivative financial instruments	25	**1 128**	521
Available-for-sale financial assets	12	**8 605**	7 968
Deferred tax assets	13	**19 064**	18 083
Intangible assets	14	**38 984**	32 289
Property, plant and equipment	15	**8 386 478**	7 800 725
Other non-current assets	16	**6 728**	1 119
Total Non-Current Assets		**8 460 987**	7 860 705
Total Assets		**8 561 979**	7 954 354
CURRENT LIABILITIES:			
Payables	18	**80 624**	81 655
Interest bearing liabilities	19	**97 244**	77 360
Current tax liabilities	20	**19 303**	23 638
Provisions	21	**14 993**	11 417
Other current liabilities	22	**1 374**	1 328
Total Current Liabilities		**213 538**	195 398
NON-CURRENT LIABILITIES:			
Payables	23	**1 551**	1 440
Interest bearing liabilities	24	**1 381 181**	1 291 950
Derivative financial instruments	25	**5 486**	4 946
Deferred tax liabilities	26	**901 683**	763 304
Provisions	27	**26 681**	27 678
Other non-current liabilities	28	**1 492**	497
Total Non-Current Liabilities		**2 318 074**	2 089 815
Total Liabilities		**2 531 612**	2 285 213
NET ASSETS		**6 030 367**	5 669 141
EQUITY:			
Contributed equity	31	**173 610**	173 610
Reserves	32(a)	**5 683 828**	5 338 038
Retained profits	32(b)	**172 929**	157 493
TOTAL EQUITY		**6 030 367**	5 669 141

Total equity is attributable to the SA Government as owner

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

	Note	**2008** **$'000**	2007 $'000
Total equity at 1 July		**5 669 141**	5 185 464
Movements in deferred tax liability	32(a)	**(134 854)**	(192 686)
Revaluation increment on infrastructure, plant and equipment assets	32(a)	**480 658**	664 176
Fair value movement in available-for-sale financial assets net of tax	32(a)	**446**	413
Net income and expense recognised directly in equity		**346 250**	471 903
Profit after income tax for the year		**201 030**	219 833
Total recognised income and expense for the year		**547 280**	691 736
Dividends provided for or paid	39	**(186 054)**	(208 059)
Total Equity at 30 June		**6 030 367**	5 669 141

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

Cash Flow Statement
for the year ended 30 June 2008

	Note	**2008** **Inflows** **(Outflows)** **$'000**	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**699 002**	678 782
Payments to suppliers and employees		**(385 631)**	(346 843)
Receipts from community service obligation funding		**163 494**	155 826
Receipts from contributions		**31 925**	22 632
Receipts from government grants		**1 005**	-
Interest received		**634**	559
Finance costs paid		**(102 282)**	(91 485)
Income taxes paid	20	**(87 753)**	(111 961)
Net Cash Inflow from Operating Activities	30	**320 394**	307 510
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for construction and purchase of infrastructure, plant and equipment		**(244 578)**	(157 957)
Payments for intangible assets		**(5 162)**	(3 064)
Proceeds from disposal of infrastructure, plant and equipment		**906**	913
Net Cash Outflow from Investing Activities		**(248 834)**	(160 108)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		**795 179**	706 006
Repayment of borrowings		**(683 017)**	(642 696)
Dividends paid	39	**(186 054)**	(208 059)
Net Cash Outflow from Financing Activities		**(73 892)**	(144 749)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(2 332)**	2 653
CASH AND CASH EQUIVALENTS AT 1 JULY		**4 762**	2 109
CASH AND CASH EQUIVALENTS AT 30 JUNE	29	**2 430**	4 762

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary 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 PCA apply. Property, rights, powers and liabilities of the Minister for Water Security, arising from the operation of the *Sewerage Act 1929* and the *Waterworks Act 1932*, were vested in the Corporation.

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with applicable AASs, Interpretations, TIs and APFs issued pursuant to the PFAA.

The financial statements were authorised for issue by the directors on 8 September 2008.

Reclassification of Information

Gains and losses on derivatives classified as held for trading have been included in interest expense in the Income Statement in prior years and in accordance with AASB 7, these amounts have been reclassified and recognised as other income or other expenses as appropriate. Refer to Note 1(s).

After a review of the classification of expenditure between salaries and employee benefits expense and services and supplies, the 2006-07 salaries and employee benefits expense has decreased and services and supplies have increased by $11.87 million.

Historical Cost Convention

The financial report has been prepared in accordance with the historical cost convention, except for infrastructure, land, buildings, available-for-sale non-current financial assets and liabilities which are stated using fair value as detailed in the relevant Notes.

Critical Accounting Estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Rounding

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

(b) Jointly Controlled Operations

The Corporation's interest in the Joint Venture operation is brought to account by including its proportionate share of the Joint Venture assets, liabilities, expenses and revenues on a line by line basis. For disclosure of the Corporation's interest in the Joint Venture operation see Note 34.

(c) Revenue Recognition

Rates and Charges

Revenue from water usage is based on water consumed by customers and other rates and charges are based on amounts billed during the financial year ended 30 June. Refer also to Note 3.

Community Service Obligations (CSOs)

The Corporation is required under its charter to provide a number of non-commercial services to the community on behalf of the Government. SA Water is compensated for the non-commercial component of these services through CSO payments from the Government. The main CSOs relate to under recovery of country water and wastewater services and the provision of water and wastewater concessions to certain properties eg charities, churches and public schools.

The CSO revenue is recognised as the services are provided.

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 subdividers and transferred to SA Water. 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.

Disposal of Non-Current Assets
The gain or loss on disposal of non-current assets is included as income 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. Upon disposal or derecognition, any revaluation reserve relating to a particular asset being sold is transferred to retained earnings.

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.

Government Grants
In accordance with AASB 120, grants from the Government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Corporation will comply with all attached conditions.

Government grants relating to construction of property, plant and equipment are recognised as income over the periods and in the proportions in which depreciation on those assets is charged.

(d) Non-Current Assets

(i) Infrastructure, Plant and Equipment

- *Acquisition*

  Items of infrastructure, plant and equipment are initially recorded at cost in accordance with AASB 116 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(f).

  Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

- *Valuations*

  To comply with APF III and AASB 116, the Corporation has adopted the fair value method for measuring and reporting land and buildings and infrastructure assets in the Balance Sheet.

  To reflect the change in values, the Corporation annually revalues its non-current assets at Directors' valuation or independent valuation, with effect from 1 July each year. The Directors' valuation is performed using the Producer Price Index (PPI) or current contract rates. The PPI measures changes over time in the price of new construction outputs. Current contract rates are based on recent estimated costs of supplying and installing assets. Revaluation adjustments are taken to the asset revaluation reserve on a class basis.

  Additionally, the Corporation's valuation methodologies for all major classes of infrastructure assets are subject to a triennial review. The most recent independent review was completed by GHD Pty Ltd and Ernst & Young in March 2008. The review concluded that the Corporation's valuation methodology provided a reasonable basis of determining assets' current values.

  Accordingly the Corporation has adopted the following asset valuation methods:

  (i) Infrastructure Assets
  The fair value of an asset is determined by its written-down current cost. The Corporation determines the written-down current cost as the lower of reproduction or replacement cost. The cost of replacing or reproducing excess capacity or over-engineering of the asset is excluded.

  (a) Water mains, water meters and sewer mains - Directors' valuations are predominantly based on current contract rates. These rates are applied to the actual lengths of pre-defined modern equivalent asset types for water mains and sewer mains.

  (b) Earth storages and water dosing stations were independently valued by Currie and Brown Pty Ltd Quantity Surveyors. Reservoirs were valued by Hydro-Electric Corporation trading as Hydro Tasmania Consulting.

  (c) Other infrastructure assets - Directors' valuations based on the current construction data. These assets are indexed in between comprehensive valuations using the PPI.

(ii) Land and Buildings
Land is brought to account at market value using valuations provided from the State Valuer-General.

Land includes easements that the Corporation has purchased and these are indexed annually using the PPI. Easements gifted to the Corporation are not valued.

Buildings were indexed by the PPI for the year ended 30 June 2008.

(iii) Plant and Equipment
Plant and equipment is brought to account at historical cost.

(iv) Other Assets
Other assets are brought to account at cost and indexed annually using the PPI.

- *Depreciation*
Infrastructure, buildings, plant and equipment and other assets are depreciated using the straight-line method over their estimated useful lives ranging from 2 to 170 years. The useful lives of assets are reviewed annually and have been assessed as follows:

	Years
Water and sewer assets	7-170
Water and sewer leased assets	40-50
Buildings	50
Other	2-50
Plant and equipment	5-15

The method of depreciation has regard to the underlying nature of the assets and their expected use in operations of the Corporation. Work in progress is not depreciated until assets are completed and have been commissioned for operation.

(ii) Available-for-Sale Financial Assets
The Corporation's investment in non-voting class B shares as part of the BOOT arrangements for the Virginia Pipeline Scheme (VPS) have been measured at fair value, in accordance with AASB 139 (refer Note 12). Due to the nexus between the class B shares and the pipeline assets, the value of the shares has been determined using the fair value of the pipeline assets in 2018 discounted to their net present value. The VPS is designated as an available-for-sale financial asset and all subsequent gains or losses arising from the changes in fair value are recognised in the 'available-for-sale revaluation reserve'.

(iii) Intangible Assets

- *Water Allocations*
The Corporation has purchased a series of tradeable water allocations. The allocations are accumulated onto licences held by the Corporation issued by the SA Government.

  Water allocations are measured at cost on the date of acquisition. The water allocations have an indefinite useful life and as such, are not subject to amortisation.

- *Issued Water Licences*
The Corporation has considered the valuation of water licences which have been issued to SA Water by the SA Government, under the NRMA. In applying AASB 138, the Corporation has concluded that a reliable estimate of the fair value of these water licences is unable to be determined at this time. The details of these water licences are as follows:

  — Licence 2333 River Murray Licence for Metropolitan Adelaide.
  — Licence 2334 River Murray Licence for Country Adelaide.
  — Various other River Murray licences that can be used for Adelaide, Country or other purposes.
  — Various South East Region licences.
  — Various Murray Mallee Area licences.
  — Various Eyre Peninsula Region licences.
  — Licence 4484 McLaren Vale Licence for the Aldinga Wastewater Treatment Plant.
  — Licence 5706 Northern Adelaide Plains Licence for the Bolivar Wastewater Treatment Plant.

- *Prescription of the Mount Lofty Ranges*
SA Water has incurred $4.5 million expenditure towards the prescription of the water resources for the Mount Lofty Ranges to provide long-term protection of the water supply to Adelaide. In 2006-07 this expenditure was classified under other infrastructure, plant and equipment. In 2007-08 this was reclassified to intangible assets. The prescription has an indefinite useful life and, as such, is not subject to amortisation.

- *Application Software*
  Application software is measured at cost as per AASB 138. The useful life is reviewed annually and has been assessed at seven years. The software is amortised using the straight line method.

(iv) *Preliminary Investigations*
Preliminary investigations relates to expenditure incurred to assess the performance and potential improvement of infrastructure assets, as well as options for broadening services to customers. Where the expenditure leads to new or improved infrastructure assets, the costs are transferred to infrastructure assets. Preliminary investigation expenditure is reviewed annually to ensure the accuracy of classification as either capital or operating in nature.

(e) Impairment of Assets

All non-current tangible and intangible assets are reviewed for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. SA Water's current accounting policy is to determine the recoverable amount of an asset on the basis of discounted cash flows under the assumption of consisting of two cash generating units. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets any impairment loss is offset against the asset revaluation reserve.

The Corporation has reviewed the impairment triggers as at 30 June 2008 and given no indication of a trigger event, no impairment losses have been identified.

(f) 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 Income Statement. 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 incidental to 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 AASB 117 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. 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 117. 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 Income Statement.

(g) 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 SA Government and are disclosed in Note 6.

(h) 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 ATO.

Income tax expense is calculated in accordance with AASB 112 using the Balance Sheet liability method. The income tax expense for the period is the tax payable on the current period's taxable income measured at the current national income tax rate adjusted for permanent differences and movements in deferred tax assets and liabilities.

Taxation Equivalents (continued)
Deferred tax assets and liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Corporation expects at, the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or liabilities are settled. Current and deferred tax is recognised as an expense in the Income Statement except where it relates to items that are credited or debited to equity, in which case the deferred tax is also recognised directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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.

