



Government  
of South Australia

Report  
of the  
Auditor-General  
Annual Report  
for the  
year ended 30 June 2015

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Tabled in the House of Assembly and ordered to be published, 13 October 2015

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Second Session, Fifty-Third Parliament

Appendix to the Annual Report  
Volume 3

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2015

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Southern Adelaide Local  
Health Network Incorporated

Financial report  
for the year ended  
30 June 2015

**SOUTHERN ADELAIDE LOCAL HEALTH NETWORK**

**STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 30 June 2015**

|                                                                    | <b>Note</b> | <b>2015</b>      | <b>2014</b>      |
|--------------------------------------------------------------------|-------------|------------------|------------------|
|                                                                    |             | <b>\$'000</b>    | <b>\$'000</b>    |
| <b>Expenses</b>                                                    |             |                  |                  |
| Staff benefit expenses                                             | 4           | 684,462          | 684,348          |
| Supplies and services                                              | 5           | 283,664          | 272,477          |
| Depreciation and amortisation expense                              | 6           | 31,235           | 30,332           |
| Grants and subsidies                                               | 7           | 3,359            | 4,475            |
| Borrowing costs                                                    | 8           | 1,520            | 1,700            |
| Net loss from disposal of non-current and other assets             | 15          | 1,465            | 381              |
| Other expenses                                                     | 9           | 8,665            | 7,860            |
| <b>Total expenses</b>                                              |             | <b>1,014,370</b> | <b>1,001,573</b> |
| <b>Income</b>                                                      |             |                  |                  |
| Revenue from fees and charges                                      | 11          | 81,407           | 74,659           |
| Grants and contributions                                           | 12          | 35,699           | 31,899           |
| Interest revenue                                                   | 13          | 379              | 338              |
| Resources received free of charge                                  | 14          | 860              | 555              |
| Other revenue                                                      | 16          | 11,668           | 8,662            |
| Other income                                                       | 17          | 5,809            | -                |
| <b>Total income</b>                                                |             | <b>135,822</b>   | <b>116,113</b>   |
| <b>Net cost of providing services</b>                              |             | <b>878,548</b>   | <b>885,460</b>   |
| <b>Revenue from SA Government</b>                                  |             |                  |                  |
| Revenue from SA Government                                         | 18          | 872,873          | 869,561          |
| <b>Total revenue from SA Government</b>                            |             | <b>872,873</b>   | <b>869,561</b>   |
| <b>Net result</b>                                                  |             | <b>(5,675)</b>   | <b>(15,899)</b>  |
| <b>Other comprehensive income</b>                                  |             |                  |                  |
| <b>Items that will not be reclassified to net result</b>           |             |                  |                  |
| Changes in property, plant and equipment asset revaluation surplus |             | 6,901            | (1,046)          |
| <b>Total other comprehensive income</b>                            |             | <b>6,901</b>     | <b>(1,046)</b>   |
| <b>Total comprehensive result</b>                                  |             | <b>1,226</b>     | <b>(16,945)</b>  |

**The net result and total comprehensive result are attributable to the SA Government as owner**

The above statement should be read in conjunction with the accompanying notes.

**SOUTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2015**

|                                                                                | Note | 2015<br>\$ '000 | 2014<br>\$ '000 |
|--------------------------------------------------------------------------------|------|-----------------|-----------------|
| <b>Current assets</b>                                                          |      |                 |                 |
| Cash and cash equivalents                                                      | 19   | 38,448          | 18,299          |
| Receivables                                                                    | 20   | 29,232          | 25,962          |
| Inventories                                                                    | 21   | 6,713           | 7,017           |
| <b>Total current assets</b>                                                    |      | <b>74,393</b>   | <b>51,278</b>   |
| <b>Non-current assets</b>                                                      |      |                 |                 |
| Receivables                                                                    | 20   | 5,532           | 7,258           |
| Other financial assets                                                         | 22   | 2,294           | -               |
| Property, plant and equipment                                                  | 23   | 602,843         | 614,854         |
| Intangible assets                                                              | 24   | -               | 37              |
| <b>Total non-current assets</b>                                                |      | <b>610,669</b>  | <b>622,149</b>  |
| <b>Total assets</b>                                                            |      | <b>685,062</b>  | <b>673,427</b>  |
| <b>Current liabilities</b>                                                     |      |                 |                 |
| Payables                                                                       | 26   | 27,055          | 26,290          |
| Borrowings                                                                     | 27   | 1,948           | 2,253           |
| Staff benefits                                                                 | 28   | 97,208          | 88,627          |
| Provisions                                                                     | 29   | 5,959           | 4,527           |
| Other liabilities                                                              | 30   | 727             | 1,784           |
| <b>Total current liabilities</b>                                               |      | <b>132,897</b>  | <b>123,481</b>  |
| <b>Non-current liabilities</b>                                                 |      |                 |                 |
| Payables                                                                       | 26   | 5,129           | 3,502           |
| Borrowings                                                                     | 27   | 13,494          | 15,441          |
| Staff benefits                                                                 | 28   | 93,532          | 90,708          |
| Provisions                                                                     | 29   | 12,176          | 11,634          |
| <b>Total non-current liabilities</b>                                           |      | <b>124,331</b>  | <b>121,285</b>  |
| <b>Total liabilities</b>                                                       |      | <b>257,228</b>  | <b>244,766</b>  |
| <b>Net assets</b>                                                              |      | <b>427,834</b>  | <b>428,661</b>  |
| <b>Equity</b>                                                                  |      |                 |                 |
| Asset revaluation surplus                                                      | 31   | 17,147          | 10,316          |
| Retained earnings                                                              | 31   | 410,687         | 418,345         |
| <b>Total equity</b>                                                            |      | <b>427,834</b>  | <b>428,661</b>  |
| <b>The total equity is attributable to the SA Government as owner</b>          |      |                 |                 |
| Unrecognised contractual commitments                                           | 33   |                 |                 |
| Contingent assets and liabilities                                              | 35   |                 |                 |
| The above statement should be read in conjunction with the accompanying notes. |      |                 |                 |



**SOUTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2015**

|                                                                     | Note | Asset<br>revaluation<br>surplus<br>\$ '000 | Retained<br>earnings<br>\$ '000 | Total<br>equity<br>\$ '000 |
|---------------------------------------------------------------------|------|--------------------------------------------|---------------------------------|----------------------------|
| <b>Balance at 30 June 2013</b>                                      |      | <b>10,839</b>                              | <b>433,704</b>                  | <b>444,543</b>             |
| <b>Net result for 2013-14</b>                                       |      | -                                          | (15,899)                        | (15,899)                   |
| Correction to prior period asset revaluation                        | 23   | (1,046)                                    | -                               | (1,046)                    |
| <b>Total comprehensive result for 2013-14</b>                       |      | <b>(1,046)</b>                             | <b>(15,899)</b>                 | <b>(16,945)</b>            |
| Transfer between equity components                                  |      | 523                                        | (523)                           | -                          |
| <b>Transactions with SA Government as owner</b>                     |      |                                            |                                 |                            |
| Net assets transferred as a result of an administrative restructure | 34   | -                                          | 1,063                           | 1,063                      |
| <b>Balance at 30 June 2014</b>                                      | 31   | <b>10,316</b>                              | <b>418,345</b>                  | <b>428,661</b>             |
| <b>Net result for 2014-15</b>                                       |      | -                                          | (5,675)                         | (5,675)                    |
| Gain/(loss) on revaluation of property during 2014-15               | 23   | 5,791                                      | -                               | 5,791                      |
| Gain/(loss) on revaluation of plant and equipment during 2014-15    | 23   | 1,110                                      | -                               | 1,110                      |
| <b>Total comprehensive result for 2014-15</b>                       |      | <b>6,901</b>                               | <b>(5,675)</b>                  | <b>1,226</b>               |
| Transfer between equity components                                  |      | (70)                                       | 70                              | -                          |
| <b>Transactions with SA Government as owner</b>                     |      |                                            |                                 |                            |
| Net liabilities received from an administrative restructure         | 34   | -                                          | (800)                           | (800)                      |
| Net assets transferred as a result of an administrative restructure | 34   | -                                          | (1,253)                         | (1,253)                    |
| <b>Balance at 30 June 2015</b>                                      | 31   | <b>17,147</b>                              | <b>410,687</b>                  | <b>427,834</b>             |

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

The above statement should be read in conjunction with the accompanying notes.



# SOUTHERN ADELAIDE LOCAL HEALTH NETWORK

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

|                                                             | Note | 2015<br>\$ '000  | 2014<br>\$ '000  |
|-------------------------------------------------------------|------|------------------|------------------|
| <b>Cash flows from operating activities</b>                 |      |                  |                  |
| <b>Cash outflows</b>                                        |      |                  |                  |
| Staff benefit expenses                                      |      | (669,734)        | (669,408)        |
| Payments for supplies and services                          |      | (303,780)        | (292,535)        |
| Payments of grants and subsidies                            |      | (3,545)          | (4,891)          |
| Interest paid                                               |      | (1,520)          | (1,700)          |
| Payments for paid parental leave scheme                     |      | (2,269)          | (1,748)          |
| Other payments                                              |      | (8,260)          | (5,372)          |
| <b>Cash used in operations</b>                              |      | <b>(989,108)</b> | <b>(975,654)</b> |
| <b>Cash inflows</b>                                         |      |                  |                  |
| Fees and charges                                            |      | 80,973           | 75,063           |
| Grants and contributions                                    |      | 36,609           | 33,102           |
| Interest received                                           |      | 379              | 338              |
| GST recovered                                               |      | 15,777           | 20,795           |
| Receipts for paid parental leave scheme                     |      | 2,279            | 1,771            |
| Other receipts                                              |      | 8,452            | 9,294            |
| <b>Cash generated from operations</b>                       |      | <b>144,469</b>   | <b>140,363</b>   |
| <b>Cash flows from SA Government</b>                        |      |                  |                  |
| Receipts from SA Government                                 |      | 871,648          | 852,955          |
| <b>Cash generated from SA Government</b>                    |      | <b>871,648</b>   | <b>852,955</b>   |
| <b>Net cash provided by/(used in) operating activities</b>  |      | <b>27,009</b>    | <b>17,664</b>    |
| <b>Cash flows from investing activities</b>                 |      |                  |                  |
| <b>Cash outflows</b>                                        |      |                  |                  |
| Purchase of property, plant and equipment                   |      | (4,609)          | (5,050)          |
| Purchase of intangibles                                     |      | -                | (3)              |
| <b>Cash used in investing activities</b>                    |      | <b>(4,609)</b>   | <b>(5,053)</b>   |
| <b>Cash inflows</b>                                         |      |                  |                  |
| Proceeds from sale of property, plant and equipment         |      | 1                | -                |
| <b>Cash generated from investing activities</b>             |      | <b>1</b>         | <b>-</b>         |
| <b>Net cash provided by/(used in) investing activities</b>  |      | <b>(4,608)</b>   | <b>(5,053)</b>   |
| <b>Cash flows from financing activities</b>                 |      |                  |                  |
| <b>Cash outflows</b>                                        |      |                  |                  |
| Repayment of borrowings                                     |      | (2,252)          | (1,867)          |
| <b>Cash used in financing activities</b>                    |      | <b>(2,252)</b>   | <b>(1,867)</b>   |
| <b>Net cash provided by/(used in) financing activities</b>  |      | <b>(2,252)</b>   | <b>(1,867)</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <b>20,149</b>    | <b>10,744</b>    |
| Cash and cash equivalents at the beginning of the period    |      | 18,299           | 7,555            |
| <b>Cash and cash equivalents at the end of the period</b>   | 19   | <b>38,448</b>    | <b>18,299</b>    |
| Non-cash transactions                                       | 36   | (21,895)         | (17,689)         |

The above statement should be read in conjunction with the accompanying notes.

**SOUTHERN ADELAIDE LOCAL HEALTH NETWORK****NOTE INDEX**

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**SOUTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

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**1 Objectives of Southern Adelaide Local Health Network**

The Southern Adelaide Local Health Network Incorporated (the Hospital) was incorporated on 1 July 2011 under the *Health Care Act 2008* (the Act).

The Chief Executive Officer administers and manages the Hospital under delegation from the Chief Executive of the Department for Health and Ageing (the Department) and is accountable to the Chief Executive of the Department.

The Southern Adelaide Local Health Network Health Advisory Council Incorporated was established pursuant to the Act. The Council's functions include advising, monitoring, providing strategic oversight, conferring and making recommendations to the Chief Executive of the Department and the Chief Executive Officer of the Hospital. The Council has no powers to direct or make decisions with respect to the management and administration of the Hospital.

The Hospital's primary objectives are to:

- promote, maintain and improve the health of the public;
- efficiently conduct and manage health services;
- monitor, maintain and improve the quality and safety of health services;
- efficiently conduct and manage health services to veterans and drug and alcohol services on a statewide basis;
- provide health advice and information to the public relating to health services available;
- initiate, facilitate, support and conduct research into any area of health service activity and to foster innovation in the provision of health services; and
- improve services and patient care through ongoing teaching and professional development of staff.

**1.1 Administrative restructures**

2014-15

- Following a review of Departmental functions, effective 1 June 2015, the Chief Executive of the Department approved the transfer of Financial Business Advisory and Hospital based Revenue Services employees within Finance to the Local Health Networks and the South Australian Ambulance Service (SAAS).
- Health Portfolio Executive approved on 2 October 2008 the establishment of a consolidated procurement, contracting and supply chain service. This service provides the foundation for delivering best practice procurement, contracting and supply chain management across SA Health. Effective 4 August 2014, inventory associated with the Flinders Medical Centre (FMC), were transferred to the Distribution Centre Division of the Department. Effective 16 February 2015, inventory associated with Noarlunga Health Services (NHS) and Repatriation General Hospital (RGH) were transferred to the Distribution Centre Division of the Department.

2013-14

- A new SA Biomedical Engineering (SA BME) organisation structure was approved by the Chief Executive of the Department on 3 January 2013. This new state-wide service will deliver efficiencies, maximise the use of resources, ensure that consistent and easily accessible services are available across SA and provide a network wide management approach to the maintenance and operation of medical equipment. The transition took place in two phases, the first tranche of in-scope staff were transferred as of 7 October 2013 and the second phase as of 18 November 2013. All in-scope staff and their associated staff benefits transferred from the Hospital to a consolidated state-wide biomedical engineering service within Department.

Details of the assets, rights and liabilities that transferred are provided in Note 34.

**2 Summary of significant accounting policies**

**2.1 Statement of compliance**

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Hospital has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Hospital is a not-for-profit entity.



**SOUTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

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Except for AASB 2015-7 *Fair Value Disclosure of Not-for-Profit Public Sector Entities* which the Hospital has early adopted, Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Hospital for the reporting period ending 30 June 2015 refer Note 3.

## **2.2 Basis of preparation**

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Hospital's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. 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 financial 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;
  - c) staff targeted voluntary separation package (TVSP) information;
  - d) staff whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths), and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those staff; and
  - e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than direct out of pocket reimbursement.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented.

## **2.3 Reporting entity**

The Hospital was established as an incorporated hospital under the Act on 1 July 2011.

The financial statements include all controlled activities of the Hospital. Transactions and balances relating to administered resources are not recognised as the Hospital's income, expenses, assets and liabilities. As administered items are insignificant in relation to the Hospital's overall financial performance and position, they are disclosed in the schedule of administered items in Note 41. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as the Hospital.

## **2.4 Comparative information**

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change, or as otherwise noted.

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

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



**SOUTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

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**2.5 Rounding**

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

**2.6 Taxation**

The Hospital is not subject to income tax. The Hospital is liable for fringe benefits tax (FBT) and goods and services tax (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 Australian Taxation Office (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; and
- receivables and payables, which are stated with the amount of GST included.

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

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

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.

Effective 1 January 2014, the Department, incorporated Hospitals and SAAS were grouped for GST purposes with the ATO. All transactions between the GST group members are not subject to GST. The Department acts as an agent on behalf of the incorporated Hospitals and SAAS for the purpose of remitting GST to, and recovering GST from, the ATO.

**2.7 Expenses**

Expenses are recognised in the Hospital's Statement of Comprehensive Income when, and only when, it is probable that the flow of economic benefits from the Hospital will occur, and can be reliably measured.

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 the specific recognition criteria:

Resources provided free of charge

Resources provided free of charge are recorded as expenditure in the Statement of Comprehensive Income at their fair value.

Resources provided free of charge are recorded in the line items to which they relate.

Contributions paid

Contributions payable will be recognised as a liability and expense when the Hospital has a present obligation to pay the contribution and the expense recognition criteria are met.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Loss from disposal of non-current assets

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

Staff benefits expenses

Staff benefits expenses include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.



## SOUTHERN ADELAIDE LOCAL HEALTH NETWORK

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

#### Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Hospital to the superannuation plan in respect of current services of current hospital staff. The Department of Treasury and Finance (DTF) centrally recognises the superannuation liability in the whole of government financial statements.

#### **2.8 Income**

Income is recognised in the Hospital's Statement of Comprehensive Income when, and only when, it is probable that the flow of economic benefits to the Hospital will occur, and can be reliably measured.

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

The following are the specific recognition criteria:

#### Fees and charges

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

#### Gain from disposal of non-current assets

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

#### Resources received free of charge

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

Resources received free of charge are recorded as such with revenue being separately disclosed.

#### Contributions received

Contributions are recognised as an asset and income when the Hospital obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met.

#### **2.9 Revenue from SA Government**

The Department provides recurrent and capital funding under a service level agreement to the Hospital for the provision of general health services.

Contributions from the Department are recognised as revenues when the Hospital obtains control over the funding. Control over the funding is normally obtained upon receipt.

#### **2.10 Foreign currency transactions**

Transactions in foreign currency are translated into the Hospital's functional currency (Australian dollars) at the exchange rates at the dates the transactions occur.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the original transaction.

Foreign currency differences are recognised in the Statement of Comprehensive Income.

#### **2.11 Current and non-current classification**

Assets and liabilities are characterised as either current or non-current in nature. The Hospital has a clearly identifiable operating cycle of 12 months. Therefore, assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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



## SOUTHERN ADELAIDE LOCAL HEALTH NETWORK

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

#### 2.12 Assets

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

#### 2.13 Cash and cash equivalents

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

Cash and cash equivalents in the Statement of Cash Flows consist of cash and cash equivalents as defined above, net of bank overdrafts. Cash is measured at nominal value.

#### 2.14 Receivables

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

Receivables arise in the normal course of selling goods and services to other agencies and to the public. The Hospitals trading terms for receivables are generally 30 days.

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

##### Doubtful Debts

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Hospital will not be able to collect the debt. Bad debts are written off only after all reasonable effort has been made to collect the debt.

#### 2.15 Inventories

Inventories held for distribution at no or nominal consideration are measured at the lower of average weighted cost and replacement cost. Inventories (other than those held for distribution at no or nominal consideration) are measured at the lower of average weighted cost or their net realisable value.

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

Inventories include:

- Drug supplies;
- Inventory imprest stock
- Other supplies.

#### 2.16 Other financial assets

Flinders Reproductive medicine Pty Ltd as trustee for Flinders Charitable Trust, trading as Flinders Fertility is the only joint arrangement in which the hospital participates.

According to the terms of the joint venture, profit earned during the financial year is to be distributed to the beneficiaries, resulting in immaterial net assets being held by the trust. However, it has previously been agreed that rather than paying out these distributions, they be retained in Flinders Fertility as a liability to the beneficiaries to facilitate growth within the business. Therefore the Hospital recognises their ownership interest of the distribution as a financial asset.



**SOUTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

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**2.17 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 after allowing for accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. Where assets are acquired at no or nominal value as part of a restructure of administrative arrangements, the assets are recorded at the value held by the transferor public authority prior to the restructure.

The Hospital capitalises all non-current tangible property, plant and equipment and intangible assets that it controls valued at or greater than \$10,000.

Assets recorded as works in progress represent projects physically incomplete as at the reporting date.

Componentisation of complex assets is generally performed when the complex asset's fair value at the time of acquisition is equal to or greater than \$5 million for infrastructure assets and \$1 million for other assets.

Assets held for sale are separately disclosed and measured at cost.

**2.18 Revaluation of non-current assets**

In accordance with Accounting Policy Framework III *Asset Accounting Framework*:

- all non-current tangible assets are valued at written down cost (a proxy for fair value);
- the Hospital revalues all land, buildings and site improvements triennially via a certified practicing valuer;
- triennial revaluation of other non-current assets by a Certified Practicing Valuer is only performed when the assets fair value at the time of acquisition is greater than \$1 million, and the estimated useful life exceeds three years;
- if at any time management considers that the carrying amount of an asset greater than \$1 million materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place; and
- non-current tangible assets that are acquired between revaluations are held at cost, until the next valuation, when they are revalued to fair value.

Any revaluation increase is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income.

Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in revaluation reserves for that asset class.

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class, but are not offset in respect of assets in different classes.

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 asset revaluation surplus relating to that asset is transferred to retained earnings.

**2.19 Impairment**

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. The amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets, an impairment loss is offset against the revaluation surplus for that class of assets, to the extent that the impairment loss does not exceed the amount in the respective asset revaluation surplus.



## SOUTHERN ADELAIDE LOCAL HEALTH NETWORK

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

#### 2.20 Depreciation and amortisation of non-current assets

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

The useful lives, depreciation and amortisation methods of all major assets held by the Hospital are reassessed on an annual basis.

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

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

Land and non current assets held for sale are not depreciated.

Depreciation/amortisation is calculated on a straight line basis over the estimated or revised remaining useful life of the following classes of assets as follows:

| <u>Class of asset</u>                                              | <u>Useful life (years)</u> |
|--------------------------------------------------------------------|----------------------------|
| Buildings and improvements                                         | 1 - 60                     |
| Leasehold improvements                                             | Life of lease              |
| Plant and equipment:                                               |                            |
| • Medical, surgical, dental and biomedical equipment and furniture | 3 - 25                     |
| • Computing equipment and software                                 | 3 - 7                      |
| • Vehicles                                                         | 2 - 25                     |
| • Other plant and equipment                                        | 3 - 50                     |
| Intangibles                                                        | 5 - 10                     |

#### 2.21 Intangible assets

The acquisition of, or internal development of software, is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10,000.

Capitalised software is amortised over the useful life of the asset.

#### 2.22 Fair value measurement

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Hospital classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 – traded in active markets, and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market, and are derived from inputs (inputs other than quoted prices included within Level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market, and are derived from unobservable inputs.



**SOUTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

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The valuation processes and fair value changes are reviewed at each reporting date.

*Non-financial assets*

In determining fair value, the Hospital has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible and financially feasible).

The Hospital's current use is the highest and best use of the asset unless other factors suggest an alternative use. As the Hospital did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years are deemed to approximate fair value.

*Financial assets/liabilities*

The Hospital does not recognise any financial assets or financial liabilities at fair value.

**2.23 Liabilities**

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

**2.24 Payables**

Payables include creditors, accrued expenses, GST payable, staff on-costs and Paid Parental Leave Scheme payable.

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

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 processed/received.

The Paid Parental Leave Scheme payable represents amounts which the Hospital has received from the Commonwealth Government to forward onto eligible staff via the Hospital's standard payroll processes. That is, the Hospital is acting as a conduit through which the payment to eligible staff is made on behalf of the Family Assistance Office.

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

Staff benefits on-costs include superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave (SERL).

The Hospital 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 reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and externally managed superannuation schemes.

**2.25 Borrowings/Financial Liabilities**

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



**SOUTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

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**2.26 Staff benefits**

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

Salaries, wages, annual leave, skills and SERL and sick leave

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

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

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

Long service leave

The liability for long service leave was determined through an actuarial assessment undertaken by Mercer Consulting (Australia) Pty Ltd, in accordance with AASB 119 *Employee Benefits*. The following assumptions were made by the Actuary when performing the assessment:

- Salary increases of 3.0 percent; and
- Discounting of 2.85 percent per annum based on the gross 7 year Commonwealth bond rate prevailing at 30 June 2015.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over the health sector across government.

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

**2.27 Provisions**

Provisions are recognised when the Hospital 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.

The Hospital is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. Under a scheme arrangement, the Hospital is responsible for the management of workers rehabilitation and compensation, and is directly responsible for meeting the cost of workers' compensation claims and the implementation and funding of preventive programs.

Although the Department provides funds to the Hospital for the settlement of lump sum and redemption payments, the cost of these claims, together with other claim costs, are met directly by the Hospital, and are thus reflected as an expense from ordinary activities in the Statement of Comprehensive Income.

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2015 provided by a consulting actuary engaged through the Office for the Public Sector. The provision is for the estimated cost of ongoing payments to staff as required under current legislation. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling these claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all claims do not have to be paid in the immediate future.

With respect to the workers compensation liability, the Hospital includes an amount receivable for the lump sum and redemption portion of the workers compensation claims which is specifically funded by the Department.

**2.28 Specific Purpose Funds**

The Hospital receives specific purpose funds from various sources including government, private sector and individuals. The amounts are controlled by the Hospital, and are used to help achieve the Hospital objectives, notwithstanding that specific uses can be determined by the grantor or donor. Accordingly, the amounts are treated as revenue at the time they are earned or at the time control passes to the Hospital.



**SOUTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

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**2.29 Leases**

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

Operating leases

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

**2.30 Professional indemnity and general public insurance**

Professional indemnity and general public liability claims arising from the Hospital's operations are managed as part of the State Government Insurance Program. The Hospital pays an annual premium to the Department. The Department and the SA Government Financing Authority, SAICORP Division are responsible for meeting the cost of any claims. Consequently, no provision for these claims is recognised in the Hospital's financial statements.

**2.31 Unrecognised contractual commitments and contingent assets and liabilities**

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources, and are disclosed at their nominal value. Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

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

**2.32 SA Government/Non-SA Government disclosures**

The Hospital has adopted the requirements of Accounting Policy Framework II *General Purpose Financial Statements Framework* where the Hospital must disclose by way of a note, whether transactions are with entities that are within, or external to, the SA Government. These transactions are classified by their nature, and relate to revenues, expenses, financial assets and financial liabilities.

**2.33 Continuity of Operations**

As at 30 June 2015, the Hospital had working capital deficiency of \$58.504 million (\$72.203 million deficiency). The Government is committed to the ongoing funding of the Hospital to enable it to perform its functions.

**2.34 Events after the reporting period**

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

Note disclosure is made about events between 30 June 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 of the results of subsequent years.

**3 New and revised accounting standards and policies**

Except for AASB 2015-7 which the department has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the department for the period ending 30 June 2015.



**SOUTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2015**

**Accounting Standards**

In accordance with the new AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements* and AASB 12 *Disclosure of Interests in Other Entities*, which became effective for the first time in 2014-15, the Hospital has reviewed its control assessments (i.e. the Hospital's involvement with the entity; protective and substantive rights; ability to direct major relevant activities etc) and has concluded that there is an impact. The Hospital has joint control in another entity.

Refer to Note 37 for further information about the Hospital's interests in other entities. The Hospital will continue to review its involvement and arrangements with entities it is connected with to determine the impact of AASB 10, AASB 11 and AASB 12 for future years.

**Early adoption of Accounting Standards**

In accordance with Accounting Policy Framework II *General Purpose Financial Statement Framework*, the Hospital has applied Australian Accounting Standards approved for early adoption by the Department of Treasury and Finance. The only Australian Accounting Standard applied and approved for early adoption by the Hospital for the 2014-15 financial year is AASB 2015-7 which amends AASB 13.

**Accounting Standards issued or amended but not yet effective**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Hospital for the period ending 30 June 2015. The Hospital has assessed the impact of the new and amended standards and interpretations and considers there will be no material impact on the accounting policies or the financial statements of the Hospital.

**4 Staff benefit expenses**

|                                                                 | <b>2015</b>    | <b>2014</b>    |
|-----------------------------------------------------------------|----------------|----------------|
|                                                                 | <b>\$'000</b>  | <b>\$'000</b>  |
| Salaries and wages                                              | 548,469        | 542,007        |
| TVSP (refer below)                                              | 450            | 7,577          |
| Long service leave (LSL)                                        | 13,817         | 16,797         |
| Annual leave                                                    | 48,999         | 48,999         |
| Skills and experience retention leave (SERL)                    | 2,180          | 1,731          |
| Staff on-costs - superannuation                                 | 58,452         | 55,231         |
| Workers compensation                                            | 9,319          | 9,115          |
| Board and committee fees                                        | 87             | 73             |
| Other staff related expenses                                    | 2,689          | 2,818          |
| <b>Total staff benefit expenses</b>                             | <b>684,462</b> | <b>684,348</b> |
|                                                                 | <b>2015</b>    | <b>2014</b>    |
|                                                                 | <b>\$'000</b>  | <b>\$'000</b>  |
| <b>Targeted voluntary separation packages (TVSPs)</b>           |                |                |
| Amount paid during the reporting period to separated staff:     |                |                |
| TVSPs                                                           | 450            | 7,577          |
| Annual leave, LSL and SERL paid to those employees              | 92             | 1,965          |
|                                                                 | <b>542</b>     | <b>9,542</b>   |
| Recovery from the Department of Treasury and Finance *          | 450            | 9,157          |
| <b>Net cost to the Hospital</b>                                 | <b>92</b>      | <b>385</b>     |
| Number of staff who received a TVSP during the reporting period | 6              | 58             |

\*TVSP recoveries from DTF are to be recognised when the not-for-profit entity obtains control over the funds associated with the TVSP recovery or the right to receive the TVSP recovery from DTF. This will generally be upon receipt of the funds or obtaining written confirmation/substantiation from DTF that provides a right to receive the funds associated with the TVSP recovery.



**SOUTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

**Remuneration of staff**

|                                                                                                 | <b>2015</b> | <b>2014</b> |
|-------------------------------------------------------------------------------------------------|-------------|-------------|
| The number of staff whose remuneration received or receivable falls within the following bands: | <b>No.</b>  | <b>No.</b>  |
| \$141,500 - \$151,499                                                                           | 81          | 57          |
| \$151,500 - \$161,499                                                                           | 39          | 50          |
| \$161,500 - \$171,499                                                                           | 46          | 47          |
| \$171,500 - \$181,499                                                                           | 30          | 31          |
| \$181,500 - \$191,499                                                                           | 19          | 19          |
| \$191,500 - \$201,499                                                                           | 13          | 23          |
| \$201,500 - \$211,499                                                                           | 20          | 11          |
| \$211,500 - \$221,499                                                                           | 19          | 17          |
| \$221,500 - \$231,499                                                                           | 15          | 17          |
| \$231,500 - \$241,499                                                                           | 18          | 17          |
| \$241,500 - \$251,499                                                                           | 10          | 4           |
| \$251,500 - \$261,499                                                                           | 8           | 11          |
| \$261,500 - \$271,499                                                                           | 9           | 9           |
| \$271,500 - \$281,499                                                                           | 5           | 3           |
| \$281,500 - \$291,499                                                                           | 11          | 11          |
| \$291,500 - \$301,499                                                                           | 7           | 11          |
| \$301,500 - \$311,499                                                                           | 17          | 19          |
| \$311,500 - \$321,499                                                                           | 11          | 17          |
| \$321,500 - \$331,499                                                                           | 14          | 13          |
| \$331,500 - \$341,499                                                                           | 14          | 14          |
| \$341,500 - \$351,499                                                                           | 12          | 9           |
| \$351,500 - \$361,499                                                                           | 14          | 9           |
| \$361,500 - \$371,499                                                                           | 10          | 18          |
| \$371,500 - \$381,499                                                                           | 9           | 18          |
| \$381,500 - \$391,499                                                                           | 12          | 12          |
| \$391,500 - \$401,499                                                                           | 13          | 22          |
| \$401,500 - \$411,499                                                                           | 18          | 8           |
| \$411,500 - \$421,499                                                                           | 11          | 9           |
| \$421,500 - \$431,499                                                                           | 6           | 8           |
| \$431,500 - \$441,499                                                                           | 7           | 10          |
| \$441,500 - \$451,499                                                                           | 5           | 7           |
| \$451,500 - \$461,499                                                                           | 7           | 7           |
| \$461,500 - \$471,499                                                                           | 4           | 6           |
| \$471,500 - \$481,499                                                                           | 5           | 6           |
| \$481,500 - \$491,499                                                                           | 5           | 4           |
| \$491,500 - \$501,499                                                                           | 6           | 2           |
| \$501,500 - \$511,499                                                                           | 3           | 1           |
| \$511,500 - \$521,499                                                                           | 2           | 2           |
| \$521,500 - \$531,499                                                                           | 1           | -           |
| \$541,500 - \$551,499                                                                           | 2           | -           |

**SOUTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

|                       | <b>2015</b> | <b>2014</b> |
|-----------------------|-------------|-------------|
|                       | <b>No.</b>  | <b>No.</b>  |
| \$561,500 - \$571,499 | 1           | 1           |
| \$581,500 - \$591,499 | -           | 1           |
| \$611,500 - \$621,499 | 1           | -           |
| \$621,500 - \$631,499 | -           | 1           |
| \$701,500 - \$711,499 | -           | 1           |
| <b>Total</b>          | <b>560</b>  | <b>563</b>  |

|                                                                            | <b>\$'000</b> | <b>\$'000</b> |
|----------------------------------------------------------------------------|---------------|---------------|
| Total remuneration received or due and receivable by staff included above: | 148,376       | 151,704       |

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. The executive base level remuneration rate for 2014-15 is the same as the 2013-14 rate (i.e. there has been no increase in executive remuneration since 1 July 2013). Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits.

Where staff have left the Hospital, the remuneration reflects lump sum long service leave, annual leave and termination benefits.

Staff whose remuneration was equal to or greater than the base executive remuneration level can be categorised by employment group as follows:

- Medical (excluding Nursing) remuneration \$143.521 million, 530 staff (\$140.118 million, 518 staff);
- Executive remuneration \$0.832 million, 4 staff (\$1.628 million, 6 staff);
- Nursing remuneration \$2.888 million, 19 staff (\$6.886 million, 26 staff);
- Non-medical (i.e. administration) remuneration \$1.135 million, 7 staff (\$3.072 million, 13 staff).

The total remuneration received by these staff for the year was \$148.376 million (\$151.704 million).

For the purpose of this note, remuneration does not include amounts in payment or reimbursement of out of pocket expenses incurred for the benefit of the entity or a controlled entity.

**5 Supplies and services**

|                                           | <b>2015</b>   | <b>2014</b>   |
|-------------------------------------------|---------------|---------------|
|                                           | <b>\$'000</b> | <b>\$'000</b> |
| Administration                            | 538           | 1,466         |
| Advertising                               | 1,834         | 370           |
| Communication                             | 1,255         | 1,073         |
| Computing                                 | 8,940         | 8,476         |
| Contractors                               | 529           | 348           |
| Contractors - agency staff                | 15,261        | 13,970        |
| Consultants                               | 117           | 53            |
| Drug supplies                             | 41,628        | 39,928        |
| Electricity, gas and fuel                 | 7,157         | 7,775         |
| Fee for service                           | 29,047        | 26,982        |
| Food supplies                             | 10,291        | 10,255        |
| Housekeeping                              | 10,384        | 9,849         |
| Insurance                                 | 5,615         | 5,511         |
| Internal SA Health SLA payments           | 11,646        | 10,995        |
| Legal                                     | 143           | 125           |
| Medical, surgical and laboratory supplies | 72,782        | 70,592        |
| Minor equipment                           | 3,248         | 3,498         |
| Motor vehicle expenses                    | 1,695         | 2,129         |



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|                                       | <b>2015</b>    | <b>2014</b>    |
|---------------------------------------|----------------|----------------|
|                                       | <b>\$'000</b>  | <b>\$'000</b>  |
| Occupancy rent and rates              | 4,604          | 4,896          |
| Patient transport                     | 5,257          | 5,242          |
| Payments to Shared Services SA        | 5,402          | 5,079          |
| Periodical, journals and publications | 257            | 262            |
| Postage                               | 1,125          | 1,283          |
| Printing and stationery               | 2,346          | 2,477          |
| Rental expense on operating lease     | 147            | 147            |
| Repairs and maintenance               | 18,458         | 16,198         |
| Security                              | 5,003          | 4,031          |
| Staff training and development        | 8,570          | 8,855          |
| Staff travel expenses                 | 660            | 706            |
| Waste removal                         | 1,372          | 1,684          |
| Other supplies and services           | 8,353          | 8,222          |
| <b>Total supplies and services</b>    | <b>283,664</b> | <b>272,477</b> |

|                                                                                                                                                     | <b>No.</b> | <b>2015</b>   | <b>No.</b> | <b>2014</b>   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------|---------------|------------|---------------|
|                                                                                                                                                     |            | <b>\$'000</b> |            | <b>\$'000</b> |
| <b>The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:</b> |            |               |            |               |
| Above \$10,000                                                                                                                                      | 2          | 117           | 2          | 53            |
| <b>Total paid/payable to consultants engaged</b>                                                                                                    | <b>2</b>   | <b>117</b>    | <b>2</b>   | <b>53</b>     |

The 2014 comparative information for supplies and services has been amended to better reflect the nature of the transactions in accordance with Note 2.4 above. The amendments made had no impact on reported equity.

The following significant adjustments were made to the 2014 comparative information:

|                                   | <b>2014</b>     | <b>2014</b>     |
|-----------------------------------|-----------------|-----------------|
|                                   | <b>Reported</b> | <b>Adjusted</b> |
|                                   | <b>\$'000</b>   | <b>\$'000</b>   |
| <b>Supplies and Services</b>      |                 |                 |
| Administration                    | 1,360           | 1,466           |
| Computing                         | 8,623           | 8,476           |
| Contractors - agency staff        | 24,965          | 13,970          |
| Internal SA Health SLA payments   | -               | 10,995          |
| Rental expense on operating lease | -               | 147             |

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**6 Depreciation and amortisation expense**

|                                                    | <b>2015</b>   | <b>2014</b>   |
|----------------------------------------------------|---------------|---------------|
|                                                    | <b>\$'000</b> | <b>\$'000</b> |
| <b>Depreciation</b>                                |               |               |
| Buildings and improvements                         | 23,327        | 22,952        |
| Site improvements                                  | 1,031         | 778           |
| Computing equipment                                | 2             | 2             |
| Medical, surgical, dental and biomedical equipment | 6,200         | 5,932         |
| Motor vehicles                                     | 37            | 41            |
| Power generation and transmission                  | 55            | 25            |
| Other plant and equipment                          | 459           | 476           |
| <b>Total depreciation</b>                          | <b>31,111</b> | <b>30,206</b> |
| <b>Amortisation</b>                                |               |               |
| Leasehold improvements                             | 124           | 126           |
| <b>Total amortisation</b>                          | <b>124</b>    | <b>126</b>    |
| <b>Total depreciation and amortisation</b>         | <b>31,235</b> | <b>30,332</b> |

**Change in depreciation due to a revaluation**

The Hospital revalued its buildings and improvement and medical, surgical, dental and biomedical equipment upwards as at 1 June 2015.

As a result of the revaluation, depreciation on these assets has increased in the current reporting period. Depreciation expense increased by \$0.147 million as a result of the revaluation.

**7 Grants and subsidies**

|                                         | <b>2015</b>   | <b>2014</b>   |
|-----------------------------------------|---------------|---------------|
|                                         | <b>\$'000</b> | <b>\$'000</b> |
| Subsidies                               | 674           | 801           |
| Funding to non-government organisations | 2,634         | 3,615         |
| Other                                   | 51            | 59            |
| <b>Total grants and subsidies</b>       | <b>3,359</b>  | <b>4,475</b>  |

The 2014 comparative information for grants and subsidies has been amended to better reflect the nature of the transactions in accordance with Note 2.4 above. The amendments made had no impact on reported equity.

The following significant adjustments were made to the 2014 comparative information:

|                                         | <b>2014</b>     | <b>2014</b>     |
|-----------------------------------------|-----------------|-----------------|
|                                         | <b>Reported</b> | <b>Adjusted</b> |
|                                         | <b>\$'000</b>   | <b>\$'000</b>   |
| <b>Grants and subsidies</b>             |                 |                 |
| Recurrent grants                        | 4,492           | -               |
| Subsidies                               | -               | 801             |
| Funding to non-government organisations | -               | 3,615           |
| Other                                   | 154             | 59              |

**8 Borrowing costs**

|                                      | <b>2015</b>   | <b>2014</b>   |
|--------------------------------------|---------------|---------------|
|                                      | <b>\$'000</b> | <b>\$'000</b> |
| Interest on borrowings               | 1,520         | 1,700         |
| <b>Total borrowing cost expenses</b> | <b>1,520</b>  | <b>1,700</b>  |

The Hospital does not capitalise borrowing costs. The total borrowing costs from financial liabilities not at fair value through the Statement of Comprehensive Income was \$1.520 million (\$1.700 million).



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**9 Other expenses**

|                             |             | <b>2015</b>   | <b>2014</b>   |
|-----------------------------|-------------|---------------|---------------|
|                             | <b>Note</b> | <b>\$'000</b> | <b>\$'000</b> |
| Bad and doubtful debts      | 20          | 5,493         | 2,275         |
| Donated assets expense      |             | 405           | 2,423         |
| Bank fees and charges       |             | 40            | 61            |
| Other                       |             | 2,727         | 3,101         |
| <b>Total other expenses</b> |             | <b>8,665</b>  | <b>7,860</b>  |

The 2014 comparative information for other expenses has been amended to better reflect the nature of the transactions in accordance with Note 2.4 above. The amendments made had no impact on reported equity.

**10 Auditor's remuneration**

|                                                                                                                  | <b>2015</b>   | <b>2014</b>   |
|------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                  | <b>\$'000</b> | <b>\$'000</b> |
| <b>Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements</b> |               |               |
| Auditor fees - auditing financial statements                                                                     | 324           | 302           |
| <b>Total audit fees</b>                                                                                          | <b>324</b>    | <b>302</b>    |

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of 'Other expenses – Other' (refer Note 9).

**11 Revenue from fees and charges**

|                                           | <b>2015</b>   | <b>2014</b>   |
|-------------------------------------------|---------------|---------------|
|                                           | <b>\$'000</b> | <b>\$'000</b> |
| Fines, fees and penalties                 | 53            | 5             |
| Insurance recoveries from health services | 153           | 72            |
| Patient and client fees                   | 35,935        | 29,231        |
| Private practice fees                     | 14,669        | 14,685        |
| Recoveries                                | 25,548        | 24,687        |
| Residential and other aged care charges   | 33            | 30            |
| Sale of goods - medical supplies          | 469           | 361           |
| Other user charges and fees               | 4,547         | 5,588         |
| <b>Total fees and charges</b>             | <b>81,407</b> | <b>74,659</b> |

**12 Grants and contributions**

|                                                                   | <b>2015</b>   | <b>2014</b>   |
|-------------------------------------------------------------------|---------------|---------------|
|                                                                   | <b>\$'000</b> | <b>\$'000</b> |
| <b>12.1 Commonwealth revenues/grants and contributions</b>        |               |               |
| Commonwealth grants and donations                                 | 1,485         | 376           |
| Pharmaceutical benefits scheme Commonwealth subsidy               | 27,380        | 25,082        |
| <b>Total Commonwealth grants and contributions</b>                | <b>28,865</b> | <b>25,458</b> |
| <b>12.2 Grants and contributions from SA Government agencies</b>  | <b>\$'000</b> | <b>\$'000</b> |
| Community development fund                                        | 144           | 148           |
| Other grants and contributions from SA Government agencies        | 2,648         | 2,975         |
| <b>Total grants and contributions from SA Government agencies</b> | <b>2,792</b>  | <b>3,123</b>  |

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|                                                                                                                                                                           | 2015           | 2014          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|
|                                                                                                                                                                           | \$'000         | \$'000        |
| <b>12.3 Private sector grants and contributions</b>                                                                                                                       |                |               |
| Private sector capital contributions                                                                                                                                      | 10             | 240           |
| Private sector grants and contributions                                                                                                                                   | 4,032          | 3,078         |
| <b>Total private sector grants and contributions</b>                                                                                                                      | <b>4,042</b>   | <b>3,318</b>  |
| <b>Total grants and contributions</b>                                                                                                                                     | <b>35,699</b>  | <b>31,899</b> |
| <b>Restrictions on contributions received</b>                                                                                                                             |                |               |
| Of the \$35.699 million received in 2014-15 for grants and contributions, \$2.297 million was provided for specific purposes, such as research and associated activities. |                |               |
| <b>13 Interest revenue</b>                                                                                                                                                |                |               |
|                                                                                                                                                                           | 2015           | 2014          |
|                                                                                                                                                                           | \$'000         | \$'000        |
| Bank interest                                                                                                                                                             | 164            | 338           |
| Interest on Special Purpose Funds (SPF)                                                                                                                                   | 215            | -             |
| <b>Total interest revenue</b>                                                                                                                                             | <b>379</b>     | <b>338</b>    |
| <b>14 Resources received free of charge</b>                                                                                                                               |                |               |
|                                                                                                                                                                           | 2015           | 2014          |
|                                                                                                                                                                           | \$'000         | \$'000        |
| Buildings                                                                                                                                                                 | 670            | -             |
| Plant and equipment                                                                                                                                                       | 190            | 555           |
| <b>Total resources received free of charge</b>                                                                                                                            | <b>860</b>     | <b>555</b>    |
| <b>15 Net gain/(loss) from disposal of non-current and other assets</b>                                                                                                   |                |               |
|                                                                                                                                                                           | 2015           | 2014          |
|                                                                                                                                                                           | \$'000         | \$'000        |
| <b>Land and buildings</b>                                                                                                                                                 |                |               |
| Less net book value of assets disposed                                                                                                                                    | (833)          | -             |
| <b>Net loss from disposal of land and buildings</b>                                                                                                                       | <b>(833)</b>   | <b>-</b>      |
| <b>Plant and equipment</b>                                                                                                                                                |                |               |
| Proceeds from disposal                                                                                                                                                    | 1              | -             |
| Less net book value of assets disposed                                                                                                                                    | (596)          | (381)         |
| <b>Net loss from disposal of plant and equipment</b>                                                                                                                      | <b>(595)</b>   | <b>(381)</b>  |
| <b>Intangibles</b>                                                                                                                                                        |                |               |
| Less net book value of assets disposed                                                                                                                                    | (37)           | -             |
| <b>Net loss from disposal of intangibles</b>                                                                                                                              | <b>(37)</b>    | <b>-</b>      |
| <b>Total assets</b>                                                                                                                                                       |                |               |
| Total proceeds from disposal                                                                                                                                              | 1              | -             |
| Less total value of assets disposed                                                                                                                                       | (1,466)        | (381)         |
| <b>Total net loss from disposal of non-current and other assets</b>                                                                                                       | <b>(1,465)</b> | <b>(381)</b>  |
| <b>16 Other revenue</b>                                                                                                                                                   |                |               |
|                                                                                                                                                                           | 2015           | 2014          |
|                                                                                                                                                                           | \$'000         | \$'000        |
| Commissions revenue                                                                                                                                                       | 33             | 18            |
| Training revenue                                                                                                                                                          | 5              | 17            |
| Other                                                                                                                                                                     | 11,630         | 8,627         |
| <b>Total other revenue</b>                                                                                                                                                | <b>11,668</b>  | <b>8,662</b>  |



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**17 Other income**

|                                                                             | 2015         | 2014     |
|-----------------------------------------------------------------------------|--------------|----------|
|                                                                             | \$'000       | \$'000   |
| Reversal of prior period revaluation decrement - Buildings and Improvements | 5,809        | -        |
| <b>Total other income</b>                                                   | <b>5,809</b> | <b>-</b> |

**18 Revenue from SA Government**

|                                                                                                       | 2015           | 2014           |
|-------------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                       | \$'000         | \$'000         |
| <b>Revenue from SA Government (the Department contributions for the provision of health services)</b> |                |                |
| Recurrent funding                                                                                     | 863,214        | 838,960        |
| Capital funding                                                                                       | 9,209          | 21,444         |
| TVSP recovery funds from Department of Treasury and Finance                                           | 450            | 9,157          |
| <b>Total revenue from SA Government</b>                                                               | <b>872,873</b> | <b>869,561</b> |

There were no material variations between the amount received from the Department and the expenditure associated with these amounts.

**19 Cash and cash equivalents**

|                                                                 | 2015          | 2014          |
|-----------------------------------------------------------------|---------------|---------------|
|                                                                 | \$'000        | \$'000        |
| Cash at bank or on hand - non-government financial institutions | 38,258        | 18,118        |
| Imprest account/cash on hand                                    | 190           | 181           |
| <b>Total cash</b>                                               | <b>38,448</b> | <b>18,299</b> |

**Interest rate risk**

Cash on hand is non-interest bearing. Interest rate risk exposure is detailed in Note 32. The carrying amount of cash and cash equivalents represents fair value.

**20 Receivables**

|                                            | 2015          | 2014          |
|--------------------------------------------|---------------|---------------|
|                                            | \$'000        | \$'000        |
| <b>Current</b>                             |               |               |
| Patient/client fees                        |               |               |
| Compensable                                | 5,989         | 3,513         |
| Other                                      | 10,643        | 8,068         |
| Workers compensation provision recoverable | 2,031         | 1,478         |
| Grants                                     | -             | 130           |
| Prepayments                                | 3,250         | 2,886         |
| Debtors                                    | 4,614         | 7,204         |
| Receivables                                | 26,527        | 23,279        |
| Less: allowance for doubtful debts         | (5,519)       | (3,287)       |
| Sundry receivables and accrued revenue     | 8,025         | 5,945         |
| GST recoverable                            | 199           | 25            |
| <b>Total current receivables</b>           | <b>29,232</b> | <b>25,962</b> |

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|                                            | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------|----------------|----------------|
| <b>Non-current</b>                         |                |                |
| Workers compensation provision recoverable | 3,223          | 4,798          |
| Prepayments                                | 2,207          | 2,354          |
| Debtors                                    | 102            | 106            |
| Receivables                                | 5,532          | 7,258          |
| <b>Total non-current receivables</b>       | <b>5,532</b>   | <b>7,258</b>   |
| <b>Total receivables</b>                   | <b>34,764</b>  | <b>33,220</b>  |

**Interest rate and credit risk**

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

**Categorisation and maturity analysis of financial instruments, ageing analysis of financial assets and risk exposure information**

Refer to Note 32.

**Bad and doubtful debts**

The Hospital has recognised a bad and doubtful debt expense of \$5.493 million (\$2.275 million) in the Statement of Comprehensive Income.

**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.

An allowance for impairment loss has been recognised in other expenses in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

|                                                                                      | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------------------------------------------|----------------|----------------|
| Movements in the allowance for doubtful debts (impairment loss)                      |                |                |
| <b>Carrying amount at the beginning of the period</b>                                | <b>3,287</b>   | <b>2,018</b>   |
| Amounts written off                                                                  | (1,359)        | (1,413)        |
| Amounts recovered during the year                                                    | (3)            | -              |
| Increase/(Decrease) in allowance recognised in the Statement of Comprehensive Income | 3,594          | 2,682          |
| <b>Carrying amount at the end of the period</b>                                      | <b>5,519</b>   | <b>3,287</b>   |



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|                                                          |               |               |
|----------------------------------------------------------|---------------|---------------|
| <b>21 Inventories</b>                                    |               |               |
|                                                          | <b>2015</b>   | <b>2014</b>   |
|                                                          | <b>\$'000</b> | <b>\$'000</b> |
| <b>Current - held for distribution</b>                   |               |               |
| Drug supplies                                            | 4,072         | 4,069         |
| Inventory imprest stock                                  | 1,967         | 921           |
| Other                                                    | 674           | 2,027         |
| <b>Total current inventories - held for distribution</b> | <b>6,713</b>  | <b>7,017</b>  |

The 2014 comparative information for inventories has been amended to better reflect the nature of the transactions in accordance with Note 2.4 above. The amendments made had no impact on reported equity.

The following significant adjustments were made to the 2014 comparative information:

|                         |                 |                 |
|-------------------------|-----------------|-----------------|
|                         | <b>2014</b>     | <b>2014</b>     |
|                         | <b>Reported</b> | <b>Adjusted</b> |
|                         | <b>\$'000</b>   | <b>\$'000</b>   |
| <b>Inventories</b>      |                 |                 |
| Drug supplies           | 4,272           | 4,069           |
| Inventory imprest stock | -               | 921             |
| Other                   | 2,745           | 2,027           |

|                                  |               |               |
|----------------------------------|---------------|---------------|
| <b>22 Other financial assets</b> |               |               |
|                                  | <b>2015</b>   | <b>2014</b>   |
|                                  | <b>\$'000</b> | <b>\$'000</b> |
| <b>Non-current</b>               |               |               |
| Other investments                | 2,294         | -             |
| <b>Total investments</b>         | <b>2,294</b>  | <b>-</b>      |

|                                                                  |                |                |
|------------------------------------------------------------------|----------------|----------------|
| <b>23 Property, plant and equipment</b>                          |                |                |
|                                                                  | <b>2015</b>    | <b>2014</b>    |
|                                                                  | <b>\$'000</b>  | <b>\$'000</b>  |
| <b>Land</b>                                                      |                |                |
| Site land at fair value                                          | 50,935         | 45,504         |
| <b>Land at fair value</b>                                        | <b>50,935</b>  | <b>45,504</b>  |
| <b>Buildings and improvements</b>                                |                |                |
| Buildings and improvements at fair value                         | 513,430        | 574,442        |
| Site improvements at fair value                                  | 15,030         | 13,560         |
| Buildings and improvements under construction (work in progress) | 2,159          | 3,387          |
| <b>Buildings and improvements</b>                                | <b>530,619</b> | <b>591,389</b> |
| Accumulated depreciation - buildings and improvements            | 2,094          | 47,208         |
| <b>Accumulated amortisation/depreciation</b>                     | <b>2,094</b>   | <b>47,208</b>  |
| <b>Total land, buildings and improvements</b>                    | <b>579,460</b> | <b>589,685</b> |
| <b>Leasehold improvements</b>                                    |                |                |
| Leasehold improvements at fair value                             | 3,379          | 3,379          |
| Accumulated amortisation                                         | 1,440          | 1,316          |
| <b>Total leasehold improvements</b>                              | <b>1,939</b>   | <b>2,063</b>   |

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|                                                                                | <b>2015</b>    | <b>2014</b>    |
|--------------------------------------------------------------------------------|----------------|----------------|
|                                                                                | <b>\$'000</b>  | <b>\$'000</b>  |
| <b>Plant and equipment</b>                                                     |                |                |
| Computing equipment at cost (deemed fair value)                                | 605            | 629            |
| Medical, surgical, dental and biomedical equipment at cost (deemed fair value) | 50,910         | 54,969         |
| Motor vehicles at cost (deemed fair value)                                     | 122            | 122            |
| Power generation and transmission at cost (deemed fair value)                  | 791            | 410            |
| Other plant and equipment at cost (deemed fair value)                          | 9,827          | 10,145         |
| Plant and equipment under construction (work in progress)                      | 1,465          | 983            |
| <b>Total plant and equipment</b>                                               | <b>63,720</b>  | <b>67,258</b>  |
| Accumulated depreciation - computing equipment                                 | 604            | 623            |
| Accumulated depreciation - medical, surgical, dental and biomedical equipment  | 33,931         | 36,099         |
| Accumulated depreciation - motor vehicles                                      | 122            | 85             |
| Accumulated depreciation - power generation and transmission                   | 80             | 25             |
| Accumulated depreciation - other plant and equipment                           | 7,539          | 7,320          |
| <b>Accumulated amortisation/depreciation</b>                                   | <b>42,276</b>  | <b>44,152</b>  |
| <b>Total plant and equipment</b>                                               | <b>21,444</b>  | <b>23,106</b>  |
| <b>Total property, plant and equipment</b>                                     | <b>602,843</b> | <b>614,854</b> |

**Valuation of land and buildings**

An independent valuation of land and buildings, including site improvements, was performed in May 2015 by a Certified Practising Valuer from Australian Valuation Solutions Pty Ltd, as at 1st June 2015 using the fair value methodology.

The valuer arrived at the fair value of unrestricted land using the market approach. The valuation was based on recent market transactions for similar land and buildings (non-specialised) in the area and includes adjustment for factors specific to the land and buildings being valued such as size, location and current use.

The valuer used depreciated replacement cost for specialised land and buildings, due to there not being an active market for such land and buildings. The depreciated replacement cost considered the need for ongoing provision of government services; specialised nature of the assets, including the restricted use of the assets; the size, condition, location and current use of the assets. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.

**Valuation of plant and equipment**

All items of plant and equipment that had a fair value at the time of acquisition less than \$1 million have not been revalued in accordance with Accounting Policy Framework III Asset Accounting Framework. The carrying value of these items are deemed to approximate fair value. These assets are classified in Level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the asset condition and remaining useful life.

The Hospital's plant and equipment assets with a fair value greater than \$1 million were revalued using the fair value methodology, as at 1 June 2015, based on independent valuations performed by Simon O'Leary, AAPI, C.P.V, Australian Valuation Solutions Pty Ltd.

**Impairment**

There were no indications of impairment of property, plant and equipment and infrastructure assets at 30 June 2015.

**Resources received free of charge**

Assets of \$0.860 million (\$0.555 million) were transferred to the Hospital. Please also refer to Note 14.



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**Reconciliation of land and improvements**

The following table shows the movement of land and improvements during 2014-15

|                                                        | Land   | Buildings<br>and<br>improve-<br>ments | Leasehold<br>improve-<br>ments | Capital<br>works in<br>progress | Total    |
|--------------------------------------------------------|--------|---------------------------------------|--------------------------------|---------------------------------|----------|
|                                                        | \$'000 | \$'000                                | \$'000                         | \$'000                          | \$'000   |
| Carrying amount at the beginning of the period         | 45,504 | 540,794                               | 2,063                          | 3,387                           | 591,748  |
| Additions                                              | -      | 20                                    | -                              | 3,064                           | 3,084    |
| Assets received free of charge                         | -      | 670                                   | -                              | -                               | 670      |
| Disposals                                              | (360)  | (103)                                 | -                              | (775)                           | (1,238)  |
| Revaluation increment/(decrement)                      | 5,791  | -                                     | -                              | -                               | 5,791    |
| Gain on revaluation of Buildings and Site Improvements | -      | 5,809                                 | -                              | -                               | 5,809    |
| Depreciation and amortisation                          | -      | (24,358)                              | (124)                          | -                               | (24,482) |
| Transfers between asset classes                        | -      | 3,534                                 | -                              | (3,517)                         | 17       |
| Carrying amount at the end of the period               | 50,935 | 526,366                               | 1,939                          | 2,159                           | 581,399  |

**Reconciliation of land and improvements**

The following table shows the movement of land and improvements during 2013-14

|                                                | Land    | Buildings<br>and<br>improve-<br>ments | Leasehold<br>improve-<br>ments | Capital<br>works in<br>progress | Total    |
|------------------------------------------------|---------|---------------------------------------|--------------------------------|---------------------------------|----------|
|                                                | \$'000  | \$'000                                | \$'000                         | \$'000                          | \$'000   |
| Carrying amount at the beginning of the period | 47,704  | 530,355                               | 2,167                          | 20,548                          | 600,774  |
| Additions                                      | -       | 152                                   | -                              | 17,353                          | 17,505   |
| Disposals                                      | (2,200) | (223)                                 | -                              | -                               | (2,423)  |
| Depreciation and amortisation                  | -       | (23,730)                              | (126)                          | -                               | (23,856) |
| Transfers between asset classes                | -       | 34,240                                | -                              | (34,492)                        | (252)    |
| Other movements                                | -       | -                                     | 22                             | (22)                            | -        |
| Carrying amount at the end of the period       | 45,504  | 540,794                               | 2,063                          | 3,387                           | 591,748  |

**Land** includes land only holdings at fair value and site land at fair value

**Buildings and improvements** include buildings and improvements at fair value, buildings and improvements under finance lease and site improvements at fair value

**Reconciliation of plant and equipment**

The following table shows the movement of plant and equipment during 2014-15

|                                                | Medical/<br>surgical/<br>dental/<br>biomedical | Computer<br>equipment | Capital<br>works in<br>progress | Other plant<br>and<br>equipment | Total   |
|------------------------------------------------|------------------------------------------------|-----------------------|---------------------------------|---------------------------------|---------|
|                                                | \$'000                                         | \$'000                | \$'000                          | \$'000                          | \$'000  |
| Carrying amount at the beginning of the period | 18,870                                         | 6                     | 983                             | 3,247                           | 23,106  |
| Additions                                      | 2,896                                          | -                     | 1,484                           | 24                              | 4,404   |
| Assets received free of charge                 | 190                                            | -                     | -                               | -                               | 190     |
| Disposals                                      | (528)                                          | (3)                   | (47)                            | (18)                            | (596)   |
| Revaluation increment/(decrement)              | 1,110                                          | -                     | -                               | -                               | 1,110   |
| Depreciation and amortisation                  | (6,200)                                        | (2)                   | -                               | (551)                           | (6,753) |
| Transfers between asset classes                | 641                                            | -                     | (955)                           | 297                             | (17)    |
| Carrying amount at the end of the period       | 16,979                                         | 1                     | 1,465                           | 2,999                           | 21,444  |

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**Reconciliation of plant and equipment**

The following table shows the movement of plant and equipment during 2013-14

|                                                 | Medical/<br>surgical/<br>dental/<br>biomedical | Computer<br>equipment | Capital<br>works in<br>progress | Other plant<br>and<br>equipment | Total         |
|-------------------------------------------------|------------------------------------------------|-----------------------|---------------------------------|---------------------------------|---------------|
|                                                 | \$'000                                         | \$'000                | \$'000                          | \$'000                          | \$'000        |
| Carrying amount at the beginning of the period  | 21,264                                         | 8                     | 3,551                           | 2,942                           | 27,765        |
| Prior year adjustments - revaluations           | (1,046)                                        | -                     | -                               | -                               | (1,046)       |
| Additions                                       | 2,892                                          | -                     | 513                             | 93                              | 3,498         |
| Assets received free of charge                  | 555                                            | -                     | -                               | -                               | 555           |
| Disposals                                       | (371)                                          | -                     | -                               | (10)                            | (381)         |
| Depreciation and amortisation                   | (5,932)                                        | (2)                   | -                               | (542)                           | (6,476)       |
| Transfers between asset classes                 | 1,508                                          | -                     | (2,020)                         | 764                             | 252           |
| Other movements                                 | -                                              | -                     | (1,061)                         | -                               | (1,061)       |
| <b>Carrying amount at the end of the period</b> | <b>18,870</b>                                  | <b>6</b>              | <b>983</b>                      | <b>3,247</b>                    | <b>23,106</b> |

**Other plant and equipment** includes motor vehicles under finance lease, motor vehicles at cost, plant and equipment - major at cost, plant and equipment under finance lease, power generation and transmission and other plant and equipment at cost.

**24 Intangible assets**

|                                                   | 2015     | 2014      |
|---------------------------------------------------|----------|-----------|
|                                                   | \$'000   | \$'000    |
| <b>Computer Software</b>                          |          |           |
| Intangibles under construction (work in progress) | -        | 37        |
| <b>Total computer software</b>                    | <b>-</b> | <b>37</b> |
| <b>Total intangible assets</b>                    | <b>-</b> | <b>37</b> |

**Impairment**

There were no indications of impairment of intangible assets at 30 June 2015.

**Reconciliation of intangibles**

The following table shows the movement of intangibles during 2014-15

|                                                 | Capital<br>works in<br>progress | Total    |
|-------------------------------------------------|---------------------------------|----------|
|                                                 | \$'000                          | \$'000   |
| Carrying amount at the beginning of the period  | 37                              | 37       |
| Write-off non-current assets                    | (37)                            | (37)     |
| <b>Carrying amount at the end of the period</b> | <b>-</b>                        | <b>-</b> |

**Reconciliation of intangibles**

The following table shows the movement of intangibles during 2013-14

|                                                 | Capital<br>works in<br>progress | Total     |
|-------------------------------------------------|---------------------------------|-----------|
|                                                 | \$'000                          | \$'000    |
| Carrying amount at the beginning of the period  | 34                              | 34        |
| Additions                                       | 3                               | 3         |
| <b>Carrying amount at the end of the period</b> | <b>37</b>                       | <b>37</b> |



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**25 Fair Value Measurement**

**Fair Value Hierarchy**

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Hospital categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2015.

The Hospital had no valuations categorised into Level 1 and 2.

**Fair value measurements at 30 June 2015**

|                                                | <b>Level 3</b> | <b>2015</b>    |
|------------------------------------------------|----------------|----------------|
|                                                | <b>\$'000</b>  | <b>\$'000</b>  |
| <b>Recurring fair value measurements</b>       |                |                |
| Land (Note 23)                                 | 50,935         | 50,935         |
| Buildings (Note 23)                            | 526,366        | 526,366        |
| Leasehold improvements (Note 23)               | 1,939          | 1,939          |
| Plant and equipment (Note 23)                  | 19,979         | 19,979         |
| <b>Total recurring fair value measurements</b> | <b>599,219</b> | <b>599,219</b> |
| <b>Total</b>                                   | <b>599,219</b> | <b>599,219</b> |

**Fair value measurements at 30 June 2014**

|                                                | <b>Level 3</b> | <b>2014</b>    |
|------------------------------------------------|----------------|----------------|
|                                                | <b>\$'000</b>  | <b>\$'000</b>  |
| <b>Recurring fair value measurements</b>       |                |                |
| Land (Note 23)                                 | 45,504         | 45,504         |
| Buildings (Note 23)                            | 540,794        | 540,794        |
| Leasehold improvements (Note 23)               | 2,063          | 2,063          |
| Plant and equipment (Note 23)                  | 22,123         | 22,123         |
| <b>Total recurring fair value measurements</b> | <b>610,484</b> | <b>610,484</b> |
| <b>Total</b>                                   | <b>610,484</b> | <b>610,484</b> |

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**Valuation techniques and inputs**

Land fair values were derived by using the market approach, being recent sales transactions of other similar land holdings within the region, adjusted for differences in key attributes such as property size, zoning and any restrictions on use, and then adjusted with a discount factor. For this reason they are deemed to have been valued using Level 3 valuation inputs.

Due to the predominantly specialised nature of health service assets, the majority of building and plant and equipment valuations have been undertaken using a cost approach (depreciated replacement cost), an accepted valuation methodology under AASB 13. The extent of unobservable inputs and professional judgement required in valuing these assets is significant, and as such they are deemed to have been valued using Level 3 valuation inputs.

Unobservable inputs used to arrive at final valuation figures included:

- Estimated remaining useful life, which is an economic estimate and by definition, is subject to economic influences;
- Cost rate, which is the estimated cost to replace an asset with the same service potential as the asset undergoing valuation (allowing for over-capacity), and based on a combination of internal records including: refurbishment and upgrade costs, historical construction costs, functional utility users, industry construction guides, specialised knowledge and estimated acquisition/transfer costs;
- Characteristics of the asset, including condition, location, any restrictions on sale or use and the need for ongoing provision of Government services;
- Effective life, being the expected life of the asset assuming general maintenance is undertaken to enable functionality but no upgrades are incorporated which extend the technical life or functional capacity of the asset; and
- Depreciation methodology, noting that AASB 13 dictates that regardless of the depreciation methodology adopted, the exit price should remain unchanged.

Although there were some land valued using Level 2 inputs, the fair value of these was immaterial in comparison to the whole class, therefore all land has been classified as Level 3.

Although there were some buildings valued using Level 2 inputs, the fair value of these was immaterial in comparison to the whole class, therefore all buildings have been classified as Level 3.

Valuation techniques and inputs used to derive Level 3 fair values are at Note 23. There were no changes in valuation techniques during 2015.

The following table is a reconciliation of fair value measurements using significant unobservable inputs (Level 3).

**Reconciliation of Level 3 recurring fair value measurements at 30 June 2015**

|                                                         | Land   | Buildings and improvements | Plant and equipment | Leasehold Improvements | Total    |
|---------------------------------------------------------|--------|----------------------------|---------------------|------------------------|----------|
|                                                         | \$'000 | \$'000                     | \$'000              | \$'000                 | \$'000   |
| Carrying amount at the beginning of the period          | 45,504 | 540,794                    | 22,123              | 2,063                  | 610,484  |
| Additions                                               | -      | 20                         | 2,920               | -                      | 2,940    |
| Assets received free of charge                          | -      | 670                        | 190                 | -                      | 860      |
| Disposals                                               | (360)  | (103)                      | (549)               | -                      | (1,012)  |
| Depreciation and amortisation                           | -      | (24,358)                   | (6,753)             | (124)                  | (31,235) |
| Transfers between asset classes                         | -      | 3,534                      | 938                 | -                      | 4,472    |
| Gains/(losses) for the period recognised in net result: |        |                            |                     |                        |          |
| - Revaluation increment/(decrement)                     | 5,791  | 5,809                      | 1,110               | -                      | 12,710   |
| Carrying amount at the end of the period                | 50,935 | 526,366                    | 19,979              | 1,939                  | 599,219  |



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**Reconciliation of Level 3 recurring fair value measurements at 30 June 2014**

|                                                | Land<br>\$'000 | Buildings<br>and<br>improve-<br>ments<br>\$'000 | Plant and<br>equipment<br>\$'000 | Leasehold<br>Improve-<br>ments<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------|----------------|-------------------------------------------------|----------------------------------|------------------------------------------|-----------------|
| Carrying amount at the beginning of the period | 47,704         | 530,355                                         | 24,214                           | 2,167                                    | 604,440         |
| Prior year adjustments - revaluation           | -              | -                                               | (1,046)                          | -                                        | (1,046)         |
| Additions                                      | -              | 152                                             | 2,985                            | -                                        | 3,137           |
| Assets received free of charge                 | -              | -                                               | 555                              | -                                        | 555             |
| Disposals                                      | (2,200)        | (223)                                           | (381)                            | -                                        | (2,804)         |
| Depreciation and amortisation                  | -              | (23,730)                                        | (6,476)                          | (126)                                    | (30,332)        |
| Transfers between asset classes                | -              | 34,240                                          | 2,272                            | -                                        | 36,512          |
| Other movements                                | -              | -                                               | -                                | 22                                       | 22              |
| Carrying amount at the end of the period       | 45,504         | 540,794                                         | 22,123                           | 2,063                                    | 610,484         |

\* The Hospital's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. Assets transferred into Level 3 comprise capitalisation of assets from work in progress.

**Buildings and improvements** includes leasehold improvements but excludes works in progress.

**Plant and equipment** includes computer, medical, surgical, dental, biomedical and other plant and equipment but excludes works in progress.

**26 Payables**

|                                    | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------|----------------|----------------|
| <b>Current</b>                     |                |                |
| Creditors and accrued expenses     | 17,687         | 17,806         |
| Paid Parental Leave Scheme payable | 130            | 120            |
| Staff on-costs                     | 9,238          | 8,364          |
| <b>Total current payables</b>      | <b>27,055</b>  | <b>26,290</b>  |
| <b>Non-current</b>                 |                |                |
| Staff on-costs                     | 4,932          | 3,313          |
| Other payables                     | 197            | 189            |
| <b>Total non-current payables</b>  | <b>5,129</b>   | <b>3,502</b>   |
| <b>Total payables</b>              | <b>32,184</b>  | <b>29,792</b>  |

As a result of an actuarial assessment performed by Mercer Consulting (Australia) Pty Ltd, the proportion of long service leave taken as leave has increased from 40.00% in 2014 to 51.00% and the average factor for the calculation of employer superannuation cost on-cost has decreased from 10.88% in 2014 to 10.16%. These rates are used in the staff on-cost calculation. The net financial effect of the changes in the current financial year is an increase in the staff on-costs of \$1.697 million and staff benefits expense of \$1.697 million. The estimated impact on 2016 and 2017 is \$1.748 million and \$1.800 million respectively.

**Interest rate and credit risk**

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Staff on-costs are settled when the respective staff benefits 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.

**Categorisation of financial instruments, maturity analysis of borrowings and risk exposure information**

Refer to Note 32.

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**27 Borrowings**

|                                     | <b>2015</b>   | <b>2014</b>   |
|-------------------------------------|---------------|---------------|
|                                     | <b>\$'000</b> | <b>\$'000</b> |
| <b>Current</b>                      |               |               |
| Loans                               | 1,948         | 2,253         |
| <b>Total current borrowings</b>     | <b>1,948</b>  | <b>2,253</b>  |
| <b>Non-current</b>                  |               |               |
| Loans                               | 13,494        | 15,441        |
| <b>Total non-current borrowings</b> | <b>13,494</b> | <b>15,441</b> |
| <b>Total borrowings</b>             | <b>15,442</b> | <b>17,694</b> |

**Categorisation of financial instruments, maturity analysis of payables and risk exposure information**

Refer to Note 32.

**Defaults and breaches**

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

**28 Staff benefits**

|                                         | <b>2015</b>    | <b>2014</b>    |
|-----------------------------------------|----------------|----------------|
|                                         | <b>\$'000</b>  | <b>\$'000</b>  |
| <b>Current</b>                          |                |                |
| Annual leave                            | 62,475         | 60,436         |
| Long service leave                      | 13,650         | 10,109         |
| Accrued salaries and wages              | 16,983         | 15,128         |
| Skills and experience retention leave   | 4,084          | 2,954          |
| Other                                   | 16             | -              |
| <b>Total current staff benefits</b>     | <b>97,208</b>  | <b>88,627</b>  |
| <b>Non-current</b>                      |                |                |
| Long service leave                      | 93,532         | 90,708         |
| <b>Total non-current staff benefits</b> | <b>93,532</b>  | <b>90,708</b>  |
| <b>Total staff benefits</b>             | <b>190,740</b> | <b>179,335</b> |

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability. The actuarial assessment performed by Mercer Consulting (Australia) Pty Ltd has provided a basis for the measurement of long service leave. AASB 119 requires the use of a yield on long-term Commonwealth Government bonds which matches the expected term of the liabilities as the discount rate in the measurement of the long service leave liability. The appropriate yield on long-term Commonwealth Government bonds has decreased from 2014 (3.50%) to 2015 (2.85%).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability. The net financial effect of the change in the current financial year is an increase in the reported long service leave liability of \$5.128 million and staff benefit expense of \$5.394 million. The impact on the future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

As a result of the actuarial assessment performed by Mercer Consulting (Australia) Pty Ltd, the salary inflation rate decreased from 4.00% per annum in 2014 to 3.00% per annum in 2015. The net financial effect of the change in the current financial year is a net reduction in the reported long service leave liability of \$7.364 million in the current financial year.

Annual leave and SERL staff benefits calculations at 30 June 2015 include a salary inflation rate of 3% (4%).



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|                                     |               |               |
|-------------------------------------|---------------|---------------|
| <b>29 Provisions</b>                |               |               |
|                                     | <b>2015</b>   | <b>2014</b>   |
|                                     | <b>\$'000</b> | <b>\$'000</b> |
| <b>Current</b>                      |               |               |
| Provision for workers compensation  | 5,959         | 4,527         |
| <b>Total current provisions</b>     | <b>5,959</b>  | <b>4,527</b>  |
| <b>Non-current</b>                  |               |               |
| Provision for workers compensation  | 12,176        | 11,634        |
| <b>Total non-current provisions</b> | <b>12,176</b> | <b>11,634</b> |
| <b>Total provisions</b>             | <b>18,135</b> | <b>16,161</b> |

**29.1 Reconciliation of workers compensation**

The following table shows the movement of workers compensation:

|                                                 |               |               |
|-------------------------------------------------|---------------|---------------|
|                                                 | <b>2015</b>   | <b>2014</b>   |
|                                                 | <b>\$'000</b> | <b>\$'000</b> |
| Carrying amount at the beginning of the period  | 16,161        | 14,760        |
| Increase in provision recognised                | 4,117         | 3,572         |
| Other                                           | (2,143)       | (2,171)       |
| <b>Carrying amount at the end of the period</b> | <b>18,135</b> | <b>16,161</b> |

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by Taylor Fry Consulting Actuaries.

**30 Other liabilities**

|                                        |               |               |
|----------------------------------------|---------------|---------------|
|                                        | <b>2015</b>   | <b>2014</b>   |
|                                        | <b>\$'000</b> | <b>\$'000</b> |
| <b>Current</b>                         |               |               |
| Unclaimed monies                       | 466           | 450           |
| Unearned revenue                       | 185           | 1,005         |
| Other                                  | 76            | 329           |
| <b>Total current other liabilities</b> | <b>727</b>    | <b>1,784</b>  |
| <b>Total other liabilities</b>         | <b>727</b>    | <b>1,784</b>  |

**31 Equity**

|                           |                |                |
|---------------------------|----------------|----------------|
|                           | <b>2015</b>    | <b>2014</b>    |
|                           | <b>\$'000</b>  | <b>\$'000</b>  |
| Asset revaluation surplus | 17,147         | 10,316         |
| Retained earnings         | 410,687        | 418,345        |
| <b>Total equity</b>       | <b>427,834</b> | <b>428,661</b> |

The asset revaluation surplus 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 derecognised.

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**32 Financial instruments / financial risk management**

**32.1 Financial risk management**

Risk management is managed by the Department's Risk and Assurance Services section and risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

The Hospital is exposed to financial risk – liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

**32.2 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.

Refer to Table 32.3 for the carrying amounts of each of the following categories of financial assets and liabilities: Held-to-maturity investments; loan and receivables; and financial liabilities measured at cost.

The Hospital does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in Level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these refer Notes 2, 20 and 26.
- Borrowings are initially recognised at fair value, plus any transaction cost directly attributable to the borrowings, then subsequently held at amortised cost. The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant refer Notes 2 and 27.
- Held-to-maturity investments are initially recognised at fair value, then subsequently held at amortised cost. This is the most representative of fair value in the circumstances refer Notes 2 and 22.

**32.3 Liquidity risk**

Liquidity risk arises from the possibility that the Hospital is unable to meet its financial obligations as they fall due. The continued existence of the Hospital is dependent on State Government policy and on continued funding from the Department for Health and Ageing for the Hospital's administration and program delivery. The Hospital settles undisputed accounts within 30 days from the date of the invoice or the date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount recorded in Table 32.3 represent the Hospital's maximum exposure.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

The following table discloses the carrying amount of each category of financial instrument held by the Hospital including the contractual maturity analysis for financial assets and liabilities (i.e. liquidity risk).



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*Table 32.3 Categorisation and maturity analysis of financial assets and liabilities*

|                                    | Notes  | Carrying amount/<br>Fair value | Contractual maturities |               |               |                   |
|------------------------------------|--------|--------------------------------|------------------------|---------------|---------------|-------------------|
|                                    |        |                                | Current                | Within 1 year | 1 - 5 years   | More than 5 years |
| 2015                               |        | \$'000                         | \$'000                 | \$'000        | \$'000        | \$'000            |
| <b>Financial assets</b>            |        |                                |                        |               |               |                   |
| Cash and equivalent                |        |                                |                        |               |               |                   |
| Cash and cash equivalents          | 19, 36 | 38,448                         | 38,448                 | -             | -             | -                 |
| Loans and receivables              |        |                                |                        |               |               |                   |
| Receivables (1) (2)                | 20     | 23,587                         | 23,587                 | -             | -             | -                 |
| Held to maturity investments       |        |                                |                        |               |               |                   |
| Other financial assets             | 22     | 2,294                          | -                      | -             | 2,294         | -                 |
| <b>Total financial assets</b>      |        | <b>64,329</b>                  | <b>62,035</b>          | <b>-</b>      | <b>2,294</b>  | <b>-</b>          |
| <b>Financial liabilities</b>       |        |                                |                        |               |               |                   |
| Financial liabilities at cost      |        |                                |                        |               |               |                   |
| Payables (1)                       | 26     | 17,560                         | 17,363                 | -             | 197           | -                 |
| Borrowings                         | 27     | 15,442                         | -                      | 1,948         | 13,494        | -                 |
| Other financial liabilities        | 30     | 727                            | 727                    | -             | -             | -                 |
| <b>Total financial liabilities</b> |        | <b>33,729</b>                  | <b>18,090</b>          | <b>1,948</b>  | <b>13,691</b> | <b>-</b>          |

|                                    | Notes  | Carrying amount/<br>Fair value | Contractual maturities |               |               |                   |
|------------------------------------|--------|--------------------------------|------------------------|---------------|---------------|-------------------|
|                                    |        |                                | Current                | Within 1 year | 1 - 5 years   | More than 5 years |
| 2014                               |        | \$'000                         | \$'000                 | \$'000        | \$'000        | \$'000            |
| <b>Financial assets</b>            |        |                                |                        |               |               |                   |
| Cash and equivalent                |        |                                |                        |               |               |                   |
| Cash and cash equivalents          | 19, 36 | 18,299                         | 18,299                 | -             | -             | -                 |
| Loans and receivables              |        |                                |                        |               |               |                   |
| Receivables (1) (2)                | 20     | 21,319                         | 21,319                 | -             | -             | -                 |
| <b>Total financial assets</b>      |        | <b>39,618</b>                  | <b>39,618</b>          | <b>-</b>      | <b>-</b>      | <b>-</b>          |
| <b>Financial liabilities</b>       |        |                                |                        |               |               |                   |
| Financial liabilities at cost      |        |                                |                        |               |               |                   |
| Payables (1)                       | 26     | 17,693                         | 17,504                 | -             | 189           | -                 |
| Borrowings                         | 27     | 17,694                         | -                      | 2,253         | 12,434        | 3,007             |
| Other financial liabilities        | 30     | 1,784                          | 1,784                  | -             | -             | -                 |
| <b>Total financial liabilities</b> |        | <b>37,171</b>                  | <b>19,288</b>          | <b>2,253</b>  | <b>12,623</b> | <b>3,007</b>      |

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- (1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth taxes; Auditor-General's Department audit fees etc). 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 levies, tax and equivalents etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).
- (2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in Note 21 as trade and other receivables in accordance with paragraph 78(b) of AASB 101 *Presentation of Financial Statements*. However, prepayments are not financial assets as defined in AASB 132 *Financial Instruments: Presentation* as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

### 32.4 Credit risk

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

The Hospital has minimal concentration of credit risk. The Hospital does not engage in high risk hedging for its financial assets. No collateral is held as security and no credit enhancements relate to financial assets held by the Hospital.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer to Note 20 for information on the allowance for impairment in relation to receivables.

The carrying amount of financial assets as detailed in Table 32.3 represents the Hospital's maximum exposure to credit risk.

The following table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets.

*Table 32.4 Aging analysis of financial assets*

| 2015                      | Carrying amount | Not past due and not | Past due but not impaired |                          |                   | Impaired financial assets |
|---------------------------|-----------------|----------------------|---------------------------|--------------------------|-------------------|---------------------------|
|                           |                 |                      | Overdue for < 30 days     | Overdue for 30 - 60 days | Overdue > 60 days |                           |
|                           | \$'000          | \$'000               | \$'000                    | \$'000                   | \$'000            | \$'000                    |
| Cash and cash equivalents | 38,448          | 38,448               | -                         | -                        | -                 | -                         |
| Receivables (1)           | 23,587          | 11,845               | 4,386                     | 2,019                    | 5,337             | 5,519                     |
| Other financial assets    | 2,294           | 2,294                | -                         | -                        | -                 | -                         |
|                           | <b>64,329</b>   | <b>52,587</b>        | <b>4,386</b>              | <b>2,019</b>             | <b>5,337</b>      | <b>5,519</b>              |
| <b>2014</b>               |                 |                      |                           |                          |                   |                           |
| Cash and cash equivalents | 18,299          | 18,299               | -                         | -                        | -                 | -                         |
| Receivables               | 21,319          | 10,532               | 1,729                     | 1,458                    | 7,600             | 3,287                     |
|                           | <b>39,618</b>   | <b>28,831</b>        | <b>1,729</b>              | <b>1,458</b>             | <b>7,600</b>      | <b>3,287</b>              |

(1) Receivable amounts disclosed here exclude amounts relating to statutory receivables (amounts owing to Government). They are carried at cost.

### 32.5 Market risk

Market risk for the Hospital is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. Any exposure to foreign currency risks is managed by SAFA.

### 32.6 Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk of the Hospital as it has been determined that the possible impact on comprehensive income or total equity from fluctuations in interest rates is immaterial.



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**33 Unrecognised contractual commitments**

**33.1 Operating lease revenue commitments**

|                                                                                                                                                                       | <b>2015</b>   | <b>2014</b>   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                                                                       | <b>\$'000</b> | <b>\$'000</b> |
| Commitments in relation to operating leases contracted for at the reporting date but not recognised as assets in the financial statements, are receivable as follows: |               |               |
| Within one year                                                                                                                                                       | 857           | 1,070         |
| Later than one year but not longer than five years                                                                                                                    | 2,114         | 2,215         |
| Later than five years                                                                                                                                                 | 619           | 529           |
| <b>Total operating lease revenue commitments</b>                                                                                                                      | <b>3,590</b>  | <b>3,814</b>  |

The Hospital's operating lease revenues are for office accommodation, retail, administration and medical services. Office accommodations are leased to a variety of organisations. The leases are cancellable with terms ranging up to fifty years with some leases having the right of renewal. Rent is received in arrears.