GST
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as a cost of acquisition of the asset or as 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 Balance Sheet.

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

(i) Finance Costs
Finance costs include interest expense, amortisation of discounts or premiums relating to borrowings and finance lease charges. Finance costs are expensed as incurred.

(j) Cash and Cash Equivalents
Cash on hand and at bank is stated at nominal value. For the purposes of the Cash Flow Statement, cash includes cash on hand and at bank.

(k) 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. Refer also to Note 3.

Bad debts are written off when they are identified.

(l) Inventories
Inventories are valued at the lower of cost and net realisable value. The cost of goods and services manufactured by SA Water are on a full absorption cost basis.

Inventories are held for purposes of maintenance and construction and not for resale.

(m) Employee Benefits
Wages and Salaries, Annual Leave and Sick Leave
Liabilities for wages, salaries and annual leave are measured and recognised at undiscounted amounts based on remuneration rates that the Corporation expects to pay when the liability is settled. The related on-costs for annual leave have been recognised in the Balance Sheet as 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 12 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 anticipated 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. The related on-costs have been recognised in the Balance Sheet as payables.

The Corporation's long service leave liability is valued by Mr C Papanicolas BSc, (Ma) (Hons), ASIA, FIAA of Professional Financial 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.

(n) 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 WRCA 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 and Watson Pty Ltd.

(o) Insurance

The South Australian Government Financing Authority (SAFA), SAICORP Division, has assumed responsibility and liability for, and will indemnify SA Water against, damage suffered to the Corporation's property or claims made against the Corporation and/or the SA 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.

(p) 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.

Dividends payable are recognised in the reporting period in which the dividends are declared or have been specifically determined and approved in consultation with the Treasurer and the Corporation's Minister.

(q) Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of a past event which is required to be settled and the amount has been reliably estimated.

Where the effect is material, a provision is determined by discounting the expected future cash flows required to settle the obligation using interest rates on negotiable government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash flows.

Removal of Bio-Solids

A provision is recognised for the disposal and management of a prior accumulation of bio-solid products resulting from the operation of the Bolivar Waste Water Treatment Plant.

The Corporation has a present obligation under the *Environment Protection Act 1993* (EPA) to ensure no harm is caused to the environment. The removal of bio-solids is administered in accordance with the 1996 Bio-solids Guidelines issued by the EPA.

Estimated future cash flows are based on the processing and administration costs associated with the preparation and loading of bio-solids from the stockpile for disposal off-site. These costs have been determined based on current costs, current legal requirements and current technology.

Significant uncertainties exist as to the amount and timing of expected future obligations required to settle the obligation due to the uncertainty as to the quantity of bio-solids expected to be disposed off-site and the impact of changes in environmental legislation and technology.

Damages and Claims

A provision is recognised for claims against the Corporation relating to property damage, personal injury and civil liability.

The amounts measured and recorded for claims are based on estimates of specified claims and the probability that the Corporation will be required to settle the obligation. Previous claims history and Crown Law advice are used in the determination of the liability.

Asset Disposal and Site Rehabilitation

A provision for the disposal and abandonment of assets is recognised when there is a present obligation to undertake further work to decommission surplus assets and ensure they are safe to the public and do not cause harm to the environment.

The estimated costs of site rehabilitation and decommissioning non-current assets are based on past experience and current market prices.

Make Good Provision

In accordance with the lease agreement with the Department for Transport, Energy and Infrastructure the Corporation must restore the leased premises in Grenfell Street to its original condition at the end of the lease term in November 2008. During the 2007-08 financial year, the Make Good Provision of $1.132 million was reclassified from the provision for site rehabilitation which also resulted in the reclassification of comparatives for the 2006-07 financial year.

(r) Borrowings

Borrowings are measured at the principal amount. Short-term borrowings are carried in the Balance Sheet at their face value and long-term borrowings are valued at their historical yield. Interest expense is accrued at contract rates on a daily basis and includes costs incurred in restructuring borrowings.

The Corporation has a fully utilised long-term borrowing facility with SAFA. The loan is denominated in Australian dollars and carries both fixed and floating interest rates.

The Government provides a guarantee in respect of these borrowings pursuant to the provisions of the PFAA.

(s) Derivatives

The Corporation's Treasury Risk Management Policies provide a prudential framework for the management of the Corporation's financial risks including interest rate risk, foreign exchange price risk and commodity price risk.

Within the parameters of the Corporation's Permitted Treasury Instruments Policy, SA Water utilises derivative financial instruments to implement appropriate debt management strategies. Of the derivative types, interest rate swaps and interest rate futures contracts are used by the Corporation. Derivatives are used to reconfigure interest rate risk profiles and manage exposures. The Corporation does not trade physical debt other than as necessary to rebalance the portfolio to the debt benchmark.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. All derivatives are categorised as 'held for trading' under AASB 139. These derivatives do not qualify for hedge accounting and changes in fair value are recognised immediately in profit or loss in other income or other expenses. The fair value of 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. Futures contracts are remeasured to fair value on a daily basis based on quoted market prices.

Interest payments and receipts under interest rate swaps are recognised on an accrual basis in the Income Statement as other income or other expenses. Gains or losses on early termination of interest rate swaps will be recognised immediately as an adjustment to other income or other expenses in the Income Statement. Gains and losses on interest rate futures contracts are recognised immediately as an adjustment to other income or other expenses in the Income Statement.

Derivatives are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

Derivative financial instruments are not held for speculative purposes.

(t) 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, interest bearing liabilities, 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.

(u) Administered Items

The following administered items are not recognised in the Corporation's Income Statement, Balance Sheet and Cash Flow Statement, but are separately disclosed in Note 43 as administered items.

River Murray Levy

The Corporation is responsible for administering the Save the River Murray Levy. The River Murray Levy billed and collected on behalf of Government is not controlled by the Corporation.

Pensioner Concessions

SA Water is responsible for the administration of Local Government pensioner concession payments. An amount is received from SA Government which is used to make payments to Local Government Councils. The amount collected on behalf of government is not controlled by the Corporation.

Cooperative Research Centre for Water Quality and Treatment (CRC)

The CRC was formed on 14 June 1995, as an Unincorporated Joint Initiative between 17 participants including SA Water to conduct research and education programs on the quality of water for urban communities in Australia. SA Water provides accounting services to the CRC by administering the collection of funds and payment of accounts. The Corporation does not have discretionary control over CRC funds. Funding for the CRC under the Commonwealth's Cooperative Research Centre Program expired on 30 June 2008. A new independent scientific research centre, Water Quality Research Australia Limited, has been established to undertake collaborative research of national application with a focus on drinking water quality, recycled water and aspects of wastewater management.

Compensation Payments from United Water

In 2005-06, the State Government consented to a change in the ownership of United Water International (United Water). As part of the change in ownership negotiation, United Water agreed to make payments to the Government (through SA Water) in settlement of United Water being released from a condition of the contract to relocate Thames Water Asia Pacific to South Australia and a requirement for Australianisation. The United Water contract requires these payments be made to the Minister for Water Security. SA Water receives these payments which are then forwarded to the Department of Treasury and Finance.

Rainwater Tank Plumbing Rebate Scheme

In 2006-07 the Minister for Water Security approved the introduction of a Rainwater Tank Plumbing Rebate Scheme. The scheme is administered by SA Water on behalf of the Minister for Environment and Conservation.

(v) New Accounting Standards and Interpretations

The Corporation has not early adopted any of the new Accounting Standards which were issued in 2007-08 but are not yet effective. The Corporation has assessed the impact of these Standards and there will be no material changes to the financial statements.

The Corporation has adopted AASB 7 and all consequential amendments which became applicable on 1 July 2007. The adoption of this Standard has only affected the disclosure in these financial statements. There has been no effect on profit and loss or the financial position of the entity.

2. Financial Risk Management

(a) Market Risk

(i) Interest Rate Risk

The Corporation's exposure to market interest rates relates primarily to the Corporation's short and long-term debt obligations. Notes 17 and 24 detail the exposures to interest rate risk for financial assets and financial liabilities.

(ii) Summarised Sensitivity Analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the Balance Sheet date, assuming all other variables are held constant. The movements in post-tax profit for the year and equity are due to higher/lower interest costs from floating rate debt and cash balances and changes in fair values of derivatives. The movement in interest expense is estimated by applying the interest rate movement to the balance of floating rate debt outstanding at balance date. For interest rate swaps the profit and loss sensitivity reflects the impact of the change in interest rates on the fair value of swaps outstanding at balance date over their remaining terms.

At 30 June 2008 it has been assumed that a reasonable possible parallel shift in interest rates over the next reporting period is 1 percent. This assumption is based on the term to maturity of interest rates swaps and the current implied future three month floating rate. At 30 June 2007 the upward interest rate factor reflects the general rise in interest rates during 2007-08. Consequently, as there was no downward movement in interest rates from 30 June 2007, a downward interest rate factor of 0 percent has been applied.

		Interest Rate Risk			
	Carrying	**-1%**		**+1%**	
2008	**Amount**	**Profit**	**Equity**	**Profit**	**Equity**
Financial Assets:	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	**2 430**	**(17)**	**(17)**	**17**	**17**
Derivatives - Held for trading	**1 128**	**(1 584)**	**(1 584)**	**1 584**	**1 584**
Financial Liabilities:					
Derivatives - Held for trading	**(5 486)**	**1 111**	**1 111**	**(1 111)**	**(1 111)**
Short-term borrowings	**(93 600)**	**655**	**655**	**(655)**	**(655)**
Long-term borrowings	**(1 261 304)**	**1 435**	**1 435**	**(1 435)**	**(1 435)**
Total Increase (Decrease)		**1 600**	**1 600**	**(1 600)**	**(1 600)**

		Interest Rate Risk			
	Carrying	0%		+1%	
2007	Amount	Profit	Equity	Profit	Equity
Financial Assets:	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	4 762	-	-	33	33
Derivatives - Held for trading	521	-	-	1 385	1 385
Financial Liabilities:					
Derivatives - Held for trading	(4 946)	-	-	(2 159)	(2 159)
Short-term borrowings	(71 338)	-	-	(499)	(499)
Long-term borrowings	(1 171 566)	-	-	(1 925)	(1 925)
Total (Decrease)		-	-	(3 165)	(3 165)

(b) Credit Risk

Credit management policies and procedures are in place to ensure an appropriate level of due diligence in relation to credit history and financial integrity for financial transactions undertaken by SA Water. In addition, receivable balances are monitored on an ongoing basis and actions to recover outstanding debt are instigated in accordance with the Corporation's collection policies and practices with the result that exposure to bad debts is not significant.

For sundry debtors the Corporation trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Corporation's policy to securitise its receivables.

Under the *Waterworks Act 1932*, water rates are secured via a first charge on the property.

The Corporation has no significant concentration of credit risk.

All debt management activities are directly undertaken by SAFA on behalf of the Corporation. The Corporation does not hold any credit derivatives to offset its credit exposure.

(c) Liquidity Risk

The Corporation has in place a Liquidity Risk Management Policy to provide a prudential framework for managing liquidity risk. SA Water is required to hold in cash or committed facilities appropriate capacity to meet immediate funding requirements and provide any unforseen cash flow needs. Liquidity levels are reviewed by management on a daily basis and reported to the Board monthly.

Contractual Maturities

The table below analyses the non-derivative financial liabilities and net settled derivative financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The contractual cash flows remaining to maturity for borrowings include principal and interest. For floating rate borrowings and the floating leg of interest rate swaps, the cash flows have been estimated using implied forward interest rates applicable at the reporting date. Maturing borrowings are included in the table at their maturity date and are rolled over into a new market borrowing rate.