**33.2 Operating lease expenditure commitments**

|                                                                                                                                                                     | <b>2015</b>   | <b>2014</b>   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                                                                     | <b>\$'000</b> | <b>\$'000</b> |
| Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows: |               |               |
| Within one year                                                                                                                                                     | 1,369         | 1,809         |
| Later than one year but not longer than five years                                                                                                                  | 2,294         | 3,773         |
| Later than five years                                                                                                                                               | 733           | 216           |
| <b>Total operating lease commitments</b>                                                                                                                            | <b>4,396</b>  | <b>5,798</b>  |
| Representing:                                                                                                                                                       |               |               |
| Non-cancellable operating leases                                                                                                                                    | 4,396         | 5,798         |
| <b>Total operating lease commitments</b>                                                                                                                            | <b>4,396</b>  | <b>5,798</b>  |

The Hospital's operating lease expenses are for office accommodation and car parking. Office accommodation and car parking are leased from a variety of organisations. The leases are non-cancellable with various terms, some leases having the right of renewal. Rent is payable in arrears.

**33.3 Expenditure commitments**

|                                                                                                                                                 | <b>2015</b>   | <b>2014</b>   |
|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                                                 | <b>\$'000</b> | <b>\$'000</b> |
| <b>Capital commitments</b>                                                                                                                      |               |               |
| Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report, are payable as follows: |               |               |
| Within one year                                                                                                                                 | 479           | -             |
| <b>Total capital commitments</b>                                                                                                                | <b>479</b>    | <b>-</b>      |

The Hospital's capital commitment is for a services contract/agreement with Schiavello in relation to capital works.

|                                                                                                                                                                                                                            | <b>2015</b>   | <b>2014</b>   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                                                                                                                            | <b>\$'000</b> | <b>\$'000</b> |
| <b>Remuneration commitments</b>                                                                                                                                                                                            |               |               |
| 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 in the financial report, are payable as follows: |               |               |
| Within one year                                                                                                                                                                                                            | 54,145        | 56,737        |
| Later than one year but not longer than five years                                                                                                                                                                         | 7,477         | 9,437         |
| <b>Total remuneration commitments</b>                                                                                                                                                                                      | <b>61,622</b> | <b>66,174</b> |

Amounts disclosed include commitments arising from executive and other service contracts. The Hospital does not offer fixed-term remuneration contracts greater than five years.



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|                                                                                                                                               | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>Other commitments</b>                                                                                                                      |                |                |
| Other expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report, are payable as follows: |                |                |
| Within one year                                                                                                                               | 24,537         | 23,709         |
| Later than one year but not longer than five years                                                                                            | 18,432         | 39,938         |
| Later than five years                                                                                                                         | 35,690         | 33,075         |
| <b>Total other commitments</b>                                                                                                                | <b>78,659</b>  | <b>96,722</b>  |

The other commitments are for agreements for goods and services ordered but not received.

The Hospital also has other commitments with various non-government organisations in accordance with negotiated service agreements in relation to a variety of activities.

**34 Transferred functions**

**Transferred in**

**2014-15**

- Following a review of Departmental functions, effective 1 June 2015, the Chief Executive of the Department approved the transfer of Financial Business Advisory and Hospital based Revenue Services employees within Finance to the Local Health Networks and the SAAS.

**2013-14**

- There were no transfers in during this period.

Assets and liabilities transferred to the Hospital were:

|                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------|----------------|----------------|
| Provisions                          | 41             | -              |
| Staff benefits                      | 759            | -              |
| <b>Total liabilities</b>            | <b>800</b>     | <b>-</b>       |
| <b>Total net assets transferred</b> | <b>800</b>     | <b>-</b>       |

Net assets assumed by the Hospital as a result of the administrative restructure are at the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to the transfer. The net assets transferred were treated as a contribution by the Government as owner.

**Transferred out**

**2014-15**

- Health Portfolio Executive approved on 2 October 2008 the establishment of a consolidated procurement, contracting and supply chain service. This service provides the foundation for delivering best practice procurement, contracting and supply chain management across SA Health. Effective 4 August 2014, inventory associated with the Flinders Medical Centre (FMC), were transferred to the Distribution Centre Division of the Department. Effective 16 February 2015, inventory associated with Noarlunga Health Services (NHS) and Repatriation General Hospital (RGH) was transferred to the Distribution Centre Division of the Department.

**2013-14**

- A new SA Biomedical Engineering (SA BME) organisation structure was approved by the Chief Executive of the Department on 3 January 2013. This new state-wide service will deliver efficiencies, maximise the use of resources, ensure that consistent and easily accessible services are available across SA and provide a network wide management approach to the maintenance and operation of medical equipment. The transition took place in two phases, the first tranche of in-scope staff were transferred as of 7 October 2013 and the second phase as of 18 November 2013. All in-scope staff and their associated staff benefits transferred from the Hospital to a consolidated state-wide biomedical engineering service within the Department.



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Assets and liabilities transferred from the Hospital were:

|                                                   | 2015           | 2014           |
|---------------------------------------------------|----------------|----------------|
|                                                   | \$'000         | \$'000         |
| Inventory stock                                   | 1,253          | -              |
| <b>Total assets</b>                               | <b>1,253</b>   | <b>-</b>       |
| Payables                                          | -              | 56             |
| Staff benefits                                    | -              | 1,007          |
| <b>Total liabilities</b>                          | <b>-</b>       | <b>1,063</b>   |
| <b>Total net assets/(liabilities) transferred</b> | <b>(1,253)</b> | <b>(1,063)</b> |

Net assets transferred by the Hospital as a result of the administrative restructures were at the carrying amount immediately prior to the transfer. The net assets transferred were treated as a distribution to the Government as owner.

**35 Contingent assets and liabilities**

The Hospital is not aware of any contingent assets or liabilities.

**36 Cash flow reconciliation**

|                                                                                                       | 2015             | 2014             |
|-------------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                       | \$'000           | \$'000           |
| <b>Reconciliation of cash and cash equivalents at the end of the reporting period:</b>                |                  |                  |
| Cash and cash equivalents disclosed in the Statement of Financial Position                            | 38,448           | 18,299           |
| <b>Cash as per Statement of Financial Position</b>                                                    | <b>38,448</b>    | <b>18,299</b>    |
| <b>Balance as per the Statement of Cash Flows</b>                                                     | <b>38,448</b>    | <b>18,299</b>    |
| <b>Reconciliation of net cash provided by operating activities to net cost of providing services:</b> |                  |                  |
| Net cash provided by/(used in) operating activities                                                   | 27,009           | 17,664           |
| Department contributions for the provision of health services                                         | (872,873)        | (869,561)        |
| <b>Add/(less) non-cash items</b>                                                                      |                  |                  |
| Depreciation and amortisation expense of non-current assets                                           | (31,235)         | (30,332)         |
| Gain/(loss) on sale or disposal of non-current assets                                                 | (1,465)          | (381)            |
| Increments/decrements on revaluation of non-current assets                                            | 5,809            | -                |
| Assets acquired at no cost or nominal consideration                                                   | 860              | 555              |
| Declared surplus assets transferred to the Department                                                 | -                | 15,953           |
| Donated assets expense                                                                                | (405)            | (2,423)          |
| Assets acquired from the Department capital program                                                   | 2,247            | -                |
| Derecognition of capital works in progress                                                            | -                | (1,061)          |
| Recognition of investments                                                                            | 2,294            | -                |
| <b>Movement in assets and liabilities</b>                                                             |                  |                  |
| Increase (decrease) in receivables                                                                    | 1,544            | 733              |
| Increase (decrease) in inventories                                                                    | 952              | (63)             |
| (Increase) decrease in staff benefits                                                                 | (10,646)         | (13,647)         |
| (Increase) decrease in payables and provisions                                                        | (3,696)          | (2,196)          |
| (Increase) decrease in other liabilities                                                              | 1,057            | (701)            |
| <b>Net cost of providing services</b>                                                                 | <b>(878,548)</b> | <b>(885,460)</b> |

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**37 Interests in other entities**

Equity accounted investment

Long Entity Name: Flinders Reproductive Medicine Pty Ltd as trustee for Flinders Charitable Trust, trading as Flinders Fertility  
Ownership interest: 50%

**Disclosure:**

Flinders Reproductive Medicine Pty Ltd as trustee for Flinders Charitable Trust, trading as Flinders Fertility is the only joint arrangement in which the Hospital participates.

Flinders Fertility is a private fertility clinic based within Flinders Medical Centre in Bedford Park, South Australia. Flinders Fertility is structured as a private trust which is not a reporting entity and is not publicly listed. The Hospital and Flinders University each have a 50% beneficial entitlement to the net assets of the trust. Accordingly, the interest is classified as a joint venture with the investment measured using the equity accounting method.

Profit earned during the financial year is distributed to the beneficiaries, resulting in immaterial net assets being held by the trust. It has previously been agreed that rather than paying out these distributions, they be retained in Flinders Fertility as a liability to the beneficiaries to facilitate growth within the business. The following table summarises the financial information of Flinders Fertility based on currently available information:

|                                                                      | <b>2015</b>   |
|----------------------------------------------------------------------|---------------|
| Percentage ownership interest                                        | 50%           |
|                                                                      | <b>\$'000</b> |
| Current assets                                                       | 5,109         |
| Non-current assets                                                   | 674           |
| Current liabilities                                                  | (5,783)       |
| <b>Net assets</b>                                                    | <b>-</b>      |
| Groups share of net assets (50%)                                     | -             |
| Share of beneficial entitlement                                      | 2,294         |
| <b>Carrying amount of interest in joint venture</b>                  | <b>2,294</b>  |
| Revenue                                                              | 4,535         |
| Expenses                                                             | (4,243)       |
| <b>Profit and total comprehensive income</b>                         | <b>292</b>    |
| <b>Entity's share of profit and total comprehensive income (50%)</b> | <b>146</b>    |



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**38 Transactions with SA Government**

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

| Note                                         | SA Government |        | Non-SA Government |         | Total   |         |
|----------------------------------------------|---------------|--------|-------------------|---------|---------|---------|
|                                              | 2015          | 2014   | 2015              | 2014    | 2015    | 2014    |
|                                              | \$'000        | \$'000 | \$'000            | \$'000  | \$'000  | \$'000  |
| 4 Staff benefit expenses                     | 2,942         | 2,798  | 681,520           | 681,550 | 684,462 | 684,348 |
| Salaries and wages                           | -             | -      | 548,469           | 542,007 | 548,469 | 542,007 |
| TVSP (refer below)                           | -             | -      | 450               | 7,577   | 450     | 7,577   |
| Long service leave (LSL)                     | -             | -      | 13,817            | 16,797  | 13,817  | 16,797  |
| Annual leave                                 | -             | -      | 48,999            | 48,999  | 48,999  | 48,999  |
| Skills and experience retention leave (SERL) | -             | -      | 2,180             | 1,731   | 2,180   | 1,731   |
| Staff on-costs - superannuation              | -             | -      | 58,452            | 55,231  | 58,452  | 55,231  |
| Workers compensation                         | -             | -      | 9,319             | 9,115   | 9,319   | 9,115   |
| Board and committee fees                     | -             | -      | 87                | 73      | 87      | 73      |
| Other staff related expenses                 | 2,942         | 2,798  | (253)             | 20      | 2,689   | 2,818   |
| 5 Supplies and services                      | 97,949        | 74,167 | 185,715           | 198,310 | 283,664 | 272,477 |
| Administration                               | 18            | 155    | 520               | 1,311   | 538     | 1,466   |
| Advertising                                  | 128           | 59     | 1,706             | 311     | 1,834   | 370     |
| Communication                                | 72            | 80     | 1,183             | 993     | 1,255   | 1,073   |
| Computing                                    | 7,896         | 7,749  | 1,044             | 727     | 8,940   | 8,476   |
| Contractors                                  | -             | 45     | 529               | 303     | 529     | 348     |
| Contractors - agency staff                   | 6,471         | 6,279  | 8,790             | 7,691   | 15,261  | 13,970  |
| Consultants                                  | -             | -      | 117               | 53      | 117     | 53      |
| Drug supplies                                | 401           | 106    | 41,227            | 39,822  | 41,628  | 39,928  |
| Electricity, gas and fuel                    | -             | -      | 7,157             | 7,775   | 7,157   | 7,775   |
| Fee for service                              | 204           | 132    | 28,843            | 26,850  | 29,047  | 26,982  |
| Food supplies                                | 297           | 114    | 9,994             | 10,141  | 10,291  | 10,255  |
| Housekeeping                                 | 792           | -      | 9,592             | 9,849   | 10,384  | 9,849   |
| Insurance                                    | 5,614         | 5,492  | 1                 | 19      | 5,615   | 5,511   |
| Internal SA Health SLA payments              | 11,646        | 10,995 | -                 | -       | 11,646  | 10,995  |
| Legal                                        | 106           | 120    | 37                | 5       | 143     | 125     |
| Medical, surgical and laboratory supplies    | 34,863        | 19,254 | 37,919            | 51,338  | 72,782  | 70,592  |
| Minor equipment                              | 776           | 552    | 2,472             | 2,946   | 3,248   | 3,498   |
| Motor vehicle expenses                       | 1,387         | 1,474  | 308               | 655     | 1,695   | 2,129   |
| Occupancy rent and rates                     | 568           | 1,939  | 4,036             | 2,957   | 4,604   | 4,896   |
| Patient transport                            | 4,274         | 4,133  | 983               | 1,109   | 5,257   | 5,242   |
| Payments to Shared Services SA               | 5,402         | 5,079  | -                 | -       | 5,402   | 5,079   |
| Periodical, journals and publications        | -             | -      | 257               | 262     | 257     | 262     |
| Postage                                      | -             | 19     | 1,125             | 1,264   | 1,125   | 1,283   |
| Printing and stationery                      | 330           | -      | 2,016             | 2,477   | 2,346   | 2,477   |
| Rental expense on operating lease            | 147           | 147    | -                 | -       | 147     | 147     |
| Repairs and maintenance                      | 14,073        | 9,494  | 4,385             | 6,704   | 18,458  | 16,198  |
| Security                                     | 432           | 238    | 4,571             | 3,793   | 5,003   | 4,031   |
| Staff training and development               | 104           | 90     | 8,466             | 8,765   | 8,570   | 8,855   |
| Staff travel expenses                        | 6             | 3      | 654               | 703     | 660     | 706     |
| Waste removal                                | -             | -      | 1,372             | 1,684   | 1,372   | 1,684   |
| Other supplies and services                  | 1,942         | 419    | 6,411             | 7,803   | 8,353   | 8,222   |

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|                                                                  | SA Government  |               | Non-SA Government |                | Total            |                  |
|------------------------------------------------------------------|----------------|---------------|-------------------|----------------|------------------|------------------|
|                                                                  | 2015           | 2014          | 2015              | 2014           | 2015             | 2014             |
|                                                                  | \$'000         | \$'000        | \$'000            | \$'000         | \$'000           | \$'000           |
| 6 Depreciation and amortisation expense                          | -              | -             | 31,235            | 30,332         | 31,235           | 30,332           |
| Buildings and improvements                                       | -              | -             | 23,327            | 22,952         | 23,327           | 22,952           |
| Site improvements                                                | -              | -             | 1,031             | 778            | 1,031            | 778              |
| Computing equipment                                              | -              | -             | 2                 | 2              | 2                | 2                |
| Medical, surgical, dental and biomedical equipment               | -              | -             | 6,200             | 5,932          | 6,200            | 5,932            |
| Motor vehicles                                                   | -              | -             | 37                | 41             | 37               | 41               |
| Power generation and transmission                                | -              | -             | 55                | 25             | 55               | 25               |
| Other plant and equipment                                        | -              | -             | 459               | 476            | 459              | 476              |
| Leasehold improvements                                           | -              | -             | 124               | 126            | 124              | 126              |
| 7 Grants and subsidies                                           | 51             | 59            | 3,308             | 4,416          | 3,359            | 4,475            |
| Subsidies                                                        | -              | -             | 674               | 801            | 674              | 801              |
| Funding to non-government organisations                          | -              | -             | 2,634             | 3,615          | 2,634            | 3,615            |
| Other                                                            | 51             | 59            | -                 | -              | 51               | 59               |
| 8 Borrowing costs                                                | 1,520          | 1,700         | -                 | -              | 1,520            | 1,700            |
| Interest on borrowings                                           | 1,520          | 1,700         | -                 | -              | 1,520            | 1,700            |
| 15 Net gain/(loss) from disposal of non-current and other assets | -              | -             | 1,465             | 381            | 1,465            | 381              |
| Total proceeds from disposal                                     | -              | -             | (1)               | -              | (1)              | -                |
| Less total value of assets disposed                              | -              | -             | 1,466             | 381            | 1,466            | 381              |
| 9 Other expenses                                                 | 1,122          | 3,224         | 7,219             | 4,334          | 8,341            | 7,558            |
| Bad and doubtful debts                                           | -              | -             | 5,493             | 2,275          | 5,493            | 2,275            |
| Donated assets expense                                           | 405            | 2,423         | -                 | -              | 405              | 2,423            |
| Bank fees and charges                                            | -              | -             | 40                | 61             | 40               | 61               |
| Other (excluding audit fees)                                     | 717            | 801           | 1,686             | 1,998          | 2,403            | 2,799            |
| 10 Auditor's remuneration                                        | 324            | 302           | -                 | -              | 324              | 302              |
| Auditor fees - auditing financial statements                     | 324            | 302           | -                 | -              | 324              | 302              |
| <b>TOTAL EXPENSES</b>                                            | <b>103,908</b> | <b>82,250</b> | <b>910,462</b>    | <b>919,323</b> | <b>1,014,370</b> | <b>1,001,573</b> |
| <b>INCOME</b>                                                    |                |               |                   |                |                  |                  |
| 11 Revenue from fees and charges                                 | 13,726         | 12,983        | 67,681            | 61,676         | 81,407           | 74,659           |
| Fines, fees and penalties                                        | -              | -             | 53                | 5              | 53               | 5                |
| Insurance recoveries from health services                        | 153            | 72            | -                 | -              | 153              | 72               |
| Patient and client fees                                          | -              | -             | 35,935            | 29,231         | 35,935           | 29,231           |
| Private practice fees                                            | -              | -             | 14,669            | 14,685         | 14,669           | 14,685           |
| Recoveries                                                       | 13,344         | 12,723        | 12,204            | 11,964         | 25,548           | 24,687           |
| Residential and other aged care charges                          | -              | -             | 33                | 30             | 33               | 30               |
| Sale of goods - medical supplies                                 | 46             | 35            | 423               | 326            | 469              | 361              |
| Other user charges and fees                                      | 183            | 153           | 4,364             | 5,435          | 4,547            | 5,588            |



**SOUTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

|                                                                             | SA Government  |                | Non-SA Government |               | Total            |                |
|-----------------------------------------------------------------------------|----------------|----------------|-------------------|---------------|------------------|----------------|
|                                                                             | 2015           | 2014           | 2015              | 2014          | 2015             | 2014           |
|                                                                             | \$'000         | \$'000         | \$'000            | \$'000        | \$'000           | \$'000         |
| 12 Grants and contributions                                                 | 2,792          | 3,123          | 32,907            | 28,776        | 35,699           | 31,899         |
| Commonwealth grants and donations                                           | -              | -              | 1,485             | 376           | 1,485            | 376            |
| Pharmaceutical benefits scheme                                              | -              | -              | 27,380            | 25,082        | 27,380           | 25,082         |
| Commonwealth subsidy                                                        | -              | -              | -                 | -             | -                | -              |
| Community development fund                                                  | 144            | 148            | -                 | -             | 144              | 148            |
| Other grants and contributions from SA Government agencies                  | 2,648          | 2,975          | -                 | -             | 2,648            | 2,975          |
| Private sector capital contributions                                        | -              | -              | 10                | 240           | 10               | 240            |
| Private sector grants and contributions                                     | -              | -              | 4,032             | 3,078         | 4,032            | 3,078          |
| 13 Interest revenue                                                         | 215            | -              | 164               | 338           | 379              | 338            |
| Bank interest                                                               | -              | -              | 164               | 338           | 164              | 338            |
| Interest on Special Purpose Funds (SPF)                                     | 215            | -              | -                 | -             | 215              | -              |
| 14 Resources received free of charge                                        | -              | -              | 860               | 555           | 860              | 555            |
| Buildings                                                                   | -              | -              | 670               | -             | 670              | -              |
| Plant and equipment                                                         | -              | -              | 190               | 555           | 190              | 555            |
| 16 Other revenue                                                            | 1,559          | 1,174          | 10,109            | 7,488         | 11,668           | 8,662          |
| Commissions revenue                                                         | -              | -              | 33                | 18            | 33               | 18             |
| Training revenue                                                            | 2              | 16             | 3                 | 1             | 5                | 17             |
| Other                                                                       | 1,557          | 1,158          | 10,073            | 7,469         | 11,630           | 8,627          |
| 17 Other income                                                             | -              | -              | 5,809             | -             | 5,809            | -              |
| Reversal of prior period revaluation decrement - Buildings and Improvements | -              | -              | 5,809             | -             | 5,809            | -              |
| 18 Revenue from SA Government                                               | 872,873        | 869,561        | -                 | -             | 872,873          | 869,561        |
| Recurrent funding                                                           | 863,214        | 838,960        | -                 | -             | 863,214          | 838,960        |
| Capital funding                                                             | 9,209          | 21,444         | -                 | -             | 9,209            | 21,444         |
| TVSP recovery funds from Department of Treasury and Finance                 | 450            | 9,157          | -                 | -             | 450              | 9,157          |
| <b>TOTAL INCOME</b>                                                         | <b>891,165</b> | <b>886,841</b> | <b>117,530</b>    | <b>98,833</b> | <b>1,008,695</b> | <b>985,674</b> |
| <b>FINANCIAL ASSETS</b>                                                     |                |                |                   |               |                  |                |
| 19 Cash and cash equivalents                                                | -              | -              | 38,448            | 18,299        | 38,448           | 18,299         |
| Cash at bank or on hand - non-government financial institutions             | -              | -              | 38,258            | 18,118        | 38,258           | 18,118         |
| Imprest account/cash on hand                                                | -              | -              | 190               | 181           | 190              | 181            |
| 20 Receivables                                                              | 5,323          | 7,371          | 29,441            | 25,849        | 34,764           | 33,220         |
| Patient/client fees                                                         | -              | -              | -                 | -             | -                | -              |
| Compensable                                                                 | -              | -              | 5,989             | 3,513         | 5,989            | 3,513          |
| Other                                                                       | -              | -              | 10,643            | 8,068         | 10,643           | 8,068          |
| Workers compensation provision recoverable                                  | 5,254          | 6,276          | -                 | -             | 5,254            | 6,276          |
| Grants                                                                      | -              | -              | -                 | 130           | -                | 130            |
| Prepayments                                                                 | -              | -              | 5,457             | 5,240         | 5,457            | 5,240          |
| Debtors                                                                     | 69             | 1,095          | 4,647             | 6,215         | 4,716            | 7,310          |
| Less: allowance for doubtful debts                                          | -              | -              | (5,519)           | (3,287)       | (5,519)          | (3,287)        |
| Sundry receivables and accrued revenue                                      | -              | -              | 8,025             | 5,945         | 8,025            | 5,945          |
| GST recoverable                                                             | -              | -              | 199               | 25            | 199              | 25             |
| 22 Other financial assets                                                   | -              | -              | 2,294             | -             | 2,294            | -              |
| Other investments                                                           | -              | -              | 2,294             | -             | 2,294            | -              |
| <b>TOTAL FINANCIAL ASSETS</b>                                               | <b>5,323</b>   | <b>7,371</b>   | <b>70,183</b>     | <b>44,148</b> | <b>75,506</b>    | <b>51,519</b>  |







**For the year ended 30 June 2015**

|           |                  |
|-----------|------------------|
| Dreckow J | Stubbs T (Chair) |
| Hislop R  | Taylor M         |

|                                   |                                  |                    |
|-----------------------------------|----------------------------------|--------------------|
| Agzarian M *                      | Fernando H                       | Morton S * (Chair) |
| Aylward P *                       | Govier A * (resigned 02/12/2014) | Moyes B *          |
| Bastiampillai T *                 | Hanson J * (resigned 02/12/2014) | O'Connor J *       |
| Battersby M *                     | Heddle B *                       | Padbury R *        |
| Bersten A *                       | Keller N *                       | Ramsy G *          |
| Bishop R                          | Lawrence D *                     | Sturman G *        |
| Blyth A *                         | Lillie P *                       | Whitehead C *      |
| Brown K * (resigned 02/12/2014)   | Mannion J *                      | Wilson T *         |
| Chaplin S *                       | McDonald J *                     | Woon S *           |
| Cieslak A * (resigned 02/12/2014) | Moen D *                         |                    |
| Eaton V *                         | Morris D *                       |                    |

|                                   |                                |                                   |
|-----------------------------------|--------------------------------|-----------------------------------|
| Bishop R (ceased 01/09/2014)      | Fernando H (ceased 01/09/2014) | McDonald J * (ceased 01/09/2014)  |
| Bower T (ceased 01/09/2014)       | Hanson J * (ceased 01/09/2014) | Roadnight J * (ceased 01/09/2014) |
| Doncaster N * (ceased 01/09/2014) | Jones C (ceased 01/09/2014)    | Sturman G * (ceased 01/09/2014)   |
| Ferguson J (ceased 01/09/2014)    | Kimber M * (ceased 01/09/2014) |                                   |

|                |                                      |                    |
|----------------|--------------------------------------|--------------------|
| Bersten A Dr * | Kerrins E                            | Williams H (Chair) |
| Bishop R       | Lawlor-Smith L (resigned 30/06/2015) | Wilson B           |
| Hislop R       | Taylor A                             |                    |

|         |                     |
|---------|---------------------|
| Bower T | Mannion J * (Chair) |
| Haves B | Quirk M *           |

## Nicholas M. Quirk M.\*

|                                                                                                   | 2015           | 2014           |
|---------------------------------------------------------------------------------------------------|----------------|----------------|
| The number of members whose remuneration received or receivable falls within the following bands: | No. of Members | No. of Members |
| \$0                                                                                               | 47             | 17             |
| \$1 - \$9,999                                                                                     | 31             | 34             |
| \$10,000 - \$19,999                                                                               | 2              | 1              |
| <b>Total</b>                                                                                      | <b>80</b>      | <b>52</b>      |

In accordance with the *Department of Premier and Cabinet Circular No. 016*, government employees did not receive any remuneration for board/committee duties during the financial year.

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# SOUTHERN ADELAIDE LOCAL HEALTH NETWORK

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

### 40 Events after the reporting period

The Hospital is not aware of any material events occurring between the end of the reporting period and when the financial statements were authorised.

### 41 Schedules of administered funds

The following incomes, expenses, assets and liabilities were administered but not controlled by the Hospital and have not been included in the financial statements. In accordance with Accounting Policy Framework II *General Purpose Financial Statements* para. APS 3.13.2, these items are regarded as insignificant to the Hospital's overall performance and are disclosed in the following schedules.

#### Description of categories of administered funds

*The Woolshed* is a smoke-free therapeutic community for people who have abused alcohol and/or other drugs. Located near Strathalbyn, the 28-hectare property provides a supportive drug-free rural environment with a structured program for personal growth and behavioural change.

*Private Practice* represents funds billed on behalf of salaried medical officers and subsequently distributed to the Hospital and salaried medical officers according to individual Rights of Private Practice Deeds of Agreement.

#### Schedule of administered expenses and Income for the year ended 30 June 2015

|                                    | Private<br>Practice<br>Arrange-<br>ments | The<br>Woolshed | Total         |
|------------------------------------|------------------------------------------|-----------------|---------------|
|                                    | 2015                                     | 2015            | 2015          |
|                                    | \$'000                                   | \$'000          | \$'000        |
| <b>Administered expenses</b>       |                                          |                 |               |
| Other expenses                     | 25,933                                   | 463             | 26,396        |
| <b>Total administered expenses</b> | <b>25,933</b>                            | <b>463</b>      | <b>26,396</b> |
| <b>Administered income</b>         |                                          |                 |               |
| Revenues from fees and charges     | 27,640                                   | -               | 27,640        |
| Other revenues                     | -                                        | 459             | 459           |
| <b>Total administered income</b>   | <b>27,640</b>                            | <b>459</b>      | <b>28,099</b> |
| <b>Net result</b>                  | <b>1,707</b>                             | <b>(4)</b>      | <b>1,703</b>  |

|                                    | Private<br>Practice<br>Arrange-<br>ments | The<br>Woolshed | Total         |
|------------------------------------|------------------------------------------|-----------------|---------------|
|                                    | 2014                                     | 2014            | 2014          |
|                                    | \$'000                                   | \$'000          | \$'000        |
| <b>Administered expenses</b>       |                                          |                 |               |
| Other expenses                     | 26,737                                   | 476             | 27,213        |
| <b>Total administered expenses</b> | <b>26,737</b>                            | <b>476</b>      | <b>27,213</b> |
| <b>Administered income</b>         |                                          |                 |               |
| Revenues from fees and charges     | 26,439                                   | -               | 26,439        |
| Other revenues                     | -                                        | 473             | 473           |
| <b>Total administered income</b>   | <b>26,439</b>                            | <b>473</b>      | <b>26,912</b> |
| <b>Net result</b>                  | <b>(298)</b>                             | <b>(3)</b>      | <b>(301)</b>  |



**SOUTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2015**

**Schedule of administered assets and liabilities**  
**as at 30 June 2015**

|                                               | Private<br>Practice<br>Arrange-<br>ments | The<br>Woolshed | Total        |
|-----------------------------------------------|------------------------------------------|-----------------|--------------|
|                                               | 2015                                     | 2015            | 2015         |
|                                               | \$'000                                   | \$'000          | \$'000       |
| <b>Administered current assets</b>            |                                          |                 |              |
| Cash and cash equivalents                     | 3,185                                    | 15              | 3,200        |
| Receivables                                   | 2,351                                    | 8               | 2,359        |
| <b>Total administered current assets</b>      | <b>5,536</b>                             | <b>23</b>       | <b>5,559</b> |
| <b>Total administered assets</b>              | <b>5,536</b>                             | <b>23</b>       | <b>5,559</b> |
| <b>Administered current liabilities</b>       |                                          |                 |              |
| Other current provisions/liabilities          | 26                                       | -               | 26           |
| <b>Total administered current liabilities</b> | <b>26</b>                                | <b>-</b>        | <b>26</b>    |
| <b>Total administered liabilities</b>         | <b>26</b>                                | <b>-</b>        | <b>26</b>    |
| <b>Net administered assets</b>                | <b>5,510</b>                             | <b>23</b>       | <b>5,533</b> |

|                                               | Private<br>Practice<br>Arrange-<br>ments | The<br>Woolshed | Total        |
|-----------------------------------------------|------------------------------------------|-----------------|--------------|
|                                               | 2014                                     | 2014            | 2014         |
|                                               | \$'000                                   | \$'000          | \$'000       |
| <b>Administered current assets</b>            |                                          |                 |              |
| Cash and cash equivalents                     | 2,513                                    | 47              | 2,560        |
| Receivables                                   | 1,711                                    | 6               | 1,717        |
| <b>Total administered current assets</b>      | <b>4,224</b>                             | <b>53</b>       | <b>4,277</b> |
| <b>Total administered assets</b>              | <b>4,224</b>                             | <b>53</b>       | <b>4,277</b> |
| <b>Administered current liabilities</b>       |                                          |                 |              |
| Other current provisions/liabilities          | 421                                      | 26              | 447          |
| <b>Total administered current liabilities</b> | <b>421</b>                               | <b>26</b>       | <b>447</b>   |
| <b>Total administered liabilities</b>         | <b>421</b>                               | <b>26</b>       | <b>447</b>   |
| <b>Net administered assets</b>                | <b>3,803</b>                             | <b>27</b>       | <b>3,830</b> |

**SOUTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2015**

**Schedule of administered changes in equity  
for the year ended 30 June 2015**

|                                                   | Private<br>Practice<br>Arrange-<br>ments | The<br>Woolshed | Total  |
|---------------------------------------------------|------------------------------------------|-----------------|--------|
|                                                   | 2015                                     | 2015            | 2015   |
|                                                   | \$'000                                   | \$'000          | \$'000 |
| Balance at the beginning of the reporting period  | 3,803                                    | 27              | 3,830  |
| Net income/expenses recognised directly in equity | 3,803                                    | 27              | 3,830  |
| Net result                                        | 1,707                                    | (4)             | 1,703  |
| Balance at the end of the reporting period        | 5,510                                    | 23              | 5,533  |

|                                                  | Private<br>Practice<br>Arrange-<br>ments | The<br>Woolshed | Total  |
|--------------------------------------------------|------------------------------------------|-----------------|--------|
|                                                  | 2014                                     | 2014            | 2014   |
|                                                  | \$'000                                   | \$'000          | \$'000 |
| Balance at the beginning of the reporting period | 4,101                                    | 30              | 4,131  |
| Restated Opening Balance                         | 4,101                                    | 30              | 4,131  |
| Net result                                       | (298)                                    | (3)             | (301)  |
| Balance at the end of the reporting period       | 3,803                                    | 27              | 3,830  |

**Schedule of Administered Cash Flows  
for the year ended 30 June 2015**

|                                                                 | Private<br>Practice<br>Arrange-<br>ments | The<br>Woolshed | Total         |
|-----------------------------------------------------------------|------------------------------------------|-----------------|---------------|
|                                                                 | 2015                                     | 2015            | 2015          |
|                                                                 | \$'000                                   | \$'000          | \$'000        |
| <b>Cash flows from operating activities</b>                     |                                          |                 |               |
| <b>Cash inflows</b>                                             |                                          |                 |               |
| Fees and charges                                                | 27,002                                   | -               | 27,002        |
| Other revenue                                                   | -                                        | 457             | 457           |
| <b>Total cash inflows</b>                                       | <b>27,002</b>                            | <b>457</b>      | <b>27,459</b> |
| <b>Cash outflows</b>                                            |                                          |                 |               |
| Other payments                                                  | 26,330                                   | 489             | 26,819        |
| <b>Total cash outflows</b>                                      | <b>26,330</b>                            | <b>489</b>      | <b>26,819</b> |
| <b>Net cash inflows/cash outflows from operating activities</b> | <b>672</b>                               | <b>(32)</b>     | <b>640</b>    |
| <b>Net increase/(decrease) in cash held</b>                     | <b>672</b>                               | <b>(32)</b>     | <b>640</b>    |
| Cash at the beginning of the reporting period                   | 2,513                                    | 47              | 2,560         |
| <b>Cash at the end of the reporting period</b>                  | <b>3,185</b>                             | <b>15</b>       | <b>3,200</b>  |



**SOUTHERN ADELAIDE LOCAL HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

|                                                                 | <b>Private<br/>Practice<br/>Arrange-<br/>ments</b> | <b>The<br/>Woolshed</b> | <b>Total</b>  |
|-----------------------------------------------------------------|----------------------------------------------------|-------------------------|---------------|
|                                                                 | <b>2014</b>                                        | <b>2014</b>             | <b>2014</b>   |
|                                                                 | <b>\$'000</b>                                      | <b>\$'000</b>           | <b>\$'000</b> |
| <b><u>Cash flows from operating activities</u></b>              |                                                    |                         |               |
| <b>Cash inflows</b>                                             |                                                    |                         |               |
| Fees and charges                                                | 26,516                                             | -                       | 26,516        |
| Other revenue                                                   | -                                                  | 472                     | 472           |
| <b>Total cash inflows</b>                                       | <b>26,516</b>                                      | <b>472</b>              | <b>26,988</b> |
| <b>Cash outflows</b>                                            |                                                    |                         |               |
| Other payments                                                  | 26,331                                             | 472                     | 26,803        |
| <b>Total cash outflows</b>                                      | <b>26,331</b>                                      | <b>472</b>              | <b>26,803</b> |
| <b>Net cash inflows/cash outflows from operating activities</b> | <b>185</b>                                         | <b>-</b>                | <b>185</b>    |
| <b>Net increase/(decrease) in cash held</b>                     | <b>185</b>                                         | <b>-</b>                | <b>185</b>    |
| Cash at the beginning of the reporting period                   | 2,328                                              | 47                      | 2,375         |
| <b>Cash at the end of the reporting period</b>                  | <b>2,513</b>                                       | <b>47</b>               | <b>2,560</b>  |

**Administered expenses and administered cash outflows**

The Hospital makes various transfer payments to eligible beneficiaries in the capacity of an agent responsible for the administration of the transfer process. Amounts relating to these transfer payments are not controlled by the Hospital, since they are made at the discretion of government in accordance with government policy. These transfers are disclosed as administered expenses and administered cash outflows.

**Administered incomes and administered cash inflows**

The Hospital collects various revenues and grants on behalf of government. The amounts are not controlled by the Hospital and are not recognised by the Hospital. These amounts are disclosed as administered revenues and administered cash inflows.

**Administered assets and liabilities**

The Hospital manages various assets and liabilities on behalf of the Government. The amounts are not controlled by the Hospital and are not recognised by the Hospital. These amounts are disclosed as administered assets and liabilities.

**Administered contingent assets and liabilities**

The Hospital has no administered contingent assets and liabilities.

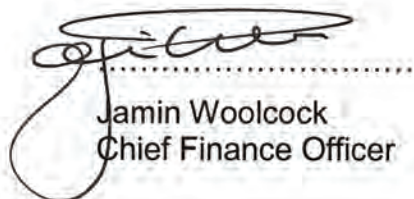
## Certification of the financial statements

We certify that the:

- financial statements of the Southern Adelaide Local Health Network Inc.:
  - are in accordance with the accounts and records of the authority; and
  - comply with relevant Treasurer's instructions; and
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Southern Adelaide Local Health Network Inc. over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Tobi Wilson  
A/Chief Executive Officer



Jamin Woolcock  
Chief Finance Officer

Date 18.9.2015





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200 Victoria Square  
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audgensa@audit.sa.gov.au  
www.audit.sa.gov.au

**To the Chief Executive Officer  
Southern Adelaide Local Health Network Incorporated**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 36 of the *Health Care Act 2008*, I have audited the accompanying financial report of the Southern Adelaide Local Health Network Incorporated for the financial year ended 30 June 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Acting Chief Executive Officer and the Chief Finance Officer.

**The Chief Executive Officer's Responsibility for the Financial Report**

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

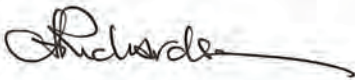
My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the Southern Adelaide Local Health Network Incorporated as at 30 June 2015, 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.

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson  
**Auditor-General**  
22 September 2015



Women's and Children's  
Health Network Incorporated

Financial report  
for the year ended  
30 June 2015

**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 30 June 2015**

|                                                                                                    | Note | 2015<br>\$'000 | 2014<br>\$'000  |
|----------------------------------------------------------------------------------------------------|------|----------------|-----------------|
| <b>Expenses</b>                                                                                    |      |                |                 |
| Staff benefit expenses                                                                             | 4    | 311,118        | 308,011         |
| Supplies and services                                                                              | 5    | 110,198        | 105,131         |
| Depreciation and amortisation expense                                                              | 6    | 8,203          | 8,664           |
| Grants and subsidies                                                                               | 7    | 33             | 319             |
| Net loss from disposal of non-current and other assets                                             | 14   | 229            | -               |
| Net loss on revaluation of investment property                                                     | 22   | 635            | -               |
| Other expenses                                                                                     | 8    | 910            | 2,544           |
| <b>Total expenses</b>                                                                              |      | <b>431,326</b> | <b>424,669</b>  |
| <b>Income</b>                                                                                      |      |                |                 |
| Revenue from fees and charges                                                                      | 10   | 36,817         | 36,301          |
| Grants and contributions                                                                           | 11   | 10,975         | 9,439           |
| Interest revenue                                                                                   | 12   | 238            | 152             |
| Resources received free of charge                                                                  | 13   | 20             | 56              |
| Net gain/(loss) from disposal of non-current and other assets                                      | 14   | -              | 82              |
| Net gain on revaluation of investment property                                                     | 22   | -              | 700             |
| Other revenue                                                                                      | 15   | 5,501          | 4,720           |
| <b>Total income</b>                                                                                |      | <b>53,551</b>  | <b>51,450</b>   |
| <b>Net cost of providing services</b>                                                              |      | <b>377,775</b> | <b>373,219</b>  |
| <b>Revenue from SA Government</b>                                                                  |      |                |                 |
| Revenue from SA Government                                                                         | 16   | 383,817        | 361,355         |
| <b>Total revenue from SA Government</b>                                                            |      | <b>383,817</b> | <b>361,355</b>  |
| <b>Net result</b>                                                                                  |      | <b>6,042</b>   | <b>(11,864)</b> |
| <b>Other comprehensive income</b>                                                                  |      |                |                 |
| <b>Items that will not be reclassified to net result</b>                                           |      |                |                 |
| Asset impairment recognised directly in equity                                                     | 21   | -              | (4,638)         |
| Changes in property, plant and equipment asset revaluation surplus                                 | 21   | 1,255          | (2,840)         |
| <b>Items that will be reclassified subsequently to net result when specific conditions are met</b> |      |                |                 |
| Gains or losses recognised directly in equity                                                      |      | (9)            | 79              |
| <b>Total other comprehensive income</b>                                                            |      | <b>1,246</b>   | <b>(7,399)</b>  |
| <b>Total comprehensive result</b>                                                                  |      | <b>7,288</b>   | <b>(19,263)</b> |

**The net result and total comprehensive result are attributable to the SA Government as owner**

The above statement should be read in conjunction with the accompanying notes.



**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2015**

|                                      | Note | 2015<br>\$ '000 | 2014<br>\$ '000 |
|--------------------------------------|------|-----------------|-----------------|
| <b>Current assets</b>                |      |                 |                 |
| Cash and cash equivalents            | 17   | 23,143          | 7,531           |
| Receivables                          | 18   | 6,902           | 7,093           |
| Inventories                          | 19   | 1,632           | 1,453           |
| <b>Total current assets</b>          |      | <b>31,677</b>   | <b>16,077</b>   |
| <b>Non-current assets</b>            |      |                 |                 |
| Receivables                          | 18   | 1,005           | 1,997           |
| Other financial assets               | 20   | 1,182           | 1,191           |
| Property, plant and equipment        | 21   | 245,088         | 248,427         |
| Investment property                  | 22   | 14,365          | 15,000          |
| Intangible assets                    | 23   | 78              | 92              |
| <b>Total non-current assets</b>      |      | <b>261,718</b>  | <b>266,707</b>  |
| <b>Total assets</b>                  |      | <b>293,395</b>  | <b>282,784</b>  |
| <b>Current liabilities</b>           |      |                 |                 |
| Payables                             | 25   | 11,920          | 11,386          |
| Staff benefits                       | 26   | 41,085          | 37,002          |
| Provisions                           | 27   | 1,746           | 1,829           |
| Other liabilities                    | 28   | 392             | 856             |
| <b>Total current liabilities</b>     |      | <b>55,143</b>   | <b>51,073</b>   |
| <b>Non-current liabilities</b>       |      |                 |                 |
| Payables                             | 25   | 2,318           | 1,582           |
| Staff benefits                       | 26   | 45,288          | 44,931          |
| Provisions                           | 27   | 3,738           | 4,752           |
| <b>Total non-current liabilities</b> |      | <b>51,344</b>   | <b>51,265</b>   |
| <b>Total liabilities</b>             |      | <b>106,487</b>  | <b>102,338</b>  |
| <b>Net assets</b>                    |      | <b>186,908</b>  | <b>180,446</b>  |
| <b>Equity</b>                        |      |                 |                 |
| Asset revaluation surplus            | 29   | 86,439          | 85,184          |
| Other reserves                       | 29   | 369             | 378             |
| Retained earnings                    | 29   | 100,100         | 94,884          |
| <b>Total equity</b>                  |      | <b>186,908</b>  | <b>180,446</b>  |

**The total equity is attributable to the SA Government as owner**

Unrecognised contractual commitments

31

Contingent assets and liabilities

33

The above statement should be read in conjunction with the accompanying notes.

**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2015**

|                                                                     | Note | Asset<br>revaluation<br>surplus<br>\$ '000 | Other<br>reserves<br>\$ '000 | Retained<br>earnings<br>\$ '000 | Total<br>\$ '000 |
|---------------------------------------------------------------------|------|--------------------------------------------|------------------------------|---------------------------------|------------------|
| <b>Balance at 30 June 2013</b>                                      |      | <b>93,060</b>                              | <b>299</b>                   | <b>106,083</b>                  | <b>199,442</b>   |
| <b>Net result for 2013-14</b>                                       |      | -                                          | -                            | (11,864)                        | (11,864)         |
| Gain/(loss) on revaluation of other financial assets                |      | -                                          | 148                          | -                               | 148              |
| Gain/(loss) on realisation of other financial assets                |      | -                                          | (69)                         | -                               | (69)             |
| Correction to prior period asset revaluation                        | 21   | (2,840)                                    | -                            | -                               | (2,840)          |
| Impairment of assets during 2013-14                                 |      | (4,638)                                    | -                            | -                               | (4,638)          |
| <b>Total comprehensive result for 2013-14</b>                       |      | <b>(7,478)</b>                             | <b>79</b>                    | <b>(11,864)</b>                 | <b>(19,263)</b>  |
| Transfer between equity components                                  |      | (398)                                      | -                            | 398                             | -                |
| <b>Transactions with SA Government as owner</b>                     |      |                                            |                              |                                 |                  |
| Net assets transferred as a result of an administrative restructure | 32   | -                                          | -                            | 267                             | 267              |
| <b>Balance at 30 June 2014</b>                                      | 29   | <b>85,184</b>                              | <b>378</b>                   | <b>94,884</b>                   | <b>180,446</b>   |
| <b>Net result for 2014-15</b>                                       |      | -                                          | -                            | 6,042                           | 6,042            |
| Gain/(loss) on revaluation of property during 2014-15               | 21   | 1,437                                      | -                            | -                               | 1,437            |
| Gain/(loss) on revaluation of plant and equipment during 2014-15    | 21   | (182)                                      | -                            | -                               | (182)            |
| Gain/(loss) on revaluation of other financial assets                |      | -                                          | (9)                          | -                               | (9)              |
| <b>Total comprehensive result for 2014-15</b>                       |      | <b>1,255</b>                               | <b>(9)</b>                   | <b>6,042</b>                    | <b>7,288</b>     |
| <b>Transactions with SA Government as owner</b>                     |      |                                            |                              |                                 |                  |
| Net assets received from an administrative restructure              | 32   | -                                          | -                            | (412)                           | (412)            |
| Net assets transferred as a result of an administrative restructure | 32   | -                                          | -                            | (414)                           | (414)            |
| <b>Balance at 30 June 2015</b>                                      | 29   | <b>86,439</b>                              | <b>369</b>                   | <b>100,100</b>                  | <b>186,908</b>   |

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

The above statement should be read in conjunction with the accompanying notes.



**WOMEN'S AND CHILDREN'S HEALTH NETWORK**

**STATEMENT OF CASH FLOWS**

**For the year ended 30 June 2015**

|                                                              | Note | 2015<br>\$ '000  | 2014<br>\$ '000  |
|--------------------------------------------------------------|------|------------------|------------------|
| <b>Cash flows from operating activities</b>                  |      |                  |                  |
| <b>Cash outflows</b>                                         |      |                  |                  |
| Staff benefit expenses                                       |      | (307,119)        | (300,705)        |
| Payments for supplies and services                           |      | (122,671)        | (111,045)        |
| Payments of grants and subsidies                             |      | (33)             | (319)            |
| Interest paid                                                |      | -                | -                |
| Residential aged care bonds refunded                         |      | -                | -                |
| GST remitted                                                 |      | -                | -                |
| Payments for paid parental leave scheme                      |      | (1,136)          | (1,119)          |
| Other payments                                               |      | (925)            | (2,610)          |
| <b>Cash used in operations</b>                               |      | <b>(431,884)</b> | <b>(415,798)</b> |
| <b>Cash inflows</b>                                          |      |                  |                  |
| Fees and charges                                             |      | 41,563           | 41,414           |
| Grants and contributions                                     |      | 11,661           | 9,692            |
| Interest received                                            |      | 241              | 152              |
| Residential aged care bonds received                         |      | -                | -                |
| Aged care subsidies                                          |      | -                | -                |
| GST recovered                                                |      | 5,192            | 6,037            |
| Receipts for paid parental leave scheme                      |      | 1,207            | 1,119            |
| Other receipts                                               |      | 6,670            | 5,681            |
| <b>Cash generated from operations</b>                        |      | <b>66,534</b>    | <b>64,095</b>    |
| <b>Cash flows from SA Government</b>                         |      |                  |                  |
| Receipts from SA Government                                  |      | 383,609          | 360,053          |
| <b>Cash generated from SA Government</b>                     |      | <b>383,609</b>   | <b>360,053</b>   |
| <b>Net cash provided by / (used in) operating activities</b> |      | <b>18,259</b>    | <b>8,350</b>     |
| <b>Cash flows from investing activities</b>                  |      |                  |                  |
| <b>Cash outflows</b>                                         |      |                  |                  |
| Purchase of property, plant and equipment                    |      | (2,632)          | (3,134)          |
| Purchase of investment property                              |      | -                | -                |
| Purchase of intangibles                                      |      | (31)             | (45)             |
| Purchase of investments                                      |      | -                | (216)            |
| <b>Cash used in investing activities</b>                     |      | <b>(2,663)</b>   | <b>(3,395)</b>   |
| <b>Cash inflows</b>                                          |      |                  |                  |
| Proceeds from sale of property, plant and equipment          |      | 16               | -                |
| Proceeds from sale/maturities of investments                 |      | -                | 215              |
| <b>Cash generated from investing activities</b>              |      | <b>16</b>        | <b>215</b>       |
| <b>Net cash provided by/(used in) investing activities</b>   |      | <b>(2,647)</b>   | <b>(3,180)</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>  |      | <b>15,612</b>    | <b>5,170</b>     |
| Cash and cash equivalents at the beginning of the period     |      | 7,531            | 2,361            |
| <b>Cash and cash equivalents at the end of the period</b>    | 17   | <b>23,143</b>    | <b>7,531</b>     |
| Non-cash transactions                                        | 34   | (7,889)          | (6,668)          |

The above statement should be read in conjunction with the accompanying notes.

## WOMEN'S AND CHILDREN'S HEALTH NETWORK

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## WOMEN'S AND CHILDREN'S HEALTH NETWORK

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

#### 1 Objectives of Women's and Children's Health Network

The Women's and Children's Health Network Incorporated (the Hospital) is an incorporated Hospital under the *Health Care Act 2008* (the Act).

The Chief Executive Officer administers and manages the Hospital under delegation from the Chief Executive of the Department for Health and Ageing (the Department) and is accountable to the Chief Executive of the Department.

The Women's and Children's Health Network Advisory Council Incorporated (the Council) was established pursuant to the Act. The council's functions include advising, monitoring, providing strategic oversight, conferring and making recommendations to the Chief Executive of the Department and the Chief Executive Officer of the Hospital. The Council has no powers to direct or make decisions with respect to the management and administration of the Hospital.

The Hospital's objectives are to enhance and promote the health of women, children and young people by specialising in care, research, education and health promotion.

#### 1.1 Administrative restructures

##### 2014-15

- Following a review of Departmental functions, effective 1 June 2015, the Chief Executive of the Department approved the transfer of Financial Business Advisory and Hospital based Revenue Services employees within Finance to the Local Health Networks and the South Australian Ambulance Service.

##### 2013-14

- A new SA Biomedical Engineering (SA BME) organisation structure was approved by the Chief Executive of the Department on 3 January 2013. This new state-wide service will deliver efficiencies, maximise the use of resources, ensure that consistent and easily accessible services are available across SA and provide a network wide management approach to the maintenance and operation of medical equipment. Effective 18 November 2013, all in-scope staff and their associated staff benefits transferred from the Hospital to a consolidated state-wide biomedical engineering service within the Department.

Details of the assets, rights and liabilities that transferred are provided in Note 32.

#### 2 Summary of significant accounting policies

##### 2.1 Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the Public Finance and Audit Act 1987, and the requirements of the Act.

The Hospital has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Hospital is a not-for-profit entity.

Refer to Note 3 for Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective for the Hospital for the reporting period ending 30 June 2015.

##### 2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Hospital's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. 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:



## WOMEN'S AND CHILDREN'S HEALTH NETWORK

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### For the year ended 30 June 2015

- a) revenues, expenses, financial assets and financial 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;
- c) staff targeted voluntary separation package information;
- d) staff whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths), and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those staff; and
- e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than direct out of pocket reimbursement.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented.

#### 2.3 Reporting entity

The Hospital was established as an incorporated hospital under the *South Australian Health Commission Act 1976* on 1 July 2004 under the name Children, Youth and Women's Health Service Incorporated. This name was changed on 1 July 2011 to Women's and Children's Health Network Incorporated.

The financial statements include all controlled activities of the Hospital. Transactions and balances relating to administered resources are not recognised as the Hospital's income, expenses, assets and liabilities. As administered items are insignificant in relation to the Hospital's overall financial performance and position, they are disclosed in the schedule of administered items in Note 38. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as the Hospital.

The Hospital does not control any other entity and has no interests in unconsolidated structured entities. In forming this view, the Hospital considered its involvement with a number of different entities and determined that it does not control any of them.

In making this assessment, the Hospital considered its power over the entities, its exposure or rights (e.g. protective and substantive rights) to variable returns from its involvement with the entities and the ability to use its power to affect return amounts (e.g. ability to direct relevant major activities).

The Hospital has not entered into any contractual arrangements which involve the sharing of control or significant influence over another entity.

#### 2.4 Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change, or as otherwise noted.

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

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



**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

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**2.5 Rounding**

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

**2.6 Taxation**

The Hospital is not subject to income tax. The Hospital is liable for fringe benefits tax (FBT) and goods and services tax (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 Australian Taxation Office (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; and
- receivables and payables, which are stated with the amount of GST included.

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

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

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.

Effective 1 January 2014, the Department, incorporated Hospitals and the SA Ambulance Service Inc were grouped for GST purposes with the ATO. All transactions between the GST group members are not subject to GST. The Department acts as an agent on behalf of the incorporated Hospitals and SA Ambulance Service for the purpose of remitting GST to, and recovering GST from, the ATO.

**2.7 Expenses**

Expenses are recognised in the Hospital's Statement of Comprehensive Income when, and only when, it is probable that the flow of economic benefits from the Hospital will occur, and can be reliably measured.

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 the specific recognition criteria:

Resources provided free of charge

Resources provided free of charge are recorded as expenditure in the Statement of Comprehensive Income at their fair value.

Resources provided free of charge are recorded in the line items to which they relate.

Contributions paid

Contributions payable will be recognised as a liability and expense when the Hospital has a present obligation to pay the contribution and the expense recognition criteria are met.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Staff benefits expenses

Staff benefits expenses include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Hospital to the superannuation plan in respect of current services of current hospital staff. The Department of Treasury and Finance (DTF) centrally recognises the superannuation liability in the whole of government financial statements.



## WOMEN'S AND CHILDREN'S HEALTH NETWORK

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

#### 2.8 Income

Income is recognised in the Hospital's Statement of Comprehensive Income when, and only when, it is probable that the flow of economic benefits to the Hospital will occur, and can be reliably measured.

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

The following are the specific recognition criteria:

##### Fees and charges

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

##### Gain from disposal of non-current assets

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

##### Resources received free of charge

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

Resources received free of charge are recorded as such with revenue being separately disclosed.

##### Contributions received

Contributions are recognised as an asset and income when the Hospital obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met.

##### Other revenue

Other income consists of car park revenue, donations and training revenue, etc.

#### 2.9 Revenue from SA Government

The Department for Health and Ageing (the Department) provides recurrent and capital funding under a service level agreement to the Hospital for the provision of general health services.

Contributions from the Department are recognised as revenues when the Hospital obtains control over the funding. Control over the funding is normally obtained upon receipt.

#### 2.10 Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. The Hospital has a clearly identifiable operating cycle of 12 months. Therefore, assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

#### 2.11 Assets

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

When an asset line item combines amounts expected to be settled within 12 months and more than 12 months, the Hospital has separately disclosed the amounts expected to be recovered after more than 12 months.



**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
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**2.12 Cash and cash equivalents**

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

Cash and cash equivalents in the Statement of Cash Flows consist of cash and cash equivalents as defined above, net of bank overdrafts. Cash is measured at nominal value.

**2.13 Receivables**

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

Receivables arise in the normal course of selling goods and services to other agencies and to the public. The Hospital's trading terms for receivables are generally 30 days.

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

*Doubtful Debts*

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Hospital will not be able to collect the debt. Bad debts are written off only after all reasonable effort has been made to collect the debt.

**2.14 Inventories**

Inventories held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost. Inventories (other than those held for distribution at no or nominal consideration) are measured at the lower of cost or their net realisable value.

Cost is measured on the basis of the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distributing to customers.

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

Inventories include:

- Drug supplies;
- Inventory imprest stock;
- Food and hotel supplies;
- Medical, surgical and laboratory supplies;
- Other supplies.

**2.15 Other financial assets**

The Hospital measures financial assets and debts at historical cost, except for listed equities which are measured at market value.

**2.16 Non-current assets held for sale**

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification.

Non-current assets classified as held for sale are presented separately from the other assets in the Statement of Financial Position.



**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
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**2.17 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 costs involved with the acquisition. Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. Where assets are acquired at no or nominal value as part of a restructure of administrative arrangements, the assets are recorded at the value held by the transferor public authority prior to the restructure.

The Hospital capitalises all non-current tangible property, plant and equipment and intangible assets that it controls valued at or greater than \$10,000.

Assets recorded as works in progress represent projects physically incomplete as at the reporting date.

Componentisation of complex assets is generally performed when the complex asset's fair value at the time of acquisition is equal to or greater than \$5 million for infrastructure assets and \$1 million for other assets.

**2.18 Revaluation of non-current assets**

In accordance with Accounting Policy Framework III *Asset Accounting Framework*:

- all non-current tangible assets are valued at written down cost (a proxy for fair value);
- the Hospital revalues all land, buildings and site improvements triennially via a certified practicing valuer;
- triennial revaluation of other non-current assets by a Certified Practicing Valuer is only performed when the assets fair value at the time of acquisition is greater than \$1 million, and the estimated useful life exceeds three years;
- if at any time management considers that the carrying amount of an asset greater than \$1 million materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place; and
- non-current tangible assets that are acquired between revaluations are held at cost, until the next valuation, when they are revalued to fair value.

Any revaluation increase is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income.

Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in revaluation reserves for that asset class.

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class, but are not offset in respect of assets in different classes.

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 asset revaluation surplus relating to that asset is transferred to retained earnings.

**2.19 Impairment**

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. The amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets, an impairment loss is offset against the revaluation surplus for that class of assets, to the extent that the impairment loss does not exceed the amount in the respective asset revaluation surplus.

**2.20 Depreciation and amortisation of non-current assets**

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

The useful lives, depreciation and amortisation methods of all major assets held by the Hospital are reassessed on an annual basis.



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

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

Land and non current assets held for sale are not depreciated.

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

| <u>Class of asset</u>                                              | <u>Useful life (years)</u> |
|--------------------------------------------------------------------|----------------------------|
| Buildings and improvements                                         | 40 - 80                    |
| Leasehold improvements                                             | Life of lease              |
| Plant and equipment:                                               |                            |
| • Medical, surgical, dental and biomedical equipment and furniture | 5 - 15                     |
| • Computing equipment and software                                 | 3 - 5                      |
| • Other plant and equipment                                        | 3 - 25                     |
| Intangibles                                                        | 5 - 10                     |

## **2.21 Intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The acquisition of, or internal development of software, is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10,000.

Capitalised software is amortised over the useful life of the asset.

## **2.22 Investment property**

Investment properties represent properties held to earn rentals and/or for capital appreciation. Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset, will flow to the Hospital.

Subsequent to initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised as income or expense in the period that they arise. The properties are not depreciated and are not tested for impairment.

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

**2.23 Fair value measurement**

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Hospital classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 – traded in active markets, and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market, and are derived from inputs (inputs other than quoted prices included within Level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market, and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed at each reporting date.

*Non-financial assets*

In determining fair value, the Hospital has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible and financially feasible).

The Hospital's current use is the highest and best use of the asset unless other factors suggest an alternative use. As the Hospital did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years are deemed to approximate fair value.

Refer to Note 21, 22 and 24 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

*Financial asset/liabilities*

Investments in listed entities are recognised at fair value based on quoted market prices for identical assets at reporting date. The Hospital does not recognise any other financial assets or financial liabilities at fair value.

**2.24 Liabilities**

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

Where a liability line combines amounts expected to be settled within 12 months and more than 12 months, the Hospital has separately disclosed the amounts expected to be settled after more than 12 months.



**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
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**2.25 Payables**

Payables include creditors, accrued expenses, GST payable, staff on-costs and Paid Parental Leave Scheme payable.

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

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 processed/received.

The Paid Parental Leave Scheme payable represents amounts which the Hospital has received from the Commonwealth Government to forward onto eligible staff via the Hospital's standard payroll processes. That is, the Hospital is acting as a conduit through which the payment to eligible staff is made on behalf of the Family Assistance Office.

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

Staff benefits on-costs include superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave (SERL).

The Hospital 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 reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and externally managed superannuation schemes.

**2.26 Staff benefits**

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

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

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

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

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

Long service leave

The liability for long service leave was determined through an actuarial assessment undertaken by Mercer Consulting (Australia) Pty Ltd, in accordance with AASB 119 *Employee Benefits*. The following assumptions were made by the Actuary when performing the assessment:

- Salary increases of 3 percent; and
- Discounting of 2.85 percent per annum based on the gross 7 year Commonwealth bond rate prevailing at 30 June 2015.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over the health sector across government.

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.



## WOMEN'S AND CHILDREN'S HEALTH NETWORK

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

#### 2.27 Provisions

Provisions are recognised when the Hospital 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.

The Hospital is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. Under a scheme arrangement, the Hospital is responsible for the management of workers rehabilitation and compensation, and is directly responsible for meeting the cost of workers' compensation claims and the implementation and funding of preventive programs.

Although the Department provides funds to the Hospital for the settlement of lump sum and redemption payments, the cost of these claims, together with other claim costs, are met directly by the Hospital, and are thus reflected as an expense from ordinary activities in the Statement of Comprehensive Income.

The workers' compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2015 provided by a consulting actuary engaged through the Office for the Public Sector. The provision is for the estimated cost of ongoing payments to staff as required under current legislation. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling these claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all claims do not have to be paid in the immediate future.

With respect to the workers compensation liability, the Hospital includes an amount receivable for the lump sum and redemption portion of the workers compensation claims which is specifically funded by the Department.

#### 2.28 Specific Purpose Funds

The Hospital receives specific purpose funds from various sources including government, private sector and individuals. The amounts are controlled by the Hospital, and are used to help achieve the Hospital objectives, notwithstanding that specific uses can be determined by the grantor or donor. Accordingly, the amounts are treated as revenue at the time they are earned or at the time control passes to the Hospital.

#### 2.29 Leases

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

The Hospital has only entered into operating leases and has no finance lease arrangements in place.

##### Operating leases

For operating leases, the lessor retains substantially the entire risks and rewards incidental to ownership of the leased assets. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

#### 2.30 Professional indemnity and general public insurance

Professional indemnity and general public liability claims arising from the Hospital's operations are managed as part of the State Government Insurance Program. The Hospital pays an annual premium to the Department. The Department and the SA Government Financing Authority (SAFA), South Australian Insurance Corporation (SAICORP) Division are responsible for meeting the cost of any claims. Consequently, no provision for these claims is recognised in the Hospital's financial statements.

#### 2.31 Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources, and are disclosed at their nominal value. Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

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



## WOMEN'S AND CHILDREN'S HEALTH NETWORK

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

#### 2.32 SA Government/Non-SA Government disclosures

The Hospital has adopted the requirements of Accounting Policy Framework II *General Purpose Financial Statements Framework* where the Hospital must disclose by way of a note, whether transactions are with entities that are within, or external to, the SA Government. These transactions are classified by their nature, and relate to revenues, expenses, financial assets and financial liabilities.

#### 2.33 Continuity of Operations

As at 30 June 2015, the Hospital had working capital deficiency of \$23.466 million (\$34.996 million deficiency). The Government is committed to the ongoing funding of the Hospital to enable it to perform its functions.

#### 2.34 Events after the reporting period

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

Note disclosure is made about events between 30 June 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 of the results of subsequent years.

### 3 New and revised accounting standards and policies

The Hospital did not voluntarily change any of its accounting policies during 2014-15.

In accordance with the new AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements* and AASB 12 *Disclosure of Interests in Other Entities*, which became effective for the first time in 2014-15, the Hospital has reviewed its control assessments (i.e. the Hospital's involvement with the entity; protective and substantive rights; ability to direct major relevant activities etc) and has concluded that there is no impact. The Hospital does not currently control another entity, have any joint arrangements within the scope of AASB 11 or have any interests in structured entities. The Hospital will continue to review its involvement and arrangements with entities it is connected with to determine the impact of AASB 10, AASB 11 and AASB 12 for future years.

#### Early adoption of Accounting Standards

In accordance with Accounting Policy Framework II *General Purpose Financial Statement Framework*, the Hospital has applied Australian Accounting Standards approved for early adoption by the Department of Treasury and Finance. The only Australian Accounting Standard applied and approved for early adoption by the Hospital for the 2014-15 financial year is AASB 2015-7 *Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities* which amends AASB 13 *Fair Value Measurement*.

#### Accounting Standards issued or amended but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Hospital for the period ending 30 June 2015. The Hospital has assessed the impact of the new and amended standards and interpretations and considers there will be no material impact on the accounting policies or the financial statements of the Hospital, except as outlined below.

**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
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**4 Staff benefit expenses**

|                                                                 | <b>2015</b>    | <b>2014</b>    |
|-----------------------------------------------------------------|----------------|----------------|
|                                                                 | <b>\$'000</b>  | <b>\$'000</b>  |
| Salaries and wages                                              | 249,902        | 245,332        |
| TVSP (refer below)                                              | 1,153          | 1,245          |
| Long service leave (LSL)                                        | 7,553          | 8,156          |
| Annual leave                                                    | 23,096         | 23,629         |
| Skills and experience retention leave (SERL)                    | 1,324          | 984            |
| Staff on-costs - superannuation                                 | 26,515         | 25,039         |
| Workers compensation                                            | 1,161          | 2,764          |
| Board and committee fees                                        | 59             | 44             |
| Other staff related expenses                                    | 355            | 818            |
| <b>Total staff benefit expenses</b>                             | <b>311,118</b> | <b>308,011</b> |
|                                                                 | <b>2015</b>    | <b>2014</b>    |
|                                                                 | <b>\$'000</b>  | <b>\$'000</b>  |
| <b>Targeted voluntary separation packages (TVSPs)</b>           |                |                |
| Amount paid during the reporting period to separated staff:     |                |                |
| TVSPs                                                           | 1,153          | 1,245          |
| Annual leave, LSL and SERL paid to those employees              | 261            | 318            |
|                                                                 | <b>1,414</b>   | <b>1,563</b>   |
| Recovery from the Department of Treasury and Finance *          | 1,153          | 1,289          |
| <b>Net cost to the Hospital</b>                                 | <b>261</b>     | <b>274</b>     |
| Number of staff who received a TVSP during the reporting period | 17             | 10             |

\*TVSP recoveries from DTF are to be recognised when the not-for-profit entity obtains control over the funds associated with the TVSP recovery or the right to receive the TVSP recovery from DTF. This will generally be upon receipt of the funds or obtaining written confirmation/substantiation from DTF that provides a right to receive the funds associated with the TVSP recovery.



**WOMEN'S AND CHILDREN'S HEALTH NETWORK**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2015**

**Remuneration of staff**

|                                                                                                 | 2015       | 2014       |
|-------------------------------------------------------------------------------------------------|------------|------------|
| The number of staff whose remuneration received or receivable falls within the following bands: | No.        | No.        |
| \$141,500 - \$151,499                                                                           | 25         | 36         |
| \$151,500 - \$161,499                                                                           | 28         | 18         |
| \$161,500 - \$171,499                                                                           | 25         | 12         |
| \$171,500 - \$181,499                                                                           | 12         | 10         |
| \$181,500 - \$191,499                                                                           | 5          | 10         |
| \$191,500 - \$201,499                                                                           | 7          | 10         |
| \$201,500 - \$211,499                                                                           | 12         | 6          |
| \$211,500 - \$221,499                                                                           | 4          | 3          |
| \$221,500 - \$231,499                                                                           | 6          | 9          |
| \$231,500 - \$241,499                                                                           | 5          | 7          |
| \$241,500 - \$251,499                                                                           | 9          | 5          |
| \$251,500 - \$261,499                                                                           | 7          | 1          |
| \$261,500 - \$271,499                                                                           | 2          | 3          |
| \$271,500 - \$281,499                                                                           | 3          | 5          |
| \$281,500 - \$291,499                                                                           | 3          | 4          |
| \$291,500 - \$301,499                                                                           | 6          | 6          |
| \$301,500 - \$311,499                                                                           | 2          | 3          |
| \$311,500 - \$321,499                                                                           | 8          | 4          |
| \$321,500 - \$331,499                                                                           | 2          | 5          |
| \$331,500 - \$341,499                                                                           | 2          | 3          |
| \$341,500 - \$351,499                                                                           | 3          | 3          |
| \$351,500 - \$361,499                                                                           | 4          | 3          |
| \$361,500 - \$371,499                                                                           | 6          | 9          |
| \$371,500 - \$381,499                                                                           | 6          | 7          |
| \$381,500 - \$391,499                                                                           | 4          | 3          |
| \$391,500 - \$401,499                                                                           | 6          | 5          |
| \$401,500 - \$411,499                                                                           | 1          | 5          |
| \$411,500 - \$421,499                                                                           | 3          | 3          |
| \$421,500 - \$431,499                                                                           | 3          | 3          |
| \$431,500 - \$441,499                                                                           | 3          | -          |
| \$441,500 - \$451,499                                                                           | 4          | 3          |
| \$451,500 - \$461,499                                                                           | 2          | 4          |
| \$461,500 - \$471,499                                                                           | 4          | 2          |
| \$471,500 - \$481,499                                                                           | 4          | 7          |
| \$481,500 - \$491,499                                                                           | 4          | 3          |
| \$491,500 - \$501,499                                                                           | 3          | 3          |
| \$501,500 - \$511,499                                                                           | 3          | 1          |
| \$511,500 - \$521,499                                                                           | 2          | 1          |
| \$521,500 - \$531,499                                                                           | -          | 1          |
| \$531,500 - \$541,499                                                                           | 3          | -          |
| \$561,500 - \$571,499                                                                           | -          | 1          |
| <b>Total</b>                                                                                    | <b>241</b> | <b>227</b> |

|                                                                            | \$'000 | \$'000 |
|----------------------------------------------------------------------------|--------|--------|
| Total remuneration received or due and receivable by staff included above: | 64,051 | 60,978 |

## **WOMEN'S AND CHILDREN'S HEALTH NETWORK**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2015**

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The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. The executive base level remuneration rate for 2014-15 is the same as the 2013-14 rate (i.e. there has been no increase in executive remuneration since 1 July 2013). Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits.

Where staff have left the Hospital, the remuneration reflects lump sum long service leave, annual leave and termination benefits.

Staff whose remuneration was equal to or greater than the base executive remuneration level can be categorised by employment group as follows:

- Medical (excluding Nursing) remuneration \$59.783 million, 216 staff (\$57.521 million, 206 staff);
- Executive remuneration \$1.130 million, 5 staff (\$1.286 million, 7 staff);
- Nursing remuneration \$1.045 million, 7 staff (\$0.729 million, 5 staff);
- Non-medical (i.e. administration) remuneration \$2.093 million, 13 staff (\$1.443 million, 9 staff).

The total remuneration received by these staff for the year was \$64.051 million (\$60.978 million).

For the purpose of this note, remuneration does not include amounts in payment or reimbursement of out of pocket expenses incurred for the benefit of the entity or a controlled entity.



**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2015**

| <b>5 Supplies and services</b>            | <b>2015</b>    | <b>2014</b>    |
|-------------------------------------------|----------------|----------------|
|                                           | <b>\$'000</b>  | <b>\$'000</b>  |
| Administration                            | 994            | 854            |
| Advertising                               | 313            | 135            |
| Communication                             | 1,267          | 1,199          |
| Computing                                 | 4,375          | 4,400          |
| Contractors                               | 414            | 405            |
| Contractors - agency staff                | 8,257          | 6,017          |
| Consultants                               | 36             | 18             |
| Contract of services                      | 12             | -              |
| Cost of goods sold                        | 1              | -              |
| Drug supplies                             | 12,845         | 9,758          |
| Electricity, gas and fuel                 | 3,587          | 3,973          |
| Fee for service                           | 3,422          | 3,363          |
| Food supplies                             | 2,178          | 2,187          |
| Housekeeping                              | 10,566         | 10,552         |
| Insurance                                 | 5,139          | 5,003          |
| Internal SA Health SLA payments           | 5,011          | 4,443          |
| Interstate patient transfers              | 3              | -              |
| Legal                                     | 110            | 41             |
| Medical, surgical and laboratory supplies | 20,795         | 21,557         |
| Minor equipment                           | 1,619          | 2,398          |
| Motor vehicle expenses                    | 2,504          | 2,838          |
| Occupancy rent and rates                  | 3,961          | 3,955          |
| Patient transport                         | 977            | 1,050          |
| Payments to Shared Services SA            | 2,558          | 2,514          |
| Periodical, journals and publications     | 195            | 260            |
| Postage                                   | 543            | 418            |
| Printing and stationery                   | 1,523          | 1,654          |
| Rental expense on operating lease         | 111            | 18             |
| Repairs and maintenance                   | 6,676          | 7,074          |
| Security                                  | 933            | 838            |
| Staff training and development            | 2,793          | 2,163          |
| Staff travel expenses                     | 2,323          | 2,132          |
| Other supplies and services               | 4,157          | 3,914          |
| <b>Total supplies and services</b>        | <b>110,198</b> | <b>105,131</b> |

|                                                                                                                                                     |            | <b>2015</b>   |            | <b>2014</b>   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------|---------------|------------|---------------|
|                                                                                                                                                     | <b>No.</b> | <b>\$'000</b> | <b>No.</b> | <b>\$'000</b> |
| <b>The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:</b> |            |               |            |               |
| Below \$10,000                                                                                                                                      | -          | -             | 4          | 18            |
| Above \$10,000                                                                                                                                      | 2          | 36            | -          | -             |
| <b>Total paid/payable to consultants engaged</b>                                                                                                    | <b>2</b>   | <b>36</b>     | <b>4</b>   | <b>18</b>     |

The 2014 comparative information for supplies and services has been amended to better reflect the nature of the transactions in accordance with Note 2.7 above. The amendments made had no impact on reported equity.

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The following significant adjustments were made to the 2014 comparative information:

|                                                    | 2014         | 2014         |              |
|----------------------------------------------------|--------------|--------------|--------------|
|                                                    | Reported     | Adjusted     |              |
|                                                    | \$'000       | \$'000       |              |
| <b>Supplies and Services</b>                       |              |              |              |
| Contractors - agency staff                         | 10,460       | 6,017        |              |
| Internal SA Health SLA payments                    | -            | 4,443        |              |
| Housekeeping                                       | 3,234        | 10,552       |              |
| Contractors                                        | 7,723        | 405          |              |
| <b>6 Depreciation and amortisation expense</b>     |              |              |              |
|                                                    | 2015         | 2014         |              |
|                                                    | \$'000       | \$'000       |              |
| <b>Depreciation</b>                                |              |              |              |
| Buildings and improvements                         | 5,270        | 5,336        |              |
| Site improvements                                  | 13           | 13           |              |
| Computing equipment                                | 16           | 58           |              |
| Medical, surgical, dental and biomedical equipment | 2,502        | 2,858        |              |
| Power generation and transmission                  | 75           | 75           |              |
| Other plant and equipment                          | 157          | 143          |              |
| <b>Total depreciation</b>                          | <b>8,033</b> | <b>8,483</b> |              |
| <b>Amortisation</b>                                |              |              |              |
| Leasehold improvements                             | 154          | 171          |              |
| Intangible assets                                  | 16           | 10           |              |
| <b>Total amortisation</b>                          | <b>170</b>   | <b>181</b>   |              |
| <b>Total depreciation and amortisation</b>         | <b>8,203</b> | <b>8,664</b> |              |
| <b>7 Grants and subsidies</b>                      |              |              |              |
|                                                    | 2015         | 2014         |              |
|                                                    | \$'000       | \$'000       |              |
| Recurrent grants                                   | 33           | 119          |              |
| Capital grants                                     | -            | 200          |              |
| <b>Total grants and subsidies</b>                  | <b>33</b>    | <b>319</b>   |              |
| <b>8 Other expenses</b>                            |              |              |              |
|                                                    | 2015         | 2014         |              |
|                                                    | \$'000       | \$'000       |              |
|                                                    | Note         |              |              |
| Bad and doubtful debts                             | 18           | 471          | 1,859        |
| Bank fees and charges                              |              | 39           | 43           |
| Other                                              |              | 400          | 642          |
| <b>Total other expenses</b>                        |              | <b>910</b>   | <b>2,544</b> |



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**9 Auditor's remuneration**

|                                                                                                                  | <b>2015</b>   | <b>2014</b>   |
|------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                  | <b>\$'000</b> | <b>\$'000</b> |
| <b>Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements</b> |               |               |
| Auditor fees - auditing financial statements                                                                     | 180           | 164           |
| <b>Total audit fees</b>                                                                                          | <b>180</b>    | <b>164</b>    |

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of 'Other expenses – Other' (refer Note 8).

**10 Revenue from fees and charges**

|                                           | <b>2015</b>   | <b>2014</b>   |
|-------------------------------------------|---------------|---------------|
|                                           | <b>\$'000</b> | <b>\$'000</b> |
| Fines, fees and penalties                 | 1             | -             |
| Interstate patient transfers              | 3             | 5             |
| Insurance recoveries from health services | 97            | 52            |
| Patient and client fees                   | 11,962        | 12,411        |
| Private practice fees                     | 2,709         | 2,592         |
| Recoveries                                | 16,145        | 16,216        |
| Sale of goods - medical supplies          | 330           | 200           |
| Other user charges and fees               | 5,570         | 4,825         |
| <b>Total fees and charges</b>             | <b>36,817</b> | <b>36,301</b> |

**11 Grants and contributions**

|                                                                   | <b>2015</b>   | <b>2014</b>   |
|-------------------------------------------------------------------|---------------|---------------|
|                                                                   | <b>\$'000</b> | <b>\$'000</b> |
| <b>11.1 Commonwealth revenues/grants and contributions</b>        |               |               |
| Commonwealth grants and donations                                 | 630           | 533           |
| Pharmaceutical benefits scheme Commonwealth subsidy               | 4,826         | 2,980         |
| <b>Total Commonwealth grants and contributions</b>                | <b>5,456</b>  | <b>3,513</b>  |
| <b>11.2 Grants and contributions from SA Government agencies</b>  | <b>\$'000</b> | <b>\$'000</b> |
| Other grants and contributions from SA Government agencies        | 4,099         | 3,902         |
| <b>Total grants and contributions from SA Government agencies</b> | <b>4,099</b>  | <b>3,902</b>  |
| <b>11.3 Private sector grants and contributions</b>               | <b>\$'000</b> | <b>\$'000</b> |
| Private sector capital contributions                              | 168           | 158           |
| Private sector grants and contributions                           | 1,252         | 1,866         |
| <b>Total private sector grants and contributions</b>              | <b>1,420</b>  | <b>2,024</b>  |
| <b>Total grants and contributions</b>                             | <b>10,975</b> | <b>9,439</b>  |

**Restrictions on contributions received**

Of the \$10.975 million received in 2014-15 for grants and contributions, nil was provided for specific purposes, such as research and associated activities.

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|                                                                            |               |               |
|----------------------------------------------------------------------------|---------------|---------------|
| <b>12 Interest revenue</b>                                                 | <b>2015</b>   | <b>2014</b>   |
|                                                                            | <b>\$'000</b> | <b>\$'000</b> |
| Interest from SAFA                                                         | 17            | 36            |
| Bank interest                                                              | 60            | 116           |
| Interest on Special Purpose Funds (SPF)                                    | 161           | -             |
| <b>Total interest revenue</b>                                              | <b>238</b>    | <b>152</b>    |
| <b>13 Resources received free of charge</b>                                | <b>2015</b>   | <b>2014</b>   |
|                                                                            | <b>\$'000</b> | <b>\$'000</b> |
| Plant and equipment                                                        | 20            | 11            |
| Other                                                                      | -             | 45            |
| <b>Total resources received free of charge</b>                             | <b>20</b>     | <b>56</b>     |
| <b>14 Net gain/(loss) from disposal of non-current and other assets</b>    | <b>2015</b>   | <b>2014</b>   |
|                                                                            | <b>\$'000</b> | <b>\$'000</b> |
| <b>Plant and equipment</b>                                                 |               |               |
| Proceeds from disposal                                                     | 16            | -             |
| Less net book value of assets disposed                                     | (245)         | (12)          |
| <b>Net gain/(loss) from disposal of plant and equipment</b>                | <b>(229)</b>  | <b>(12)</b>   |
| <b>Financial Assets</b>                                                    |               |               |
| Proceeds from disposal                                                     | -             | 215           |
| Realised gain from the fair value reserve - financial assets               | -             | 68            |
| Less net book value of assets disposed                                     | -             | (189)         |
| <b>Net gain/(loss) from disposal of intangibles</b>                        | <b>-</b>      | <b>94</b>     |
| <b>Total assets</b>                                                        |               |               |
| Total proceeds from disposal                                               | 16            | 215           |
| Realised gain from the fair value reserve - financial assets               | -             | 68            |
| Less total value of assets disposed                                        | (245)         | (201)         |
| <b>Total net gain/(loss) from disposal of non-current and other assets</b> | <b>(229)</b>  | <b>82</b>     |
| <b>15 Other revenue</b>                                                    | <b>2015</b>   | <b>2014</b>   |
|                                                                            | <b>\$'000</b> | <b>\$'000</b> |
| Commissions revenue                                                        | 50            | 57            |
| Dividend revenue                                                           | 57            | 74            |
| Car parking revenue                                                        | 2,204         | 2,229         |
| Training revenue                                                           | 614           | 585           |
| Donations received                                                         | 607           | 490           |
| Other                                                                      | 1,969         | 1,285         |
| <b>Total other revenue</b>                                                 | <b>5,501</b>  | <b>4,720</b>  |



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**16 Revenue from SA Government**

|                                                                                                | 2015           | 2014           |
|------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                | \$'000         | \$'000         |
| Revenue from SA Government (the Department contributions for the provision of health services) |                |                |
| Recurrent funding                                                                              | 379,629        | 355,202        |
| Capital funding                                                                                | 3,035          | 4,864          |
| TVSP recovery funds from Department of Treasury and Finance                                    | 1,153          | 1,289          |
| <b>Total revenue from Department for Health and Ageing</b>                                     | <b>383,817</b> | <b>361,355</b> |
| <b>Total revenue from SA Government</b>                                                        | <b>383,817</b> | <b>361,355</b> |

Total revenue from SA Government consist of \$379.63 million (\$355.20 million) for operational funding and \$3.04 million (\$4.86 million) for capital projects. For details on expenditure associated with the operational funding and capital funding received refer to the above expenditure notes.

There were no material variations between the amount received from the Department and the expenditure associated with these amounts.

**17 Cash and cash equivalents**

|                                                                 | 2015          | 2014         |
|-----------------------------------------------------------------|---------------|--------------|
|                                                                 | \$'000        | \$'000       |
| Cash at bank or on hand - non-government financial institutions | 23,106        | 6,169        |
| Deposits with SA Government Financing Authority                 | -             | 1,322        |
| Imprest account/cash on hand                                    | 37            | 40           |
| <b>Total cash</b>                                               | <b>23,143</b> | <b>7,531</b> |

**Interest rate risk**

Cash on hand is non-interest bearing. Interest rate risk exposure is detailed in Note 30. The carrying amount of cash and cash equivalents represents fair value.