2008	Less than 1 Year $'000	1-2 Years $'000	2-5 Years $'000	More than 5 Years $'000	**Total Contractual Cash Flows $'000**
Non-Derivatives:					
Non-interest bearing liabilities*	69 192	-	-	-	**69 192**
Finance lease liabilities	20 460	20 460	61 378	202 406	**304 704**
Floating rate borrowings	115 824	108 693	117 095	-	**341 612**
Fixed rate borrowings	412 429	210 817	481 602	133 412	**1 238 260**
Total Non-Derivatives	617 905	339 970	660 075	335 818	**1 953 768**
Derivatives:					
Financial liabilities:					
Net settled (Interest rate swaps)	1 941	1 913	2 574	-	**6 428**
Financial assets:					
Net settled (Interest rate swaps)	(379)	(399)	(219)	-	**(997)**
Total Derivatives	1 562	1 514	2 355	-	**5 431**

2007	Less than 1 Year $'000	1-2 Years $'000	2-5 Years $'000	More than 5 Years $'000	Total Contractual Cash Flows $'000
Non-Derivatives:					
Non-interest bearing liabilities*	71 712	-	-	-	71 712
Finance lease liabilities	21 328	19 562	58 686	211 627	311 203
Floating rate borrowings	227 172	9 623	141 041	-	377 836
Fixed rate borrowings	263 241	221 843	358 453	231 694	1 075 231
Total Non-Derivatives	583 453	251 028	558 180	443 321	1 835 982
Derivatives:					
Financial liabilities:					
Net settled (Interest rate swaps)	1 253	1 536	2 871	295	5 955
Financial assets:					
Net settled (Interest rate swaps)	(21)	(236)	(314)	-	(571)
Total Derivatives	1 232	1 300	2 557	295	5 384

* Non-interest bearing liabilities exclude amounts relating to statutory payables such as tax equivalents and Commonwealth tax.

3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Unbilled Income

Under the existing meter reading and billing program most customer meters are read and billed on a six month rolling basis. However, for accounting purposes, the revenue generated by customer water consumption is accrued so that it reflects the amount of water used by customers during the financial year. Given that the existing meter reading and billing program does not align with the financial year, it is not possible to determine the actual water used by customers during the year. SA Water therefore utilises a model that draws on information from master meters, the billing system and assessments of water losses to determine an estimate of unbilled water.

4. Revenue from Ordinary Activities

	2008 $'000	2007 $'000
Community service obligations	**164 597**	156 210
Water and wastewater rates and charges	**582 455**	577 676
Recoverable works	**55 627**	41 066
Fees and charges	**20 697**	18 593
Miscellaneous	**688**	139
Government grants	**5**	-
Contributed assets	**61 890**	58 890
Rents	**970**	1 265
Interest	**224**	917
	887 153	854 756

5. Other Income

	Note	2008 $'000	2007 $'000
Net gain on disposal of infrastructure, plant and equipment		**487**	491
Net gain on held for trading derivatives		**228**	281
Net gain on termination of finance lease		**990**	-
Reversal of prior year infrastructure, plant and equipment revaluation decrement		**608**	593
		2 313	1 365

6. Expenses

Profit before income tax includes the following specific expenses:

	Note	2008 $'000	2007 $'000
Depreciation:	15		
Buildings		**2 664**	2 473
Plant and equipment		**4 795**	3 279
Other		**9 869**	6 703
Infrastructure assets - Water		**93 914**	87 140
Infrastructure assets - Sewer		**48 797**	44 742
Amortisation:	14		
Computer software		**2 089**	2 131
Total Depreciation and Amortisation		**162 128**	146 468
Finance Costs:			
Interest paid/payable for borrowings not at fair value through profit or loss		**85 429**	73 849
Finance charges on capitalised leases		**14 392**	14 402
Total Finance Costs		**99 821**	88 251
Finance lease contingent rentals		**2 760**	2 629
Rental expense relating to operating leases:			
Minimum lease payments		**3 277**	3 270
Net bad and doubtful debts expense including movements in allowance for doubtful debts		**(314)**	12
Write-down in value of infrastructure, plant and equipment		**40**	18
Write-off value of capital works in progress		**1 043**	107
Superannuation contributions		**10 332**	8 952
Expenditure on behalf of State Government:			
Water Industry Best Practice Program		**500**	495
Cooperative Research Centre for Water Quality and Treatment		**150**	150

7. Income Tax Expense

(a) *Income Tax Expense*

	Note	2008 $'000	2007 $'000
Current tax		**83 550**	96 918
Deferred tax		**2 418**	(2 702)
Amounts (over) under provided in prior years		**(197)**	1
		85 771	94 217
Deferred income tax (revenue) expense included in income tax expense comprises:			
(Increase) Decrease in deferred tax assets	13	**(1 107)**	233
Increase (Decrease) in deferred tax liabilities	26	**3 525**	(2 935)
		2 418	(2 702)

(b) *Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable*

	Note	2008 $'000	2007 $'000
Profit before income tax expense		**286 801**	314 050
Tax at the Australian tax rate of 30 percent (30 percent)		**86 040**	94 215
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Net (gain) loss on sale of assets		**(6)**	1
Revaluation increment		**(66)**	-
		85 968	94 216
Amounts (over) under provided in prior years		**(197)**	1
Total Income Tax Expense		**85 771**	94 217

(c) *Amounts Recognised Directly in Equity*

	Note	2008 $'000	2007 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited (credited) to equity:			
Net deferred tax - Debited directly to asset revaluation reserve		**134 854**	192 686
Net deferred tax - Debited directly to available-for-sale revaluation reserve		**191**	177
		135 045	192 863

8. Segment Information

(a) Description of Segments

Business Segments

The Corporation comprises the following main business segments based on the Corporation'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.

(b) Business Segments

Business Segments	Metro Water	Country Water	Metro Sewer	Country Sewer	Other	**2008 Total**
Segment Income:	$'000	$'000	$'000	$'000	$'000	**$'000**
Rates and charges	206 323	103 326	243 605	29 200	-	**582 454**
Community service obligations	2 561	131 065	7 104	22 849	1018	**164 597**
Contributed assets	17 459	12 343	25 146	6 942	-	**61 890**
Other revenue	9 222	4 776	11 642	2 916	51 517	**80 073**
Unallocated revenue	-	-	-	-	-	**452**
Total Segment Income	235 565	251 510	287 497	61 907	52 535	**889 466**
Segment Result	76 682	96 379	167 476	32 082	(841)	**371 778**
Unallocated expense net of unallocated revenue						**(84 977)**
Profit before income tax						**286 801**
Income tax expense						**(85 771)**
Profit for the Year						**201 030**
Segment Assets	2 788 021	2 639 743	2 474 054	541 237	90 802	**8 533 857**
Unallocated assets						**28 122**
Total Assets						**8 561 979**
Segment Liabilities	33 010	154 763	28 900	9 566	11 021	**237 260**
Unallocated liabilities						**2 294 352**
Total Liabilities						**2 531 612**
Acquisition and construction of non-current assets	51 463	94 922	28 548	8 529	63 636	**247 098**
Depreciation and amortisation expense	54 274	52 941	45 095	9 818	-	**162 128**
Other non-cash expenses	1 074	1 594	735	403	388	**4 194**

Business Segments	Metro Water	Country Water	Metro Sewer	Country Sewer	Other	2007 Total
Segment Income:	$'000	$'000	$'000	$'000	$'000	$'000
Rates and charges	212 947	101 283	236 345	27 101	-	577 676
Community service obligations	1 388	124 952	8 133	20 716	1 021	156 210
Contributed assets	13 361	11 446	25 156	8 927	-	58 890
Other revenue	11 310	7 741	8 720	1 283	33 093	62 147
Unallocated revenue	-	-	-	-	-	1 198
Total Segment Income	239 006	245 422	278 354	58 027	34 114	856 121
Segment result	88 851	102 612	166 483	31 671	(2 914)	386 703
Unallocated expense net of unallocated revenue						(72 653)
Profit before income tax						314 050
Income tax expense						(94 217)
Profit for the Year						219 833

(b)	***Business Segments (continued)***	Metro Water $'000	Country Water $'000	Metro Sewer $'000	Country Sewer $'000	Other $'000	2007 Total $'000
	Segment Assets	2 458 319	2 458 051	2 409 532	532 177	66 441	7 924 520
	Unallocated assets						29 834
	Total Assets						7 954 354
	Segment Liabilities	31 038	157 674	34 671	8 680	7 266	239 329
	Unallocated liabilities						2 045 884
	Total Liabilities						2 285 213
	Acquisition and construction of non-current assets	34 336	78 265	24 422	7 992	26 574	171 589
	Depreciation and amortisation expense	48 039	48 929	40 578	8 922	-	146 468
	Other non-cash expenses	781	1 063	550	268	275	2 937

9. Current Assets - Receivables

	2008	2007
Receivables:	**$'000**	$'000
Rates receivable (water and wastewater)	**56 218**	53 657
Allowance for doubtful debts	**-**	(287)
Sundry debtors	**24 198**	17 694
Allowance for doubtful debts	**(76)**	(135)
	80 340	70 929
Other Receivables:		
Community service obligations	**11 304**	10 201
	91 644	81 130

(a) Impaired Receivables

An allowance for impairment loss is recognised when there is objective evidence than an individual receivable is impaired.

The ageing of these receivables is as follows:		
More than 90 days overdue	**76**	422

Movements in the allowance for impairment loss are as follows:		
At 1 July	**422**	452
Provision for impairment recognised during the year	**(315)**	13
Amounts written off	**(31)**	(43)
At 30 June	**76**	422

(b) Past Due but not Impaired

At 30 June, the ageing of rates receivable that are past due but not impaired is as follows:		
Past due 0 - 69 days	**10 968**	13 859
More than 69 days	**5 786**	5 456
	16 754	19 315

The other balances within rates receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due/impaired rates receivables with renegotiated terms at balance date is $6.068 million ($6.637 million).

At 30 June, the ageing of sundry debtors receivable that are past due but not impaired is as follows:	**2008** **$'000**	2007 $'000
Past due 0 - 30 days	**1 206**	950
Past due more than 30 days	**1 199**	1 398
	2 405	2 348

The other balances within sundry debtor receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due/impaired sundry debtor receivables with renegotiated terms at balance date is $1.341 million ($1.625 million).

Balances for other receivables relate to community service obligations and do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(c) Interest Rate Risk

Information about the Corporation's exposure to interest rate risk in relation to trade and other receivables is provided in Note 2 and Note 17.

(d) Fair Value and Credit Risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 2 for more information on the risk management policy of the Corporation and the credit quality of the Corporation's receivables.

10. Current Assets - Inventories

	2008	2007
	$'000	$'000
Raw materials and stores	**5 231**	5 261
Allowance for obsolete stock	**(791)**	(853)
Work in progress - Sundry debtors	**683**	425
	5 123	4 833

11. Current Assets - Other Current Assets

	2008	2007
Interest receivable	**-**	411
Prepayments	**1 795**	2 513
	1 795	2 924

12. Non-Current Assets - Available-for-Sale Financial Assets

	2008	2007
Unlisted shares at fair value	**8 605**	7 968

The Corporation was a participant to the funding arrangements for the VPS. SA Water's 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 the 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 'Class B' shares, issued at a price of $1 per share.

(a) Fair Value

Detail regarding valuations is disclosed in Note 1(d).

13. Non-Current Assets - Deferred Tax Assets

	Note	2008	2007
The balance comprises temporary differences attributable to:	Note	**$'000**	$'000
Amounts recognised in Profit or Loss:			
Doubtful debts		**23**	126
Obsolete stock		**237**	256
Unlisted shares at fair value		**2 406**	2 406
Infrastructure, plant and equipment		**2 169**	2 201
Pooled assets		**85**	112
Payables		**985**	887
Audit fee payable		**82**	79
Government grants		**299**	-
Employee benefits		**9 804**	8 953
Provision for site rehabilitation		**1 016**	1 016
Provision for asset disposal		**73**	86
Provision for damages and claims		**332**	354
Provision for workers compensation		**101**	-
Provision for removal of bio-solids		**-**	190
Make good provision		**339**	275
Derivative financial instruments		**(1 037)**	(1 199)
		16 914	15 742
Amounts recognised directly in Equity:			
Derivative financial liability		**2 682**	2 682
Unlisted shares at fair value		**(532)**	(341)
Net Deferred Tax Assets		**19 064**	18 083
Movements:			
Balance at 1 July		**18 083**	18 469
Credited (Charged) to the Income Statement	7	**1 107**	(233)
Charged to equity		**(191)**	(177)
Amounts under provided in prior years		**65**	24
Balance at 30 June		**19 064**	18 083
Deferred tax assets to be recovered within 12 months		**5 101**	4 092
Deferred tax assets to be recovered after more than 12 months		**13 963**	13 991
		19 064	18 083

14. Non-Current Assets - Intangible Assets

Year ended 30 June 2008:	Prescription Rights $'000	Computer Software $'000	Purchased Water Allocations $'000	**2008 Total $'000**
Opening net book amount	4 500	7 442	20 347	**32 289**
Additions from internal development	-	5 642	-	**5 642**
Additions from external acquisitions	-	3 142	-	**3 142**
Amortisation charge	-	(2 089)	-	**(2 089)**
Closing Net Book Amount	4 500	14 137	20 347	**38 984**
At 30 June 2008:				
Cost	4 500	44 747	20 347	**69 594**
Accumulated amortisation	-	(30 610)	-	**(30 610)**
Net Book Amount	4 500	14 137	20 347	**38 984**

Year ended 30 June 2007:	Prescription Rights $'000	Computer Software $'000	Purchased Water Allocations $'000	2007 Total $'000
Opening net book amount	-	4 823	20 214	25 037
Additions	4 500	4 750	133	9 383
Amortisation charge	-	(2 131)	-	(2 131)
Closing Net Book Amount	4 500	7 442	20 347	32 289
At 30 June 2007:				
Cost	4 500	35 963	20 347	60 810
Accumulated amortisation	-	(28 521)	-	(28 521)
Net Book Amount	4 500	7 442	20 347	32289

15. Non-Current Assets - Infrastructure, Plant and Equipment

Year Ended 30 June 2008:	Work in Progress $'000	Land $'000	Buildings $'000	Leased Sewer Infrastructure $'000	Plant and Equipment $'000
Opening net book amount	222 540	277 381	14 524	22 423	22 492
Revaluation*	-	32 480	412	678	-
Additions	247 060	3 157	1 023	-	6 949
Disposals	-	(31)	-	-	(389)
Transfers	(225 848)	-	-	(3 124)	-
Depreciation charge	-	-	(2 664)	(520)	(4 795)
Asset write-down	(1 043)	-	-	-	(40)
Closing Net Book Amount	242 709	312 987	13 295	19 457	24 217
At 30 June 2008:					
Cost	242 709	-	-	-	49 467
Valuation	-	312 987	44 819	20 777	-
Accumulated depreciation	-	-	(31 524)	(1 320)	(25 250)
Net Book Amount	242 709	312 987	13 295	19 457	24 217

Year Ended 30 June 2008:	Water Infrastructure $'000	Sewer Infrastructure $'000	Leased Water Infrastructure $'000	Other $'000	**2008 Total $'000**
Opening net book amount	4 442 598	2 635 017	122 786	40 964	**7 800 725**
Revaluation*	407 573	34 466	4 318	1 339	**481 266**
Additions	154 585	69 640	3 165	6 298	**491 877**
Disposals	-	-	-	-	**(420)**
Transfers	-	3 124	-	-	**(225 848)**
Depreciation charge	(90 771)	(48 277)	(3 143)	(9 869)	**(160 039)**
Asset write-down	-	-	-	-	**(1 083)**
Closing Net Book Amount	4 913 985	2 693 970	127 126	38 732	**8 386 478**
At 30 June 2008:					
Cost	-	-	-	-	**292 176**
Valuation	8 723 724	4 364 454	157 478	83 810	**13 708 049**
Accumulated depreciation	(3 809 739)	(1 670 484)	(30 352)	(45 078)	**(5 613 747)**
Net Book Amount	4 913 985	2 693 970	127 126	38 732	**8 386 478**

* Includes the reversal of the prior year revaluation decrement. Refer Notes 5 and 32.

15. Non-Current Assets - Infrastructure, Plant and Equipment (continued)

Year Ended 30 June 2007:	Work in Progress $'000	Land $'000	Buildings $'000	Leased Sewer Infrastructure $'000	Plant and Equipment $'000
Opening net book amount	173 419	254 020	14 045	21 527	2 177
Revaluation	-	22 859	1 029	1 497	-
Additions	171 567	575	1 923	-	4 892
Disposals	-	(73)	-	-	(280)
Transfers	(122 339)	-	-	-	-
Depreciation charge	-	-	(2 473)	(601)	(3 279)
Asset write-down	(107)	-	-	-	(18)
Closing Net Book Amount	222 540	277 381	14 524	22 423	22 492
At 30 June 2007:					
Cost	222 540	-	-	-	43 785
Valuation	-	277 381	42 914	24 057	-
Accumulated depreciation	-	-	(28 390)	(1 634)	(21 293)
Net Book Amount	222 540	277 381	14 524	22 423	22 492

Year Ended 30 June 2007:	Water Infrastructure $'000	Sewer Infrastructure $'000	Leased Water Infrastructure $'000	Other $'000	2007 Total $'000
Opening net book amount	4 122 925	2 315 324	117 750	41 244	7 081 431
Revaluation	326 659	301 998	8 017	2 710	664 769
Additions	77 173	61 836	-	3 713	321 679
Disposals	-	-	-	-	(353)
Transfers	-	-	-	-	(122 339)
Depreciation charge	(84 159)	(44 141)	(2 981)	(6 703)	(144 337)
Asset write-down	-	-	-	-	(125)
Closing Net Book Amount	4 442 598	2 635 017	122 786	40 964	7 800 725
At 30 June 2007:					
Cost	-	-	-	-	266 325
Valuation	7 951 823	4 138 106	149 071	75 121	12 658 473
Accumulated depreciation	(3 509 225)	(1 503 089)	(26 285)	(34 157)	(5 124 073)
Net Book Amount	4 442 598	2 635 017	122 786	40 964	7 800 725

Carrying Amounts that would have been recognised if Revalued Assets were stated at cost

If revalued assets were stated on the historical cost basis, the amounts would be as follows:

	Note	**2008 $'000**	2007 $'000
Freehold Land:			
Cost		**25 185**	22 028
Buildings:			
Cost		**38 234**	37 211
Accumulated depreciation		**(24 684)**	(21 906)
Net Book Amount		**13 550**	15 305
Water Infrastructure:			
Cost		**1 689 004**	1 543 310
Accumulated depreciation		**(648 473)**	(660 615)
Net Book Amount		**1 040 531**	882 695
Sewer Infrastructure:			
Cost		**1 254 030**	1 203 102
Accumulated depreciation		**(497 392)**	(480 399)
Net Book Amount		**756 638**	722 703
Other:			
Cost		**64 009**	64 897
Accumulated depreciation		**(37 465)**	(29 188)
Net Book Amount		**26 544**	35 709

16. Non-Current Assets - Other Non-Current Assets

Preliminary investigations	1(d)	**6 728**	1 119

17. Current and Non-Current Assets - Financial Assets

(a) Interest Rate Risk

The Corporation's financial assets 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.

2008	**Floating Interest Rate $'000**	**Non-Interest Bearing $'000**	**Total $'000**	**Weighted Average Interest Rate Percent**
Cash and cash equivalents	**2 430**	**-**	**2 430**	**6.97**
Current receivables*	**-**	**74 855**	**74 855**	
Community service obligation receivable	**-**	**11 304**	**11 304**	
Available-for-sale financial assets	**-**	**8 605**	**8 605**	
	2 430	**94 764**	**97 194**	

2007	Floating Interest Rate $'000	Non-Interest Bearing $'000	Total $'000	Weighted Average Interest Rate Percent
Cash and cash equivalents	4 762	-	4 762	5.99
Current receivables*	-	64 892	64 892	
Community service obligation receivable	-	10 201	10 201	
Available-for-sale financial assets	-	7 968	7 968	
Interest receivable	411	-	411	6.15
	5 173	83 061	88 234	

* Current receivables disclosed exclude amounts relating to statutory receivables for GST.

18. Current Liabilities - Payables

	Note	**2008 $'000**	2007 $'000
Interest payable		**10 406**	9 892
Trade creditors		**56 481**	62 779
Other creditors		**13 737**	8 984
		80 624	81 655

19. Current Liabilities - Interest Bearing Liabilities

	Note	**2008 $'000**	2007 $'000
Lease liabilities	33	**3 644**	6 022
Short-term borrowings	24	**93 600**	71 338
		97 244	77 360

The Corporation has a $100 million short-term borrowing facility with the Department of Treasury and Finance bearing interest at the daily cash rate charged by SAFA.

(a) Risk Exposures

Information regarding interest rate risk and liquidity risk exposure is set out in Note 2.

(b) Fair Value Disclosures

Due to the short-term nature of these interest bearing liabilities, their carrying value is assumed to approximate their fair value. Refer to Note 24(b).

20. Current Tax Liabilities

	2008 $'000	2007 $'000
Provision for current income tax movements during the year were as follows:		
Balance at 1 July	**23 638**	38 656
Income tax paid	**(87 753)**	(111 961)
Current year's income tax provision	**83 550**	96 918
Amounts (over) under provided in prior year	**(132)**	25
	19 303	23 638

21. Current Liabilities - Provisions

	2008	2007
Employee benefits	**10 340**	9 016
Asset disposal	**68**	48
Site rehabilitation	**1 150**	-
Damages and claims	**1 106**	1 178
Workers compensation	**1 197**	831
Removal of bio-solids	**-**	344
Make good	**1 132**	-
	14 993	11 417

Movements in Provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Current:	Asset Disposal $'000	Site Rehabili-tation	Damages and Claims $'000	Workers Compen-sation $'000	Removal of Bio-solids $'000	Make Good $'000	**2008 Total $'000**
Carrying amount at 1 July	48	-	1 178	831	344	-	**2 401**
Payments made during the year	(45)	-	(122)	(321)	(632)	-	**(1 120)**
Transfer from non-current provision	65	1 150	-	-	288	915	**2 418**
Re-measurement adjustments	-	-	(488)	650	-	217	**379**
Additional provision recognised	-	-	538	37	-	-	**575**
Carrying Amount at 30 June	68	1150	1 106	1 197	-	1 132	**4 653**

22. Current Liabilities - Other Current Liabilities

	Note	**2008 $'000**	2007 $'000
Government grants		**4**	-
Unearned revenue		**41**	-
Deposits from contractors		**1 329**	1 328
		1 374	1 328

23. Non-Current Liabilities - Payables

	Note	**2008 $'000**	2007 $'000
Other payables		**1 551**	1 440

24. Non-Current Liabilities - Interest Bearing Liabilities

	Note	**2008 $'000**	2007 $'000
Lease liabilities	33	**119 877**	120 384
Long-term borrowings		**1 261 304**	1 171 566
		1 381 181	1 291 950

Current and Non-Current Financial Liabilities

(a) Interest Rate Risk Exposures

The Corporation's 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. The Corporation constantly analyses its interest rate exposure and consideration is given to potential renewals of existing positions, use of alternative risk mitigation strategies and the mix of fixed and variable interest rates.

2008

	Note	Floating Interest Rate $'000	Fixed Interest Rate: 1 Year or Less $'000	Over 1 to 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	**2008 Total $'000**	Weighted Average Interest Rate Percent
Short-term borrowings	19	93 600	-	-	-	-	**93 600**	7.38
Long-term borrowings	24	205 046	385 243	546 825	124 190	-	**1 261 304**	6.65
Payables*	18,23	-	-	-	-	77 772	**77 772**	
External deposits	22	-	-	-	-	1 329	**1 329**	
Non-business advances	28	-	-	-	-	497	**497**	
Lease liabilities	19,24,33	-	3 644	19 407	100 470	-	**123 521**	11.63
Make good provision	21	-	-	-	-	1 132	**1 132**	
Interest rate swaps**	25	(100 000)	65 000	35 000	-	-	**-**	***0.44
		198 646	453 887	601 232	224 660	80 730	**1 559 155**	

2007

	Note	Floating Interest Rate $'000	Fixed Interest Rate: 1 Year or Less $'000	Over 1 to 5 Years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	2007 Total $'000	Weighted Average Interest Rate Percent
Short-term borrowings	19	71 338	-	-	-	-	71 338	6.38
Long-term borrowings	24	275 064	210 980	469 332	216 190	-	1 171 566	6.11
Payables*	18,23	-	-	-	-	79 895	79 895	
External deposits	22	-	-	-	-	1 328	1 328	
Non-business advances	28	-	-	-	-	497	497	
Lease liabilities	19,24,33	-	6 022	17 168	103 216	-	126 406	11.22
Make good provision	21	-	-	-	-	915	915	
Interest rate swaps**	25	36 000	(50 000)	74 000	(60 000)	-	-	***0.68
		382 402	167 002	560 500	259 406	82 635	1 451 945	

* Payables disclosed exclude amounts relating to statutory payables such as tax equivalents and Commonwealth tax.