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**18 Receivables**

| <b>Current</b>                             | <b>2015</b>   | <b>2014</b>   |
|--------------------------------------------|---------------|---------------|
|                                            | <b>\$'000</b> | <b>\$'000</b> |
| Patient/client fees                        |               |               |
| Compensable                                | 904           | 1,046         |
| Other                                      | 3,852         | 5,515         |
| Workers compensation provision recoverable | 639           | 600           |
| Dividends receivable                       | 17            | 22            |
| Interest income receivable                 | -             | 3             |
| Prepayments                                | 157           | 136           |
| Debtors                                    | 2,098         | 1,629         |
| <b>Receivables</b>                         | <b>7,667</b>  | <b>8,951</b>  |
| Less: allowance for doubtful debts         | (1,677)       | (2,416)       |
| Sundry receivables and accrued revenue     | 663           | 322           |
| GST recoverable                            | 249           | 236           |
| <b>Total current receivables</b>           | <b>6,902</b>  | <b>7,093</b>  |
| <b>Non-current</b>                         |               |               |
| Workers compensation provision recoverable | 974           | 1,963         |
| Debtors                                    | 31            | 34            |
| <b>Receivables</b>                         | <b>1,005</b>  | <b>1,997</b>  |
| <b>Total non-current receivables</b>       | <b>1,005</b>  | <b>1,997</b>  |
| <b>Total receivables</b>                   | <b>7,907</b>  | <b>9,090</b>  |

**Interest rate and credit risk**

Receivables are raised for 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 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.

**Categorisation and maturity analysis of financial instruments, ageing analysis of financial assets and risk exposure**

Refer to Note 30.

**Bad and doubtful debts**

The Hospital has recognised a bad and doubtful debt expense of \$0.471 million (\$1.859 million) in other expenses in the Statement of Comprehensive Income.

**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.

An allowance for impairment loss has been recognised in other expenses in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

|                                                                                      | <b>2015</b>   | <b>2014</b>   |
|--------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                      | <b>\$'000</b> | <b>\$'000</b> |
| Movements in the allowance for doubtful debts (impairment loss)                      |               |               |
| <b>Carrying amount at the beginning of the period</b>                                | <b>2,416</b>  | <b>1,394</b>  |
| Amounts written off                                                                  | (550)         | (671)         |
| Amounts recovered during the year                                                    | (2)           | -             |
| Increase/(Decrease) in allowance recognised in the Statement of Comprehensive Income | (187)         | 1,693         |
| <b>Carrying amount at the end of the period</b>                                      | <b>1,677</b>  | <b>2,416</b>  |



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| <b>19 Inventories</b>                                    | <b>2015</b>   | <b>2014</b>   |
|----------------------------------------------------------|---------------|---------------|
|                                                          | <b>\$'000</b> | <b>\$'000</b> |
| <b>Current - held for distribution</b>                   |               |               |
| <b>Materials at cost:</b>                                |               |               |
| Drug supplies                                            | 959           | 909           |
| Medical, surgical and laboratory supplies                | -             | 431           |
| Food and hotel supplies                                  | -             | 62            |
| Other                                                    | 23            | 51            |
| Inventory Imprest Stock                                  | 650           | -             |
| <b>Total current inventories - held for distribution</b> | <b>1,632</b>  | <b>1,453</b>  |

**Inventory adjustment**

The Hospital has recognised an inventory adjustment of -\$0.20 million (0.06 million) to net realisable value in the other expenses in the Statement of Comprehensive Income.

| <b>20 Other financial assets</b>     | <b>2015</b>   | <b>2014</b>   |
|--------------------------------------|---------------|---------------|
|                                      | <b>\$'000</b> | <b>\$'000</b> |
| <b>Non-current</b>                   |               |               |
| Other investments                    | 1,182         | 1,191         |
| <b>Total non-current investments</b> | <b>1,182</b>  | <b>1,191</b>  |
| <b>Total other financial assets</b>  | <b>1,182</b>  | <b>1,191</b>  |

**Categorisation and maturity analysis of other financial assets and risk exposure information**

Refer to Note 30.

**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
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|                                                                                |                |                |
|--------------------------------------------------------------------------------|----------------|----------------|
| <b>21 Property, plant and equipment</b>                                        |                |                |
|                                                                                | <b>2015</b>    | <b>2014</b>    |
|                                                                                | <b>\$'000</b>  | <b>\$'000</b>  |
| <b>Land and buildings</b>                                                      |                |                |
| Site land at fair value                                                        | 40,186         | 41,121         |
| <b>Land at fair value</b>                                                      | <b>40,186</b>  | <b>41,121</b>  |
| Buildings and improvements at fair value                                       | 191,023        | 203,434        |
| Site improvements at fair value                                                | 761            | 632            |
| Buildings and improvements under construction (work in progress)               | 2,315          | 1,467          |
| <b>Buildings and improvements</b>                                              | <b>194,099</b> | <b>205,533</b> |
| Accumulated depreciation - buildings and improvements                          | 458            | 10,193         |
| <b>Accumulated amortisation/depreciation</b>                                   | <b>458</b>     | <b>10,193</b>  |
| <b>Total land, buildings and improvements</b>                                  | <b>233,827</b> | <b>236,461</b> |
| <b>Leasehold improvements</b>                                                  |                |                |
| Leasehold improvements at cost (deemed fair value)                             | 2,628          | 2,684          |
| Accumulated amortisation                                                       | 2,248          | 2,186          |
| <b>Total leasehold improvements</b>                                            | <b>380</b>     | <b>498</b>     |
| <b>Plant and equipment</b>                                                     |                |                |
| Computing equipment at cost (deemed fair value)                                | 241            | 380            |
| Medical, surgical, dental and biomedical equipment at cost (deemed fair value) | 21,150         | 22,986         |
| Power generation and transmission at cost (deemed fair value)                  | 749            | 749            |
| Other plant and equipment at cost (deemed fair value)                          | 2,440          | 2,595          |
| Plant and equipment under construction (work in progress)                      | 553            | 605            |
| <b>Total plant and equipment</b>                                               | <b>25,133</b>  | <b>27,315</b>  |
| Accumulated depreciation - computing equipment                                 | 241            | 364            |
| Accumulated depreciation - medical, surgical, dental and biomedical equipment  | 12,693         | 14,186         |
| Accumulated depreciation - power generation and transmission                   | 412            | 337            |
| Accumulated depreciation - other plant and equipment                           | 906            | 960            |
| <b>Accumulated amortisation/depreciation</b>                                   | <b>14,252</b>  | <b>15,847</b>  |
| <b>Total plant and equipment</b>                                               | <b>10,881</b>  | <b>11,468</b>  |
| <b>Total property, plant and equipment</b>                                     | <b>245,088</b> | <b>248,427</b> |

**Valuation of land and buildings**

An independent valuation of land and buildings, including site improvements, was performed in May 2015 by a Certified Practising Valuer from AssetVal Pty Ltd, as at 1st June 2015 using the fair value methodology.

The valuer arrived at the fair value of unrestricted land using the market approach. The valuation was based on recent market transactions for similar land and buildings (non-specialised) in the area and includes adjustment for factors specific to the land and buildings being valued such as size, location and current use.

The valuer used depreciated replacement cost for specialised land and buildings, due to there not being an active market for such land and buildings. The depreciated replacement cost considered the need for ongoing provision of government services; specialised nature of the assets, including the restricted use of the assets; the size, condition, location and current use of the assets. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.



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**Valuation of plant and equipment**

All items of plant and equipment that had a fair value of less than \$1 million at the time of acquisition have not been revalued in accordance with Accounting Policy Framework III Asset Accounting Framework. The carrying value of these items are deemed to approximate fair value. These assets are classified in Level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the asset condition and remaining useful life.

The Hospital's plant and equipment assets with a fair value greater than \$1 million were revalued using the fair value methodology, as at 1 June 2015, based on independent valuations performed by Simon O'Leary, AAPI, C.P.V, Australian Valuation Solutions Pty Ltd.

**Impairment**

Impairment losses were recognised for property, plant and equipment assets as follows:

|                                                          | 2015     | 2014           |
|----------------------------------------------------------|----------|----------------|
|                                                          | \$'000   | \$'000         |
| Impairment of property, plant and equipment:             |          |                |
| Buildings and improvements                               | -        | (4,638)        |
| <b>Total impairment of property, plant and equipment</b> | <b>-</b> | <b>(4,638)</b> |

**Resources received free of charge**

During the year, assets of \$0.02 million were transferred to the health service. Please also refer to Note 13.

**Reconciliation of land and improvements**

The following table shows the movement of land and improvements during 2014-15

|                                                 | Land          | Buildings and improvements | Leasehold improvements | Capital works in progress | Total          |
|-------------------------------------------------|---------------|----------------------------|------------------------|---------------------------|----------------|
|                                                 | \$'000        | \$'000                     | \$'000                 | \$'000                    | \$'000         |
| Carrying amount at the beginning of the period  | 41,121        | 193,873                    | 498                    | 1,467                     | 236,959        |
| Additions                                       | -             | -                          | 36                     | 1,213                     | 1,249          |
| Revaluation increment/(decrement)               | (935)         | 2,372                      | -                      | -                         | 1,437          |
| Depreciation and amortisation                   | -             | (5,283)                    | (154)                  | -                         | (5,437)        |
| Transfers between asset classes                 | -             | 364                        | -                      | (364)                     | -              |
| Other movements                                 | -             | -                          | -                      | (1)                       | (1)            |
| <b>Carrying amount at the end of the period</b> | <b>40,186</b> | <b>191,326</b>             | <b>380</b>             | <b>2,315</b>              | <b>234,207</b> |

**Reconciliation of land and improvements**

The following table shows the movement of land and improvements during 2013-14

|                                                 | Land          | Buildings and improvements | Leasehold improvements | Capital works in progress | Total          |
|-------------------------------------------------|---------------|----------------------------|------------------------|---------------------------|----------------|
|                                                 | \$'000        | \$'000                     | \$'000                 | \$'000                    | \$'000         |
| Carrying amount at the beginning of the period  | 41,121        | 201,690                    | 669                    | 3,808                     | 247,288        |
| Additions                                       | -             | -                          | -                      | 2,669                     | 2,669          |
| Revaluation increment/(decrement)               | -             | (2,840)                    | -                      | -                         | (2,840)        |
| Impairment losses                               | -             | (4,638)                    | -                      | -                         | (4,638)        |
| Depreciation and amortisation                   | -             | (5,349)                    | (171)                  | -                         | (5,520)        |
| Transfers between asset classes                 | -             | 5,010                      | -                      | (5,010)                   | -              |
| <b>Carrying amount at the end of the period</b> | <b>41,121</b> | <b>193,873</b>             | <b>498</b>             | <b>1,467</b>              | <b>236,959</b> |

**Land** includes land only holdings at fair value and site land at fair value

**Buildings and improvements** include buildings and improvements at fair value, buildings and improvements under finance lease and site improvements at fair value

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**Reconciliation of plant and equipment**

The following table shows the movement of plant and equipment during 2014-15

|                                                | Medical/<br>surgical/<br>dental/<br>biomedical | Computer<br>equipment | Capital works in<br>progress | Other plant<br>and<br>equipment | Total   |
|------------------------------------------------|------------------------------------------------|-----------------------|------------------------------|---------------------------------|---------|
|                                                | \$'000                                         | \$'000                | \$'000                       | \$'000                          | \$'000  |
| Carrying amount at the beginning of the period | 8,800                                          | 16                    | 605                          | 2,047                           | 11,468  |
| Additions                                      | 1,792                                          | -                     | 651                          | 98                              | 2,541   |
| Assets received free of charge                 | 20                                             | -                     | -                            | -                               | 20      |
| Disposals                                      | (203)                                          | -                     | -                            | (42)                            | (245)   |
| Revaluation increment/(decrement)              | (182)                                          | -                     | -                            | -                               | (182)   |
| Depreciation and amortisation                  | (2,502)                                        | (16)                  | -                            | (232)                           | (2,750) |
| Transfers between asset classes                | 732                                            | -                     | (703)                        | -                               | 29      |
| Carrying amount at the end of the period       | 8,457                                          | -                     | 553                          | 1,871                           | 10,881  |

**Reconciliation of plant and equipment**

The following table shows the movement of plant and equipment during 2013-14

|                                                | Medical/<br>surgical/<br>dental/<br>biomedical | Computer<br>equipment | Capital works in<br>progress | Other plant<br>and<br>equipment | Total   |
|------------------------------------------------|------------------------------------------------|-----------------------|------------------------------|---------------------------------|---------|
|                                                | \$'000                                         | \$'000                | \$'000                       | \$'000                          | \$'000  |
| Carrying amount at the beginning of the period | 10,784                                         | 74                    | -                            | 2,090                           | 12,948  |
| Additions                                      | 868                                            | -                     | 609                          | 177                             | 1,654   |
| Assets received free of charge                 | 11                                             | -                     | -                            | -                               | 11      |
| Disposals                                      | (10)                                           | -                     | -                            | (2)                             | (12)    |
| Depreciation and amortisation                  | (2,858)                                        | (58)                  | -                            | (218)                           | (3,134) |
| Transfers between asset classes                | 4                                              | -                     | (4)                          | -                               | -       |
| Other movements                                | 1                                              | -                     | -                            | -                               | 1       |
| Carrying amount at the end of the period       | 8,800                                          | 16                    | 605                          | 2,047                           | 11,468  |

**Other plant and equipment** includes motor vehicles under finance lease, motor vehicles at cost, plant and equipment - major at cost, plant and equipment under finance lease, power generation and transmission and other plant and equipment at cost



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**22 Investment property**

|                                     | 2015          | 2014          |
|-------------------------------------|---------------|---------------|
|                                     | \$'000        | \$'000        |
| Investment property (at fair value) | 14,365        | 15,000        |
| <b>Total investment property</b>    | <b>14,365</b> | <b>15,000</b> |

**Valuation of investment property**

As at 1 June 2015, an independent valuation was performed on all investment properties, by Asset Val with recent experience in the local market and equivalent properties. Investment properties are measured at fair value.

Where there is recent market transactions for similar properties, the valuations are based on the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in the active market for similar properties. These investment properties have been categorised as Level 2.

**Impairment**

There were no indications of impairment of investment property assets at 30 June 2015.

**Reconciliation of investment property**

The following table shows the movement of investment property during 2014-15

|                                                 | Investment property | Total         |
|-------------------------------------------------|---------------------|---------------|
|                                                 | \$'000              | \$'000        |
| Carrying amount at the beginning of the period  | 15,000              | 15,000        |
| Revaluation increment/(decrement)               | (635)               | (635)         |
| <b>Carrying amount at the end of the period</b> | <b>14,365</b>       | <b>14,365</b> |

**Reconciliation of investment property**

The following table shows the movement of investment property during 2013-14

|                                                 | Investment property | Total         |
|-------------------------------------------------|---------------------|---------------|
|                                                 | \$'000              | \$'000        |
| Carrying amount at the beginning of the period  | 14,300              | 14,300        |
| Net Gain from fair value adjustment             | 700                 | 700           |
| <b>Carrying amount at the end of the period</b> | <b>15,000</b>       | <b>15,000</b> |

**23 Intangible assets**

|                                                    | 2015      | 2014      |
|----------------------------------------------------|-----------|-----------|
|                                                    | \$'000    | \$'000    |
| <b>Computer Software</b>                           |           |           |
| Other computer software                            | 107       | 76        |
| Accumulated amortisation (Other computer software) | (29)      | (13)      |
| Intangibles under construction (work in progress)  | -         | 29        |
| <b>Total computer software</b>                     | <b>78</b> | <b>92</b> |
| <b>Total intangible assets</b>                     | <b>78</b> | <b>92</b> |

**Impairment**

There were no indications of impairment of intangible assets at 30 June 2015.

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**Reconciliation of intangibles**

The following table shows the movement of intangibles during 2014-15

|                                                | Capital<br>works in<br>progress | Internally<br>developed<br>computer<br>software | Other computer<br>software | Other<br>intangibles | Total  |
|------------------------------------------------|---------------------------------|-------------------------------------------------|----------------------------|----------------------|--------|
|                                                | \$'000                          | \$'000                                          | \$'000                     | \$'000               | \$'000 |
| Carrying amount at the beginning of the period | 29                              | -                                               | 63                         | -                    | 92     |
| Additions                                      | -                               | -                                               | 31                         | -                    | 31     |
| Amortisation                                   | -                               | -                                               | (16)                       | -                    | (16)   |
| Transfers between asset classes                | (29)                            | -                                               | -                          | -                    | (29)   |
| Carrying amount at the end of the period       | -                               | -                                               | 78                         | -                    | 78     |

**Reconciliation of intangibles**

The following table shows the movement of intangibles during 2013-14

|                                                | Capital<br>works in<br>progress | Internally<br>developed<br>computer<br>software | Other computer<br>software | Other<br>intangibles | Total  |
|------------------------------------------------|---------------------------------|-------------------------------------------------|----------------------------|----------------------|--------|
|                                                | \$'000                          | \$'000                                          | \$'000                     | \$'000               | \$'000 |
| Carrying amount at the beginning of the period | -                               | -                                               | 12                         | -                    | 12     |
| Additions                                      | 29                              | -                                               | 16                         | -                    | 45     |
| Assets received free of charge                 | -                               | -                                               | 45                         | -                    | 45     |
| Depreciation and amortisation                  | -                               | -                                               | (10)                       | -                    | (10)   |
| Carrying amount at the end of the period       | 29                              | -                                               | 63                         | -                    | 92     |



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**24 Fair Value Measurement**

**Fair Value Hierarchy**

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Hospital categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2015.

The Hospital had no valuations categorised into Level 1.

**Fair value measurements at 30 June 2015**

|                                                | <b>Level 2</b> | <b>Level 3</b> | <b>2015</b>    |
|------------------------------------------------|----------------|----------------|----------------|
|                                                | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b>  |
| <b>Recurring fair value measurements</b>       |                |                |                |
| Land (Note 21)                                 | -              | 40,186         | 40,186         |
| Buildings (Note 21)                            | -              | 191,326        | 191,326        |
| Leasehold improvements (Note 21)               | -              | 380            | 380            |
| Plant and equipment (Note 21)                  | -              | 10,328         | 10,328         |
| Investment property (Note 22)                  | 14,365         | -              | 14,365         |
| <b>Total recurring fair value measurements</b> | <b>14,365</b>  | <b>242,220</b> | <b>256,585</b> |
| <b>Total</b>                                   | <b>14,365</b>  | <b>242,220</b> | <b>256,585</b> |

**Fair value measurements at 30 June 2014**

|                                                | <b>Level 2</b> | <b>Level 3</b> | <b>2014</b>    |
|------------------------------------------------|----------------|----------------|----------------|
|                                                | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b>  |
| <b>Recurring fair value measurements</b>       |                |                |                |
| Land (Note 21)                                 | -              | 41,121         | 41,121         |
| Buildings (Note 21)                            | -              | 193,873        | 193,873        |
| Leasehold improvements (Note 21)               | -              | 498            | 498            |
| Plant and equipment (Note 21)                  | -              | 10,863         | 10,863         |
| Investment property (Note 22)                  | 15,000         | -              | 15,000         |
| <b>Total recurring fair value measurements</b> | <b>15,000</b>  | <b>246,355</b> | <b>261,355</b> |
| <b>Total</b>                                   | <b>15,000</b>  | <b>246,355</b> | <b>261,355</b> |

There were no transfers of assets between Level 1 and 2 fair value hierarchy levels in 2014-15. The Hospital's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

# WOMEN'S AND CHILDREN'S HEALTH NETWORK

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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### Valuation techniques and inputs

Land fair values were derived by using the market approach, being recent sales transactions of other similar land holdings within the region, adjusted for differences in key attributes such as property size, zoning and any restrictions on use, and then adjusted with a discount factor. For this reason they are deemed to have been valued using Level 3 valuation inputs.

Due to the predominantly specialised nature of health service assets, the majority of building and plant and equipment valuations have been undertaken using a cost approach (depreciated replacement cost), an accepted valuation methodology under AASB 13. The extent of unobservable inputs and professional judgement required in valuing these assets is significant, and as such they are deemed to have been valued using Level 3 valuation inputs.

Unobservable inputs used to arrive at final valuation figures included:

- Estimated remaining useful life, which is an economic estimate and by definition, is subject to economic influences;
- Cost rate, which is the estimated cost to replace an asset with the same service potential as the asset undergoing valuation (allowing for over-capacity), and based on a combination of internal records including: refurbishment and upgrade costs, historical construction costs, functional utility users, industry construction guides, specialised knowledge and estimated acquisition/transfer costs;
- Characteristics of the asset, including condition, location, any restrictions on sale or use and the need for ongoing provision of Government services;
- Effective life, being the expected life of the asset assuming general maintenance is undertaken to enable functionality but no upgrades are incorporated which extend the technical life or functional capacity of the asset; and
- Depreciation methodology, noting that AASB 13 dictates that regardless of the depreciation methodology adopted, the exit price should remain unchanged.

Although there was some land valued using Level 2 inputs, the fair value of these was immaterial in comparison to the whole class, therefore all land has been classified as Level 3.

Although there were some buildings valued using Level 2 inputs, the fair value of these was immaterial in comparison to the whole class, therefore all buildings have been classified as Level 3.

Valuation techniques and inputs used to derive Level 2 and 3 fair values are at Note 21 and 22. There were no changes in valuation techniques during 2015.

The following table is a reconciliation of fair value measurements using significant unobservable inputs (Level 3).

### Reconciliation of Level 3 recurring fair value measurements at 30 June 2015

|                                                         | Land          | Buildings and<br>improve-ments<br>\$'000 | Plant and<br>equipment<br>\$'000 | Total<br>\$'000 |
|---------------------------------------------------------|---------------|------------------------------------------|----------------------------------|-----------------|
| <b>Carrying amount at the beginning of the period</b>   | 41,121        | 194,371                                  | 10,863                           | 246,355         |
| Additions                                               | -             | 36                                       | 1,890                            | 1,926           |
| Assets received free of charge                          | -             | -                                        | 20                               | 20              |
| Disposals                                               | -             | -                                        | (245)                            | (245)           |
| Depreciation and amortisation                           | -             | (5,437)                                  | (2,750)                          | (8,187)         |
| Transfer into Level 3*                                  | -             | 364                                      | 732                              | 1,096           |
| Gains/(losses) for the period recognised in net result: |               |                                          |                                  | -               |
| - Revaluation increment/(decrement)                     | (935)         | 2,372                                    | (182)                            | 1,255           |
| - Impairment losses/reversals                           | -             | -                                        | -                                | -               |
| <b>Carrying amount at the end of the period</b>         | <b>40,186</b> | <b>191,706</b>                           | <b>10,328</b>                    | <b>242,220</b>  |



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**Reconciliation of Level 3 recurring fair value measurements at 30 June 2014**

|                                                | <b>Land</b> | <b>Buildings and<br/>improvements<br/>\$'000</b> | <b>Plant and<br/>equipment<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|------------------------------------------------|-------------|--------------------------------------------------|-------------------------------------------|-------------------------|
| Carrying amount at the beginning of the period | 41,121      | 202,359                                          | 12,948                                    | 256,428                 |
| Additions                                      | -           | -                                                | 1,045                                     | 1,045                   |
| Assets received free of charge                 | -           | -                                                | 11                                        | 11                      |
| Disposals                                      | -           | -                                                | (12)                                      | (12)                    |
| Depreciation and amortisation                  | -           | (5,520)                                          | (3,134)                                   | (8,654)                 |
| Transfer into Level 3*                         | -           | 5,010                                            | 4                                         | 5,014                   |
| Other movements                                | -           | -                                                | 1                                         | 1                       |
| - Revaluation increment/(decrement)            | -           | (2,840)                                          | -                                         | (2,840)                 |
| - Impairment losses/reversals                  | -           | (4,638)                                          | -                                         | (4,638)                 |
| Carrying amount at the end of the period       | 41,121      | 194,371                                          | 10,863                                    | 246,355                 |

\* The Hospital's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. Assets transferred into Level 3 comprise capitalisation of assets from work in progress.

**Buildings and improvements** includes leasehold improvements but excludes works in progress.

**Plant and equipment** includes computer, medical, surgical, dental, biomedical and other plant and equipment but excludes works in progress.

**25 Payables**

|                                    | <b>2015<br/>\$'000</b> | <b>2014<br/>\$'000</b> |
|------------------------------------|------------------------|------------------------|
| <b>Current</b>                     |                        |                        |
| Creditors and accrued expenses     | 7,406                  | 7,505                  |
| Paid Parental Leave Scheme payable | 110                    | 39                     |
| Staff on-costs                     | 3,654                  | 3,335                  |
| Other payables                     | 750                    | 507                    |
| <b>Total current payables</b>      | <b>11,920</b>          | <b>11,386</b>          |
| <b>Non-current</b>                 |                        |                        |
| Staff on-costs                     | 2,318                  | 1,582                  |
| <b>Total non-current payables</b>  | <b>2,318</b>           | <b>1,582</b>           |
| <b>Total payables</b>              | <b>14,238</b>          | <b>12,968</b>          |

As a result of an actuarial assessment performed by Mercer Consulting (Australia) Pty Ltd, the percentage of the proportion of long service leave taken as leave has increased from the 2014 rate of 40% to 51%. Further, the average factor for the calculation of staff superannuation cost on-cost has decreased from 11.09% in 2014 to 10.18%. These rates are used in the staff on-cost calculation. The net financial effect of the above changes in the current financial year is an increase in the staff on-cost of \$0.79 million and staff benefit expense of \$0.79 million. The estimated impact on 2016 and 2017 is \$0.82 million and \$0.84 million respectively.

**Interest rate and credit risk**

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. Staff on-costs are settled when the respective staff benefits 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.

**Categorisation of financial instruments, maturity analysis of borrowings and risk exposure information**

Refer to Note 30.



**WOMEN'S AND CHILDREN'S HEALTH NETWORK**

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**26 Staff benefits**

|                                         | 2015          | 2014          |
|-----------------------------------------|---------------|---------------|
|                                         | \$'000        | \$'000        |
| <b>Current</b>                          |               |               |
| Annual leave                            | 21,413        | 21,282        |
| Long service leave                      | 8,203         | 5,878         |
| Accrued salaries and wages              | 9,164         | 8,159         |
| Skills and experience retention leave   | 2,309         | 1,683         |
| Other                                   | (4)           | -             |
| <b>Total current staff benefits</b>     | <b>41,085</b> | <b>37,002</b> |
| <b>Non-current</b>                      |               |               |
| Long service leave                      | 45,288        | 44,931        |
| <b>Total non-current staff benefits</b> | <b>45,288</b> | <b>44,931</b> |
| <b>Total staff benefits</b>             | <b>86,373</b> | <b>81,933</b> |

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by Mercer Consulting (Australia) Pty Ltd has provided a basis for the measurement of long service leave. AASB119 requires the use of a yield on long term Commonwealth Government bonds which matches the expected term of the liabilities as the discount rate in the measurement of the long service leave liability. The appropriate yield on long term Commonwealth Government bonds has decreased from 2014 (3.50%) to 2015 (2.85%).

This decrease of the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability. The net financial effect of the change in the current financial year is an increase in the long service leave liability of \$2.552 million and staff benefit expense of \$2.684 million. The impact on the future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption is the long-term discount rate.

The actuarial assessment performed by Mercer Consulting (Australia) Pty Ltd, reduced the salary inflation rate from 4.0% per annum, to 3.0% per annum. As a result, there was a net reduction in the long service leave liability of \$3.665 million for the current financial year.

Annual leave and SERL staff benefits calculations at 30 June 2015 include a salary inflation rate of 3%.

**27 Provisions**

|                                     | 2015         | 2014         |
|-------------------------------------|--------------|--------------|
|                                     | \$'000       | \$'000       |
| <b>Current</b>                      |              |              |
| Provision for workers compensation  | 1,746        | 1,829        |
| <b>Total current provisions</b>     | <b>1,746</b> | <b>1,829</b> |
| <b>Non-current</b>                  |              |              |
| Provision for workers compensation  | 3,738        | 4,752        |
| <b>Total non-current provisions</b> | <b>3,738</b> | <b>4,752</b> |
| <b>Total provisions</b>             | <b>5,484</b> | <b>6,581</b> |

**27.1 Reconciliation of workers compensation**

| The following table shows the movement of workers compensation:               | 2015         | 2014         |
|-------------------------------------------------------------------------------|--------------|--------------|
|                                                                               | \$'000       | \$'000       |
| <b>Carrying amount at the beginning of the period</b>                         | <b>6,581</b> | <b>6,335</b> |
| Additional provisions recognised                                              | (385)        | 944          |
| Reductions arising from payments/other sacrifices of future economic benefits | (712)        | (698)        |
| <b>Carrying amount at the end of the period</b>                               | <b>5,484</b> | <b>6,581</b> |

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by Taylor Fry Consulting Actuaries.



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**28 Other liabilities**

|                                        | 2015       | 2014       |
|----------------------------------------|------------|------------|
|                                        | \$'000     | \$'000     |
| <b>Current</b>                         |            |            |
| Unclaimed monies                       | 119        | 104        |
| Unearned revenue                       | 201        | 71         |
| Other                                  | 72         | 681        |
| <b>Total current other liabilities</b> | <b>392</b> | <b>856</b> |
| <b>Total other liabilities</b>         | <b>392</b> | <b>856</b> |

**29 Equity**

|                           | 2015           | 2014           |
|---------------------------|----------------|----------------|
|                           | \$'000         | \$'000         |
| Asset revaluation surplus | 86,439         | 85,184         |
| Other reserves            | 369            | 378            |
| Retained earnings         | 100,100        | 94,884         |
| <b>Total equity</b>       | <b>186,908</b> | <b>180,446</b> |

The asset revaluation surplus 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 derecognised.

**30 Financial instruments / financial risk management**

**30.1 Financial risk management**

Risk management is managed by the Department's Risk and Assurance Services section and risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

The Hospital is exposed to financial risk – liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

**30.2 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.

Refer to Table 30.3 for the carrying amounts of each of the following categories of financial assets and liabilities: Held-to-maturity investments; loan and receivables; and financial liabilities measured at cost.

The Hospital does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in Level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer Notes 2, 18 and 25).
- Borrowings are initially recognised at fair value, plus any transaction cost directly attributable to the borrowings, then subsequently held at amortised cost. The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant (refer Note 2).
- Held-to-maturity investments are initially recognised at fair value, then subsequently held at amortised cost. This is the most representative of fair value in the circumstances (refer Notes 2 and 20).

**30.3 Liquidity risk**

Liquidity risk arises from the possibility that the Hospital is unable to meet its financial obligations as they fall due. The continued existence of the Hospital is dependent on State Government policy and on continued funding from the Department for the Hospital's administration and program delivery. The Hospital settles undisputed accounts within 30 days from the date of the invoice or the date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount recorded in Table 30.3 represent the Hospital's maximum exposure.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

The following table discloses the carrying amount of each category of financial instrument held by the Hospital including the contractual maturity analysis for financial assets and liabilities (i.e. liquidity risk).

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.



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*Table 30.3 Categorisation and maturity analysis of financial assets and liabilities*

|                                    | Notes  | Carrying amount/<br>Fair value | Contractual maturities |               |             |                   |
|------------------------------------|--------|--------------------------------|------------------------|---------------|-------------|-------------------|
|                                    |        |                                | Current                | Within 1 year | 1 - 5 years | More than 5 years |
| 2015                               |        | \$'000                         | \$'000                 | \$'000        | \$'000      | \$'000            |
| <b>Financial assets</b>            |        |                                |                        |               |             |                   |
| Cash and equivalent                |        |                                |                        |               |             |                   |
| Cash and cash equivalents          | 17, 34 | 23,143                         | 23,143                 | -             | -           | -                 |
| Loans and receivables              |        |                                |                        |               |             |                   |
| Receivables (1) (2)                | 18     | 5,857                          | 5,857                  | -             | -           | -                 |
| Held to maturity investments       |        |                                |                        |               |             |                   |
| Other financial assets             | 20     | 1,182                          | 1,182                  | -             | -           | -                 |
| <b>Total financial assets</b>      |        | <b>30,182</b>                  | <b>30,182</b>          | -             | -           | -                 |
| <b>Financial liabilities</b>       |        |                                |                        |               |             |                   |
| Financial liabilities at cost      |        |                                |                        |               |             |                   |
| Payables (1)                       | 25     | 7,993                          | 7,993                  | -             | -           | -                 |
| Other liabilities                  | 28     | 392                            | 392                    | -             | -           | -                 |
| <b>Total financial liabilities</b> |        | <b>8,385</b>                   | <b>8,385</b>           | -             | -           | -                 |

|                                    | Notes  | Carrying amount/<br>Fair value | Contractual maturities |               |             |                   |
|------------------------------------|--------|--------------------------------|------------------------|---------------|-------------|-------------------|
|                                    |        |                                | Current                | Within 1 year | 1 - 5 years | More than 5 years |
| 2014                               |        | \$'000                         | \$'000                 | \$'000        | \$'000      | \$'000            |
| <b>Financial assets</b>            |        |                                |                        |               |             |                   |
| Cash and equivalent                |        |                                |                        |               |             |                   |
| Cash and cash equivalents          | 17, 34 | 7,531                          | 7,531                  | -             | -           | -                 |
| Loans and receivables              |        |                                |                        |               |             |                   |
| Receivables (1) (2)                | 18     | 6,121                          | 6,121                  | -             | -           | -                 |
| Held to maturity investments       |        |                                |                        |               |             |                   |
| Other financial assets             | 20     | 1,191                          | 1,191                  | -             | -           | -                 |
| <b>Total financial assets</b>      |        | <b>14,843</b>                  | <b>14,843</b>          | -             | -           | -                 |
| <b>Financial liabilities</b>       |        |                                |                        |               |             |                   |
| Financial liabilities at cost      |        |                                |                        |               |             |                   |
| Payables (1)                       | 25     | 7,849                          | 7,849                  | -             | -           | -                 |
| Other liabilities                  | 28     | 856                            | 856                    | -             | -           | -                 |
| <b>Total financial liabilities</b> |        | <b>8,705</b>                   | <b>8,705</b>           | -             | -           | -                 |

- (1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth taxes; Auditor-General's Department audit fees etc). 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 levies, tax and equivalents 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).

# WOMEN'S AND CHILDREN'S HEALTH NETWORK

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

- (2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in Note 18 as trade and other receivables in accordance with paragraph 78(b) of AASB 101 (Presentation of Financial Statements). However, prepayments are not financial assets as defined in AASB 132 (Financial Instruments: Presentation) as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

The 2014 comparative information for the categorisation and maturity analysis of financial assets and liabilities has been amended to include disclosure of contractual arrangements previously omitted and exclude items considered to be statutory in nature in line with current year treatment.

### 30.4 Credit risk

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

The Hospital has minimal concentration of credit risk. The Hospital does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer to Note 18 for information on the allowance for impairment in relation to receivables.

The carrying amount of financial assets as detailed in Table 30.3 represents the Hospital's maximum exposure to credit risk.

The following table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets.

*Table 30.4 Aging analysis of financial assets*

| 2015                      | Carrying amount | Past due but not impaired     |                       |                          |                   | Impaired financial assets |
|---------------------------|-----------------|-------------------------------|-----------------------|--------------------------|-------------------|---------------------------|
|                           |                 | Not past due and not impaired | Overdue for < 30 days | Overdue for 30 - 60 days | Overdue > 60 days |                           |
|                           | \$'000          | \$'000                        | \$'000                | \$'000                   | \$'000            | \$'000                    |
| Cash and cash equivalents | 23,143          | 23,143                        | -                     | -                        | -                 | -                         |
| Receivables (1)           | 5,857           | 3,202                         | 663                   | 588                      | 3,081             | (1,677)                   |
| Other financial assets    | 1,182           | 1,182                         | -                     | -                        | -                 | -                         |
|                           | <b>30,182</b>   | <b>27,527</b>                 | <b>663</b>            | <b>588</b>               | <b>3,081</b>      | <b>(1,677)</b>            |
| <b>2014</b>               |                 |                               |                       |                          |                   |                           |
| Cash and cash equivalents | 7,531           | 7,531                         | -                     | -                        | -                 | -                         |
| Receivables               | 6,121           | 2,260                         | 1,430                 | 680                      | 4,167             | (2,416)                   |
| Other financial assets    | 1,191           | 1,191                         | -                     | -                        | -                 | -                         |
|                           | <b>14,843</b>   | <b>10,982</b>                 | <b>1,430</b>          | <b>680</b>               | <b>4,167</b>      | <b>(2,416)</b>            |

(1) Receivable amounts disclosed here exclude amounts relating to statutory receivables (amounts owing to Government). They are carried at cost.



**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

**30.5 Market risk**

Market risk for the Hospital is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. Any exposure to foreign currency risks is managed by SAFA.

**30.6 Sensitivity disclosure analysis**

A sensitivity analysis has not been undertaken for the interest rate risk of the Hospital as it has been determined that the possible impact on comprehensive income or total equity from fluctuations in interest rates is immaterial.

**31 Unrecognised contractual commitments**

**31.1 Operating lease expenditure commitments**

|                                                                                                                                                                         | 2015         | 2014         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
|                                                                                                                                                                         | \$'000       | \$'000       |
| Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities in the financial statements, are payable as follows: |              |              |
| Within one year                                                                                                                                                         | 1,995        | 1,296        |
| Later than one year but not longer than five years                                                                                                                      | 1,081        | 1,107        |
| Later than five years                                                                                                                                                   | 1,936        | 91           |
| <b>Total operating lease commitments</b>                                                                                                                                | <b>5,012</b> | <b>2,494</b> |
| Representing:                                                                                                                                                           |              |              |
| Cancellable operating leases                                                                                                                                            | 5,012        | 2,494        |
| <b>Total operating lease commitments</b>                                                                                                                                | <b>5,012</b> | <b>2,494</b> |

The Hospital has a number of lease agreements. Lease terms vary in length. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee.

The Hospital has a number of operating lease arrangements for the use of properties. The major commitments are for properties at King William Road, Main South Road and Elizabeth. The Hospital has a number of other operating leases for the use of property. The value of these leases is immaterial.

**31.2 Expenditure commitments**

|                                                                                                                                                    | 2015     | 2014      |
|----------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------|
|                                                                                                                                                    | \$'000   | \$'000    |
| <b>Capital commitments</b>                                                                                                                         |          |           |
| Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial statement, are payable as follows: |          |           |
| Within one year                                                                                                                                    | -        | 79        |
| <b>Total capital commitments</b>                                                                                                                   | <b>-</b> | <b>79</b> |

|                                                                                                                                                                                                                                | 2015          | 2014          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                                                                                                                                | \$'000        | \$'000        |
| <b>Remuneration commitments</b>                                                                                                                                                                                                |               |               |
| 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 in the financial statements, are payable as follows: |               |               |
| Within one year                                                                                                                                                                                                                | 22,265        | 22,579        |
| Later than one year but not longer than five years                                                                                                                                                                             | 2,701         | 3,789         |
| <b>Total remuneration commitments</b>                                                                                                                                                                                          | <b>24,966</b> | <b>26,368</b> |

Amounts disclosed include commitments arising from executive and other service contracts. The Hospital does not offer fixed-term remuneration contracts greater than five years.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

|                                                                                                                                                   | 2015         | 2014         |
|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
|                                                                                                                                                   | \$'000       | \$'000       |
| <b>Other commitments</b>                                                                                                                          |              |              |
| Other expenditure contracted for at the reporting date but are not recognised as liabilities in the financial statements, are payable as follows: |              |              |
| Within one year                                                                                                                                   | 9,384        | 8,197        |
| <b>Total other commitments</b>                                                                                                                    | <b>9,384</b> | <b>8,197</b> |

The other commitments are for agreements for goods and services ordered but not received.

**32 Transferred functions**

**Transferred in**

**2014-15**

- Following a review of Departmental functions, effective 1 June 2015, the Chief Executive of the Department approved the transfer of Financial Business Advisory and Hospital based Revenue Services employees within Finance to the Local Health Networks and the South Australian Ambulance Service .

**2013-14**

- There were no transfers in during this period.

Total income and expenses that transferred were:

|                        | 2015        | 2014     |
|------------------------|-------------|----------|
|                        | \$'000      | \$'000   |
| Staff benefit expenses | 79          | -        |
| <b>Total expenses</b>  | <b>79</b>   | <b>-</b> |
| <b>Net result</b>      | <b>(79)</b> | <b>-</b> |

Assets and liabilities transferred to the Hospital were:

|                                          | 2015         | 2014     |
|------------------------------------------|--------------|----------|
|                                          | \$'000       | \$'000   |
| Payables                                 | 22           | -        |
| Staff benefits                           | 390          | -        |
| <b>Total liabilities</b>                 | <b>412</b>   | <b>-</b> |
| <b>Total net liabilities transferred</b> | <b>(412)</b> | <b>-</b> |

Net assets assumed by the Hospital as a result of the administrative restructure are at the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to the transfer. The net assets transferred were treated as a contribution by the Government as owner.



**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

**Transferred out**

**2014-15**

- Effective 16 February 2015 OPS rollover occurred in WCHN and all inventories (except Ipharmacy and Imprest) was transferred out from the Hospital to the Department.

**2013-14**

- Health Portfolio Executive approved a portfolio wide organisational restructure and a new SA Biomedical Engineering (SA BME) organisation structure was approved within the Department. A consolidated state-wide biomedical engineering service was created to meet the SA BME cost saving strategy and other efficiencies. Effective 18 November 2013, all in-scope staff and their associated staff benefits transferred from the Hospital to the Department.

|                                                            |               |               |
|------------------------------------------------------------|---------------|---------------|
| Assets and liabilities transferred from the Hospital were: | <b>2015</b>   | <b>2014</b>   |
|                                                            | <b>\$'000</b> | <b>\$'000</b> |
| Inventories                                                | 414           | -             |
| <b>Total assets</b>                                        | <b>414</b>    | <b>-</b>      |
| Payables                                                   | -             | 13            |
| Staff benefits                                             | -             | 254           |
| <b>Total liabilities</b>                                   | <b>-</b>      | <b>267</b>    |
| <b>Total net assets/(liabilities) transferred</b>          | <b>414</b>    | <b>(267)</b>  |

Net assets transferred by the Hospital as a result of the administrative restructures were at the carrying amount immediately prior to the transfer. The net assets transferred were treated as a distribution to the Government as owner.

**33 Contingent assets and liabilities**

The Hospital is not aware of any contingent assets or liabilities.

**34 Cash flow reconciliation**

|                                                                                                       |                  |                  |
|-------------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                       | <b>2015</b>      | <b>2014</b>      |
|                                                                                                       | <b>\$'000</b>    | <b>\$'000</b>    |
| <b>Reconciliation of cash and cash equivalents at the end of the reporting period:</b>                |                  |                  |
| Cash and cash equivalents disclosed in the Statement of Financial Position                            | 23,143           | 7,531            |
| <b>Cash as per Statement of Financial Position</b>                                                    | <b>23,143</b>    | <b>7,531</b>     |
| <b>Balance as per the Statement of Cash Flows</b>                                                     | <b>23,143</b>    | <b>7,531</b>     |
| <b>Reconciliation of net cash provided by operating activities to net cost of providing services:</b> |                  |                  |
| Net cash provided by (used in) operating activities                                                   | 18,259           | 8,350            |
| Department contributions for the provision of health services                                         | (383,817)        | (361,355)        |
| <b>Add/less non cash items</b>                                                                        |                  |                  |
| Depreciation and amortisation expense of non-current assets                                           | (8,203)          | (8,664)          |
| Gain/loss on sale or disposal of non-current assets                                                   | (229)            | 82               |
| Increments/decrements on revaluation of non-current assets                                            | (635)            | 700              |
| Assets acquired at no cost or nominal consideration                                                   | 20               | 56               |
| Capital revenues                                                                                      | 1,158            | -                |
| Assets acquired through the Department capital program                                                | -                | 1,158            |
| <b>Movement in assets and liabilities</b>                                                             |                  |                  |
| Increase (decrease) in receivables                                                                    | (1,183)          | (3,868)          |
| Increase (decrease) in inventories                                                                    | 593              | 68               |
| (Increase) decrease in staff benefits                                                                 | (4,050)          | (6,863)          |
| (Increase) decrease in payables and provisions                                                        | (151)            | (2,278)          |
| (Increase) decrease in other liabilities                                                              | 463              | (605)            |
| <b>Net cost of providing services</b>                                                                 | <b>(377,775)</b> | <b>(373,219)</b> |

**WOMEN'S AND CHILDREN'S HEALTH NETWORK**
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2015**
**35 Transactions with SA Government**

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

| Note                                         | SA Government |        | Non-SA Government |         | Total   |         |
|----------------------------------------------|---------------|--------|-------------------|---------|---------|---------|
|                                              | 2015          | 2014   | 2015              | 2014    | 2015    | 2014    |
|                                              | \$'000        | \$'000 | \$'000            | \$'000  | \$'000  | \$'000  |
| 4 Staff benefit expenses                     | 656           | 801    | 310,462           | 307,210 | 311,118 | 308,011 |
| Salaries and wages                           | -             | -      | 249,902           | 245,332 | 249,902 | 245,332 |
| TVSP (refer below)                           | -             | -      | 1,153             | 1,245   | 1,153   | 1,245   |
| Long service leave (LSL)                     | -             | -      | 7,553             | 8,156   | 7,553   | 8,156   |
| Annual leave                                 | -             | -      | 23,096            | 23,629  | 23,096  | 23,629  |
| Skills and experience retention leave (SERL) | -             | -      | 1,324             | 984     | 1,324   | 984     |
| Staff on-costs - superannuation              | -             | -      | 26,515            | 25,039  | 26,515  | 25,039  |
| Workers compensation                         | 1             | -      | 1,160             | 2,764   | 1,161   | 2,764   |
| Board and committee fees                     | -             | -      | 59                | 44      | 59      | 44      |
| Other staff related expenses                 | 655           | 801    | (300)             | 17      | 355     | 818     |
| 5 Supplies and services                      | 46,222        | 42,071 | 63,976            | 63,060  | 110,198 | 105,131 |
| Administration                               | 52            | 21     | 942               | 833     | 994     | 854     |
| Advertising                                  | 83            | 87     | 230               | 48      | 313     | 135     |
| Communication                                | 18            | 11     | 1,249             | 1,188   | 1,267   | 1,199   |
| Computing                                    | 4,047         | 3,925  | 328               | 475     | 4,375   | 4,400   |
| Contractors                                  | 409           | 404    | 5                 | 1       | 414     | 405     |
| Contractors - agency staff                   | 6,060         | 4,539  | 2,197             | 1,478   | 8,257   | 6,017   |
| Consultants                                  | -             | -      | 36                | 18      | 36      | 18      |
| Contract of services                         | -             | -      | 12                | -       | 12      | -       |
| Cost of goods sold                           | -             | -      | 1                 | -       | 1       | -       |
| Drug supplies                                | 124           | 64     | 12,721            | 9,694   | 12,845  | 9,758   |
| Electricity, gas and fuel                    | 107           | 75     | 3,480             | 3,898   | 3,587   | 3,973   |
| Fee for service                              | 107           | 40     | 3,315             | 3,323   | 3,422   | 3,363   |
| Food supplies                                | 201           | 155    | 1,977             | 2,032   | 2,178   | 2,187   |
| Housekeeping                                 | 381           | 366    | 10,185            | 10,186  | 10,566  | 10,552  |
| Insurance                                    | 5,131         | 4,991  | 8                 | 12      | 5,139   | 5,003   |
| Internal SA Health SLA payments              | 5,011         | 4,443  | -                 | -       | 5,011   | 4,443   |
| Interstate patient transfers                 | -             | -      | 3                 | -       | 3       | -       |
| Legal                                        | 96            | 40     | 14                | 1       | 110     | 41      |
| Medical, surgical and laboratory supplies    | 11,439        | 10,277 | 9,356             | 11,280  | 20,795  | 21,557  |
| Minor equipment                              | 203           | 80     | 1,416             | 2,318   | 1,619   | 2,398   |
| Motor vehicle expenses                       | 2,184         | 2,580  | 320               | 258     | 2,504   | 2,838   |
| Occupancy rent and rates                     | 1,795         | 1,773  | 2,166             | 2,182   | 3,961   | 3,955   |
| Patient transport                            | 793           | 917    | 184               | 133     | 977     | 1,050   |
| Payments to Shared Services SA               | 2,558         | 2,514  | -                 | -       | 2,558   | 2,514   |
| Periodical, journals and publications        | 1             | -      | 194               | 260     | 195     | 260     |
| Postage                                      | 4             | -      | 539               | 418     | 543     | 418     |
| Printing and stationery                      | 59            | 39     | 1,464             | 1,615   | 1,523   | 1,654   |
| Rental expense on operating lease            | 78            | 17     | 33                | 1       | 111     | 18      |
| Repairs and maintenance                      | 4,765         | 4,034  | 1,911             | 3,040   | 6,676   | 7,074   |
| Security                                     | 42            | 29     | 891               | 809     | 933     | 838     |
| Staff training and development               | 33            | 38     | 2,760             | 2,125   | 2,793   | 2,163   |
| Staff travel expenses                        | 1             | 371    | 2,322             | 1,761   | 2,323   | 2,132   |
| Other supplies and services                  | 440           | 241    | 3,717             | 3,673   | 4,157   | 3,914   |



**WOMEN'S AND CHILDREN'S HEALTH NETWORK**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2015**

|                                                            | SA Government |               | Non-SA Government |                | Total          |                |
|------------------------------------------------------------|---------------|---------------|-------------------|----------------|----------------|----------------|
|                                                            | 2015          | 2014          | 2015              | 2014           | 2015           | 2014           |
|                                                            | \$'000        | \$'000        | \$'000            | \$'000         | \$'000         | \$'000         |
| <b>6 Depreciation and amortisation expense</b>             | -             | -             | 8,203             | 8,664          | 8,203          | 8,664          |
| Buildings and improvements                                 | -             | -             | 5,270             | 5,336          | 5,270          | 5,336          |
| Site improvements                                          | -             | -             | 13                | 13             | 13             | 13             |
| Computing equipment                                        | -             | -             | 16                | 58             | 16             | 58             |
| Medical, surgical, dental and biomedical equipment         | -             | -             | 2,502             | 2,858          | 2,502          | 2,858          |
| Power generation and transmission                          | -             | -             | 75                | 75             | 75             | 75             |
| Other plant and equipment                                  | -             | -             | 157               | 143            | 157            | 143            |
| Leasehold improvements                                     | -             | -             | 154               | 171            | 154            | 171            |
| Intangible assets                                          | -             | -             | 16                | 10             | 16             | 10             |
| <b>7 Grants and subsidies</b>                              | -             | 202           | 33                | 117            | 33             | 319            |
| Recurrent grants                                           | -             | 2             | 33                | 117            | 33             | 119            |
| Capital grants                                             | -             | 200           | -                 | -              | -              | 200            |
| <b>8 Other expenses</b>                                    | 4             | 19            | 726               | 2,361          | 730            | 2,380          |
| Bad and doubtful debts                                     | -             | -             | 471               | 1,859          | 471            | 1,859          |
| Bank fees and charges                                      | -             | -             | 39                | 43             | 39             | 43             |
| Other (excluding audit fees)                               | 4             | 19            | 216               | 459            | 220            | 478            |
| <b>9 Auditor's remuneration</b>                            | 180           | 164           | -                 | -              | 180            | 164            |
| Auditor fees - auditing financial statements               | 180           | 164           | -                 | -              | 180            | 164            |
| <b>TOTAL EXPENSES</b>                                      | <b>47,062</b> | <b>43,257</b> | <b>383,400</b>    | <b>381,412</b> | <b>430,462</b> | <b>424,669</b> |
| <b>INCOME</b>                                              |               |               |                   |                |                |                |
| <b>10 Revenue from fees and charges</b>                    | 14,701        | 14,392        | 22,116            | 21,909         | 36,817         | 36,301         |
| Fines, fees and penalties                                  | -             | -             | 1                 | -              | 1              | -              |
| Insurance recoveries from health services                  | 97            | 52            | -                 | -              | 97             | 52             |
| Interstate patient transfers                               | -             | -             | 3                 | 5              | 3              | 5              |
| Patient and client fees                                    | -             | -             | 11,962            | 12,411         | 11,962         | 12,411         |
| Private practice fees                                      | -             | -             | 2,709             | 2,592          | 2,709          | 2,592          |
| Recoveries                                                 | 14,077        | 14,010        | 2,068             | 2,206          | 16,145         | 16,216         |
| Sale of goods - medical supplies                           | 102           | -             | 228               | 200            | 330            | 200            |
| Other user charges and fees                                | 425           | 330           | 5,145             | 4,495          | 5,570          | 4,825          |
| <b>11 Grants and contributions</b>                         | 4,099         | 3,902         | 6,876             | 5,537          | 10,975         | 9,439          |
| Commonwealth grants and donations                          | -             | -             | 630               | 533            | 630            | 533            |
| Pharmaceutical benefits scheme                             | -             | -             | 4,826             | 2,980          | 4,826          | 2,980          |
| Commonwealth subsidy                                       | -             | -             | -                 | -              | -              | -              |
| Other grants and contributions from SA Government agencies | 4,099         | 3,902         | -                 | -              | 4,099          | 3,902          |
| Private sector capital contributions                       | -             | -             | 168               | 158            | 168            | 158            |
| Private sector grants and contributions                    | -             | -             | 1,252             | 1,866          | 1,252          | 1,866          |
| <b>12 Interest revenue</b>                                 | 178           | 36            | 60                | 116            | 238            | 152            |
| Interest from SAFA                                         | 17            | 36            | -                 | -              | 17             | 36             |
| Bank interest                                              | -             | -             | 60                | 116            | 60             | 116            |
| Interest on Special Purpose Funds (SPF)                    | 161           | -             | -                 | -              | 161            | -              |
| <b>13 Resources received free of charge</b>                | -             | -             | 20                | 56             | 20             | 56             |
| Plant and equipment                                        | -             | -             | 20                | 11             | 20             | 11             |
| Other                                                      | -             | -             | -                 | 45             | -              | 45             |

**WOMEN'S AND CHILDREN'S HEALTH NETWORK**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2015**

|                                                                 | SA Government  |                | Non-SA Government |               | Total          |                |
|-----------------------------------------------------------------|----------------|----------------|-------------------|---------------|----------------|----------------|
|                                                                 | 2015           | 2014           | 2015              | 2014          | 2015           | 2014           |
|                                                                 | \$'000         | \$'000         | \$'000            | \$'000        | \$'000         | \$'000         |
| 14 Net gain/(loss) from disposal of non-curr                    | -              | -              | (229)             | 82            | (229)          | 82             |
| Total proceeds from disposal                                    | -              | -              | 16                | 215           | 16             | 215            |
| Realised gain from the fair value reserve - financial assets    | -              | -              | -                 | 68            | -              | 68             |
| Less total value of assets disposed                             | -              | -              | (245)             | (201)         | (245)          | (201)          |
| 15 Other revenue                                                | 931            | 810            | 4,570             | 3,910         | 5,501          | 4,720          |
| Commissions revenue                                             | -              | -              | 50                | 57            | 50             | 57             |
| Dividend revenue                                                | -              | -              | 57                | 74            | 57             | 74             |
| Training revenue                                                | 10             | 11             | 604               | 574           | 614            | 585            |
| Donations received                                              | -              | -              | 607               | 490           | 607            | 490            |
| Car parking revenue                                             | -              | -              | 2,204             | 2,229         | 2,204          | 2,229          |
| Other                                                           | 921            | 799            | 1,048             | 486           | 1,969          | 1,285          |
| 16 Other income                                                 | -              | -              | -                 | -             | -              | -              |
| Health service debt forgiven                                    | -              | -              | -                 | -             | -              | -              |
| Insured drug supplies-recoveries                                | -              | -              | -                 | -             | -              | -              |
| Other                                                           | -              | -              | -                 | -             | -              | -              |
| 16 Revenue from SA Government                                   | 383,817        | 361,355        | -                 | -             | 383,817        | 361,355        |
| Recurrent funding                                               | 379,629        | 355,202        | -                 | -             | 379,629        | 355,202        |
| Capital funding                                                 | 3,035          | 4,864          | -                 | -             | 3,035          | 4,864          |
| TVSP recovery funds from Department of Treasury and Finance     | 1,153          | 1,289          | -                 | -             | 1,153          | 1,289          |
| <b>TOTAL INCOME</b>                                             | <b>403,726</b> | <b>380,495</b> | <b>33,413</b>     | <b>31,610</b> | <b>437,139</b> | <b>412,105</b> |
| <b>FINANCIAL ASSETS</b>                                         |                |                |                   |               |                |                |
| 17 Cash and cash equivalents                                    | -              | 1,322          | 23,143            | 6,209         | 23,143         | 7,531          |
| Cash at bank or on hand - non-government financial institutions | -              | -              | 23,106            | 6,169         | 23,106         | 6,169          |
| Deposits with SA Government Financing Authority                 | -              | 1,322          | -                 | -             | -              | 1,322          |
| Imprest account/cash on hand                                    | -              | -              | 37                | 40            | 37             | 40             |
| 18 Receivables                                                  | 1,913          | 2,825          | 5,994             | 6,265         | 7,907          | 9,090          |
| Patient/client fees                                             |                |                |                   |               |                |                |
| Compensable                                                     | -              | -              | 904               | 1,046         | 904            | 1,046          |
| Other                                                           | -              | -              | 3,852             | 5,515         | 3,852          | 5,515          |
| Workers compensation provision recoverable                      | 1,613          | 2,563          | -                 | -             | 1,613          | 2,563          |
| Dividends receivable                                            | -              | -              | 17                | 22            | 17             | 22             |
| Interest income receivable                                      | -              | 3              | -                 | -             | -              | 3              |
| Prepayments                                                     | -              | 7              | 157               | 129           | 157            | 136            |
| Debtors                                                         | 300            | 252            | 1,829             | 1,411         | 2,129          | 1,663          |
| Less: allowance for doubtful debts                              | -              | -              | (1,677)           | (2,416)       | (1,677)        | (2,416)        |
| Sundry receivables and accrued revenue                          | -              | -              | 663               | 322           | 663            | 322            |
| GST recoverable                                                 | -              | -              | 249               | 236           | 249            | 236            |
| 20 Other financial assets                                       | -              | -              | 1,182             | 1,191         | 1,182          | 1,191          |
| Other investments                                               | -              | -              | 1,182             | 1,191         | 1,182          | 1,191          |
| <b>TOTAL FINANCIAL ASSETS</b>                                   | <b>1,913</b>   | <b>4,147</b>   | <b>30,319</b>     | <b>13,665</b> | <b>32,232</b>  | <b>17,812</b>  |



**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

|                                    | SA Government |              | Non-SA Government |               | Total         |               |
|------------------------------------|---------------|--------------|-------------------|---------------|---------------|---------------|
|                                    | 2015          | 2014         | 2015              | 2014          | 2015          | 2014          |
|                                    | \$'000        | \$'000       | \$'000            | \$'000        | \$'000        | \$'000        |
| <b>FINANCIAL LIABILITIES</b>       |               |              |                   |               |               |               |
| 25 Payables                        | 1,584         | 1,244        | 12,654            | 11,724        | 14,238        | 12,968        |
| Creditors and accrued expenses     | 1,584         | 1,244        | 5,822             | 6,261         | 7,406         | 7,505         |
| Paid Parental Leave Scheme payable | -             | -            | 110               | 39            | 110           | 39            |
| Staff on-costs                     | -             | -            | 5,972             | 4,917         | 5,972         | 4,917         |
| Other payables                     | -             | -            | 750               | 507           | 750           | 507           |
| 28 Other liabilities               | (5)           | -            | 397               | 856           | 392           | 856           |
| Unclaimed monies                   | -             | -            | 119               | 104           | 119           | 104           |
| Unearned revenue                   | -             | -            | 201               | 71            | 201           | 71            |
| Other                              | (5)           | -            | 77                | 681           | 72            | 681           |
| <b>TOTAL FINANCIAL LIABILITIES</b> | <b>1,579</b>  | <b>1,244</b> | <b>13,051</b>     | <b>12,580</b> | <b>14,630</b> | <b>13,824</b> |

**36 Remuneration of board and committee members**

Members of boards/committees that served for all or part of the financial year were:

**Audit and Risk Committee**

|             |                                    |
|-------------|------------------------------------|
| Connor G    | Sutherland A (appointed 13/8/2014) |
| Dwyer N *   | Sweet C                            |
| McFarlane A |                                    |

**Women's and Children's Health Network Advisory Council Incorporated**

|                                 |                                     |                               |
|---------------------------------|-------------------------------------|-------------------------------|
| Buckerfield M                   | Fereday J *                         | Sutherland A                  |
| Buza Y * (appointed 07/02/2014) | Golding E                           | Wallace M (Chair)             |
| Cadzow M (appointed 01/07/2015) | Petersen R * (appointed 14/07/2013) | Wigg N (appointed 01/07/2015) |
| Coulthard K                     | Seiboth C                           |                               |

|                                                                                                          | 2015           | 2014           |
|----------------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                          | No. of         | No. of         |
| <b>The number of members whose remuneration received or receivable falls within the following bands:</b> | <b>Members</b> | <b>Members</b> |
| \$0                                                                                                      | 5              | 8              |
| \$1 - \$9,999                                                                                            | 9              | 7              |
| \$10,000 - \$19,999                                                                                      | 2              | 1              |
| <b>Total</b>                                                                                             | <b>16</b>      | <b>16</b>      |

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 \$0.005 million (\$0.050 million).

In accordance with the *Department of Premier and Cabinet Circular No. 016*, 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.

**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

**37 Events after the reporting period**

The Hospital is not aware of any material events occurring between the end of the reporting period and when the financial statements were authorised.

**38 Schedules of administered funds**

The following incomes, expenses, assets and liabilities were administered but not controlled by the Hospital and have not been included in the financial statements. In accordance with Accounting Policy Framework II *General Purpose Financial Statements* para. APS 3.13.2, these items are regarded as insignificant to the Hospital's overall performance and are disclosed in the following schedules.

**Schedule of administered expenses and Income  
for the year ended 30 June 2015**

|                                    | Strata Corp | Other<br>admin funds | Total        |
|------------------------------------|-------------|----------------------|--------------|
|                                    | 2015        | 2015                 | 2015         |
|                                    | \$'000      | \$'000               | \$'000       |
| <b>Administered expenses</b>       |             |                      |              |
| Staff benefit expenses             | 48          | -                    | 48           |
| Supplies and services              | 32          | 28                   | 60           |
| Grants and subsidies               | -           | 8                    | 8            |
| Other expenses                     | 112         | 6,085                | 6,197        |
| <b>Total administered expenses</b> | <b>192</b>  | <b>6,121</b>         | <b>6,313</b> |
| <b>Administered income</b>         |             |                      |              |
| Revenues from fees and charges     | 177         | 5,975                | 6,152        |
| Other revenues                     | 6           | -                    | 6            |
| <b>Total administered income</b>   | <b>183</b>  | <b>5,975</b>         | <b>6,158</b> |
| <b>Net result</b>                  | <b>(9)</b>  | <b>(146)</b>         | <b>(155)</b> |

|                                    | Strata Corp | Other<br>admin funds | Total        |
|------------------------------------|-------------|----------------------|--------------|
|                                    | 2014        | 2014                 | 2014         |
|                                    | \$'000      | \$'000               | \$'000       |
| <b>Administered expenses</b>       |             |                      |              |
| Staff benefit expenses             | 47          | -                    | 47           |
| Supplies and services              | 86          | 12                   | 98           |
| Grants and subsidies               | -           | 25                   | 25           |
| Other expenses                     | 50          | 7,623                | 7,673        |
| <b>Total administered expenses</b> | <b>183</b>  | <b>7,660</b>         | <b>7,843</b> |
| <b>Administered income</b>         |             |                      |              |
| Revenues from fees and charges     | 168         | 7,672                | 7,840        |
| Other revenues                     | 6           | -                    | 6            |
| <b>Total administered income</b>   | <b>174</b>  | <b>7,672</b>         | <b>7,846</b> |
| <b>Net result</b>                  | <b>(9)</b>  | <b>12</b>            | <b>3</b>     |



**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

**Schedule of administered assets and liabilities**  
**as at 30 June 2015**

|                                               | Strata Corp | Other<br>admin funds | Total      |
|-----------------------------------------------|-------------|----------------------|------------|
|                                               | 2015        | 2015                 | 2015       |
|                                               | \$'000      | \$'000               | \$'000     |
| <b>Administered current assets</b>            |             |                      |            |
| Cash and cash equivalents                     | 89          | 714                  | 803        |
| Receivables                                   | 13          | (48)                 | (35)       |
| <b>Total administered current assets</b>      | <b>102</b>  | <b>666</b>           | <b>768</b> |
| <b>Total administered assets</b>              | <b>102</b>  | <b>666</b>           | <b>768</b> |
| <b>Administered current liabilities</b>       |             |                      |            |
| Payables                                      | 17          | 38                   | 55         |
| <b>Total administered current liabilities</b> | <b>17</b>   | <b>38</b>            | <b>55</b>  |
| <b>Total administered liabilities</b>         | <b>17</b>   | <b>38</b>            | <b>55</b>  |
| <b>Net administered assets</b>                | <b>85</b>   | <b>628</b>           | <b>713</b> |

|                                               | Strata Corp | Other<br>admin funds | Total      |
|-----------------------------------------------|-------------|----------------------|------------|
|                                               | 2014        | 2014                 | 2014       |
|                                               | \$'000      | \$'000               | \$'000     |
| <b>Administered current assets</b>            |             |                      |            |
| Cash and cash equivalents                     | 82          | 841                  | 923        |
| Receivables                                   | 17          | 23                   | 40         |
| <b>Total administered current assets</b>      | <b>99</b>   | <b>864</b>           | <b>963</b> |
| <b>Total administered assets</b>              | <b>99</b>   | <b>864</b>           | <b>963</b> |
| <b>Administered current liabilities</b>       |             |                      |            |
| Payables                                      | 5           | -                    | 5          |
| Other current provisions/liabilities          | -           | 90                   | 90         |
| <b>Total administered current liabilities</b> | <b>5</b>    | <b>90</b>            | <b>95</b>  |
| <b>Total administered liabilities</b>         | <b>5</b>    | <b>90</b>            | <b>95</b>  |
| <b>Net administered assets</b>                | <b>94</b>   | <b>774</b>           | <b>868</b> |

**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2015**

**Schedule of administered changes in equity  
for the year ended 30 June 2015**

|                                                   | Strata Corp | Other<br>admin funds | Total  |
|---------------------------------------------------|-------------|----------------------|--------|
|                                                   | 2015        | 2015                 | 2015   |
|                                                   | \$'000      | \$'000               | \$'000 |
| Balance at the beginning of the reporting period  | 94          | 774                  | 868    |
| Net income/expenses recognised directly in equity | 94          | 774                  | 868    |
| Net result                                        | (9)         | (146)                | (155)  |
| Balance at the end of the reporting period        | 85          | 628                  | 713    |

|                                                  | Strata Corp | Other<br>admin funds | Total  |
|--------------------------------------------------|-------------|----------------------|--------|
|                                                  | 2014        | 2014                 | 2014   |
|                                                  | \$'000      | \$'000               | \$'000 |
| Balance at the beginning of the reporting period | 103         | 762                  | 865    |
| Restated Opening Balance                         | 103         | 762                  | 865    |
| Net result                                       | (9)         | 12                   | 3      |
| Balance at the end of the reporting period       | 94          | 774                  | 868    |

**Schedule of Administered Cash Flows  
for the year ended 30 June 2015**

|                                                                 | Strata Corp | Other<br>admin funds | Total        |
|-----------------------------------------------------------------|-------------|----------------------|--------------|
|                                                                 | 2015        | 2015                 | 2015         |
|                                                                 | \$'000      | \$'000               | \$'000       |
| <b><u>Cash flows from operating activities</u></b>              |             |                      |              |
| <b>Cash inflows</b>                                             |             |                      |              |
| Fees and charges                                                | 181         | 6,046                | 6,227        |
| Other revenue                                                   | 6           | -                    | 6            |
| <b>Total cash inflows</b>                                       | <b>187</b>  | <b>6,046</b>         | <b>6,233</b> |
| <b>Cash outflows</b>                                            |             |                      |              |
| Staff benefit payments                                          | 48          | -                    | 48           |
| Grants and subsidies                                            | -           | 8                    | 8            |
| Supplies and services                                           | 20          | 80                   | 100          |
| Other payments                                                  | 112         | 6,085                | 6,197        |
| <b>Total cash outflows</b>                                      | <b>180</b>  | <b>6,173</b>         | <b>6,353</b> |
| <b>Net cash inflows/cash outflows from operating activities</b> | <b>7</b>    | <b>(127)</b>         | <b>(120)</b> |
| <b>Net increase / (decrease) in cash held</b>                   | <b>7</b>    | <b>(127)</b>         | <b>(120)</b> |
| Cash at the beginning of the reporting period                   | 82          | 841                  | 923          |
| <b>Cash at the end of the reporting period</b>                  | <b>89</b>   | <b>714</b>           | <b>803</b>   |



**WOMEN'S AND CHILDREN'S HEALTH NETWORK**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2015**

|                                                                 | Strata Corp | Other<br>admin funds | Total        |
|-----------------------------------------------------------------|-------------|----------------------|--------------|
|                                                                 | 2014        | 2014                 | 2014         |
|                                                                 | \$'000      | \$'000               | \$'000       |
| <b><u>Cash flows from operating activities</u></b>              |             |                      |              |
| <b>Cash inflows</b>                                             |             |                      |              |
| Fees and charges                                                | 157         | 7,719                | 7,876        |
| Other revenue                                                   | 6           | -                    | 6            |
| <b>Total cash inflows</b>                                       | <b>163</b>  | <b>7,719</b>         | <b>7,882</b> |
| <b>Cash outflows</b>                                            |             |                      |              |
| Staff benefit payments                                          | 47          | -                    | 47           |
| Grants and subsidies                                            | -           | 25                   | 25           |
| Supplies and services                                           | 86          | 12                   | 98           |
| Other payments                                                  | 50          | 7,660                | 7,710        |
| <b>Total cash outflows</b>                                      | <b>183</b>  | <b>7,697</b>         | <b>7,880</b> |
| <b>Net cash inflows/cash outflows from operating activities</b> | <b>(20)</b> | <b>22</b>            | <b>2</b>     |
| <b>Net increase / (decrease) in cash held</b>                   | <b>(20)</b> | <b>22</b>            | <b>2</b>     |
| Cash at the beginning of the reporting period                   | 102         | 819                  | 921          |
| <b>Cash at the end of the reporting period</b>                  | <b>82</b>   | <b>841</b>           | <b>923</b>   |

**Administered expenses and administered cash outflows**

The Hospital makes various transfer payments to eligible beneficiaries in the capacity of an agent responsible for the administration of the transfer process. Amounts relating to these transfer payments are not controlled by the Hospital, since they are made at the discretion of government in accordance with government policy. These transfers are disclosed as administered expenses and administered cash outflows.

**Administered incomes and administered cash inflows**

The Hospital collects various revenues and grants on behalf of government. The amounts are not controlled by the Hospital and are not recognised by the Hospital. These amounts are disclosed as administered revenues and administered cash inflows.

**Administered assets and liabilities**

The Hospital manages various assets and liabilities on behalf of the Government. The amounts are not controlled by the Hospital and are not recognised by the Hospital. These amounts are disclosed as administered assets and liabilities.

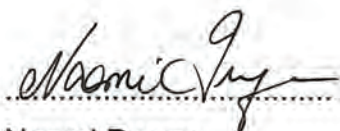
**Administered contingent assets and liabilities**

The Hospital has no administered contingent assets and liabilities.

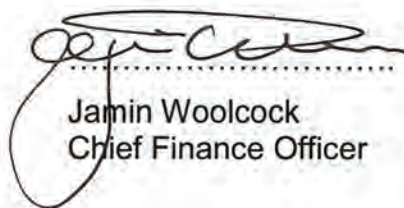
## Certification of the financial statements

We certify that the:

- financial statements of the Women's and Children's Health Network Inc.:
  - are in accordance with the accounts and records of the authority; and
  - comply with relevant Treasurer's instructions; and
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Women's and Children's Health Network Inc. over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Naomi Dwyer  
Chief Executive Officer



Jamin Woolcock  
Chief Finance Officer

Date 16.9.15





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## To the Chief Executive Officer Women's and Children's Health Network Incorporated

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 36 of the *Health Care Act 2008*, I have audited the accompanying financial report of the Women's and Children's Health Network Incorporated for the financial year ended 30 June 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chief Executive Officer and the Chief Finance Officer.

## The Chief Executive Officer's Responsibility for the Financial Report

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act* and Australian Accounting Standards, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the Women's and Children's Health Network Incorporated as at 30 June 2015, 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.

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal stroke extending to the right.

Andrew Richardson  
**Auditor-General**  
20 September 2015



# Health Services Charitable Gifts Board

Financial report  
for the year ended  
30 June 2015

# HEALTH SERVICES CHARITABLE GIFTS BOARD

## STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2015

|                                                                          | <b>Note<br/>No.</b> | <b>2015<br/>\$'000</b> | <b>2014<br/>\$'000</b> |
|--------------------------------------------------------------------------|---------------------|------------------------|------------------------|
| <b>Income</b>                                                            |                     |                        |                        |
| Gifts to public health entities vesting in the Board                     |                     | 11,554                 | 7,112                  |
| Revenue from Helpmann Family Foundation                                  | 1,3                 | 230                    | 227                    |
| Investment revenue                                                       | 5                   | 9,346                  | 2,113                  |
| Rental revenue                                                           | 13                  | 2,823                  | 2,863                  |
| Other revenue                                                            |                     | 24                     | 16                     |
| <b>Total Income</b>                                                      |                     | <b>23,977</b>          | <b>12,331</b>          |
| <b>Expenses</b>                                                          |                     |                        |                        |
| Employee & Commissioner expenses                                         | 6                   | 241                    | 195                    |
| Supplies and services                                                    | 7                   | 169                    | 94                     |
| Investment property expenses                                             | 13                  | 710                    | 367                    |
| Funds distributed to public health entities & prescribed research bodies |                     | 9,619                  | 8,666                  |
| <b>Total Expenses</b>                                                    |                     | <b>10,739</b>          | <b>9,322</b>           |
| <b>Net Result</b>                                                        |                     | <b>13,238</b>          | <b>3,009</b>           |
| <b>Other Comprehensive Income</b>                                        |                     |                        |                        |
| Financial asset revaluations taken to equity                             |                     | 1,228                  | 2,921                  |
| Revaluation adjustment on disposal of financial assets                   | 8                   | ( 6,928)               | ( 341)                 |
| <b>Net gain on financial assets recognised directly in equity</b>        |                     | <b>( 5,700)</b>        | <b>2,580</b>           |
| <b>Total Comprehensive Result</b>                                        |                     | <b>7,538</b>           | <b>5,589</b>           |

The above statement should be read in conjunction with the accompanying notes.



# HEALTH SERVICES CHARITABLE GIFTS BOARD

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

|                                      | Note<br>No. | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------|-------------|----------------|----------------|
| <b>Current Assets</b>                |             |                |                |
| Cash and cash equivalents            | 10          | 1,931          | 24,480         |
| Other financial assets               | 11          | -              | 5,700          |
| Receivables                          | 12          | 1,018          | 1,189          |
| Investment properties held for sale  | 13          | 4,100          | 840            |
| <b>Total Current Assets</b>          |             | <u>7,049</u>   | <u>32,209</u>  |
| <b>Non-current Assets</b>            |             |                |                |
| Other financial assets               | 11          | 76,480         | 40,827         |
| Receivables                          | 12          | 60             | 90             |
| Investment properties                | 13          | 29,084         | 31,645         |
| Property, plant & equipment          | 14          | 5              | 3              |
| <b>Total Non-current Assets</b>      |             | <u>105,629</u> | <u>72,565</u>  |
| <b>Total Assets</b>                  |             | <u>112,678</u> | <u>104,774</u> |
| <b>Current Liabilities</b>           |             |                |                |
| Payables                             | 15          | 173            | 103            |
| Other financial liabilities          | 16          | 319            | 27             |
| Employee benefits                    | 17          | 8              | -              |
| <b>Total Current Liabilities</b>     |             | <u>500</u>     | <u>130</u>     |
| <b>Total Liabilities</b>             |             | <u>500</u>     | <u>130</u>     |
| <b>Net Assets</b>                    |             | <u>112,178</u> | <u>104,644</u> |
| <b>Funds Held</b>                    |             |                |                |
| Funds                                |             | 112,178        | 98,944         |
| Asset revaluation surplus            |             | -              | 5,700          |
| Retained earnings                    |             | -              | -              |
| <b>Total Funds Held</b>              | 18          | <u>112,178</u> | <u>104,644</u> |
| Unrecognised contractual commitments | 21          |                |                |
| Contingent assets and liabilities    | 22          |                |                |

The above statement should be read in conjunction with the accompanying notes.

# HEALTH SERVICES CHARITABLE GIFTS BOARD

## STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2015

|                                                      | Note No. | Funds Held<br>\$'000 | Asset<br>Revaluation<br>Surplus<br>\$'000 | Retained<br>Earnings<br>\$'000 | Total<br>Funds Held<br>\$'000 |
|------------------------------------------------------|----------|----------------------|-------------------------------------------|--------------------------------|-------------------------------|
| <b>Balance at 30 June 2013</b>                       |          | <b>95,935</b>        | <b>3,120</b>                              | <b>-</b>                       | <b>99,055</b>                 |
| Gain on revaluation of investments                   | 2(m)     | -                    | 2,921                                     | -                              | 2,921                         |
| Realised investment revaluation transferred          | 8        | -                    | ( 341)                                    | -                              | ( 341)                        |
| Net income recognised directly in equity for 2013-14 |          | -                    | 2,580                                     | -                              | 2,580                         |
| Net Profit for 2013-14                               |          | -                    | -                                         | 3,009                          | 3,009                         |
| <b>Total comprehensive result for 2013-14</b>        |          | <b>-</b>             | <b>2,580</b>                              | <b>3,009</b>                   | <b>5,589</b>                  |
| Net Profit to Funds Held                             |          | 3,009                | -                                         | ( 3,009)                       | -                             |
| <b>Total Change for the period</b>                   |          | <b>3,009</b>         | <b>2,580</b>                              | <b>-</b>                       | <b>5,589</b>                  |
| <b>Balance at 30 June 2014</b>                       |          | <b>98,944</b>        | <b>5,700</b>                              | <b>-</b>                       | <b>104,644</b>                |
| Gain on revaluation of investments                   | 2(m)     | -                    | 1,228                                     | -                              | 1,228                         |
| Realised investment revaluation transferred          | 8        | -                    | ( 6,928)                                  | -                              | ( 6,928)                      |
| Net income recognised directly in equity for 2014-15 |          | -                    | ( 5,700)                                  | -                              | ( 5,700)                      |
| Net Profit for 2014-15                               |          | -                    | -                                         | 13,238                         | 13,238                        |
| <b>Total comprehensive result for 2014-15</b>        |          | <b>-</b>             | <b>( 5,700)</b>                           | <b>13,238</b>                  | <b>7,538</b>                  |
| Net Result to Brown Charitable Trust                 |          | -                    | -                                         | ( 4)                           | ( 4)                          |
| Net Result to Funds Held                             |          | 13,234               | -                                         | ( 13,234)                      | -                             |
| <b>Total Change for the period</b>                   |          | <b>13,234</b>        | <b>( 5,700)</b>                           | <b>-</b>                       | <b>7,534</b>                  |
| <b>Balance at 30 June 2015</b>                       |          | <b>112,178</b>       | <b>-</b>                                  | <b>-</b>                       | <b>112,178</b>                |

The above statement should be read in conjunction with the accompanying notes.



# HEALTH SERVICES CHARITABLE GIFTS BOARD

## STATEMENT OF CASH FLOWS For the Year Ended 30 June 2015

|                                                                             | Note<br>No. | 2015<br>\$'000   | 2014<br>\$'000   |
|-----------------------------------------------------------------------------|-------------|------------------|------------------|
| <b>Cash Flows from Operating Activities</b>                                 |             |                  |                  |
| <b>Cash Inflows</b>                                                         |             |                  |                  |
| Rent                                                                        |             | 3,109            | 3,175            |
| Dividends and trust distributions                                           |             | 1,507            | 1,160            |
| Imputation credits                                                          |             | 438              | 397              |
| Interest                                                                    |             | 1,510            | 1,450            |
| Other Income                                                                |             | 27               | 16               |
| Helpmann Family Foundation                                                  |             | 230              | 227              |
| Gifts to public health entities vesting<br>in the Board                     |             | 11,554           | 6,631            |
| <b>Cash generated from operations</b>                                       |             | <u>18,375</u>    | <u>13,056</u>    |
| <b>Cash Outflows</b>                                                        |             |                  |                  |
| Supplies and services                                                       |             | ( 1,041)         | ( 840)           |
| Funds distributed to public health entities<br>& prescribed research bodies |             | ( 9,448)         | ( 8,728)         |
| GST paid to the ATO                                                         |             | ( 218)           | ( 219)           |
| <b>Cash used in operations</b>                                              |             | <u>( 10,707)</u> | <u>( 9,787)</u>  |
| <b>Net cash provided by<br/>operating activities</b>                        | 19          | <u>7,668</u>     | <u>3,269</u>     |
| <b>Cash flows from Investing Activities</b>                                 |             |                  |                  |
| <b>Cash Inflows</b>                                                         |             |                  |                  |
| Proceeds from the sale/maturity of<br>investments                           |             | 23,797           | 2,261            |
| Funds received - Dorothy E Brown<br>Charitable Trust                        | 1.6         | 287              | -                |
| <b>Cash generated from investing activities</b>                             |             | <u>24,084</u>    | <u>2,261</u>     |
| <b>Cash Outflows</b>                                                        |             |                  |                  |
| Purchase of improvements to<br>investment properties                        |             | ( 522)           | ( 61)            |
| Purchase of property, plant &<br>equipment                                  |             | ( 30)            | ( 4)             |
| Purchase of investments                                                     |             | ( 53,749)        | ( 18,172)        |
| <b>Cash used in investing activities</b>                                    |             | <u>( 54,301)</u> | <u>( 18,237)</u> |
| <b>Net cash provided by (used in) investing activities</b>                  |             | <u>( 30,217)</u> | <u>( 15,976)</u> |
| Net increase/(decrease) in cash and<br>cash equivalents                     |             | ( 22,549)        | ( 12,707)        |
| Cash and cash equivalents at 1 July                                         |             | 24,480           | 37,187           |
| <b>Cash and cash equivalents at 30 June</b>                                 | 10          | <u>1,931</u>     | <u>24,480</u>    |

The above statement should be read in conjunction with the accompanying notes.

# HEALTH SERVICES CHARITABLE GIFTS BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

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### **1 Objectives of the Health Services Charitable Gifts Board**

The Health Services Charitable Gifts Act 2011 was proclaimed on 30 June 2011 and commenced on 1 July 2011 (the Act). This replaced the Public Charities Funds Act 1935 which previously applied.

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

These financial statements have been prepared in accordance with the requirements of the Act.

#### **1.1 Vesting of Gifts**

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

The Act enables the Board to act as trustee or co-trustee of a trust where the Board is named or otherwise asked to act in those roles.

The Board was appointed as trustee of the Ray & Shirl Norman Cancer Research Trust (Norman Trust) on 21 September 2011 (Note 1.4).

The Board was appointed as trustee of the South Australian Health & Medical Research Institute Charitable Health Trust (SAHMRICHT) on 25 September 2013 (Note 1.5).

During the current financial year the Board was appointed as trustee of the Dorothy E Brown Charitable Trust (Brown Trust). This trust was established by Deed Poll dated 17 December 2014 following Supreme Court action instigated by SA Health to clarify the terms of the will of Mrs Dorothy E Brown (Note 1.6). The assets of the Brown Trust are currently invested by the Board with its other assets and the obligation to the Brown Trust recognised as a liability of the Board.

As the assets have not vested in the Board the operations of the each of the above trusts are reported separately from those of the Board.



## HEALTH SERVICES CHARITABLE GIFTS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

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#### **1.2 Investment of Funds**

Under the Act the Board has all the powers of a natural person that are capable of being exercised by a body corporate. It is able to determine appropriate investment strategies to apply.

Pursuant to section 23 of the Act, the Board meets regularly with the public sector employee who has been nominated by the Minister. Acting on a suggestion arising from an earlier meeting the Board continues to work with a consultant with expertise to assist the Board in strengthening and improving the Board's investment policies.

It was previously reported that the Board had applied for registration as a Prescribed Public Authority. This registration was granted during the year and as a result the Board is now able to invest with Funds SA. Funds SA is a South Australian owned corporation investing and managing the monies of approved authorities.

In accordance with the investment policies the Board has been transferring, in a managed process, the majority of its direct investments in Australian listed securities and short term deposit accounts into unlisted unit trusts managed by Funds SA.

#### **1.3 Helpmann Family Foundation**

The income received from the Helpmann Family Foundation has been recorded separately in the Statement of Comprehensive Income as none of the assets contained in the SM & MG Helpmann Estates have been received by the Board but remain assets of the Foundation.

#### **1.4 Ray & Shirl Norman Cancer Research Trust**

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

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

Attached to these financial statements are special purpose financial reports for the Norman Trust for the year ended 30 June 2015.



## HEALTH SERVICES CHARITABLE GIFTS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

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#### **1.5 South Australian Health and Medical Research Institute Charitable Health Trust**

The Board was appointed as trustee of the SAHMRICHT on 23 September 2013 pursuant to a Ministerial Direction and the Trust Deed.

The assets have not vested in the Board but are administered by them as trustee in accordance with the terms of the Deed establishing the SAHMRICHT.

Attached to these financial statements are special purpose financial reports for the SAHMRICHT for the year ended 30 June 2015.

#### **1.6 Dorothy E Brown Charitable Trust**

The Board was appointed as trustee of the Brown Trust on 17 December 2014 pursuant to a Deed Poll following Supreme Court action required to clarify the terms of the will of the late Mrs Dorothy E Brown.

The assets have not vested in the Board but are administered by them as trustee in accordance with the terms of the Deed establishing the Brown Trust.

Attached to these financial statements are special purpose financial reports for the Brown Trust for the year ended 30 June 2015.

## **2 Summary of Significant Accounting Policies**

### **a) Statement of Compliance**

The Health Services Charitable Gifts Board has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements (APS) promulgated under the provisions of the Public Finance and Audit Act 1987.

The Board has applied Australian Accounting Standards that are applicable to for-profit entities as the Board has been granted a variation to APS clause 3.3 to allow for the presentation of the Statement of Compliance on a profit and loss basis.

Australian accounting standards 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 2015. These are outlined in Note 4.



## HEALTH SERVICES CHARITABLE GIFTS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

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#### **b) Basis of Preparation**

The preparation of the financial statements requires:

- the use of certain accounting estimates requires management to exercise its judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with accounting policy statements issued pursuant to section 41 of the Public Finance and Audit Act 1987. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
  - a) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income); and
  - b) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

The Board's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accruals basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

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

## HEALTH SERVICES CHARITABLE GIFTS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

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#### **b) Basis of Preparation (cont..)**

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented.

#### **c) Reporting Entity**

The financial report covers the Health Service Charitable Gifts Board as an individual reporting entity.

#### **d) Comparative Information**

The presentation and classification of items in the financial statements are consistent with prior periods except where a specific accounting standard and/or accounting policy statement have required a change.

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

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

#### **e) Rounding**

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000) unless otherwise specified.



## HEALTH SERVICES CHARITABLE GIFTS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

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#### **f) Taxation and Imputation Credits**

The Health Services Charitable Gifts Board is exempt from income tax and has been issued with Deductible Gift Recipient (DGR) status by the Australian Taxation Office (ATO). As a result, a donation received by the Board may be an allowable deduction to the donor.

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

The Board is liable for goods and services tax (GST), emergency services levy and local government rate equivalents.

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

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

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

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

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

#### **g) Events after the reporting period**

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

Disclosure is made in the notes 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.



## HEALTH SERVICES CHARITABLE GIFTS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

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#### **h) Income and Expenses**

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

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

#### *Revenues*

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

Gifts of cash vesting in the Board are recognised on their receipt by the Board from the donee either directly or via a public health entity. Bequests and legacies are also only recognised on their receipt from the administrators or executors of an estate.

Gifts other than cash vesting in the Board are recognised at fair value as an asset and income of the Board when control of the asset passes.

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

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

Dividend income is recognised when the right to receive payment is established.

Distribution income due in relation to units held in unlisted unit trusts is recognised when the entitlement to receive that income is established.

Gains from the disposal of non-current assets and investments is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds to the carrying amount. When assets that have been revalued directly to equity are sold, the revaluation increments are transferred to retained earnings.



## HEALTH SERVICES CHARITABLE GIFTS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

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#### **h) Income and Expenses (cont..)**

##### *Expenses*

Expenses are measured at fair value of consideration paid or payable. The following are specific recognition criteria:

Salary and wages and other employee benefits include all costs related to employment including leave entitlements. They are recognised when incurred at nominal value.

Superannuation charged to the Statement of Comprehensive Income represents contributions made by the Board to the superannuation plan in respect of the current services of current staff.

Depreciation of property, plant and equipment is applied to systematically expense the cost over the useful life of the item in a manner that reflects the consumption of its service potential.

Amortisation is used in relation to other intangible non-current assets, such as lease incentives paid.

Residual values, useful lives and depreciation/amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

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

| <b>Class of asset</b> | <b>Useful life (years)</b> |
|-----------------------|----------------------------|
| Computer Equipment    | 2-5                        |
| Lease incentive paid  | Term of the lease          |

## HEALTH SERVICES CHARITABLE GIFTS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

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#### **i) Allocation of Net Profit to Funds**

From 1 July 2014 the net profit has been allocated to each of the individual funds held for the public health entities in accordance with the following policy.

Income generated by pooled assets held by the Board is distributed to individual funds based on the average balance of each fund after allowing for administration expenses incurred.

Gifts, other investment income and expenses that are directly related to an individual fund are allocated directly to that fund.

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

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

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

Notwithstanding the change in income allocation this year the Board continues to maintain sufficient information for each individual fund to be able to determine each fund's corpus and accumulation amount.



## HEALTH SERVICES CHARITABLE GIFTS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

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#### **j) Current and Non-Current Classification**

Assets and liabilities are characterised as either current or non-current in nature. The Board has a clearly identifiable operating cycle of twelve 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 twelve 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 Board 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 recorded in the Statement of Financial Position includes cash at bank and on hand, deposits held at call and other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

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

Cash is measured at nominal value.

#### **l) Receivables**

Receivables include amounts receivable from goods and services, imputation credits refundable, prepayments and other accruals.

Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectability of receivables is reviewed on an ongoing basis. No allowance has been raised for bad or doubtful debts as there is no evidence that the Board will not be able to collect any debts due.



## HEALTH SERVICES CHARITABLE GIFTS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

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#### **m) Other Financial Assets**

Investments are recognised and derecognised on trade date and are initially measured at fair value, net of transaction costs.

For the purposes of reporting the Board classifies its investments into categories. The classification depends on the purpose for which the investments were acquired and to meaningfully report the performance of the investments. Management determines the classification of its investments at initial recognition and at each reporting date.

The Board previously only classified its investments into the following categories:

- held to maturity investments; and
- available for sale financial assets.

Whilst these classifications will continue for relevant assets, the Board now considers it appropriate to add the following classification for investments made with Funds SA.

- financial assets at fair value through profit and loss.

Held to maturity investments - these are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Board's management have the ability and the positive intention to hold to maturity. They are measured at historical cost.

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

Financial assets at fair value through the profit and loss - these assets are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs on financial assets at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit and loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

Shares and other financial assets have been recorded at fair value at 30 June 2015.

In accordance with AASB 13: *Fair Value Measurement*, the fair value of financial assets are classified, according to fair value hierarchy, at Level 2 - fair values that are based on inputs that are directly or indirectly observable for the asset.



## HEALTH SERVICES CHARITABLE GIFTS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

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#### **m) Other Financial Assets (cont..)**

##### *Fair value in an active market*

The fair value of financial assets traded in active markets is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current final prices.

##### *Fair value of unlisted unit trusts (Funds SA)*

Investments in other unlisted unit trusts are recorded at the fair value as reported by the managers of such funds.

#### **n) Investment Properties**

Investment properties represent properties held to earn rentals and/or capital appreciation. Notwithstanding the occupation of a small area of one of the properties, the Board has determined that it is appropriate to treat all properties as investment properties.

Investment properties are initially measured at cost, including transaction costs, and are subsequently measured at fair value. Any changes in fair value are recognised in the Statement of Comprehensive Income in the periods in which they arise. The properties are not depreciated.

The Board's interest in Town Acre 86 has been revalued as at 30 June 2015 in line with the Valuer General's assessment as to the value at that date.

The Clare property was valued at 10 June 2014 by Lindsay Wapper & Associates Valuation Services. The Board have determined that the carrying amount continues to reflect fair value as at 30 June 2015 and no adjustments are necessary this year. Carrying value comprises the independently determined market value at 10 June 2014 plus the cost of improvements to the property since that date. This property has been reclassified from available for sale to held for long term rental as at the end of the current year (Note 13).

As previously noted, property at 8 Greenhill Road Wayville was the subject of structural concerns and was being monitored by engineers engaged by the Board. During the current year the results of this investigation were completed and the Board has accepted the advice that the building is unfit for occupation in its current form and negotiated and paid compensation to the tenants to remove them from the building and terminated the leases.

## HEALTH SERVICES CHARITABLE GIFTS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

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#### **n) Investment Properties (cont..)**

After assessing a number of independent appraisals of the property, which reflect the unfit for occupation status, and the contract signed after the end of the financial year for the sale of the property the Board have determined the fair value of the property at 30 June 2015 is \$4,100,000 (2014 \$4,975,000). This property is now classified as held for sale at 30 June 2015.

Since the end of the financial year a contract for the sale of the property in its current condition has been signed and a deposit paid. The terms of the contract support the conclusion that the carrying value of the asset correctly reflects the fair value at 30 June 2015. Settlement is not scheduled to occur until after the financial statements are finalised.

The Board has determined that the carrying amount for both the Waymouth Street, Adelaide and Torrens Road, Croydon properties continue to reflect fair value as at 30 June 2015 and no adjustments are necessary this year. Carrying value comprises the independently determined market value at 30 June 2014 plus the cost of any improvements to the properties since that date.

Unless otherwise disclosed the investment properties were last independently valued at 30 June 2014 by Jones Lang LaSalle Advisory Services Pty Ltd. These values were adopted by the Board at that time.

#### **o) Impairment**

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

For revalued assets an impairment loss is offset against the respective Revaluation Surplus.

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



## HEALTH SERVICES CHARITABLE GIFTS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

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#### **p) Liabilities**

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

##### *Payables*

Payables include accrued expenses, net GST payable and employment on-costs.

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

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

Employee benefits on-costs include superannuation contributions in respect of outstanding liabilities for salaries and wages and annual leave.

##### *Employee benefits*

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

The annual leave liability is expected to be payable within 12 months and is measured at the nominal amount expected to be paid.

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

#### **q) Unrecognised contractual commitments and contingent assets and liabilities**

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

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

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

## HEALTH SERVICES CHARITABLE GIFTS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

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#### **3 Financial Risk Management**

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

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

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

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

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

#### **4 New and revised accounting standards and policies**

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

Other than as disclosed above the Board did not voluntarily change any of its accounting policies during 2014-2015.



# HEALTH SERVICES CHARITABLE GIFTS BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

|                                                   | Note<br>No. | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------------|-------------|----------------|----------------|
| <b>5 Investment revenue</b>                       |             |                |                |
| Interest revenue                                  |             | 1,263          | 1,579          |
| Dividends & distributions from listed investments |             | 1,489          | 1,177          |
| Distributions from unlisted units trusts          |             | 1,966          | -              |
| Imputation credits                                | 2 (f)       | 669            | 438            |
| Gain from disposal of financial assets            | 8           | 6,651          | 299            |
| Unrealised gain (loss) on financial assets        |             | ( 2,917)       | -              |
| Unrealised gain (loss) on investment properties   | 2(n), 13    | 225            | ( 1,380)       |
|                                                   |             | <u>9,346</u>   | <u>2,113</u>   |
| <b>6 Employee &amp; Commissioner expenses</b>     |             |                |                |
| Salary and wages                                  |             | 169            | 134            |
| Superannuation paid                               |             | 16             | 12             |
| Annual leave accrued                              |             | 8              | -              |
|                                                   |             | <u>193</u>     | <u>146</u>     |
| Commissioners remuneration                        |             | 48             | 49             |
| Total employee benefit expense                    |             | <u>241</u>     | <u>195</u>     |

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

Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, other salary sacrifice benefits and accrued annual leave entitlements.

# HEALTH SERVICES CHARITABLE GIFTS BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

|                                                                                                                                                                                                                                                                 | Note<br>No. | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|----------------|----------------|
| <b>6 Employee &amp; Commissioner expenses (cont..)</b>                                                                                                                                                                                                          |             |                |                |
| Number of Commissioners whose remuneration was within the following bands :                                                                                                                                                                                     |             |                |                |
| \$10,000 - \$19,999                                                                                                                                                                                                                                             | No.         | <u>2</u>       | <u>2</u>       |
| \$20,000 - \$29,999                                                                                                                                                                                                                                             | No.         | <u>1</u>       | <u>1</u>       |
| Commissioners remuneration reflects all costs of performing Commissioners' duties including sitting fees, superannuation contributions and any other salary sacrifice arrangements. Total remuneration received by Commissioners was \$48,000 (2014: \$49,000). |             |                |                |
| Amounts included above that were paid to a superannuation plan for the Commissioners was \$4,000 (2014: \$4,000)                                                                                                                                                |             |                |                |
| Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.                        |             |                |                |
| The Commissioners holding office during the year were:<br>Robyn Pak-Poy (Chairman)<br>Geoff Loveday<br>Villis Marshall                                                                                                                                          |             |                |                |
| <b>7 Supplies and services</b>                                                                                                                                                                                                                                  |             |                |                |
| Accounting fees                                                                                                                                                                                                                                                 |             | 24             | 22             |
| Auditors remuneration                                                                                                                                                                                                                                           |             | 33             | 31             |
| Consultancy fees                                                                                                                                                                                                                                                | 9           | 59             | 5              |
| General administration expenses                                                                                                                                                                                                                                 |             | 53             | 36             |
|                                                                                                                                                                                                                                                                 |             | <u>169</u>     | <u>94</u>      |

Audit fees payable to the Auditor General's Department relate to the audit of the financial statements

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



# HEALTH SERVICES CHARITABLE GIFTS BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

|                                                     | Note<br>No. | 2015<br>\$'000    | 2014<br>\$'000   |
|-----------------------------------------------------|-------------|-------------------|------------------|
| <b>8 Gain from disposal of financial assets</b>     |             |                   |                  |
| <b>Financial Assets - held for sale</b>             |             |                   |                  |
| Shares in listed companies                          |             |                   |                  |
| Proceeds from disposal                              |             | 26,505            | 2,271            |
| Less: Costs of disposal                             |             | ( 1 )             | ( 9 )            |
|                                                     |             | <u>26,504</u>     | <u>2,262</u>     |
| Less Net carrying value at time of disposal         |             | <u>( 26,777 )</u> | <u>( 2,304 )</u> |
|                                                     |             | <u>( 273 )</u>    | <u>( 42 )</u>    |
| <br>Add amounts already recognised in equity        |             | <br>6,928         | <br>341          |
| <br>Net gain - financial assets held for sale       |             | <br><u>6,655</u>  | <br><u>299</u>   |
| <b>Financial Assets - through Profit &amp; Loss</b> |             |                   |                  |
| Units in unlisted trusts                            |             |                   |                  |
| Proceeds from disposal                              |             | 23,250            | -                |
| Less Cost                                           |             | ( 23,254 )        | -                |
| Net gain - financial assets through profit & loss   |             | <u>( 4 )</u>      | <u>-</u>         |
| <br>Gain from the disposal of financial assets      |             | <br><u>6,651</u>  | <br><u>299</u>   |

## 9 Consultancy fees

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

|                      | No. | \$'000    | No. | \$'000   |
|----------------------|-----|-----------|-----|----------|
| Below \$10,000       | 1   | 5         | 2   | 5        |
| \$10,000 to \$50,000 | 2   | 54        | -   | -        |
|                      |     | <u>59</u> |     | <u>5</u> |

# HEALTH SERVICES CHARITABLE GIFTS BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

|                                                                                 | Note<br>No. | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------------------------------------------|-------------|----------------|----------------|
| <b>10 Cash and cash equivalents</b>                                             |             |                |                |
| <b>- Current</b>                                                                |             |                |                |
| Cash at bank - at call                                                          |             | 1,931          | 3,730          |
| Short term deposits - less than 3 months<br>to maturity                         |             | -              | 20,750         |
|                                                                                 |             | <u>1,931</u>   | <u>24,480</u>  |
| <b>11 Other financial assets</b>                                                |             |                |                |
| <b>- Current</b>                                                                |             |                |                |
| Short term deposits - more than 3 months but<br>less than 12 months to maturity |             | -              | 5,700          |
|                                                                                 |             | <u>-</u>       | <u>5,700</u>   |
| <b>- Non-current</b>                                                            |             |                |                |
| Shares & other listed securities at fair value                                  |             | 8              | 25,382         |
| Secured investment at cost                                                      |             | 445            | 445            |
| Long term secured loan at cost                                                  |             | 15,000         | 15,000         |
| Units in unlisted unit trusts at fair value                                     |             | 61,027         | -              |
|                                                                                 |             | <u>76,480</u>  | <u>40,827</u>  |

The secured investment is an advance to the Port Pirie Regional Health Service Inc in the form of a first mortgage over land and buildings held by the Service. Since commencement this investment has been interest free. Under the terms of the agreement the Service has foregone income allocations on an equivalent amount. The Board has no intention of varying the original arrangement.

During the previous year the Board provided a loan of \$15m to South Australian Health and Medical Research Institute (SAHMRI) for a total period of 15 years. This is secured against other funds held and invested by SAHMRI Investments Pty Ltd. The loan is for a total period of 15 years at an interest rate based on the Reserve Bank of Australia Cash Rate plus a margin of 0.75%. Only interest is payable during the first 5 years with quarterly principal and interest repayments required thereafter.

The funds have been used by SAHMRI to acquire, establish and commission a Cyclotron facility in South Australia to produce isotopes for use by South Australian organisations.

In accordance with the investment policies the Board has been transferring, in a managed process, the majority of its direct investments in Australian listed securities and short term deposit accounts into unlisted unit trusts managed by Funds SA.



## HEALTH SERVICES CHARITABLE GIFTS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

|  | Note<br>No. | 2015<br>\$'000 | 2014<br>\$'000 |
|--|-------------|----------------|----------------|
|--|-------------|----------------|----------------|

#### 11 Other financial assets (cont..)

##### Fair Value Measurements

Accounting standard AASB 13: *Fair Value Measurement* requires the disclosure of fair value measurements by level, based on the following measurement hierarchy:

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

The fair value of shares and other listed securities traded in active markets is based on quoted market prices at the end of the reporting period. The fair value of all of these instruments have been categorised as Level 1.

The fair value of units in unlisted trusts is based on fair value reported by the managers of such funds. The fair value of all of these instruments have been categorised as Level 2.

# HEALTH SERVICES CHARITABLE GIFTS BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

|                                  | Note<br>No. | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------|-------------|----------------|----------------|
| <b>12 Receivables</b>            |             |                |                |
| <b>- Current</b>                 |             |                |                |
| Interest income accrued          |             | 112            | 359            |
| Rental income accrued            |             | 170            | 172            |
| Dividend income accrued          |             | -              | 19             |
| Other Income                     |             | 1              | -              |
| GST receivable on accrued income |             | -              | 2              |
| Prepayments - Legal fees         |             | 5              | 165            |
| Prepayments - Other              |             | 61             | 34             |
| Imputation credits receivable    |             | 669            | 438            |
|                                  |             | <u>1,018</u>   | <u>1,189</u>   |
| <b>- Non-current</b>             |             |                |                |
| Prepayments - Other              |             | <u>60</u>      | <u>90</u>      |

As at 30 June 2015 \$5,000 (2014: \$165,000) in fees paid to the Crown Solicitor's Office in relation to disputes and other issues associated with various deceased estates in which the Board has an interest were recognised as receivables. On finalisation of these matters, the costs will be recovered/offset against the funds received from the respective estates.

Included in Prepayments - Other are amounts of \$30,000 (current) and \$60,000 (non-current) relating to the unexpired portion of lease incentive paid to secure a long term lease over the Torrens Road investment property. The total amount paid was \$150,000 and it is being expensed in a straight line over the 5 year period of the lease commencing 1 July 2013.

### Interest rate and credit risk

The above receivables are non-interest bearing. The carrying amount approximates net fair value due to being receivable on demand. Rental income accrued includes \$170,000 (2014: \$155,000) outstanding from the head lessee of Town Acre 86. Apart from this amount there is no significant concentration of credit risk.



# HEALTH SERVICES CHARITABLE GIFTS BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

|                                                                             | Note<br>No. | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------------------------------|-------------|----------------|----------------|
| <b>13 Investment properties</b>                                             |             |                |                |
| <b>- At fair value</b>                                                      |             |                |                |
| Balance at the beginning of the financial year                              |             | 32,485         | 33,810         |
| Capitalised subsequent expenditure                                          |             | 474            | 55             |
| Unrealised gain (loss)                                                      |             | 225            | ( 1,380)       |
| Balance at the end of the financial year                                    |             | <u>33,184</u>  | <u>32,485</u>  |
| <b>- Current</b>                                                            |             |                |                |
| Investment properties - held for sale                                       |             | 4,100          | 840            |
| <b>- Non-current</b>                                                        |             |                |                |
| Investment properties - held for long term rental                           |             | 29,084         | 31,645         |
|                                                                             |             | <u>33,184</u>  | <u>32,485</u>  |
| <b>Amounts recognised in the income statement for investment properties</b> |             |                |                |
| Rental revenue                                                              |             | 2,823          | 2,863          |
| Investment property expenses:                                               |             |                |                |
| - Direct operating expenses                                                 |             | ( 396)         | ( 367)         |
| - Lease termination compensation                                            |             | ( 314)         | -              |
|                                                                             |             | <u>( 710)</u>  | <u>( 367)</u>  |
| Net investment property income                                              |             | <u>2,113</u>   | <u>2,496</u>   |

As reported in the previous two years, the Board was made aware of potential structural issues with the investment property at Greenhill Road, Wayville. The engineering investigations and assessment resulted in the recommendation that the property was unfit for occupation without significant rectification works. The Board decided to negotiate with tenants to vacate their tenancies, terminate all leases and commence a marketing campaign to sell the property with vacant possession.

As a result of the termination of the leases the Board agreed to pay compensation to a number of tenants to meet the costs of finding, negotiating and moving to suitable alternative accommodation.

# HEALTH SERVICES CHARITABLE GIFTS BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

|  | Note<br>No. | 2015<br>\$'000 | 2014<br>\$'000 |
|--|-------------|----------------|----------------|
|--|-------------|----------------|----------------|

### 13 Investment properties (cont..)

The property at Archer Street, Clare was previously reported as being available for sale. There are a number of issues surrounding the improvements on the land, the approval process undertaken by the previous owner and their compliance with current building code requirements. As the building is currently leased and the Board is investigating legal recourse in relation to the above matters the Board believes it is now more appropriate to reclassify this property as now being held for long term rental rather than available for sale.

#### (a) Fair Value Measurements

Accounting standard AASB 13: *Fair Value Measurement* requires the disclosure of fair value measurements by level, based on the following measurement hierarchy:

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

Fair value measurements for investment properties recognised as at 30 June 2015 are the amounts for which the properties could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties. The fair values have been determined by the Board by combining the 30 June 2014 recent external valuations as determined by, independent property valuers, having appropriate, recognised professional qualifications and recent experience in the location and category of property being valued and any subsequent improvements at nominal cost.

The fair value of all investment properties have been categorised as Level 2 or Level 3.

### 14 Property, plant & equipment

#### - Non-current

Office equipment at cost  
Less: Accumulated depreciation

|          |          |
|----------|----------|
| 8        | 3        |
| ( 3)     | -        |
| <u>5</u> | <u>3</u> |



# HEALTH SERVICES CHARITABLE GIFTS BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

|                                          | Note<br>No. | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------------|-------------|----------------|----------------|
| <b>15 Payables</b>                       |             |                |                |
| <b>- Current</b>                         |             |                |                |
| Accrued expenses                         |             | 152            | 49             |
| GST payable                              |             | 21             | 54             |
|                                          |             | <u>173</u>     | <u>103</u>     |
| <b>16 Other financial liabilities</b>    |             |                |                |
| <b>- Current</b>                         |             |                |                |
| Rent received in advance                 |             | 27             | 27             |
| Funds - Dorothy E Brown Charitable Trust |             | 292            | -              |
|                                          |             | <u>319</u>     | <u>27</u>      |

Funds received on the establishment of the Dorothy E Brown Charitable Trust in December 2014 have been amalgamated with other funds and invested by the HSCGB. These funds remain at call and are payable to the Dorothy E Brown Charitable Trust on demand. This obligation has been recognised as Other financial liabilities for the purposes of the Statement of Financial Position.

A share in the income generated on the funds invested has been allocated to the Brown Trust on a proportional basis.

### 17 Employee benefits

#### - Current

Annual leave accrued

|          |          |
|----------|----------|
| <u>8</u> | <u>-</u> |
|----------|----------|

As a result of the clarification of employment obligation responsibilities between the Board and SA Health, annual leave entitlements (in accordance with AASB 119: *Employee Benefits*) have been recognised by the Board for the first time in the current financial year. In previous years it was believed that these entitlements were reported by the substantive employer of these employees and recovered on a progressive basis through the regular recovery of wages and on-costs. All entitlements are for short term leave entitlements for annual leave and are therefore included at their nominal amounts.

As no employee has a period of service in excess of 5 years it is not considered that the accrual of a proportional entitlement to any longer term benefits is warranted.

# HEALTH SERVICES CHARITABLE GIFTS BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2015

|                                                                                         | Note<br>No. | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------------------------------------------|-------------|----------------|----------------|
| <b>18 Funds held</b>                                                                    |             |                |                |
| Funds held on behalf of the following public health entities or their successor bodies: |             |                |                |
| Royal Adelaide Hospital - General                                                       |             | 88,680         | 85,080         |
| Royal Adelaide Hospital - Glenside Campus                                               |             | 647            | 691            |
| Royal Adelaide Hospital - Private Practice Funds                                        |             | 4,640          | 4,726          |
| Hillcrest Hospital                                                                      |             | 103            | 100            |
| Pt Augusta Hospital & Regional Health Service Inc                                       |             | 23             | 22             |
| Pt Lincoln Health & Hospital Services Inc                                               |             | 379            | 368            |
| Pt Pirie Regional Health Service Inc                                                    |             | 554            | 530            |
| The Queen Elizabeth Hospital                                                            |             | 1,294          | 1,073          |
| SA Dental Service                                                                       |             | 8              | 8              |
| The Whyalla Hospital & Health Services Inc                                              |             | 300            | 292            |
| Mt Gambier & Districts Health Service Inc                                               |             | 752            | 690            |
| Northern Yorke Peninsula Regional Health Service                                        |             | 29             | 28             |
| SA Pathology                                                                            |             | 10,589         | 8,422          |
| Women's & Children's Hospital                                                           |             | 3,290          | 1,954          |
| Lyell McEwin Hospital                                                                   |             | 210            | 369            |
| Repatriation General Hospital                                                           |             | 200            | 132            |
| Flinders Medical Centre                                                                 |             | 406            | 88             |
| Noarlunga Hospital                                                                      |             | 4              | 3              |
| SA Ambulance Service                                                                    |             | 70             | 68             |
|                                                                                         |             | <u>112,178</u> | <u>104,644</u> |



# HEALTH SERVICES CHARITABLE GIFTS BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

|                                                                               | Note<br>No. | 2015<br>\$'000  | 2014<br>\$'000 |
|-------------------------------------------------------------------------------|-------------|-----------------|----------------|
| <b>19 Reconciliation of net cash from operating activities to net profit:</b> |             |                 |                |
| Net profit from operations                                                    |             | 13,238          | 3,009          |
| <b>Adjustments for non cash items:</b>                                        |             |                 |                |
| (Profit)/Loss on disposal of financial assets                                 |             | ( 6,651)        | ( 299)         |
| Unrealised Loss/(Gain) on financial assets                                    |             | 2,917           | -              |
| Distributions from unlisted units trusts                                      |             | ( 1,966)        | -              |
| Unrealised Loss/(Gain) on investment properties                               |             | ( 225)          | 1,380          |
| Non-cash transactions for public charitable institutions                      |             | -               | ( 481)         |
| Depreciation                                                                  |             | 3               |                |
| <b>Changes in assets and liabilities:</b>                                     |             |                 |                |
| Decrease/(Increase) in receivables                                            |             | 458             | ( 264)         |
| (Increase)/Decrease in imputation credits receivable                          |             | ( 232)          | ( 40)          |
| (Increase)/Decrease in prepayments                                            |             | -               | ( 60)          |
| (Decrease)/Increase in payables                                               |             | 100             | 2              |
| Employee entitlements                                                         |             | 8               |                |
| Increase/(Decrease) in unearned revenue                                       |             | -               | 14             |
| (Decrease)/Increase in GST payable                                            |             | 18              | 8              |
|                                                                               |             | <u>( 5,570)</u> | <u>260</u>     |
| Net cash from operating activities                                            |             | <u>7,668</u>    | <u>3,269</u>   |

# HEALTH SERVICES CHARITABLE GIFTS BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

### 20 Financial Instruments/Financial Risk Management

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

|                               | Note | Carrying Amount |               | Fair Value    |               |
|-------------------------------|------|-----------------|---------------|---------------|---------------|
|                               |      | 2015            | 2014          | 2015          | 2014          |
| <b>Financial Assets</b>       |      |                 |               |               |               |
| - Cash & Cash equivalents     | 10   | 1,931           | 24,480        | 1,931         | 24,480        |
| - Other financial assets      | 11   | 76,480          | 46,527        | 76,480        | 46,527        |
| - Receivables (*)             | 12   | 409             | 839           | 409           | 839           |
| Total Financial Assets        |      | <u>78,820</u>   | <u>71,846</u> | <u>78,820</u> | <u>71,846</u> |
| <b>Financial Liabilities</b>  |      |                 |               |               |               |
| - Payables (*)                | 15   | 152             | 49            | 152           | 49            |
| - Other financial liabilities | 16   | 319             | 27            | 319           | 27            |
| Total Financial Liabilities   |      | <u>471</u>      | <u>76</u>     | <u>471</u>    | <u>76</u>     |

#### a) Credit Risk

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

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

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

As referred to at Note 11 the Board holds a first mortgage charge over advances made to the Port Pirie Regional Health Service Inc.

Note 11 also refers to the long term secured loan made to SAHMRI to establish a cyclotron facility. The loan is supported by a charge over the assets of SAHMRI Investments Pty Ltd which holds liquid assets in excess of the value of the funds advanced.

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



## HEALTH SERVICES CHARITABLE GIFTS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

#### 20 Financial Instruments/Financial Risk Management (cont..)

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

|                                    |             | <b>Contractual maturities</b> |                               |                             |                               |
|------------------------------------|-------------|-------------------------------|-------------------------------|-----------------------------|-------------------------------|
|                                    | <b>Note</b> | <b>2015<br/>\$'000</b>        | <b>&lt; 1 year<br/>\$'000</b> | <b>1-5 years<br/>\$'000</b> | <b>&gt;5 years<br/>\$'000</b> |
| <b>Financial Assets</b>            |             |                               |                               |                             |                               |
| - Cash & Cash equivalents          | 10          | 1,931                         | 1,931                         | -                           | -                             |
| - Other financial assets           | 11          | 76,480                        | -                             | -                           | 76,480                        |
| - Receivables                      | 12          | 409                           | 349                           | 60                          | -                             |
| <b>Total Financial Assets</b>      |             | <b>78,820</b>                 | <b>2,280</b>                  | <b>60</b>                   | <b>76,480</b>                 |
| <b>Financial Liabilities</b>       |             |                               |                               |                             |                               |
| - Payables                         | 15          | 152                           | 152                           | -                           | -                             |
| - Other financial liabilities      | 16          | 319                           | 319                           | -                           | -                             |
| <b>Total Financial Liabilities</b> |             | <b>471</b>                    | <b>471</b>                    | <b>-</b>                    | <b>-</b>                      |

|                                    |             | <b>Contractual maturities</b> |                               |                             |                               |
|------------------------------------|-------------|-------------------------------|-------------------------------|-----------------------------|-------------------------------|
|                                    | <b>Note</b> | <b>2014<br/>\$'000</b>        | <b>&lt; 1 year<br/>\$'000</b> | <b>1-5 years<br/>\$'000</b> | <b>&gt;5 years<br/>\$'000</b> |
| <b>Financial Assets</b>            |             |                               |                               |                             |                               |
| - Cash & Cash equivalents          | 10          | 24,480                        | 24,480                        | -                           | -                             |
| - Other financial assets           | 11          | 46,527                        | 5,700                         | -                           | 40,827                        |
| - Receivables                      | 12          | 839                           | 749                           | 90                          | -                             |
| <b>Total Financial Assets</b>      |             | <b>71,846</b>                 | <b>30,929</b>                 | <b>90</b>                   | <b>40,827</b>                 |
| <b>Financial Liabilities</b>       |             |                               |                               |                             |                               |
| - Payables                         | 15          | 49                            | 49                            | -                           | -                             |
| - Other financial liabilities      | 16          | 27                            | 27                            | -                           | -                             |
| <b>Total Financial Liabilities</b> |             | <b>76</b>                     | <b>76</b>                     | <b>-</b>                    | <b>-</b>                      |

#### b) Liquidity risk

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

Other than the specific items mentioned below the Board's exposure to liquidity risk is considered insignificant based on past experience and current assessment of risk.

In the prior year the Board advanced an amount of \$15m by way of long term loan with SAHMRI. This loan is for a period of 15 years and is secured over liquid assets held by SAHMRI Investments Pty Ltd.

## HEALTH SERVICES CHARITABLE GIFTS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

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#### **20 Financial Instruments/Financial Risk Management (cont..)**

As previously outlined in these financial statements the Board now primarily invests through various products offered by Funds SA. Funds SA is a large institutional investment specialist servicing the South Australian Government and its statutory authorities. The Board no longer invests directly in tradeable securities but rather in unlisted units in investment funds managed by Funds SA. The Board's liquidity risk for these products is now the risk of a request to redeem units not being satisfied by Funds SA in the required timeframe.

The Board is satisfied that the resulting liquidity risk is also insignificant based on Funds SA liquidity risk management policies as follows;

- The allocation of cash in the strategic asset allocation of each investment option is set at a sufficient level to manage expected cash redemptions, and
- A large proportion of each investment option is invested in highly liquid investments as actively traded equities, unit trusts or securities with short term maturities.

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

#### **c) Market risk**

Market risk is the risk that investment returns generated by the different financial markets will be volatile and will deviate from long-term expectations over the short/medium term.

As previously outlined in these financial statements the Board now primarily invests through various products offered by Funds SA. The Board no longer invests directly in tradeable securities but rather in unlisted units in investment funds managed by Funds SA. The Board's market risk is now the risk of a change in value of underlying assets adversely affecting the value of the Board's investment in these units.

The Board is satisfied that the resulting market risk has been significantly reduced based on Funds SA market risk management policies as follows;

- Ensuring a diversity of exposures to different financial markets and sub-markets; and
- Ensuring asset allocations for different investment options are consistent with the time horizon of each.



## HEALTH SERVICES CHARITABLE GIFTS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

#### 20 Financial Instruments/Financial Risk Management (cont..)

##### d) Sensitivity Analysis

A general fall in the fair value of long term investments of 5% and 10%, if equally spread over all assets in the portfolio, would lead to a reduction in value of \$3,051,000 (2014: \$1,269,000) and \$6,103,000 (2014: \$2,538,000) respectively. The Asset Revaluation Surplus at 30 June 2015 had a balance of \$Nil (2014 surplus: \$5,700,000).

The Board believes the underlying quality of the assets support the conclusion that the value of financial assets are not overstated.

#### 21 Unrecognised contractual commitments

##### Operating lease arrangements

Unrecognised amounts due under operating leases over investment properties owned by the Board. No amount has been recognised in the financial statements to 30 June 2015.

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

Future minimum rentals revenues under non-cancellable operating commercial property leases (exclusive of GST)

|                                | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------|----------------|----------------|
| Due within one year            | 2,111          | 2,685          |
| Due between one and five years | 6,554          | 8,269          |
| Due after five years           | -              | 231            |
|                                | <u>8,665</u>   | <u>11,185</u>  |

The lease over the Citi Centre property is for ground rent only and comprises base annual rental (paid monthly) of 8% of the value of the land. This value is determined every 5 years the most recent being done as at August 2011.

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

The above analysis of future minimum rents due under non-cancellable operating commercial property leases has been impacted by the following;

As reported elsewhere in these financial statements there are no longer any leases in existence for the Greenhill Road property.

## HEALTH SERVICES CHARITABLE GIFTS BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2015

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#### **22 Contingent assets and liabilities**

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

#### **23 Post balance date event**

There are a number of issues for the Archer Street, Clare property surrounding the improvements to the land, the approval process undertaken by the previous owner and their compliance with current building code requirements. The Board is investigating legal recourse in relation to these matters.



HEALTH SERVICES CHARITABLE GIFTS BOARD  
- as trustee RAY & SHIRL NORMAN CANCER RESEARCH TRUST  
STATEMENT OF COMPREHENSIVE INCOME  
For the Year Ended 30 June 2015

|                                                                              | Note<br>No. | 2015<br>\$       | 2014<br>\$     |
|------------------------------------------------------------------------------|-------------|------------------|----------------|
| <b>Income</b>                                                                |             |                  |                |
| <b>Investment of Funds</b>                                                   |             |                  |                |
| Interest Revenue                                                             |             | 26,064           | 30,783         |
| Dividends & Trust Distributions                                              |             | 313,420          | 250,732        |
| Funds SA Distribution                                                        |             | 114,545          | -              |
| Imputation Credits                                                           |             | 128,594          | 88,526         |
| Net Gain from the Disposal<br>of Financial Assets                            | 3           | 815,899          | 39,232         |
| Unrealised Gain (Loss) on Financial Assets                                   |             | ( 207,630)       | -              |
| <b>Total Income</b>                                                          |             | <u>1,190,892</u> | <u>409,273</u> |
| <b>Expenses</b>                                                              |             |                  |                |
| Administration Costs                                                         | 4           | 21,170           | 20,501         |
| Research Funding                                                             | 5           | 235,909          | 209,091        |
| <b>Total Expenses</b>                                                        |             | <u>257,079</u>   | <u>229,592</u> |
| <b>Net Result</b>                                                            |             | <u>933,813</u>   | <u>179,681</u> |
| <b>Other Comprehensive Income</b>                                            |             |                  |                |
| Financial Asset Revaluations taken to Equity                                 |             | 235,706          | 503,525        |
| Revaluation Adjustments on Financial<br>Assets disposed of during the period | 3           | ( 880,492)       | ( 43,370)      |
| Net Gain (Loss) on Financial Assets taken<br>to Equity                       |             | ( 644,786)       | 460,155        |
| <b>Total Comprehensive Result</b>                                            |             | <u>289,027</u>   | <u>639,836</u> |

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD  
- as trustee RAY & SHIRL NORMAN CANCER RESEARCH TRUST  
STATEMENT OF FINANCIAL POSITION  
As at 30 June 2015

|                                                         | Note<br>No. | 2015<br>\$       | 2014<br>\$       |
|---------------------------------------------------------|-------------|------------------|------------------|
| <b>Current Assets</b>                                   |             |                  |                  |
| Cash at bank                                            |             | 7,587            | 356,989          |
| Short term deposits - less than 3 months<br>to maturity |             | -                | 700,000          |
| Accrued revenue                                         |             | -                | 3,084            |
| GST Receivable                                          |             | 3,409            | 4,546            |
| Imputation credits receivable                           |             | 128,594          | 88,526           |
| Other financial assets at fair value                    | 6           | 898,479          | -                |
| <b>Total Current Assets</b>                             |             | <u>1,038,069</u> | <u>1,153,145</u> |
| <b>Non-Current Assets</b>                               |             |                  |                  |
| Listed securities at fair value                         |             | -                | 5,091,369        |
| Other financial assets at fair value                    | 6           | 5,496,023        | -                |
| <b>Total non-Current Assets</b>                         |             | <u>5,496,023</u> | <u>5,091,369</u> |
| <b>Total Assets</b>                                     |             | <u>6,534,092</u> | <u>6,244,514</u> |
| <b>Current Liabilities</b>                              |             |                  |                  |
| Accrued Expenses                                        |             | 2,017            | 1,466            |
| <b>Total Current Liabilities</b>                        |             | <u>2,017</u>     | <u>1,466</u>     |
| <b>Total Liabilities</b>                                |             | <u>2,017</u>     | <u>1,466</u>     |
| <b>Net Assets</b>                                       |             | <u>6,532,075</u> | <u>6,243,048</u> |
| <b>Trust Funds</b>                                      |             |                  |                  |
| Trust funds                                             |             | 4,403,529        | 4,403,529        |
| Asset Revaluation Surplus                               |             | -                | 644,786          |
| Retained earnings                                       |             | 2,128,546        | 1,194,733        |
| <b>Total Trust Funds</b>                                |             | <u>6,532,075</u> | <u>6,243,048</u> |

The above statement should be read in conjunction with the accompanying notes.



HEALTH SERVICES CHARITABLE GIFTS BOARD  
- as trustee RAY & SHIRL NORMAN CANCER RESEARCH TRUST  
STATEMENT OF CHANGES IN EQUITY  
For the Year Ended 30 June 2015

|                                                         | Note<br>No. | Trust Funds      | Asset<br>Revaluation<br>Surplus | Retained<br>Earnings | Total<br>Trust Funds |
|---------------------------------------------------------|-------------|------------------|---------------------------------|----------------------|----------------------|
| <b>Balance at 30 June 2013</b>                          |             | <b>4,403,529</b> | <b>184,631</b>                  | <b>1,015,052</b>     | <b>5,603,212</b>     |
| Gain on Revaluation of investments                      |             | -                | 503,525                         | -                    | 503,525              |
| Realised investment revaluation transferred             | 3           | -                | ( 43,370)                       | -                    | ( 43,370)            |
| Net income recognised directly in<br>equity for 2013-14 |             | -                | 460,155                         | -                    | 460,155              |
| Net Profit for 2013-14                                  |             | -                | -                               | 179,681              | 179,681              |
| <b>Total comprehensive result for 2013-14</b>           |             | <b>-</b>         | <b>460,155</b>                  | <b>179,681</b>       | <b>639,836</b>       |
| Total change for the period                             |             | -                | 460,155                         | 179,681              | 639,836              |
| <b>Balance at 30 June 2014</b>                          |             | <b>4,403,529</b> | <b>644,786</b>                  | <b>1,194,733</b>     | <b>6,243,048</b>     |
| Gain on Revaluation of investments                      |             | -                | 235,706                         | -                    | 235,706              |
| Realised investment revaluation transferred             | 3           | -                | ( 880,492)                      | -                    | ( 880,492)           |
| Net income recognised directly in<br>equity for 2014-15 |             | -                | ( 644,786)                      | -                    | ( 644,786)           |
| Net Profit for 2014-15                                  |             | -                | -                               | 933,813              | 933,813              |
| <b>Total comprehensive result for 2014-15</b>           |             | <b>-</b>         | <b>( 644,786)</b>               | <b>933,813</b>       | <b>289,027</b>       |
| Total change for the period                             |             | -                | ( 644,786)                      | 933,813              | 289,027              |
| <b>Balance at 30 June 2015</b>                          |             | <b>4,403,529</b> | <b>-</b>                        | <b>2,128,546</b>     | <b>6,532,075</b>     |

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD  
- as trustee RAY & SHIRL NORMAN CANCER RESEARCH TRUST  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2015

| 2015 | 2014 |
|------|------|
| \$   | \$   |

## **1 Objectives of the Trust**

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

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

## **2 Statement of Principal Accounting Policies**

### **2.1 Format of the Accounts**

The attached financial reports and related notes are special purpose financial statements that provide information on the value and operations of the trust being administered.

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

All amounts are rounded to the nearest dollar.

Dividend and distribution income is recognised on receipt.

### **2.2 Taxation and Imputation Credits**

The Ray & Shirl Norman Cancer Research Trust is exempt from income tax and has been granted status as a Charitable Fund.

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



HEALTH SERVICES CHARITABLE GIFTS BOARD  
- as trustee RAY & SHIRL NORMAN CANCER RESEARCH TRUST  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2015

|  | 2015 | 2014 |
|--|------|------|
|  | \$   | \$   |

## 2.2 Taxation and Imputation Credits (cont)

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

- when GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (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; and
- receivables and payables, which are stated with the amount of GST included.

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

## 2.3 Basis of valuation - Assets

### *Cash and cash equivalents*

Cash on hand, deposits held at call and other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value are carried at nominal value.

### *Other financial assets*

The original settlement of the Trust was in the form of cash and direct investments in shares and units listed on the Australian Stock Exchange. It was considered appropriate for these direct investments to be treated as available for sale financial assets, and were reported at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period. They are included in non-current assets unless management intend to dispose of the investment within 12 months of reporting date.

During the year the trustee was granted registration as a Prescribed Public Authority (PPA) which enabled the Trust to invest through Funds SA.

Surplus cash and short term deposit assets of the Trust are now invested through Funds SA Cash B - Taxed Fund and disclosed as current assets at fair value.



HEALTH SERVICES CHARITABLE GIFTS BOARD  
- as trustee RAY & SHIRL NORMAN CANCER RESEARCH TRUST  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2015

| 2015 | 2014 |
|------|------|
| \$   | \$   |

### 2.3 Basis of valuation - Assets (cont..)

In May 2015 the entire portfolio of direct investments was transferred to Funds SA and an equivalent value of units in the Funds SA Growth B Taxed Fund received. In accordance with the above any gain or loss realised on the disposal of the direct investments transferred from equity to profit or loss for the period.

As the investments in Funds SA are managed and their performance evaluated in accordance with a documented investment strategy and the information reported to the trustee on a regular basis it is considered appropriate that they be designated as fair value through profit and loss.

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Financial assets and liabilities held at fair value through the profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

Fair value of financial instruments are classified, according to fair value hierarchy, at level 2 - fair values that are based on inputs that are directly or indirectly observable for the asset.

#### *Fair value of unlisted unit trusts*

Investments in unlisted unit trusts are recorded at the fair value as reported by the managers of such funds as at 30 June 2015.

### 2.4 Basis of valuation - Liabilities

Accrued Revenue and Accrued Expenses are carried at their nominal amounts.



HEALTH SERVICES CHARITABLE GIFTS BOARD  
- as trustee RAY & SHIRL NORMAN CANCER RESEARCH TRUST  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2015

|                                                          | 2015<br>\$          | 2014<br>\$        |
|----------------------------------------------------------|---------------------|-------------------|
| <b>3 Gain (loss) from disposal of financial assets</b>   |                     |                   |
| <b>- Available for sale financial assets</b>             |                     |                   |
| Shares in listed companies                               |                     |                   |
| Proceeds from disposal                                   | 5,260,410           | 370,388           |
| Less: Costs of disposal                                  | -                   | ( 681)            |
|                                                          | <u>5,260,410</u>    | <u>369,707</u>    |
| Less Net carrying value at time of disposal              | <u>( 5,322,109)</u> | <u>( 373,845)</u> |
|                                                          | <u>( 61,699)</u>    | <u>( 4,138)</u>   |
| Less amounts already recognised in equity                | 880,492             | 43,370            |
| Net gain - financial assets available for sale           | <u>818,793</u>      | <u>39,232</u>     |
| <b>Financial Assets - through Profit &amp; Loss</b>      |                     |                   |
| Units in unlisted trusts                                 |                     |                   |
| Proceeds from disposal                                   | 336,000             | -                 |
| Less Cost                                                | ( 338,894)          | -                 |
| Net gain (loss) - financial assets through profit & loss | <u>( 2,894)</u>     | <u>-</u>          |
| Net gain on disposal of investments                      | <u>815,899</u>      | <u>39,232</u>     |
| <b>4 Administration costs</b>                            |                     |                   |
| Bank Fees                                                | 72                  | 70                |
| Accounting Services                                      | 3,498               | 2,376             |
| General Administration Expenses (see below)              | 17,600              | 17,600            |
| Legal Fees                                               | -                   | 455               |
|                                                          | <u>21,170</u>       | <u>20,501</u>     |

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

HEALTH SERVICES CHARITABLE GIFTS BOARD  
- as trustee RAY & SHIRL NORMAN CANCER RESEARCH TRUST  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2015

| 2015 | 2014 |
|------|------|
| \$   | \$   |

## 5 Research funding

|                               |         |         |
|-------------------------------|---------|---------|
| Research funding (net of GST) | 235,909 | 209,091 |
|-------------------------------|---------|---------|

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

Following a competitive scientific review process, projects were selected for funding during the 2013 to 2015 calendar years. At 30 June 2015 research funding amounts agreed to, but not yet due totalled \$575,000 (2014: \$200,000) (inclusive of any GST).

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

The next call for applications for the funding of research projects will be during the 2016 calendar year.

## 6 Other financial assets at fair value

During the year the trustee was granted registration as a Prescribed Public Authority (PPA) which enabled the Trust to invest in unlisted unit trusts managed by Funds SA.

Surplus cash and short term deposit assets of the Trust are now invested through Funds SA Cash B - Taxed Fund and disclosed as current assets at fair value.

Amounts that were previously invested directly in a portfolio of listed investments are now invested through Funds SA Growth B Taxed Fund and disclosed as non-current assets at fair value.

### - Current

|                               |         |   |
|-------------------------------|---------|---|
| Units in unlisted unit trusts | 898,479 | - |
|-------------------------------|---------|---|

### - Non-current

|                               |           |   |
|-------------------------------|-----------|---|
| Units in unlisted unit trusts | 5,496,023 | - |
|-------------------------------|-----------|---|



HEALTH SERVICES CHARITABLE GIFTS BOARD  
as trustee SOUTH AUSTRALIAN HEALTH AND MEDICAL  
RESEARCH INSTITUTE CHARITABLE HEALTH TRUST  
STATEMENT OF COMPREHENSIVE INCOME  
For the year ended 30 June 2015

|                                                | Note | 2015<br>\$          | 5/9/2013 to<br>30/6/2014<br>\$ |
|------------------------------------------------|------|---------------------|--------------------------------|
| <b>Income</b>                                  |      |                     |                                |
| <b>Investment of Funds</b>                     |      |                     |                                |
| Interest Revenue                               |      | 212,613             | 209,115                        |
| Funds SA Distribution                          |      | 338,641             | -                              |
| Imputation Credits                             | 2.2  | 6,721               | -                              |
| Net Gain from the Disposal of Financial Assets | 3    | 131                 | -                              |
| Unrealised Gain (Loss) on Financial Assets     |      | ( 397,438)          | -                              |
| <b>Total Income</b>                            |      | <u>160,668</u>      | <u>209,115</u>                 |
| <b>Expenses</b>                                |      |                     |                                |
| <b>Administration Expenses</b>                 |      |                     |                                |
| Administration Costs                           | 4    | 12,197              | 1,811                          |
| Research Funding                               | 5    | 163,705             | 207,304                        |
| <b>Total Expenses</b>                          |      | <u>175,902</u>      | <u>209,115</u>                 |
| <b>Net Result</b>                              | 5    | <u>( 15,234)</u>    | <u>-</u>                       |
| <b>Other Comprehensive Income</b>              |      |                     |                                |
| Research Funding Recognised Directly in Equity | 5    | ( 1,586,243)        | ( 3,288,944)                   |
| <b>Total Comprehensive Result</b>              |      | <u>( 1,601,477)</u> | <u>( 3,288,944)</u>            |

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD  
as trustee SOUTH AUSTRALIAN HEALTH AND MEDICAL  
RESEARCH INSTITUTE CHARITABLE HEALTH TRUST  
STATEMENT OF FINANCIAL POSITION  
As at 30 June 2015

|                                      | Note | 2015<br>\$        | 2014<br>\$        |
|--------------------------------------|------|-------------------|-------------------|
| <b>Current Assets</b>                |      |                   |                   |
| Westpac Business Account             |      | 121,142           | 715,003           |
| SAFA Cash Management Account         |      | -                 | 11,771,884        |
| Accrued Revenue                      |      | -                 | 27,186            |
| Imputation Credits Receivable        | 2.2  | 6,721             |                   |
| <b>Total Current Assets</b>          |      | <u>127,863</u>    | <u>12,514,073</u> |
| <b>Non-Current Assets</b>            |      |                   |                   |
| Other Financial Assets at Fair Value | 6    | 12,138,334        | -                 |
| <b>Total Non-Current Assets</b>      |      | <u>12,138,334</u> | <u>-</u>          |
| <b>Total Assets</b>                  |      | <u>12,266,197</u> | <u>12,514,073</u> |
| <b>Current Liabilities</b>           |      |                   |                   |
| Accrued Expenses                     |      | 462               | 1,782             |
| <b>Total Current Liabilities</b>     |      | <u>462</u>        | <u>1,782</u>      |
| <b>Total Liabilities</b>             |      | <u>462</u>        | <u>1,782</u>      |
| <b>Net Assets</b>                    |      | <u>12,265,735</u> | <u>12,512,291</u> |
| <b>Trust Funds</b>                   |      |                   |                   |
| Trust Funds                          |      | 12,280,969        | 12,512,291        |
| Retained Earnings                    | 5    | ( 15,234)         | -                 |
| <b>Total Trust Funds</b>             |      | <u>12,265,735</u> | <u>12,512,291</u> |

The above statement should be read in conjunction with the accompanying notes.



HEALTH SERVICES CHARITABLE GIFTS BOARD  
as trustee SOUTH AUSTRALIAN HEALTH AND MEDICAL  
RESEARCH INSTITUTE CHARITABLE HEALTH TRUST  
STATEMENT OF CHANGES IN EQUITY  
For the Year Ended 30 June 2015

|                                        | Note | Trust Funds       | Retained Earnings | Total Trust Funds |
|----------------------------------------|------|-------------------|-------------------|-------------------|
| Trust Settlement                       |      | 15,801,235        | -                 | 15,801,235        |
| Net result                             |      | -                 | -                 | -                 |
| Other comprehensive income for 2013-14 |      | ( 3,288,944)      | -                 | ( 3,288,944)      |
| Total Change for the period            |      | ( 3,288,944)      | -                 | ( 3,288,944)      |
| <b>Balance at 30 June 2014</b>         |      | <b>12,512,291</b> | <b>-</b>          | <b>12,512,291</b> |
| Additional Trust Funds 2014-15         |      | 1,354,921         | -                 | 1,354,921         |
| Net result                             |      | -                 | ( 15,234)         | ( 15,234)         |
| Other comprehensive income for 2014-15 | 5    | ( 1,586,243)      | -                 | ( 1,586,243)      |
| Total Change for the period            |      | ( 231,322)        | ( 15,234)         | ( 246,556)        |
| <b>Balance at 30 June 2015</b>         |      | <b>12,280,969</b> | <b>( 15,234)</b>  | <b>12,265,735</b> |

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD  
as trustee SOUTH AUSTRALIAN HEALTH AND MEDICAL  
RESEARCH INSTITUTE CHARITABLE HEALTH TRUST  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2015

|  | Note | 2015<br>\$ | 5/9/2013 to<br>30/6/2014<br>\$ |
|--|------|------------|--------------------------------|
|--|------|------------|--------------------------------|

## 1 Objectives of the Trust

The South Australian Health & Medical Research Institute Charitable Health Trust ('Trust' or 'Fund') was established by Ministerial Direction dated 5 September 2013 pursuant to Section 20 of the Health Services Charitable Gifts Act 2011.

Under the terms of the Deed establishing the Trust the Health Services Charitable Gifts Board (HSCGB) was appointed as trustee and an initial sum of \$15,801,235 was provided by the Minister to be administered by the HSCGB.

A further amount of \$1,354,921 was provided by the Minister in December 2014 to be administered by the HSCGB.

The income of the Trust is to be applied solely for the benefit of the South Australian Health & Medical Research Institute (SAHMRI) in support of its health and medical research, or health and medical research infrastructure. Subject to Ministerial consent, the capital of the Trust may also be released for these purposes.

## 2 Summary of Principal Accounting Policies

### 2.1 Format of the Accounts

The attached financial reports and related notes are special purpose financial statements that provide information on the value and operations of the trust being administered.

The Statements have been prepared using the accrual basis of accounting and are in accordance with the historical cost convention unless otherwise indicated.

All amounts are rounded to the nearest dollar.

As the Trust commenced in the previous financial year, comparative amounts are for the period 5 September 2013 to 30 June 2015.



HEALTH SERVICES CHARITABLE GIFTS BOARD  
as trustee SOUTH AUSTRALIAN HEALTH AND MEDICAL  
RESEARCH INSTITUTE CHARITABLE HEALTH TRUST  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2015

|  | Note | 2015<br>\$ | 5/9/2013 to<br>30/6/2014<br>\$ |
|--|------|------------|--------------------------------|
|--|------|------------|--------------------------------|

## 2.2 Taxation and Imputation Credits

The South Australian Health & Medical Research Institute Charitable Health Trust is exempt from income tax and has been granted status as a Charitable Fund.

As a Charitable Fund the Trust is entitled to a refund of imputation credits. Entitlement to this refund is recognised as revenue at the time of receipt of the franked dividend or distribution in relation to direct investments held by the Trust.

## 2.3 Basis of valuation - Assets

### *Cash and cash equivalents*

Cash on hand, deposits held at call and other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value are carried at nominal value.

### *Other financial assets*

During the year the trustee was granted registration as a Prescribed Public Authority (PPA) and invested with Funds SA in their Capital Defensive Fund B - Taxed Fund. As these investments are managed and their performance evaluated in accordance with a documented investment strategy and the information reported to the trustee on a regular basis it is considered appropriate that they be designated as fair value through profit and loss.

Investments are recognised and derecognised on trade date and are initially measured at fair value, net of transaction costs.

Financial assets and liabilities held at fair value through the profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through the profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income. Fair value of financial instruments are classified, according to fair value hierarchy, at level 2 - fair values that are based on inputs that are directly or indirectly observable for the asset/liability

### *Fair value of unlisted unit trusts*

Investments in unlisted unit trusts are recorded at the fair value as reported by the managers of such funds as at 30 June 2015.



HEALTH SERVICES CHARITABLE GIFTS BOARD  
as trustee SOUTH AUSTRALIAN HEALTH AND MEDICAL  
RESEARCH INSTITUTE CHARITABLE HEALTH TRUST  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2015

|  | Note | 2015<br>\$ | 5/9/2013 to<br>30/6/2014<br>\$ |
|--|------|------------|--------------------------------|
|--|------|------------|--------------------------------|

**2.4 Basis of valuation - Liabilities**

Accrued Revenue and Accrued Expenses are carried at their nominal amounts.

**3 Gain from disposal of investments**

Units in Funds SA - Capital Defensive Fund B Taxed

|                                              |            |          |
|----------------------------------------------|------------|----------|
| Proceeds form disposal                       | 265,000    | -        |
| Less: Net carrying value at time of disposal | 264,869    | -        |
| Net gain on disposal                         | <u>131</u> | <u>-</u> |

**4 Administration Costs**

|                                             |               |              |
|---------------------------------------------|---------------|--------------|
| Accounting Services                         | 2,780         | 1,782        |
| General Administration Expenses (see below) | 9,304         | -            |
| Bank Fees                                   | 113           | 29           |
|                                             | <u>12,197</u> | <u>1,811</u> |

This represents a recovery by the Health Services Charitable Gifts Board to cover various administrative tasks undertaken and costs incurred in its capacity as trustee of the South Australian Health & Medical Research Institute Charitable Health Trust in relation to the 2014-15 year.

**5 Research funding**

During the year approval was obtained from the Minister to apply a portion of the capital of the Fund for health and medical research, or health and medical research infrastructure at SAHMRI.

In January 2015, following a request by SAHMRI for funding in accordance with the spending policy approved by the Board, an interim distribution of the net income of the Trust for the first half of the financial year was made in the amount of \$163,705. At the end of the financial year the net income of the Trust for the full year was \$148,471. This results in an over distribution of income of \$15,234 for the year.

Since the end of the financial year an application has been made to the Minister for approval to apply this over distribution to the capital of the Trust.

|                                                 |                  |                  |
|-------------------------------------------------|------------------|------------------|
| Net profit of the trust - current year          | 163,705          | 207,304          |
| Approved applications of capital - 2013/14 year | 1,586,243        | -                |
| Approved applications of capital - other        | -                | 3,288,944        |
| Total research funding paid to SAHMRI           | <u>1,749,948</u> | <u>3,496,248</u> |



HEALTH SERVICES CHARITABLE GIFTS BOARD  
as trustee SOUTH AUSTRALIAN HEALTH AND MEDICAL  
RESEARCH INSTITUTE CHARITABLE HEALTH TRUST  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the Year Ended 30 June 2015

|  | Note | 2015<br>\$ | 5/9/2013 to<br>30/6/2014<br>\$ |
|--|------|------------|--------------------------------|
|--|------|------------|--------------------------------|

**6 Investment of funds**

The Deed prescribes the investment of funds only through Funds SA, SAFA or as otherwise approved by the Minister. In order to invest with Funds SA the HSCGB, as trustee of the Trust, is required to be registered as a Prescribed Public Authority (PPA).

Registration as a PPA was granted during the year and the SAFA Cash Management Account was closed and the balance of funds invested units in the Funds SA Capital Defensive Fund B Taxed.

**Financial assets though profit and loss**

**- Non-Current**

Units in unlisted unit trusts

12,138,334

-

HEALTH SERVICES CHARITABLE GIFTS BOARD  
as trustee DOROTHY E BROWN CHARITABLE TRUST  
STATEMENT OF COMPREHENSIVE INCOME  
For the Period 17 December 2014 to 30 June 2015

|                                   | Note | 17/12/2014<br>to 30/6/2015<br>\$ |
|-----------------------------------|------|----------------------------------|
| <hr/>                             |      |                                  |
| <b>Income</b>                     |      |                                  |
| <b>Investment of Funds</b>        |      |                                  |
| Interest Revenue                  |      | 5,195                            |
| <b>Total Income</b>               |      | <u>5,195</u>                     |
| <b>Expenses</b>                   |      |                                  |
| <b>Administration Expenses</b>    |      |                                  |
| Accountancy Fees                  |      | 220                              |
| <b>Total Expenses</b>             |      | <u>220</u>                       |
| <b>Net Result</b>                 |      | <u>4,975</u>                     |
| <b>Other Comprehensive Income</b> |      |                                  |
| Other Comprehensive Income        |      | -                                |
| <b>Total Comprehensive Result</b> |      | <u>4,975</u>                     |

The above statement should be read in conjunction with the accompanying notes.



HEALTH SERVICES CHARITABLE GIFTS BOARD  
as trustee DOROTHY E BROWN CHARITABLE TRUST  
STATEMENT OF FINANCIAL POSITION  
As at 30 June 2015

|                             | Note | 2015<br>\$     |
|-----------------------------|------|----------------|
| <b>Current Assets</b>       |      |                |
| Other financial assets      | 3    | 291,597        |
| <b>Total Current Assets</b> |      | <u>291,597</u> |
| <b>Total Assets</b>         |      | <u>291,597</u> |
| <b>Total Liabilities</b>    |      | <u>-</u>       |
| <b>Net Assets</b>           |      | <u>291,597</u> |
| <b>Trust Funds</b>          |      |                |
| Trust funds                 |      | 286,622        |
| Retained earnings           |      | 4,975          |
| <b>Total Trust Funds</b>    |      | <u>291,597</u> |

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD  
as trustee DOROTHY E BROWN CHARITABLE TRUST  
STATEMENT OF CHANGES IN EQUITY  
For the Period 17 December 2014 to 30 June 2015

|                                        | Note | Trust Funds    | Retained Earnings | Total Trust Funds |
|----------------------------------------|------|----------------|-------------------|-------------------|
| Trust Settlement                       |      | 286,622        | -                 | 286,622           |
| Total comprehensive result for 2014-15 |      |                | 4,975             | 4,975             |
| Total Change for the period            |      | -              | 4,975             | 4,975             |
| <b>Balance at 30 June 2015</b>         |      | <b>286,622</b> | <b>4,975</b>      | <b>291,597</b>    |

The above statement should be read in conjunction with the accompanying notes.



HEALTH SERVICES CHARITABLE GIFTS BOARD  
as trustee DOROTHY E BROWN CHARITABLE TRUST  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the Period 17 December 2014 to 30 June 2015

|      |              |
|------|--------------|
|      | 17/12/2014   |
| Note | to 30/6/2015 |
|      | \$           |

---

## 1 Objectives of the Trust

The Dorothy E Brown Charitable Trust ('Trust' or 'Fund') was established by Deed Poll dated 17 December 2014 pursuant to Section 21 of the Health Services Charitable Gifts Act 2011.

In accordance with the will of Mrs Dorothy E Brown dated 16 August 1971 the residue of her estate was bequeathed to the now defunct Hospitals Department of the South Australian Government for the "benefit of sufferers from kidney diseases or complaints". The amount of the residue has been held by SA Health since October 2009 and was the subject of Supreme Court proceedings seeking directions in relation to the residue. The judgement of the Court from those proceedings was that the deceased's will established a charitable trust and that, having consented to its appointment, the Health Services Charitable Gifts Board (HSCGB) should be appointed as trustee of this charitable trust. The Deed Poll dated 17 December 2014 appoints the HSCGB as trustee and provided further guidance of the administration of the charitable trust.

Under the terms of the Deed Poll the HSCGB was appointed as trustee and an initial sum of \$286,621 was provided by SA Health to be administered by the HSCGB. These funds remained under the control of HSCGB in its capacity as trustee and were invested in the pooled assets of HSCGB. Monthly income allocations were credited to the Trust.

In accordance with the judgment the terms of the Trust were varied whereby -

- the trust monies may be applied for the benefit of any patient of a hospital incorporated under the Health Care Act 2008 who is suffering from a kidney disease or complaint; and
- the trust monies shall be expensed on benefits that such patients would not normally receive or enjoy as patients of those hospitals.

HEALTH SERVICES CHARITABLE GIFTS BOARD  
as trustee DOROTHY E BROWN CHARITABLE TRUST  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the Period 17 December 2014 to 30 June 2015

| Note | 17/12/2014<br>to 30/6/2015 |
|------|----------------------------|
|      | \$                         |

## **2 Summary of Principal Accounting Policies**

### **2.1 Format of the Accounts**

The attached financial reports and related notes are special purpose financial statements that provide information on the value and operations of the trust being administered.

The Statements have been prepared using the accrual basis of accounting and are in accordance with the historical cost convention.

All amounts are rounded to the nearest dollar.

As this is the first year of operation there are no comparative amounts.

### **2.2 Taxation and Imputation Credits**

The Dorothy E Brown Charitable Trust is exempt from income tax and has been granted status as a Charitable Fund.

### **2.3 Basis of valuation of assets and liabilities**

Cash on hand, deposits held at call and other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value are carried at nominal amounts.

Accrued Revenue and Accrued Expenses are carried at their nominal amounts.



HEALTH SERVICES CHARITABLE GIFTS BOARD  
as trustee DOROTHY E BROWN CHARITABLE TRUST  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the Period 17 December 2014 to 30 June 2015

|      |              |
|------|--------------|
|      | 17/12/2014   |
| Note | to 30/6/2015 |
|      | \$           |

---

**3 Other Financial assets**

The funds received on the establishment of the Trust have been retained by the HSCGB and amalgamated with other assets and invested in accordance with the investment policies of the HSCGB. These funds remain at call.

Income has been allocated to the Trust monthly, on a proportional basis.

**- Current**

|                          |                |
|--------------------------|----------------|
| Investment in HSCGB Pool | <u>291,597</u> |
|--------------------------|----------------|

## HEALTH SERVICES CHARITABLE GIFTS BOARD

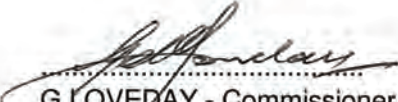
### Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Health Services Charitable Gifts Board (referred to in the attached as "HSCGB" or "the Board"):

- comply with relevant Treasurer's instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Board; and
- present a true and fair view of the financial position of the Health Services Charitable Gifts Board as at 30 June 2015 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Health Services Charitable Gifts Board for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period and there are reasonable grounds to believe the Board will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board.

  
G LOVEDAY - Commissioner  
11/9/2015

  
C PEIRCE - Executive Officer  
11/9/15





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**To the Chairman**  
**Health Services Charitable Gifts Board**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 29(2) of the *Health Services Charitable Gifts Act 2011*, I have audited the accompanying financial report of the Health Services Charitable Gifts Board for the financial year ended 30 June 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes to and forming part of the financial statements for the Health Services Charitable Gifts Board
- a Statement of Comprehensive Income for the year ended 30 June 2015 for the Ray and Shirl Norman Cancer Research Trust
- a Statement of Financial Position as at 30 June 2015 for the Ray and Shirl Norman Cancer Research Trust
- a Statement of Changes in Equity for the year ended 30 June 2015 for the Ray and Shirl Norman Cancer Research Trust
- notes to and forming part of the financial statements for the Ray and Shirl Norman Cancer Research Trust
- a Statement of Comprehensive Income for the year ended 30 June 2015 for the South Australian Health and Medical Research Institute Charitable Health Trust
- a Statement of Financial Position as at 30 June 2015 for the South Australian Health and Medical Research Institute Charitable Health Trust
- a Statement of Changed in Equity for the year ended 30 June 2015 for the South Australian Health and Medical Research Institute Charitable Health Trust
- notes to and forming part of the financial statements for the South Australian Health and Medical Research Institute Charitable Health Trust
- a Statement of Comprehensive Income for the year ended 30 June 2015 for the Dorothy E Brown Charitable Trust
- a Statement of Financial Position as at 30 June 2015 for the Dorothy E Brown Charitable Trust
- a Statement of Changes in Equity for the year ended 30 June 2015 for the Dorothy E Brown Charitable Trust
- notes to and forming part of the financial statements for the Dorothy E Brown Charitable Trust
- a Certificate from the Commissioner and the Executive Officer.



## **The Commissioners' Responsibility for the Financial Report**

The Commissioners are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Commissioners determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

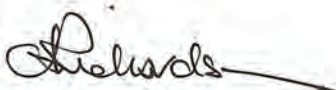
My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commissioners, as well as the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the Health Services Charitable Gifts Board as at 30 June 2015, 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.



Andrew Richardson  
**Auditor-General**  
17 September 2015



# HomeStart Finance

Financial report  
for the year ended  
30 June 2015

# HomeStart Finance

## Statement of Comprehensive Income

For the year ended 30 June 2015

|                                                                                                                               | Note<br>No. | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------------------------------------------------------------------------------------------|-------------|----------------|----------------|
| Interest income                                                                                                               | <u>4</u>    | 105 624        | 112 663        |
| Interest expense                                                                                                              | <u>4</u>    | ( 49 496)      | ( 54 164)      |
| <b>Net interest income</b>                                                                                                    | <u>4</u>    | <b>56 128</b>  | <b>58 499</b>  |
| Other income                                                                                                                  | <u>5</u>    | 13 170         | 15 303         |
| Loan manager fees                                                                                                             |             | ( 5 830)       | ( 6 210)       |
| Employee benefits expenses                                                                                                    | <u>6</u>    | ( 11 057)      | ( 10 910)      |
| Bad and impaired loans expense                                                                                                | <u>10</u>   | ( 1 460)       | ( 4 200)       |
| Depreciation and amortisation expense                                                                                         | <u>11</u>   | ( 1 822)       | ( 917)         |
| Other expenses                                                                                                                | <u>12</u>   | ( 6 162)       | ( 6 424)       |
| Profit before income tax equivalents and guarantee fee expenses                                                               |             | 42 967         | 45 141         |
| Government guarantee fee                                                                                                      | <u>9</u>    | ( 27 390)      | ( 28 109)      |
| <b>Profit before income tax equivalents</b>                                                                                   |             | <b>15 577</b>  | <b>17 032</b>  |
| Income tax equivalents expense                                                                                                | <u>2.6</u>  | ( 4 673)       | ( 5 109)       |
| <b>Profit after income tax equivalents</b>                                                                                    |             | <b>10 904</b>  | <b>11 923</b>  |
| <u>Other Comprehensive Income</u>                                                                                             |             |                |                |
| <i>Items that will be reclassified subsequently to profit before income tax equivalents when specific conditions are met:</i> |             |                |                |
| Change in fair value of derivatives                                                                                           |             | ( 382)         | 350            |
| Change in fair value of available-for-sale assets                                                                             | <u>15.4</u> | ( 69)          | ( 2)           |
| <b>Total other comprehensive income</b>                                                                                       |             | <b>( 451)</b>  | <b>348</b>     |
| <b>Total comprehensive result</b>                                                                                             |             | <b>10 453</b>  | <b>12 271</b>  |

The profit after income tax equivalents and total comprehensive result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.



# HomeStart Finance

## Statement of Financial Position

As at 30 June 2015

|                                                                       | Note<br>no.   | 2015<br>\$'000   | 2014<br>\$'000   |
|-----------------------------------------------------------------------|---------------|------------------|------------------|
| <b>Assets</b>                                                         |               |                  |                  |
| Cash and cash equivalents                                             | <u>31.1</u>   | 1 952            | 3 320            |
| Financial investments designated at fair value through profit or loss | <u>14</u>     | 104 794          | 108 012          |
| Financial investments – available-for-sale                            | <u>15</u>     | 12 005           | 11 971           |
| Loans and advances                                                    | <u>16</u>     | 1 734 408        | 1 798 177        |
| Other financial assets                                                | <u>17</u>     | 1 147            | 769              |
| Intangible assets                                                     | <u>18</u>     | 4 333            | 4 458            |
| Property, plant and equipment                                         | <u>19</u>     | 1 049            | 836              |
| Other assets                                                          | <u>20</u>     | 818              | 416              |
| <b>Total assets</b>                                                   |               | <b>1 860 506</b> | <b>1 927 959</b> |
| <b>Liabilities</b>                                                    |               |                  |                  |
| Payables                                                              | <u>22</u>     | 5 291            | 6 322            |
| Derivative financial instruments                                      | <u>33.2.2</u> | 6 310            | 5 929            |
| Short-term borrowings                                                 | <u>23</u>     | 694 456          | 635 134          |
| Employee benefits                                                     | <u>24</u>     | 2 548            | 2 357            |
| Income tax equivalents payable                                        | <u>25</u>     | 2 322            | 2 751            |
| Provision for dividend                                                | <u>25</u>     | -                | 554              |
| Long-term borrowings                                                  | <u>23</u>     | 972 000          | 1 102 000        |
| Other liabilities                                                     | <u>26</u>     | 4 347            | 3 591            |
| <b>Total liabilities</b>                                              |               | <b>1 687 274</b> | <b>1 758 638</b> |
| <b>Net assets</b>                                                     |               | <b>173 232</b>   | <b>169 321</b>   |

**HomeStart Finance**  
**Statement of Financial Position (cont.)**  
As at 30 June 2015

|                     | Note<br>no. | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------|-------------|----------------|----------------|
| <b>Equity</b>       |             |                |                |
| Reserves            | <u>27</u>   | 1 919          | 2 671          |
| Retained earnings   |             | 171 313        | 166 650        |
| <b>Total equity</b> |             | <b>173 232</b> | <b>169 321</b> |

The total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments 28

Contingent assets and contingent liabilities 29

The above statement should be read in conjunction with the accompanying notes.



# HomeStart Finance

## Statement of Changes in Equity

For the year ended 30 June 2015

|                                                       | Note                           | Retained earnings | General reserve for credit losses | Derivatives valuation reserve | Available-for-sale revaluation reserve | Total          |
|-------------------------------------------------------|--------------------------------|-------------------|-----------------------------------|-------------------------------|----------------------------------------|----------------|
|                                                       | no.                            | \$'000            | \$'000                            | \$'000                        | \$'000                                 | \$'000         |
| <b>Balance at 30 June 2013</b>                        |                                | <b>160 905</b>    | <b>8 776</b>                      | <b>( 6 279)</b>               | <b>803</b>                             | <b>164 205</b> |
| Profit after income tax equivalent for 2013-14        |                                | 11 923            | -                                 | -                             | -                                      | 11 923         |
| Derivative gain recognised directly in equity         | <u>2.10.6</u><br><u>33.4.2</u> | -                 | -                                 | 350                           | -                                      | 350            |
| Available-for-sale gain recognised directly in equity |                                | -                 | -                                 | -                             | ( 2)                                   | ( 2)           |
| <b>Total comprehensive result for 2013-14</b>         |                                | <b>11 923</b>     | <b>-</b>                          | <b>350</b>                    | <b>( 2)</b>                            | <b>12 271</b>  |
| Transfer to/from credit loss reserve                  | <u>27</u>                      | 977               | ( 977)                            | -                             | -                                      | -              |
| <b>Transactions with SA Government as owner</b>       |                                |                   |                                   |                               |                                        |                |
| Dividends paid/payable                                | <u>25</u>                      | ( 7 155)          | -                                 | -                             | -                                      | ( 7 155)       |
| <b>Balance at 30 June 2014</b>                        |                                | <b>166 650</b>    | <b>7 799</b>                      | <b>( 5 929)</b>               | <b>801</b>                             | <b>169 321</b> |
| Profit after income tax equivalent for 2014-15        |                                | 10 904            | -                                 | -                             | -                                      | 10 904         |
| Derivative gain recognised directly in equity         | <u>2.10.6</u><br><u>33.4.2</u> | -                 | -                                 | ( 382)                        | -                                      | ( 382)         |
| Available-for-sale gain recognised directly in equity |                                | -                 | -                                 | -                             | ( 69)                                  | ( 69)          |
| <b>Total comprehensive result for 2014-15</b>         |                                | <b>10 904</b>     | <b>-</b>                          | <b>( 382)</b>                 | <b>( 69)</b>                           | <b>10 453</b>  |
| Transfer to/from credit loss reserve                  | <u>27</u>                      | 301               | ( 301)                            | -                             | -                                      | -              |
| <b>Transactions with SA Government as owner</b>       |                                |                   |                                   |                               |                                        |                |
| Dividends paid/payable                                | <u>25</u>                      | ( 6 542)          | -                                 | -                             | -                                      | ( 6 542)       |
| <b>Balance at 30 June 2015</b>                        |                                | <b>171 313</b>    | <b>7 498</b>                      | <b>( 6 311)</b>               | <b>732</b>                             | <b>173 232</b> |

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

The above statement should be read in conjunction with the accompanying notes.

# HomeStart Finance

## Statement of Cash Flows

For the year ended 30 June 2015

|                                                     | Note<br>no. | 2015<br>\$'000    | 2014<br>\$'000    |
|-----------------------------------------------------|-------------|-------------------|-------------------|
| <b>Cash flows from operating activities</b>         |             |                   |                   |
| <b>Cash inflows</b>                                 |             |                   |                   |
| Interest received on:                               |             |                   |                   |
| Cash                                                |             | 48                | 71                |
| Investments                                         |             | 1 178             | 1 786             |
| Loans and advances                                  |             | 100 970           | 107 408           |
| Fees and commissions received                       |             | 2 716             | 2 646             |
| Bad debts recovered                                 |             | 192               | 298               |
| <b>Receipts from SA Government</b>                  |             |                   |                   |
| EquityStart grant received                          |             | 622               | 785               |
| Community Service Obligation subsidy received       |             | 5 889             | 5 614             |
| Other receipts                                      |             | 621               | 474               |
| <b>Cash generated from operations</b>               |             | <b>112 236</b>    | <b>119 082</b>    |
| <b>Cash outflows</b>                                |             |                   |                   |
| Employee benefits payments                          |             | ( 10 422)         | ( 10 704)         |
| Payments for supplies and services                  |             | ( 6 743)          | ( 6 214)          |
| Payments to loan managers                           |             | ( 5 839)          | ( 6 000)          |
| Borrowing costs paid                                |             | ( 50 773)         | ( 55 012)         |
| Government guarantee fee paid                       |             | ( 27 476)         | ( 28 042)         |
| Tax equivalent paid                                 |             | ( 5 103)          | ( 5 017)          |
| <b>Cash used in operations</b>                      |             | <b>( 106 356)</b> | <b>( 110 989)</b> |
| <b>Net cash generated from operating activities</b> | <u>31.2</u> | <b>5 880</b>      | <b>8 093</b>      |



**HomeStart Finance**  
**Statement of Cash Flows (cont.)**  
For the year ended 30 June 2015

|                                                                           | Note<br>no. | 2015<br>\$'000     | 2014<br>\$'000    |
|---------------------------------------------------------------------------|-------------|--------------------|-------------------|
| <b>Cash flows from investing activities</b>                               |             |                    |                   |
| <b>Cash inflows</b>                                                       |             |                    |                   |
| Shared appreciation component of Breakthrough Loans repaid                | <u>34.4</u> | 9 835              | 7 943             |
| Proceeds from maturity of available-for-sale investments                  |             | 1 000              | 4 000             |
| Proceeds from investments designated at fair value through profit or loss |             | 40 257             | 51 772            |
| Customer loans repaid                                                     |             | 386 967            | 342 157           |
| <b>Cash generated from investing activities</b>                           |             | <b>438 059</b>     | <b>405 872</b>    |
| <b>Cash outflows</b>                                                      |             |                    |                   |
| Purchase of property, plant and office and computer equipment             |             | ( 354)             | ( 104)            |
| Purchase of intangibles                                                   |             | ( 448)             | ( 1 313)          |
| Purchase of available-for-sale investments                                |             | ( 1 183)           | ( 2 078)          |
| Purchase of investments designated at fair value through profit or loss   |             | ( 41 000)          | ( 50 400)         |
| Shared appreciation component of Breakthrough Loans settled               | <u>34.4</u> | ( 5 066)           | ( 5 962)          |
| Customer loans settled                                                    |             | ( 319 440)         | ( 285 558)        |
| <b>Cash used in investing activities</b>                                  |             | <b>( 367 491)</b>  | <b>( 345 415)</b> |
| <b>Net cash generated from investing activities</b>                       |             | <b>70 568</b>      | <b>60 457</b>     |
| <b>Cash flows from financing activities</b>                               |             |                    |                   |
| <b>Cash inflows</b>                                                       |             |                    |                   |
| Proceeds from borrowings                                                  |             | 1 229 206          | 641 557           |
| <b>Cash generated from financing activities</b>                           |             | <b>1 229 206</b>   | <b>641 557</b>    |
| <b>Cash outflows</b>                                                      |             |                    |                   |
| Dividends paid to SA Government                                           |             | ( 7 137)           | ( 7 177)          |
| Repayment of borrowings                                                   |             | (1 299 885)        | ( 703 983)        |
| <b>Cash used in financing activities</b>                                  |             | <b>(1 307 022)</b> | <b>( 711 160)</b> |
| <b>Net cash used in financing activities</b>                              |             | <b>( 77 816)</b>   | <b>( 69 603)</b>  |
| <b>Net (decrease)/increase in cash and cash equivalents</b>               |             | <b>( 1 368)</b>    | <b>( 1 053)</b>   |
| Cash and cash equivalents at the beginning of the period                  |             | 3 320              | 4 373             |
| <b>Cash and cash equivalents at the end of the period</b>                 | <u>31.1</u> | <b>1 952</b>       | <b>3 320</b>      |

The above statement should be read in conjunction with the accompanying notes.



# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

#### **NOTE 1** Objectives of HomeStart Finance

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

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

#### **HomeStart Home Loan**

HomeStart provides home loans to low to moderate income households and other needs groups. The HomeStart Home Loan is the primary loan product and the outstanding value of the product as at 30 June 2015 was \$1680.9 million (\$1748.7 million, 2013-14).

#### **Subsidies**

HomeStart provides subsidised Advantage Loans of up to \$45 000 to lower income earners. For loans issued after 3 February 2014, the loan is interest bearing from the drawdown date, prior to that date the maximum loan was \$30 615 and the loan was interest free if repaid within five years. The Advantage Loan interest is calculated by reference to the Consumer Price Index (CPI). As at 30 June 2015 the interest rate applying to Advantage Loans was 1.32% (3.88%, 2013-14). The outstanding value of Advantage Loans at 30 June 2015 was \$51.9 million (\$46.9 million, 2013-14).

For the year ended 30 June 2015 HomeStart received a Community Service Obligation (CSO) subsidy payment of \$3.0 million (\$2.7 million, 2013-14) from the Department of Treasury and Finance for the Advantage Loan subsidy provided.

HomeStart also provides subsidised EquityStart Loans of up to \$50 000 to current Housing SA tenants. The EquityStart Loan incurs interest at a subsidised rate, which is linked to the CPI. Regular repayments on the EquityStart Loan are optional, and payment can be deferred and paid at the end of the loan period. The outstanding value of EquityStart Loans at 30 June 2015 was \$36.2 million (\$37.9 million, 2013-14).

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

#### **Funding**

HomeStart funds its mortgage activities from capital and by borrowing from the South Australian Government Financing Authority (SAFA).

#### **NOTE 2** Summary of significant accounting policies

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

##### **2.1 Statement of compliance**

These financial statements have been prepared in compliance with Section 23 of the *Public Finance and Audit Act 1987*.



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

Homestart has applied Australian Accounting Standards that are applicable to for profit entities, as Homestart is a for-profit entity. Australian accounting standards and interpretations that have recently been issued and amended but not yet effective have not been adopted by HomeStart for reporting period ending 30 June 2015. Refer to note 3.