** Notional principal amount (receivable)/payable

*** Net weighted average interest rate payable

(b) Fair Values of Financial Liabilities

Fair value of financial liabilities is the amount at which the liability could be settled, in a current transaction between willing parties after allowing for transaction costs. The fair value for long-term borrowings is estimated by discounting the anticipated future cash flows to their present value based on current market interest rates at the respective balance sheet dates.

- *Recognised Financial Liabilities*
  The carrying amounts and estimated fair values of financial liabilities held at balance date are given below.

	2008		2007	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Non-Traded Financial Liabilities:	**$'000**	**$'000**	$'000	$'000
Payables*	**77 772**	**77 772**	79 895	79 895
External deposits	**1 329**	**1 329**	1 328	1 328
Non-business advances	**497**	**497**	497	497
Short-term borrowings	**93 600**	**93 600**	71 338	71 338
Long-term borrowings	**1 261 304**	**1 241 249**	1 171 566	1 157 377
Lease liabilities	**123 521**	**123 521**	126 406	126 406
Make good provision*	**1 132**	**1 132**	915	915
	1 559 155	**1 539 100**	1 451 945	1 437 756

* Payables and Make Good provision disclosed are categorised as financial liabilities at cost and exclude amounts relating to statutory payables such as tax equivalents and Commonwealth tax.

25. Derivative Financial Instruments

	Note	**2008**	2007
Non-Current Financial Assets:		**$'000**	$'000
Interest rate swaps - Held for trading		**1 128**	521
Non-Current Financial Liabilities:			
Interest rate swaps - Held for trading		**5 486**	4 946

26. Non-Current Liabilities - Deferred Tax Liabilities

	Note	**2008**	2007
The balance comprises temporary differences attributable to:			
Amounts recognised in Profit or Loss:			
Prepayments		**234**	255
Rates receivable		**8 555**	7 356
Interest receivable		**-**	123
Derivative financial asset		**339**	156
Depreciation and amortisation		**78 903**	76 616
		88 031	84 506
Amounts recognised directly in Equity:			
Revaluation of infrastructure, plant and equipment		**813 652**	678 798
Total Deferred Tax Liabilities		**901 683**	763 304
Movements:			
Balance at 1 July		**763 304**	573 553
Charged (Credited) to the Income Statement	7	**3 525**	(2 935)
Charged to equity	32	**134 854**	192 686
Balance at 30 June		**901 683**	763 304
Deferred tax liabilities to be settled within 12 months		**8 789**	7 734
Deferred tax liabilities to the be settled after more than 12 months		**892 894**	755 570
		901 683	763 304

27. Non-Current Liabilities - Provisions

	2008	2007
Employee benefits	**22 342**	20 827
Site rehabilitation	**2 236**	3 386
Workers compensation	**1 928**	2 022
Removal of bio-solids	**-**	288
Asset disposal	**175**	240
Make good	**-**	915
	26 681	27 678

Movements in Provisions

Movements in each class of provision during the financial year, other than employee benefits are set out below:

	Site Rehabili-tation $'000	Workers Compen-sation $'000	Removal of Bio-solids $'000	Asset Disposal $'000	Make Good $'000	**2008 Total $'000**
Non-Current:						
Carrying amount at 1 July	3 386	2 022	288	240	915	**6 851**
Transfer to current provision	(1 150)	-	(288)	(65)	(915)	**(2 418)**
Re-measurement adjustments	-	(94)	-	-	-	**(94)**
Carrying Amount at 30 June	2 236	1 928	-	175	-	**4 339**

28. Non-Current Liabilities - Other Non-Current Liabilities

	2008 $'000	2007 $'000
Non-business advances	**497**	497
Government grants	**995**	-
	1 492	497

29. Reconciliation of Cash

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

Cash and cash equivalents	**2 430**	4 762

(a) Fair Value

Due to the short-term nature of cash and cash equivalents, their carrying value is assumed to approximate their fair value.

(b) Interest rate risk

Details regarding interest rate risk exposures are disclosed in Notes 2 and 17.

30. Reconciliation of Profit after Income Tax to Net Cash Inflow from Operating Activities

Net profit for the year	**201 030**	219 833
Add (Less): Non-cash items:		
Depreciation and amortisation	**162 128**	146 468
Contributed assets	**(30 157)**	(36 619)
Net gain on disposal of infrastructure, plant and equipment	**(487)**	(561)
Infrastructure, plant and equipment revaluation decrement reversal	**(608)**	(593)
Write-down of capitalised expenditure	**1 083**	125
Provision for employee benefits	**2 839**	2 755
Provision for workers compensation	**272**	57
Decrease in provision for income taxes payable	**(4 335)**	(15 018)
(Increase) Decrease in deferred tax asset	**(1 172)**	365
Increase (Decrease) in provision for deferred income tax	**3 525**	(3 091)
Changes in assets and liabilities:		
(Increase) Decrease in rates and sundry receivables	**(8 473)**	4 882
Increase in inventories	**(27)**	(994)
Decrease (Increase) in prepayments	**718**	(232)
Decrease (Increase) in other operating assets	**284**	(26)
Increase in fair value of derivative financial assets	**(608)**	(520)
Increase (Decrease) in trade creditors	**2 161**	(2 560)
Decrease in other operating liabilities	**(8 786)**	(4 634)
Increase (Decrease) in fair value of derivative financial liabilities	**540**	(1 898)
Increase in government grants	**1 000**	-
Decrease in other provisions	**(533)**	(229)
Net Cash Inflow from Operating Activities	**320 394**	307 510

31. Contributed Equity

Balance at 1 July	**173 610**	173 610
Repayment of capital	**-**	-
Balance at 30 June	**173 610**	173 610

Repayment of capital is included as part of the total distribution to government.

(a) Capital Risk Management

Capital is managed within the parameters outlined in the Financial Ownership Framework for SA Water, which encompasses the Corporation's relationship with its owner in respect of capital structure, community service obligations and dividends.

When managing capital, management's objective is to ensure the Corporation continues as a going concern as well as to maintain optimal returns to the State Government (as sole shareholder) and benefits for other stakeholders.

The framework for SA Water includes a target range for debt to total assets (gearing) ratio of 15 percent to 25 percent.

The Corporation's strategy, which is unchanged from 2007, was to maintain a gearing ratio within 15 percent to 25 percent. The gearing ratios based on continuing operations at 30 June 2008 and 30 June 2007 were as follows:

(a) Capital Risk Management (continued)

	Note	2008 $'million	2007 $'million
Current interest bearing liabilities	19	**97**	77
Non-current interest bearing liabilities	24	**1 381**	1 292
Net debt		**1 478**	1 369
Total assets		**8 562**	7 954
Gearing Ratio (percent)		**17**	17

Outside of the Financial Ownership Framework, the Corporation is not subject to any externally imposed capital requirements.

32. Reserves and Retained Profits

(a) Reserves

	Note	2008 $'000	2007 $'000
Infrastructure, plant and equipment revaluation reserve		**5 682 586**	5 337 242
Available-for-sale revaluation reserve		**1 242**	796
Balance at 30 June		**5 683 828**	5 338 038
Movements:			
Property, plant and equipment revaluation reserve:			
Balance at 1 July		**5 337 242**	4 866 103
Revaluation - gross	15	**480 658**	664 176
Movements in deferred tax liability	26	**(134 854)**	(192 686)
Transfer to retained profits on disposal		**(460)**	(351)
Balance at 30 June		**5 682 586**	5 337 242
Available-for-sale investments revaluation reserve:			
Balance at 1 July		**796**	383
Revaluation of investment in unlisted shares		**637**	590
Movements in deferred tax asset	13	**(191)**	(177)
Balance at 30 June		**1 242**	796

(b) Retained Profits

Movements in retained profits were as follows:

	Note	2008	2007
Balance at 1 July		**157 493**	145 368
Profit for the year		**201 030**	219 833
Dividends	39	**(186 054)**	(208 059)
Transfers from infrastructure, plant and equipment revaluation reserve		**460**	351
Balance at 30 June		**172 929**	157 493

(c) Nature and Purpose of Reserves

(i) Infrastructure, Plant and Equipment Revaluation Reserve

The asset revaluation reserve is the cumulative balance of asset revaluation increments and decrements.

(ii) Available-for-sale Revaluation Reserve

Changes in the fair value of unlisted shares are taken to the available-for-sale revaluation reserve.

33. Commitments

(a) Capital Commitments

Total capital expenditure contracted for at balance date but not recognised in the financial report and payable:

	2008 $'000	2007 $'000
Within one year	**87 082**	117 308
Later than one year but not later than five years	**6 215**	36 813
Later than five years	**-**	250
	93 297	154 371

(b) Operating Leases Commitments

Future operating lease expenditure commitments not provided for in the financial report and payable:

	2008	2007
Within one year	**5 282**	3 603
Later than one year but not later than five years	**32 154**	24 528
Later than five years	**101 313**	92 655
	138 749	120 786

(b) Operating Leases Commitments (continued)

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.

The Corporation has an operating lease commitment for the relocation of accommodation effective from 2008-09 which expires after 15 years with a market rent review renegotiation in year 10. The lease has escalation clauses and no purchase options.

(c) Other Expenditure Commitments

Future other expenditure commitments not provided for in the financial report and payable:	**2008 $'000**	2007 $'000
Within one year	**106 082**	82 110
Later than one year but not later than five years	**141 679**	186 086
Later than five years	**96**	1 098
	247 857	269 294

Other expenditure commitments include commitments pursuant to the contract to operate, manage and maintain the Adelaide metropolitan water and waste water networks and treatment plans. 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 the 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.

(d) Finance Leases

Commitments in relation to finance leases are payable as follows:	Note	**2008 $'000**	2007 $'000
Within one year		**20 460**	24 961
Later than one year but not later than five years		**81 838**	78 248
Later than five years		**202 406**	211 627
Minimum lease payments		**304 704**	314 836
Future finance charges and contingent rentals		**(181 183)**	(188 430)
Total Lease Liabilities		**123 521**	126 406
Representing lease liabilities:			
Current	19	**3 644**	6 022
Non-Current	24	**119 877**	120 384
		123 521	126 406

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 and payable during the year is disclosed in Note 6.

(e) Other Finance Lease Commitments

Finance lease contracted for at balance date but not recognised in the financial report as liabilities, payable:	**2008 $'000**	2007 $'000
Within one year	**-**	577
Later than one year but not later than five years	**-**	2 309
Later than five years	**-**	6 711
	-	9 597

Other finance lease expenditure commitments contracted as at 30 June 2007 include amounts contracted with a private company to construct additional infrastructure for various water treatment facilities. The lease commitment is represented by total minimum lease payments of $9.597 million which includes future finance charges of $6.384 million. The facilities were commissioned during 2007-08.

(f) Remuneration Commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities payable:

	2008 $'000	2007 $'000
Within one year	**9 375**	7 412
Later than one year but not later than five years	**16 948**	15 307
Later than five years	**-**	-
	26 323	22 719

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of directors and executives that are not recognised as liabilities and are not included in the directors' or executives' remuneration.

34. Interests in Joint Venture

Jointly Controlled Operations

The Corporation holds an interest of 50 percent in the output of the joint venture operation named SA Water/Lofty Ranges Power - Joint Venture whose principal activity is the generation of electricity from the use of water energy stored in and by the Corporation's infrastructure at Hope Valley.

Included in the assets and liabilities of the Corporation are the following items which represent the Corporation's interest in the assets and liabilities employed in the Joint Venture, recorded in accordance with the accounting policies described in Note 1(b), under the following classifications:

	2008	2007
Current Assets:	**$'000**	$'000
Cash and cash equivalents	**41**	35
Receivables	**4**	4
Total Current Assets	**45**	39
Non-Current Assets:		
Infrastructure, plant and equipment	**1 516**	1 511
Total Non-Current Assets	**1 516**	1 511
Total Assets	**1 561**	1 550
Current Liabilities:		
Payables	**18**	23
Total Current Liabilities	**18**	23
Total Liabilities	**18**	23
Net Assets	**1 543**	1 527

35. Events Occurring after the Balance Sheet Date

Water usage is charged in accordance with the *Waterworks Act 1932*. Consistent with previous years, the application of this Act results in water consumed but not billed as at 30 June being charged at the following financial year's prices. Consequently revenue and receivables as at 30 June 2008 include accrual entries for water consumption at 2008-09 prices.