### 2.2 Basis of preparation

The preparation of the financial statements require:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying HomeStart's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with accounting policy statements issued pursuant to Section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following disclosures, which have been included in this financial report
  - revenues, expenses, financial assets and liabilities where the counter party 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
  - expenses incurred as a result of engaging consultants
  - employee targeted voluntary separation package information
  - employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by HomeStart to those employees.

HomeStart's Statement of Comprehensive Income, Statement of Financial Position, and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for the following assets and liabilities that are stated at their fair values: derivative financial instruments, financial investments at fair value through profit or loss, financial investments classified as available-for-sale and subsidised loans and advances.

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented.



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

### 2.3 Reporting entity

The financial report covers HomeStart as an individual entity. It is a statutory authority of the State of South Australia, established pursuant to the *Housing and Urban Development (Administrative Arrangements) (HomeStart Finance) Regulations 2007*. HomeStart does not control any investee, has no joint arrangements and no interest in unconsolidated structured entities.

### 2.4 Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where a specific accounting policy statement or specific Australian Accounting Standards have required a change.

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

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

Where HomeStart has applied an accounting policy retrospectively, retrospectively restated items in the financial statements or reclassified items in the financial statements, it has provided three Statements of Financial Position and related notes.

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

### 2.5 Rounding

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

### 2.6 Taxation

In accordance with Treasurer's Instructions 22 *Tax Equivalent Payments*, HomeStart is required to pay to the SA Government an income tax equivalent. The income tax equivalent liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires that the corporate income tax rate be applied to the net profit. The current income tax liability relates to the income tax expense outstanding for the current year.

HomeStart is liable for payroll tax, fringe benefits tax and goods and services tax (GST).

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

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

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

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



# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are 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 Australian Taxation Office. If GST is not payable to, or recoverable from the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

#### **2.7 Event after the reporting period**

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June 2015 and before the date the financial statements are authorised for issue, where the events provide information about conditions that existed at 30 June 2015.

Note disclosure is made about events between 30 June 2015 and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June 2015 and which may have a material impact on the results of subsequent years.

#### **2.8 Income**

Income is recognised in HomeStart's Statement of Comprehensive Income to the extent it is probable that the flow of economic benefits to the entity will occur and can be reliably measured.

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

##### **2.8.1 Interest income – non-subsidised loans**

Interest income is recognised as it accrues using the effective interest rate method, except for impaired loans where interest income is recognised as it is recovered (as described in note 2.8.3).

##### **2.8.2 Interest income – subsidised loans**

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

Interest income on these subsidised loans is brought to account using the effective interest rate method at a rate of interest, based on four year (for Advantage Loans settled before 3 February 2014), seven year (for Advantage Loans settled after 3 February 2014) and 10 year (for EquityStart Loans) South Australian Government Financing Authority (SAFA) Bonds.

##### **2.8.3 Interest income – both non-subsidised and subsidised impaired loans**

HomeStart ceases accruing interest income on loans when it considers that HomeStart would be unable to recover that interest income from either the customer or from the sale of the security. Interest on these loans is only brought to account when realised or when loans are returned to accruing status.

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



# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

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

#### **2.8.4      *Loan origination fees received or receivable***

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

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

#### **2.8.5      *Government grants***

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

The Department of Treasury and Finance (DTF) makes a CSO subsidy payment to HomeStart as compensation for the provision of Advantage Loan and credit quality subsidies as well as administering the Nunga Loan program. The credit quality subsidies compensate HomeStart for additional credit quality risk across all HomeStart loan products as a result of lending to customers that would not normally be eligible for loans from commercial lenders.

In addition, on 30 April 2012 the Cabinet approved that DTF would make an additional CSO payment to HomeStart each financial year to enable HomeStart to meet its target pre-tax Return on Equity (ROE) of 9% (if required). The first such payment was received by HomeStart in the financial year ended 30 June 2012, no payment was received for any of the following financial years.

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

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

#### **2.8.6      *Investment income***

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

Distribution income is recognised when received.

For financial investments classified as available-for-sale, interest income is recognised as it accrues.

#### **2.8.7      *Net gain/loss from disposal of non-financial assets***

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



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

### 2.8.8 *Other income*

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

### 2.9 *Expenses*

Expenses are recognised to the extent that it is probable that the flow of economic benefits from HomeStart will occur and can be reliably measured.

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

#### 2.9.1 *Interest expense*

Interest payable is expensed in accordance with the accounting policy described at note 2.11.1.

#### 2.9.2 *Government guarantee fee*

The government guarantee fee is expensed as it becomes due at the rate imposed by the Department of Treasury and Finance.

#### 2.9.3 *Bad and impaired loans expense*

Bad and impaired loans are expensed in accordance with the accounting policy described in note 2.10.3.

#### 2.9.4 *Loan origination fees paid or payable*

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

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

#### 2.9.5 *Employee benefits expenses*

Employee benefits expenses include all costs related to employment including wages, salaries, non-monetary benefits and leave entitlements.

Employee benefits expenses are recognised in accordance with the accounting policy described at note 2.11.6.

The amount of superannuation charged to the Statement of Comprehensive Income represents the contribution made by HomeStart to the superannuation plan in respect of current services of current HomeStart's employees.

#### 2.9.6 *Depreciation and amortisation expense*

Depreciation and amortisation expense is recognised in accordance with the accounting policy described at note 2.10.5.4.



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

### 2.9.7 **Operating lease expense**

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

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

### 2.9.8 **Tax equivalents expense**

The tax equivalents expense is recognised in accordance with the accounting policy described at note 2.6.

### 2.10 **Assets**

Assets are classified in the Statement of Financial Position by their nature and in an order that reflects their relative liquidity. Assets 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.

Current and non-current classes are not generally presented separately.

#### 2.10.1 **Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand and other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

Cash is measured at its nominal value.

#### 2.10.2 **Financial instruments**

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

- cash and cash equivalents (refer to accounting policy note 2.10.1)
- loans and advances (refer to accounting policy note 2.10.3)
- investments – managed funds, bonds, term deposits and the shared appreciation component of Breakthrough Loans (refer to accounting policy note 2.10.4.1)
- derivative financial instruments (refer to accounting policy note 2.10.6)
- financial liabilities (refer to accounting policy note 2.11).

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

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

HomeStart has the following classes of financial instruments:



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

### *Loans and receivables*

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

### *Financial assets at fair value through profit or loss*

HomeStart's policy is to designate a financial asset at fair value through profit or loss if it is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investments strategy, and information about the financial asset is provided internally on that basis to HomeStart's key management personnel.

HomeStart has designated the shared appreciation component of the Breakthrough Loan as well as its investments in managed funds and term deposits as financial assets at fair value through profit or loss.

The net gain or loss includes any dividend or interest earned on the financial asset.

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

### *Available-for-sale financial assets*

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

Gains or losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

As at 30 June 2015 HomeStart classified its investments in bonds issued by state governments and non-government institutions as available-for-sale.

### *Financial liabilities*

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

### *Impairment*

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

### *Impairment of financial assets carried at amortised cost*

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

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



# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

Reference should be made to accounting policy note 2.10.3 for additional information in relation to the assessment of impairment of loans and receivables.

#### *Impairment of available-for-sale financial assets*

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

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

#### **2.10.3 Loans and advances**

##### *Loans measured at amortised cost*

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

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

##### *Effective interest rate*

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

##### *Provision for impairment*

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

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

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



# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

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

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

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

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

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

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

In addition, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolios. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority (APRA) prudential risk management requirements of retaining sufficient retained earnings for capital adequacy purposes. Movements in the general reserve for credit losses are recognised as a transfer of retained earnings.

#### *Bad debts*

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

#### **2.10.4 Investments**

##### **2.10.4.1 Financial assets at fair value through profit or loss**

HomeStart has designated the shared appreciation component of the Breakthrough Loan as well as its investments in managed funds and term deposits as financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried at fair value. Gains or losses arising from changes in fair value are presented in the Statement of Comprehensive Income in the period in which they arise.



# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

#### *Shared appreciation component of the Breakthrough Loan*

The Breakthrough Loan facility includes two loan components:

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

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

#### **2.10.4.2 Available-for-sale financial assets**

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

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

#### **2.10.5 Non-financial assets**

##### **2.10.5.1 Property, plant and equipment**

Property, plant and equipment 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 after allowing for accumulated depreciation (refer to note 2.10.5.4) and impairment losses.

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. If, however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements, then the assets are recognised at book value i.e. the amount recorded by the transferor immediately prior to transfer.

Where the payment for an asset is deferred, HomeStart measures the obligation at the present value of the future outflow, discounted using the interest rate of a similar length borrowing.

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



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

All property, plant and equipment with a value equal to or in excess of \$1000 are capitalised.

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

### 2.10.5.2 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 accumulated amortisation and any accumulated impairment loss (refer to note 2.10.5.4).

The useful lives of intangible assets are assessed to be either finite or indefinite. HomeStart only has intangible assets with finite lives. The amortisation period and amortisation method for intangible assets are reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition (identifiability, control and existence of future economic benefits) and recognition criteria of an intangible asset outlined in AASB 138 *Intangible Assets*, and when the amount of expenditure is greater than or equal to \$1000.

Software assets that are not integral to the operation of hardware are recognised as intangible assets with a finite life. Capitalised software is amortised over the useful life of the asset, which is generally between four and 10 years.

Costs in relation to website development, building or enhancing a website to the extent they represent probable future economic benefits controlled by HomeStart that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits. Maintenance costs are expensed.

### 2.10.5.3 Impairment and revaluation

In accordance with Accounting Policy Framework III Asset Accounting Framework:

- all tangible assets are valued at written down current cost
- 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.

If at any time HomeStart considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

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

An impairment loss is recognised whenever the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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



# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

#### *Reversals of impairment*

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

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

#### **2.10.5.4 Depreciation and amortisation of non-financial assets**

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

The residual values, useful lives of all major assets held by HomeStart and amortisation methods are reassessed 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 estimates.

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

Depreciation and amortisation of non-financial assets are calculated on a straight line basis over the estimated useful life of the following classes of assets for the current and comparative periods as follows:

| <b>Class of asset</b>               | <b>Depreciation method</b> | <b>Useful life (years)</b> |
|-------------------------------------|----------------------------|----------------------------|
| Leasehold improvements              | Straight line              | 10                         |
| Other office and computer equipment | Straight line              | 2 – 10                     |
| Furniture and fittings              | Straight line              | 3 – 10                     |
| Intangible assets                   | Straight line              | 4 – 10                     |

#### **2.10.6 Derivative financial instruments**

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

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

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

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

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



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

HomeStart documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. HomeStart also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 33.2.2. Movements in the derivatives valuation are shown in the Statement of Changes in Equity.

### 2.10.6.1 Cash flow hedges

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

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

### 2.11 Liabilities

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

#### 2.11.1 Interest-bearing borrowings

Interest-bearing borrowings are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest rate method.

#### 2.11.2 Operating leases

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight line basis is representative of the pattern of benefits derived from the leased assets.

#### 2.11.3 Lease incentive

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as liabilities.

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



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

### 2.11.4 *Fair value measurement*

AASB 13 defines fair value as the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

HomeStart classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 - traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date
- Level 2 - not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly
- Level 3 - not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Head of Treasury, Finance & Risk and Audit Committee at each reporting date.

#### ***Non-financial assets***

In determining fair value, HomeStart has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset), and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

HomeStart's current use is the highest and best use of the asset unless other factors suggest an alternative is feasible. As HomeStart did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million, or had an estimated useful life that was less than three years, are deemed to approximate fair value.

Refer to note 21 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

#### ***Financial assets/liabilities***

The fair values of assets or liabilities traded in active markets are based on quoted market prices for identical assets or liabilities at balance date. The fair value of other financial assets or liabilities is determined using valuation techniques. These techniques maximise the use of observable market data where it is available. HomeStart uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Refer to note 34 for disclosure regarding fair value disclosure and categorisation of financial assets.

### 2.11.5 **Payables**

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

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



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

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

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

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date the invoice is first received (in accordance with Treasurer's Instruction 11 Payment of Creditors).

### 2.11.6 Employee benefits

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

#### *Long-term service benefits*

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

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with a duration that match, as closely as possible, the estimated future cash outflows.

#### *Wages, salaries, annual leave and sick leave*

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date. The annual leave liability is expected to be payable within twelve 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 twelve 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.

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

### 2.12 Other provisions

Provisions are recognised when HomeStart 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.

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



# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2015 provided by a consulting actuary engaged through the Office for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

HomeStart is responsible for the payment of workers compensation claims.

#### 2.13 Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

#### 2.14 Insurance

HomeStart has arranged through SA Government Captive Insurance Corporation (SAICORP), to insure all major risks of HomeStart. The excess payable under this arrangement varies depending on each class of insurance held.

#### 2.15 Accounting judgements, estimates and assumptions

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

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The areas involving a higher degree of estimate and judgement that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual financial reporting period are outlined below:

| Area of estimate and judgement                                                                                      | Note no.             |
|---------------------------------------------------------------------------------------------------------------------|----------------------|
| Investments at fair value through profit or loss (excluding the shared appreciation component of Breakthrough Loan) | 2.10.4.1, 34.2, 34.3 |
| Investments at fair value through profit or loss – shared appreciation component of the Breakthrough Loan           | 2.10.4.1, 34.2, 34.3 |
| Investments – available-for-sale                                                                                    | 2.10.4.2, 34.2, 34.3 |
| Fair value of subsidised loans and advances                                                                         | 2.10.3               |
| Loan origination fees received or receivable                                                                        | 2.8.4                |
| Loan origination fees paid or payable                                                                               | 2.9.4                |
| Provision for impairment of loans and advances                                                                      | 2.10.3               |
| Unearned income (EquityStart grant)                                                                                 | 2.8.5, 26.2          |
| General reserve for credit losses                                                                                   | 2.10.3, 27           |
| Derivative financial instruments                                                                                    | 2.10.6, 34.2         |
| Revaluation of make good provision                                                                                  | 26.3, 19             |



# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

#### **NOTE 3** New and revised accounting standards

Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by HomeStart for the period ending 30 June 2015.

HomeStart did not voluntarily change any of its accounting policies during 2014-15.

HomeStart has assessed the impact of the new and amended standards and interpretations, these are outlined in the table below:

| Reference    | Title                                                                                                                                                                       | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Application date of standard | Impact on financial report                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Application date for HomeStart |
|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| AASB 9       | Financial Instruments                                                                                                                                                       | <p>AASB 9 provides the principles for the classification, measurement, recognition and disclosure associated with financial assets and liabilities. It also includes new rules for hedge accounting.</p> <p>In Dec 2014, the AASB made further amendments to AASB 9's classification and measurement rules and also introduced a new impairment model. AASB 9 has now been finalised.</p> <p>The amending standards make various consequential amendments as a result of the issuance of AASB 9 and amend the mandatory effective date of AASB 9 to 1 Jan 2018.</p> | 1 Jan 2018                   | <p>HomeStart has commenced reviewing the measurement of its financial assets against the new classification and measurement requirements in AASB 9.</p> <p>The classification at the initial date of application of AASB 9 will depend on the facts existing at that date. HomeStart's assessment will not be confirmed until closer to that time.</p> <p>As part of the implementation of AASB 9 HomeStart will perform an assessment of financial assets and determine if they will be measured at amortised cost or fair value.</p> | 1 July 2018                    |
| AASB 2009-11 | Amendments to Australian Accounting Standards arising from AASB 9 ( AASB 1,3,4,5,7,101,102,108,112,118,121,127,128,131,132,136,139,1023,1038 and Interpretations 10 & 12 ). | When AASB 9 is applied, AASB2009-11 and AASB 2010-7 must also be applied at the same time. These standards make consequential amendments to other standards as a result of the issuance of AASB 9.                                                                                                                                                                                                                                                                                                                                                                  |                              | It would appear that the available for sale assets would meet the condition to satisfy the classification at fair value through profit or loss. Changed disclosure requirements will also apply.                                                                                                                                                                                                                                                                                                                                       |                                |

# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

| Reference   | Title                                                                                                                                                                                             | Summary                                                                                        | Application date of standard | Impact on financial report                                                                                          | Application date for HomeStart |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------|---------------------------------------------------------------------------------------------------------------------|--------------------------------|
| AASB 2010-7 | Amendments to Australian Accounting Standards arising from AASB 9 ( AASB 1,3,4,5,7,101,102,108, 112,118,120,121,127,128,131,132,136,137, 139,1023 & 1038 and Interpretations 2,5,10,12,19 & 127). |                                                                                                |                              | The new impairment model is an expected credit loss model which may result in earlier recognition of credit losses. |                                |
| AASB 2013-9 | Amendments to Australian Accounting Standards, Conceptual Framework, Materiality and Financial Instruments.                                                                                       | AASB 2013-9 amends the mandatory effective date of AASB 9 to 1 Jan 2017 instead of 1 Jan 2015. |                              |                                                                                                                     |                                |
| AASB 2014-8 | Amendments to Australian Accounting Standards arising from AASB 9 - application of AASB 9.                                                                                                        |                                                                                                |                              |                                                                                                                     |                                |
| AASB 2014-7 | Amendments to Australian Accounting Standards arising from AASB 9.                                                                                                                                |                                                                                                |                              |                                                                                                                     |                                |



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

### NOTE 4 Net interest income

| Interest received/receivable               | 2015<br>\$'000   | 2014<br>\$'000   |
|--------------------------------------------|------------------|------------------|
| Loans and advances                         | 100 759          | 107 361          |
| Subsidised loans effective interest income | 3 888            | 3 831            |
| Subsidised loans fair value expense        | ( 1 787)         | ( 1 297)         |
| Loan origination income amortisation       | 2 715            | 2 708            |
| Deposits with banks                        | 49               | 60               |
| <b>Total interest received/receivable</b>  | <b>105 624</b>   | <b>112 663</b>   |
| <b>Interest paid/payable</b>               |                  |                  |
| Borrowings from SAFA                       | ( 49 496)        | ( 54 164)        |
| <b>Total interest paid/payable</b>         | <b>( 49 496)</b> | <b>( 54 164)</b> |
| <b>Net interest income</b>                 | <b>56 128</b>    | <b>58 499</b>    |

### NOTE 5 Other income

| Other income received/receivable                                        | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------------------------------------|----------------|----------------|
| Fees and charges                                                        | 3 327          | 3 456          |
| Bad debts recovered                                                     | 192            | 298            |
| Unrealised change in fair value of loans <sup>[1]</sup>                 | 565            | 2 375          |
| Realised change in fair value of loans                                  | 507            | 372            |
| Managed funds distribution                                              | 297            | 896            |
| Interest received from investments at fair value through profit or loss | 923            | 632            |
| Interest received from available-for-sale investments                   | 577            | 649            |
| EquityStart grant                                                       | 813            | 925            |
| Community Service Obligation (CSO) subsidy                              | 5 889          | 5 614          |
| Other                                                                   | 80             | 86             |
| <b>Total other income</b>                                               | <b>13 170</b>  | <b>15 303</b>  |

<sup>[1]</sup> The shared appreciation component of the Breakthrough Loan is measured at fair value through profit or loss. The fair value of this loan component is based on independent valuations of the properties pledged as collateral. The profits arising from changes in fair value are unrealised, unrealised losses, if any, are disclosed in note 12, Other Expenses.

#### EquityStart grant funds and CSO subsidy received

During the financial year, HomeStart received \$0.6 million (\$0.8 million, 2013-14) in grant funds from the Department for Communities and Social Inclusion, to compensate HomeStart for costs incurred in relation to EquityStart Loans. Refer to note 26.2 for information in relation to the recognition of EquityStart grant income.

The Department of Treasury and Finance (DTF) makes a CSO subsidy payment to HomeStart as compensation for the provision of Advantage Loan and credit quality subsidies as well as administering the Nunga Loan program. In addition, on 30 April 2012 the Cabinet approved that DTF would make an additional CSO payment to HomeStart each financial year to enable HomeStart to meet its target pre-tax return on equity (ROE) of 9% (if required). No such payment was received in the financial year ended 30 June 2015 (\$nil, 2013-14).

# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

#### **NOTE 6** Employee benefits expenses

| Employee benefits expenses           | 2015          | 2014          |
|--------------------------------------|---------------|---------------|
|                                      | \$'000        | \$'000        |
| Salaries and wages                   | 9 164         | 8 881         |
| Long service leave (LSL)             | 272           | 249           |
| Annual leave                         | ( 9)          | 199           |
| Employment on-costs – superannuation | 866           | 831           |
| Employment on-costs – other          | 465           | 462           |
| Workers compensation                 | 34            | 24            |
| Board and committee fees             | 265           | 264           |
| <b>Total employee expenses</b>       | <b>11 057</b> | <b>10 910</b> |

#### **NOTE 7** Employee remuneration and number of employees

| Remuneration of employees                                                                           | 2015     | 2014     |
|-----------------------------------------------------------------------------------------------------|----------|----------|
|                                                                                                     | No.      | No.      |
| The number of employees whose remuneration received or receivable falls within the following bands: |          |          |
| \$141 500 to \$151 499                                                                              | 3        | 2        |
| \$151 500 to \$161 499                                                                              | 1        | 1        |
| \$161 500 to \$171 499                                                                              | -        | 1        |
| \$171 500 to \$181 499                                                                              | -        | 1        |
| \$191 500 to \$201 499                                                                              | 1        | -        |
| \$241 500 to \$251 499                                                                              | -        | 1        |
| \$261 500 to \$271 499                                                                              | 2        | 1        |
| \$271 500 to \$281 499                                                                              | -        | 1        |
| \$351 500 to \$361 499                                                                              | -        | 1        |
| \$381 500 to \$391 499                                                                              | 1        | -        |
| <b>Total</b>                                                                                        | <b>8</b> | <b>9</b> |

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, termination payments, superannuation contributions, payments in lieu of leave, fringe benefits and any fringe benefits tax paid in respect of those benefits and salary sacrifice benefits. The total remuneration received by these employees for the year was \$1.70 million (\$1.92 million, 2013-14).

#### **Number of employees**

HomeStart employed 107 people at the end of the reporting period (105, 2013-14).



# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

#### **NOTE 8**      Key management personnel

##### **(a) Board members**

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

|    |                           |
|----|---------------------------|
| Mr | Jim Kouts (Chair)         |
| Mr | Chris Ward (Deputy Chair) |
| Ms | Lindsay Nicholson         |
| Ms | Sue Edwards               |
| Ms | Maria Palumbo             |
| Mr | Darryl Royans             |
| Ms | Roseanne Healy            |

##### **(b) Key management personnel compensation**

The compensation for the key management personnel for the years ended 30 June 2015 and 2014 is set out below. The key management personnel are the governing board members and Senior Management Team (including the Chief Executive Officer) who have responsibility for the strategic direction and management of HomeStart.

The compensation of key management personnel included in "Employee Benefits Expenses" (see note 6) is as follows:

|                                                                    | <b>2015</b>   | <b>2014</b>   |
|--------------------------------------------------------------------|---------------|---------------|
|                                                                    | <b>\$'000</b> | <b>\$'000</b> |
| Short-term employee benefits                                       | 1 036         | 1 007         |
| Long-term employee benefits (long service leave)                   | 51            | 49            |
| Long-term employee benefits (amounts paid to superannuation plans) | 96            | 96            |
| <b>Total key management personnel compensation</b>                 | <b>1 183</b>  | <b>1 152</b>  |

##### **Remuneration of governing board members**

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

|                                                | <b>2015</b> | <b>2014</b> |
|------------------------------------------------|-------------|-------------|
|                                                | <b>No.</b>  | <b>No.</b>  |
| \$ 0 - \$ 9 999                                | -           | -           |
| \$10 000 - \$19 999                            | -           | 2           |
| \$20 000 - \$29 999                            | -           | 2           |
| \$30 000 - \$39 999                            | 4           | 2           |
| \$40 000 - \$49 999                            | 2           | 3           |
| \$50 000 - \$59 999                            | 1           | -           |
| <b>Total number of governing board members</b> | <b>7</b>    | <b>9</b>    |

The total remuneration received and receivable by those governing board members was \$0.29 million (\$0.29 million, 2013-14) which includes fringe benefits and superannuation contributions.

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

# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

### NOTE 9 Government guarantee fee

|                                                       | 2015          | 2014          |
|-------------------------------------------------------|---------------|---------------|
|                                                       | \$'000        | \$'000        |
| Government guarantee fee paid or payable              | 27 390        | 28 109        |
| <b>Total government guarantee fee paid or payable</b> | <b>27 390</b> | <b>28 109</b> |

HomeStart paid a guarantee fee of 1.6% of outstanding borrowings to the Department of Treasury and Finance in 2014-15 (1.6%, 2013-14).

### NOTE 10 Bad and impaired loans expense

|                                             | 2015         | 2014         |
|---------------------------------------------|--------------|--------------|
|                                             | \$'000       | \$'000       |
| Bad and impaired loans expense              | 359          | 897          |
| Increase in provision for impairment        | 1 101        | 3 303        |
| <b>Total bad and impaired loans expense</b> | <b>1 460</b> | <b>4 200</b> |

### NOTE 11 Depreciation and amortisation expense

| <b>Depreciation expense</b>                | <b>2015</b>  | <b>2014</b> |
|--------------------------------------------|--------------|-------------|
|                                            | \$'000       | \$'000      |
| Other office and computer equipment        | 291          | 265         |
| <b>Total depreciation</b>                  | <b>291</b>   | <b>265</b>  |
| <b>Amortisation expense</b>                |              |             |
| Leasehold improvements                     | 930          | 225         |
| Intangible assets                          | 601          | 427         |
| <b>Total amortisation</b>                  | <b>1 531</b> | <b>652</b>  |
| <b>Total depreciation and amortisation</b> | <b>1 822</b> | <b>917</b>  |

### NOTE 12 Other expenses

| <b>Other expenses</b>                          | <b>2015</b>  | <b>2014</b>  |
|------------------------------------------------|--------------|--------------|
|                                                | \$'000       | \$'000       |
| External auditor's remuneration                | 175          | 174          |
| Valuer-General services                        | 11           | 12           |
| Insurance                                      | 99           | 96           |
| Unrealised change in fair value of investments | 54           | 205          |
| Office accommodation (minimum lease payments)  | 919          | 874          |
| Marketing, product development and advertising | 1 082        | 1 291        |
| Internal audit fees                            | 342          | 314          |
| Loan administration                            | 261          | 253          |
| Information technology                         | 1 062        | 900          |
| Consultants' fees                              | 58           | 93           |
| Human resources and staff development          | 515          | 475          |
| Other                                          | 1 584        | 1 737        |
| <b>Total other expenses</b>                    | <b>6 162</b> | <b>6 424</b> |



# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

Total other expenses amount disclosed includes GST amounts non-recoverable from the Australian Taxation Office.

| The number and dollar amount of consultancies paid/payable that fell within the following bands: | No       | 2015<br>\$'000 | No       | 2014<br>\$'000 |
|--------------------------------------------------------------------------------------------------|----------|----------------|----------|----------------|
| Below \$10 000                                                                                   | 3        | 15             | 3        | 14             |
| Above \$10 000                                                                                   | 2        | 43             | 3        | 79             |
| <b>Total paid/payable to the consultants engaged</b>                                             | <b>5</b> | <b>58</b>      | <b>6</b> | <b>93</b>      |

#### **NOTE 13** Auditor's remuneration

|                                                                                                           | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------------------------------------------------------------|----------------|----------------|
| Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements | 175            | 174            |
| <b>Total audit fees – state government entities</b>                                                       | <b>175</b>     | <b>174</b>     |

The amounts disclosed above are inclusive of GST.

#### **Other services**

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

Auditor's remuneration costs are disclosed in 'Other Expenses' in the Statement of Comprehensive Income (refer to note 12).

#### **NOTE 14** Financial investments designated at fair value through profit or loss

| 14.1 Financial investments designated at fair value through profit or loss         | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------------------------------------------------------|----------------|----------------|
| SAFA Cash Management Fund                                                          | 2 509          | 5 422          |
| Term Deposits                                                                      | 28 500         | 18 000         |
| Unit Trusts                                                                        | 7 046          | 13 647         |
| Breakthrough Loan (shared appreciation component)                                  | 66 739         | 70 943         |
| <b>Total financial investments designated at fair value through profit or loss</b> | <b>104 794</b> | <b>108 012</b> |

| 14.2 Maturity profile of HomeStart's financial investments designated at fair value through profit or loss | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------------------------------------------------------------------------------|----------------|----------------|
| At call                                                                                                    | 9 555          | 19 069         |
| Not longer than three months                                                                               | 10 500         | -              |
| Longer than three months and not longer than twelve months                                                 | 18 000         | 18 000         |
| Longer than five years                                                                                     | 66 739         | 70 943         |
| <b>Total financial investments designated at fair value through profit or loss</b>                         | <b>104 794</b> | <b>108 012</b> |

#### **14.3 Risk exposure**

Information in relation to HomeStart's exposure to investment price risk is provided in note 33.4.3 and 33.4.4.

# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

#### **NOTE 15** Financial investments – available-for-sale

| 15.1 Financial investments – available-for-sale         | 2015          | 2014          |
|---------------------------------------------------------|---------------|---------------|
|                                                         | \$'000        | \$'000        |
| Bonds                                                   | 12 005        | 11 971        |
| <b>Total financial investments – available-for-sale</b> | <b>12 005</b> | <b>11 971</b> |

| 15.2 Maturity profile of HomeStart's financial investments – available-for-sale | 2015          | 2014          |
|---------------------------------------------------------------------------------|---------------|---------------|
|                                                                                 | \$'000        | \$'000        |
| Longer than three months and not longer than twelve months                      | 1 024         | 1 043         |
| Longer than twelve months and not longer than five years                        | 10 981        | 8 650         |
| Longer than five years                                                          | -             | 2 278         |
| <b>Total financial investments – available-for-sale</b>                         | <b>12 005</b> | <b>11 971</b> |

#### **15.3 Risk exposure**

Information in relation to HomeStart's exposure to investment price risk is provided in note 33.4.3.

| 15.4 Reconciliation of available-for-sale investments | 2015          | 2014          |
|-------------------------------------------------------|---------------|---------------|
|                                                       | \$'000        | \$'000        |
| <b>Opening balance at 1 July</b>                      | <b>11 971</b> | <b>13 958</b> |
| Acquisitions                                          | 1 182         | 2 078         |
| Disposals                                             | ( 1 000)      | ( 4 000)      |
| Amortisation                                          | ( 79)         | ( 63)         |
| Change in fair value (recognised directly in equity)  | ( 69)         | ( 2)          |
| <b>Closing balance at 30 June</b>                     | <b>12 005</b> | <b>11 971</b> |

#### **NOTE 16** Loans and advances

| 16.1 Loans and advances             | 2015             | 2014             |
|-------------------------------------|------------------|------------------|
|                                     | \$'000           | \$'000           |
| Primary loans                       | 1 680 852        | 1 748 748        |
| Subsidised loans                    | 92 591           | 87 906           |
| <b>Gross loans and advances</b>     | <b>1 773 443</b> | <b>1 836 654</b> |
| Fair value adjustment               | ( 14 299)        | ( 14 835)        |
| Deferred loan fee income            | ( 5 626)         | ( 5 392)         |
| Deferred loan fee expense           | 2 171            | 2 204            |
| Specific provision for impairment   | ( 10 176)        | ( 9 055)         |
| Unearned income on impaired loans   | ( 3 292)         | ( 2 178)         |
| Collective provision for impairment | ( 7 813)         | ( 9 221)         |
| <b>Net loans and advances</b>       | <b>1 734 408</b> | <b>1 798 177</b> |

#### **Specific provision for impaired loans**

|                             |               |              |
|-----------------------------|---------------|--------------|
| Opening balance             | 9 055         | 10 596       |
| Transfer to unearned income | -             | ( 2 178)     |
| Bad debts written-off       | ( 1 388)      | ( 2 957)     |
| Impairment expense          | 2 509         | 3 594        |
| <b>Closing balance</b>      | <b>10 176</b> | <b>9 055</b> |



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

### Collective provision for impairment

|                                       |               |               |
|---------------------------------------|---------------|---------------|
| Opening balance                       | 9 221         | 9 512         |
| Impairment expense or reversal        | ( 1 408)      | ( 291)        |
| <b>Closing balance</b>                | <b>7 813</b>  | <b>9 221</b>  |
| <b>Total provision for impairment</b> | <b>17 989</b> | <b>18 276</b> |

### 16.2 Risk exposure

Information in relation to HomeStart's exposure to credit risk for loans and advances is provided in note 33.2.1.

### NOTE 17 Other financial assets

| Other financial assets                         | 2015         | 2014       |
|------------------------------------------------|--------------|------------|
|                                                | \$'000       | \$'000     |
| Deferred financial investment income           | 123          | 134        |
| Accrued interest on housing loans and advances | 257          | 293        |
| Accrued financial investment income            | 446          | 33         |
| EquityStart grant receivable                   | 90           | 85         |
| GST recoverable                                | 35           | 59         |
| Dividend receivable                            | 42           | -          |
| Other                                          | 154          | 165        |
| <b>Total other financial assets</b>            | <b>1 147</b> | <b>769</b> |

### NOTE 18 Intangible assets

| Intangible assets                 | 2015         | 2014         |
|-----------------------------------|--------------|--------------|
|                                   | \$'000       | \$'000       |
| Software at cost                  | 6 514        | 6 038        |
| Accumulated amortisation          | ( 2 181)     | ( 1 580)     |
| <b>Total software</b>             | <b>4 333</b> | <b>4 458</b> |
| <b>Carrying amount at 1 July</b>  | <b>4 458</b> | <b>3 572</b> |
| Additions                         | 476          | 1 313        |
| Disposals                         | -            | -            |
| Amortisation                      | ( 601)       | ( 427)       |
| <b>Carrying amount at 30 June</b> | <b>4 333</b> | <b>4 458</b> |

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

### NOTE 19 Property, plant and equipment

| Property, plant and equipment                      | 2015       | 2014       |
|----------------------------------------------------|------------|------------|
|                                                    | \$'000     | \$'000     |
| <b>Leasehold improvements</b>                      |            |            |
| Leasehold improvements at cost (deemed fair value) | 3 637      | 2 269      |
| Accumulated depreciation                           | ( 2 759)   | ( 1 829)   |
| <b>Total leasehold improvements</b>                | <b>878</b> | <b>440</b> |

# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

#### Other office and computer equipment

|                                                                 |              |            |
|-----------------------------------------------------------------|--------------|------------|
| Other office and computer equipment at cost (deemed fair value) | 2 811        | 3 199      |
| Accumulated depreciation                                        | ( 2 640)     | ( 2 803)   |
| <b>Total other office and computer equipment</b>                | <b>171</b>   | <b>396</b> |
| <b>Total property, plant and equipment</b>                      | <b>1 049</b> | <b>836</b> |

#### Reconciliation of Property, Plant and Equipment and Intangible Assets

The following table shows the movement of property, plant and equipment and intangible assets during 2014-15:

|                                         | Leasehold<br>improvements<br>\$'000 | Other<br>office and<br>computer<br>equipment<br>\$'000 | Total<br>\$'000 |
|-----------------------------------------|-------------------------------------|--------------------------------------------------------|-----------------|
| <b>Carrying amount at 30 June 2013</b>  | <b>645</b>                          | <b>577</b>                                             | <b>1 222</b>    |
| Additions – at cost (deemed fair value) | 20                                  | 84                                                     | 104             |
| Disposals – at cost (deemed fair value) | -                                   | ( 188)                                                 | ( 188)          |
| Disposals – accumulated depreciation    | -                                   | 188                                                    | 188             |
| Depreciation and amortisation           | ( 225)                              | ( 265)                                                 | ( 490)          |
| <b>Carrying amount at 30 June 2014</b>  | <b>440</b>                          | <b>396</b>                                             | <b>836</b>      |
| Additions – at cost (deemed fair value) | 862                                 | 66                                                     | 928             |
| Revaluation of make good asset          | 506                                 | -                                                      | 506             |
| Disposals – at cost (deemed fair value) | -                                   | ( 454)                                                 | ( 454)          |
| Disposals – accumulated depreciation    | -                                   | 454                                                    | 454             |
| Depreciation and amortisation           | ( 930)                              | ( 291)                                                 | ( 1 221)        |
| <b>Carrying amount at 30 June 2015</b>  | <b>878</b>                          | <b>171</b>                                             | <b>1 049</b>    |

All items of property, plant and equipment that had a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years, have not been revalued in accordance with Accounting Policy Framework III. The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the assets' condition and remaining useful life.

#### NOTE 20 Other assets

| Other assets              | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------|----------------|----------------|
| Prepayments               | 818            | 416            |
| <b>Total other assets</b> | <b>818</b>     | <b>416</b>     |

#### NOTE 21 Fair value measurement of non-financial assets

##### Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. HomeStart categorises non-financial assets measured at fair value into a hierarchy based on the level of inputs used in their measurement.

Fair value measurements recognised in the Statement of Financial Position have all been categorised as level 3 and are detailed in the following tables.



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

### Fair value measurements at 30 June 2015

| Recurring fair value measurements    | 2015<br>\$'000 | Level 3<br>\$'000 |
|--------------------------------------|----------------|-------------------|
| Leasehold improvements               | 878            | 878               |
| Other office and computer equipment  | 171            | 171               |
| <b>Total fair value measurements</b> | <b>1 049</b>   | <b>1 049</b>      |

### Fair value measurements at 30 June 2014

| Recurring fair value measurements    | 2014<br>\$'000 | Level 3<br>\$'000 |
|--------------------------------------|----------------|-------------------|
| Leasehold improvements               | 440            | 440               |
| Other office and computer equipment  | 396            | 396               |
| <b>Total fair value measurements</b> | <b>836</b>     | <b>836</b>        |

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2015. HomeStart's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

### Valuation techniques and inputs

Valuation techniques used to derive level 2 and 3 fair values are provided at note 19. Unobservable inputs were used in determining fair value, and are subjective, HomeStart considers that the overall valuation would not be materially affected by changes to the existing assumptions. There were no changes in valuation techniques during 2015. The following table is a reconciliation of fair value measurements using significant unobservable input (level 3).

### Reconciliation of fair value measurements - Level 3

|                                                       | Property, plant and<br>equipment<br>\$'000 |
|-------------------------------------------------------|--------------------------------------------|
| <b>Opening balance at the beginning of the period</b> | <b>836</b>                                 |
| Acquisitions                                          | 1 434                                      |
| Depreciation                                          | ( 1 221)                                   |
| <b>Closing balance at the end of the period</b>       | <b>1 049</b>                               |

## NOTE 22 Payables

| 22.1 Payables                           | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------|----------------|----------------|
| Creditors                               | 719            | 336            |
| Accrued administration expenses         | 273            | 312            |
| Employment on-costs                     | 401            | 370            |
| Accrued interest payable on borrowings  | 1 084          | 2 359          |
| Accrued interest payable on derivatives | 140            | 142            |
| Accrued guarantee fee payable           | 2 192          | 2 278          |
| Accrued loan manager fees               | 482            | 525            |
| <b>Total payables</b>                   | <b>5 291</b>   | <b>6 322</b>   |

# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

#### 22.2 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. The carrying amount of payables represents fair value due to the amounts being payable on demand. All payables will be settled within twelve months of the reporting date.

#### NOTE 23 Borrowings

| 23.1 Interest bearing liabilities          | 2015             | 2014             |
|--------------------------------------------|------------------|------------------|
|                                            | \$'000           | \$'000           |
| <b>Short-term borrowings payable</b>       |                  |                  |
| Short-term borrowings                      | 694 456          | 635 134          |
| <b>Total short-term borrowings payable</b> | <b>694 456</b>   | <b>635 134</b>   |
| <b>Long-term borrowings payable</b>        |                  |                  |
| Long-term borrowings                       | 972 000          | 1 102 000        |
| <b>Total long-term borrowings payable</b>  | <b>972 000</b>   | <b>1 102 000</b> |
| <b>Total interest bearing liabilities</b>  | <b>1 666 456</b> | <b>1 737 134</b> |

#### 23.2 Security

All HomeStart borrowings are unsecured.

#### 23.3 Risk exposure

Information in relation to HomeStart's exposure to liquidity and interest rate risks is provided in notes 33.3 and 33.4 respectively.

#### NOTE 24 Employee benefits

| 24.1 Employee benefits         | 2015         | 2014         |
|--------------------------------|--------------|--------------|
|                                | \$'000       | \$'000       |
| Accrued salaries               | 68           | 33           |
| Annual leave                   | 748          | 762          |
| Long service leave             | 1 732        | 1 562        |
| <b>Total employee benefits</b> | <b>2 548</b> | <b>2 357</b> |

#### 24.2 Calculation of long service leave

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased to 3.0%, 2015, (3.5 %, 2014).

The decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.



# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

The net financial effect of the change in the current financial year is an increase in the long service leave liability of \$61 800 and employee benefits expense of \$70 500. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of factors and assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4.0%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

#### 24.3 Settlement period of long service leave

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

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

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

#### NOTE 25 Provisions

| 25.1 Provision for income tax       | 2015         | 2014         |
|-------------------------------------|--------------|--------------|
|                                     | \$'000       | \$'000       |
| Income tax equivalent payable       | 2 322        | 2 751        |
| <b>Total tax equivalent payable</b> | <b>2 322</b> | <b>2 751</b> |

| 25.2 Provision for dividend   | 2015     | 2014       |
|-------------------------------|----------|------------|
|                               | \$'000   | \$'000     |
| Dividend payable              | -        | 554        |
| <b>Total dividend payable</b> | <b>-</b> | <b>554</b> |

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

Dividends paid and payable have been specifically determined and approved in consultation with the Treasurer and the HomeStart's Minister.

For the financial year ended 30 June 2015, the Board of HomeStart recommended the payment of a dividend of 60% of after tax profit (60%, 2013-14). This amounts to a total dividend of \$6.5 million in respect of the year ended 30 June 2015 (\$7.16 million, 2013-14). The Minister and Treasurer approved the recommendation and the estimated amount was paid in June 2015.

HomeStart paid a dividend amount of \$7.1 million to the Department of Treasury and Finance prior to the end of the financial year (\$7.2 million, 2013-14). HomeStart will claim an overpaid dividend amount of \$0.04 million in respect of the financial year ended 30 June 2015 (\$0.56 million payable, 2013-14). The amount of dividend receivable is disclosed as receivable in Other Financial Assets, while 2013-14 dividend payable is disclosed as Provision for Dividend.



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

### NOTE 26 Other liabilities

| 26.1 Other liabilities              | 2015         | 2014         |
|-------------------------------------|--------------|--------------|
|                                     | \$'000       | \$'000       |
| Unearned income (EquityStart grant) | 822          | 1 008        |
| Workers compensation provision      | 38           | 38           |
| Wyatt Benevolent Institution        | 2 323        | 2 315        |
| Make good provision                 | 714          | 226          |
| Provision for restructure           | 445          | -            |
| City of Salisbury                   | 5            | 4            |
| <b>Total other liabilities</b>      | <b>4 347</b> | <b>3 591</b> |

| 26.2 Unearned income (EquityStart grant) | 2015         | 2014         |
|------------------------------------------|--------------|--------------|
|                                          | \$'000       | \$'000       |
| <b>Opening balance</b>                   | <b>1 008</b> | <b>1 199</b> |
| Amounts received/receivable              | 627          | 734          |
| Amount recognised as earned (note 5)     | ( 813)       | ( 925)       |
| <b>Closing balance</b>                   | <b>822</b>   | <b>1 008</b> |

AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* requires that government grants related to costs be deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

| 26.3 Make good provision                               | 2015       | 2014       |
|--------------------------------------------------------|------------|------------|
|                                                        | \$'000     | \$'000     |
| <b>Opening balance</b>                                 | <b>226</b> | <b>211</b> |
| Revaluation of provision                               | 506        | -          |
| Charges against provision                              | ( 18)      | -          |
| Unwinding of discount arising from the passage of time | -          | 15         |
| <b>Closing balance</b>                                 | <b>714</b> | <b>226</b> |

### NOTE 27 Equity

#### General reserve for credit losses

A general reserve for credit losses was created within equity. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority (APRA) prudential risk management requirements of retaining sufficient retained earnings for capital adequacy purposes. Amounts in the general reserve for credit losses will not be reclassified to profit or loss.

#### Derivatives valuation reserve

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



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

### Available-for-sale revaluation reserve

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

### NOTE 28 Unrecognised contractual commitments

#### 28.1 Capital commitments

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

|                                                   | 2015         | 2014     |
|---------------------------------------------------|--------------|----------|
|                                                   | \$'000       | \$'000   |
| Not later than one year                           | 2 880        | -        |
| Later than one year but not later than five years | -            | -        |
| <b>Total capital commitments</b>                  | <b>2 880</b> | <b>-</b> |

Capital expenditure commitments are for office fitout and fixtures and upgrades of operational systems.

#### 28.2 Expenditure commitments - software licence commitments

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

|                                                   | 2015         | 2014         |
|---------------------------------------------------|--------------|--------------|
|                                                   | \$'000       | \$'000       |
| Not later than one year                           | 452          | 453          |
| Later than one year but not later than five years | 980          | 1 432        |
| <b>Total expenditure commitments</b>              | <b>1 432</b> | <b>1 885</b> |

HomeStart's software licence commitments in 2014 and 2015 are in relation to the Front End Loan System.

#### 28.3 Operating leases commitments

Commitments under cancellable and non-cancellable operating leases contracted at the reporting date but not recognised as liabilities are payable as follows:

|                                                   | 2015         | 2014       |
|---------------------------------------------------|--------------|------------|
|                                                   | \$'000       | \$'000     |
| Within one year                                   | 1 060        | 909        |
| Later than one year but not later than five years | 3 459        | 76         |
| Later than five years                             | 4 873        | -          |
| <b>Total operating lease commitments</b>          | <b>9 392</b> | <b>985</b> |
| Representing:                                     |              |            |
| Non-cancellable operating leases                  | 9 392        | 985        |
| <b>Total operating lease commitments</b>          | <b>9 392</b> | <b>985</b> |



# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

HomeStart's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to 10 years with all leases having the right of renewal. Rent is payable in advance.

The total amount of rental expense for minimum lease payments for the financial year is disclosed in note 12.

#### **28.4 Expenditure commitments - remuneration**

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

Notes 6 and 8 set out remuneration costs for the years ended 30 June 2015 and 30 June 2014. HomeStart estimates that commitments from existing employment positions within one year and annually will be consistent with salaries and wages expenses in note 6, adjusted for the salary inflation rate.

#### **28.5 Commitments to extend credit to customers**

Contractual commitments for loans either approved but not settled or settled but not fully drawn at the balance date amounted to \$38.0 million (\$57.4 million, 2013-14). These commitments are expected to be paid in the coming financial year.

### **NOTE 29 Contingent assets and liabilities**

HomeStart is not aware of any material contingent assets or liabilities that exist at the reporting date.

### **NOTE 30 Related parties**

Related parties include parties that control or have an interest in the entity that gives it significant influence over HomeStart. Transactions and balances between HomeStart and the related parties (other SA Government controlled entities) are disclosed in note 32. HomeStart is controlled by the SA Government.

All transactions between HomeStart and its related parties are on arms length terms and conditions.

During the financial year HomeStart undertook transactions with the following related parties:

- employees who are key management personnel
- board members
- Department for Communities and Social Inclusion
- Department of Planning, Transport and Infrastructure
- Department of Treasury and Finance
- South Australian Government Financing Authority (SAFA).

The nature and amounts of these transactions have been disclosed throughout the financial statements.



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

### NOTE 31 Cash flow reconciliation

#### 31.1 Cash

Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand and other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

#### 31.2 Reconciliation of profit for the year to net cash used in operating activities

|                                                                                             | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------------------------------------------------------|----------------|----------------|
| <b>Profit for the year</b>                                                                  | <b>10 904</b>  | <b>11 923</b>  |
| <b><u>Add/less non cash items</u></b>                                                       |                |                |
| Amortisation of discount or premium on purchase of available for sale financial investments | 79             | 63             |
| Depreciation and amortisation expense of non-current assets                                 | 1 822          | 917            |
| Unrealised change in fair value of loans                                                    | ( 565)         | ( 2 375)       |
| Unrealised change in market value of investments                                            | 54             | 205            |
| Change in derivative financial instrument not recognised in equity                          | -              | 12             |
| Reinvestment of managed funds distribution                                                  | ( 297)         | ( 896)         |
| Bad debts written-off                                                                       | 1 747          | 3 854          |
| Loan interest charged but not received                                                      | ( 1 392)       | ( 1 883)       |
| Fees applied directly to loan accounts                                                      | ( 3 557)       | ( 3 527)       |
| <b><u>Movement in assets and liabilities</u></b>                                            |                |                |
| (Decrease) increase in provision for impairment                                             | ( 287)         | 346            |
| (Decrease) increase in deferred loan fee income                                             | 233            | 15             |
| (Increase) decrease in deferred loan fee expense                                            | 34             | 176            |
| (Decrease) increase in fair value adjustment                                                | ( 535)         | ( 624)         |
| Increase (decrease) in payables                                                             | ( 2 044)       | ( 584)         |
| Increase in provision for employee benefits                                                 | 190            | 206            |
| Increase in provision for restructure                                                       | 445            | -              |
| (Decrease) increase in other liabilities                                                    | ( 191)         | ( 3)           |
| (Decrease) increase in income tax equivalents payable                                       | ( 430)         | 92             |
| (Increase) decrease in financial and other assets                                           | ( 330)         | 176            |
| <b>Net cash used in operating activities</b>                                                | <b>5 880</b>   | <b>8 093</b>   |

# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

### NOTE 32 Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty is an entity within 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.

| Note      |                                                | SA Government  |                | Non-SA Government |                | Total          |                |
|-----------|------------------------------------------------|----------------|----------------|-------------------|----------------|----------------|----------------|
|           |                                                | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000    | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
|           | <b>Income</b>                                  |                |                |                   |                |                |                |
| <u>4</u>  | Interest income                                | -              | -              | 105 624           | 112 663        | 105 624        | 112 663        |
| <u>4</u>  | Interest expense on SAFA borrowings            | ( 49 496)      | ( 54 164)      | -                 | -              | ( 49 496)      | ( 54 164)      |
| <u>5</u>  | Other income                                   |                |                |                   |                |                |                |
|           | Fees and charges                               | -              | -              | 3 327             | 3 456          | 3 327          | 3 456          |
|           | Managed funds distribution                     | 71             | 165            | 226               | 731            | 297            | 896            |
|           | Unrealised gain in fair value of loans         | -              | -              | 565               | 2 375          | 565            | 2 375          |
|           | EquityStart grant                              | 813            | 925            | -                 | -              | 813            | 925            |
|           | Community Service Obligation (CSO)             | 5 889          | 5 614          | -                 | -              | 5 889          | 5 614          |
|           | Other income                                   | -              | -              | 2 279             | 2 037          | 2 279          | 2 037          |
|           | Net gain/(loss) from disposal of assets        | -              | -              | -                 | -              | -              | -              |
|           | <b>Total income</b>                            | ( 42 723)      | ( 47 460)      | 112 021           | 121 262        | 69 298         | 73 802         |
|           | <b>Expenses</b>                                |                |                |                   |                |                |                |
| <u>10</u> | Bad and impaired loans expense                 | -              | -              | ( 1 460)          | ( 4 200)       | ( 1 460)       | ( 4 200)       |
|           | Loan manager fees                              | -              | -              | ( 5 830)          | ( 6 210)       | ( 5 830)       | ( 6 210)       |
| <u>6</u>  | Employee benefits expenses                     | ( 465)         | ( 462)         | ( 10 592)         | ( 10 448)      | ( 11 057)      | ( 10 910)      |
| <u>11</u> | Depreciation and amortisation expenses         | -              | -              | ( 1 822)          | ( 917)         | ( 1 822)       | ( 917)         |
| <u>12</u> | Other expenses                                 |                |                |                   |                |                |                |
|           | External auditor remuneration                  | ( 175)         | ( 174)         | -                 | -              | ( 175)         | ( 174)         |
|           | Office accommodation                           | -              | -              | ( 919)            | ( 874)         | ( 919)         | ( 874)         |
|           | Marketing, product development and advertising | -              | -              | ( 1 082)          | ( 1 291)       | ( 1 082)       | ( 1 291)       |
|           | Internal audit fees                            | -              | -              | ( 342)            | ( 314)         | ( 342)         | ( 314)         |
|           | Loan administration                            | -              | -              | ( 261)            | ( 253)         | ( 261)         | ( 253)         |
|           | Information technology                         | -              | -              | ( 1 062)          | ( 900)         | ( 1 062)       | ( 900)         |
|           | Insurance                                      | -              | -              | ( 99)             | ( 96)          | ( 99)          | ( 96)          |
|           | Consultant fees                                | -              | -              | ( 58)             | ( 93)          | ( 58)          | ( 93)          |
|           | Human resources and staff development          | -              | -              | ( 515)            | ( 475)         | ( 515)         | ( 475)         |
|           | Other                                          | -              | -              | ( 1 649)          | ( 1 954)       | ( 1 649)       | ( 1 954)       |
| <u>9</u>  | Government guarantee fee                       | ( 27 390)      | ( 28 109)      | -                 | -              | ( 27 390)      | ( 28 109)      |
|           | <b>Total expenses</b>                          | ( 28 030)      | ( 28 745)      | ( 25 691)         | ( 28 025)      | ( 53 721)      | ( 56 770)      |



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

| Note   |                                                    | SA Government      |                    | Non-SA Government |                  | Total              |                    |
|--------|----------------------------------------------------|--------------------|--------------------|-------------------|------------------|--------------------|--------------------|
|        |                                                    | 2015<br>\$'000     | 2014<br>\$'000     | 2015<br>\$'000    | 2014<br>\$'000   | 2015<br>\$'000     | 2014<br>\$'000     |
|        | <b>Financial assets</b>                            |                    |                    |                   |                  |                    |                    |
|        | Cash and cash                                      | -                  | -                  | 1 952             | 3 320            | 1 952              | 3 320              |
| 14     | Financial investments at fair value through profit | 2 509              | 5 422              | 102 285           | 102 590          | 104 794            | 108 012            |
| 15     | Financial investments available for sale           | -                  | -                  | 12 005            | 11 971           | 12 005             | 11 971             |
| 16     | Loans and advances                                 | -                  | -                  | 1 734 408         | 1 798 177        | 1 734 408          | 1 798 177          |
| 17     | Other financial assets                             | 97                 | -                  | 1 050             | 769              | 1 147              | 769                |
| 20     | Other assets                                       | -                  | -                  | 818               | 416              | 818                | 416                |
|        | <b>Total financial assets</b>                      | <b>2 606</b>       | <b>5 422</b>       | <b>1 852 518</b>  | <b>1 917 243</b> | <b>1 855 124</b>   | <b>1 922 665</b>   |
|        | <b>Financial liabilities</b>                       |                    |                    |                   |                  |                    |                    |
| 22     | Payables                                           | ( 3 643)           | ( 5 333)           | ( 1 648)          | ( 989)           | ( 5 291)           | ( 6 322)           |
| 33.2.2 | Derivative financial instruments                   | ( 6 310)           | ( 5 929)           | -                 | -                | ( 6 310)           | ( 5 929)           |
| 23     | Short term borrowings                              | ( 694 456)         | ( 635 134)         | -                 | -                | ( 694 456)         | ( 635 134)         |
| 24     | Employee benefits                                  | -                  | -                  | ( 2 548)          | ( 2 357)         | ( 2 548)           | ( 2 357)           |
| 25     | Income tax equivalents payable                     | ( 2 322)           | ( 2 751)           | -                 | -                | ( 2 322)           | ( 2 751)           |
| 25     | Provision for dividend                             | -                  | ( 554)             | -                 | -                | -                  | ( 554)             |
| 26     | Other liabilities                                  | ( 822)             | ( 1 008)           | ( 3 525)          | ( 2 583)         | ( 4 347)           | ( 3 591)           |
| 23     | Long term borrowings                               | ( 972 000)         | (1 102 000)        | -                 | -                | ( 972 000)         | (1 102 000)        |
|        | <b>Total financial</b>                             | <b>(1 679 553)</b> | <b>(1 752 709)</b> | <b>( 7 721)</b>   | <b>( 5 929)</b>  | <b>(1 687 274)</b> | <b>(1 758 638)</b> |

### NOTE 33 Financial risk management

#### 33.1 Overview

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

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

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

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

HomeStart's Board of Management has overall responsibility for the establishment and oversight of HomeStart's risk management framework. The board has established the Asset and Liability Committee (ALCO) and Audit Committee to develop and monitor HomeStart's risk management policies. In addition a Board Credit Sub-Committee has been formed to review and approve or recommend approval of individual loan applications which will result in an aggregate exposure to the borrower that exceeds \$1.1 million.

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



# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

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

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

In accordance with the best practice APRA framework, the Board Credit Sub-Committee will review and authorise individual loan applications where the resulting aggregate exposure of the borrower will exceed \$1.1 million and individual loan applications greater than \$1.1 million and where appropriate will recommend the loan to the Minister or the Cabinet.

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

#### **33.2 Credit risk**

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

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

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

##### **33.2.1 Loans and advances**

###### **(a) Credit risk management**

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

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

The authority to make credit decisions in accordance with approved policies is delegated by the Board to executive management.

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

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



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

**(b) Risk control and mitigation policies**

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

Lending policies

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

Collateral

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

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

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

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

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

|                                                                | 2015          | 2014          |
|----------------------------------------------------------------|---------------|---------------|
|                                                                | \$'000        | \$'000        |
| <b>Past due but not impaired</b>                               |               |               |
| Gross carrying value                                           | 83 318        | 104 045       |
| Fair value of collateral                                       | 124 855       | 153 499       |
| <b>Impaired</b>                                                |               |               |
| Gross carrying value, before specific provision for impairment | 60 697        | 51 197        |
| Unearned income on impaired loans                              | ( 3 292)      | ( 2 178)      |
| Specific provision for impairment                              | ( 10 176)     | ( 9 055)      |
| <b>Net impaired loans and advances</b>                         | <b>47 229</b> | <b>39 964</b> |
| Fair value of collateral                                       | 62 299        | 52 943        |

Concentration of counterparty and geographic risk

HomeStart is not materially exposed to any individual customer. HomeStart is restricted under the *Housing and Urban Development (Administrative Arrangements) (HomeStart Finance) Regulations 2007*, to only lend in South Australia and is therefore exposed to the property market in this state.



# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

Approximately 25% (26%, 2013-14) of HomeStart's loans by value are secured against properties outside the Adelaide metropolitan area. This represents a risk as the limited market liquidity in country regions as well as the less diversified nature of rural economies can lead to greater volatility in property values. HomeStart currently manages this risk by imposing stricter Loan to Valuation Ratio (LVR) limits when lending in some country locations, and excluding others completely.

At reporting date 34% (31%, 2013-14) of HomeStart's loans by value were secured against properties in the City of Salisbury and the City of Playford. HomeStart's exposure to risk in this geographic area is managed through lending policies as well as obtaining and managing collateral, as described above.

#### Higher LVR loans

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

#### Loan Provision Charge

HomeStart does not require its customers to pay for Lenders Mortgage Insurance. It does, however, require its customers to pay a Loan Provision Charge at the time of advancing a loan.

#### **(c)** Credit risk measurement

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

This operational measurement can be contrasted with the impairment allowances required by AASB 139, which are based on the existence of objective evidence of impairment at the reporting date rather than expected losses (note 2.10.3 and note 16).

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

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

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

HomeStart's maximum exposure to credit risk has been recognised in the Statement of Financial Position as the carrying amount, net of any provisions for impairment of \$1734.41 million (\$1798.18 million, 2013-14).

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

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



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

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

|                                                                        | 2015<br>\$'000   | 2014<br>\$'000   |
|------------------------------------------------------------------------|------------------|------------------|
| <b>Not impaired</b>                                                    |                  |                  |
| <b>Neither renegotiated nor past due</b>                               |                  |                  |
| Low risk                                                               | 1 413 203        | 1 439 626        |
| Moderate risk                                                          | 175 714          | 217 917          |
| High risk                                                              | 9 521            | 11 012           |
| <b>Gross loans and advances neither renegotiated nor past due</b>      | <b>1 598 438</b> | <b>1 668 555</b> |
| <b>Renegotiated (1)</b>                                                |                  |                  |
| Low risk                                                               | 19 985           | 8 612            |
| Moderate risk                                                          | 8 505            | 2 554            |
| High risk                                                              | 2 500            | 1 691            |
| <b>Gross loans and advances renegotiated</b>                           | <b>30 990</b>    | <b>12 857</b>    |
| <b>Past due but not impaired (2)</b>                                   |                  |                  |
| Low risk                                                               | 47 046           | 54 547           |
| Moderate risk                                                          | 27 859           | 36 230           |
| High risk                                                              | 8 413            | 13 268           |
| <b>Gross loans and advances past due but not impaired</b>              | <b>83 318</b>    | <b>104 045</b>   |
| <b>Total not impaired</b>                                              |                  |                  |
| Low risk                                                               | 1 480 234        | 1 502 785        |
| Moderate risk                                                          | 212 078          | 256 701          |
| High risk                                                              | 20 434           | 25 971           |
| <b>Gross loans and advances not impaired</b>                           | <b>1 712 746</b> | <b>1 785 457</b> |
| <b>Impaired (3)</b>                                                    |                  |                  |
| Low risk                                                               | 22 908           | 16 685           |
| Moderate risk                                                          | 29 761           | 27 399           |
| High risk                                                              | 8 028            | 7 113            |
| <i>Gross impaired loans and advances</i>                               | <i>60 697</i>    | <i>51 197</i>    |
| Unearned income on impaired loans                                      | ( 3 292)         | ( 2 178)         |
| Specific provision for impairment                                      | ( 10 176)        | ( 9 055)         |
| <b>Impaired loans and advances after provision and unearned income</b> | <b>47 229</b>    | <b>39 964</b>    |
| <b>Total</b>                                                           |                  |                  |
| Low risk                                                               | 1 503 142        | 1 519 470        |
| Moderate risk                                                          | 241 839          | 284 100          |
| High risk                                                              | 28 462           | 33 084           |
| <i>Gross loans and advances</i>                                        | <i>1 773 443</i> | <i>1 836 654</i> |
| Fair value adjustment                                                  | ( 14 299)        | ( 14 835)        |
| Deferred loan fee income                                               | ( 5 626)         | ( 5 392)         |
| Deferred loan fee expense                                              | 2 171            | 2 204            |
| Unearned income on impaired loans                                      | ( 3 292)         | ( 2 178)         |
| Specific provision for impairment                                      | ( 10 176)        | ( 9 055)         |
| Collective provision for impairment                                    | ( 7 813)         | ( 9 221)         |
| <b>Net loans and advances</b>                                          | <b>1 734 408</b> | <b>1 798 177</b> |

# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

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

|               | 2015          | 2014           |
|---------------|---------------|----------------|
|               | \$'000        | \$'000         |
| <30 days      | 64 264        | 82 193         |
| 30 – 59 days  | 12 240        | 14 028         |
| 60 – 89 days  | 2 761         | 3 202          |
| 90 – 179 days | 1 093         | 3 267          |
| >179 days     | 2 960         | 1 355          |
| <b>Total</b>  | <b>83 318</b> | <b>104 045</b> |

#### (1) Loans and advances renegotiated

HomeStart's policy permits certain customers to increase the balance of their loan by the amount of their arrears (arrears capitalisation). Following arrears capitalisation, a previously overdue customer account is reset to normal status.

HomeStart assesses arrears capitalisation on a case-by-case basis and decisions are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are reviewed at least annually.

Renegotiated loans that would otherwise be past due or impaired totalled \$31.0 million as at 30 June 2015 (\$12.9 million, 2013-14).

#### (2) Past due but not impaired

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

#### (3) Impaired loans

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

### 33.2.2 Derivative financial liabilities

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

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

#### (b) Maximum exposure to credit risk

As at 30 June 2015 and 30 June 2014, HomeStart did not have any exposure to credit risk arising from derivative financial liabilities.

|                                         | 2015            | 2014            |
|-----------------------------------------|-----------------|-----------------|
|                                         | \$'000          | \$'000          |
| <b>Derivative financial instruments</b> | <b>( 6 310)</b> | <b>( 5 929)</b> |
| Swap income receivable                  | 81              | 164             |
| Swap expense payable                    | ( 221)          | ( 306)          |
| <b>Net payable (note 22)</b>            | <b>( 140)</b>   | <b>( 142)</b>   |



# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

Further information in relation to derivatives is disclosed in notes 33.3.3 and 33.4.2.

### 33.3 Liquidity risk

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

#### 33.3.1 Liquidity risk management

Risks relating to liquidity are governed by a range of treasury management policies, which are subject to oversight by ALCO.

HomeStart's liquidity management process is carried out and monitored by HomeStart's internal Treasury, Finance & Risk department and includes:

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

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

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

#### 33.3.2 Funding approach

HomeStart is required to use SAFA as its sole counterparty for all funding transactions. The arrangement gives HomeStart access to a significant volume of liquidity, restricted by an approved borrowing limit of \$2105 million as at 30 June 2015 (\$2105 million, 2013-14).

#### 33.3.3 Exposure to liquidity risk

##### (a) *Non-derivative cash flows*

HomeStart's exposure to liquidity risk is managed by adherence to ALCO approved ratios and requirements, which include a requirement that HomeStart's debt, subject to refinancing in the next 12 month period, is to be limited to 42% (40%, 2013-14) of total debt outstanding.

| <b>% of debt subject to refinancing in the next 12 month period</b> | <b>2015</b> | <b>2014</b> |
|---------------------------------------------------------------------|-------------|-------------|
|                                                                     | <b>%</b>    | <b>%</b>    |
| At 30 June                                                          | 41.67       | 36.56       |
| Average for the period                                              | 39.28       | 23.10       |
| Maximum for the period                                              | 71.80       | 36.56       |
| Minimum for the period                                              | 34.62       | 6.35        |



# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

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

| <b>2015</b>                                               | <b>Up to 1<br/>month<br/>\$'000</b> | <b>1-3<br/>months<br/>\$'000</b> | <b>3-12<br/>months<br/>\$'000</b> | <b>1-5 years<br/>\$'000</b> | <b>Over 5<br/>years<br/>\$'000</b> | <b>Total<br/>\$'000</b> | <b>Carrying<br/>value<br/>\$'000</b> |
|-----------------------------------------------------------|-------------------------------------|----------------------------------|-----------------------------------|-----------------------------|------------------------------------|-------------------------|--------------------------------------|
| <b>Liabilities</b>                                        |                                     |                                  |                                   |                             |                                    |                         |                                      |
| Payables                                                  | 3 099                               | 2 192                            | -                                 | -                           | -                                  | 5 291                   | <b>5 291</b>                         |
| Borrowings                                                | 67 226                              | 6 209                            | 655 527                           | 1 024 513                   | -                                  | 1 753 475               | <b>1 666 456</b>                     |
| Other financial liabilities                               | -                                   | 1 161                            | 1 161                             | -                           | -                                  | 2 322                   | <b>2 322</b>                         |
| <b>Total liabilities<br/>(contractual maturity dates)</b> | <b>70 325</b>                       | <b>9 562</b>                     | <b>656 688</b>                    | <b>1 024 513</b>            | <b>-</b>                           | <b>1 761 088</b>        | <b>1 674 069</b>                     |
| <b>2014</b>                                               | <b>Up to 1<br/>month<br/>\$'000</b> | <b>1-3<br/>months<br/>\$'000</b> | <b>3-12<br/>months<br/>\$'000</b> | <b>1-5 years<br/>\$'000</b> | <b>Over 5<br/>years<br/>\$'000</b> | <b>Total<br/>\$'000</b> | <b>Carrying<br/>value<br/>\$'000</b> |
| <b>Liabilities</b>                                        |                                     |                                  |                                   |                             |                                    |                         |                                      |
| Payables                                                  | 4 044                               | 2 278                            | -                                 | -                           | -                                  | 6 322                   | <b>6 322</b>                         |
| Borrowings                                                | 39 841                              | 8 002                            | 633 437                           | 1 153 661                   | -                                  | 1 834 941               | <b>1 737 134</b>                     |
| Other financial liabilities                               | -                                   | 1 376                            | 1 929                             | -                           | -                                  | 3 305                   | <b>3 305</b>                         |
| <b>Total liabilities<br/>(contractual maturity dates)</b> | <b>43 885</b>                       | <b>11 656</b>                    | <b>635 366</b>                    | <b>1 153 661</b>            | <b>-</b>                           | <b>1 844 568</b>        | <b>1 746 761</b>                     |

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, cash equivalents, loans and advances to individuals and liquid investments.

#### (b) Derivative cash flows

Derivatives used by HomeStart to hedge risk include interest rate swaps, forward rate agreements and bank bill futures.

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

|             | <b>Up to 1<br/>month<br/>\$'000</b> | <b>1-3<br/>months<br/>\$'000</b> | <b>3-12<br/>months<br/>\$'000</b> | <b>1-5 years<br/>\$'000</b> | <b>Over 5<br/>years<br/>\$'000</b> | <b>Total<br/>\$'000</b> | <b>Carrying<br/>value<br/>\$'000</b> |
|-------------|-------------------------------------|----------------------------------|-----------------------------------|-----------------------------|------------------------------------|-------------------------|--------------------------------------|
| <b>2015</b> | ( 216)                              | ( 438)                           | ( 1 766)                          | ( 4 300)                    | ( 70)                              | ( 6 790)                | ( 6 310)                             |
| <b>2014</b> | ( 226)                              | ( 429)                           | ( 2 290)                          | ( 5 905)                    | ( 62)                              | ( 8 912)                | ( 5 929)                             |

Further information in relation to derivatives is disclosed in notes 33.2.2 and 33.4.2

#### (c) Off balance sheet

The periods of payment of unrecognised contractual commitments are disclosed in note 28.



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

### 33.4 Market risk

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

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

#### 33.4.1 Market risk management

HomeStart's market risk management processes are overseen by the board and ALCO sub-committee.

A comprehensive Treasury Master Document sets out the policies which govern HomeStart's management of market risk. Adherence to these policies is monitored by ALCO at its monthly meetings, by the Finance Sub-Committee at its bi-weekly meetings and by HomeStart's internal Treasury, Finance & Risk department on a daily basis.

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

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

#### 33.4.2 Interest rate risk – derivative financial instruments

##### (a) *Risk control and mitigation policies*

HomeStart manages, limits and controls market risks wherever they are identified. The following outlines some specific control and mitigation measures.

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

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

As at 30 June 2015, HomeStart had floating/fixed swaps with a notional value of \$135 million (\$177 million, 2013-14) with fixed rates varying between 1.96% and 7.21% (2.69% and 7.21%, 2013-14).

Periods to maturity of the interest rate swap contracts are disclosed at note 33.3.3(b).

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

The major risk measurement process used by HomeStart to measure and control interest rate risk is the Value at Risk (VaR) methodology. Risk measurement and management is further enhanced through the calculation of Present Value per Basis Point (PVBP) as well as the use of stress testing.



# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

#### Value at Risk (VaR)

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

HomeStart's VaR methodology models non-parallel shifts in the yield curve using the last 250 days of historical interest rate data to predict within a 99% confidence interval the likely outcome for the market value of a position or portfolio assuming it takes 10 days to unwind the open positions that give rise to the exposure.

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

ALCO has approved a maximum loss limit of \$1.1 million. The VaR as at 30 June 2015 was \$116 780 (\$50 450, 2013-14).

#### (c) *Hedge accounting*

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

Fluctuations in the fair value of these transactions are not recognised in the Statement of Comprehensive Income when HomeStart designates the instrument into a hedge relationship and satisfies the 'hedge accounting' requirements contained in AASB 139 *Financial Instruments: Recognition and Measurement*.

The gain or loss from remeasuring the instruments at fair value is deferred in equity in the derivatives valuation reserve, to the extent that the hedge is effective. The ineffective portion is recognised in the Statement of Comprehensive Income immediately. In the year ended 30 June 2015, a \$0.4 million loss (\$0.4 million gain, 2013-14) was recognised in equity during the period.

Further information in relation to derivatives is disclosed in notes 33.2.2 and 33.3.3.

#### 33.4.3 **Investments price risk**

##### (a) *Risk control and mitigation policies*

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

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

##### (b) *Maximum exposure to investments price risk*

HomeStart's maximum exposure to investments price risk has been recognised as the carrying amount at reporting date (note 14).



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

(c) *Sensitivity analysis*

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

| <b>2015</b>                                                      | <b>Carrying<br/>amount<br/>\$'000</b> | <b>-10%</b>   | <b>10%</b> |
|------------------------------------------------------------------|---------------------------------------|---------------|------------|
| Unit trusts                                                      | 7 046                                 | ( 705)        | 705        |
| SAFA Cash Management Fund                                        | 2 509                                 | ( 251)        | 251        |
| <b>Total increase/(decrease) in profit before tax and equity</b> |                                       | <b>( 956)</b> | <b>956</b> |

| <b>2014</b>                                                      | <b>Carrying<br/>amount<br/>\$'000</b> | <b>-10%</b>     | <b>10%</b>   |
|------------------------------------------------------------------|---------------------------------------|-----------------|--------------|
| Unit trusts                                                      | 13 647                                | ( 1 365)        | 1 365        |
| SAFA Cash Management Fund                                        | 5 422                                 | ( 542)          | 542          |
| <b>Total increase/(decrease) in profit before tax and equity</b> |                                       | <b>( 1 907)</b> | <b>1 907</b> |

### 33.4.4 Breakthrough Loan property price risk

(a) *Risk control and mitigation policies*

HomeStart is exposed to property price risk arising from the shared appreciation component of Breakthrough Loans made to customers that are measured at fair value through profit or loss. The fair value of this loan is based on the value of the property pledged as collateral (note 2.10.4.1).

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

(b) *Maximum exposure to property price risk*

HomeStart's maximum exposure to property price risk has been recognised as the carrying amount at balance date (note 14).

(c) *Sensitivity analysis*

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

|                                                                      | <b>2015<br/>Carrying<br/>amount<br/>\$'000</b> | <b>-5%</b>      | <b>5%</b>    | <b>2014<br/>Carrying<br/>amount<br/>\$'000</b> | <b>-5%</b>      | <b>5%</b>    |
|----------------------------------------------------------------------|------------------------------------------------|-----------------|--------------|------------------------------------------------|-----------------|--------------|
| Breakthrough Loan                                                    | 66 739                                         | ( 3 956)        | 4 266        | 70 943                                         | ( 4 134)        | 4 516        |
| <b>Total increase/(decrease) in<br/>profit before tax and equity</b> |                                                | <b>( 3 956)</b> | <b>4 266</b> |                                                | <b>( 4 134)</b> | <b>4 516</b> |



# HomeStart Finance

## Notes to and forming part of the Financial Statements

### For the year ended 30 June 2015

#### 33.4.5 Currency risk

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

### NOTE 34 Fair value and categorisation of financial instruments

#### 34.1 Fair value and categorisation of financial instruments

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

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

|                                    | Category                                     | 2015             |                  | 2014             |                  |
|------------------------------------|----------------------------------------------|------------------|------------------|------------------|------------------|
|                                    |                                              | Carrying value   | Fair value       | Carrying value   | Fair value       |
|                                    |                                              | \$'000           | \$'000           | \$'000           | \$'000           |
| <b>Financial assets</b>            |                                              |                  |                  |                  |                  |
| Cash and cash equivalents          | N/A                                          | 1 952            | 1 952            | 3 320            | 3 320            |
| Investments                        | Fair value through profit or loss            | 104 794          | 104 794          | 108 012          | 108 012          |
| Investments                        | Available-for-sale                           | 12 005           | 12 005           | 11 971           | 11 971           |
| Loans and advances <sup>[2]</sup>  | Amortised cost                               | 1 734 408        | 1 734 837        | 1 798 177        | 1 798 554        |
| Other financial assets             | Financial assets (at cost)                   | 1 147            | 1 147            | 769              | 769              |
| <b>Total financial assets</b>      |                                              | <b>1 854 306</b> | <b>1 854 735</b> | <b>1 922 249</b> | <b>1 922 626</b> |
| <b>Financial liabilities</b>       |                                              |                  |                  |                  |                  |
| Borrowings <sup>[3]</sup>          | Financial liabilities (amortised cost)       | 1 666 456        | 1 666 982        | 1 737 134        | 1 743 647        |
| Other liabilities                  | Financial liabilities (amortised cost)       | 4 347            | 4 347            | 3 591            | 3 591            |
| Derivative financial instruments   | Hedge accounting (fair value through equity) | 6 310            | 6 310            | 5 929            | 5 929            |
| Payables                           | Financial liabilities (at cost)              | 5 291            | 5 291            | 6 322            | 6 322            |
| <b>Total financial liabilities</b> |                                              | <b>1 682 404</b> | <b>1 682 930</b> | <b>1 752 976</b> | <b>1 759 489</b> |
| <b>Net financial assets</b>        |                                              | <b>171 902</b>   | <b>171 805</b>   | <b>169 273</b>   | <b>163 137</b>   |

<sup>[2]</sup> The loans and advances fair value adjustments relates to the fixed rate interest rate loans portfolio which has been classed as at level 3. As at balance date, the amortised cost is determined by discounting the expected future cash flows by the current interest rate that would apply to those cash flows based on their remaining term. For loans where the fixed rate interest rate exceeds the current interest rate, the amortised cost will exceed the face value of the loans.

<sup>[3]</sup> The fair value of borrowings is disclosed using SAFA market valuation at level 2. The market value by SAFA was calculated at mid rates as at close of business 30 June 2015.



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

### 34.2 Fair value estimation

#### (a) *Derivatives*

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

#### (b) *Loans and advances to customers*

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

#### (c) *Investments*

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

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

Note 2.10.4.1 describes the accounting policy adopted in relation to the shared appreciation component of the Breakthrough Loan.

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

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

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

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

|                                                                      | 2015  | 2014  |
|----------------------------------------------------------------------|-------|-------|
|                                                                      | %     | %     |
| Valuation determined using an automated method (Hometrack Australia) | 95.12 | 96.51 |
| Valuation provided by the Valuer-General                             | 3.47  | 1.98  |
| Other valuations used                                                | 1.41  | 1.51  |

#### (e) *Bonds*

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



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

(f) *Borrowings*

HomeStart reports fair value of its borrowings based on the valuation undertaken by SAFA who is the sole provider of funds to HomeStart.

### 34.3 Hierarchical classification of financial assets measured at fair value

The following discloses, for each class of financial instrument measured at fair value, the level in the fair value hierarchy into which the fair value measurements are classified in their entirety, segregating fair value measurements in accordance with the following levels:

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

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

| 2015                                                      | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|-----------------------------------------------------------|-------------------|-------------------|-------------------|-----------------|
| <b>Financial assets measured at fair value</b>            |                   |                   |                   |                 |
| SAFA Cash Management Fund                                 | -                 | 2 509             | -                 | 2 509           |
| Term deposits                                             | -                 | 28 500            | -                 | 28 500          |
| Unit trusts                                               | -                 | 7 046             | -                 | 7 046           |
| Bonds                                                     | -                 | 12 005            | -                 | 12 005          |
| Breakthrough Loan                                         | -                 | -                 | 66 739            | 66 739          |
| <b>Total financial assets measured at fair value</b>      | -                 | <b>50 060</b>     | <b>66 739</b>     | <b>116 799</b>  |
| <b>Financial liabilities measured at fair value</b>       |                   |                   |                   |                 |
| Derivative financial instruments                          | -                 | ( 6 310)          | -                 | ( 6 310)        |
| <b>Total financial liabilities measured at fair value</b> | -                 | <b>( 6 310)</b>   | -                 | <b>( 6 310)</b> |

| 2014                                                      | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|-----------------------------------------------------------|-------------------|-------------------|-------------------|-----------------|
| <b>Financial assets measured at fair value</b>            |                   |                   |                   |                 |
| SAFA Cash Management Fund                                 | -                 | 5 422             | -                 | 5 422           |
| Term deposits                                             | -                 | 18 000            | -                 | 18 000          |
| Unit trusts                                               | -                 | 13 647            | -                 | 13 647          |
| Bonds                                                     | -                 | 11 971            | -                 | 11 971          |
| Breakthrough Loan                                         | -                 | -                 | 70 943            | 70 943          |
| <b>Total financial assets measured at fair value</b>      | -                 | <b>49 040</b>     | <b>70 943</b>     | <b>119 983</b>  |
| <b>Financial liabilities measured at fair value</b>       |                   |                   |                   |                 |
| Derivative financial instruments                          | -                 | ( 5 929)          | -                 | ( 5 929)        |
| <b>Total financial liabilities measured at fair value</b> | -                 | <b>( 5 929)</b>   | -                 | <b>( 5 929)</b> |



# HomeStart Finance

## Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

### 34.4 Reconciliation of Level 3 fair value measurements

|                                                   | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------------|----------------|----------------|
| <b>Fair value at 1 July</b>                       | <b>70 943</b>  | <b>70 549</b>  |
| Breakthrough Loan settlements                     | 5 066          | 5 962          |
| Breakthrough Loan discharges                      | ( 9 835)       | ( 7 943)       |
| Unrealised change in fair value of loans (note 5) | 565            | 2 375          |
| <b>Fair value at 30 June</b>                      | <b>66 739</b>  | <b>70 943</b>  |

Note 33.4.4(c) discloses sensitivity of HomeStart's profit to movements in the values of properties used as collateral for a Breakthrough Loan.

### NOTE 35 Events after balance date

The Board of HomeStart at its meeting on the 18<sup>th</sup> of August 2015 approved the payment of an interim dividend of \$20 million from retained earnings in the 2015-16 financial year and recommended this payment to the Minister for Housing and Urban Development.

### NOTE 36 Segment reporting

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

### NOTE 37 Economic dependency

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

#### **Financing services**

SAFA is the sole provider of funds to HomeStart.

#### **Loan management services**

HomeStart contracts a significant proportion of its loan management services to BankSA, Homeloans Plus, Bernie Lewis and Australian Associated Advisers Pty Ltd, trading as KeyInvest Lending Services.

**HomeStart Finance**  
**Certification of the Financial Statements**  
For the year ended 30 June 2015

We certify that the attached general purpose financial statements for HomeStart Finance:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards
- are in accordance with the accounts and records of HomeStart Finance
- present a true and fair view of the financial position of HomeStart Finance as at 30 June 2015 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by HomeStart Finance for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period and there are reasonable grounds to believe HomeStart Finance will be able to pay its debts as and when they become due and payable.

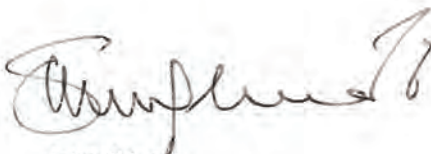
Signed in accordance with a resolution of the board members.



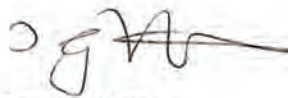
Jim Kouts  
Chair  
15 September 2015



Chris Ward  
Deputy Chair  
15 September 2015



John Oliver  
Chief Executive Officer  
15 September 2015



Trevor Mitton  
Acting Head of Treasury, Finance & Risk  
15 September 2015





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**To the Chair  
HomeStart Finance**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 27(4) of the *Urban Renewal Act 1995*, I have audited the accompanying financial report of HomeStart Finance for the financial year ended 30 June 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chair, Deputy Chair, Chief Executive Officer and Acting Head of Treasury, Finance and Risk.

**Board's Responsibility for the Financial Report**

The members of the Board are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the members of the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the members of the Board, as well as the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of HomeStart Finance as at 30 June 2015, 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.

A handwritten signature in black ink, appearing to read 'A. Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson  
**Auditor-General**  
18 September 2015



# Independent Commissioner Against Corruption

Financial report  
for the year ended  
30 June 2015

# INDEPENDENT COMMISSIONER AGAINST CORRUPTION STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

|                                       | Note<br>No. | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------|-------------|----------------|----------------|
| <b>Income</b>                         |             |                |                |
| Donated assets                        | 23          | -              | 3,895          |
| Recoveries and other income           | 5           | 3              | 19             |
| <b>Total income</b>                   |             | <b>3</b>       | <b>3,914</b>   |
| <b>Expenses</b>                       |             |                |                |
| Employee benefits expenses            | 6           | 4,940          | 3,689          |
| Supplies and services                 | 7           | 2,726          | 1,822          |
| Depreciation and amortisation         | 8           | 572            | 244            |
| Auditor's remuneration                | 9           | 41             | 29             |
| <b>Total expenses</b>                 |             | <b>8,279</b>   | <b>5,784</b>   |
| <b>Net cost of providing services</b> |             | <b>8,276</b>   | <b>1,870</b>   |
| <b>Revenues from SA Government</b>    |             |                |                |
| Revenues from SA Government           | 4           | 10,547         | 8,189          |
| <b>Net result</b>                     |             | <b>2,271</b>   | <b>6,319</b>   |
| <b>Total comprehensive result</b>     |             | <b>2,271</b>   | <b>6,319</b>   |

The net result and total comprehensive result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.



# INDEPENDENT COMMISSIONER AGAINST CORRUPTION STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

|                                      | Note<br>No. | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------|-------------|----------------|----------------|
| <b>Current assets</b>                |             |                |                |
| Cash and cash equivalents            | 10          | 5,008          | 4,316          |
| Receivables                          | 11          | 485            | 89             |
| <b>Total current assets</b>          |             | <b>5,493</b>   | <b>4,405</b>   |
| <b>Non-current assets</b>            |             |                |                |
| Property, plant and equipment        | 12A         | 5,149          | 3,879          |
| <b>Total non-current assets</b>      |             | <b>5,149</b>   | <b>3,879</b>   |
| <b>Total assets</b>                  |             | <b>10,642</b>  | <b>8,284</b>   |
| <b>Current liabilities</b>           |             |                |                |
| Payables                             | 14          | 342            | 587            |
| Employee benefits                    | 15          | 538            | 476            |
| Other liabilities                    | 16          | 116            | 72             |
| <b>Total current liabilities</b>     |             | <b>996</b>     | <b>1,135</b>   |
| <b>Non-current liabilities</b>       |             |                |                |
| Payables                             | 14          | 20             | 21             |
| Employee benefits                    | 15          | 222            | 229            |
| Other liabilities                    | 16          | 814            | 580            |
| <b>Total non-current liabilities</b> |             | <b>1,056</b>   | <b>830</b>     |
| <b>Total liabilities</b>             |             | <b>2,052</b>   | <b>1,965</b>   |
| <b>Net Assets</b>                    |             | <b>8,590</b>   | <b>6,319</b>   |
| <b>Equity</b>                        |             |                |                |
| Retained earnings                    |             | 8,590          | 6,319          |
| <b>Total Equity</b>                  |             | <b>8,590</b>   | <b>6,319</b>   |

The total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments 17

Contingent assets and contingent liabilities 18

The above statement should be read in conjunction with the accompanying notes.

# INDEPENDENT COMMISSIONER AGAINST CORRUPTION STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

|                                               | Retained<br>earnings | Total        |
|-----------------------------------------------|----------------------|--------------|
|                                               | \$'000               | \$'000       |
| <b>Balance at 1 September 2013</b>            | -                    | -            |
| Net result for 2013-14                        | 6,319                | 6,319        |
| <b>Total comprehensive result for 2013-14</b> | <b>6,319</b>         | <b>6,319</b> |
| <b>Balance at 30 June 2014</b>                | <b>6,319</b>         | <b>6,319</b> |
| Net result for 2014-15                        | 2,271                | 2,271        |
| <b>Total comprehensive result for 2014-15</b> | <b>2,271</b>         | <b>2,271</b> |
| <b>Balance at 30 June 2015</b>                | <b>8,590</b>         | <b>8,590</b> |

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

The above statement should be read in conjunction with the accompanying notes.



# INDEPENDENT COMMISSIONER AGAINST CORRUPTION

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

|                                                           | Note<br>No. | 2015<br>Inflows<br>(Outflows) | 2014<br>Inflows<br>(Outflows) |
|-----------------------------------------------------------|-------------|-------------------------------|-------------------------------|
|                                                           |             | \$'000                        | \$'000                        |
| <b>Cash flows from operating activities</b>               |             |                               |                               |
| <b>Cash inflows</b>                                       |             |                               |                               |
| Recoveries                                                |             | 3                             | 19                            |
| Donated cash                                              |             | -                             | 3,772                         |
| <b>Cash generated from operations</b>                     |             | <b>3</b>                      | <b>3,791</b>                  |
| <b>Cash outflows</b>                                      |             |                               |                               |
| Employee Benefits Payments                                |             | ( 4,878 )                     | ( 2,903 )                     |
| Supplies and Services                                     |             | ( 3,037 )                     | ( 1,672 )                     |
| <b>Cash used in operations</b>                            |             | <b>( 7,915 )</b>              | <b>( 4,575 )</b>              |
| <b>Cash flows from SA Government</b>                      |             |                               |                               |
| Receipts from SA Government                               |             | 10,547                        | 8,189                         |
| <b>Cash generated from SA Government</b>                  |             | <b>10,547</b>                 | <b>8,189</b>                  |
| <b>Net cash provided by operating activities</b>          | 19          | <b>2,635</b>                  | <b>7,405</b>                  |
| <b>Cash flows from investing activities</b>               |             |                               |                               |
| <b>Cash outflows</b>                                      |             |                               |                               |
| Purchase of property, plant and equipment                 |             | ( 1,943 )                     | ( 3,813 )                     |
| <b>Cash used in investing activities</b>                  |             | <b>( 1,943 )</b>              | <b>( 3,813 )</b>              |
| <b>Cash inflows</b>                                       |             |                               |                               |
| Lease incentive received                                  |             | -                             | 724                           |
| <b>Cash generated from investing activities</b>           |             | <b>-</b>                      | <b>724</b>                    |
| <b>Net cash (used in) investing activities</b>            |             | <b>( 1,943 )</b>              | <b>( 3,089 )</b>              |
| <b>Net increase in cash and cash equivalents</b>          |             | <b>692</b>                    | <b>4,316</b>                  |
| Cash and cash equivalents at the beginning of the period  |             | 4,316                         | -                             |
| <b>Cash and cash equivalents at the end of the period</b> | 10          | <b>5,008</b>                  | <b>4,316</b>                  |

The above statement should be read in conjunction with the accompanying notes.

**INDEPENDENT COMMISSIONER AGAINST CORRUPTION**  
**NOTES TO THE ACCOUNTS**  
For the year ended 30 June 2015

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# INDEPENDENT COMMISSIONER AGAINST CORRUPTION

## NOTES TO THE ACCOUNTS

For the year ended 30 June 2015

### Note 1 Objectives of the Independent Commissioner Against Corruption

*The Independent Commissioner Against Corruption Act 2012* (the ICAC Act) established the Independent Commissioner Against Corruption ('the Commissioner') and the Office for Public Integrity (OPI).

The primary objective of the Commissioner is to:

- (a) investigate serious or systemic corruption in public administration; and
- (b) refer serious or systemic misconduct or maladministration in public administration to the relevant body, giving directions or guidance to the body or exercising the powers of the body as the Commissioner considers appropriate.

The Commissioner has the following functions:

- (a) to identify corruption in public administration and to –
  - i) investigate and refer it for prosecution; or
  - ii) refer it to South Australia Police or the Police Ombudsman for investigation and prosecution;
- (b) to assist inquiry agencies and public authorities to identify and deal with misconduct and maladministration in public administration;
- (c) to give directions or guidance to inquiry agencies and public authorities, and to exercise the powers of inquiry agencies in dealing with misconduct and maladministration in public administration, as the Commissioner considers appropriate;
- (d) to evaluate the practices, policies and procedures of inquiry agencies and public authorities with a view to advancing comprehensive and effective systems for preventing or minimising corruption, misconduct and maladministration in public administration;
- (e) to conduct or facilitate the conduct of educational programs designed to prevent or minimise corruption, misconduct and maladministration in public administration;
- (f) to perform other functions conferred on the Commissioner by the ICAC Act.

The OPI is responsible to the Commissioner for the performance of the following functions:

- (a) to receive and assess complaints about public administration from members of the public;
- (b) to receive and assess reports about corruption, misconduct and maladministration in public administration from inquiry agencies, public authorities and public officers;
- (c) to make recommendations as to whether and by whom complaints and reports should be investigated;
- (d) to perform other functions assigned to the Office by the Commissioner.

### Note 2 Summary of Significant Accounting Policies

#### a) Statement of compliance

The Commissioner has prepared the financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.



# INDEPENDENT COMMISSIONER AGAINST CORRUPTION

## NOTES TO THE ACCOUNTS

For the year ended 30 June 2015

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

As the Commissioner is a not-for-profit entity, Australian Accounting Standards that are applicable to not-for-profit entities have been applied.

Except for AASB 2015-7 which the Commissioner has early adopted, Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted for these statements. Refer to Note 3.

### **b) Basis of preparation**

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes;
- accounting policies to be 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; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements 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;
  - b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income);
  - c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

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

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

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



# **INDEPENDENT COMMISSIONER AGAINST CORRUPTION**

## **NOTES TO THE ACCOUNTS**

For the year ended 30 June 2015

The accounting policies set out below have been applied in preparing the financial statements for the period ended 30 June 2015 and the comparative information presented.

### **c) Reporting Entity**

The Commissioner must, before 30 September in each year, prepare a report on the operations of the Commissioner and the OPI as required by section 45 of the ICAC Act.

### **d) Comparative information**

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

Comparative information is presented for a period of ten months given the Commissioner was established on 1 September 2013.

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

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

### **e) Rounding**

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

### **f) Taxation**

The Commissioner is not subject to income tax. The Commissioner is liable for payroll tax, fringe benefits tax and goods and services tax (GST). GST collections and payments are carried out by the Attorney-General's Department (AGD) on behalf of the Commissioner. GST in relation to the Commissioner is reported in the AGD Controlled Financial Statements.

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

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

The net amount of GST recoverable from, or payable to, the Attorney-General's Department is included as part of receivables or payables in the Statement of Financial Position.

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



# INDEPENDENT COMMISSIONER AGAINST CORRUPTION

## NOTES TO THE ACCOUNTS

For the year ended 30 June 2015

### **g) Events after the reporting period**

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

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

### **h) Income**

Income is recognised to the extent that it is probable that the flow of economic benefits to the Commissioner will occur and can be reliably measured.

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

The following are specific recognition criteria:

#### *Revenues from SA Government*

Appropriations for program funding are recognised as revenues when the Commissioner obtains control over the funding. Control over appropriations is normally obtained upon receipt.

#### *Recoveries*

Recoveries consist of recoveries from SA Government for accommodation costs for 30 June 2014 and employee reimbursements for 30 June 2015.

### **i) Expenses**

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Commissioner will occur and can be reliably measured.

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

The following are specific recognition criteria:

#### *Employee benefits expenses*

Employee benefit expenses include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

#### *Superannuation*

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Commissioner to the superannuation plan in respect of current services of current staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole of government financial statements.

#### *Depreciation and Amortisation*

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



# INDEPENDENT COMMISSIONER AGAINST CORRUPTION

## NOTES TO THE ACCOUNTS

For the year ended 30 June 2015

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

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

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

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

| <u>Class of assets</u> | <u>Useful life (Years)</u> |
|------------------------|----------------------------|
| Leasehold Improvements | Life of lease              |
| Plant and Equipment    | 1-16                       |
| Information Technology | 3-10                       |

### **j) Current and Non-Current Classification**

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

Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve 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 twelve months and more than twelve months, the Commissioner has separately disclosed the amounts expected to be recovered or settled after more than twelve months.

### **k) Assets**

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

#### *Cash and cash equivalents*

Cash and cash equivalents in the Statement of Financial Position includes deposits with the Treasurer.

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

Cash is measured at nominal value.

#### *Receivables*

Receivables include GST receivable, prepayments and other accruals.



# **INDEPENDENT COMMISSIONER AGAINST CORRUPTION**

## **NOTES TO THE ACCOUNTS**

For the year ended 30 June 2015

### *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 fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements then the assets are recognised at book value i.e. the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current tangible assets with a value of \$10,000 or greater are capitalised. Items with an acquisition cost less than \$10,000 are expensed in the year of acquisition.

### *Revaluation of Non-Current Assets*

All non-current tangible assets are valued at written down current cost (a proxy for fair value) and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

### *Impairment*

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

### *Fair Value measurement*

AASB 13 defines fair value as the price that would be received on selling an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Commissioner classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market and are derived from unobservable inputs.

### *Non-financial assets*

In determining fair value, the Commissioner has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).



# **INDEPENDENT COMMISSIONER AGAINST CORRUPTION**

## **NOTES TO THE ACCOUNTS**

For the year ended 30 June 2015

The Commissioner's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Commissioner has not identified any factors to suggest an alternative use, fair value measurement is based on current use.

The carrying amount of non-financial assets with a 'fair value at the time of acquisition that was less than \$1 million or has an estimated useful life that was less than three years' are deemed to approximate fair value.

Refer to Note 12A and 13 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

### *Financial assets/liabilities*

The Commissioner does not recognise any financial assets or financial liabilities at fair value.

### **1) Liabilities**

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

### *Payables*

Payables include 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 Commissioner.

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

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

Employee benefit on-costs include superannuation contributions and payroll tax in respect of outstanding liabilities for salaries and wages, long service leave, recreation leave, skills and experience retention leave and pre-retirement leave.

The Commissioner 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 reporting date relates to any contributions due but not yet paid.

### *Leases*

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



# **INDEPENDENT COMMISSIONER AGAINST CORRUPTION**

## **NOTES TO THE ACCOUNTS**

For the year ended 30 June 2015

The Commissioner has entered into operating leases. Operating lease payments are expensed on a basis which is representative of the pattern of benefits derived from the leased assets.

### Lease incentives

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received/receivable to enter into operating leases are recognised as a liability.

The aggregate benefits of lease incentives received/receivable by the Commissioner in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight line basis.

Lease incentives in the form of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

### Employee benefits

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

### Salaries and wages, annual leave, skills and experience retention leave and sick leave

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

Where the annual leave liability and the skills and experience retention leave liability are expected to be payable within twelve months, the liability has been measured at the undiscounted amount expected to be paid.

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

### Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA government entities.

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The current portion of long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience, leave bookings and expected terminations.



# **INDEPENDENT COMMISSIONER AGAINST CORRUPTION**

## **NOTES TO THE ACCOUNTS**

For the year ended 30 June 2015

### Pre-retirement leave

The Commissioner is not entitled to long service leave, but is entitled to six months pre-retirement leave or payment in lieu in the same manner as a judge of the Supreme Court of South Australia.

### **m) Unrecognised contractual commitments and contingent assets and liabilities**

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

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

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

### **Note 3 New and Revised Accounting Standards and Policies**

The Commissioner did not voluntarily change any accounting policies during 2014-15.

Except for AASB 2015-7 which the Commissioner has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Commissioner for the period ending 30 June 2015. The Commissioner has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Commissioner.

# INDEPENDENT COMMISSIONER AGAINST CORRUPTION

## NOTES TO THE ACCOUNTS

For the year ended 30 June 2015

### Note 4 Revenues from SA Government

|                                                                            | 2015          | 2014         |
|----------------------------------------------------------------------------|---------------|--------------|
|                                                                            | \$'000        | \$'000       |
| Appropriations from Consolidated Account pursuant to the Appropriation Act | 10,547        | 8,189        |
| <b>Total revenues from SA Government</b>                                   | <b>10,547</b> | <b>8,189</b> |

Total revenues from Government consists of operational and capital funding. For details on the expenditure associated with the operational funding received refer to Notes 6 to 9.

### Note 5 Recoveries and other income

|                                          | 2015     | 2014      |
|------------------------------------------|----------|-----------|
|                                          | \$'000   | \$'000    |
| Sundry recoveries                        | 3        | 19        |
| <b>Total recoveries and other income</b> | <b>3</b> | <b>19</b> |

Recoveries consist of recoveries from SA Government agencies for accommodation costs for 30 June 2014 and employee reimbursements for 30 June 2015.

### Note 6 Employee Benefits Expenses

|                                         | 2015         | 2014         |
|-----------------------------------------|--------------|--------------|
|                                         | \$'000       | \$'000       |
| Salaries and wages                      | 3,898        | 2,892        |
| Employee on-costs - superannuation      | 407          | 276          |
| Long service leave                      | 43           | 272          |
| Employee on-costs - other               | 230          | 174          |
| Annual leave                            | 360          | 72           |
| Skills and experience retention leave   | 2            | 3            |
| <b>Total employee benefits expenses</b> | <b>4,940</b> | <b>3,689</b> |

*References to employee(s) in these financial statements include the Commissioner, who is a statutory appointment.*

There were no employees who received Targeted Voluntary Separation Packages (TVSPs) during the reporting period.



**INDEPENDENT COMMISSIONER AGAINST CORRUPTION**  
**NOTES TO THE ACCOUNTS**  
For the year ended 30 June 2015

|                                                                                                     | 2015     | 2014     |
|-----------------------------------------------------------------------------------------------------|----------|----------|
|                                                                                                     | No.      | No.      |
| <b>Remuneration of employees</b>                                                                    |          |          |
| The number of employees whose remuneration received or receivable falls within the following bands: |          |          |
| \$141 500 to \$151 499                                                                              | 1        | 1        |
| \$161 500 to \$171 499                                                                              | 2        | -        |
| \$171 500 to \$181 499                                                                              | 1        | -        |
| \$261 500 to \$271 499                                                                              | -        | 1        |
| \$321 500 to \$331 499                                                                              | 1        | -        |
| \$381 500 to \$391 499                                                                              | -        | 1        |
| \$501 500 to \$511 499                                                                              | 1        | -        |
| <b>Total number of employees</b>                                                                    | <b>6</b> | <b>3</b> |

The table includes all employees (including the Commissioner) who received remuneration equal to or greater than the base executive remuneration level during the year. The executive base level remuneration rate for 2014-15 is the same as the 2013-14 rate (ie there has been no increase in executive remuneration since 1 July 2013). Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total actual remuneration received by these employees for the reporting period was \$1.482 million (\$0.791 million).

**Note 7 Supplies and Services**

|                                           | 2015         | 2014         |
|-------------------------------------------|--------------|--------------|
|                                           | \$'000       | \$'000       |
| Accommodation                             | 886          | 668          |
| Information and communications technology | 426          | 405          |
| Outsourced services                       | 272          | 147          |
| Employment related payments               | 83           | 65           |
| Repairs, maintenance and minor purchases  | 27           | 77           |
| Office expenses                           | 38           | 75           |
| Contract staff                            | 239          | 72           |
| Promotions and publications               | 97           | 45           |
| Motor vehicle expenses                    | 61           | 41           |
| Telephone related expenses                | 37           | 31           |
| Legal fees                                | 175          | 26           |
| Employee training                         | 33           | 26           |
| Website development                       | 5            | 20           |
| Shared Services SA charges                | 36           | 19           |
| Tax and taxable payments                  | 56           | 19           |
| Internal audit fee                        | 34           | -            |
| Consultancies                             | 14           | 15           |
| Minor works                               | -            | 2            |
| Other                                     | 207          | 69           |
| <b>Total supplies and services</b>        | <b>2,726</b> | <b>1,822</b> |



**INDEPENDENT COMMISSIONER AGAINST CORRUPTION**  
**NOTES TO THE ACCOUNTS**  
For the year ended 30 June 2015

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

|                                          | No.      | 2015<br>\$'000 | No.      | 2014<br>\$'000 |
|------------------------------------------|----------|----------------|----------|----------------|
| Below \$10,000                           | -        | -              | 2        | 15             |
| Above \$10,000                           | 1        | 14             | -        | -              |
| <b>Total paid/payable to consultants</b> | <b>1</b> | <b>14</b>      | <b>2</b> | <b>15</b>      |

**Note 8 Depreciation and amortisation**

|                                            | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------|----------------|----------------|
| <b>Depreciation</b>                        |                |                |
| Plant and equipment                        | 44             | 29             |
| Information technology assets              | 224            | 3              |
| <b>Amortisation</b>                        |                |                |
| Leasehold improvements                     | 304            | 212            |
| <b>Total depreciation and amortisation</b> | <b>572</b>     | <b>244</b>     |

**Note 9 Auditor's Remuneration**

|                                                                                                               | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements | 41             | 29             |
| <b>Total audit fees</b>                                                                                       | <b>41</b>      | <b>29</b>      |

**Other Services**

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

**Note 10 Cash and Cash Equivalents**

|                                        | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------|----------------|----------------|
| Deposits with the Treasurer            | 5,008          | 4,316          |
| <b>Total cash and cash equivalents</b> | <b>5,008</b>   | <b>4,316</b>   |

**Deposits with the Treasurer and Interest rate risk**

Deposits with the Treasurer are non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

**Note 11 Receivables**

|                          | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------|----------------|----------------|
| Receivables              | 434            | -              |
| GST receivable           | 22             | 45             |
| Prepayments              | 29             | 44             |
| <b>Total receivables</b> | <b>485</b>     | <b>89</b>      |

a) Maturity analysis of receivables - Refer to table in Note 21 (b)

b) Categorisation of financial instruments and risk exposure information - Refer to Note 21 (a)



**INDEPENDENT COMMISSIONER AGAINST CORRUPTION**  
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**Note 12A Property, Plant and Equipment**

|                                                           | <b>2015</b>   | <b>2014</b>   |
|-----------------------------------------------------------|---------------|---------------|
| <b>Leasehold improvements</b>                             | <b>\$'000</b> | <b>\$'000</b> |
| Leasehold improvements at cost (deemed fair value)        | 3,953         | 2,547         |
| Accumulated amortisation at the end of the period         | (517)         | (212)         |
| <b>Total leasehold improvements</b>                       | <b>3,436</b>  | <b>2,335</b>  |
| <br><b>Plant and equipment</b>                            |               |               |
| Plant and equipment at cost (deemed fair value)           | 435           | 369           |
| Accumulated depreciation at the end of the period         | (108)         | (30)          |
| <b>Total plant and equipment</b>                          | <b>327</b>    | <b>339</b>    |
| <br><b>Information Technology assets</b>                  |               |               |
| Information Technology assets at cost (deemed fair value) | 1,524         | 87            |
| Accumulated depreciation at the end of the period         | (227)         | (3)           |
| <b>Total information technology assets</b>                | <b>1,297</b>  | <b>84</b>     |
| <br><b>Capital work in progress</b>                       |               |               |
| Capital work in progress at cost                          | 89            | 1,121         |
| <b>Total capital work in progress</b>                     | <b>89</b>     | <b>1,121</b>  |
| <b>Total property, plant and equipment</b>                | <b>5,149</b>  | <b>3,879</b>  |

**Valuation note**

**Carrying amount of plant and equipment**

All items of plant and equipment had a 'fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years', and have not been revalued in accordance with APF III. The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the assets condition and remaining useful life.

**Adjustment to comparative information**

A transfer of \$987,500 from Capital Work in Progress to Information Technology assets was made in 2013-14. This transfer should not have occurred until the relevant assets became fully operational in October 2014. As a result, an adjustment has been made to property, plant and equipment and depreciation expense in order to reflect depreciation from the date of operation. This has resulted in a \$13,488 adjustment to 2013-14 depreciation expense/accumulated depreciation and a reclassification of \$987,500 from Information Technology assets to Capital Work in Progress in the Note 12A and Note 12B comparatives.

**Impairment**

There were no indications of impairment of property, plant and equipment at 30 June 2015.



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For the year ended 30 June 2015

**Note 12B Property, plant and equipment movement schedule**

|                                     | Leasehold Improvements | Plant and equipment |
|-------------------------------------|------------------------|---------------------|
|                                     | \$'000                 | \$'000              |
| <b>Carrying amount 1 July 2014</b>  | 2,335                  | 339                 |
| Additions                           | 1,405                  | 32                  |
| Depreciation and amortisation       | (304)                  | (44)                |
| Transfers between asset classes     | -                      | -                   |
| <b>Carrying amount 30 June 2015</b> | <b>3,436</b>           | <b>327</b>          |

|                                     | Information Technology assets | Capital Work in Progress | Total Property, Plant and Equipment |
|-------------------------------------|-------------------------------|--------------------------|-------------------------------------|
|                                     | \$'000                        | \$'000                   | \$'000                              |
| <b>Carrying amount 1 July 2014</b>  | 84                            | 1,121                    | 3,879                               |
| Additions                           | 329                           | 76                       | 1,842                               |
| Depreciation and amortisation       | (224)                         | -                        | (572)                               |
| Transfers between asset classes     | 1,108                         | (1,108)                  | -                                   |
| <b>Carrying amount 30 June 2015</b> | <b>1,297</b>                  | <b>89</b>                | <b>5,149</b>                        |

|                                         | Leasehold Improvements | Plant and Equipment |
|-----------------------------------------|------------------------|---------------------|
|                                         | \$'000                 | \$'000              |
| <b>Carrying amount 1 September 2013</b> | -                      | -                   |
| Additions                               | 2,435                  | 357                 |
| Depreciation and amortisation           | (212)                  | (29)                |
| Donated assets                          | -                      | 11                  |
| Transfers between asset classes         | 112                    | -                   |
| <b>Carrying amount 30 June 2014</b>     | <b>2,335</b>           | <b>339</b>          |

|                                         | Information Technology assets | Capital Work in Progress | Total Property, Plant and Equipment |
|-----------------------------------------|-------------------------------|--------------------------|-------------------------------------|
|                                         | \$'000                        | \$'000                   | \$'000                              |
| <b>Carrying amount 1 September 2013</b> | -                             | -                        | -                                   |
| Additions                               | 87                            | 1,121                    | 4,000                               |
| Depreciation and amortisation           | (3)                           | -                        | (244)                               |
| Donated assets                          | -                             | 112                      | 123                                 |
| Transfers between asset classes         | -                             | (112)                    | -                                   |
| <b>Carrying amount 30 June 2014</b>     | <b>84</b>                     | <b>1,121</b>             | <b>3,879</b>                        |



# INDEPENDENT COMMISSIONER AGAINST CORRUPTION

## NOTES TO THE ACCOUNTS

For the year ended 30 June 2015

### Note 13 Fair value measurement

#### Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Commissioner categorises non-financial assets measured at fair value into a hierarchy based on the level of inputs used in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2015.

#### Fair value measurement at 30 June 2015

|                                                | Level 3      | 2015         |
|------------------------------------------------|--------------|--------------|
|                                                | \$'000       | \$'000       |
| Recurring fair value measurements              |              |              |
| Leasehold improvements (note 12A)              | 3,436        | 3,436        |
| Information Technology assets (note 12A)       | 1,297        | 1,297        |
| Plant and Equipment (note 12A)                 | 327          | 327          |
| <b>Total recurring fair value measurements</b> | <b>5,060</b> | <b>5,060</b> |

#### Fair value measurement at 30 June 2014

|                                                | Level 3      | 2014         |
|------------------------------------------------|--------------|--------------|
|                                                | \$'000       | \$'000       |
| Recurring fair value measurements              |              |              |
| Leasehold improvements (note 12A)              | 2,335        | 2,335        |
| Information Technology assets (note 12A)       | 84           | 84           |
| Plant and Equipment (note 12A)                 | 339          | 339          |
| <b>Total recurring fair value measurements</b> | <b>2,758</b> | <b>2,758</b> |

#### Valuation techniques and inputs

All non-financial assets have been determined to be level 3. Valuation techniques used to derive level 3 fair values are at note 2(k). The fair values were determined using the depreciated replacement cost approach. Key assumptions were assessing the remaining useful life and the purpose of the assets.

#### Reconciliation of fair value measurements - Level 3

All movements in the fair value of non-financial assets are as disclosed in Note 12B. There have been no transfers into or out of fair value hierarchy levels during the reporting period.



**INDEPENDENT COMMISSIONER AGAINST CORRUPTION**  
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**Note 14 Payables**

|                                   | <b>2015</b>   | <b>2014</b>   |
|-----------------------------------|---------------|---------------|
|                                   | <b>\$'000</b> | <b>\$'000</b> |
| <b>Current</b>                    |               |               |
| Creditors                         | 240           | 499           |
| Accruals                          | 36            | 29            |
| Employee on-costs                 | 66            | 59            |
| <b>Total current payables</b>     | <b>342</b>    | <b>587</b>    |
| <b>Non-Current</b>                |               |               |
| Employee on-costs                 | 20            | 21            |
| <b>Total non-current payables</b> | <b>20</b>     | <b>21</b>     |
| <b>Total payables</b>             | <b>362</b>    | <b>608</b>    |

The Department of Treasury and Finance has performed an actuarial assessment of long service leave as at 30 June 2015. The percentage of the proportion of long service leave taken as leave has decreased from the 30 June 2014 percentage rate of 40% to 37% for 30 June 2015 and the average factor for the calculation of employer superannuation on-cost is 10.3% (10.3% 2014). These rates are used in the employment on-cost calculation. The net financial effect of the changes in these rates in the current financial year is immaterial.

**Interest rate and credit risk**

Creditors and accruals are raised for all amounts billed but unpaid and are settled within the normal terms of payment of 30 days, unless otherwise agreed. 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.

a) Maturity analysis of payables - Refer to the table in Note 21 (b)

b) Categorisation of financial instruments and risk exposure information - Refer to Note 21 (a)

**Note 15 Employee benefits**

|                                            | <b>2015</b>   | <b>2014</b>   |
|--------------------------------------------|---------------|---------------|
|                                            | <b>\$'000</b> | <b>\$'000</b> |
| <b>Current</b>                             |               |               |
| Recreation leave                           | 213           | 192           |
| Accrued salaries and wages                 | 34            | 20            |
| Long service leave                         | 284           | 258           |
| Skills and experience retention leave      | 7             | 6             |
| <b>Total current employee benefits</b>     | <b>538</b>    | <b>476</b>    |
| <b>Non-Current</b>                         |               |               |
| Long service leave                         | 222           | 229           |
| <b>Total non-current employee benefits</b> | <b>222</b>    | <b>229</b>    |
| <b>Total employee benefits</b>             | <b>760</b>    | <b>705</b>    |



# INDEPENDENT COMMISSIONER AGAINST CORRUPTION

## NOTES TO THE ACCOUNTS

For the year ended 30 June 2015

The amounts for long service leave include pre-retirement leave (see note 2(l)) and also include amounts accrued for investigators seconded under a Memorandum of Administrative Arrangement between SA Police and the Commissioner. The Commissioner is required to reimburse SA Police an amount equivalent to long service leave when seconded investigators cease employment with the Commissioner. The amount accrued is therefore equivalent to the long service leave provision amount.

AASB 119 contains the calculation methodology for the long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a set level of liability for the measurement of long service leave. AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased from 2014 (3.5%) to 2015 (3%).

This decrease in the bond yield, which is used as the rate to discount future LSL cash flows, results in an increase in the reported LSL liability. The net financial effect of the changes in actuarial assumptions in the current financial year is immaterial.

The actuarial assessment performed by the Department of Treasury and Finance assumed a salary inflation rate at 4% for long service leave liability and revised the salary inflation rate down by 1% from 2014 (4%) to 2015 (3%) for annual leave and skills, experience and retention leave liability.

### Note 16 Other liabilities

|                                            | 2015       | 2014       |
|--------------------------------------------|------------|------------|
|                                            | \$'000     | \$'000     |
| <b>Current</b>                             |            |            |
| Lease Incentive                            | 116        | 72         |
| <b>Total current other liabilities</b>     | <b>116</b> | <b>72</b>  |
| <br><b>Non-Current</b>                     |            |            |
| Lease Incentive                            | 814        | 580        |
| <b>Total non-current other liabilities</b> | <b>814</b> | <b>580</b> |
| <b>Total other liabilities</b>             | <b>930</b> | <b>652</b> |

### Note 17 Unrecognised contractual commitments

#### Remuneration commitments

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

|                                                    | 2015         | 2014         |
|----------------------------------------------------|--------------|--------------|
|                                                    | \$'000       | \$'000       |
| Within one year                                    | 1,450        | 1,113        |
| Later than one year but not longer than five years | 3,911        | 3,949        |
| Later than five years                              | 139          | 895          |
| <b>Total remuneration commitments</b>              | <b>5,500</b> | <b>5,957</b> |



# INDEPENDENT COMMISSIONER AGAINST CORRUPTION

## NOTES TO THE ACCOUNTS

For the year ended 30 June 2015

### Operating lease commitments

Commitments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

|                                                    | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------|----------------|----------------|
| Within one year                                    | 735            | 503            |
| Later than one year but not longer than five years | 3,224          | 2,209          |
| Later than five years                              | 2,750          | 2,560          |
| <b>Total operating leases commitments</b>          | <b>6,709</b>   | <b>5,272</b>   |

The accommodation and office equipment leases are non-cancellable leases with rental payable monthly in advance.

Contingent rental provisions within the accommodation lease agreements provide for the minimum lease payments to be increased on specified rent review dates. Options exist to renew the accommodation leases at the end of the term of the lease.

|                                                    | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------|----------------|----------------|
| <b>Other Commitments</b>                           |                |                |
| Motor Vehicles <sup>(1)</sup>                      | 59             | 104            |
| Other <sup>(2)</sup>                               | 9              | 30             |
| <b>Total</b>                                       | <b>68</b>      | <b>134</b>     |
| Within one year                                    | 53             | 75             |
| Later than one year but not longer than five years | 15             | 59             |
| <b>Total other commitments</b>                     | <b>68</b>      | <b>134</b>     |

(1) Agreements for the provision of motor vehicles to executive officers or sections (i.e. pool vehicles) are leased from SAFA through their agent LeasePlan Australia. There are no purchase options available to the Commissioner.

(2) Other commitments relate to purchase orders placed for goods and services before 30 June 2015.

### Note 18 Contingent assets and contingent liabilities

In the ordinary course of operations, the Commissioner may become involved in legal disputes. These legal disputes may give rise to court costs being awarded in favour or against the Commissioner. As at 30 June 2015, it is not possible to reliably estimate the total court costs that may be receivable or payable in respect of current legal disputes.



**INDEPENDENT COMMISSIONER AGAINST CORRUPTION**  
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**Note 19 Cash flow reconciliation**

|                                                                                                       | <b>2015</b>    | <b>2014</b>    |
|-------------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                       | <b>\$'000</b>  | <b>\$'000</b>  |
| <b>Reconciliation of cash and cash equivalents at the end of the reporting period:</b>                |                |                |
| Cash and cash equivalents disclosed in the Statement of Financial Position                            | 5,008          | 4,316          |
| Balance as per the Statement of Cash Flows                                                            | 5,008          | 4,316          |
| <b>Reconciliation of net cash provided by operating activities to net cost of providing services:</b> |                |                |
| Net cash provided by (used in) operating activities                                                   | 2,635          | 7,405          |
| <b>Less Revenues from SA Government</b>                                                               | (10,547)       | (8,189)        |
| <b>Add/(less) non cash items</b>                                                                      |                |                |
| Depreciation and amortisation expense                                                                 | (572)          | (244)          |
| Property, plant and equipment assets in payables                                                      | (100)          | 187            |
| Donated property, plant and equipment assets                                                          | -              | 123            |
| Lease incentive amortisation                                                                          | 116            | 72             |
| <b>Movement in assets and liabilities</b>                                                             |                |                |
| Increase / (decrease) in receivables                                                                  | 1              | 89             |
| (Increase) / decrease in payables                                                                     | 246            | (608)          |
| (Increase) / decrease in employee benefits                                                            | (55)           | (705)          |
| <b>Net cost of providing services</b>                                                                 | <b>(8,276)</b> | <b>(1,870)</b> |

**INDEPENDENT COMMISSIONER AGAINST CORRUPTION**  
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**Note 20 Transactions with SA Government**

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty / transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. All transactions have been included.

| Note |                                           | SA Government  |                | Non-SA Government |                | Total          |                |
|------|-------------------------------------------|----------------|----------------|-------------------|----------------|----------------|----------------|
|      |                                           | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000    | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
|      | <b>Income</b>                             |                |                |                   |                |                |                |
| 23   | Donated assets                            | -              | 3,895          | -                 | -              | -              | 3,895          |
| 5    | Recoveries and other income               | -              | -              | 3                 | 19             | 3              | 19             |
| 4    | Revenues from SA Government               | 10,547         | 8,189          | -                 | -              | 10,547         | 8,189          |
|      | <b>Total income</b>                       | <b>10,547</b>  | <b>12,084</b>  | <b>3</b>          | <b>19</b>      | <b>10,550</b>  | <b>12,103</b>  |
|      | <b>Expenses</b>                           |                |                |                   |                |                |                |
| 6    | Employee benefits expenses                | 230            | 174            | 4710              | 3,515          | 4,940          | 3,689          |
| 7    | Accommodation                             | 864            | 641            | 22                | 27             | 886            | 668            |
| 7    | Information and communications technology | 186            | 97             | 240               | 308            | 426            | 405            |
| 7    | Outsourced services                       | 18             | 50             | 254               | 97             | 272            | 147            |
| 7    | Employment related payments               | -              | 12             | 83                | 53             | 83             | 65             |
| 7    | Repairs, maintenance and minor purchases  | -              | -              | 27                | 77             | 27             | 77             |
| 7    | Office expenses                           | -              | -              | 38                | 75             | 38             | 75             |
| 7    | Contract staff                            | -              | -              | 239               | 72             | 239            | 72             |
| 7    | Promotions and publications               | -              | -              | 97                | 45             | 97             | 45             |
| 7    | Motor vehicle expenses                    | 60             | -              | 1                 | 41             | 61             | 41             |
| 7    | Telephone related expenses                | 28             | 7              | 9                 | 24             | 37             | 31             |
| 7    | Legal fees                                | 61             | -              | 114               | 26             | 175            | 26             |
| 7    | Employee training                         | -              | -              | 33                | 26             | 33             | 26             |
| 7    | Website development                       | -              | 20             | 5                 | -              | 5              | 20             |
| 7    | Shared Services SA charges                | 36             | 19             | -                 | -              | 36             | 19             |
| 7    | Tax and taxable payments                  | 56             | -              | -                 | 19             | 56             | 19             |
| 7    | Internal audit fees                       | -              | -              | 34                | -              | 34             | -              |
| 7    | Consultancies                             | -              | -              | 14                | 15             | 14             | 15             |
| 7    | Minor works                               | -              | -              | -                 | 2              | -              | 2              |



**INDEPENDENT COMMISSIONER AGAINST CORRUPTION**  
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**Note 20 Transactions with SA Government (continued)**

| Note |                                    | SA Government  |                | Non-SA Government |                | Total          |                |
|------|------------------------------------|----------------|----------------|-------------------|----------------|----------------|----------------|
|      |                                    | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000    | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| 7    | Other                              | 89             | 22             | 118               | 47             | 207            | 69             |
| 8    | Depreciation and amortisation      | -              | -              | 572               | 244            | 572            | 244            |
| 9    | Auditor's remuneration             | 41             | 29             | -                 | -              | 41             | 29             |
|      | <b>Total expenses</b>              | <b>1,669</b>   | <b>1,071</b>   | <b>6,610</b>      | <b>4,713</b>   | <b>8,279</b>   | <b>5,784</b>   |
|      | <b>Financial Assets</b>            |                |                |                   |                |                |                |
| 10   | Cash and cash equivalent           | 5,008          | 4,316          | -                 | -              | 5,008          | 4,316          |
|      | <b>Receivables</b>                 |                |                |                   |                |                |                |
| 11   | Receivables                        | 434            | -              | -                 | -              | 434            | -              |
| 11   | GST receivable                     | -              | -              | 22                | 45             | 22             | 45             |
| 11   | Prepayments                        | -              | -              | 29                | 44             | 29             | 44             |
|      | <b>Total financial assets</b>      | <b>5,442</b>   | <b>4,316</b>   | <b>51</b>         | <b>89</b>      | <b>5,493</b>   | <b>4,405</b>   |
|      | <b>Financial Liabilities</b>       |                |                |                   |                |                |                |
|      | <b>Payables</b>                    |                |                |                   |                |                |                |
|      | <b>Current</b>                     |                |                |                   |                |                |                |
| 14   | Creditors                          | 102            | 161            | 138               | 338            | 240            | 499            |
| 14   | Accruals                           | 36             | 29             | -                 | -              | 36             | 29             |
| 14   | Employee on costs                  | 27             | 24             | 39                | 35             | 66             | 59             |
|      | <b>Non-Current</b>                 |                |                |                   |                |                |                |
| 14   | Employee on costs                  | 11             | 12             | 9                 | 9              | 20             | 21             |
|      | <b>Total financial liabilities</b> | <b>176</b>     | <b>226</b>     | <b>186</b>        | <b>382</b>     | <b>362</b>     | <b>608</b>     |



# INDEPENDENT COMMISSIONER AGAINST CORRUPTION

## NOTES TO THE ACCOUNTS

For the year ended 30 June 2015

### Note 21 Financial Instruments/Financial Risk Management

Risk management is managed by the Commissioner's corporate services section and the Commissioner's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Commissioner is exposed to financial risk - liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

#### (a) Categorisation of financial instruments

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

| Category of financial assets and financial liabilities | Statement of Financial Position line item | Note | Carrying Amount 2015<br>\$'000 | Fair Value 2015<br>\$'000 | Carrying Amount 2014<br>\$'000 | Fair Value 2014<br>\$'000 |
|--------------------------------------------------------|-------------------------------------------|------|--------------------------------|---------------------------|--------------------------------|---------------------------|
| <b>Financial assets</b>                                |                                           |      |                                |                           |                                |                           |
| Cash and cash equivalents                              | Cash and cash equivalents                 | 10   | 5008                           | 5008                      | 4,316                          | 4,316                     |
| Receivables                                            | Receivables <sup>(1)(2)</sup>             | 11   | 434                            | 434                       | -                              | -                         |
| <b>Financial liabilities</b>                           |                                           |      |                                |                           |                                |                           |
| Financial liabilities - at cost                        | Payables <sup>(1)</sup>                   | 14   | 240                            | 240                       | 499                            | 499                       |

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; audit fees payable to the Auditor-General's Department etc). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in Note 11 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.



# **INDEPENDENT COMMISSIONER AGAINST CORRUPTION**

## **NOTES TO THE ACCOUNTS**

For the year ended 30 June 2015

### *Fair Value*

The Commissioner does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short term nature of these. Refer to Notes 2, 11 and 14.

### *Credit Risk*

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently the Commissioner does not hold any collateral as security for any of its financial assets. There is no evidence to indicate that financial assets are impaired.

### **(b) Maturity analysis of financial assets and liabilities**

All financial assets and financial liabilities are due to mature within 12 months.

### *Liquidity Risk*

Liquidity risk arises from the possibility that the Commissioner is unable to meet financial obligations as they fall due. The Commissioner is funded principally from appropriations by the SA Government. The Commissioner 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 cashflows.

The continued existence of the Commissioner in the present form, and with the present programs, is dependent on State Government policy and on continuing appropriations by Parliament for the Commissioner's administration and programs. The Commissioner aims to settle undisputed accounts within 30 days from the date the invoice is first received.

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

### *Market Risk*

The Commissioner currently holds no interest bearing financial instruments and is not exposed to interest rate risk.

### *Sensitivity disclosure analysis*

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

**INDEPENDENT COMMISSIONER AGAINST CORRUPTION**  
**NOTES TO THE ACCOUNTS**  
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**Note 22 Events After the Reporting Period**

There are no known events after balance date that affect these financial statements.

**Note 23 Donated assets**

Donated assets are recorded as revenue in the Statement of Comprehensive Income for the period ended 30 June 2014. The donated assets comprised cash (\$3.772 million) and property, plant and equipment (\$0.123 million) transferred from the Attorney General's Department administered items upon establishment of the agency on 1 September 2013.

There were no donated assets for for the period ended 30 June 2015.



## CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the attached general purpose financial statements for the Independent Commissioner Against Corruption:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Independent Commissioner Against Corruption; and
- present a true and fair view of the financial position of the Independent Commissioner Against Corruption as at 30 June 2015 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Independent Commissioner Against Corruption for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



The Hon. Bruce Lander QC

**Independent Commissioner Against Corruption**

Date: 18<sup>th</sup> September 2015



Patricia Christie

**Chief Executive Officer**

**Independent Commissioner Against Corruption**

Date: 18 September 2015



Vicki Tomlinson

**Manager, Business Services**

**Independent Commissioner Against Corruption**

Date: 18 September 2015





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**To the Independent Commissioner Against Corruption  
Independent Commissioner Against Corruption**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the accompanying financial report of the Independent Commissioner Against Corruption for the year ended 30 June 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Independent Commissioner Against Corruption, the Chief Executive Officer and the Manager, Business Services.

**The Independent Commissioner Against Corruption's Responsibility for the Financial Report**

The Independent Commissioner Against Corruption is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Independent Commissioner Against Corruption determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Independent Commissioner Against Corruption, as well as the overall presentation of the financial report.



I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the Independent Commissioner Against Corruption as at 30 June 2015, 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.

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal stroke extending to the right.

Andrew Richardson  
**Auditor-General**  
19 September 2015

# Judges' Pensions Scheme

Financial report  
for the year ended  
30 June 2015



## Judges' Pensions Scheme

### Operating Statement for the year ended 30 June 2015

|                                        | Note  | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------|-------|----------------|----------------|
| <b>INVESTMENT AND OTHER REVENUE:</b>   |       |                |                |
| Investment Revenue                     |       | 22 407         | 28 916         |
| Other Revenue                          |       | 3              | 7              |
| <b>Contribution Revenue</b>            |       |                |                |
| Contributions by Employers             | 1 (c) | 5 160          | 5 167          |
| <b>Total Contribution Revenue</b>      |       | <b>5 160</b>   | <b>5 167</b>   |
| <b>Total Revenue</b>                   |       | <b>27 570</b>  | <b>34 090</b>  |
| <b>EXPENSES:</b>                       |       |                |                |
| Direct Investment Expenses             | 4     | 1 557          | 1 359          |
| Administration Expenses                | 5     | 91             | 89             |
| Benefit Expenses                       | 7     | 17 936         | 14 931         |
| <b>Total Expenses</b>                  |       | <b>19 584</b>  | <b>16 379</b>  |
| <b>OPERATING RESULT FOR THE PERIOD</b> |       | <b>7 986</b>   | <b>17 711</b>  |

*The Operating Statement should be read in conjunction with the accompanying notes*

### Statement of Financial Position as at 30 June 2015

|                                              | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------|------|----------------|----------------|
| <b>INVESTMENTS:</b>                          |      |                |                |
| Inflation Linked Securities A                |      | 16 202         | 15 888         |
| Property A                                   |      | 32 575         | 29 750         |
| Australian Equities A                        |      | 54 202         | 50 255         |
| International Equities A                     |      | 57 964         | 57 584         |
| Long Term Fixed Interest                     |      | 4 439          | 3 352          |
| Short Term Fixed Interest                    |      | -              | 1 135          |
| Diversified Strategies - Growth A            |      | 22 014         | 17 995         |
| Diversified Strategies - Income              |      | 31 125         | 29 355         |
| Cash                                         |      | 7 464          | 4 891          |
|                                              |      | <b>225 985</b> | <b>210 205</b> |
| <b>OTHER ASSETS:</b>                         |      |                |                |
| Cash and Cash Equivalents                    | 10   | 214            | 229            |
| Contributions Receivable                     |      | 324            | 20             |
| Receivables                                  |      | 2              | 4              |
|                                              |      | <b>540</b>     | <b>253</b>     |
| <b>Total Assets</b>                          |      | <b>226 525</b> | <b>210 458</b> |
| <b>CURRENT LIABILITIES:</b>                  |      |                |                |
| Payables                                     |      | 8              | 8              |
| Benefits Payable                             |      | 110            | 77             |
| <b>Total Liabilities</b>                     |      | <b>118</b>     | <b>85</b>      |
| <b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>  | 6    | <b>226 407</b> | <b>210 373</b> |
| <b>Less: LIABILITY FOR ACCRUED BENEFITS</b>  | 7    | <b>206 129</b> | <b>198 081</b> |
| <b>EXCESS OF NET ASSETS OVER LIABILITIES</b> |      | <b>20 278</b>  | <b>12 292</b>  |

*The Statement of Financial Position should be read in conjunction with the accompanying notes*

## Judges' Pensions Scheme

### Statement of Cash Flows for the year ended 30 June 2015

|                                                                    |      | 2015<br>Inflows<br>(Outflows)<br>\$'000 | 2014<br>Inflows<br>(Outflows)<br>\$'000 |
|--------------------------------------------------------------------|------|-----------------------------------------|-----------------------------------------|
|                                                                    | Note |                                         |                                         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                       |      |                                         |                                         |
| Contributions by Employers                                         |      | 4 856                                   | 5 148                                   |
| Bank Interest Received                                             |      | 4                                       | 6                                       |
| GST Recovered from the ATO                                         |      | 6                                       | 3                                       |
| Benefit Payments                                                   |      | (9 855)                                 | (9 279)                                 |
| Administration Expenses Paid                                       |      | (96)                                    | (116)                                   |
| <b>Net Cash (used in) Operating Activities</b>                     | 9    | <u>(5 085)</u>                          | <u>(4 238)</u>                          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                       |      |                                         |                                         |
| Receipts from Funds SA                                             |      | 9 440                                   | 9 110                                   |
| Payments to Funds SA                                               |      | (4 370)                                 | (4 870)                                 |
| <b>Net Cash provided by Investing Activities</b>                   |      | <u>5 070</u>                            | <u>4 240</u>                            |
| <b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS HELD</b> |      | <u>(15)</u>                             | <u>2</u>                                |
| <b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>                         |      | <u>229</u>                              | <u>227</u>                              |
| <b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>                        | 10   | <u>214</u>                              | <u>229</u>                              |

*The Statement of Cash Flows should be read in conjunction with the accompanying notes*



## Judges' Pensions Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 1. Objectives and Funding

##### (a) Judges' Pensions Scheme

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

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

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

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

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

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

##### (c) Funding Arrangements

Under Section 14(1)(b) of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a Special Deposit Account established for that purpose. During the period payments were made from a Special Deposit Account.

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

Employer contributions at a rate of 30 percent of salary are paid to the Treasurer from SA Government entities to fund emerging superannuation liabilities. These contributions are deposited into the Scheme with \$5.160 million (2014 \$5.167 million) being credited during the year ended 30 June 2015.

#### 2. Summary of Significant Accounting Policies

##### (a) Basis of Accounting

This financial report is a general purpose financial report. The accounts have been prepared in accordance with relevant Australian Accounting Standards and Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*, except as provided below.

AAS 25 "Financial Reporting by Superannuation Plans" is the principal standard applied in preparing this financial report. Other Australian Accounting Standards are also applied where necessary except to the extent that they differ from AAS 25.

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

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

##### New Accounting Standard

AASB 1056 "Superannuation Entities" was recently issued and becomes mandatory for the Scheme's financial statements commencing 1 July 2016. The Scheme does not plan to adopt this standard early and the extent of the impact has not yet been determined.

##### (b) Basis of Valuations of Assets and Liabilities

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

##### (i) Inflation Linked Securities A

The Inflation Linked Securities portfolio invests in discretely managed portfolios and internal inflation linked securities. Discretely managed portfolios are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date.

Internally managed inflation linked securities, 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.



## Judges' Pensions Scheme

### Summary of Significant Accounting Policies (Continued)

(ii) Property A

The Property A portfolio comprises two sub-sectors:

*Listed Property Trusts*

These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this sub-sector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

*Unlisted property vehicles*

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

(iii) Australian Equities A

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

(iv) International Equities A

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

(v) Short Term and Long Term Fixed Interest

The Short Term and Long Term Fixed Interest portfolios have exposure to domestic and global debt instruments and is managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

(vi) Diversified Strategies Growth A

The Diversified Strategies Growth A portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2012). 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 discretely managed investments and Australian and international pooled funds, 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 the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) Cash

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

(c) **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 2015, funds of the Scheme were invested in the Growth option.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

(d) **Taxation**

The Scheme is a constitutionally protected superannuation fund in terms of Section 295-15 of the *Income Tax Assessment Act 1997*, Regulation 995-1.04 (Schedule 4) and is exempt from income tax.



## Judges' Pensions Scheme

### Summary of Significant Accounting Policies (Continued)

#### (e) Goods and Services Tax

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

Regulation 70.5.03 of *A New Tax System (Goods and Services Tax) Regulations 1999* specifies the rate at which GST can be recovered through reduced input tax credits.

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

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

#### (f) Revenue

Superannuation contributions and other revenue are recognised to the extent that it is probable that the flow of economic benefits to the scheme will occur and can be reliably measured.

Investment revenue represents the change in market value due to the movement in the value of funds invested with Funds SA.

#### (g) Comparative Information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

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

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

#### (h) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the department will occur and can be reliably measured.

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

#### (i) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

Cash is measured at nominal value.

### 3. Transfers to/from Consolidated Account

For the 2013-14 financial year a change in process was agreed between the Government Accounting, Reporting and Procurement Branch of the Department of Treasury and Finance and Super SA whereby the transfer of funds to/from the Consolidated Account if determined will occur after reporting date, after the surplus or deficit is known. As a result, there was no transfer to or from the Consolidated Account for the reporting period (2014 \$Nil).

### 4. Direct Investment Expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment.

### 5. Administration Expenses

|                                        | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------|----------------|----------------|
| Administration Expenses <sup>(i)</sup> | 76             | 76             |
| Audit Fees <sup>(ii)</sup>             | 8              | 8              |
| Consultancy Expenses <sup>(iii)</sup>  | 7              | 5              |
|                                        | <u>91</u>      | <u>89</u>      |

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



## Judges' Pensions Scheme

### Administration Expenses (Continued)

- ii. Auditor's remuneration comprises 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 these totalled \$7,700 (2014 \$7,500). No other services were provided by the Auditor-General's Department.
- iii. Consultancy Expenses are in relation to actuarial services provided by Brett & Watson Pty Ltd regarding the valuation of accrued benefits liability in accordance with AAS25.

### 6. Net Assets Available to Pay Benefits

|                            | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------|----------------|----------------|
| Funds held at 1 July       | 210 373        | 187 036        |
| Add:                       |                |                |
| Contributions              | 5 160          | 5 167          |
| Investment Revenue         | 22 407         | 28 916         |
| Interest Income            | 3              | 7              |
|                            | <u>27 570</u>  | <u>34 090</u>  |
| Less:                      |                |                |
| Benefits Paid              | 9 888          | 9 305          |
| Direct Investment Expenses | 1 557          | 1 359          |
| Administration Expenses    | 91             | 89             |
|                            | <u>11 536</u>  | <u>10 753</u>  |
| Funds held at 30 June      | <u>226 407</u> | <u>210 373</u> |

### 7. Liability for Accrued Benefits

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

The expected future benefit payments have been determined using the same pensioner mortality assumptions as the 2013 triennial review of the South Australian Superannuation Scheme. Salary increases of 1.5 percent per annum above the Adelaide Consumer Price Index (CPI) have been assumed. The CPI is assumed to be 2.5 percent. In accordance with Australian Accounting Standard AAS 25 "Financial Reporting by Superannuation Plans" the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of 4.5 percent per annum above the CPI.

The accrued superannuation liability as determined by Bruce Watson, Fellow of the Institute of Actuaries of Australia from consulting actuaries Brett & Watson Pty Ltd is estimated at \$206.129 million (2014 \$198.081 million) as at 30 June 2015.

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

|                                           | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------|----------------|----------------|
| Liability for Accrued Benefits at 1 July  | 198 081        | 192 455        |
| Add: Benefits Expense <sup>(i)</sup>      | 17 936         | 14 931         |
| Less: Benefits Paid                       | 9 888          | 9 305          |
| Liability for Accrued Benefits at 30 June | <u>206 129</u> | <u>198 081</u> |

- i. This figure represents the change in Liability for Accrued Benefits plus Benefits Paid for the year.

### 8. Vested Benefits

|                 | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------|----------------|----------------|
| Vested Benefits | <u>170 718</u> | <u>144 065</u> |

Vested benefits are benefits which are not conditional upon continued membership of the Scheme, or any factor other than resignation from the Scheme. Vested Benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date. The vested superannuation liability as at 30 June 2015 is estimated at \$170.718 million (2014 \$144.065 million).



## Judges' Pensions Scheme

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

|                                         | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------|----------------|----------------|
| Operating Result                        | 7 986          | 17 711         |
| Benefits Expense                        | 17 936         | 14 931         |
| Benefits Paid                           | (9 888)        | (9 305)        |
| Investment Revenue                      | (22 407)       | (28 916)       |
| Direct Investment Expenses              | 1 557          | 1 359          |
| Decrease / (Increase) in Receivables    | 2              | (4)            |
| (Increase) in Contributions Receivable  | (304)          | (20)           |
| (Decrease) in Payables                  | -              | (20)           |
| Increase in Benefits Payable            | 33             | 26             |
| Net Cash (used in) Operating Activities | <u>(5 085)</u> | <u>(4 238)</u> |

### 10. Reconciliation of Cash

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

|                                                               | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------------------------|----------------|----------------|
| Cash and Cash Equivalents per Statement of Financial Position | <u>214</u>     | <u>229</u>     |
| Cash and Cash Equivalents per Statement of Cash Flows         | <u>214</u>     | <u>229</u>     |

### 11. Financial Instruments

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

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

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

- market risk
- credit risk
- liquidity risk

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

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

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

#### a) Market Risk

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

##### 1. Currency risk

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

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



## Judges' Pensions Scheme

### Market Risk (Continued)

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the international equities asset sector are 50 percent hedged to Australian dollars.

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

### II. Interest rate risk

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

Funds SA manages interest rate risk through:

- Ensuring asset allocations of different investment products are consistent with the time horizon of each.
- The use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.
- The Scheme's receivables and payables are non-interest bearing. The carrying amounts of these assets approximate to fair value.

### III. Other market price risk

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

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

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

- Ensuring a diversity of exposures to different financial markets and sub markets.
- Ensuring asset allocations for different investment products are consistent with the time horizon of each.

### IV. Sensitivity analysis

The Funds SA Board has determined that their forecast risk/return profile provides a reasonable measure of the sensitivity of the expected returns in each investment option in the year ahead. The following tables show the standard deviation around expected nominal returns for each investment option.

#### 2015

| Investment Option | Sensitivity variable       | Expected Nominal Return | Nominal Standard Deviation |
|-------------------|----------------------------|-------------------------|----------------------------|
| Growth            | Nominal standard deviation | 7.5%                    | 10.0%                      |

#### 2014

| Investment Option | Sensitivity variable       | Expected Nominal Return | Nominal Standard Deviation |
|-------------------|----------------------------|-------------------------|----------------------------|
| Growth            | Nominal standard deviation | 8.3%                    | 9.9%                       |

Standard deviation is a useful historical measure of the variability of returns earned by an investment portfolio. The standard deviations shown above represent the range at which actual future returns are expected to occur either side of the nominal return approximately two thirds of the time.

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 and there is no concentration of credit risk.



## Judges' Pensions Scheme

### 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.

| <b>30 June 2015</b>         | <b>Less than 3 Months<br/>\$'000</b> | <b>Total Contractual Cash Flows<br/>\$'000</b> | <b>Carrying Amount Liabilities<br/>\$'000</b> |
|-----------------------------|--------------------------------------|------------------------------------------------|-----------------------------------------------|
| Benefits payable            | 110                                  | 110                                            | 110                                           |
| Vested benefits (see below) | 170 718                              | 170 718                                        | 170 718                                       |
| <b>Total</b>                | <b>170 828</b>                       | <b>170 828</b>                                 | <b>170 828</b>                                |

| <b>30 June 2014</b>         | <b>Less than 3 Months<br/>\$'000</b> | <b>Total Contractual Cash Flows<br/>\$'000</b> | <b>Carrying Amount Liabilities<br/>\$'000</b> |
|-----------------------------|--------------------------------------|------------------------------------------------|-----------------------------------------------|
| Benefits payable            | 77                                   | 77                                             | 77                                            |
| Vested benefits (see below) | 144 065                              | 144 065                                        | 144 065                                       |
| <b>Total</b>                | <b>144 142</b>                       | <b>144 142</b>                                 | <b>144 142</b>                                |

Vested benefits have been included in the less than 3 months column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

### d) Fair Value

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

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

## Judges' Pensions Scheme

### Fair Value (Continued)

| Financial assets at fair value through profit or loss<br><i>Level 1 and level 3 are not relevant to the Scheme</i> | Level 2<br>\$'000 |
|--------------------------------------------------------------------------------------------------------------------|-------------------|
| <b>30 June 2015</b>                                                                                                |                   |
| Unlisted managed investment schemes                                                                                |                   |
| Funds SA                                                                                                           | 225 985           |
|                                                                                                                    | <hr/>             |
|                                                                                                                    | 225 985           |
| <b>30 June 2014</b>                                                                                                |                   |
| Unlisted managed investment schemes                                                                                |                   |
| Funds SA                                                                                                           | 210 205           |
|                                                                                                                    | <hr/>             |
|                                                                                                                    | 210 205           |

### 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.

### 12. Events after the reporting period

There were no significant events after the reporting period.



## Judges' Pensions Scheme

### Certification of the Financial Report

We certify that the attached general purpose financial report for the Judges' Pensions Scheme:

- complies with any relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- is in accordance with the accounts and records of the Scheme; and
- presents a true and fair view of the financial position of the Scheme as at 30 June 2015 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Scheme for the financial year over its financial reporting and its preparation of the general purpose financial report have been effective throughout the reporting period.



Garry Goddard  
ACTING UNDER TREASURER  
DEPARTMENT OF TREASURY AND FINANCE



John Montague  
GENERAL MANAGER  
STATE SUPERANNUATION OFFICE



Robert Drusetta FCPA  
MANAGER GOVERNANCE, BOARD AND CORPORATE SUPPORT  
STATE SUPERANNUATION OFFICE

## INDEPENDENT AUDITOR'S REPORT



Government of South Australia  
Auditor-General's Department

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audgensa@audit.sa.gov.au  
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### To the Under Treasurer

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the accompanying financial report of the Judges' Pensions Scheme for the financial year ended 30 June 2015. The financial report comprises:

- an Operating Statement for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Acting Under Treasurer, General Manager, State Superannuation Office and the Manager, Governance, Board and Corporate Support, State Superannuation Office.

### The Under Treasurer's Responsibility for the Financial Report

The Under Treasurer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Under Treasurer determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Under Treasurer, as well as the overall presentation of the financial report.



I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the Judges' Pensions Scheme as at 30 June 2015, 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.

A handwritten signature in black ink, appearing to read 'A. Richardson', followed by a horizontal line extending to the right.

Andrew Richardson  
**Auditor-General**  
19 September 2015

# Legal Services Commission

Financial report  
for the year ended  
30 June 2015



Legal Services Commission of South Australia

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2015**

|                                                              | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------------------|------|----------------|----------------|
| <b>Expenses</b>                                              |      |                |                |
| Employee benefits expenses                                   | 4    | 18 356         | 18 030         |
| Private Practitioner services                                | 2.14 | 18 055         | 17 825         |
| Private Practitioner services - Expensive Case matters       | 5    | 404            | 493            |
| Supplies and services                                        | 6    | 6 299          | 6 955          |
| Depreciation and amortisation expense                        | 7    | 981            | 1 027          |
| Other expenses                                               | 8    | 79             | 97             |
| <b>Total expenses</b>                                        |      | <b>44 174</b>  | <b>44 427</b>  |
| <b>Income</b>                                                |      |                |                |
| <i>Legal Practitioners Act revenues</i>                      | 10   | 2 854          | 2 552          |
| Statutory charges                                            |      | 814            | 916            |
| Interest revenues                                            |      | 564            | 674            |
| Costs recovered and contributions                            | 11   | 464            | 370            |
| Other income                                                 | 12   | 1 066          | 1 077          |
| <b>Total income</b>                                          |      | <b>5 762</b>   | <b>5 589</b>   |
| <b>Net cost of providing services</b>                        |      | <b>38 412</b>  | <b>38 838</b>  |
| <b>Revenues from SA Governments</b>                          |      |                |                |
| Revenue from Commonwealth Government                         | 13   | 16 233         | 17 310         |
| Revenue from State Government                                | 14   | 18 154         | 20 584         |
| <b>Total revenues from SA Governments</b>                    |      | <b>34 387</b>  | <b>37 894</b>  |
| <b>Net result</b>                                            |      | <b>(4 025)</b> | <b>(944)</b>   |
| <b>Other comprehensive income</b>                            |      |                |                |
| <i>Item that will not be reclassified to net result</i>      |      |                |                |
| Changes in property, plant and equipment revaluation surplus |      | -              | (30)           |
| <b>Total other comprehensive income</b>                      |      | <b>-</b>       | <b>(30)</b>    |
| <b>Total comprehensive result</b>                            |      | <b>(4 025)</b> | <b>(974)</b>   |

Net result and total comprehensive result are attributable to SA Government as owner

The above statement should be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2015**

|                                      | Note | 2015<br>\$'000       | 2014<br>\$'000       |
|--------------------------------------|------|----------------------|----------------------|
| <b>Current assets</b>                |      |                      |                      |
| Cash and cash equivalents            | 15   | 12 780               | 16 561               |
| Receivables                          | 16   | <u>1 562</u>         | <u>1 624</u>         |
| <b>Total current assets</b>          |      | <b><u>14 342</u></b> | <b><u>18 185</u></b> |
| <b>Non-current assets</b>            |      |                      |                      |
| Property, plant and equipment        | 17.1 | 5 219                | 5 925                |
| Intangible assets                    | 17.2 | 204                  | 409                  |
| Statutory charge debtors             | 18   | <u>6 372</u>         | <u>6 000</u>         |
| <b>Total non-current assets</b>      |      | <b><u>11 795</u></b> | <b><u>12 334</u></b> |
| <b>Total assets</b>                  |      | <b><u>26 137</u></b> | <b><u>30 519</u></b> |
| <b>Current liabilities</b>           |      |                      |                      |
| Lease incentive                      |      | 233                  | 233                  |
| Legal payables                       |      | 685                  | 1 042                |
| Payables                             | 19   | 375                  | 361                  |
| Employee benefits                    | 20   | <u>1 511</u>         | <u>1 452</u>         |
| <b>Total current liabilities</b>     |      | <b><u>2 804</u></b>  | <b><u>3 088</u></b>  |
| <b>Non-current liabilities</b>       |      |                      |                      |
| Lease incentive                      |      | 2 800                | 3 033                |
| Payables                             | 19   | 225                  | 228                  |
| Employee benefits                    | 20   | <u>3 526</u>         | <u>3 363</u>         |
| <b>Total non-current liabilities</b> |      | <b><u>6 551</u></b>  | <b><u>6 624</u></b>  |
| <b>Total liabilities</b>             |      | <b><u>9 355</u></b>  | <b><u>9 712</u></b>  |
| <b>Net assets</b>                    |      | <b><u>16 782</u></b> | <b><u>20 807</u></b> |
| <b>Equity</b>                        |      |                      |                      |
| Revaluation surplus                  |      | 49                   | 49                   |
| Retained earnings                    |      | <u>16 733</u>        | <u>20 758</u>        |
| <b>Total equity</b>                  |      | <b><u>16 782</u></b> | <b><u>20 807</u></b> |
| Unrecognised contractual commitments | 22   |                      |                      |
| Contingent assets and liabilities    | 24   |                      |                      |

Total equity is attributable to the SA Government as owner

The above statement should be read in conjunction with the accompanying notes.



**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015**

|                                               | Revaluation<br>surplus | Retained<br>earnings | Total          |
|-----------------------------------------------|------------------------|----------------------|----------------|
|                                               | \$'000                 | \$'000               | \$'000         |
| <b>Balance at 30 June 2013</b>                | <b>79</b>              | <b>21 702</b>        | <b>21 781</b>  |
| Net result 2013-14                            | -                      | (944)                | (944)          |
| Loss on revaluation of library collection     | (30)                   | -                    | (30)           |
| <b>Total comprehensive result for 2013-14</b> | <b>(30)</b>            | <b>(944)</b>         | <b>(974)</b>   |
| <b>Balance at 30 June 2014</b>                | <b>49</b>              | <b>20 758</b>        | <b>20 807</b>  |
| Net result for 2014-15                        | -                      | (4 025)              | (4 025)        |
| <b>Total comprehensive result for 2014-15</b> | <b>-</b>               | <b>(4 025)</b>       | <b>(4 025)</b> |
| <b>Balance at 30 June 2015</b>                | <b>49</b>              | <b>16 733</b>        | <b>16 782</b>  |

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

The above statement should be read in conjunction with the accompanying notes.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2015**

|                                                                 | Note   | 2015<br>Inflows<br>(Outflows)<br>\$'000 | 2014<br>Inflows<br>(Outflows)<br>\$'000 |
|-----------------------------------------------------------------|--------|-----------------------------------------|-----------------------------------------|
| <b>Cash flows from operating activities</b>                     |        |                                         |                                         |
| Cash outflows                                                   |        |                                         |                                         |
| Employee benefits payments                                      |        | (18 131)                                | (17 513)                                |
| Supplies and services                                           |        | (6 788)                                 | (8 271)                                 |
| Private Practitioner services                                   |        | (20 430)                                | (19 776)                                |
| Private Practitioner services - Expensive Case matters          |        | (404)                                   | (493)                                   |
| <b>Cash used in operations</b>                                  |        | <b>(45 753)</b>                         | <b>(46 053)</b>                         |
| Cash inflows                                                    |        |                                         |                                         |
| <i>Legal Practitioners Act</i> receipts                         |        | 2 743                                   | 2 712                                   |
| Costs recovered and contributions                               |        | 531                                     | 336                                     |
| Statutory charge receipts                                       |        | 532                                     | 620                                     |
| Interest received                                               |        | 578                                     | 674                                     |
| Lease incentive receipts                                        |        | -                                       | 3 500                                   |
| GST recovered from the ATO                                      |        | 2 275                                   | 2 605                                   |
| Other receipts                                                  |        | 1 074                                   | 1 233                                   |
| <b>Cash generated by operations</b>                             |        | <b>7 733</b>                            | <b>11 680</b>                           |
| Cash flows from Governments                                     |        |                                         |                                         |
| Commonwealth Government receipts                                |        | 16 233                                  | 17 310                                  |
| State Government receipts                                       |        | 18 081                                  | 20 584                                  |
| <b>Total cash flows from Governments</b>                        |        | <b>34 314</b>                           | <b>37 894</b>                           |
| <b>Net cash used in operating activities</b>                    | 21     | <b>(3 706)</b>                          | <b>3 521</b>                            |
| <b>Cash flows from investing activities</b>                     |        |                                         |                                         |
| Cash outflows                                                   |        |                                         |                                         |
| Purchase of property, plant and equipment and intangible assets |        | (75)                                    | (5 350)                                 |
| <b>Net cash used in investing activities</b>                    |        | <b>(75)</b>                             | <b>(5 350)</b>                          |
| <b>Net decrease in cash and cash equivalents</b>                |        | <b>(3 781)</b>                          | <b>(1 829)</b>                          |
| <b>Cash and cash equivalents at the beginning of the period</b> |        | <b>16 561</b>                           | <b>18 390</b>                           |
| <b>Cash and cash equivalents at the end of the period</b>       | 15, 21 | <b>12 780</b>                           | <b>16 561</b>                           |

The above statement should be read in conjunction with the accompanying notes.



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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives of the Legal Services Commission of South Australia

The Legal Services Commission of South Australia (the Commission) was established under the *Legal Services Commission Act 1977* (the Act) to provide or arrange for the provision of legal assistance in accordance with the Act. The functions and principles of the Commission are set out in sections 10 and 11 of the Act.

### 2. Summary of Significant Accounting Policies

#### 2.1 Statement of Compliance

The financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Commission has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Commission is a not-for-profit entity.

Except for AASB 2015-7 which the Commission has early adopted, Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Commission for the reporting period ended 30 June 2015. Refer Note 3.

#### 2.2 Basis of Preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Commission's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes.
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in these financial statements:
  - a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. 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 equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly and indirectly by the entity to those employees; and
  - d) Commission member and remuneration information, where a Commission member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented.



### **2.3 Reporting Entity**

The Commission was established under the Act to provide or arrange for the provision of legal assistance in accordance with the Act. Under section 6 (3) of the Act, the Commission is not an instrumentality of the Crown and is independent of the Government.

### **2.4 Comparative Figures**

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

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

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

### **2.5 Rounding**

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

### **2.6 Taxation**

The Commission is not subject to income tax. The Commission is endorsed by the Australian Taxation Office (ATO) as an income tax exempt charity and as a Public Benevolent Institution. The Commission is liable for pay roll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, land tax equivalents and local government rate equivalents.

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

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

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

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

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

### **2.7 Events after the Reporting Period**

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

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

### **2.8 Income**

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

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



The following are specific recognition criteria:

#### *Government Funding*

Funding from the State and Commonwealth Governments are recognised as revenues when the Commission obtains control over the funding. Control over government funding is normally obtained upon receipt.

#### *Government Funding Expensive Cases*

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

#### *Other Income*

Other income consists of Public Service Association (PSA) and Return to Work SA funding for the provision of legal advisory services, Drug Court funding and Strata Communities funding from the Attorney-General's Department, reimbursements from the Commonwealth for the provision of the Indigenous Cadetship Support Programs, the provision of Community Legal Education programs and the sale of over the counter legal aid kits.

## **2.9 Expenses**

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

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

The following are specific recognition criteria:

#### *Employee benefits expenses*

Employee benefits expenses include all costs related to employment including salaries and wages, non-monetary benefits and leave entitlements. These are recognised when incurred.

#### *Superannuation*

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Commission to the superannuation plan in respect of current services of current staff.

Salaries and related payments include superannuation contributions paid by the Commission under the following categories:

(a) The Commission paid an amount to Comsuper towards the accruing government liability in respect of currently employed contributors to the Commonwealth Superannuation Fund. Payments amounted to \$64 000 (2014 - \$63 000).

(b) The Commission contributed to various superannuation schemes towards the accruing State government liability for superannuation in respect of all employees. Payments amounted to \$1 591 000 (2014 - \$1 528 000).

#### *Depreciation and Amortisation*

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

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

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

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

Depreciation/amortisation is calculated on a straight line basis over the estimated useful life of the following classes of assets:



| Class of Asset         | Useful Life (Years) |
|------------------------|---------------------|
| Plant & Equipment      |                     |
| Computers              | 3-5                 |
| Office equipment       | 5-13                |
| Furniture and fittings | 13                  |
| Leasehold improvements | 5-15                |
| Intangibles            | 3-5                 |

The library is considered a heritage asset and therefore not depreciated or amortised.

## 2.10 Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. The Commission has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be 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.

## 2.11 Assets

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

### *Cash and Cash Equivalents*

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

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

### *Receivables*

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

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

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

### *Non-current assets*

#### 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 after allowing for accumulated depreciation.

All non-current tangible assets with a value equal to or in excess of \$1 000 are capitalised.

#### Revaluation of non-current assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value); with the exception of the library collection which are valued at 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.

Any revaluation increment is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense except to the extent that it offsets a previous revaluation increase for the same asset class in which case the decrease



is debited directly to the revaluation surplus to the extent of the credit balance existing in revaluations reserve for that asset class.

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

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

#### *Library Valuation*

The *John Gray Memorial Library* asset is a legal reference collection containing general and specialised items that are available for general use by both Commission lawyers and private practitioners undertaking legal aid matters. The valuation of the library collection was performed by Valcorp Australia Pty Ltd as at 30 June 2014. The independent valuer arrived at fair value based on the written replacement cost of the collection.

#### Impairment

All non-current tangible and intangible assets are reviewed for indications of impairment each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement costs. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

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

#### *Intangible assets*

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Commission only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition of, or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured).

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

Subsequent expenditure on intangible assets has not been capitalised. This is because the Commission has been unable to attribute this expenditure to the intangible asset rather than the Commission as a whole.

#### *Fair value measurement*

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Commission classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 - traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 - not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 - not traded in an active market and are derived from unobservable inputs.

The valuation process and fair value changes are reviewed by the Finance Manager and the Audit, Compliance and Risk Committee at each reporting date.

#### Non-financial assets

In determining fair value, the Commission has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).



The Commission's current use is the highest and best use of the asset unless other factors suggest and alternative use is feasible. As the Commission did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a 'fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years' are deemed to approximate fair value.

#### Financial assets/liabilities

The commission does not recognise any financial assets or financial liabilities at fair value.

## **2.12 Liabilities**

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

#### *Payables*

Payables include creditors, accrued expenses, employment on-costs and Paid Parental Leave Scheme payable.

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

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

The Paid Parental Leave Scheme payable represents amounts which the Commission has received from the Commonwealth Government to forward onto eligible employees via the Commission's standard payroll processes. That is, the Commission is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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

Legal Payables represent amounts invoiced from private practitioners for approved cases that are unpaid at balance date. They are normally settled within 30 days.

Employee benefits on-costs include superannuation contributions, payroll tax and Return to Work SA levies with respect of outstanding liabilities for salaries and wages, annual leave, long service leave and skills and experience retention leave.

The Commission makes contributions to several superannuation schemes operated by the State Government and a Commonwealth scheme. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes.

#### *Leases*

The Commission has entered into operating leases for office accommodation. These leases are reviewed annually for adjustments in the CPI. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased asset.

#### *Lease incentives*

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability.

The aggregate benefits of lease incentives received by the Commission in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight line basis.

#### *Employee benefits*

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

#### Salaries, wages, annual leave, skills and experience retention leave and sick leave

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



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

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

#### Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The current/non-current classification of the Commission's long services leave liabilities has been calculated based on historical usage patterns.

#### Workers Compensation

The Commission pays a workers compensation levy to Return to Work SA to provide insurance coverage in relation to workers compensation. These contributions are treated as an expense as they occur. There is no liability to claimants as they have been assumed by Return to Work SA.

### **2.13 Unrecognised contractual commitments and contingent assets and liabilities**

Unrecognised contractual commitments include legal expense, operating and remuneration arising from contractual or statutory sources and are disclosed at their nominal value. Refer Note 22.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Refer Note 24.

### **2.14 Private Practitioner Services**

Comprises solicitors' fees, counsel fees and disbursements to private practitioners for approved cases undertaken during the financial year.

### **2.15 Trust Funds**

Pursuant to the *Legal Practitioner's Act 1981* the Commission holds funds in trust on behalf of clients. As at 30 June 2015 the total funds held were \$22 000 (2014 - \$14 000). These funds are not controlled by the Commission and are not recognised in the financial statements.

## **3. New and revised accounting standards and policies**

Except for AASB 2015-7 which the Commission has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Commission for the period ending 30 June 2015.

The Commission did not voluntarily change any of its accounting policies during 2014-15.



#### 4. Employee benefits expenses

|                                         | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------|----------------|----------------|
| Salaries and wages                      | 14 300         | 14 051         |
| Long service leave                      | 521            | 646            |
| Annual leave                            | 1 129          | 1 115          |
| Employment on-costs – superannuation    | 1 661          | 1 591          |
| Employment on-costs - payroll tax       | 362            | 366            |
| Skills and experience retention leave   | 89             | 75             |
| Commission members' remuneration        | 87             | 90             |
| Workers compensation                    | 207            | 96             |
| <b>Total employee benefits expenses</b> | <b>18 356</b>  | <b>18 030</b>  |

#### Remuneration of employees

|                                                                                                     | Number of Employees |                  |
|-----------------------------------------------------------------------------------------------------|---------------------|------------------|
|                                                                                                     | 2015<br>No          | 2014<br>No       |
| The number of employees whose remuneration received or receivable falls within the following bands: |                     |                  |
| \$141 500 to \$151 499                                                                              | 2                   | 7                |
| \$151 500 to \$161 499                                                                              | 5                   | 1                |
| \$171 500 to \$181 499                                                                              | 2                   | 2                |
| \$191 500 to \$201 499                                                                              | 1                   | 1                |
| \$221 500 to \$231 499                                                                              | -                   | 1                |
| \$231 500 to \$241 499                                                                              | 1                   | -                |
| \$271 500 to \$281 499                                                                              | 1                   | 1                |
| \$281 500 to \$291 499                                                                              | <u>1</u>            | <u>1</u>         |
| <b>Total</b>                                                                                        | <b><u>13</u></b>    | <b><u>14</u></b> |

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. The executive base level remuneration rate for 2014-15 is the same as the 2013-14 rate (ie there has been no increase in executive remuneration since 1 July 2013). Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits tax paid or payable in respect of those benefits.

The total remuneration received by these employees for the year was \$2 424 000 (2014 - \$2 528 000).

#### 5. Private Practitioner services - Expensive Case matters

|                                         | 2015<br>\$'000    | 2014<br>\$'000    |
|-----------------------------------------|-------------------|-------------------|
| State Expensive Cases reimbursed        | 404               | 302               |
| Commonwealth Expensive Cases reimbursed | -                 | 191               |
| <b>Total Expensive Cases reimbursed</b> | <b><u>404</u></b> | <b><u>493</u></b> |

The Commission is required to provide litigation services pursuant to the *Criminal Law (Legal Representation) Act 2001* for State matters that exceed the Commission's prescribed funding cap. Section 18(6) defines the "funding cap" to mean an amount fixed as the funding cap for criminal cases by the Commission for a particular financial year. The funding cap is \$60 000 in the case of one party being aided and \$120 000 in the case of more than one party, irrespective of the number being aided. These matters are separately funded by the State Government (refer Note 14). For Commonwealth matters, the funding cap is \$40 000 and the Commission is reimbursed the full amount (refer Note 13).

#### 6. Supplies and services

|                                        | 2015<br>\$'000      | 2014<br>\$'000      |
|----------------------------------------|---------------------|---------------------|
| Accommodation                          | 3 070               | 3 342               |
| Computing and communications           | 1 489               | 1 935               |
| Office supplies and consumables        | 256                 | 340                 |
| Periodicals and subscriptions          | 254                 | 247                 |
| Travel                                 | 241                 | 194                 |
| Interpreter fees                       | 226                 | 214                 |
| Practising certificates and membership | 103                 | 97                  |
| Storage fees                           | 75                  | 83                  |
| Media and advertising                  | 64                  | 63                  |
| Consultancy fees                       | 59                  | 44                  |
| Courses and training                   | 46                  | 55                  |
| Other                                  | <u>416</u>          | <u>341</u>          |
| <b>Total supplies and services</b>     | <b><u>6 299</u></b> | <b><u>6 955</u></b> |

Total supplies and services provided by entities within SA Government consists of \$2 715 000 (2014 - \$2 488 000).

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

|                                                      | Number          | 2015<br>\$'000   | Number          | 2014<br>\$'000   |
|------------------------------------------------------|-----------------|------------------|-----------------|------------------|
| Below \$10,000                                       | 6               | 27               | 4               | 11               |
| Above \$10 000                                       | <u>2</u>        | <u>32</u>        | <u>1</u>        | <u>33</u>        |
| <b>Total paid/payable to the consultants engaged</b> | <b><u>8</u></b> | <b><u>59</u></b> | <b><u>5</u></b> | <b><u>44</u></b> |

#### 7. Depreciation and amortisation expense

|                                                    | 2015<br>\$'000    | 2014<br>\$'000      |
|----------------------------------------------------|-------------------|---------------------|
| Depreciation                                       |                   |                     |
| Plant and equipment                                | <u>523</u>        | <u>333</u>          |
| <b>Total depreciation</b>                          | <b><u>523</u></b> | <b><u>333</u></b>   |
| Amortisation                                       |                   |                     |
| Leasehold improvements                             | 253               | 203                 |
| Intangible assets                                  | <u>205</u>        | <u>491</u>          |
| <b>Total amortisation</b>                          | <b><u>458</u></b> | <b><u>694</u></b>   |
| <b>Total depreciation and amortisation expense</b> | <b><u>981</u></b> | <b><u>1 027</u></b> |

The Commission has reassessed its amortisation of intangible assets during 2014-15 resulting in an increase in useful life from three years to four years. This has resulted in a decrease in amortisation of \$204 000 in 2014-15.

#### 8. Other expenses

|                                                             | 2015<br>\$'000   | 2014<br>\$'000   |
|-------------------------------------------------------------|------------------|------------------|
| Statutory charge bad debts and allowance for doubtful debts | 30               | 73               |
| Bad debts and allowance for doubtful debts                  | 44               | 24               |
| Write off of WIP                                            | <u>5</u>         | <u>-</u>         |
| <b>Total other expenses</b>                                 | <b><u>79</u></b> | <b><u>97</u></b> |

#### 9. Auditor's remuneration

|                                                                                                           | 2015<br>\$'000   | 2014<br>\$'000   |
|-----------------------------------------------------------------------------------------------------------|------------------|------------------|
| Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements | <u>87</u>        | <u>76</u>        |
| <b>Total Auditor's remuneration</b>                                                                       | <b><u>87</u></b> | <b><u>76</u></b> |



#### Other services

No other services were provided by the Auditor-General's Department. Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of 'supplies and services - other'. Refer Note 6.

#### 10. Legal Practitioners Act revenue

In accordance with the *Legal Practitioners Act 1981* the Commission is entitled to revenue from funds administered by the Law Society of South Australia.

|                                               | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------|----------------|----------------|
| Statutory Interest account                    | 1 054          | 975            |
| Interest on Legal Practitioners Trust account | 1 800          | 1 577          |
| <b>Total Legal Practitioners Act revenue</b>  | <b>2 854</b>   | <b>2 552</b>   |

#### 11. Costs recovered and contributions

|                                                | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------------------|----------------|----------------|
| Costs recovered                                | 118            | 178            |
| Contributions*                                 | 346            | 192            |
| <b>Total costs recovered and contributions</b> | <b>464</b>     | <b>370</b>     |

\* In addition, contributions of \$708 000 (2014 - \$653 000) in relation to referred cases were paid or are payable directly to private practitioners by clients.