The Government has concluded that customers should not be expected to pay the new prices for water deemed to have been used prior to 1 July. In July 2008 the Government announced that ex-gratia payments would be made to customers for the difference in prices between 2007-08 and 2008-09 for water used before 30 June 2008 but billed at 2008-09 prices.

The impact of the above is that the price difference included in accrued revenue for water consumption at 30 June 2008 will be paid to customers in the form of ex-gratia payments in 2008-09. As at 30 June this is estimated to amount to $9 million.

36. Employee Benefits

	2008	2007
Aggregate liability for employee benefits, including on-costs:	**$'000**	$'000
Current:		
Accrued wages and salaries including on-costs included in other creditors	**2 410**	2 043
Annual leave:		
On-costs included in other creditors	**1 321**	1 195
Provision for employee benefits	**7 669**	6 638
	8 990	7 833
Long service leave:		
On-costs included in other creditors	**181**	155
Provision for employee benefits	**2 671**	2 378
	2 852	2 533
Total Current Employee Benefits	**14 252**	12 409
Non-Current:		
Long service leave:		
On-costs included in other creditors	**1 551**	1 440
Provision for employee benefits	**22 342**	20 827
Total Non-Current Employee Benefits	**23 893**	22 267
Total Employee Benefits	**38 145**	34 676

37. Remuneration of Auditors

Amounts received and receivable by the Auditors for auditing the accounts	**266**	264

The Auditors received no other benefits.

38. Consultancy Costs

During the year ended 30 June 2008, the Corporation paid $900 000 ($300 000) as a result of engaging consultants.

39. Dividends

	2008 $'000	2007 $'000
Dividends paid	**186 054**	208 059

The dividends paid to the SA Government were based on the recommendation of the Board and approved by the Treasurer, pursuant to subsection 30(2) of the PCA.

40. Remuneration of Employees

The number of employees whose remuneration received and receivable falls within the following bands is:	2008 Number of Employees	2007 Number of Employees
$100 000 - $109 999	**52**	42
$110 000 - $119 999	**36**	24
$120 000 - $129 999	**27**	20
$130 000 - $139 999	**13**	11
$140 000 - $149 999	**9**	5
$150 000 - $159 999	**6**	3
$160 000 - $169 999	**4**	2
$170 000 - $179 999	**3**	1
$180 000 - $189 999	**-**	3
$190 000 - $199 999	**5**	3
$200 000 - $209 999	**-**	3
$210 000 - $219 999	**2**	1
$220 000 - $229 999	**3**	-
$230 000 - $239 999	**1**	-
$240 000 - $249 999	**-**	2
$250 000 - $259 999	**1**	-
$260 000 - $269 999	**-**	1
$270 000 - $279 999	**2**	-
$300 000 - $309 999	**-**	1
$310 000 - $319 999	**1**	-
$330 000 - $339 999	**1**	-
$350 000 - $359 999	**-**	1
$400 000 - $409 999	**1**	-

The total remuneration received and receivable by those employees was $22.3 million ($16.2 million). This amount includes fringe benefits and superannuation payments made to the Department of Treasury and Finance.

41. Remuneration of Directors

The number of Directors of the Corporation whose remuneration received and receivable falls within the following bands is:	2008 Number of Directors	2007 Number of Directors
$40 000 - $49 999	**5**	5
$80 000 - $89 999	**1**	1
$370 000 - $379 999	**-**	1
$400 000 - $409 999	**1**	-

The total remuneration received and receivable by those Directors was $740 000 ($680 000) which includes fringe benefits and superannuation contributions. These figures include the Chief Executive Ms Anne Howe who is also included in Note 40.

42. Related Party Disclosures

(a) Directors

The following persons held the position of Director of the Corporation during the financial year:

G B Allison
A F C Digance
S M Doyle
A D Howe
R J Owens
P W Pledge
F T Blevins

Dr Allison is a Director and Partner of the Cape d'Estaing Group, a Partner of GB and JD Allison and a Principal of Allison Partners Pty Ltd.

Ms Digance is a Director of Australian Central Credit Union and a member of the Dental Professional Conduct Tribunal.

Ms Doyle is the Chairman of the Public Sector Superannuation Scheme and the Commonwealth Superannuation Scheme and a member of the board of the Future Fund Management Agency.

Ms Howe is a Director of the Water Services Association of Australia (WSAA) and the CRC for Water Quality and Treatment. She is also a member of the advisory boards of SAFA and Infrastructure Partnerships Australia.

Ms Owens is a member of the National Executive of the Australian Labour Law Association Inc, Deputy Member of the Working Women's Centre SA Inc and a Trustee of the ASKM Adelaide Recitals Trust.

(a) Directors (continued)

Mr Pledge is a consultant to Sportsmed SA, Chairman of Perks (Chartered Accountants) and a South Australian Chair of TEC.

Mr Blevins is a member of the Law Foundation of South Australia Inc and a member of the board of the Adelaide Park Lands Authority.

All financial benefits provided by SA Water to related parties are provided on arm's length terms.

(b) Key Management Personnel Compensation

Key management personnel compensation for the years ended 30 June 2008 and 2007 is set out below. The key management personnel are the Directors of the Corporation (including the Chief Executive) and the Senior Management Team who have responsibility for the strategic direction and management of the Corporation.

	Number of Key Management Personnel	Short-Term Benefits $'000	Post-Employment Benefits $'000	Long-Term Benefits $'000	Total $'000
2008	**17**	**2 668**	**525**	**143**	**3 336**
2007	16	2 302	432	123	2 857

43. Statement of Administered Items

	River Murray Levy $'000	Pensioner Concess'ns $'000	United Water Payments $'000	Co-operative Research Centre $'000	Rainwater Tank Rebates $'000	**2008 Total $'000**	2007 Total $'000
Administered Income:							
Revenue	21 874	29 000	531	7 191	1 535	**60 131**	56 177
Total Administered Income	21 874	29 000	531	7 191	1 535	**60 131**	56 177
Administered Expenses:							
Expenses	21 874	29 000	531	7 191	1 535	**60 131**	56 177
Total Administered Expenses	21 874	29 000	531	7 191	1 535	**60 131**	56 177
Operating Surplus	-	-	-	-	-	**-**	-
Current Assets:							
Cash and cash equivalents	144	1 978	-	1 405	-	**3 527**	4 369
Receivables	824	-	-	-	352	**1 176**	963
Total Current Assets	968	1 978	-	1 405	352	**4 703**	5 332
Total Administered Assets	968	1 978	-	1 405	352	**4 703**	5 332
Current Liabilities:							
Payables	968	1 978	-	1 405	-	**4 351**	5 323
Bank overdraft	-	-	-	-	352	**352**	9
Total Current Liabilities	968	1 978	-	1 405	352	**4 703**	5 332
Total Administered Liabilities	968	1 978	-	1 405	352	**4 703**	5 332
Net Assets	-	-	-	-	-	**-**	-
Cash Flows from Operating Activities:							
Cash inflows	22 005	29 000	531	6 458	1 192	**59 186**	57 771
Total Cash Inflows	22 005	29 000	531	6 458	1 192	**59 186**	57 771
Cash outflows	22 003	28 622	531	7 680	1 535	**60 371**	55 835
Total Cash Outflows	22 003	28 622	531	7 680	1 535	**60 371**	55 835
Net Cash Inflows (Outflows) from Operating Activities	2	378	-	(1 222)	(343)	**(1 185)**	1 936
Net (decrease) increase in cash and cash equivalents held	2	378	-	(1 222)	(343)	**(1 815)**	1 936
Cash and cash equivalents at 1 July	142	1 600	-	2 627	(9)	**4 360**	2 424
Cash and cash equivalents at 30 June	144	1 978	-	1 405	(352)	**3 175**	4 360

44. SA Government / Non-SA Government Transactions

(a) Income

	2008 $'000	2007 $'000
Income received/receivable from Entities external to the SA Government:		
Rates and charges	**546 757**	540 607
Contributed assets	**61 890**	58 890
Recoverable works	**47 260**	37 055
Fees and charges	**20 369**	18 553
Miscellaneous	**621**	90
Government Grants	**5**	-
Interest received	**179**	136
Rents	**881**	961
Other income	**2 085**	1 084
Total Income - Non-SA Government Entities	**680 047**	657 376

		2008	2007
(a)	***Income (continued)***	**2008**	2007
	Income received/receivable from Entities within the SA Government:	**$'000**	$'000
	Rates and charges	**35 698**	37 069
	Community service obligations	**164 597**	156 210
	Recoverable works	**8 367**	4 011
	Fees and charges	**328**	40
	Miscellaneous	**67**	49
	Interest received	**45**	781
	Rents	**89**	304
	Other income	**228**	281
	Total Income - SA Government Entities	**209 419**	198 745
	Total Income	**889 466**	856 121
(b)	***Expenses***		
	Supplies and Services:		
	Supplies and services provided by entities external to the SA Government:		
	Operational services	**46 302**	29 039
	Materials and other	**13 660**	11 491
	Administration	**21 131**	14 123
	Total Supplies and Services - Non-SA Government Entities	**81 093**	54 653
	Supplies and services provided by entities within the SA Government:		
	Operational services	**21 461**	19 161
	Materials and other	**9 989**	9 625
	Administration	**1 459**	2 507
	Total Supplies and Services - SA Government Entities	**32 909**	31 293
	Total Supplies and Services	**114 002**	85 946
	Operational and Service Contracts:		
	Provided by entities external to the SA Government:		
	Operational and service contracts	**113 091**	95 524
	Total Operational and Service Contracts - Non-SA Government Entities	**113 091**	95 524
	Provided by entities within the SA Government:		
	Operational and service contracts	**1 826**	6 509
	Total Operational and Service Contracts - SA Government Entities	**1 826**	6 509
	Total Operational and Service Contracts	**114 917**	102 033
	Finance Costs:		
	Finance costs provided by entities external to the SA Government:		
	Interest expense	**224**	141
	Finance lease charges	**14 392**	14 402
	Total Finance Costs - Non-SA Government Entities	**14 616**	14 543
	Finance costs provided by entities within the SA Government:		
	Interest expense	**85 205**	73 708
	Total Finance Costs - SA Government Entities	**85 205**	73 708
	Total Finance Costs	**99 821**	88 251
(c)	***Receivables***		
	Receivables from SA Government Entities:		
	Community service obligations	**11 304**	10 201
	Rates receivable (water and wastewater)	**362**	404
	Sundry debtors	**4 769**	2 753
		16 435	13 358
	Receivables from Non-SA Government Entities:		
	Rates receivable (water and wastewater)	**55 856**	52 966
	Sundry debtors	**19 353**	14 806
		75 209	67 772
	Total Receivables	**91 644**	81 130

(d) Payables

	2008	2007
Current:	**$'000**	$'000
Payables to SA Government Entities:		
Trade creditors	**6 480**	10 262
Interest payable	**10 406**	10 010
Other creditors	**4 029**	1 360
	20 915	21 632
Payables to Non-SA Government Entities:		
Trade creditors	**50 001**	52 517
Other creditors	**9 708**	7 506
	59 709	60 023
Total Current Payables	**80 624**	81 655
Non-Current:		
Payables to SA Government Entities:		
Other creditors	**1 127**	1 060
Payables to Non-SA Government Entities:		
Other creditors	**424**	380
Total Non-Current Payables	**1 551**	1 440

STATE ELECTORAL OFFICE

FUNCTIONAL RESPONSIBILITY

Establishment

The Electoral Commissioner is appointed by the Governor under the provisions of the *Electoral Act 1985*. The State Electoral Office is the Administrative Unit which has been established to assist the Electoral Commissioner to discharge his/her statutory duties.

Functions

The main functions of the State Electoral Office are to administer all South Australian parliamentary electoral events and to conduct elections for all Local Government Authorities and other organisations. Refer to Note 1 of the financial report for the objectives of the State Electoral Office.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

Subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the State Electoral Office for each financial year.

Assessment of Controls

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

This assessment also considers whether those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

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

- payroll
- accounts payable
- revenue
- financial accounting
- budgetary control
- fixed assets.