#### 12. Other income

|                                                    | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------|----------------|----------------|
| Legal Assistance Services                          | 287            | 275            |
| Strata and Community Title Advisory Services       | 159            | 200            |
| Drug Court Funding                                 | 145            | 145            |
| National Legal Aid Data Standardisation Assistance | 100            | -              |
| Other income                                       | 375            | 457            |
| <b>Total other income</b>                          | <b>1 066</b>   | <b>1 077</b>   |

Total other income provided by entities within SA Government consists of \$304 000 (2014 - \$345 000).

#### 13. Commonwealth Government

A National Partnership Agreement on Legal Assistance Services between the Commonwealth of Australia and States and Territories is effective from 1 July 2010 to 30 June 2015. Amounts from the Commonwealth are received via the Attorney-General's Department. Pursuant to that Agreement, the Commonwealth Government contributed funding of \$16 194 000 (2014 - \$15 893 000) to South Australia for the year ended 30 June 2015. Additional funding of \$nil (2014 - \$1 175 000) was provided as part of the Legal Aid Collaboration Funding Program.

The Commission is also party to a separate agreement with the Commonwealth of Australia to provide services under the Immigration Advice and Application Assistance Scheme (IAAAS). The agreement contributed funding of \$39 000 (2014 - \$51 000).

The Commonwealth Government provided \$nil (2014 - \$191 000) for approved expensive cases.

#### 14. State Government

In 2014-15 the State Government contributed funding of \$17 750 000 (2014 - \$20 282 000).

The Commission is separately funded by the State Government for matters that exceed the Commission's prescribed funding cap. The matters are funded pursuant to the *Criminal Law (Legal Representation) Act 2001*. The Commission enters into an approved Case Management Agreement with the State Government for these matters.

The State Government provided \$404 000 (2014 - \$302 000) for approved expensive cases that exceeded the Commission cap.

#### 15. Cash and cash equivalents

|                                        | 2015          | 2014          |
|----------------------------------------|---------------|---------------|
|                                        | \$'000        | \$'000        |
| Short-term deposits with SAFA          | 12 750        | 16 500        |
| Cash at bank and on hand               | 30            | 61            |
| <b>Total cash and cash equivalents</b> | <b>12 780</b> | <b>16 561</b> |

##### Short-term deposits

Short-term deposits are held with the South Australian Government Financing Authority (SAFA) in the Cash Management Facility (CMF). The CMF is an at-call, pooled investment portfolio comprising cash and short-term money market securities. The daily earnings from the portfolio's investments are applied to Commission's investment balances. The CMF interest rate is the Reserve Bank of Australia's (RBA) cash rate plus a margin set by the SAFA General Manager.

##### Cash at bank and on hand

Cash on hand is non-interest bearing being petty cash. Deposits with BankSA (cash at bank) earn a floating interest rate based on daily bank deposit rates with interest paid semi-annually. The carrying amount of cash and cash equivalents represents fair value.

#### 16.1 Receivables

|                                  | 2015         | 2014         |
|----------------------------------|--------------|--------------|
|                                  | \$'000       | \$'000       |
| Legal Practitioners Act debtors  | 654          | 543          |
| GST input tax recoverable        | 291          | 375          |
| Client debtors and other debtors | 421          | 272          |
| Allowance for doubtful debts     | (30)         | (30)         |
| Prepayments                      | 226          | 464          |
| <b>Total Receivables</b>         | <b>1 562</b> | <b>1 624</b> |

#### 16.2 Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

|                                                 | 2015      | 2014      |
|-------------------------------------------------|-----------|-----------|
|                                                 | \$'000    | \$'000    |
| Carrying amount at the beginning of the period  | 30        | 40        |
| Increase in allowance                           | 44        | 34        |
| Amounts written off                             | (44)      | (44)      |
| <b>Carrying amount at the end of the period</b> | <b>30</b> | <b>30</b> |

#### 17.1 Property, plant and equipment

|                                                    | 2015         | 2014         |
|----------------------------------------------------|--------------|--------------|
|                                                    | \$'000       | \$'000       |
| Leasehold improvements at cost (deemed fair value) | 4 114        | 4 114        |
| Accumulated amortisation                           | (1 216)      | (963)        |
| <b>Total leasehold improvements</b>                | <b>2 898</b> | <b>3 151</b> |
| Plant and equipment at cost (deemed fair value)    | 4 629        | 4 554        |
| Accumulated depreciation                           | (2 569)      | (2 046)      |
| <b>Total plant and equipment</b>                   | <b>2 060</b> | <b>2 508</b> |
| Library at fair value *                            | 261          | 261          |
| <b>Total library</b>                               | <b>261</b>   | <b>261</b>   |



|                                            |              |              |
|--------------------------------------------|--------------|--------------|
| Work in progress                           | -            | 5            |
| Total work in progress                     | -            | 5            |
| <b>Total property, plant and equipment</b> | <b>5 219</b> | <b>5 925</b> |

\* The valuation of the library collection was performed by Valcorp Australia Pty Ltd as at 30 June 2014. The independent valuer arrived at fair value based on the written down replacement cost of the collections.

#### Impairment

There were no other indications of impairment of property, plant and equipment at 30 June 2015.

### 17.2 Intangible assets

|                                |                |                |
|--------------------------------|----------------|----------------|
|                                | <b>2015</b>    | <b>2014</b>    |
|                                | <b>\$'000</b>  | <b>\$'000</b>  |
| Computer software              | <b>1 557</b>   | <b>1 557</b>   |
| Accumulated amortisation       | <b>(1 353)</b> | <b>(1 148)</b> |
| <b>Total intangible assets</b> | <b>204</b>     | <b>409</b>     |

#### Impairment

There were no other indications of impairment of property, plant and equipment at 30 June 2015.

### 17.3 Reconciliation of non-current assets

|                                   | Leasehold<br>Improvements | Plant and<br>Equipment | Library       | Work<br>in Progress | Property<br>Plant &<br>Equipment<br>Total | Computer<br>Software | Intangible<br>Assets<br>Total |
|-----------------------------------|---------------------------|------------------------|---------------|---------------------|-------------------------------------------|----------------------|-------------------------------|
| <b>2015</b>                       | <b>\$'000</b>             | <b>\$'000</b>          | <b>\$'000</b> | <b>\$'000</b>       | <b>\$'000</b>                             | <b>\$'000</b>        | <b>\$'000</b>                 |
| Carrying amount at 1 July         | 3 151                     | 2 508                  | 261           | 5                   | 5 925                                     | 409                  | 409                           |
| Additions                         | -                         | 75                     | -             | -                   | 75                                        | -                    | -                             |
| Depreciation/amortisation expense | (253)                     | (523)                  | -             | -                   | (776)                                     | (205)                | (205)                         |
| Write off of WIP                  | -                         | -                      | -             | (5)                 | (5)                                       | -                    | -                             |
| <b>Carrying amount at 30 June</b> | <b>2 898</b>              | <b>2 060</b>           | <b>261</b>    | <b>-</b>            | <b>5 219</b>                              | <b>204</b>           | <b>204</b>                    |
|                                   | Leasehold<br>Improvements | Plant and<br>Equipment | Library       | Work<br>in Progress | Property<br>Plant &<br>Equipment<br>Total | Computer<br>Software | Intangible<br>Assets<br>Total |
| <b>2014</b>                       | <b>\$'000</b>             | <b>\$'000</b>          | <b>\$'000</b> | <b>\$'000</b>       | <b>\$'000</b>                             | <b>\$'000</b>        | <b>\$'000</b>                 |
| Carrying amount at 1 July         | 110                       | 355                    | 291           | 385                 | 1 141                                     | 900                  | 900                           |
| Additions                         | 2 859                     | 2 486                  | -             | 5                   | 5 350                                     | -                    | -                             |
| Depreciation/amortisation expense | (203)                     | (333)                  | -             | -                   | (536)                                     | (491)                | (491)                         |
| Transfer between asset classes    | 385                       | -                      | -             | (385)               | -                                         | -                    | -                             |
| Revaluation decrement             | -                         | -                      | (30)          | -                   | (30)                                      | -                    | -                             |
| <b>Carrying amount at 30 June</b> | <b>3 151</b>              | <b>2 508</b>           | <b>261</b>    | <b>5</b>            | <b>5 925</b>                              | <b>409</b>           | <b>409</b>                    |

### 17.4 Fair value measurement

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Commission categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

The Commission valuations were all recognised into Level 3 for 30 June 2015 and 30 June 2014.

#### Valuation techniques and inputs

Valuation techniques and inputs used to derive level 3 fair values are disclosed in Note 2.11. There were no changes in valuation techniques during 2014-15.

#### Reconciliation of fair value measurements - level 3

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3).

Reconciliation of level 3 recurring fair value measurements at 30 June 2015.

|                                                        | Leasehold<br>Improvements<br>\$'000 | Plant and<br>Equipment<br>\$'000 | Library<br>\$'000 | Total<br>\$'000 |
|--------------------------------------------------------|-------------------------------------|----------------------------------|-------------------|-----------------|
| Opening balance at 1 July                              | 3 151                               | 2 508                            | 261               | 5 920           |
| Acquisitions                                           | -                                   | 75                               | -                 | 75              |
| Total (losses) for the period recognised in net result |                                     |                                  |                   |                 |
| Depreciation/amortisation                              | (253)                               | (523)                            | -                 | (776)           |
| Closing balance at 30 June                             | 2 898                               | 2 060                            | 261               | 5 219           |

Reconciliation of level 3 recurring fair value measurements at 30 June 2014.

|                                                             | Leasehold<br>Improvements<br>\$'000 | Plant and<br>Equipment<br>\$'000 | Library<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------------------------|-------------------------------------|----------------------------------|-------------------|-----------------|
| Opening balance at 1 July                                   | 110                                 | 355                              | 291               | 756             |
| Acquisitions                                                | 2 859                               | 2 486                            | -                 | 5 345           |
| Transfers into level 3                                      | 385                                 | -                                | -                 | 385             |
| Total (losses) for the period recognised in net result      |                                     |                                  |                   |                 |
| Depreciation/amortisation                                   | (203)                               | (333)                            | -                 | (536)           |
|                                                             | 3 151                               | 2 508                            | 291               | 5 950           |
| Total (losses) for the period in other comprehensive income |                                     |                                  |                   |                 |
| Revaluation decrement                                       | -                                   | -                                | (30)              | (30)            |
|                                                             | -                                   | -                                | (30)              | (30)            |
| Closing balance at 30 June                                  | 3 151                               | 2 508                            | 261               | 5 920           |

### 18.1 Statutory charge debtors

Statutory charge debtors are raised as a result of the Commission registering charges over property owned by some recipients of legal aid to secure legal costs owed on cases undertaken and are reported at amounts due. Debts are recovered when the property is refinanced or sold.

|                                       | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------|----------------|----------------|
| Statutory charge debtors              | 6 674          | 6 274          |
| Allowance for doubtful debts          | (302)          | (274)          |
| <b>Total Statutory charge debtors</b> | <b>6 372</b>   | <b>6 000</b>   |

### 18.2 Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

|                                                 | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------------|----------------|----------------|
| Carrying amount at the beginning of the period  | 274            | 201            |
| Increase in the allowance                       | 180            | 227            |
| Amounts written off                             | (152)          | (154)          |
| <b>Carrying amount at the end of the period</b> | <b>302</b>     | <b>274</b>     |



**19. Payables**

|                            | 2015<br>\$'000    | 2014<br>\$'000    |
|----------------------------|-------------------|-------------------|
| Current                    |                   |                   |
| Creditors                  | 110               | 97                |
| Accrued expenses           | 87                | 76                |
| Employment on-costs        | <u>178</u>        | <u>188</u>        |
| Total current payables     | <u>375</u>        | <u>361</u>        |
| Non-current                |                   |                   |
| Employment on-costs        | <u>225</u>        | <u>228</u>        |
| Total non-current payables | <u>225</u>        | <u>228</u>        |
| <b>Total payables</b>      | <b><u>600</u></b> | <b><u>589</u></b> |

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has changed from 2014 rate of 40% to 37% and the average factor for the calculation of employer superannuation cost on-cost has remained at the 2014 rate of 10.3%. These rates are used in the employment on-cost calculation. The net financial effect of the change in the current financial year is an increase in the employment on-cost of \$13 000 and employee benefits expense of \$13 000.

**20. Employee benefits**

|                                       | 2015<br>\$'000      | 2014<br>\$'000      |
|---------------------------------------|---------------------|---------------------|
| Current                               |                     |                     |
| Accrued salaries and wages            | 118                 | 59                  |
| Annual leave                          | 941                 | 991                 |
| Long service leave                    | 313                 | 279                 |
| Skills and experience retention leave | <u>139</u>          | <u>123</u>          |
| Total current employee benefits       | <u>1 511</u>        | <u>1 452</u>        |
| Non-current                           |                     |                     |
| Long service leave                    | <u>3 526</u>        | <u>3 363</u>        |
| Total non-current employee benefits   | <u>3 526</u>        | <u>3 363</u>        |
| <b>Total employee benefits</b>        | <b><u>5 037</u></b> | <b><u>4 815</u></b> |

AASB 119 contains the calculation methodology for long service leave liability. An actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

AASB119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased from 3.5% (2014) to 3% (2015).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, contributed to an increase in the reported long service leave liability.

The net financial effect of the changes in the methodology and actuarial assumptions in the current financial year is an increase in the long service leave liability of \$134 000 and employee benefits expense of \$142 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 3%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

## 21. Cash flow reconciliation

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

|                                                                                      | 2015<br>\$'000       | 2014<br>\$'000       |
|--------------------------------------------------------------------------------------|----------------------|----------------------|
| Short-term deposits with SAFA                                                        | 12 750               | 16 500               |
| Cash at bank and on hand                                                             | <u>30</u>            | <u>61</u>            |
| <b>Cash and cash equivalents as disclosed in the Statement of Financial Position</b> | <b><u>12 780</u></b> | <b><u>16 561</u></b> |
| <b>Balance as per the Statement of Cash Flows</b>                                    | <b><u>12 780</u></b> | <b><u>16 561</u></b> |

## Reconciliation of net cash provided by (used in) operating activities to net cost of providing services:

|                                                     | 2015<br>\$'000         | 2014<br>\$'000         |
|-----------------------------------------------------|------------------------|------------------------|
| Net cash provided by (used in) operating activities | (3 706)                | 3 521                  |
| Less revenues from Government                       | (34 387)               | (37 894)               |
| <b>Non cash items:</b>                              |                        |                        |
| Amount of lease incentive amortised                 | 233                    | -                      |
| Depreciation and amortisation                       | (981)                  | (1 027)                |
| Write off WIP                                       | (5)                    | -                      |
| <b>Movement in assets and liabilities:</b>          |                        |                        |
| Increase/(decrease) in statutory charge debtors     | 372                    | 287                    |
| Increase/(decrease) in receivables                  | (62)                   | (136)                  |
| (Increase)/decrease in employee benefits            | (222)                  | (462)                  |
| (Increase)/decrease in lease incentive liabilities  | -                      | (3 266)                |
| (Increase)/decrease in legal payables               | 357                    | 54                     |
| (Increase)/decrease in payables                     | <u>(11)</u>            | <u>85</u>              |
| <b>Net cost of providing services</b>               | <b><u>(38 412)</u></b> | <b><u>(38 838)</u></b> |

## 22. Unrecognised contractual commitments

|                                        | 2015<br>\$'000      | 2014<br>\$'000      |
|----------------------------------------|---------------------|---------------------|
| <b>(a) Legal expense commitments</b>   |                     |                     |
| Not later than one year                | <u>3 313</u>        | <u>2 464</u>        |
| <b>Total legal expense commitments</b> | <b><u>3 313</u></b> | <b><u>2 464</u></b> |

As at 30 June 2015, the Commission has disclosed a commitment on all outstanding amounts raised since 1 January 2015 (ie previous six months).

When a private practitioner is allocated a case, they are issued with a commitment certificate indicating the amount the private practitioner is able to claim in relation to the case. Once the private practitioner has provided the service, they sign and submit the commitment certificate, so they can be paid. 'Legal Expense Commitments' relate to commitment certificates that have been issued by the Commission but not yet returned.

|                                                   | 2015<br>\$'000       | 2014<br>\$'000       |
|---------------------------------------------------|----------------------|----------------------|
| <b>(b) Operating Lease commitments</b>            |                      |                      |
| Not later than one year                           | 2 554                | 2 463                |
| Later than one year but not later than five years | 9 070                | 9 279                |
| Greater than five years                           | <u>22 211</u>        | <u>24 555</u>        |
| <b>Total operating lease commitments</b>          | <b><u>33 835</u></b> | <b><u>36 297</u></b> |

At the reporting date the Commission held the above obligations under non-cancellable operating leases. The operating leases held by the Commission are predominantly property leases with penalty clauses equal to the amount of the residual payments remaining for the lease term. Lease payments are payable one month in advance.



In 2012-13 the Commission entered into a Memorandum of Understanding with the Minister for Transport and Infrastructure to lease new city business accommodation over a fifteen year term, with the option to renew available in 2029.

|                                                   | 2015<br>\$'000      | 2014<br>\$'000      |
|---------------------------------------------------|---------------------|---------------------|
| <b>(c) Remuneration commitments</b>               |                     |                     |
| Not later than one year                           | 3 429               | 2 852               |
| Later than one year but not later than five years | <u>2 023</u>        | <u>3 453</u>        |
| <b>Total remuneration commitments</b>             | <b><u>5 452</u></b> | <b><u>6 305</u></b> |

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

The Commission does not offer fixed-term remuneration contracts greater than five years.

## 23. Remuneration of Commission members

Members of the Commission during the 2015 financial year were:

|                          |                           |
|--------------------------|---------------------------|
| Mr Michael Abbott        | Chairman                  |
| Ms Alison Lloyd Wright * |                           |
| Ms Catherine Nelson      |                           |
| Mr Craig Caldicott       | Appointed 5 February 2015 |
| Ms Gabrielle Canny *     | Ex Officio                |
| Mr Michael Dawson        |                           |
| Mr Andrew English *      |                           |
| Mr Alan Herald           |                           |
| Mr John Keen             |                           |
| Ms Jayne Basheer         | Retired 23 March 2015     |
| Ms Tracee Micallef       | Retired 5 November 2014   |

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

|                     | <b>Number of Members</b> |                  |
|---------------------|--------------------------|------------------|
|                     | 2015                     | 2014             |
| \$0                 | 3                        | 3                |
| \$1 - \$10 000      | 2                        | 3                |
| \$10 001 - \$20 000 | 5                        | 6                |
| \$20 001 - \$30 000 | <u>1</u>                 | <u>-</u>         |
| <b>Total</b>        | <b><u>11</u></b>         | <b><u>12</u></b> |

Remuneration of members reflects all costs of performing Commission member duties including sitting fees, superannuation contributions, fringe benefit tax and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$95 000 (2014 - \$98 000) including \$8 000 (2014 - \$8 000) paid or payable to superannuation plans for Commission members.

\* In accordance with the Department of Premier and Cabinet Circular No.016, Commission members who are government employees paid at executive level did not receive any remuneration for Commission duties during the financial year.

The members of the Commission are appointed by the Governor in accordance with the provisions of the Act and include sole practitioners. In the ordinary course of business the Commission enters into transactions with legal firms, some of which are associated with members of the Commission. Payments made to these firms are in accordance with the Commission's scale of fees and are payments that apply to practitioners generally. Accordingly, unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

## 24. Contingent assets and liabilities

At balance date and as at the date of financial statement certification, there were no known contingent assets or liabilities.

## 25. Financial risk management/Financial instruments

### *Financial risk management*

Risk management is managed by the Commission's Infrastructure Section and Commission risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Commission is exposed to financial risk - liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

### *Categorisation of financial Instruments*

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

Refer table 25.1 for the carrying amounts of each of the following categories of financial assets and liabilities: receivables; and financial liabilities measured at cost.

The Commission does not recognise any financial assets or financial liabilities at fair value. The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2, 16 and 19).

### *Liquidity risk*

Liquidity risk arises from the possibility that the Commission is unable to meet its financial obligations as they fall due. The Commission is funded principally from appropriations by the State and Commonwealth Governments. 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. The Commission settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Commission's exposure to liquidity risk is insignificant based on past experience and current assessment of risk. The carrying amount of financial liabilities recorded in table 25.1 represents the Commission's maximum exposure to financial liabilities.

*Table 25.1 Categorisation and maturity analysis of financial assets and liabilities*

| Category of financial asset and financial liability | Notes | 2015 Carrying amount/<br>Fair value<br>(\$'000) | 2015 Contractual Maturities |                           |                       |                               |
|-----------------------------------------------------|-------|-------------------------------------------------|-----------------------------|---------------------------|-----------------------|-------------------------------|
|                                                     |       |                                                 | Current                     | Within 1 year<br>(\$'000) | 1-5 years<br>(\$'000) | More than 5 years<br>(\$'000) |
| <b>Financial assets</b>                             |       |                                                 |                             |                           |                       |                               |
| <u>Cash and equivalent</u>                          |       |                                                 |                             |                           |                       |                               |
| - Cash and cash equivalent                          | 15    | 12 780                                          | 12 780                      | -                         | -                     | -                             |
| <u>Loans and receivables</u>                        |       |                                                 |                             |                           |                       |                               |
| - Receivables (1)(2)                                | 16    | 269                                             | -                           | 269                       | -                     | -                             |
| <b>Total financial assets</b>                       |       | 13 049                                          | 12 780                      | 269                       | -                     | -                             |
| <b>Financial liabilities</b>                        |       |                                                 |                             |                           |                       |                               |
| <u>Financial liabilities at cost</u>                |       |                                                 |                             |                           |                       |                               |
| - Payables (1)                                      | 19    | 109                                             | -                           | 109                       | -                     | -                             |
| <b>Total financial liabilities</b>                  |       | 109                                             | -                           | 109                       | -                     | -                             |



| Category of financial asset and financial liability | Notes | 2014 Carrying amount/ Fair value (\$'000) | 2014 Contractual Maturities |                        |                    |                            |
|-----------------------------------------------------|-------|-------------------------------------------|-----------------------------|------------------------|--------------------|----------------------------|
|                                                     |       |                                           | Current                     | Within 1 year (\$'000) | 1-5 years (\$'000) | More than 5 years (\$'000) |
| <b>Financial assets</b>                             |       |                                           |                             |                        |                    |                            |
| <u>Cash and equivalent</u>                          |       |                                           |                             |                        |                    |                            |
| - Cash and cash equivalent                          | 15    | 16 561                                    | 16 561                      | -                      | -                  | -                          |
| <u>Loans and receivables</u>                        |       |                                           |                             |                        |                    |                            |
| - Receivables (1)(2)                                | 16    | 103                                       | -                           | 103                    | -                  | -                          |
| <b>Total financial assets</b>                       |       | 16 664                                    | 16 561                      | 103                    | -                  | -                          |
| <b>Financial liabilities</b>                        |       |                                           |                             |                        |                    |                            |
| <u>Financial liabilities at cost</u>                |       |                                           |                             |                        |                    |                            |
| - Payables (1)                                      | 19    | 97                                        | -                           | 97                     | -                  | -                          |
| <b>Total financial liabilities</b>                  |       | 97                                        | -                           | 97                     | -                  | -                          |

(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 levies, tax and equivalents etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

(2) Receivable amounts disclosed here exclude prepayments. Prepayments are presented in Note 16 as prepayments in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or other financial assets.

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Other than in-house contributions owed by legal aid recipients (a statutory receivable excluded from this note), there is no evidence to indicate that any other Commission financial assets are impaired. Refer to note 2.11 for information on the allowance for impairment in relation to receivables.

The following table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets.

Table 25.2 Ageing analysis of financial assets

|                            | Carrying Amount<br>\$'000 | Not past due and not impaired<br>\$'000 | Past due but not impaired               |                                  |                                         | Impaired Financial assets<br>\$'000 |
|----------------------------|---------------------------|-----------------------------------------|-----------------------------------------|----------------------------------|-----------------------------------------|-------------------------------------|
|                            |                           |                                         | Overdue for less than 30 days<br>\$'000 | Overdue for 30-60 days<br>\$'000 | Overdue for more than 60 days<br>\$'000 |                                     |
| <b>2015</b>                |                           |                                         |                                         |                                  |                                         |                                     |
| Receivables <sup>(1)</sup> | 269                       | 228                                     | -                                       | -                                | 41                                      | -                                   |
| <b>2014</b>                |                           |                                         |                                         |                                  |                                         |                                     |
| Receivables <sup>(1)</sup> | 103                       | 52                                      | 2                                       | -                                | 49                                      | -                                   |

(1) Receivable amounts disclosed here exclude amounts relating to statutory receivables (amounts owing to Government). They are carried at cost.

*Market risk*

Market risk for the Commission is primarily through interest rate risk. There is no exposure to foreign currency or other price risks.

*Sensitivity disclosure analysis*

A sensitivity analysis has not been undertaken for the interest rate risk of the Commission as it has been determined that the possible impact on total comprehensive result or total equity from fluctuations in interest rates is immaterial.



## CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the attached general purpose financial statements for the Legal Services Commission of South Australia:

- complies with relevant Treasurer's instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards;
- are in accordance with the accounts and records of the Legal Services Commission of SA; and
- presents a true and fair view of the financial position of the Legal Services Commission of SA as at 30 June 2015 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by Legal Services Commission of SA for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period and there are reasonable grounds to believe the Commission will be able to pay its debts as and when they become due and payable.



Chinh Dinh-Pham  
FINANCE MANAGER

9 September 2015



Gabrielle Canny  
DIRECTOR

9 September 2015



Michael Abbott  
CHAIRMAN

September 2015



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**To the Chairman**  
**Legal Services Commission**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* section 25 of the *Legal Services Commission Act 1977*, I have audited the accompanying financial report of the Legal Services Commission for the financial year ended 30 June 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman, the Director and the Finance Manager.

**Members of the Commission's Responsibility for the Financial Report**

The members of the Commission are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the members of the Commission determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

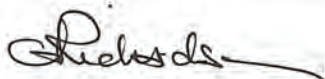
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the members of the Commission, as well as the overall presentation of the financial report.



I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the Legal Services Commission as at 30 June 2015, 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.

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson  
**Auditor-General**  
16 September 2015

# The Legislature — House of Assembly

Financial report  
for the year ended  
30 June 2015



# House of Assembly

## Financial Statements

### Statement of Comprehensive Income

#### For the year ended 30 June 2015

|                                                                          | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------------------------------|------|----------------|----------------|
| <b>Expenses</b>                                                          |      |                |                |
| Employee benefits expenses                                               | 4    | 2,462          | 2,506          |
| Members' salaries and allowances                                         | 5    | 8,413          | 8,960          |
| Supplies and services                                                    | 6    | 2,684          | 2,616          |
| Depreciation                                                             | 7    | 221            | 402            |
| Net loss from the disposal of non-current assets                         |      | 3              | 2              |
| Assets provided for nil consideration to the Joint Parliamentary Service | 11   | 165            | 364            |
| <b>Total expenses</b>                                                    |      | <b>13,948</b>  | <b>14,850</b>  |
| <b>Income</b>                                                            |      |                |                |
| Other income                                                             |      | 50             | 4              |
| <b>Total income</b>                                                      |      | <b>50</b>      | <b>4</b>       |
| <b>Net cost of providing services</b>                                    |      | <b>13,898</b>  | <b>14,846</b>  |
| <b>Revenues from SA Government</b>                                       | 8    | 14,006         | 14,500         |
| <b>Net result</b>                                                        |      | <b>108</b>     | <b>(346)</b>   |
| <b>Total comprehensive result</b>                                        |      | <b>108</b>     | <b>(346)</b>   |

*The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

# House of Assembly

## Financial Statements

### Statement of Financial Position As at 30 June 2015

|                                             | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------|------|----------------|----------------|
| <b>Current assets</b>                       |      |                |                |
| Cash and cash equivalents                   | 9    | 1,952          | 1,689          |
| Receivables                                 | 10   | 82             | 30             |
| <b>Total current assets</b>                 |      | <b>2,034</b>   | <b>1,719</b>   |
| <b>Non-current assets</b>                   |      |                |                |
| Property, plant and equipment               | 11   | 1,573          | 1,625          |
| <b>Total non-current assets</b>             |      | <b>1,573</b>   | <b>1,625</b>   |
| <b>Total assets</b>                         |      | <b>3,607</b>   | <b>3,344</b>   |
| <b>Current liabilities</b>                  |      |                |                |
| Payables                                    | 13   | 308            | 375            |
| Employee benefits                           | 14   | 424            | 319            |
| Provisions                                  | 15   | 3              | 3              |
| <b>Total current liabilities</b>            |      | <b>735</b>     | <b>697</b>     |
| <b>Non-current liabilities</b>              |      |                |                |
| Payables                                    | 13   | 47             | 44             |
| Employee benefits                           | 14   | 808            | 688            |
| Provisions                                  | 15   | 6              | 12             |
| <b>Total non-current liabilities</b>        |      | <b>861</b>     | <b>744</b>     |
| <b>Total liabilities</b>                    |      | <b>1,596</b>   | <b>1,441</b>   |
| <b>Net assets</b>                           |      | <b>2,011</b>   | <b>1,903</b>   |
| <b>Equity</b>                               |      |                |                |
| Retained earnings                           |      | 1,960          | 1,852          |
| Asset revaluation surplus                   | 16   | 51             | 51             |
| <b>Total equity</b>                         |      | <b>2,011</b>   | <b>1,903</b>   |
| <b>Unrecognised contractual commitments</b> | 17   |                |                |
| <b>Contingent assets and liabilities</b>    | 19   |                |                |

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*



# House of Assembly

## Financial Statements

### Statement of Changes in Equity For the year ended 30 June 2015

|                                        | Note | Asset<br>Revaluation<br>Surplus<br>\$'000 | Retained<br>Earnings<br>\$'000 | Total<br>Equity<br>\$'000 |
|----------------------------------------|------|-------------------------------------------|--------------------------------|---------------------------|
| <b>Balance at 30 June 2013</b>         |      | <b>51</b>                                 | <b>2,198</b>                   | <b>2,249</b>              |
| Net result for 2013-14                 |      | -                                         | (346)                          | (346)                     |
| Total comprehensive result for 2013-14 |      | -                                         | (346)                          | (346)                     |
| <b>Balance at 30 June 2014</b>         |      | <b>51</b>                                 | <b>1,852</b>                   | <b>1,903</b>              |
| Net result for 2014-15                 |      | -                                         | 108                            | 108                       |
| Total comprehensive result for 2014-15 |      | -                                         | 108                            | 108                       |
| <b>Balance at 30 June 2015</b>         |      | <b>51</b>                                 | <b>1,960</b>                   | <b>2,011</b>              |

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

# House of Assembly

## Financial Statements

### Statement of Cash Flows

For the year ended 30 June 2015

|                                                  | Note | 2015<br>\$'000<br>Inflows<br>(Outflows) | 2014<br>\$'000<br>Inflows<br>(Outflows) |
|--------------------------------------------------|------|-----------------------------------------|-----------------------------------------|
| <b>Cash flows from operating activities</b>      |      |                                         |                                         |
| <b>Cash outflows</b>                             |      |                                         |                                         |
| Employee benefits expenses                       |      | (2,243)                                 | (2,724)                                 |
| Members' superannuation                          | 5    | (1,280)                                 | (1,534)                                 |
| Payments for supplies and services               |      | (3,069)                                 | (2,698)                                 |
| Payments for paid parental leave scheme          |      | (1)                                     | (10)                                    |
| <b>Cash used in operations</b>                   |      | <b>(6,593)</b>                          | <b>(6,966)</b>                          |
| <b>Cash inflows</b>                              |      |                                         |                                         |
| GST recovered from the ATO                       |      | 266                                     | 263                                     |
| Receipts for paid parental leave scheme          |      | -                                       | 11                                      |
| Other receipts                                   |      | 54                                      | 5                                       |
| <b>Cash generated from operations</b>            |      | <b>320</b>                              | <b>279</b>                              |
| <b>Cash flows from SA Government</b>             |      |                                         |                                         |
| Receipts from State Government                   | 8    | 6,873                                   | 7,075                                   |
| <b>Cash generated from SA Government</b>         |      | <b>6,873</b>                            | <b>7,075</b>                            |
| <b>Net cash provided by operating activities</b> | 21   | <b>600</b>                              | <b>388</b>                              |
| <b>Cash flows from investing activities</b>      |      |                                         |                                         |
| Purchase of property, plant and equipment        | 11   | (337)                                   | (129)                                   |
| <b>Net cash used in investing activities</b>     |      | <b>(337)</b>                            | <b>(129)</b>                            |
| Net increase in cash and cash equivalents        |      | 263                                     | 259                                     |
| Cash and cash equivalents at 1 July              |      | 1,689                                   | 1,430                                   |
| <b>Cash and cash equivalents at 30 June</b>      | 9    | <b>1,952</b>                            | <b>1,689</b>                            |

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*



# House of Assembly

## Financial Statements

### 1. Objective of the House of Assembly

The House of Assembly is established under the *Constitution Act 1934*. The House of Assembly, together with the Legislative Council, constitute the Parliament of South Australia. The principal purpose of Parliament is to legislate for peace, order and responsible governance of South Australia. The House of Assembly consists of forty-seven Members elected by the inhabitants of the State legally qualified to vote. The House of Assembly also employs clerical and administrative officers.

Certain support services provided to the House of Assembly are not reflected in these financial statements but in the financial statements of the Joint Parliamentary Service. The House of Assembly provides assets to the Joint Parliamentary Service for nil consideration.

### 2. Summary of significant accounting policies

#### (a) Statement of compliance

These financial statements are in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

The House of Assembly has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the House of Assembly is a not-for-profit entity.

Except for AASB 2015-7 which the House of Assembly has early adopted, Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the House of Assembly for the reporting period ending 30 June 2015 (refer note 3).

#### (b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the House of Assembly's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements 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 equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

The House of Assembly's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

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

# House of Assembly

## Financial Statements

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented.

### **(c) Comparative information**

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

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

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

### **(d) Rounding**

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

### **(e) Taxation**

The House of Assembly is not subject to income tax. The House of Assembly is liable for payroll tax, fringe benefits tax, goods and services tax (GST) and emergency services levy.

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

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

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

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

### **(f) Income**

Income is recognised to the extent that it is probable that the flow of economic benefits to the House of Assembly will occur and can be reliably measured.

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

The following are specific recognition criteria:

#### *Revenues from SA Government*

Appropriations are recognised as revenues when the House of Assembly obtains control over the funding. Control over appropriations is normally obtained upon receipt.



# House of Assembly

## Financial Statements

### (g) *Expenses*

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the House of Assembly will occur and can be reliably measured.

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

The following are specific recognition criteria:

#### *Employee benefits expenses*

Employee benefits expenses includes all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

#### *Superannuation*

The amount charged to the Statement of Comprehensive Income represents the contributions made by the House of Assembly to the superannuation plan in respect of current services of current House of Assembly staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole of government financial statements.

#### *Members' salaries and allowances*

Allowances and benefits provided to Members by other State Government agencies and included in their financial statements are not recognised or disclosed in these financial statements apart from Ministers' salaries and allowances disclosed in note 5.

#### *Depreciation*

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

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

Land is not depreciated.

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

| <b>Class of asset</b> | <b>Useful life</b> |
|-----------------------|--------------------|
| Plant and equipment   | 5 - 30 years       |
| Fixtures and fittings | 5 - 10 years       |
| Computer equipment    | 3 - 5 years        |

The majority of fixtures and fittings are antiques. They are anticipated to have a very long and indeterminate useful life. Consequently, no amount for depreciation has been recognised during the reporting period for these assets.

Works of art controlled by the House of Assembly are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

# House of Assembly

## Financial Statements

### *(h) Current and non-current classification*

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are to be 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 House of Assembly has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

### *(i) Assets*

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

Where an asset line item combine amounts expected to be settled within 12 months and more than 12 months, the House of Assembly has separately disclosed the amounts expected to be recovered after more than 12 months.

#### *Cash and cash equivalents*

Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand.

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

Cash is measured at nominal value.

#### *Receivables*

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

Receivables are generally settled within 30 days after the issue of an invoice.

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

#### *Non-current assets - Acquisition and recognition*

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

All non-current tangible assets with a value equal to or in excess of \$5,000 are capitalised.

Buildings within which the House of Assembly operate are recognised in the financial statements for the Joint Parliamentary Service.

Art work on loan from the Art Gallery of South Australia is not recognised in the financial statements.



# House of Assembly

## Financial Statements

Expenditure on assets not fully constructed at 30 June is disclosed separately as capital works in progress. Assets contributed by the House of Assembly to the Joint Parliamentary Service once completed are recognised in the Statement of Comprehensive Income as an expense in the period contributed.

### *Revaluation of non-current assets*

All non-current tangible assets are valued at fair value and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than 3 years.

Every six years, the House of Assembly revalues its non-current assets. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Any revaluation increment is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in revaluation surplus for that asset class.

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

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

### *Impairment*

All non-current assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement costs. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

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

### *Fair value measurement*

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The House of Assembly classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

## House of Assembly

### Financial Statements

- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Chief Finance Officer at each reporting date.

#### *Non-Financial assets*

In determining fair value, the House of Assembly has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The House of Assembly's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible within the next five years. As the House of Assembly did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a 'fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years' is deemed to approximate fair value.

Refer notes 11 and 12 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

#### *Financial assets/liabilities*

The House of Assembly does not recognise any financial assets or financial liabilities at fair value.

#### **(j) Liabilities**

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

Where a liability line item combine amounts expected to be settled within 12 months and more than 12 months, the House of Assembly has separately disclosed the amounts expected to be settled after more than 12 months.

#### *Payables*

Payables include creditors, accrued expenses, GST payable and 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 House of Assembly.

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

The Paid Parental Leave Scheme payable represents amounts which the House of Assembly has received from the Commonwealth Government to forward onto eligible employees via the House of Assembly's standard payroll processes. That is, the House of Assembly is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.



# House of Assembly

## Financial Statements

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

Employee benefits on-costs include payroll tax, workers compensation and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

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

### *Leases*

The House of Assembly leases office premises. Lease payments are increased annually in accordance with movements in the Consumer Price Index.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased asset.

### *Employee benefits*

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

### Salaries and wages, annual leave, SERL and sick leave

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

The annual leave liability and the SERL liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

### Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

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

### *Provisions*

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

# House of Assembly

## Financial Statements

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2015 provided by a consulting actuary engaged through the Office for the Public Sector.

The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The House of Assembly is responsible for the payment of workers compensation claims.

### **(k) *Unrecognised contractual commitments and contingent assets and liabilities***

Commitments include operating lease commitments arising from contractual or statutory sources and are disclosed at their nominal value.

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

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

## **3. New and revised accounting standards and policies**

### **Accounting Standards**

Except for AASB 2015-7 which the House of Assembly has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the House of Assembly for the period ending 30 June 2015. The House of Assembly has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the House of Assembly.



# House of Assembly

## Financial Statements

|                                         | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------|----------------|----------------|
| <b>4. Employee benefits expenses</b>    |                |                |
| Salaries and wages                      | 2,096          | 2,089          |
| Employment on-costs – superannuation    | 190            | 231            |
| Employment on-costs – other             | 183            | 194            |
| Workers compensation                    | (7)            | (8)            |
| <b>Total employee benefits expenses</b> | <b>2,462</b>   | <b>2,506</b>   |

### Remuneration of employees

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

|                     | 2015<br>No | 2014<br>No |
|---------------------|------------|------------|
| \$161,500 – 171,499 | -          | 1          |
| \$211,500 – 221,499 | 1          | -          |
| \$491,500 – 501,499 | -          | 1          |
| <b>Total</b>        | <b>1</b>   | <b>2</b>   |

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. The executive base level remuneration rate for 2014-15 is the same as the 2013-14 rate (there has been no increase in executive remuneration since 1 July 2013). Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by this employee was \$216,000 (2014 \$668,000).

|                                               | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------|----------------|----------------|
| <b>5. Members' salaries and allowances</b>    |                |                |
| Members' salaries and allowances              | 7,133          | 7,426          |
| Superannuation                                | 1,280          | 1,534          |
| <b>Total members' salaries and allowances</b> | <b>8,413</b>   | <b>8,960</b>   |

Members' salaries, electorate allowances and additional salaries of \$7.1 million (2014 \$7.4 million) reflected in these financial statements are paid from Appropriations administered by the Joint Parliamentary Service. The Appropriations are provided under the the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*. Ministers' salaries and allowances totalling \$3.5 million (2014 \$3.3 million) and superannuation of \$745,000 (2014 \$713,000) are not reported in these financial statements but in the financial statements of each Minister's respective Department.

# House of Assembly

## Financial Statements

|                                                    | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------|----------------|----------------|
| <b>6. Supplies and services</b>                    |                |                |
| Printing                                           | 382            | 436            |
| Information technology                             | 491            | 576            |
| Lease                                              | 126            | 127            |
| Publications                                       | 43             | 73             |
| Security                                           | 147            | 95             |
| Vehicle hire                                       | 8              | 10             |
| Members travel, accommodation and related expenses | 936            | 761            |
| Travelling expenses                                | 45             | 37             |
| Fringe benefits tax                                | 183            | 125            |
| Stationery                                         | 21             | 23             |
| Staff training and development                     | 8              | 23             |
| Commonwealth Parliamentary Association             | -              | 35             |
| Records and artwork management                     | 12             | 55             |
| Agency staff hire                                  | 20             | 7              |
| Consultants fees                                   | -              | 32             |
| Advertisements                                     | 38             | 17             |
| Repairs and maintenance                            | 15             | 43             |
| Minor works and equipment                          | 31             | 21             |
| Other                                              | 178            | 120            |
| <b>Total supplies and services</b>                 | <b>2,684</b>   | <b>2,616</b>   |

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

|                                                  | 2015     |          | 2014     |           |
|--------------------------------------------------|----------|----------|----------|-----------|
|                                                  | No       | \$'000   | No       | \$'000    |
| Below \$10,000                                   | -        | -        | 2        | 12        |
| Above \$10,000                                   | -        | -        | 1        | 20        |
| <b>Total paid/payable to consultants engaged</b> | <b>-</b> | <b>-</b> | <b>3</b> | <b>32</b> |

Not included in the above table are consultancies for \$5,000 (2014 \$Nil) which were capitalised.

|                                                                                                                                               | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>7. Depreciation</b>                                                                                                                        |                |                |
| Plant and equipment                                                                                                                           | 27             | 24             |
| Fixtures and fittings                                                                                                                         | 35             | 35             |
| Computer equipment                                                                                                                            | 159            | 343            |
| <b>Total depreciation</b>                                                                                                                     | <b>221</b>     | <b>402</b>     |
| <b>8. Revenues from SA Government</b>                                                                                                         |                |                |
| Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>                                                             | 6,873          | 7,074          |
| Appropriations received under the <i>Parliamentary Remuneration Act 1990</i> and the <i>Parliamentary Committees (Miscellaneous) Act 1991</i> | 7,133          | 7,426          |
| <b>Total revenues from SA Government</b>                                                                                                      | <b>14,006</b>  | <b>14,500</b>  |



# House of Assembly

## Financial Statements

|                                        | 2015         | 2014         |
|----------------------------------------|--------------|--------------|
|                                        | \$'000       | \$'000       |
| <b>9. Cash and cash equivalents</b>    |              |              |
| Deposits with the Treasurer            | 1,952        | 1,689        |
| <b>Total cash and cash equivalents</b> | <b>1,952</b> | <b>1,689</b> |

### Deposits with the Treasurer

Deposits with the Treasurer includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

### Interest rate risk

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

## 10. Receivables

|                                  |           |           |
|----------------------------------|-----------|-----------|
| Receivables                      | 8         | 4         |
| Prepayments                      | 73        | 25        |
| Other                            | 1         | 1         |
| <b>Total current receivables</b> | <b>82</b> | <b>30</b> |

### 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. 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.

# House of Assembly

## Financial Statements

|                                            | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------|----------------|----------------|
| <b>11. Property, plant and equipment</b>   |                |                |
| <b>Plant and equipment</b>                 |                |                |
| Fair value                                 | 184            | 168            |
| Less: Accumulated depreciation             | (88)           | (62)           |
| <b>Total plant and equipment</b>           | <b>96</b>      | <b>106</b>     |
| <b>Fixtures and fittings</b>               |                |                |
| Fair value                                 | 496            | 496            |
| Less: Accumulated depreciation             | (108)          | (73)           |
| <b>Total fixtures and fittings</b>         | <b>388</b>     | <b>423</b>     |
| <b>Computer equipment</b>                  |                |                |
| At cost (deemed fair value)                | 1,288          | 1,240          |
| Less: Accumulated depreciation             | (972)          | (813)          |
| <b>Total computer equipment</b>            | <b>316</b>     | <b>427</b>     |
| <b>Works of art</b>                        |                |                |
| Independent valuation                      | 669            | 669            |
| <b>Total works of art</b>                  | <b>669</b>     | <b>669</b>     |
| <b>Capital works in progress</b>           |                |                |
| Capital works in progress                  | 104            | -              |
| <b>Total capital works in progress</b>     | <b>104</b>     | <b>-</b>       |
| <b>Total property, plant and equipment</b> | <b>1,573</b>   | <b>1,625</b>   |

### Valuation of assets

An independent valuation of the plant and equipment was conducted as at 30 June 2011 by Fred Taormina B.App.Sc.(Val.), A.A.P.I. (Associate member of the Australian Property Institute) Certified Practising Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2011 was prepared on a fair value basis.

An independent valuation of the works of art, fixtures and fittings was conducted by Mr Stephen Sinclair, a recognised expert in the industry, at 30 June 2011. The valuation at 30 June 2011 was a desktop valuation that updated a previous valuation at 30 June 2006. The valuation was determined at net market value.

### Impairment

There were no indications of impairment of property, and plant and equipment at 30 June 2015.



# House of Assembly

## Financial Statements

### 11. Property, plant and equipment

#### Asset Movement Reconciliation 2014-15

|                                       | Plant<br>and<br>equipment<br>\$'000 | Fixtures<br>and<br>fittings<br>\$'000 | Computer<br>equipment<br>\$'000 | Works<br>of art<br>\$'000 | Capital<br>works in<br>progress<br>\$'000 | Total<br>\$'000 |
|---------------------------------------|-------------------------------------|---------------------------------------|---------------------------------|---------------------------|-------------------------------------------|-----------------|
| Carrying amount at 1 July             | 106                                 | 423                                   | 427                             | 669                       | -                                         | 1,625           |
| Additions                             | 20                                  | -                                     | 48                              | -                         | 269                                       | 337             |
| Depreciation                          | (27)                                | (35)                                  | (159)                           | -                         | -                                         | (221)           |
| Assets provided for nil consideration | -                                   | -                                     | -                               | -                         | (165)                                     | (165)           |
| Disposals                             | (3)                                 | -                                     | -                               | -                         | -                                         | (3)             |
| Carrying amount at 30 June            | <b>96</b>                           | <b>388</b>                            | <b>316</b>                      | <b>669</b>                | <b>104</b>                                | <b>1,573</b>    |

#### Asset Movement Reconciliation 2013-14

|                                       | Plant<br>and<br>equipment<br>\$'000 | Fixtures<br>and<br>fittings<br>\$'000 | Computer<br>equipment<br>\$'000 | Works<br>of art<br>\$'000 | Capital<br>works in<br>progress<br>\$'000 | Total<br>\$'000 |
|---------------------------------------|-------------------------------------|---------------------------------------|---------------------------------|---------------------------|-------------------------------------------|-----------------|
| Carrying amount at 1 July             | 117                                 | 458                                   | 750                             | 669                       | 271                                       | 2,265           |
| Additions                             | 15                                  | -                                     | 20                              | -                         | 93                                        | 128             |
| Depreciation                          | (24)                                | (35)                                  | (343)                           | -                         | -                                         | (402)           |
| Assets provided for nil consideration | -                                   | -                                     | -                               | -                         | (364)                                     | (364)           |
| Disposals                             | (2)                                 | -                                     | -                               | -                         | -                                         | (2)             |
| Carrying amount at 30 June            | <b>106</b>                          | <b>423</b>                            | <b>427</b>                      | <b>669</b>                | <b>-</b>                                  | <b>1,625</b>    |

# House of Assembly

## Financial Statements

### 12. Fair value measurement

#### Fair Value Hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The House of Assembly categorises non-financial assets measured at fair value into hierarchy based on the level of inputs use in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2015.

The House of Assembly had no valuations categorised into level 1.

#### Fair value measurements at 30 June 2015

|                                                | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------|-------------------|-------------------|-----------------|
| <b>Recurring fair value measurements</b>       |                   |                   |                 |
| Plant and equipment (note 11)                  | -                 | 96                | 96              |
| Fixtures and fittings (note 11)                | -                 | 388               | 388             |
| Computer equipment (note 11)                   | -                 | 316               | 316             |
| Works of art (note 11)                         | 669               | -                 | 669             |
| <b>Total recurring fair value measurements</b> | <b>669</b>        | <b>800</b>        | <b>1,469</b>    |

#### Fair value measurements at 30 June 2014

|                                                | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------|-------------------|-------------------|-----------------|
| <b>Recurring fair value measurements</b>       |                   |                   |                 |
| Plant and equipment (note 11)                  | -                 | 106               | 106             |
| Fixtures and fittings (note 11)                | -                 | 423               | 423             |
| Computer equipment (note 11)                   | -                 | 427               | 427             |
| Works of art (note 11)                         | 669               | -                 | 669             |
| <b>Total recurring fair value measurements</b> | <b>669</b>        | <b>956</b>        | <b>1,625</b>    |

#### Valuation techniques and inputs

Valuation techniques and inputs used to derive levels 2 and 3 fair values are at note 11. There were no changes in valuation techniques during 2015.



# House of Assembly

## Financial Statements

|                                                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------------------------------|----------------|----------------|
| <b>13. Payables</b>                                                 |                |                |
| <b>Current</b>                                                      |                |                |
| Creditors                                                           | 28             | 126            |
| Accrued expenses                                                    | 208            | 177            |
| Employment on-costs                                                 | 72             | 71             |
| Parental leave                                                      | -              | 1              |
| <b>Total current payables</b>                                       | <b>308</b>     | <b>375</b>     |
| Expected to be settled more than twelve months after reporting date |                |                |
| Employment on-costs                                                 | 47             | 44             |
| <b>Total non-current payables</b>                                   | <b>47</b>      | <b>44</b>      |
| <b>Total payables</b>                                               | <b>355</b>     | <b>419</b>     |

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has decreased to 37% from the 2014 rate of 40% and the average factor for the calculation of employer superannuation cost on-cost has remained at the 2014 rate of 10.3%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an decrease in the employment on-cost of \$4,000.

### 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 benefits 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.

|                                            |              |              |
|--------------------------------------------|--------------|--------------|
| <b>14. Employee benefits</b>               |              |              |
| <b>Current</b>                             |              |              |
| Annual leave                               | 251          | 204          |
| Long service leave                         | 121          | 87           |
| Skills and experience retention leave      | 29           | 19           |
| Accrued salaries and wages                 | 23           | 9            |
| <b>Total current employee benefits</b>     | <b>424</b>   | <b>319</b>   |
| <b>Non-current</b>                         |              |              |
| Long service leave                         | 808          | 688          |
| <b>Total non-current employee benefits</b> | <b>808</b>   | <b>688</b>   |
| <b>Total employee benefits</b>             | <b>1,232</b> | <b>1,007</b> |

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2014 (3.50%) to 2015 (3.00%).

# House of Assembly

## Financial Statements

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is \$29,000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption is the long term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and revised the salary inflation rate down by 1% from 2014 (4%) to 2015 (3%) for annual leave and skills, experience and retention leave liability.

|                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------|----------------|----------------|
| <b>15. Provisions</b>               |                |                |
| <b>Current</b>                      |                |                |
| Provision for workers compensation  | 3              | 3              |
| <b>Total current provisions</b>     | <b>3</b>       | <b>3</b>       |
| <b>Non current</b>                  |                |                |
| Provision for workers compensation  | 6              | 12             |
| <b>Total non-current provisions</b> | <b>6</b>       | <b>12</b>      |
| <b>Total provisions</b>             | <b>9</b>       | <b>15</b>      |
| <b>Provision movement</b>           |                |                |
| <b>Carrying amount at 1 July</b>    | <b>15</b>      | <b>25</b>      |
| Reduction in provisions recognised  | 6              | 10             |
| <b>Carrying amount at 30 June</b>   | <b>9</b>       | <b>15</b>      |

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on the actuarial assessment performed by the Office for the Public Sector.

|                           | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------|----------------|----------------|
| <b>16. Equity</b>         |                |                |
| Accumulated surplus       | 1,960          | 1,852          |
| Asset revaluation surplus | 51             | 51             |
| <b>Total equity</b>       | <b>2,011</b>   | <b>1,903</b>   |

The Asset revaluation surplus is 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 derecognised.

### 17. Unrecognised contractual 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:

|                                                   |            |            |
|---------------------------------------------------|------------|------------|
| Within one year                                   | 108        | 104        |
| Later than one year but no longer than five years | 46         | 154        |
| <b>Total operating lease commitments</b>          | <b>154</b> | <b>258</b> |



# House of Assembly

## Financial Statements

The House of Assembly's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to four years with some leases having the right of renewal. Rent is payable in arrears.

### 18. Events after the reporting period

There have been no events after the reporting period.

### 19. Contingent assets and liabilities

The House of Assembly is not aware of any contingent assets or liabilities.

### 20. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department are the responsibility of the Joint Parliamentary Service.

### 21. Cash flow reconciliation

#### Reconciliation of cash and cash equivalents at 30 June:

|                                                                            | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------------------------------|----------------|----------------|
| Cash and cash equivalents disclosed in the Statement of Financial Position | 1,952          | 1,689          |
| Balance as per the Statement of Cash Flows                                 | 1,952          | 1,689          |

#### Reconciliation of net cash provided by operating activities to net cost of providing services:

|                                           |         |         |
|-------------------------------------------|---------|---------|
| Net cash provided by operating activities | 600     | 388     |
| Less revenues from SA Government          | (6,873) | (7,075) |

#### Add/less non-cash items

|                                                                          |         |         |
|--------------------------------------------------------------------------|---------|---------|
| Depreciation expense of non-current assets                               | (221)   | (402)   |
| Gain/(loss) on sale or disposal of non-current assets                    | (3)     | (2)     |
| Assets provided for nil consideration to the Joint Parliamentary Service | (165)   | (364)   |
| Members' salaries and allowances                                         | (7,133) | (7,426) |

#### Movements in assets and liabilities

|                                          |       |       |
|------------------------------------------|-------|-------|
| (Decrease)/increase in receivables       | 52    | (38)  |
| (Increase)/decrease in payables          | 64    | (146) |
| Decrease/(increase) in employee benefits | (225) | 209   |
| Decrease/(Increase) in provisions        | 6     | 10    |

#### Net cost of providing services

|          |          |
|----------|----------|
| (13,898) | (14,846) |
|----------|----------|

# House of Assembly

## Financial Statements

### 22. Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

|                                                    | Note | SA Government |               | Non-SA Government |               | Total         |               |
|----------------------------------------------------|------|---------------|---------------|-------------------|---------------|---------------|---------------|
|                                                    |      | 2015          | 2014          | 2015              | 2014          | 2015          | 2014          |
|                                                    |      | \$'000        | \$'000        | \$'000            | \$'000        | \$'000        | \$'000        |
| <b>Expenses</b>                                    |      |               |               |                   |               |               |               |
| Employee benefits expenses                         | 4    | 366           | 417           | 2,096             | 2,089         | 2,462         | 2,506         |
| Members' salaries and allowances                   | 5    | 1,280         | 1,534         | 7,133             | 7,426         | 8,413         | 8,960         |
| Supplies and services:                             | 6    |               |               |                   |               |               |               |
| Printing                                           |      | 375           | 426           | 7                 | 10            | 382           | 436           |
| Information technology                             |      | 196           | 120           | 295               | 456           | 491           | 576           |
| Lease                                              |      | 126           | 127           | -                 | -             | 126           | 127           |
| Publications                                       |      | -             | -             | 43                | 73            | 43            | 73            |
| Security                                           |      | 147           | -             | -                 | 95            | 147           | 95            |
| Vehicle hire                                       |      | -             | -             | 8                 | 10            | 8             | 10            |
| Members travel, accommodation and related expenses |      | -             | -             | 936               | 761           | 936           | 761           |
| Travelling expenses                                |      | -             | -             | 45                | 37            | 45            | 37            |
| Fringe benefits tax                                |      | -             | -             | 183               | 125           | 183           | 125           |
| Stationery                                         |      | -             | -             | 21                | 23            | 21            | 23            |
| Staff training and development                     |      | -             | -             | 8                 | 23            | 8             | 23            |
| Commonwealth Parliamentary Association             |      | -             | -             | -                 | 35            | -             | 35            |
| Records and artwork management                     |      | -             | -             | 12                | 55            | 12            | 55            |
| Agency staff hire                                  |      | -             | -             | 20                | 7             | 20            | 7             |
| Consultants fees                                   |      | -             | -             | -                 | 32            | -             | 32            |
| Advertisements                                     |      | -             | -             | 38                | 17            | 38            | 17            |
| Repairs and maintenance                            |      | -             | -             | 15                | 43            | 15            | 43            |
| Minor works and equipment                          |      | -             | -             | 31                | 21            | 31            | 21            |
| Other                                              |      | -             | -             | 178               | 120           | 178           | 120           |
| Depreciation                                       | 7    | -             | -             | 221               | 402           | 221           | 402           |
| Assets provided for nil consideration              | 11   | 165           | 364           | -                 | -             | 165           | 364           |
| <b>Total expenses</b>                              |      | <b>2,655</b>  | <b>2,988</b>  | <b>11,290</b>     | <b>11,860</b> | <b>13,945</b> | <b>14,848</b> |
| <b>Income</b>                                      |      |               |               |                   |               |               |               |
| Other                                              |      | -             | -             | 50                | 4             | 50            | 4             |
| Revenues from SA Government                        | 8    | 14,006        | 14,500        | -                 | -             | 14,006        | 14,500        |
| <b>Total Income</b>                                |      | <b>14,006</b> | <b>14,500</b> | <b>50</b>         | <b>4</b>      | <b>14,056</b> | <b>14,504</b> |
| <b>Financial assets</b>                            |      |               |               |                   |               |               |               |
| Receivables:                                       | 10   |               |               |                   |               |               |               |
| Receivables                                        |      | -             | -             | 8                 | 4             | 8             | 4             |
| Prepayments                                        |      | -             | -             | 73                | 25            | 73            | 25            |
| Other                                              |      | -             | -             | 1                 | 1             | 1             | 1             |
| <b>Total financial assets</b>                      |      | <b>-</b>      | <b>-</b>      | <b>82</b>         | <b>30</b>     | <b>82</b>     | <b>30</b>     |
| <b>Financial liabilities</b>                       |      |               |               |                   |               |               |               |
| Payables:                                          | 13   |               |               |                   |               |               |               |
| Creditors                                          |      | -             | -             | 28                | 126           | 28            | 126           |
| Accrued expenses                                   |      | 118           | 113           | 78                | 64            | 196           | 177           |
| Employment on-costs                                |      | 19            | 29            | 100               | 86            | 119           | 115           |
| Parental leave                                     |      | -             | -             | -                 | 1             | -             | 1             |
| <b>Total financial liabilities</b>                 |      | <b>137</b>    | <b>142</b>    | <b>206</b>        | <b>277</b>    | <b>343</b>    | <b>419</b>    |



# House of Assembly

## Financial Statements

### 23. Financial risk management / Financial instruments

#### 23.1 Financial risk management

Risk management is managed by the House of Assembly's executive management and risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The House of Assembly is exposed to financial risk, liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

#### 23.2 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.

Refer below for the carrying amounts of each of the following categories of financial assets and liabilities: Loan and receivables; and financial liabilities measured at cost.

The House of Assembly does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2, 10 and 13).

#### Categorisation and maturity analysis of financial assets and liabilities

| Category of financial asset and financial liability | Note | 2015                        | 2015 Contractual maturities |               |           |                   |
|-----------------------------------------------------|------|-----------------------------|-----------------------------|---------------|-----------|-------------------|
|                                                     |      | Carrying Amount/ Fair Value | Current                     | Within 1 year | 1-5 years | More than 5 years |
|                                                     |      | \$'000                      | \$'000                      | \$'000        | \$'000    | \$'000            |
| <b>Financial assets</b>                             |      |                             |                             |               |           |                   |
| Cash and cash equivalents                           |      |                             |                             |               |           |                   |
| Cash and cash equivalents                           | 9    | 1,952                       | 1,952                       | -             | -         | -                 |
| Loans and receivables                               |      |                             |                             |               |           |                   |
| Receivables (1) (2)                                 | 10   | 9                           | 9                           | -             | -         | -                 |
|                                                     |      | 1,961                       | 1,961                       | -             | -         | -                 |
| <b>Financial liabilities</b>                        |      |                             |                             |               |           |                   |
| Financial liabilities at cost                       |      |                             |                             |               |           |                   |
| Payables (1)                                        | 13   | 197                         | 197                         | -             | -         | -                 |
|                                                     |      | 197                         | 197                         | -             | -         | -                 |

# House of Assembly

## Financial Statements

| Category of financial asset<br>and financial liability |    | 2014                                        | 2014 Contractual maturities |        |           |           |
|--------------------------------------------------------|----|---------------------------------------------|-----------------------------|--------|-----------|-----------|
|                                                        |    | Carrying<br>Amount/<br>Fair Value<br>\$'000 | Current<br>\$'000           | Within |           | More than |
|                                                        |    |                                             |                             | 1 year | 1-5 years | 5 years   |
|                                                        |    |                                             |                             | \$'000 | \$'000    | \$'000    |
| <b>Financial assets</b>                                |    |                                             |                             |        |           |           |
| Cash and cash equivalents                              |    |                                             |                             |        |           |           |
| Cash and cash equivalents                              | 9  | 1,689                                       | 1,689                       | -      | -         | -         |
| Loans and receivables                                  |    |                                             |                             |        |           |           |
| Receivables (1) (2)                                    | 10 | 4                                           | 4                           | -      | -         | -         |
|                                                        |    | 1,693                                       | 1,693                       | -      | -         | -         |
| <b>Financial liabilities</b>                           |    |                                             |                             |        |           |           |
| Financial liabilities at cost                          |    |                                             |                             |        |           |           |
| Payables (1)                                           | 13 | 270                                         | 270                         | -      | -         | -         |
|                                                        |    | 270                                         | 270                         | -      | -         | -         |

- (1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.
- (2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 10 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

### 23.3 Liquidity risk

Liquidity risk arises from the possibility where the House of Assembly is unable to meet its financial obligations as they are due. The House of Assembly is funded principally from appropriation by the SA Government. The House of Assembly 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. The House of Assembly settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

### 23.4 Credit risk

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

The House of Assembly has minimal concentration of credit risk. The House of Assembly has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The House of Assembly does not engage in high risk hedging for its financial assets. No collateral is held as security and no credit enhancements relate to financial assets held by the House of Assembly.



## **House of Assembly**

### **Financial Statements**

#### **23.5 Market risk**

The House of Assembly has no market risk exposure to foreign currency or other price risks or interest rate risks.

#### **Sensitivity disclosure analysis**

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

# House of Assembly

## Financial Statements

### Certification of the Financial Statements

We certify that the attached general purpose financial statements for the House of Assembly:

- complies with relevant Treasurer's Instructions issued under Section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards;
- are in accordance with the accounts and records of the House of Assembly; and
- presents a true and fair view of the financial position of the House of Assembly as at 30 June 2015 and the results of its operation and cash flows for the financial year.

We certify the internal controls employed by the House of Assembly for the financial year over its financial reporting and the preparation of the general purpose financial Statements have been effective throughout the reporting period.



Clerk  
House of Assembly

18 / 9 / 2015



Chief Finance Officer  
Joint Parliamentary Service

18 / 9 / 2015





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**To the Parliament of South Australia**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the accompanying financial report of the House of Assembly for the financial year ended 30 June 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Clerk, House of Assembly and the Chief Finance Officer, Joint Parliamentary Service.

**The Clerk of the House of Assembly's Responsibility for the Financial Report**

The Clerk of the House of Assembly is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Clerk of the House of Assembly determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Clerk of the House of Assembly, as well as the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the House of Assembly as at 30 June 2015, 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.



Andrew Richardson  
**Auditor-General**  
19 September 2015



The Legislature —  
Joint Parliamentary  
Service

Financial report  
for the year ended  
30 June 2015

# Joint Parliamentary Service

## Financial Statements

### Statement of Comprehensive Income For the year ended 30 June 2015

|                                                                    | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------------------------|------|----------------|----------------|
| <b>Expenses</b>                                                    |      |                |                |
| Employee benefits expenses                                         | 4    | 6,225          | 5,931          |
| Supplies and services                                              | 5    | 3,268          | 2,813          |
| Depreciation                                                       | 7    | 1,863          | 1,579          |
| Net loss from the disposal of non-current assets                   |      | 3              | -              |
| Net loss from the revaluation of non-current assets                | 11   | -              | -              |
| <b>Total expenses</b>                                              |      | <b>11,359</b>  | <b>10,323</b>  |
| <b>Income</b>                                                      |      |                |                |
| Assets acquired at nil consideration from the House of Assembly    | 11   | 165            | 364            |
| Assets acquired at nil consideration from the Legislative Council  | 11   | 83             | 206            |
| Other income                                                       |      | 32             | 27             |
| <b>Total income</b>                                                |      | <b>280</b>     | <b>597</b>     |
| <b>Net cost of providing services</b>                              |      | <b>11,079</b>  | <b>9,726</b>   |
| <b>Revenues from SA Government</b>                                 | 8    | <b>10,895</b>  | <b>13,114</b>  |
| <b>Net result</b>                                                  |      | <b>(184)</b>   | <b>3,388</b>   |
| <b>Other comprehensive income</b>                                  |      |                |                |
| Changes in property, plant and equipment asset revaluation surplus |      |                |                |
| <b>Total comprehensive result</b>                                  |      | <b>(184)</b>   | <b>3,388</b>   |

*The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*



# Joint Parliamentary Service

## Financial Statements

### Statement of Financial Position As at 30 June 2015

|                                             | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------|------|----------------|----------------|
| <b>Current assets</b>                       |      |                |                |
| Cash and cash equivalents                   | 9    | 1,099          | -              |
| Receivables                                 | 10   | 207            | 267            |
| <b>Total current assets</b>                 |      | <b>1,306</b>   | <b>267</b>     |
| <b>Non-current assets</b>                   |      |                |                |
| Receivables                                 | 10   | 35             | 29             |
| Property, plant and equipment               | 11   | 95,396         | 96,295         |
| <b>Total non-current assets</b>             |      | <b>95,431</b>  | <b>96,324</b>  |
| <b>Total assets</b>                         |      | <b>96,737</b>  | <b>96,591</b>  |
| <b>Current liabilities</b>                  |      |                |                |
| Payables                                    | 13   | 436            | 406            |
| Employee benefits                           | 14   | 849            | 715            |
| Provisions                                  | 15   | 30             | 20             |
| <b>Total current liabilities</b>            |      | <b>1,315</b>   | <b>1,141</b>   |
| <b>Non-current liabilities</b>              |      |                |                |
| Payables                                    | 13   | 92             | 86             |
| Employee benefits                           | 14   | 1,578          | 1,416          |
| Provisions                                  | 15   | 72             | 84             |
| <b>Total non-current liabilities</b>        |      | <b>1,742</b>   | <b>1,586</b>   |
| <b>Total liabilities</b>                    |      | <b>3,057</b>   | <b>2,727</b>   |
| <b>Net assets</b>                           |      | <b>93,680</b>  | <b>93,864</b>  |
| <b>Equity</b>                               |      |                |                |
| Retained earnings                           |      | 76,708         | 76,892         |
| Asset revaluation surplus                   | 16   | 14,069         | 14,069         |
| Contributed capital                         | 16   | 2,903          | 2,903          |
| <b>Total equity</b>                         |      | <b>93,680</b>  | <b>93,864</b>  |
| <b>Unrecognised contractual commitments</b> | 17   |                |                |
| <b>Contingent assets and liabilities</b>    | 20   |                |                |

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*

# Joint Parliamentary Service

## Financial Statements

### Statement of Changes in Equity For the year ended 30 June 2015

|                                                 | Note | Contributed<br>Capital | Asset<br>Revaluation<br>Surplus | Retained<br>Earnings | Total<br>Equity |
|-------------------------------------------------|------|------------------------|---------------------------------|----------------------|-----------------|
|                                                 |      | \$'000                 | \$'000                          | \$'000               | \$'000          |
| <b>Balance at 30 June 2013</b>                  |      | -                      | 14,069                          | 73,504               | 87,573          |
| Net result for 2013-14                          |      | -                      | -                               | 3,388                | 3,388           |
| Total comprehensive result for 2013-14          |      | -                      | -                               | 3,388                | 3,388           |
| Equity contribution received from SA Government |      | 2,903                  | -                               | -                    | 2,903           |
| <b>Balance at 30 June 2014</b>                  |      | <b>2,903</b>           | <b>14,069</b>                   | <b>76,892</b>        | <b>93,864</b>   |
| Net result for 2014-15                          |      | -                      | -                               | (184)                | (184)           |
| Total comprehensive result for 2014-15          |      | -                      | -                               | (184)                | (184)           |
| <b>Balance at 30 June 2015</b>                  |      | <b>2,903</b>           | <b>14,069</b>                   | <b>76,708</b>        | <b>93,680</b>   |

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*



# Joint Parliamentary Service

## Financial Statements

### Statement of Cash Flows

#### For the year ended 30 June 2015

|                                                              | Note | 2015<br>S'000<br>Inflows<br>(Outflows) | 2014<br>S'000<br>Inflows<br>(Outflows) |
|--------------------------------------------------------------|------|----------------------------------------|----------------------------------------|
| <b>Cash flows from operating activities</b>                  |      |                                        |                                        |
| <b>Cash outflows</b>                                         |      |                                        |                                        |
| Employee benefits expenses                                   |      | (5,931)                                | (5,796)                                |
| Payments for supplies and services                           |      | (3,515)                                | (4,523)                                |
| Payments for paid parental leave scheme                      |      | (12)                                   | (22)                                   |
| <b>Cash used in operations</b>                               |      | <b>(9,458)</b>                         | <b>(10,341)</b>                        |
| <b>Cash inflows</b>                                          |      |                                        |                                        |
| GST recovered from the ATO                                   |      | 333                                    | 1,052                                  |
| Receipts for paid parental leave scheme                      |      | 12                                     | 22                                     |
| Other receipts                                               |      | 36                                     | 28                                     |
| <b>Cash generated from operations</b>                        |      | <b>381</b>                             | <b>1,102</b>                           |
| <b>Cash flows from SA Government</b>                         |      |                                        |                                        |
| Receipts from State Government                               | 8    | 10,895                                 | 16,017                                 |
| <b>Cash generated from SA Government</b>                     |      | <b>10,895</b>                          | <b>16,017</b>                          |
| <b>Net cash provided by / (used in) operating activities</b> | 18   | <b>1,818</b>                           | <b>6,778</b>                           |
| <b>Cash flows from investing activities</b>                  |      |                                        |                                        |
| Purchase of property, plant and equipment                    | 11   | (719)                                  | (6,778)                                |
| <b>Net cash used in investing activities</b>                 |      | <b>(719)</b>                           | <b>(6,778)</b>                         |
| Net decrease in cash and cash equivalents                    |      | 1,099                                  | -                                      |
| Cash and cash equivalents at 1 July                          |      | -                                      | -                                      |
| <b>Cash and cash equivalents at 30 June</b>                  | 9    | <b>1,099</b>                           | <b>-</b>                               |

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*

# Joint Parliamentary Service

## Financial Statements

### 1. Objective of the Joint Parliamentary Service

The Joint Parliamentary Service is established under the *Parliament (Joint Services) Act 1985*.

The Joint Parliamentary Service provides services to both Houses of Parliament including hansard reporting, library facilities, catering, financial administration, and building accommodation. The Joint Parliamentary Service is administered by the Joint Parliamentary Service Committee which comprises the Speaker and two Members of the House of Assembly and the President and two Members of the Legislative Council. The Joint Parliamentary Service also administers the payment of Members salaries. These payments are disclosed as Administered Items in note 24.

The Joint Parliamentary Service receives assets from the House of Assembly and Legislative Council for nil consideration.

### 2. Summary of significant accounting policies

#### (a) Statement of compliance

These financial statements are in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

The Joint Parliamentary Service has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Joint Parliamentary Service is a not-for-profit entity.

Except for AASB 2015-7 which the Joint Parliamentary Service has early adopted, Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Joint Parliamentary Service for the reporting period ending 30 June 2015 (refer note 3).

#### (b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Joint Parliamentary Service's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements 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 equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.



# Joint Parliamentary Service

## Financial Statements

The Joint Parliamentary Service's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented.

### **(c) Comparative information**

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

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

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

### **(d) Rounding**

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

### **(e) Taxation**

The Joint Parliamentary Service is not subject to income tax. The Joint Parliamentary Service is liable for payroll tax, fringe benefits tax, goods and services tax (GST) and emergency services levy.

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

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

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

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

### **(f) Income**

Income is recognised to the extent that it is probable that the flow of economic benefits to the Joint Parliamentary Service will occur and can be reliably measured.

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

The following are specific recognition criteria:

#### *Revenues from SA Government*

Appropriations are recognised as revenues when the Joint Parliamentary Service obtains control over the funding. Control over appropriations is normally obtained upon receipt.

# Joint Parliamentary Service

## Financial Statements

### **(g) Expenses**

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Joint Parliamentary Service will occur and can be reliably measured.

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

The following are specific recognition criteria:

#### *Employee benefits expenses*

Employee benefits expenses includes all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

#### *Superannuation*

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Joint Parliamentary Service to the superannuation plan in respect of current services of current Joint Parliamentary Service staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole of government financial statements.

#### *Depreciation*

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

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

Land is not depreciated.

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

| <b>Class of asset</b> | <b>Useful life</b> |
|-----------------------|--------------------|
| Buildings             | 100 years          |
| Plant and equipment   | 5 - 30 years       |
| Fixtures and fittings | 3 - 10 years       |
| Computer equipment    | 3 - 5 years        |

Joint Parliamentary Service estimate the remaining useful life of Parliament House to be 100 years ending in 2096.

The library collection controlled by the Joint Parliamentary Service is mainly a research and heritage collection. The majority of fixtures and fittings are antiques. The library collection and fixture and fittings antiques are anticipated to have a very long and indeterminate useful life.

The service potential of the collection has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

Works of art controlled by the Joint Parliamentary Service are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

### **(h) Current and non-current classification**

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle even when they are not expected to be



## Joint Parliamentary Service

### Financial Statements

realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

#### (i) *Assets*

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

Where an asset line item combines amounts expected to be settled within 12 months and more than 12 months, the Joint Parliamentary Service has separately disclosed the amounts expected to be recovered after more than 12 months.

#### *Cash and cash equivalents*

Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand.

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

Cash is measured at nominal value.

#### *Receivables*

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

Receivables are generally settled within 30 days after the issue of an invoice.

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

#### *Non-current assets - Acquisition and recognition*

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation.

# Joint Parliamentary Service

## Financial Statements

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

All non-current tangible assets with a value equal to or in excess of \$5,000 are capitalised.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

Buildings within which the House of Assembly and Legislative Council operate are recognised in the financial statements for the Joint Parliamentary Service.

Art work on loan from the Art Gallery of South Australia is not recognised in the financial statements.

Expenditure on assets not fully constructed at 30 June is disclosed separately as capital works in progress. Capital works in progress contributed by the House of Assembly and Legislative Council to the Joint Parliamentary Service once completed are recognised in the Statement of Comprehensive Income as an income in the period contributed.

### *Revaluation of non-current assets*

All non-current tangible assets are valued at fair value and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than 3 years.

Every six years, the Joint Parliamentary Service revalues its non-current assets. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Any revaluation increment is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in revaluation surplus for that asset class.

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

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

### *Impairment*

All non-current assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement costs. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

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

### *Fair value measurement*

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.



## Joint Parliamentary Service

### Financial Statements

The Joint Parliamentary Service classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Chief Finance Officer at each reporting date.

#### *Non-Financial assets*

In determining fair value, the Joint Parliamentary Service has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Joint Parliamentary Service's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible within the next five years. As the Joint Parliamentary Service did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a 'fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years' is deemed to approximate fair value.

Refer notes 11 and 12 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

#### *Financial assets/liabilities*

The Joint Parliamentary Service does not recognise any financial assets or financial liabilities at fair value.

#### **(j) Liabilities**

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

Where liability line items combine amounts expected to be settled within 12 months and more than 12 months, the Joint Parliamentary Service has separately disclosed the amounts expected to be settled after more than 12 months.

# Joint Parliamentary Service

## Financial Statements

### *Payables*

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

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

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

The Paid Parental Leave Scheme payable represents amounts which the Joint Parliamentary Service has received from the Commonwealth Government to forward onto eligible employees via the Joint Parliamentary Service's standard payroll processes. That is, the Joint Parliamentary Service is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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

Employee benefits on-costs include payroll tax, workers compensation and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

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

### *Leases*

The Joint Parliamentary Service leases office premises. Lease payments are increased annually in accordance with movements in the Consumer Price Index.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased asset.

### *Employee benefits*

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

### Salaries and wages, annual leave, SERL and sick leave

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

The annual leave liability and the SERL liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

### Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.



## Joint Parliamentary Service

### Financial Statements

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

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

#### *Provisions*

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

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2015 provided by a consulting actuary engaged through the Office for the Public Sector.

The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Joint Parliamentary Service is responsible for the payment of workers compensation claims.

#### **(k) *Unrecognised contractual commitments and contingent assets and liabilities***

Commitments include operating lease commitments arising from contractual or statutory sources and are disclosed at their nominal value.

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

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

# Joint Parliamentary Service

## Financial Statements

### 3. New and revised accounting standards and policies

#### Accounting Standards

Except for AASB 2015-7 which the Joint Parliamentary Service has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the House of Assembly for the period ending 30 June 2015. The Legislative Council has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Joint Parliamentary Service.

### 4. Employee benefits expenses

|                                         | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------|----------------|----------------|
| Salaries and wages                      | 5,365          | 5,098          |
| Employment on-costs – superannuation    | 564            | 556            |
| Employment on-costs – other             | 297            | 295            |
| SERL                                    |                |                |
| Workers compensation                    | (1)            | (18)           |
| <b>Total employee benefits expenses</b> | <b>6,225</b>   | <b>5,931</b>   |

#### Remuneration of employees

|                                                                                                     | 2015<br>No | 2014<br>No |
|-----------------------------------------------------------------------------------------------------|------------|------------|
| The number of employees whose remuneration received or receivable falls within the following bands: |            |            |
| \$151,500 – 161,499                                                                                 | 1          | 1          |
| <b>Total</b>                                                                                        | <b>1</b>   | <b>1</b>   |

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. The executive base level remuneration rate for 2014-15 is the same as the 2013-14 rate (ie there has been no increase in executive remuneration since 1 July 2013). Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by this employee was \$157,000 (2014 \$152,000).



# Joint Parliamentary Service

## Financial Statements

|                                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------|----------------|----------------|
| <b>5. Supplies and services</b>                     |                |                |
| Building maintenance                                | 451            | 428            |
| Utilities                                           | 550            | 505            |
| Cleaning                                            | 329            | 257            |
| Minor works and equipment                           | 160            | 118            |
| Telephone                                           | 157            | 220            |
| Printing and publishing                             | 473            | 315            |
| Insurance                                           | 57             | 57             |
| Information technology                              | 355            | 285            |
| Lease                                               | 54             | 54             |
| Audit fees                                          | 78             | 79             |
| Shared Services                                     | 98             | 97             |
| Vehicle hire                                        | 23             | 22             |
| Staff training and development                      | 11             | 33             |
| Agency staff hire                                   | 109            | 57             |
| Fringe benefits tax                                 | 52             | 50             |
| Consultants fees                                    | 13             | -              |
| Occupational, Health, Safety and Welfare compliance | 12             | 15             |
| Other                                               | 286            | 221            |
| <b>Total supplies and services</b>                  | <b>3,268</b>   | <b>2,813</b>   |

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

|                                                  | 2015     |           | 2014     |          |
|--------------------------------------------------|----------|-----------|----------|----------|
|                                                  | No       | \$'000    | No       | \$'000   |
| Below \$10,000                                   | 3        | 13        | -        | -        |
| <b>Total paid/payable to consultants engaged</b> | <b>3</b> | <b>13</b> | <b>-</b> | <b>-</b> |

Not included in the above table are consultancies for \$4,000 (2014 \$43,000) which were capitalised.

|                                                                                                                                                                                             | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>6. Auditor's remuneration</b>                                                                                                                                                            |                |                |
| Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements of the Joint Parliamentary Service, Legislative Council and House of Assembly | 78             | 79             |
| <b>Total auditor's remuneration</b>                                                                                                                                                         | <b>78</b>      | <b>79</b>      |

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of 'Supplies and services' (refer to note 5).

|                           |              |              |
|---------------------------|--------------|--------------|
| <b>7. Depreciation</b>    |              |              |
| Buildings                 | 623          | 486          |
| Plant and equipment       | 121          | 83           |
| Fixtures and fittings     | 18           | 18           |
| Computer equipment        | 1,101        | 992          |
| <b>Total depreciation</b> | <b>1,863</b> | <b>1,579</b> |

# Joint Parliamentary Service

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|                                                                                   | 2015          | 2014          |
|-----------------------------------------------------------------------------------|---------------|---------------|
|                                                                                   | \$'000        | \$'000        |
| <b>8. Revenues from SA Government</b>                                             |               |               |
| Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i> | 10,895        | 13,114        |
| Transfers from contingencies                                                      | -             | -             |
| <b>Total revenues from SA Government</b>                                          | <b>10,895</b> | <b>13,114</b> |

|                                        |              |          |
|----------------------------------------|--------------|----------|
| <b>9. Cash and cash equivalents</b>    |              |          |
| Deposits with the Treasurer            | 1,099        | -        |
| <b>Total cash and cash equivalents</b> | <b>1,099</b> | <b>-</b> |

### Deposits with the Treasurer

Deposits with the Treasurer includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

### Interest rate risk

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

## 10. Receivables

### Current

|                                  |            |            |
|----------------------------------|------------|------------|
| Receivables                      | 118        | 161        |
| Prepayments                      | 82         | 100        |
| Other                            | 7          | 6          |
| <b>Total current receivables</b> | <b>207</b> | <b>267</b> |

### Non-current

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| Prepayments                          | 35        | 29        |
| <b>Total non-current receivables</b> | <b>35</b> | <b>29</b> |

|                          |            |            |
|--------------------------|------------|------------|
| <b>Total receivables</b> | <b>242</b> | <b>296</b> |
|--------------------------|------------|------------|

### 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.

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.



# Joint Parliamentary Service

## Financial Statements

|                                            | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------|----------------|----------------|
| <b>11. Property, plant and equipment</b>   |                |                |
| <b>Land</b>                                |                |                |
| Fair value                                 | 26,675         | 26,675         |
| <b>Total land</b>                          | <b>26,675</b>  | <b>26,675</b>  |
| <b>Buildings</b>                           |                |                |
| Fair value                                 | 62,601         | 62,218         |
| Less: Accumulated depreciation             | (2,079)        | (1,456)        |
| <b>Total buildings</b>                     | <b>60,522</b>  | <b>60,762</b>  |
| <b>Plant and equipment</b>                 |                |                |
| Fair value                                 | 3,131          | 2,811          |
| Less: Accumulated depreciation             | (424)          | (305)          |
| <b>Total plant and equipment</b>           | <b>2,707</b>   | <b>2,506</b>   |
| <b>Fixtures and fittings</b>               |                |                |
| Fair value                                 | 869            | 869            |
| Less: Accumulated depreciation             | (72)           | (54)           |
| <b>Total fixtures and fittings</b>         | <b>797</b>     | <b>815</b>     |
| <b>Computer equipment</b>                  |                |                |
| At cost (deemed fair value)                | 9,684          | 8,438          |
| Less: Accumulated depreciation             | (6,591)        | (5,493)        |
| <b>Total computer equipment</b>            | <b>3,093</b>   | <b>2,945</b>   |
| <b>Library</b>                             |                |                |
| Independent valuation                      | 1,495          | 1,495          |
| <b>Total library</b>                       | <b>1,495</b>   | <b>1,495</b>   |
| <b>Capital works in progress</b>           |                |                |
| Capital works in progress                  | 107            | 1,097          |
| <b>Total capital works in progress</b>     | <b>107</b>     | <b>1,097</b>   |
| <b>Total property, plant and equipment</b> | <b>95,396</b>  | <b>96,295</b>  |

### Valuation of assets

An independent valuation of the land, buildings, plant and equipment was conducted as at 30 June 2011 by Fred Taormina B.App.Sc.(Val.), A.A.P.I. (Associate member of the Australian Property Institute) Certified Practicing Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2011 was prepared on a fair value basis.