AUDIT FINDINGS AND COMMENTS

Auditor's Report on the Financial Report

In my opinion, the financial report presents fairly, in all material respects, the financial position of the State Electoral Office as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards (including Australian Accounting Interpretations).

Assessment of Controls

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

Communication of Audit Matters

Matters arising during the course of the audit were detailed in a management letter to the Electoral Commissioner. Response to the management letter was generally considered to be satisfactory. The main issues were the need to improve cash receipting of non-voter expiation fees and the frequency of banking. Non-voter expiation fees were receipted through a separate receipting system and not through the main receipting system while banking of cash received was not always undertaken on a timely basis. The Commissioner indicated these and other matters raised would be addressed.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

The level of financial operations of the State Electoral Office is affected by the timing of the State Government elections and to a much lesser extent the timing of the Local Government elections. A State Government election was last held in 2005-06, while Local Government elections were held in 2006-07.

Highlights of the Financial Report

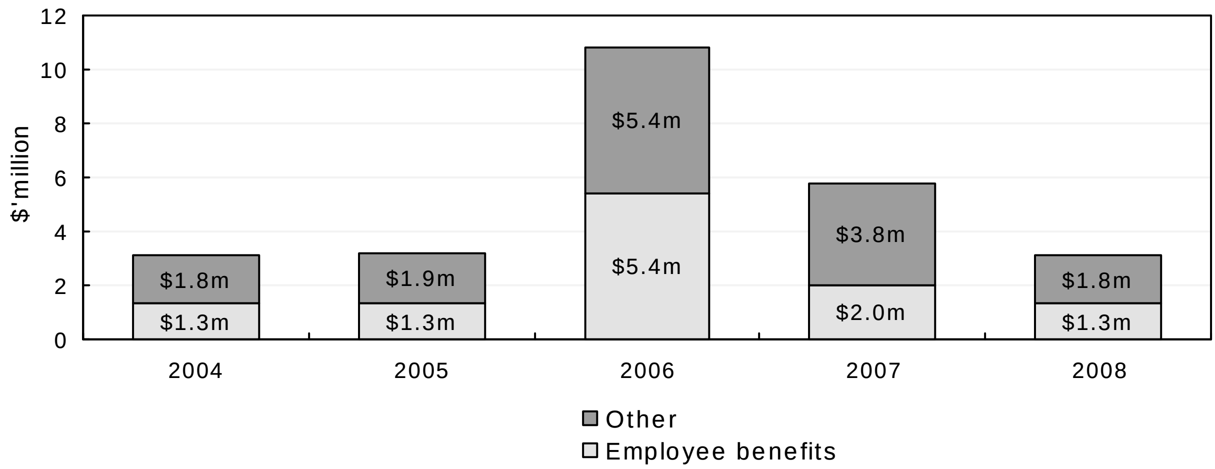
	2008 $'million	2007 $'million	Percentage Change
EXPENSES			
Employee benefits	**1.3**	2.0	(35)
Other	**1.8**	3.8	(53)
Total Expenses	**3.1**	5.8	(47)
INCOME			
Revenues from SA Government	**2.2**	2.0	10
Other	**0.8**	3.8	(79)
Total Income	**3.0**	5.8	(48)
NET RESULT	**(0.1)**	-	n/a

Income Statement

Operating Expenses

The total expenses for the current year decreased significantly as there were no elections in 2007-08. Employee benefit expenses decreased by $720 000 and other expenses decreased by $2 million.

The following chart shows for the five years 2004 to 2008 total expenses, segregated between employee benefits expenses and other expenses.



The chart shows the higher level of expenditure in 2006 and 2007 when various elections were held, with the non-election years of 2004, 2005 and 2008 showing similar levels of expenditure.

Balance Sheet

Total assets and total liabilities at 30 June 2008 were $1.4 million ($1.5 million) and $654 000 ($666 000) respectively.

Income Statement
for the year ended 30 June 2008

	Note	2008 $'000	2007 $'000
EXPENSES:			
Employee benefits expenses	6	**1 331**	2 051
Supplies and services	7	**1 567**	3 471
Depreciation	8	**89**	86
Other expenses		**128**	236
Total Expenses		**3 115**	5 844
INCOME:			
Revenues from fees and charges	10	**807**	3 848
Total Income		**807**	3 848
NET COST OF PROVIDING SERVICES		**2 308**	1 996
REVENUES FROM SA GOVERNMENT:			
Revenues from SA Government	11	**2 225**	2 044
NET RESULT		**(83)**	48
THE NET RESULT ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER		**(83)**	48

Balance Sheet
as at 30 June 2008

	Note	2008 $'000	2007 $'000
CURRENT ASSETS:			
Cash and cash equivalents	12	**1 089**	1 103
Receivables	13	**93**	71
Inventories		**62**	82
Total Current Assets		**1 244**	1 256
NON-CURRENT ASSETS:			
Property, plant and equipment	14	**189**	272
Total Non-Current Assets		**189**	272
Total Assets		**1 433**	1 528
CURRENT LIABILITIES:			
Payables	15	**137**	153
Short-term employee benefits	16	**165**	153
Total Current Liabilities		**302**	306
NON-CURRENT LIABILITIES:			
Payables	15	**37**	36
Long-term employee benefits	16	**315**	324
Total Non-Current Liabilities		**352**	360
Total Liabilities		**654**	666
NET ASSETS		**779**	862
EQUITY:			
Contributed capital		**154**	154
Retained earnings		**625**	708
TOTAL EQUITY		**779**	862
Commitments	17		

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

	Contributed Capital $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2006	-	660	660
Net Result for 2006-07	-	48	48
Equity contribution from SA Government	154	-	154
Balance at 30 June 2007	154	708	862
Net Result for 2007-08	-	(83)	(83)
Balance at 30 June 2008	**154**	**625**	**779**

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

Cash Flow Statement
for the year ended 30 June 2008

	Note	**2008 Inflows (Outflows) $'000**	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefit payments		**(1 328)**	(2 063)
Supplies and services		**(1 697)**	(3 778)
GST payments to ATO		**(75)**	(419)
GST payment on purchases		**(169)**	(403)
Cash used in Operations		**(3 269)**	(6 663)
CASH INFLOWS:			
Fees and charges		**784**	4 008
Interest received		**-**	4
GST input tax credits		**174**	426
GST receipts on sales		**78**	383
Cash generated from Operations		**1 036**	4 821
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**2 225**	2 044
Cash generated from SA Government		**2 225**	2 044
Net Cash (used in) provided by Operating Activities	18	**(8)**	202
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of plant and equipment		**(6)**	(109)
Net Cash used in Investing Activities		**(6)**	(109)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Capital contributions from SA Government		**-**	154
Net Cash provided by Financing Activities		**-**	154
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(14)**	247
CASH AND CASH EQUIVALENTS AT 1 JULY		**1 103**	856
CASH AND CASH EQUIVALENTS AT 30 JUNE	12	**1 089**	1 103

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

(Refer Note 5)	Program 1		Program 2		Program Total	
	2008	2007	**2008**	2007	**2008**	2007
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**1 116**	910	**215**	1 141	**1 331**	2 051
Supplies and services	**1 378**	1 540	**317**	2 167	**1 695**	3 707
Depreciation	**66**	54	**23**	32	**89**	86
Total Expenses	**2 560**	2 504	**555**	3 340	**3 115**	5 844
INCOME:						
Revenues from fees and charges	**167**	382	**640**	3 466	**807**	3 848
Total Income	**167**	382	**640**	3 466	**807**	3 848
NET COST OF PROVIDING SERVICES	**2 393**	2 122	**(85)**	(126)	**2 308**	1 996
GOVERNMENT:						
Revenues from SA Government	**2 225**	2 044	**-**	-	**2 225**	2 044
NET RESULT	**(168)**	(78)	**85**	126	**(83)**	48

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the State Electoral Office

The State Electoral Office (the Office) is an administrative unit which has been established to assist the Electoral Commissioner to discharge statutory duties in accordance with the provisions of the *Electoral Act 1985.*

The objectives of the Office are to promote in the community an understanding of electoral matters including the rights and responsibilities of electors and to provide the opportunity to vote at properly conducted State Parliamentary and non-Parliamentary elections and polls.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

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

The Office's Income Statement and Balance Sheet have been prepared on an accrual basis and are in accordance with historical cost convention except where stated.

2.2 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

2.3 Rounding

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

2.4 Taxation

The Office is not subject to income tax. The Office is liable for payroll tax, FBT and GST.

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

- the amount of GST incurred by the Office as a purchaser that is not recoverable from the ATO is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- receivables and payables are stated with the amount of GST included.

2.5 Income and Expenses

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

Income and expenses have been classified according to their nature and have not been offset unless required or permitted by another accounting standard.

Income from fees and charges are recognised upon the completion of services to customers. Fees charged to local government and other third parties are in relation to the conduct of elections and industrial ballots.

Income from disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount.

2.6 *Revenues from SA Government*

Appropriations for program funding are recognised as revenues when the Office obtains control over the funding. Control over appropriations is normally obtained upon receipt and are accounted for in accordance with TI 3.

2.7 *Current and Non-Current Items*

Assets and liabilities are characterised as either current or non-current in nature. The Office has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.8 *Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand and deposits at the bank and is used in the cash management function on a day-to-day basis. Cash is measured at nominal value.

2.9 *Receivables*

Receivables include amounts receivable from debtors, prepayments and other accruals.

Receivables arise in the normal course of providing services to other agencies and to the public. Receivables are payable within 30 days after the issue of an invoice.

The provision for doubtful debts is based on a review of balances within receivables that are unlikely to be collected. These are generally receivables that are 90 days or more overdue.

2.10 *Inventories*

Inventories are election consumables such as ballot paper and polling booth items that are held for potential by-elections and where applicable Local Government elections and industrial ballots. Inventory items are not held for resale and are stated at the lower of cost or replacement cost.

2.11 *Non-Current Asset Acquisition and Recognition*

Assets are recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

The Office capitalises all non-current physical assets with a value of $1000 or greater.

All non-current assets are tested for indication of impairment at each reporting date. When there is indication of impairment, the asset is written down to its recoverable amount.

2.12 *Depreciation of Non-Current Assets*

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

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

Depreciation for non-current assets is determined as follows:

Class of Asset	*Depreciation Method*	*Useful Life (Years)*
Office equipment and furniture and fittings	Straight line	5-10
Computer equipment	Straight line	3

2.13 *Payables*

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

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

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

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

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

2.14 *Employee Benefits*

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

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

2.14 Employee Benefits (continued)

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

The liability for long service leave is recognised after an employee has completed six and a half years of service. An actuarial assessment of long service leave was undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector. It was determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments.

The Office makes contributions to three superannuation schemes operated by the SA Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as the South Australian Superannuation Board (SASB) has assumed these. The only liability outstanding at balance date relates to any contributions due but not yet paid to the SASB.

2.15 Provisions

No liability has been reported on workers compensation as the Office has no workers compensation claims pending or outstanding.

2.16 Operating Leases

The lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Payments are charged to the Income Statement on a basis which is representative of the pattern of benefits derived from the leased assets.

2.17 Administered Items

The Office has included a Schedule of Administered Items as Notes to the accounts as it is considered that administered transactions and balances are insignificant in relation to the Office's overall Income Statement and Balance Sheet.

The Office administers, but does not control, certain resources on behalf of the SA Government. The Office is accountable for the transactions involving these administered items, but does not have any discretion to deploy resources for achievement of its objectives. For these items, the Office acts only on behalf of the SA Government.

Transactions and balances relating to these administered items are not recognised as income, expenses, assets or liabilities of the Office but are disclosed in Note 19.

There are three administered items namely:

Electoral Districts Boundaries Commission
The Office administers the receipts and payments of the Electoral District Boundaries Commission.

Special Acts
The Electoral Commissioner and Deputy Electoral Commissioner are appointed as Statutory Officers pursuant to the provisions of the Act. The Office receives a separate appropriation for the payment of salaries and allowances for Statutory Officers which is an administered item.

Other
Other includes administered revenue which is collected on behalf of other government agencies and forwarded to them when received. Administered income comprises non-voter expiation fees as provided in the Act.

3. Risk Management

The State Electoral Office has non-interest bearing assets (cash and cash equivalents and receivables) and liabilities (payables). The Office's exposure to market risk and cash flow is minimal.

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

In relation to liquidity/funding risk, the continued existence of the Office in its present form, and with its present programs, is dependent on continuing appropriations by Parliament for the Office's administration and programs.

4. Changes in Accounting Policies

The AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Office for the reporting period ending 30 June 2008. The Office has assessed the impact of new and amended standards and interpretations and considers there will be no impact on accounting policy or the financial report.

5. Programs of the Office

The Office provides electoral services and this is achieved through two programs and their broad terms are as follows:

Program 1: ***Parliamentary Electoral Services***

- ensure that eligible electors can register their votes effectively and conveniently and have confidence in the management of the electoral process;
- maintain an accurate register of voters;
- ensure 'disadvantaged' electors are not denied the ability to exercise their franchise;
- develop appropriate publicity and education programs to ensure that the public is informed of its democratic rights and obligations;
- provide comprehensive and efficient administrative, human resources, research and education, financial management and computing services.

Program 2: ***Non-Parliamentary Electoral Services***

- provide statutory, industrial and other organisations with a facility capable of meeting their electoral needs economically and effectively;
- provide information to organisations seeking advice on electoral matters;
- conduct elections for and provide electoral service to local government authorities.

6. Employee Benefit Expenses

	2008 **$'000**	2007 $'000
Salaries and wages	**965**	1 663
Long service leave	**80**	29
Annual leave	**98**	72
Employment on-costs - Superannuation	**124**	174
Employment on-costs - Other	**64**	113
Total Employee Benefits Expenses	**1 331**	2 051

Remuneration of Employees	**2008**	2007
The number of employees whose remuneration received or receivable falls within the following bands:	**Number of Employees**	Number of Employees
$130 000 to $139 999	**1**	1
$170 000 to $179 999	**-**	1
$180 000 to $189 999	**1**	-
Total Number of Employees	**2**	2

The table includes all employees whom received remuneration of $100 000 or more during the year. Remuneration of employees reflect all costs of employment including salaries and wages, superannuation contributions, FBT and other salary sacrifice benefits. The total remuneration received by these employees for the year was $322 000 ($308 000).

The Office on average employed 21 (24) people throughout the year.

7. Supplies and Services

	2008 **$'000**	2007 $'000
Supplies and Services provided by Entities within the SA Government:		
Rental accommodation services	**288**	416
Advertising, printing and stationery	**-**	52
Communication and information technology	**29**	48
Hire, rental and other	**21**	27
Total Supplies and Services - SA Government Entities	**338**	543
Supplies and Services provided by Entities external to the SA Government:		
Advertising	**21**	130
Production and maintenance of electoral rolls	**793**	823
Printing and stationery	**93**	914
Postage	**93**	767
Communications and information technology	**70**	161
Education and research	**72**	62
Distribution, storage and hire rental	**51**	63
Training and development	**36**	8
Total Supplies and Services - Non-SA Government Entities	**1 229**	2 928
Total Supplies and Services	**1 567**	3 471

The number and dollar amount of consultancies paid/payable that fell within the following band:	**2008 Number of Consultancies**	**2008 $'000**	2007 $'000
$10 000 to $50 000	**-**	**-**	18

8. Depreciation

	2008 **$'000**	2007 $'000
Office equipment and furniture and fittings	**53**	51
Computer equipment	**36**	35
Total Depreciation	**89**	86

9. Auditor's Remuneration

	2008 $'000	2007 $'000
Audit fees paid/payable to the Auditor-General's Department	**23**	22

Other Services

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

10. Revenues from Fees and Charges

	2008 $'000	2007 $'000
Fees and Charges Received/Receivable from Entities within the SA Government:		
Industrial elections	**1**	221
User fees and charges	**25**	169
Total Fees and Charges - SA Government Entities	**26**	390
Fees and Charges Received/Receivable from Entities external to the SA Government:		
Other local government services	**352**	339
Industrial elections	**9**	24
Local government elections	**278**	2 883
User fees and charges	**142**	212
Total Fees and Charges - Non-SA Government Entities	**781**	3 458
Total Fees and Charges	**807**	3 848

11. Revenues from SA Government

	2008 $'000	2007 $'000
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	**2 225**	2 044
Total Revenues from SA Government	**2 225**	2 044

12. Cash and Cash Equivalents

	2008 $'000	2007 $'000
Deposits with the Treasurer	**1 088**	1 102
Imprest account/cash on hand	**1**	1
Total Cash	**1 089**	1 103

Deposits with the Treasurer

Includes funds held in the Accrual Appropriation Excess Funds Account and Surplus Cash Working Account balances. The balances of these funds are not available for general use ie Funds can only be used in accordance with the Treasurer's/Under Treasurer's approval and are non-interest bearing.

13. Receivables

	2008 $'000	2007 $'000
Current:		
Receivables	**35**	12
Prepayments	**26**	22
GST receivable	**32**	37
Total Current Receivables	**93**	71
Government/Non-Government Receivables:		
Receivables from SA Government entities:		
Receivables	**-**	4
Total Receivables from SA Government Entities	**-**	4
Receivables from Non-SA Government entities:		
Receivables	**35**	8
Prepayments	**26**	22
GST receivable	**32**	37
Total Receivables from Non-SA Government Entities	**93**	67
Total Receivables	**93**	71

Interest Rate and Credit Risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Trade receivables and prepayments are non-interest bearing. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition there is no concentration of credit risk.

14. Property, Plant and Equipment

	2008 $'000	2007 $'000
Office Equipment and Furniture and Fittings:		
Office equipment and furniture and fittings at cost (deemed fair value)	**549**	562
Accumulated depreciation	**378**	341
Total Office Equipment and Furniture and Fittings	**171**	221
Computer Equipment:		
Computer equipment at cost (deemed fair value)	**248**	267
Accumulated depreciation	**230**	216
Total Computer Equipment	**18**	51
Total Property, Plant and Equipment	**189**	272

Impairment

There were no indications of impairment to property, plant and equipment at 30 June 2008.

	Office Equipment Furniture Fittings $'000	**Computer Equipment $'000**	**2008 Total $'000**	2007 Total $'000
Carrying amount at 1 July	**221**	**51**	**272**	258
Additions	**3**	**3**	**6**	109
Disposals	**-**	**-**	**-**	(9)
Depreciation	**(53)**	**(36)**	**(89)**	(86)
Carrying Amount at 30 June	**171**	**18**	**189**	272

15. Payables

	2008	2007
Current:	**$'000**	$'000
Creditors	**20**	35
Accrued expenses	**75**	83
GST payable	**4**	1
Employment on-costs	**38**	34
Total Current Payables	**137**	153
Non-Current:		
Employment on-costs	**37**	36
Total Non-Current Payables	**37**	36
Government/Non-Government Payables:		
Payables to SA Government entities:		
Creditors	**10**	10
Accrued expenses	**25**	27
Total Payables to Other SA Government Entities	**35**	37
Payables to Non-SA Government entities:		
Creditors	**10**	25
Accrued expenses	**50**	56
GST payable	**4**	1
Employment on-costs	**75**	70
Total Payables to Non-SA Government Entities	**139**	152
Total Payables	**174**	189

Interest Rate and Credit Risk

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

16. *(a) Employee Benefits*

	2008	2007
Current:	**$'000**	$'000
Annual leave	**110**	97
Long service leave	**55**	56
Total Current Employee Benefits	**165**	153
Non-Current:		
Long service leave	**315**	324
Total Non-Current Employee Benefits	**315**	324
Total Employee Benefits	**480**	477

(b) Employee Benefits and Related On-Costs

Accrued Salaries:		
On-costs included in payables - Current	**12**	10
Accrued salaries included in payables - Current	**24**	20
	36	30
Annual Leave:		
On-costs included in payables - Current	**20**	17
Provision for employee benefits - Current	**110**	97
	130	114

(b) Employee Benefits and Related On-Costs (continued)

	2008	2007
Long Service Leave:	**$'000**	$'000
On-costs included in payables - Current	**6**	7
Provision for employee benefits - Current	**55**	56
	61	63
On-costs included in payables - Non-current	**37**	36
Provision for employee benefits - Non-current	**315**	324
	352	360
Aggregate Employee Benefits and Related On-Costs	**579**	567

17. Commitments

Operating Lease Commitments

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

Within one year	**244**	214
Later than one year but not longer than five years	**2**	146
Total Operating Lease Commitments	**246**	360

The Office's operating lease is for office accommodation and leased through BMAPS. The current lease expires on 27 February 2009 and the lease commitments shown are over nine months and comprise $139 000 minimum lease payments and $100 000 building decommissioning costs. The amount of rental expense for minimum lease payments during the financial year was $209 000.

18. Cash Flow Reconciliation

	2008	2007
Reconciliation of Cash - Cash at 30 June as per:	**$'000**	$'000
Cash Flow Statement and Balance Sheet	**1 089**	1 103

Reconciliation of Net Cash (used in) provided by Operating Activities to Net Cost of Providing Services:

Net cash (used in) provided by operating activities	**(8)**	202
Less: Revenues from SA Government	**(2 225)**	(2 044)
Add (Less): Non-Cash Items:		
Depreciation	**(89)**	(86)
Disposal of assets	**-**	(9)
Change in Assets/Liabilities:		
Increase (Decrease) in receivables	**22**	(269)
Decrease in inventories	**(20)**	(18)
Decrease in payables	**15**	242
Increase in employee benefits	**(3)**	(14)
Net Cost of Providing Services	**(2 308)**	(1 996)

19. Administered Items

Income Statement of Administered Items for the year ended 30 June 2008

	2008				2007
	Electoral Districts Boundaries Commission	Special Acts	Other	**Total**	Total
Income:	$'000	$'000	$'000	**$'000**	$'000
Revenues from SA Government	-	292	-	**292**	638
Interest	-	-	-	**-**	2
Fees and charges	-	-	1	**1**	83
Total Income	-	292	1	**293**	723
Expenses:					
Employee expenses	-	320	-	**320**	320
Supplies and services	12	-	-	**12**	313
Fees and charges	-	-	1	**1**	83
Total Expenses	12	320	1	**333**	716
Net Result	(12)	(28)	-	**(40)**	7

19. Administered Items (continued)

Balance Sheet of Administered Items as at 30 June 2008

	2008			2007
	Electoral Districts Boundaries Commission	Special Acts	**Total**	Total
Current Assets:	$'000	$'000	**$'000**	$'000
Cash	-	-	**-**	27
Receivables	-	128	**128**	135
Total Administered Assets	-	128	**128**	162
Current Liabilities:				
Payables	-	13	**13**	31
Employee benefits	-	45	**45**	33
Total Current Liabilities	-	58	**58**	64
Non-Current Liabilities:				
Payables	-	8	**8**	7
Employee benefits	-	85	**85**	74
Total Non-Current Liabilities	-	93	**93**	81
Total Administered Liabilities	-	151	**151**	145
Net Assets (Deficiency)	-	(23)	**(23)**	17
Administered Equity:				
Accumulated (deficit) surplus	-	(23)	**(23)**	17
Total Administered Equity	-	(23)	**(23)**	17

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

	Electoral Districts Boundaries Commission $'000	Special Acts $'000	Total $'000
Balance at 30 June 2006	(9)	19	10
Net Result 2006-07	21	(14)	7
Balance at 30 June 2007	12	5	17
Net Result 2007-08	(12)	(28)	(40)
Balance at 30 June 2008	**-**	**(23)**	**(23)**

Cash Flow Statement of Administered Items for the year ended 30 June 2008

	2008 Inflows (Outflows) $'000	2007 Inflows (Outflows) $'000
Cash Flows from Operating Activities:		
Cash Outflows:		
Employee benefit payments	**(314)**	(283)
Supplies and services	**(1)**	(462)
GST payments on purchases	**(2)**	-
Cash used in Operations	**(317)**	(745)
Cash Inflows:		
GST input tax credits	**9**	33
Interest received	**-**	2
Fees and charges	**1**	83
Cash generated from Operations	**10**	118
Cash Flows from SA Government:		
Receipts from SA Government	**292**	638
Payments to SA Government	**(12)**	-
Cash generated from SA Government	**280**	638
Net Cash (used in) provided by Operating Activities	**(27)**	11
Net (Decrease) Increase in Cash and Cash Equivalents	**(27)**	11
Cash and Cash Equivalents at 1 July	**27**	16
Cash and Cash Equivalents at 30 June	**-**	27

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