An independent valuation of the library collection and fixtures and fittings was conducted at 30 June 2011 by Mr Stephen Sinclair, a recognised expert in this industry. The valuation at 30 June 2011 was a desk top valuation that updated a previous valuation determined at 30 June 2006. The valuation was determined by grouping the library collection into categories. Those categories with an intrinsic value were determined at net market value. The remainder of the categories were determined at written down replacement cost.

### Impairment

There were no indications of impairment of property, and plant and equipment at 30 June 2015.

# Joint Parliamentary Service

## Financial Statements

### 11. Property, plant and equipment

| Asset Movement Reconciliation 2014-15  | Land          | Buildings     | Plant and equipment | Fixtures and fittings | Computer equipment | Library      | Capital works in progress | Total         |
|----------------------------------------|---------------|---------------|---------------------|-----------------------|--------------------|--------------|---------------------------|---------------|
|                                        | \$'000        | \$'000        | \$'000              | \$'000                | \$'000             | \$'000       | \$'000                    | \$'000        |
| Carrying amount at 1 July              | 26,675        | 60,762        | 2,506               | 815                   | 2,945              | 1,495        | 1,097                     | 96,295        |
| Additions                              | -             | -             | 10                  | -                     | 85                 | -            | 624                       | 719           |
| Additions - Transfers to / (from) CWIP | -             | 383           | 314                 | -                     | 1,165              | -            | (1,862)                   | -             |
| Depreciation                           | -             | (623)         | (121)               | (18)                  | (1,101)            | -            | -                         | (1,863)       |
| Assets acquired at nil consideration   | -             | -             | -                   | -                     | -                  | -            | 248                       | 248           |
| Disposals                              | -             | -             | (2)                 | -                     | (1)                | -            | -                         | (3)           |
| Carrying amount at 30 June             | <b>26,675</b> | <b>60,522</b> | <b>2,707</b>        | <b>797</b>            | <b>3,093</b>       | <b>1,495</b> | <b>107</b>                | <b>95,396</b> |

| Asset Movement Reconciliation 2013-14  | Land          | Buildings     | Plant and equipment | Fixtures and fittings | Computer equipment | Library      | Capital works in progress | Total         |
|----------------------------------------|---------------|---------------|---------------------|-----------------------|--------------------|--------------|---------------------------|---------------|
|                                        | \$'000        | \$'000        | \$'000              | \$'000                | \$'000             | \$'000       | \$'000                    | \$'000        |
| Carrying amount at 1 July              | 26,675        | 47,560        | 1,866               | 833                   | 3,937              | 1,495        | 8,160                     | 90,526        |
| Additions                              | -             | -             | 6                   | -                     | -                  | -            | 6,772                     | 6,778         |
| Additions - Transfers to / (from) CWIP | -             | 13,688        | 717                 | -                     | -                  | -            | (14,405)                  | -             |
| Depreciation                           | -             | (486)         | (83)                | (18)                  | (992)              | -            | -                         | (1,579)       |
| Assets acquired at nil consideration   | -             | -             | -                   | -                     | -                  | -            | 570                       | 570           |
| Carrying amount at 30 June             | <b>26,675</b> | <b>60,762</b> | <b>2,506</b>        | <b>815</b>            | <b>2,945</b>       | <b>1,495</b> | <b>1,097</b>              | <b>96,295</b> |



# Joint Parliamentary Service

## Financial Statements

### 12. Fair value measurement

#### Fair Value Hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Joint Parliamentary Service categorises non-financial assets measured at fair value into hierarchy based on the level of inputs use in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2015.

The Joint Parliamentary Service had no valuations categorised into level 1.

#### Fair value measurements at 30 June 2015

|                                                | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------|-------------------|-------------------|-----------------|
| <b>Recurring fair value measurements</b>       |                   |                   |                 |
| Land (note 11)                                 | -                 | 26,675            | 26,675          |
| Buildings (note 11)                            | -                 | 60,522            | 60,522          |
| Plant and equipment (note 11)                  | -                 | 2,707             | 2,707           |
|                                                | -                 | 797               | 797             |
| Computer equipment (note 11)                   | -                 | 3,093             | 3,093           |
| Library (note 11)                              | 1,495             | -                 | 1,495           |
| <b>Total recurring fair value measurements</b> | <b>1,495</b>      | <b>93,794</b>     | <b>95,289</b>   |

#### Fair value measurements at 30 June 2014

|                                                | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------|-------------------|-------------------|-----------------|
| <b>Recurring fair value measurements</b>       |                   |                   |                 |
| Land (note 11)                                 | -                 | 26,675            | 26,675          |
| Buildings (note 11)                            | -                 | 60,762            | 60,762          |
| Plant and equipment (note 11)                  | -                 | 2,506             | 2,506           |
| Fixtures and fittings (note 11)                | -                 | 815               | 815             |
| Computer equipment (note 11)                   | -                 | 2,945             | 2,945           |
| Library (note 11)                              | 1,495             | -                 | 1,495           |
| <b>Total recurring fair value measurements</b> | <b>1,495</b>      | <b>93,703</b>     | <b>95,198</b>   |

#### Valuation techniques and inputs

Valuation techniques and inputs used to derive levels 2 and 3 fair values are at note 11. There were no changes in valuation techniques during 2015.

#### Reconciliation of fair value measurements - level 3

Refer to asset movement reconciliation in note 11.

## Joint Parliamentary Service

### Financial Statements

|                                                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------------------------------|----------------|----------------|
| <b>13. Payables</b>                                                 |                |                |
| <b>Current</b>                                                      |                |                |
| Creditors                                                           | 71             | 39             |
| Accrued expenses                                                    | 225            | 246            |
| Employment on-costs                                                 | 140            | 121            |
| <b>Total current payables</b>                                       | <b>436</b>     | <b>406</b>     |
| Expected to be settled more than twelve months after reporting date |                |                |
| Employment on-costs                                                 | 92             | 86             |
| <b>Total non-current payables</b>                                   | <b>92</b>      | <b>86</b>      |
| <b>Total payables</b>                                               | <b>528</b>     | <b>492</b>     |

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has decreased to 37% from the 2014 rate of 40% and the average factor for the calculation of employer superannuation cost on-cost has remained at the 2014 rate of 10.3%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an decrease in the employment on-cost of \$9,000.

#### Interest rate risk 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 benefits 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.

## 14. Employee benefits

|                                            |              |              |
|--------------------------------------------|--------------|--------------|
| <b>Current</b>                             |              |              |
| Annual leave                               | 525          | 469          |
| Long service leave                         | 220          | 175          |
| Skills and experience retention leave      | 48           | 38           |
| Accrued salaries and wages                 | 56           | 33           |
| <b>Total current employee benefits</b>     | <b>849</b>   | <b>715</b>   |
| <b>Non current</b>                         |              |              |
| Long service leave                         | 1,578        | 1,416        |
| <b>Total non-current employee benefits</b> | <b>1,578</b> | <b>1,416</b> |
| <b>Total employee benefits</b>             | <b>2,427</b> | <b>2,131</b> |

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2014 (3.50%) to 2015 (3.00%).



## Joint Parliamentary Service

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The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is \$54,000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption is the long term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and revised the salary inflation rate down by 1% from 2014 (4%) to 2015 (3%) for annual leave and skills, experience and retention leave liability.

|                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------|----------------|----------------|
| <b>15. Provisions</b>               |                |                |
| <b>Current</b>                      |                |                |
| Provision for workers compensation  | 30             | 20             |
| <b>Total current provisions</b>     | <b>30</b>      | <b>20</b>      |
| <b>Non current</b>                  |                |                |
| Provision for workers compensation  | 72             | 84             |
| <b>Total non-current provisions</b> | <b>72</b>      | <b>84</b>      |
| <b>Total provisions</b>             | <b>102</b>     | <b>104</b>     |
| <b>Provision movement</b>           |                |                |
| <b>Carrying amount at 1 July</b>    | <b>104</b>     | <b>129</b>     |
| Additional provisions recognised    | 2              | (23)           |
| Reductions arising from payments    | 4              | 2              |
| <b>Carrying amount at 30 June</b>   | <b>102</b>     | <b>104</b>     |

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on the actuarial assessment performed by the Office for the Public Sector.

|                           | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------|----------------|----------------|
| <b>16. Equity</b>         |                |                |
| Accumulated surplus       | 76,708         | 76,892         |
| Asset revaluation surplus | 14,069         | 14,069         |
| Contributed capital       | 2,903          | 2,903          |
| <b>Total equity</b>       | <b>93,680</b>  | <b>93,864</b>  |

The Asset revaluation surplus is 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 derecognised.

# Joint Parliamentary Service

## Financial Statements

|                                                                                                                                            | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>17. Unrecognised contractual commitments</b>                                                                                            |                |                |
| <b>Operating lease commitments</b>                                                                                                         |                |                |
| Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows: |                |                |
| Within one year                                                                                                                            | 62             | 57             |
| Later than one year but no longer than five years                                                                                          | 37             | 66             |
| Later than five years                                                                                                                      | 119            | -              |
| <b>Total operating lease commitments</b>                                                                                                   | <b>218</b>     | <b>123</b>     |

The Joint Parliamentary Service's operating leases are for office accommodation and equipment. The leases are non-cancellable with terms ranging up to four years with some leases having the right of renewal. Rent is payable in arrears.

### Expenditure commitments - other

Other commitments contracted for but not recognised as liabilities are payable as follows:

|                                                   |           |           |
|---------------------------------------------------|-----------|-----------|
| Within one year                                   | 15        | 17        |
| Later than one year but no longer than five years | 18        | 32        |
| <b>Total expenditure commitments - other</b>      | <b>33</b> | <b>49</b> |

The Joint Parliamentary Service's other commitments are for agreements for computer and software related contracts.

|                                                                                                       | 2015<br>\$'000  | 2014<br>\$'000 |
|-------------------------------------------------------------------------------------------------------|-----------------|----------------|
| <b>18. Cash flow reconciliation</b>                                                                   |                 |                |
| <b>Reconciliation of cash and cash equivalents at 30 June:</b>                                        |                 |                |
| Cash and cash equivalents disclosed in the Statement of Financial Position                            | 1,099           | -              |
| Balance as per the Statement of Cash Flows                                                            | 1,099           | -              |
| <b>Reconciliation of net cash provided by operating activities to net cost of providing services:</b> |                 |                |
| Net cash provided by operating activities                                                             | 1,818           | 6,778          |
| Less revenues from SA Government                                                                      | (10,895)        | (16,017)       |
| <b>Add/less non-cash items</b>                                                                        |                 |                |
| Depreciation expense of non-current assets                                                            | (1,863)         | (1,579)        |
| Gain/(loss) on sale or disposal of non-current assets                                                 | (3)             | -              |
| Assets acquired at nil consideration                                                                  | 248             | 570            |
| <b>Movements in assets and liabilities</b>                                                            |                 |                |
| (Decrease)/increase in receivables                                                                    | (54)            | (113)          |
| Decrease/(increase) in payables                                                                       | (36)            | 769            |
| (Increase)/decrease in employee benefits                                                              | (296)           | (159)          |
| Decrease in provisions                                                                                | 2               | 25             |
| <b>Net cost of providing services</b>                                                                 | <b>(11,079)</b> | <b>(9,726)</b> |

### 19. Events after the reporting period

There have been no events after the reporting period.

### 20. Contingent assets and liabilities

The Joint Parliamentary Service is not aware of any contingent assets or liabilities.



# Joint Parliamentary Service

## Financial Statements

### 21. Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

|                                                     | Note | SA Government |               | Non-SA Government |              | Total         |               |
|-----------------------------------------------------|------|---------------|---------------|-------------------|--------------|---------------|---------------|
|                                                     |      | 2015          | 2014          | 2015              | 2014         | 2015          | 2014          |
|                                                     |      | \$'000        | \$'000        | \$'000            | \$'000       | \$'000        | \$'000        |
| <b>Expenses</b>                                     |      |               |               |                   |              |               |               |
| Employee benefits expenses                          | 4    | 860           | 833           | 5,365             | 5,098        | 6,225         | 5,931         |
| Supplies and services:                              | 5    |               |               |                   |              |               |               |
| Building maintenance                                |      | 275           | 278           | 176               | 150          | 451           | 428           |
| Utilities                                           |      | 101           | 64            | 449               | 441          | 550           | 505           |
| Cleaning                                            |      | 302           | 219           | 27                | 38           | 329           | 257           |
| Minor works and equipment                           |      | 10            | -             | 150               | 118          | 160           | 118           |
| Telephone                                           |      | -             | -             | 157               | 220          | 157           | 220           |
| Printing and publishing                             |      | 449           | 296           | 24                | 19           | 473           | 315           |
| Insurance                                           |      | -             | -             | 57                | 57           | 57            | 57            |
| Information technology                              |      | 19            | 11            | 336               | 274          | 355           | 285           |
| Lease                                               |      | -             | -             | 54                | 54           | 54            | 54            |
| Audit fees                                          |      | -             | -             | 78                | 79           | 78            | 79            |
| Shared Services                                     |      | -             | -             | 98                | 97           | 98            | 97            |
| Vehicle hire                                        |      | -             | -             | 23                | 22           | 23            | 22            |
| Staff training and development                      |      | -             | -             | 11                | 33           | 11            | 33            |
| Agency staff hire                                   |      | -             | -             | 109               | 57           | 109           | 57            |
| Fringe benefits tax                                 |      | -             | -             | 52                | 50           | 52            | 50            |
| Consultants fees                                    |      | -             | -             | 13                | -            | 13            | -             |
| Occupational, Health, Safety and Welfare compliance |      | -             | -             | 12                | 15           | 12            | 15            |
| Other                                               |      | 60            | 39            | 226               | 182          | 286           | 221           |
| Depreciation                                        | 7    | -             | -             | 1,863             | 1,579        | 1,863         | 1,579         |
| <b>Total expenses</b>                               |      | <b>2,076</b>  | <b>1,740</b>  | <b>9,280</b>      | <b>8,583</b> | <b>11,356</b> | <b>10,323</b> |
| <b>Income</b>                                       |      |               |               |                   |              |               |               |
| Assets acquired at nil consideration                | 11   | 248           | 570           | -                 | -            | 248           | 570           |
| Other                                               |      | -             | -             | 32                | 27           | 32            | 27            |
| Revenues from SA Government                         | 8    | 10,895        | 13,114        | -                 | -            | 10,895        | 13,114        |
| <b>Total Income</b>                                 |      | <b>11,143</b> | <b>13,684</b> | <b>32</b>         | <b>27</b>    | <b>11,175</b> | <b>13,711</b> |

# Joint Parliamentary Service

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|                                    | Note | SA Government |        | Non-SA Government |        | Total  |        |
|------------------------------------|------|---------------|--------|-------------------|--------|--------|--------|
|                                    |      | 2015          | 2014   | 2015              | 2014   | 2015   | 2014   |
|                                    |      | \$'000        | \$'000 | \$'000            | \$'000 | \$'000 | \$'000 |
| <b>Financial assets</b>            |      |               |        |                   |        |        |        |
| Receivables:                       | 10   |               |        |                   |        |        |        |
| Receivables                        |      | -             | -      | 118               | 161    | 118    | 161    |
| Prepayments                        |      | -             | -      | 82                | 100    | 82     | 100    |
| Other                              |      | -             | -      | 7                 | 6      | 7      | 6      |
| <b>Total financial assets</b>      |      | -             | -      | 207               | 267    | 207    | 267    |
| <b>Financial liabilities</b>       |      |               |        |                   |        |        |        |
| Payables:                          | 13   |               |        |                   |        |        |        |
| Creditors                          |      | -             | -      | 71                | 39     | 71     | 39     |
| Accrued expenses                   |      | 167           | 149    | 58                | 97     | 225    | 246    |
| Employment on-costs                |      | 32            | 27     | 200               | 180    | 232    | 207    |
| <b>Total financial liabilities</b> |      | 199           | 176    | 329               | 316    | 528    | 492    |



# Joint Parliamentary Service

## Financial Statements

### 22. Financial risk management / Financial instruments

#### 22.1 Financial risk management

Risk management is managed by the Joint Parliamentary Service's executive management and risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Joint Parliamentary Service is exposed to financial risk, liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

#### 22.2 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.

Refer below for the carrying amounts of each of the following categories of financial assets and liabilities: Loan and receivables; and financial liabilities measured at cost.

The Joint Parliamentary Service does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2, 10 and 13).

#### Categorisation and maturity analysis of financial assets and liabilities

| Category of financial asset and financial liability | Note | 2015       | 2015 Contractual maturities |        |           |           |
|-----------------------------------------------------|------|------------|-----------------------------|--------|-----------|-----------|
|                                                     |      | Carrying   | Current                     | Within | 1-5 years | More than |
|                                                     |      | Amount/    |                             |        |           |           |
|                                                     |      | Fair Value |                             |        |           |           |
|                                                     |      | \$'000     | \$'000                      | \$'000 | \$'000    | \$'000    |
| <b>Financial assets</b>                             |      |            |                             |        |           |           |
| Cash and cash equivalents                           |      |            |                             |        |           |           |
| Cash and cash equivalents                           | 9    | 1,099      | 1,099                       | -      | -         | -         |
| Loans and receivables                               |      |            |                             |        |           |           |
| Receivables (1) (2)                                 | 10   | 7          | 7                           | -      | -         | -         |
|                                                     |      | 1,106      | 1,106                       | -      | -         | -         |
| <b>Financial liabilities</b>                        |      |            |                             |        |           |           |
| Financial liabilities at cost                       |      |            |                             |        |           |           |
| Payables (1)                                        | 13   | 206        | 206                         | -      | -         | -         |
|                                                     |      | 206        | 206                         | -      | -         | -         |

# Joint Parliamentary Service

## Financial Statements

| Category of financial asset<br>and financial liability |    | 2014                  | 2014 Contractual maturities |                  |           |                      |
|--------------------------------------------------------|----|-----------------------|-----------------------------|------------------|-----------|----------------------|
|                                                        |    | Carrying              | Current                     | Within<br>1 year | 1-5 years | More than<br>5 years |
|                                                        |    | Amount/<br>Fair Value |                             |                  |           |                      |
|                                                        |    | \$'000                |                             |                  |           |                      |
| <b>Financial assets</b>                                |    |                       |                             |                  |           |                      |
| Cash and cash equivalents                              |    |                       |                             |                  |           |                      |
| Cash and cash equivalents                              | 9  | -                     | -                           | -                | -         | -                    |
| Loans and receivables                                  |    |                       |                             |                  |           |                      |
| Receivables (1) (2)                                    | 10 | 6                     | 6                           | -                | -         | -                    |
|                                                        |    | 6                     | 6                           | -                | -         | -                    |
| <b>Financial liabilities</b>                           |    |                       |                             |                  |           |                      |
| Financial liabilities at cost                          |    |                       |                             |                  |           |                      |
| Payables (1)                                           | 13 | 191                   | 191                         | -                | -         | -                    |
|                                                        |    | 191                   | 191                         | -                | -         | -                    |

- (1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.
- (2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 10 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

### 22.3 Liquidity risk

Liquidity risk arises from the possibility where the Joint Parliamentary Service is unable to meet its financial obligations as they are due. The Joint Parliamentary Service is funded principally from appropriation by the SA Government. The Joint Parliamentary Service 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. The Joint Parliamentary Service settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Joint Parliamentary Service's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

### 22.4 Credit risk

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

The Joint Parliamentary Service has minimal concentration of credit risk. The Joint Parliamentary Service has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Joint Parliamentary Service does not engage in high risk hedging for its financial assets. No collateral is held as security and no credit enhancements relate to financial assets held by the Joint Parliamentary Service.



# Joint Parliamentary Service

## Financial Statements

### 22.5 Market risk

The Joint Parliamentary Service has no market risk exposure to foreign currency or other price risks or interest rate risks.

### Sensitivity disclosure analysis

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

## 23. Administered items

The Joint Parliamentary Service administers the payment of Members salaries funded by appropriations under the Parliamentary Remuneration Act 1990 and the Parliamentary Committees (Miscellaneous) Act 1991.

|                                                                                     | 2015   | 2014   |
|-------------------------------------------------------------------------------------|--------|--------|
|                                                                                     | \$'000 | \$'000 |
| <b>Schedule of Administered Expenses and Income for the year ended 30 June 2015</b> |        |        |
| <b>Expenses</b>                                                                     |        |        |
| Members Salaries                                                                    | 11,182 | 11,545 |
| <b>Total expenses</b>                                                               | 11,182 | 11,545 |
| <b>Income</b>                                                                       |        |        |
| Recurrent appropriations                                                            | 11,182 | 11,545 |
| <b>Total income</b>                                                                 | 11,182 | 11,545 |
| <b>Net cost of / (benefit from) providing services</b>                              | -      | -      |

# Joint Parliamentary Service

## Financial Statements

### Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Joint Parliamentary Service:

- complies with relevant Treasurer's Instructions issued under Section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards;
- are in accordance with the accounts and records of the Joint Parliamentary Service; and
- presents a true and fair view of the financial position of the Joint Parliamentary Service as at 30 June 2015 and the results of its operation and cash flows for the financial year.

We certify the internal controls employed by the Joint Parliamentary Service for the financial year over its financial reporting and the preparation of the general purpose financial Statements have been effective throughout the reporting period.



Chair  
Joint Parliamentary  
Service Committee

18/9/2015



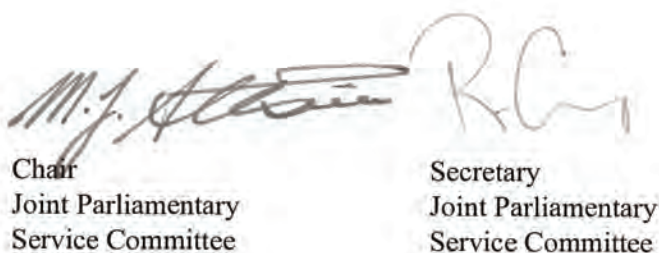
Secretary  
Joint Parliamentary  
Service Committee

18/9/2015



Chief Finance Officer  
Joint Parliamentary Service

18/9/2015



Chair  
Joint Parliamentary  
Service Committee

18/09/2015



Secretary  
Joint Parliamentary  
Service Committee

18/9/2015





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## To the Parliament of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the accompanying financial report of the Joint Parliamentary Service for the financial year ended 30 June 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate by the two Chairs, the two Secretaries and the Chief Finance Officer, Joint Parliamentary Service.

## The Members of the Joint Parliamentary Service Committee's Responsibility for the Financial Report

The Members of the Joint Parliamentary Service Committee are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Members of the Joint Parliamentary Service Committee determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on conducting the audit in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. Because of the matters described in the Basis for Disclaimer Opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

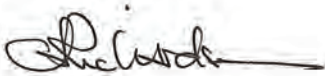
## Basis for Disclaimer of Opinion

The Members of the Joint Parliamentary Service Committee are responsible for the management of the Joint Parliamentary Service. The Members have not provided unrestricted access to the minutes of their meetings. As a result, I cannot assess whether matters deliberated and decided by the Members that have financial consequences have been recognised or disclosed in the financial report.

The Members of the Joint Parliamentary Service Committee are responsible for the control and management of the dining and refreshment services of Parliament House. Certain income from the provision of these services and certain associated expenditure has been omitted from the financial report. The Members have not provided access to this financial information to enable the effect of the omission on the financial report to be quantified.

### **Disclaimer of Opinion**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion. Accordingly, I do not express an opinion on the financial report.



Andrew Richardson  
**Auditor-General**  
19 September 2015



# The Legislature — Legislative Council

Financial report  
for the year ended  
30 June 2015

# Legislative Council

## Financial Statements

### Statement of Comprehensive Income

#### For the year ended 30 June 2015

|                                                                          | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------------------------------|------|----------------|----------------|
| <b>Expenses</b>                                                          |      |                |                |
| Employee benefits expenses                                               | 4    | 2,136          | 1,872          |
| Members' salaries and allowances                                         | 5    | 4,790          | 4,909          |
| Supplies and services                                                    | 6    | 1,542          | 1,413          |
| Depreciation                                                             | 7    | 102            | 193            |
| Net loss from the disposal of non-current assets                         |      | -              | 3              |
| Assets provided for nil consideration to the Joint Parliamentary Service | 11   | 83             | 206            |
| <b>Total expenses</b>                                                    |      | <b>8,653</b>   | <b>8,596</b>   |
| <b>Income</b>                                                            |      |                |                |
| Other income                                                             |      | 4              | 2              |
| <b>Total income</b>                                                      |      | <b>4</b>       | <b>2</b>       |
| <b>Net cost of providing services</b>                                    |      | <b>8,649</b>   | <b>8,594</b>   |
| <b>Revenues from SA Government</b>                                       | 8    | 8,614          | 8,512          |
| <b>Net result</b>                                                        |      | <b>(35)</b>    | <b>(82)</b>    |
| <b>Total comprehensive result</b>                                        |      | <b>(35)</b>    | <b>(82)</b>    |

*The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*



# Legislative Council

## Financial Statements

### Statement of Financial Position

As at 30 June 2015

|                                             | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------|------|----------------|----------------|
| <b>Current assets</b>                       |      |                |                |
| Cash and cash equivalents                   | 9    | 1,414          | 1,222          |
| Receivables                                 | 10   | 45             | 36             |
| <b>Total current assets</b>                 |      | <b>1,459</b>   | <b>1,258</b>   |
| <b>Non-current assets</b>                   |      |                |                |
| Property, plant and equipment               | 11   | 1,226          | 1,276          |
| <b>Total non-current assets</b>             |      | <b>1,226</b>   | <b>1,276</b>   |
| <b>Total assets</b>                         |      | <b>2,685</b>   | <b>2,534</b>   |
| <b>Current liabilities</b>                  |      |                |                |
| Payables                                    | 13   | 163            | 186            |
| Employee benefits                           | 14   | 213            | 192            |
| Provisions                                  | 15   | 1              | 1              |
| <b>Total current liabilities</b>            |      | <b>377</b>     | <b>379</b>     |
| <b>Non-current liabilities</b>              |      |                |                |
| Payables                                    | 13   | 99             | 60             |
| Employee benefits                           | 14   | 1,330          | 1,179          |
| Provisions                                  | 15   | 3              | 5              |
| <b>Total non-current liabilities</b>        |      | <b>1,432</b>   | <b>1,244</b>   |
| <b>Total liabilities</b>                    |      | <b>1,809</b>   | <b>1,623</b>   |
| <b>Net assets</b>                           |      | <b>876</b>     | <b>911</b>     |
| <b>Equity</b>                               |      |                |                |
| Retained earnings                           |      | 800            | 835            |
| Asset revaluation surplus                   | 16   | 76             | 76             |
| <b>Total equity</b>                         |      | <b>876</b>     | <b>911</b>     |
| <b>Unrecognised contractual commitments</b> | 17   |                |                |
| <b>Contingent assets and liabilities</b>    | 19   |                |                |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# Legislative Council

## Financial Statements

### Statement of Changes in Equity For the year ended 30 June 2015

|                                        | Note | Asset<br>Revaluation<br>Surplus<br>\$'000 | Retained<br>Earnings<br>\$'000 | Total<br>Equity<br>\$'000 |
|----------------------------------------|------|-------------------------------------------|--------------------------------|---------------------------|
| <b>Balance at 30 June 2013</b>         |      | <b>76</b>                                 | <b>917</b>                     | <b>993</b>                |
| Net result for 2013-14                 |      | -                                         | (82)                           | (82)                      |
| Total comprehensive result for 2013-14 |      | -                                         | (82)                           | (82)                      |
| <b>Balance at 30 June 2014</b>         |      | <b>76</b>                                 | <b>835</b>                     | <b>911</b>                |
| Net result for 2014-15                 |      | -                                         | (35)                           | (35)                      |
| Total comprehensive result for 2014-15 |      | -                                         | (35)                           | (35)                      |
| <b>Balance at 30 June 2015</b>         |      | <b>76</b>                                 | <b>800</b>                     | <b>876</b>                |

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*



# Legislative Council

## Financial Statements

### Statement of Cash Flows

#### For the year ended 30 June 2015

|                                                  | Note | 2015<br>\$'000<br>Inflows<br>(Outflows) | 2014<br>\$'000<br>Inflows<br>(Outflows) |
|--------------------------------------------------|------|-----------------------------------------|-----------------------------------------|
| <b>Cash flows from operating activities</b>      |      |                                         |                                         |
| <b>Cash outflows</b>                             |      |                                         |                                         |
| Employee benefits expenses                       |      | (1,966)                                 | (1,929)                                 |
| Members' superannuation                          | 5    | (741)                                   | (790)                                   |
| Payments for supplies and services               |      | (1,678)                                 | (1,552)                                 |
| Payments for paid parental leave scheme          |      | (1)                                     | -                                       |
| <b>Cash used in operations</b>                   |      | <b>(4,386)</b>                          | <b>(4,271)</b>                          |
| <b>Cash inflows</b>                              |      |                                         |                                         |
| GST recovered from the ATO                       |      | 145                                     | 152                                     |
| Receipts for paid parental leave scheme          |      | 1                                       | -                                       |
| Other receipts                                   |      | 2                                       | 2                                       |
| <b>Cash generated from operations</b>            |      | <b>148</b>                              | <b>154</b>                              |
| <b>Cash flows from SA Government</b>             |      |                                         |                                         |
| Receipts from State Government                   | 8    | 4,565                                   | 4,394                                   |
| <b>Cash generated from SA Government</b>         |      | <b>4,565</b>                            | <b>4,394</b>                            |
| <b>Net cash provided by operating activities</b> | 21   | <b>327</b>                              | <b>277</b>                              |
| <b>Cash flows from investing activities</b>      |      |                                         |                                         |
| Purchase of property, plant and equipment        | 11   | (135)                                   | (86)                                    |
| <b>Net cash used in investing activities</b>     |      | <b>(135)</b>                            | <b>(86)</b>                             |
| Net increase in cash and cash equivalents        |      | 192                                     | 191                                     |
| Cash and cash equivalents at 1 July              |      | 1,222                                   | 1,031                                   |
| <b>Cash and cash equivalents at 30 June</b>      | 9    | <b>1,414</b>                            | <b>1,222</b>                            |

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*

# Legislative Council

## Financial Statements

### 1. Objective of the Legislative Council

The Legislative Council is established under the *Constitution Act 1934*. The Legislative Council, together with the House of Assembly, constitute the Parliament of South Australia. The principle purpose of Parliament is to legislate for peace, order and responsible governance of South Australia. The Legislative Council consists of twenty-two Members elected by the inhabitants of the State legally qualified to vote. The Legislative Council also employs clerical and administrative officers.

Certain support services provided to the Legislative Council are not reflected in these financial statements but in the financial statements of the Joint Parliamentary Service. The Legislative Council provides assets to the Joint Parliamentary Service for nil consideration.

### 2. Summary of significant accounting policies

#### (a) Statement of compliance

These financial statements are in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

The Legislative Council has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Legislative Council is a not-for-profit entity.

Except for AASB 2015-7 which the Legislative Council has early adopted, Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the House of Assembly for the reporting period ending 30 June 2015 (refer note 3).

#### (b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Legislative Council's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements 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 equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

The Legislative Council's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.



# Legislative Council

## Financial Statements

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented.

### **(c) Comparative information**

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

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

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

### **(d) Rounding**

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

### **(e) Taxation**

The Legislative Council is not subject to income tax. The Legislative Council is liable for payroll tax, fringe benefits tax, goods and services tax (GST) and emergency services levy.

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

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

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

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

### **(f) Income**

Income is recognised to the extent that it is probable that the flow of economic benefits to the Legislative Council will occur and can be reliably measured.

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

The following are specific recognition criteria:

#### *Revenues from SA Government*

Appropriations are recognised as revenues when the Legislative Council obtains control over the funding. Control over appropriations is normally obtained upon receipt.

# Legislative Council

## Financial Statements

### (g) *Expenses*

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Legislative Council will occur and can be reliably measured.

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

The following are specific recognition criteria:

#### *Employee benefits expenses*

Employee benefits expenses includes all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

#### *Superannuation*

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Legislative Council to the superannuation plan in respect of current services of current Legislative Council staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole of government financial statements.

#### *Members' salaries and allowances*

Allowances and benefits provided to Members by other State Government agencies and included in their financial statements are not recognised or disclosed in these financial statements apart from Ministers' salaries and allowances disclosed in note 5.

#### *Depreciation*

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

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

Land is not depreciated.

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

| <b>Class of asset</b> | <b>Useful life</b> |
|-----------------------|--------------------|
| Plant and equipment   | 5 - 30 years       |
| Fixtures and fittings | 5 - 10 years       |
| Computer equipment    | 3 - 5 years        |

The majority of fixtures and fittings are antiques. They are anticipated to have a very long and indeterminate useful life. Consequently, no amount for depreciation has been recognised during the reporting period for these assets.

Works of art controlled by the Legislative Council are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.



# Legislative Council

## Financial Statements

### *(h) Current and non-current classification*

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

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

### *(i) Assets*

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

Where an asset line item combines amounts expected to be settled within 12 months and more than 12 months, the Legislative Council has separately disclosed the amounts expected to be recovered after more than 12 months.

#### *Cash and cash equivalents*

Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand.

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

Cash is measured at nominal value.

#### *Receivables*

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

Receivables are generally settled within 30 days after the issue of an invoice.

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

#### *Non-current assets - Acquisition and recognition*

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

All non-current tangible assets with a value equal to or in excess of \$5,000 are capitalised.

Buildings within which the Legislative Council operate are recognised in the financial statements for the Joint Parliamentary Service.

Art work on loan from the Art Gallery of South Australia is not recognised in the financial statements.



# Legislative Council

## Financial Statements

Expenditure on assets not fully constructed at 30 June is disclosed separately as capital works in progress. Assets contributed by the Legislative Council to the Joint Parliamentary Service once completed are recognised in the Statement of Comprehensive Income as an expense in the period contributed.

### *Revaluation of non-current assets*

All non-current tangible assets are valued at fair value and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than 3 years.

Every six years, the Legislative Council revalues its non-current assets. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Any revaluation increment is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in revaluation surplus for that asset class.

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

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

### *Impairment*

All non-current assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement costs. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

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

### *Fair value measurement*

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Legislative Council classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.



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- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Chief Finance Officer at each reporting date.

#### *Non-Financial assets*

In determining fair value, the Legislative Council has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Legislative Council's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible within the next five years. As the Legislative Council did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a 'fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years' is deemed to approximate fair value.

Refer notes 11 and 12 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

#### *Financial assets/liabilities*

The Legislative Council does not recognise any financial assets or financial liabilities at fair value.

#### **(j) Liabilities**

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

Where liability line items combine amounts expected to be settled within 12 months and more than 12 months, the Legislative Council has separately disclosed the amounts expected to be settled after more than 12 months.

#### *Payables*

Payables include creditors, accrued expenses, GST payable and 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 Legislative Council.

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

The Paid Parental Leave Scheme payable represents amounts which the Legislative Council has received from the Commonwealth Government to forward onto eligible employees via the Legislative Council's standard payroll processes. That is, the Legislative Council is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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

Employee benefits on-costs include payroll tax, workers compensation and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

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

### *Leases*

The Legislative Council leases office premises. Lease payments are increased annually in accordance with movements in the Consumer Price Index.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased asset.

### *Employee benefits*

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

### Salaries and wages, annual leave, SERL and sick leave

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

The annual leave liability and the SERL liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

### Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.



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

### *Provisions*

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

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2015 provided by a consulting actuary engaged through the Office for the Public Sector.

The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Legislative Council is responsible for the payment of workers compensation claims.

### **(k) *Unrecognised contractual commitments and contingent assets and liabilities***

Commitments include operating lease commitments arising from contractual or statutory sources and are disclosed at their nominal value.

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

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

## **3. New and revised accounting standards and policies**

### **Accounting Standards**

Except for AASB 2015-7 which the Legislative Council has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the House of Assembly for the period ending 30 June 2015. The Legislative Council has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the House of Assembly.

# Legislative Council

## Financial Statements

|                                         | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------|----------------|----------------|
| <b>4. Employee benefits expenses</b>    |                |                |
| Salaries and wages                      | 1,631          | 1,383          |
| Employment on-costs – superannuation    | 366            | 360            |
| Employment on-costs – other             | 140            | 128            |
| Workers compensation                    | (1)            | 1              |
| <b>Total employee benefits expenses</b> | <b>2,136</b>   | <b>1,872</b>   |

### Remuneration of employees

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

|                     | 2015<br>No | 2014<br>No |
|---------------------|------------|------------|
| \$161,500 – 171,499 | 1          | 1          |
| \$221,500 – 231,499 | 1          | 1          |
| <b>Total</b>        | <b>2</b>   | <b>2</b>   |

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. The executive base level remuneration rate for 2014-15 is the same as the 2013-14 rate (ie there has been no increase in executive remuneration since 1 July 2013). Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees was \$394,000 (2014 \$393,000).

|                                               | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------|----------------|----------------|
| <b>5. Members' salaries and allowances</b>    |                |                |
| Members' salaries and allowances              | 4,049          | 4,119          |
| Superannuation                                | 741            | 790            |
| <b>Total members' salaries and allowances</b> | <b>4,790</b>   | <b>4,909</b>   |

Members' salaries, electorate allowances and additional salaries of \$4.0 million (2014 \$4.1 million) reflected in these financial statements are paid from Appropriations administered by the Joint Parliamentary Service. The Appropriations are provided under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*. Ministers' salaries and allowances totalling \$713,000 (2014 \$545,000) and superannuation of \$148,000 (2014 \$131,000) are not reported in these financial statements but in the financial statements of each Minister's respective Department.



# Legislative Council

## Financial Statements

|                                                    | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------|----------------|----------------|
| <b>6. Supplies and services</b>                    |                |                |
| Publications                                       | 36             | 36             |
| Printing                                           | 229            | 254            |
| Information technology                             | 76             | 43             |
| Lease                                              | 57             | 57             |
| Members global allowance                           | 317            | 364            |
| Security                                           | 147            | 95             |
| Vehicle hire                                       | 15             | 13             |
| Members travel, accommodation and related expenses | 298            | 233            |
| Travelling expenses                                | 46             | 56             |
| Fringe benefits tax                                | 77             | 71             |
| Stationery                                         | 18             | 8              |
| Telephone                                          | 6              | 3              |
| Agency staff hire                                  | 1              | -              |
| Consultants fees                                   | 60             | 95             |
| Advertisements                                     | 16             | 25             |
| Commonwealth Parliamentary Association             | 24             | -              |
| Other                                              | 119            | 60             |
| <b>Total supplies and services</b>                 | <b>1,542</b>   | <b>1,413</b>   |

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

|                                                  | 2015     |           | 2014     |           |
|--------------------------------------------------|----------|-----------|----------|-----------|
|                                                  | No       | \$'000    | No       | \$'000    |
| Below \$10,000                                   | 5        | 49        | 6        | 23        |
| Above \$10,000                                   | 1        | 11        | 2        | 72        |
| <b>Total paid/payable to consultants engaged</b> | <b>6</b> | <b>60</b> | <b>8</b> | <b>95</b> |

Not included in the above table are consultancies for \$2,000 (2014 \$Nil) which were capitalised.

|                           | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------|----------------|----------------|
| <b>7. Depreciation</b>    |                |                |
| Plant and equipment       | 16             | 15             |
| Fixtures and fittings     | 16             | 16             |
| Computer equipment        | 70             | 162            |
| <b>Total depreciation</b> | <b>102</b>     | <b>193</b>     |

# Legislative Council

## Financial Statements

|                                                                                                                                               | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>8. Revenues from SA Government</b>                                                                                                         |                |                |
| Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>                                                             | 4,565          | 4,394          |
| Appropriations received under the <i>Parliamentary Remuneration Act 1990</i> and the <i>Parliamentary Committees (Miscellaneous) Act 1991</i> | 4,049          | 4,118          |
| <b>Total revenues from SA Government</b>                                                                                                      | <b>8,614</b>   | <b>8,512</b>   |
| <b>9. Cash and cash equivalents</b>                                                                                                           |                |                |
| Deposits with the Treasurer                                                                                                                   | 1,414          | 1,222          |
| <b>Total cash and cash equivalents</b>                                                                                                        | <b>1,414</b>   | <b>1,222</b>   |

### Deposits with the Treasurer

Deposits with the Treasurer includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

### Interest rate risk

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

## 10. Receivables

|                                  |           |           |
|----------------------------------|-----------|-----------|
| Receivables                      | 3         | 3         |
| Prepayments                      | 42        | 17        |
| Other                            | -         | 16        |
| <b>Total current receivables</b> | <b>45</b> | <b>36</b> |

### 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.

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.



# Legislative Council

## Financial Statements

|                                            | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------|----------------|----------------|
| <b>11. Property, plant and equipment</b>   |                |                |
| <b>Plant and equipment</b>                 |                |                |
| Fair value                                 | 83             | 83             |
| Less: Accumulated depreciation             | (38)           | (22)           |
| <b>Total plant and equipment</b>           | <b>45</b>      | <b>61</b>      |
| <b>Fixtures and fittings</b>               |                |                |
| Fair value                                 | 648            | 648            |
| Less: Accumulated depreciation             | (48)           | (32)           |
| <b>Total fixtures and fittings</b>         | <b>600</b>     | <b>616</b>     |
| <b>Computer equipment</b>                  |                |                |
| At cost (deemed fair value)                | 661            | 661            |
| Less: Accumulated depreciation             | (531)          | (461)          |
| <b>Total computer equipment</b>            | <b>130</b>     | <b>200</b>     |
| <b>Works of art</b>                        |                |                |
| Independent valuation                      | 399            | 399            |
| <b>Total works of art</b>                  | <b>399</b>     | <b>399</b>     |
| <b>Capital works in progress</b>           |                |                |
| Capital works in progress                  | 52             | -              |
| <b>Total capital works in progress</b>     | <b>52</b>      | <b>-</b>       |
| <b>Total property, plant and equipment</b> | <b>1,226</b>   | <b>1,276</b>   |

### Valuation of assets

An independent valuation of the plant and equipment was conducted as at 30 June 2011 by Fred Taormina B.App.Sc.(Val.), A.A.P.I. (Associate member of the Australian Property Institute) Certified Practicing Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2011 was prepared on a fair value basis.

An independent valuation of the works of art, fixtures and fittings was conducted by Mr Stephen Sinclair, a recognised expert in the industry, at 30 June 2011. The valuation at 30 June 2011 was a desk top valuation that updated a previous valuation at 30 June 2006. The valuation was determined at net market value.

### Impairment

There were no indications of impairment of property, and plant and equipment at 30 June 2015.

# Legislative Council

## Financial Statements

### 11. Property, plant and equipment

#### Asset Movement Reconciliation 2014-15

|                                       | Plant<br>and<br>equipment<br>\$'000 | Fixtures<br>and<br>fittings<br>\$'000 | Computer<br>equipment<br>\$'000 | Works<br>of art<br>\$'000 | Capital<br>works in<br>progress<br>\$'000 | Total<br>\$'000 |
|---------------------------------------|-------------------------------------|---------------------------------------|---------------------------------|---------------------------|-------------------------------------------|-----------------|
| Carrying amount at 1 July             | 61                                  | 616                                   | 200                             | 399                       | -                                         | 1,276           |
| Additions                             | -                                   | -                                     | -                               | -                         | 135                                       | 135             |
| Depreciation                          | (16)                                | (16)                                  | (70)                            | -                         | -                                         | (102)           |
| Assets provided for nil consideration | -                                   | -                                     | -                               | -                         | (83)                                      | (83)            |
| Carrying amount at 30 June            | 45                                  | 600                                   | 130                             | 399                       | 52                                        | 1,226           |

#### Asset Movement Reconciliation 2013-14

|                                        |      |      |       |     |       |       |
|----------------------------------------|------|------|-------|-----|-------|-------|
| Carrying amount at 1 July              | 63   | 632  | 351   | 399 | 147   | 1,592 |
| Additions                              | 16   | -    | 11    | -   | 59    | 86    |
| Additions - Transfers to / (from) CWIP | -    | -    | -     | -   | -     | -     |
| Depreciation                           | (15) | (16) | (162) | -   | -     | (193) |
| Assets provided for nil consideration  | -    | -    | -     | -   | (206) | (206) |
| Disposals                              | (3)  | -    | -     | -   | -     | (3)   |
| Carrying amount at 30 June             | 61   | 616  | 200   | 399 | -     | 1,276 |



# Legislative Council

## Financial Statements

### 12. Fair value measurement

#### Fair Value Hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Legislative Council categorises non-financial assets measured at fair value into hierarchy based on the level of inputs use in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 30 June 2015.

The Legislative Council had no valuations categorised into level 1.

#### Fair value measurements at 30 June 2015

##### Recurring fair value measurements

|                                                | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------|-------------------|-------------------|-----------------|
| Plant and equipment (note 11)                  | -                 | 45                | 45              |
| Fixtures and fittings (note 11)                | -                 | 600               | 600             |
| Computer equipment (note 11)                   | -                 | 130               | 130             |
| Works of art (note 11)                         | 399               | -                 | 399             |
| <b>Total recurring fair value measurements</b> | <b>399</b>        | <b>775</b>        | <b>1,174</b>    |

#### Fair value measurements at 30 June 2014

##### Recurring fair value measurements

|                                                | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------|-------------------|-------------------|-----------------|
| Plant and equipment (note 11)                  | -                 | 61                | 61              |
| Fixtures and fittings (note 11)                | -                 | 616               | 616             |
| Computer equipment (note 11)                   | -                 | 200               | 200             |
| Works of art (note 11)                         | 399               | -                 | 399             |
| <b>Total recurring fair value measurements</b> | <b>399</b>        | <b>877</b>        | <b>1,276</b>    |

#### Valuation techniques and inputs

Valuation techniques and inputs used to derive levels 2 and 3 fair values are at note 11. There were no changes in valuation techniques during 2015.

# Legislative Council

## Financial Statements

|                                                                         | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------------------------------------|----------------|----------------|
| <b>13. Payables</b>                                                     |                |                |
| <b>Current</b>                                                          |                |                |
| Creditors                                                               | 22             | 35             |
| Accrued expenses                                                        | 94             | 78             |
| Employment on-costs                                                     | 47             | 73             |
| <b>Total current payables</b>                                           | <b>163</b>     | <b>186</b>     |
| <br>Expected to be settled more than twelve months after reporting date |                |                |
| Employment on-costs                                                     | 99             | 60             |
| <b>Total non-current payables</b>                                       | <b>99</b>      | <b>60</b>      |
| <br><b>Total payables</b>                                               | <b>262</b>     | <b>246</b>     |

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has decreased to 37% from the 2014 rate of 40% and the average factor for the calculation of employer superannuation cost on-cost has remained at the 2014 rate of 10.3%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an decrease in the employment on-cost of \$5,000.

### 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 benefits 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.

|                                                                         |              |              |
|-------------------------------------------------------------------------|--------------|--------------|
| <b>14. Employee benefits</b>                                            |              |              |
| <b>Current</b>                                                          |              |              |
| Annual leave                                                            | 172          | 157          |
| Long service leave                                                      | 9            | 16           |
| Skills and experience retention leave                                   | 20           | 14           |
| Accrued salaries and wages                                              | 12           | 5            |
| <b>Total current employee benefits</b>                                  | <b>213</b>   | <b>192</b>   |
| <br>Expected to be settled more than twelve months after reporting date |              |              |
| Annual leave                                                            | 218          | 199          |
| <b>Non-current</b>                                                      |              |              |
| Long service leave                                                      | 1,112        | 980          |
| <b>Total non-current employee benefits</b>                              | <b>1,330</b> | <b>1,179</b> |
| <br><b>Total employee benefits</b>                                      | <b>1,543</b> | <b>1,371</b> |

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2014 (3.50%) to 2015 (3.00%).



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The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is \$112,000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption is the long term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and revised the salary inflation rate down by 1% from 2014 (4%) to 2015 (3%) for annual leave and skills, experience and retention leave liability.

|                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------|----------------|----------------|
| <b>15. Provisions</b>               |                |                |
| <b>Current</b>                      |                |                |
| Provision for workers compensation  | 1              | 1              |
| <b>Total current provisions</b>     | <b>1</b>       | <b>1</b>       |
| <b>Non current</b>                  |                |                |
| Provision for workers compensation  | 3              | 5              |
| <b>Total non-current provisions</b> | <b>3</b>       | <b>5</b>       |
| <b>Total provisions</b>             | <b>4</b>       | <b>6</b>       |
| <b>Provision movement</b>           |                |                |
| <b>Carrying amount at 1 July</b>    | <b>6</b>       | <b>6</b>       |
| Reduction in provisions recognised  | 2              | -              |
| <b>Carrying amount at 30 June</b>   | <b>4</b>       | <b>6</b>       |

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on the actuarial assessment performed by the Office for the Public Sector.

|                           | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------|----------------|----------------|
| <b>16. Equity</b>         |                |                |
| Accumulated surplus       | 800            | 835            |
| Asset revaluation surplus | 76             | 76             |
| <b>Total equity</b>       | <b>876</b>     | <b>911</b>     |

The Asset revaluation surplus is 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 derecognised.

# Legislative Council

## Financial Statements

### 17. Unrecognised contractual commitments

#### Operating lease commitments

| 2015   | 2014   |
|--------|--------|
| \$'000 | \$'000 |

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

Within one year

|    |    |
|----|----|
| 48 | 46 |
|----|----|

Later than one year but no longer than five years

|    |    |
|----|----|
| 21 | 69 |
|----|----|

#### Total operating lease commitments

|           |            |
|-----------|------------|
| <b>69</b> | <b>115</b> |
|-----------|------------|

The Legislative Council's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to four years with some leases having the right of renewal. Rent is payable in arrears.

### 18. Events after the reporting period

There have been no events after the reporting period.

### 19. Contingent assets and liabilities

The Legislative Council is not aware of any contingent assets or liabilities.

### 20. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department are the responsibility of the Joint Parliamentary Service.

| 2015   | 2014   |
|--------|--------|
| \$'000 | \$'000 |

### 21. Cash flow reconciliation

#### Reconciliation of cash and cash equivalents at 30 June

Cash and cash equivalents disclosed in the Statement of Financial Position

|       |       |
|-------|-------|
| 1,414 | 1,222 |
|-------|-------|

Balance as per the Statement of Cash Flows

|       |       |
|-------|-------|
| 1,414 | 1,222 |
|-------|-------|

#### Reconciliation of net cash provided by operating activities to net cost of providing services:

Net cash provided by operating activities

|     |     |
|-----|-----|
| 327 | 277 |
|-----|-----|

Less revenues from SA Government

|         |         |
|---------|---------|
| (4,565) | (4,394) |
|---------|---------|

#### Add/less non-cash items

Depreciation expense of non-current assets

|       |       |
|-------|-------|
| (102) | (193) |
|-------|-------|

Gain/(loss) on sale or disposal of non-current assets

|   |     |
|---|-----|
| - | (3) |
|---|-----|

Assets provided for nil consideration to the Joint Parliamentary Service

|      |       |
|------|-------|
| (83) | (206) |
|------|-------|

Members' salaries and allowances

|         |         |
|---------|---------|
| (4,049) | (4,118) |
|---------|---------|

#### Movements in assets and liabilities

Increase/(decrease) in receivables

|   |    |
|---|----|
| 9 | 23 |
|---|----|

(Increase)/decrease in payables

|      |      |
|------|------|
| (16) | (37) |
|------|------|

Decrease/(increase) in employee benefits

|       |    |
|-------|----|
| (172) | 57 |
|-------|----|

(Increase)/decrease in provisions

|   |   |
|---|---|
| 2 | - |
|---|---|

#### Net cost of providing services

|                |                |
|----------------|----------------|
| <b>(8,649)</b> | <b>(8,594)</b> |
|----------------|----------------|



# Legislative Council

## Financial Statements

### 22. Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

|                                                    | Note | SA Government |              | Non-SA Government |              | Total        |              |
|----------------------------------------------------|------|---------------|--------------|-------------------|--------------|--------------|--------------|
|                                                    |      | 2015          | 2014         | 2015              | 2014         | 2015         | 2014         |
|                                                    |      | \$'000        | \$'000       | \$'000            | \$'000       | \$'000       | \$'000       |
| <b>Expenses</b>                                    |      |               |              |                   |              |              |              |
| Employee benefits expenses                         | 4    | 505           | 489          | 1,631             | 1,383        | 2,136        | 1,872        |
| Members' salaries and allowances                   | 5    | 741           | 790          | 4,049             | 4,119        | 4,790        | 4,909        |
| Supplies and services:                             | 6    |               |              |                   |              |              |              |
| Publications                                       |      | -             | -            | 36                | 36           | 36           | 36           |
| Printing                                           |      | 216           | 250          | 13                | 4            | 229          | 254          |
| Information technology                             |      | -             | -            | 76                | 43           | 76           | 43           |
| Lease                                              |      | -             | -            | 57                | 57           | 57           | 57           |
| Members global allowance                           |      | 36            | 34           | 281               | 330          | 317          | 364          |
| Security                                           |      | 147           | -            | -                 | 95           | 147          | 95           |
| Vehicle hire                                       |      | -             | -            | 15                | 13           | 15           | 13           |
| Members travel, accommodation and related expenses |      | -             | -            | 298               | 233          | 298          | 233          |
| Travelling expenses                                |      | -             | -            | 46                | 56           | 46           | 56           |
| Fringe benefits tax                                |      | -             | -            | 77                | 71           | 77           | 71           |
| Stationery                                         |      | -             | -            | 18                | 8            | 18           | 8            |
| Telephone                                          |      | -             | -            | 6                 | 3            | 6            | 3            |
| Agency staff hire                                  |      | -             | -            | 1                 | -            | 1            | -            |
| Consultants fees                                   |      | -             | -            | 60                | 95           | 60           | 95           |
| Advertisements                                     |      | -             | -            | 16                | 25           | 16           | 25           |
| Commonwealth Parliamentary Association             |      | -             | -            | 24                | -            | 24           | -            |
| Other                                              |      | -             | -            | 120               | 60           | 120          | 60           |
| Depreciation                                       | 7    | -             | -            | 102               | 193          | 102          | 193          |
| Assets provided for nil consideration              | 11   | 83            | 206          | -                 | -            | 83           | 206          |
| <b>Total expenses</b>                              |      | <b>1,728</b>  | <b>1,769</b> | <b>6,926</b>      | <b>6,824</b> | <b>8,654</b> | <b>8,593</b> |
| <b>Income</b>                                      |      |               |              |                   |              |              |              |
| Other                                              |      | -             | -            | 4                 | 2            | 4            | 2            |
| Revenues from SA Government                        | 8    | 8,614         | 8,512        | -                 | -            | 8,614        | 8,512        |
| <b>Total Income</b>                                |      | <b>8,614</b>  | <b>8,512</b> | <b>4</b>          | <b>2</b>     | <b>8,618</b> | <b>8,514</b> |

# Legislative Council

## Financial Statements

|                                    | Note | SA Government |        | Non-SA Government |        | Total  |        |
|------------------------------------|------|---------------|--------|-------------------|--------|--------|--------|
|                                    |      | 2015          | 2014   | 2015              | 2014   | 2015   | 2014   |
|                                    |      | \$'000        | \$'000 | \$'000            | \$'000 | \$'000 | \$'000 |
| <b>Financial assets</b>            |      |               |        |                   |        |        |        |
| Receivables:                       | 10   |               |        |                   |        |        |        |
| Receivables                        |      | -             | -      | 3                 | 3      | 3      | 3      |
| Prepayments                        |      | -             | -      | 42                | 17     | 42     | 17     |
| Other                              |      | -             | -      | -                 | 16     | -      | 16     |
| <b>Total financial assets</b>      |      | -             | -      | 45                | 36     | 45     | 36     |
| <b>Financial liabilities</b>       |      |               |        |                   |        |        |        |
| Payables:                          | 13   |               |        |                   |        |        |        |
| Creditors                          |      | -             | -      | 22                | 35     | 22     | 35     |
| Accrued expenses                   |      | -             | -      | 88                | 78     | 88     | 78     |
| Employment on-costs                |      | 14            | 12     | 132               | 121    | 146    | 133    |
| <b>Total financial liabilities</b> |      | 14            | 12     | 242               | 234    | 256    | 246    |

## 23. Financial risk management / Financial instruments

### 23.1 Financial risk management

Risk management is managed by the Legislative Council's executive management and risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Legislative Council is exposed to financial risk, liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

### 23.2 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.

Refer below for the carrying amounts of each of the following categories of financial assets and liabilities: Loan and receivables; and financial liabilities measured at cost.

The Legislative Council does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2, 10 and 13).



# Legislative Council

## Financial Statements

### Categorisation and maturity analysis of financial assets and liabilities

| Category of financial asset and financial liability | Note | 2015<br>Carrying<br>Amount/<br>Fair Value<br>\$'000 | 2015 Contractual maturities |                            |                     |                                |
|-----------------------------------------------------|------|-----------------------------------------------------|-----------------------------|----------------------------|---------------------|--------------------------------|
|                                                     |      |                                                     | Current<br>\$'000           | Within<br>1 year<br>\$'000 | 1-5 years<br>\$'000 | More than<br>5 years<br>\$'000 |
| <b>Financial assets</b>                             |      |                                                     |                             |                            |                     |                                |
| Cash and cash equivalents                           |      |                                                     |                             |                            |                     |                                |
| Cash and cash equivalents                           | 9    | 1,414                                               | 1,414                       | -                          | -                   | -                              |
| Loans and receivables                               |      |                                                     |                             |                            |                     |                                |
| Receivables (1) (2)                                 | 10   | 3                                                   | 3                           | -                          | -                   | -                              |
|                                                     |      | <u>1,417</u>                                        | <u>1,417</u>                | <u>-</u>                   | <u>-</u>            | <u>-</u>                       |
| <b>Financial liabilities</b>                        |      |                                                     |                             |                            |                     |                                |
| Financial liabilities at cost                       |      |                                                     |                             |                            |                     |                                |
| Payables (1)                                        | 13   | 99                                                  | 99                          | -                          | -                   | -                              |
|                                                     |      | <u>99</u>                                           | <u>99</u>                   | <u>-</u>                   | <u>-</u>            | <u>-</u>                       |
|                                                     |      |                                                     |                             |                            |                     |                                |
| Category of financial asset and financial liability |      | 2014<br>Carrying<br>Amount/<br>Fair Value<br>\$'000 | 2014 Contractual maturities |                            |                     |                                |
|                                                     |      |                                                     | Current<br>\$'000           | Within<br>1 year<br>\$'000 | 1-5 years<br>\$'000 | More than<br>5 years<br>\$'000 |
| <b>Financial assets</b>                             |      |                                                     |                             |                            |                     |                                |
| Cash and cash equivalents                           |      |                                                     |                             |                            |                     |                                |
| Cash and cash equivalents                           | 9    | 1,222                                               | 1,222                       | -                          | -                   | -                              |
| Loans and receivables                               |      |                                                     |                             |                            |                     |                                |
| Receivables (1) (2)                                 | 10   | 3                                                   | 3                           | -                          | -                   | -                              |
|                                                     |      | <u>1,225</u>                                        | <u>1,225</u>                | <u>-</u>                   | <u>-</u>            | <u>-</u>                       |
| <b>Financial liabilities</b>                        |      |                                                     |                             |                            |                     |                                |
| Financial liabilities at cost                       |      |                                                     |                             |                            |                     |                                |
| Payables (1)                                        | 13   | 84                                                  | 84                          | -                          | -                   | -                              |
|                                                     |      | <u>84</u>                                           | <u>84</u>                   | <u>-</u>                   | <u>-</u>            | <u>-</u>                       |

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 10 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

# Legislative Council

## Financial Statements

### 23.3 Liquidity risk

Liquidity risk arises from the possibility where the Legislative Council is unable to meet its financial obligations as they are due. The Legislative Council is funded principally from appropriation by the SA Government. The Legislative Council 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. The Legislative Council settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

### 23.4 Credit risk

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

The Legislative Council has minimal concentration of credit risk. The Legislative Council has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Legislative Council does not engage in high risk hedging for its financial assets. No collateral is held as security and no credit enhancements relate to financial assets held by the Legislative Council.

### 23.5 Market risk

The Legislative Council has no market risk exposure to foreign currency or other price risks or interest rate risks.

### Sensitivity disclosure analysis

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



# Legislative Council

## Financial Statements

### Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Legislative Council:

- complies with relevant Treasurer's Instructions issued under Section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards;
- are in accordance with the accounts and records of the Legislative Council; and
- presents a true and fair view of the financial position of the Legislative Council as at 30 June 2015 and the results of its operation and cash flows for the financial year.

We certify the internal controls employed by the Legislative Council for the financial year over its financial reporting and the preparation of the general purpose financial Statements have been effective throughout the reporting period.



Clerk  
Legislative Council

18 / 9 / 2015



Chief Finance Officer  
Joint Parliamentary Service

18 / 9 / 2015



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audgensa@audit.sa.gov.au  
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## To the Parliament of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the accompanying financial report of the Legislative Council for the financial year ended 30 June 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Clerk, Legislative Council and the Chief Finance Officer, Joint Parliamentary Service.

## The Clerk of the Legislative Council's Responsibility for the Financial Report

The Clerk of the Legislative Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Clerk of the Legislative Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

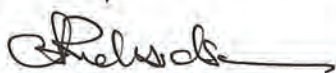
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Clerk of the Legislative Council, as well as the overall presentation of the financial report.



I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the Legislative Council as at 30 June 2015, 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.

A handwritten signature in black ink, appearing to read 'Andrew Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson  
**Auditor-General**  
19 September 2015

Libraries Board  
of South Australia

Financial report  
for the year ended  
30 June 2015



**Libraries Board of South Australia**  
**Statement of Comprehensive Income**  
For the year ended 30 June 2015

|                                                          | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------------|------|----------------|----------------|
| <b>Expenses</b>                                          |      |                |                |
| Staff benefits                                           | 4    | 13 038         | 12 943         |
| Supplies and services                                    | 6    | 7 614          | 6 672          |
| Accommodation and facilities                             | 7    | 2 572          | 2 635          |
| Depreciation and amortisation                            | 8    | 2 054          | 1 928          |
| Subsidies to public libraries                            | 9    | 11 138         | 11 708         |
| <b>Total expenses</b>                                    |      | <b>36 416</b>  | <b>35 886</b>  |
| <b>Income</b>                                            |      |                |                |
| Fees and charges                                         | 11   | 347            | 323            |
| Bequests and donations                                   |      | 206            | 104            |
| Council contributions                                    |      | 136            | 76             |
| Rent and facilities hire                                 | 12   | 302            | 289            |
| Resources received free of charge                        | 13   | 379            | 343            |
| Investment income                                        | 14   | 671            | 637            |
| Net gain from the disposal of investments                | 10   | 5              | 147            |
| Recoveries                                               | 15   | 206            | 54             |
| Other                                                    | 16   | 131            | 146            |
| <b>Total income</b>                                      |      | <b>2 383</b>   | <b>2 119</b>   |
| <b>Net cost of providing services</b>                    |      | <b>34 033</b>  | <b>33 767</b>  |
| <b>Revenues from SA Government</b>                       |      |                |                |
| Recurrent operating grant                                |      | 32 768         | 32 234         |
| Capital grant                                            |      | 1 083          | 329            |
| <b>Total revenues from SA Government</b>                 |      | <b>33 851</b>  | <b>32 563</b>  |
| <b>Net Loss</b>                                          |      | <b>( 182)</b>  | <b>(1 204)</b> |
| <b>Other Comprehensive income</b>                        |      |                |                |
| <i>Items that will not be reclassified to net result</i> |      |                |                |
| Change in asset revaluation surplus                      | 20   | -              | 1 275          |
| <b>Total other comprehensive income</b>                  |      | <b>-</b>       | <b>1 275</b>   |
| <b>Total comprehensive (loss) / profit</b>               |      | <b>( 182)</b>  | <b>71</b>      |

The net result and total comprehensive result are attributable to the SA Government as owner

*The above statement should be read in conjunction with the accompanying notes*

**Libraries Board of South Australia**  
**Statement of Financial Position**  
**As at 30 June 2015**

|                                      | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------|------|----------------|----------------|
| <b>Current assets</b>                |      |                |                |
| Cash                                 | 18   | 6 314          | 6 411          |
| Receivables                          | 19   | 916            | 875            |
| <b>Total current assets</b>          |      | <b>7 230</b>   | <b>7 286</b>   |
| <b>Non-current assets</b>            |      |                |                |
| Receivables                          | 19   | 1              | 5              |
| Property, plant and equipment        | 20   | 64 863         | 65 394         |
| Intangible assets                    | 21   | 5              | 11             |
| Research & heritage collections      | 22   | 111 831        | 111 422        |
| Investments                          | 24   | 8 015          | 7 815          |
| <b>Total non-current assets</b>      |      | <b>184 715</b> | <b>184 647</b> |
| <b>Total assets</b>                  |      | <b>191 945</b> | <b>191 933</b> |
| <b>Current liabilities</b>           |      |                |                |
| Payables                             | 25   | 1 096          | 996            |
| Staff benefits                       | 26   | 1 384          | 1 240          |
| Provisions                           | 27   | 9              | 32             |
| Other                                | 28   | 40             | -              |
| <b>Total current liabilities</b>     |      | <b>2 529</b>   | <b>2 268</b>   |
| <b>Non-current liabilities</b>       |      |                |                |
| Payables                             | 25   | 228            | 231            |
| Staff benefits                       | 26   | 2 545          | 2 488          |
| Provisions                           | 27   | 25             | 146            |
| Other                                | 28   | 10             | 10             |
| <b>Total non-current liabilities</b> |      | <b>2 808</b>   | <b>2 875</b>   |
| <b>Total liabilities</b>             |      | <b>5 337</b>   | <b>5 143</b>   |
| <b>Net assets</b>                    |      | <b>186 608</b> | <b>186 790</b> |
| <b>Equity</b>                        |      |                |                |
| Retained earnings                    |      | 88 630         | 88 812         |
| Asset revaluation surplus            |      | 97 978         | 97 978         |
| <b>Total equity</b>                  |      | <b>186 608</b> | <b>186 790</b> |

The total equity is attributable to the SA Government as owner

|                                      |    |
|--------------------------------------|----|
| Unrecognised contractual commitments | 29 |
| Contingent assets and liabilities    | 30 |

*The above statement should be read in conjunction with the accompanying notes*



**Libraries Board of South Australia**  
**Statement of Changes in Equity**  
For the year ended 30 June 2015

|                                                 | Asset revaluation<br>surplus | Retained<br>earnings | Total          |
|-------------------------------------------------|------------------------------|----------------------|----------------|
|                                                 | \$'000                       | \$'000               | \$'000         |
| <b>Balance at 30 June 2013</b>                  | <b>96 703</b>                | <b>90 016</b>        | <b>186 719</b> |
| Net result for 2013-14                          | -                            | (1 204)              | (1 204)        |
| Gain on revaluation of land during 2013-14      | 380                          | -                    | 380            |
| Gain on revaluation of buildings during 2013-14 | 895                          | -                    | 895            |
| <b>Total comprehensive result for 2013-14</b>   | <b>1 275</b>                 | <b>(1 204)</b>       | <b>71</b>      |
| <b>Balance at 30 June 2014</b>                  | <b>97 978</b>                | <b>88 812</b>        | <b>186 790</b> |
| Net result for 2014-15                          | -                            | ( 182)               | ( 182)         |
| <b>Total comprehensive result for 2014-15</b>   | <b>-</b>                     | <b>( 182)</b>        | <b>( 182)</b>  |
| <b>Balance at 30 June 2015</b>                  | <b>97 978</b>                | <b>88 630</b>        | <b>186 608</b> |

**Libraries Board of South Australia**  
**Statement of Cash Flows**  
For the year ended 30 June 2015

|                                                     | Note | 2015<br>\$'000  | 2014<br>\$'000  |
|-----------------------------------------------------|------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>         |      |                 |                 |
| <b>Cash outflows</b>                                |      |                 |                 |
| Staff benefits                                      |      | (12 952)        | (12 690)        |
| Supplies and services                               |      | (7 235)         | (6 677)         |
| Accommodation and facilities                        |      | (2 504)         | (2 635)         |
| Subsidies to public libraries                       |      | (11 137)        | (11 708)        |
| <b>Cash used in operations</b>                      |      | <b>(33 828)</b> | <b>(33 710)</b> |
| <b>Cash inflows</b>                                 |      |                 |                 |
| Fees and charges                                    |      | 326             | 331             |
| Bequests and donations                              |      | 178             | 63              |
| Council contributions                               |      | 136             | 75              |
| Rent and facilities hire                            |      | 274             | 299             |
| Investment income                                   |      | 660             | 618             |
| Recoveries                                          |      | 152             | 70              |
| Other                                               |      | 206             | 104             |
| <b>Cash generated from operations</b>               |      | <b>1 932</b>    | <b>1 560</b>    |
| <b>Cash flows from SA Government</b>                |      |                 |                 |
| Recurrent operating grant                           |      | 32 768          | 32 523          |
| Capital grant                                       |      | 1 083           | 329             |
| <b>Cash generated from SA Government</b>            |      | <b>33 851</b>   | <b>32 852</b>   |
| <b>Net cash provided by operating activities</b>    | 31   | <b>1 955</b>    | <b>702</b>      |
| <b>Cash flows from investing activities</b>         |      |                 |                 |
| <b>Cash outflows</b>                                |      |                 |                 |
| Purchase of heritage collections                    |      | ( 353)          | ( 409)          |
| Purchase of investments                             |      | ( 200)          | (1 729)         |
| Purchase of property, plant and equipment           |      | (1 450)         | ( 299)          |
| Purchase of land and buildings                      |      | ( 54)           | ( 285)          |
| <b>Cash used in investing activities</b>            |      | <b>(2 057)</b>  | <b>(2 722)</b>  |
| <b>Cash inflows</b>                                 |      |                 |                 |
| Proceeds from the sale of / maturity of investments |      | 5               | 1 147           |
| <b>Cash generated from investing activities</b>     |      | <b>5</b>        | <b>1 147</b>    |
| <b>Net cash used in investing activities</b>        |      | <b>(2 052)</b>  | <b>(1 575)</b>  |
| <b>Net decrease in cash</b>                         |      | <b>( 97)</b>    | <b>( 873)</b>   |
| Cash at the beginning of the financial year         |      | 6 411           | 7 284           |
| <b>Cash at the end of the financial year</b>        | 31   | <b>6 314</b>    | <b>6 411</b>    |

*The above statement should be read in conjunction with the accompanying Notes.*



**Libraries Board of South Australia**  
**Disaggregated Disclosures - Expenses and Income**  
**For the year ended 30 June 2015**

|                                           | Provision of State<br>Library Services |                | Support of Public<br>Library Services |               | Total          |                |
|-------------------------------------------|----------------------------------------|----------------|---------------------------------------|---------------|----------------|----------------|
|                                           | 2015                                   | 2014           | 2015                                  | 2014          | 2015           | 2014           |
|                                           | \$'000                                 | \$'000         | \$'000                                | \$'000        | \$'000         | \$'000         |
| <b>Expenses</b>                           |                                        |                |                                       |               |                |                |
| Staff benefits                            | 10 712                                 | 10 502         | 2 326                                 | 2 441         | 13 038         | 12 943         |
| Supplies and services                     | 3 269                                  | 2 729          | 4 345                                 | 3 943         | 7 614          | 6 672          |
| Accommodation and facilities              | 2 564                                  | 2 624          | 8                                     | 11            | 2 572          | 2 635          |
| Depreciation and amortisation             | 2 013                                  | 1 909          | 41                                    | 19            | 2 054          | 1 928          |
| Subsidies to public libraries             | -                                      | -              | 11 138                                | 11 708        | 11 138         | 11 708         |
| <b>Total expenses</b>                     | <b>18 558</b>                          | <b>17 764</b>  | <b>17 858</b>                         | <b>18 122</b> | <b>36 416</b>  | <b>35 886</b>  |
| <b>Income</b>                             |                                        |                |                                       |               |                |                |
| Fees and charges                          | 347                                    | 309            | -                                     | 14            | 347            | 323            |
| Bequests and donations                    | 206                                    | 104            | -                                     | -             | 206            | 104            |
| Council contributions                     | -                                      | -              | 136                                   | 76            | 136            | 76             |
| Net gain from the disposal of investments | 5                                      | 147            | -                                     | -             | 5              | 147            |
| Rent and facilities hire                  | 302                                    | 289            | -                                     | -             | 302            | 289            |
| Resources received free of charge         | 335                                    | 304            | 44                                    | 39            | 379            | 343            |
| Investment income                         | 569                                    | 550            | 102                                   | 87            | 671            | 637            |
| Recoveries                                | 130                                    | 54             | 76                                    | -             | 206            | 54             |
| Other                                     | 111                                    | 118            | 20                                    | 28            | 131            | 146            |
| <b>Total income</b>                       | <b>2 005</b>                           | <b>1 875</b>   | <b>378</b>                            | <b>244</b>    | <b>2 383</b>   | <b>2 119</b>   |
| <b>Net cost of providing services</b>     | <b>16 553</b>                          | <b>15 889</b>  | <b>17 480</b>                         | <b>17 878</b> | <b>34 033</b>  | <b>33 767</b>  |
| <b>Revenues from SA Government</b>        |                                        |                |                                       |               |                |                |
| Recurrent operating grant                 | 14 703                                 | 14 614         | 18 065                                | 17 620        | 32 768         | 32 234         |
| Capital grant                             | 1 083                                  | 329            | -                                     | -             | 1 083          | 329            |
| <b>Total revenues from SA Government</b>  | <b>15 786</b>                          | <b>14 943</b>  | <b>18 065</b>                         | <b>17 620</b> | <b>33 851</b>  | <b>32 563</b>  |
| <b>Net (loss) / profit</b>                | <b>( 767)</b>                          | <b>( 946)</b>  | <b>585</b>                            | <b>( 258)</b> | <b>( 182)</b>  | <b>(1 204)</b> |
| <b>Assets</b>                             |                                        |                |                                       |               |                |                |
| Assets                                    | 187 935                                | 188 463        | 4 010                                 | 3 470         | 191 945        | 191 933        |
| <b>Total assets</b>                       | <b>187 935</b>                         | <b>188 463</b> | <b>4 010</b>                          | <b>3 470</b>  | <b>191 945</b> | <b>191 933</b> |
| <b>Liabilities</b>                        |                                        |                |                                       |               |                |                |
| Liabilities                               | 4 262                                  | 4 028          | 1 075                                 | 1 115         | 5 337          | 5 143          |
| <b>Total liabilities</b>                  | <b>4 262</b>                           | <b>4 028</b>   | <b>1 075</b>                          | <b>1 115</b>  | <b>5 337</b>   | <b>5 143</b>   |

## **Libraries Board of South Australia**

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## Notes to and forming part of the Financial Statements

### Note 1. Objectives of the Libraries Board of South Australia

The Libraries Board of South Australia (the Board) is constituted pursuant to section 8 of the *Libraries Act 1982* (the Act). The Board is charged with the management of the State Library of South Australia and the Public Library Services under the Act.

The functions of the Board as prescribed under the Act are as follows:

- Formulate policies and guidelines for the provision of public library services;
- Establish, maintain and expand collections of library materials;
- Administer the State Library; and
- Promote, encourage and assist in the establishment, operation and expansion of public libraries and public library services by councils and others.

### Note 2. Summary of significant accounting policies

#### 2.1 Statement of compliance

The Board has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Board has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Board is a not-for-profit entity.

Except for AASB 2015-7 which the Board early adopted, Australian Accounting Standards 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 2015. The Board has assessed the impact of the new and amended Standards and Interpretations and considers there will be no impact on the accounting policies or the financial statements of the Board.

#### 2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Board's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable Notes;
- the selection and application of accounting policies 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; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the Accounting Policy Statements require the following Note disclosures, which have been included in the financial statements:
  - a) income, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100,000 for separate identification of these items applies;
  - b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income);
  - c) staff targeted voluntary separation package information;
  - d) staff whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly, by the entity to those staff; and



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

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and comparative information presented for the year ended 30 June 2014.

### **2.3 Source of Funds**

The Board's principal source of funds consists of grants from the State Government. In addition, the Board also receives monies from sales, rent, venue hire, investments, donations, bequests and other receipts, and uses the monies for the achievement of its objectives.

### **2.4 Income and expenses**

Income and expenses are recognised in the Board's Statement of Comprehensive Income when and only when it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured. Income and expenses have been classified according to their nature and have not been offset unless required or permitted by a specific Accounting Standard, or where offsetting reflects the substance of the transaction or other event.

Income from fees and charges is derived from the provision of goods and services to other government agencies and to the public. This income is recognised upon the delivery of the goods or services to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend income is recognised when the right to receive a dividend has been established. Donations, bequests, grants and sponsorships are recognised as income in the period in which the Board obtains control over the income. Government grants and Council contributions are recognised as income in the period in which the Board obtains control over the grants and the contributions.

#### *Subsidies to Public Libraries*

Public Library Services receives contributions from Councils to purchase additional materials through the centralised purchasing system. The expenditure for these materials is recorded under Subsidies to Public Libraries in the Statement of Comprehensive Income. The total amount received from councils for the year was \$136,000 (\$76 000).

#### *Resources received free of charge*

Resources received free of charge are recorded as income and expenditure in the Statement of Comprehensive Income at their fair value.

Under an arrangement with Arts SA and Artlab Australia, divisions of the Department of State Development, Artlab Australia receives SA Government appropriation to perform conservation services on the Board's research and heritage collections. The value of this work performed is recognised as resources received free of charge in income (note 13) and a corresponding amount included as conservation work expenditure in supplies and services (note 6).

Under an arrangement with the Department of State Development, financial services and human resources are provided free of charge to the Board. The value of these services is recognised as resources received free of charge in income (note 13) and a corresponding amount included as a business services charge in supplies and services (note 6).

### **2.5 Current and non-current classification**

Assets and liabilities are characterised as either current or non-current in nature. The Board has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.



## **2.6 Cash**

Cash in the Statement of Financial Position includes cash at bank and on hand.

For the purposes of the Statement of Cash Flows, cash is defined as above.

Cash is measured at nominal value.

### *Trust Accounts*

Public Library Services hold subsidy payments in trust for the Outback Communities Authority and Aboriginal Lands (Anangu Pitjantjatjara, Maralinga Tjarutja, Nepabunna, Gerard and Yalata). These funds are controlled by the Board and are recorded in the cash balance as at 30 June 2015. The total of these trust accounts is \$107,000 (\$72 000).

## **2.7 Receivables**

Receivables include amounts receivable from goods and services, prepayments and other accruals.

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

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

## **2.8 Investments**

Investments are brought to account at cost in accordance with Accounting Policy Framework IV *Financial Asset and Liability Framework* APS 2.1.

## **2.9 Non-current asset acquisition and recognition**

The cost method of accounting is used for the initial recording of all acquisitions of assets. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. Assets donated during the year have been brought to account at fair value.

All non-current tangible assets with a value of \$10 000 or greater are capitalised.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

## **2.10 Valuation of non-current assets**

### *Revaluation of non-current assets*

All non-current assets are valued at fair value and a revaluation of non-current assets or a group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

Land and buildings and heritage collections are revalued every five years. However, if at any time management considers the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current assets that are acquired between revaluations are held at cost until the next valuation, where they are then revalued to fair value.

Any revaluation increment is credited to the asset revaluation surplus except to the extent that it reverses a revaluation decrement of the same asset class previously recognised as an expense in the Statement of Comprehensive Income, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

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

Upon revaluation, the accumulated depreciation has been restated proportionately with the change in gross carrying amount of the asset so that the carrying amount, after revaluation, equals its revalued amount.

Upon disposal or de-recognition, any revaluation surplus relating to that asset is transferred to retained earnings.



### *Land and buildings*

An independent valuation of the land and buildings was conducted as at 30 June 2014 by Valcorp Australia Pty Ltd. The valuation of land and buildings as at 30 June 2014 was prepared on a fair value basis in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*.

The valuer used depreciated replacement cost (DRC) for buildings. The depreciated replacement cost considered the need for ongoing provision of government services; specialised nature of the assets, including the restricted use of the assets; the size, condition, location and current use of the assets. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.

The valuation of land was based on recent market transactions for similar land in the area and includes adjustment for factors specific to the land being valued such as size, location and current use.

### *Plant and equipment*

All items of plant and equipment including computer equipment and compactus and shelving on acquisition, had a 'fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years', and have not been revalued in accordance with APF III. The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the assets' condition and remaining useful life.

### *Public Library Services collections*

The film collection is valued at zero value on the basis that this collection is not being added to, is rarely used and may not be disposed under the terms of its original acquisition.

### *Research and heritage collections*

The research and heritage collection valuations are independently revalued every 6 years. The collections were previously valued as at 30 June 2011 by the following specialist valuers;

|                                      |                 |
|--------------------------------------|-----------------|
| Rare books                           | J Burdon        |
| Framed works                         | D Hyles         |
| Published and archival collections   | K Adam          |
| Miscellaneous                        | I & M Armstrong |
| Archival collections (record groups) | J Thompson      |

These valuers specialise in the valuation of heritage assets. In instances where there were sufficient observable transactions of similar assets to the subject asset (generally in secondhand markets), the market approach has been utilised to determine fair value. Inputs to the fair value measurement are considered level 2 in the fair value hierarchy as they have been observed from the market and the Valuer has made relatively minor adjustments for differences in asset characteristics.

Where possible, the valuations were based on recent market transactions for similar cultural and heritage assets and may include adjustment for factors specific to each asset including size, rarity, quality, condition, historical significance and associated restrictions.

Where the frequency of available market transactions has not permitted the use of observable inputs, the valuers have used significant professional judgement in determining the fair value measurements. These assets are therefore considered to be in level 3 of the fair value hierarchy.

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the replacement cost approach. Under this approach the estimated cost to replace the asset is calculated and then adjusted to take into account its obsolescence. Asset obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration.



Collections which have been valued are: rare and special collections, private records and artworks; the general collections – reference monographs, children's literature, maps, serials, newspapers, parliamentary publications, Australian Bureau of Statistics, electoral Rolls, patents and named collections; published heritage collections – monographs, newspapers, serials, ephemera, audio visual, maps; archival collections – manuscript items, photographic collections, record group and oral history.

#### *Fair Value measurement*

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Board classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Board / Finance Committee at each reporting date.

#### *Non-financial assets*

In determining fair value, the Board has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Board's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Board did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

*Refer to note 23 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.*

### **2.11 Impairment of assets**

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

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

There were no indications of impairment of property, plant and equipment and intangibles as at 30 June 2015.

### **2.12 Depreciation and amortisation of non-current assets**

All non-current assets, having a limited useful life, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential. Assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, on an annual basis. Land and heritage collections are not depreciated. Depreciation is calculated on a straight line basis over the estimated useful life of the following classes of assets as follows:-

| <b>Class of Asset</b>          | <b>Useful life<br/>(years)</b> |
|--------------------------------|--------------------------------|
| Property, plant and equipment: |                                |
| Buildings and improvements     | 20 to 100                      |
| Plant and equipment            | 5 to 20                        |
| Computer equipment             | 3 to 5                         |
| Compactus and lifts            | 30                             |
| Intangibles                    | 5                              |



The research and heritage collections are kept under special conditions to minimise deterioration and are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised, as their service potential has not, in any material sense, been consumed during the reporting period.

### **2.13 Payables**

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

Creditors and accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period. All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

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

### **2.14 Staff benefits**

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

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

#### *Salaries, wages, annual leave and skills and experience retention leave*

Liabilities for salaries, wages, annual leave and skills and experience retention leave have been recognised as the amount unpaid at the reporting date at current remuneration rates. The annual leave and skills and experience retention leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

#### *Long Service Leave*

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

#### *On-costs*

Staff benefit on-costs (payroll tax, workers compensation and superannuation) are recognised separately under payables.

#### *Superannuation*

Contributions are made by the Board to several superannuation schemes operated by the State Government and private sector. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The Department of Treasury and Finance centrally recognises the superannuation liability, for the schemes operated by the State Government, in the whole-of-government financial statements.

### **2.15 Workers compensation provision**

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2015 provided by a consulting actuary engaged through the Office for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.



## **2.16 Leases**

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

## **2.17 Comparative information**

The presentation and classification of items in the financial statements are consistent with prior periods except where specific Accounting Standards and/or Accounting Policy Statements have required a change.

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

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

## **2.18 Taxation**

The Board is not subject to income tax. The Board is liable for payroll tax, fringe benefits tax, goods and services tax (GST) and emergency services levy.

Income, expenses and assets are recognised net of the amount of GST except where the amount of GST incurred by the Board as a purchaser is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

The net GST receivable/payable to the ATO is not recognised as a receivable/payable in the Statement of Financial Position as the Board is a member of an approved GST group of which Arts SA, a division of the Department of State Development, is responsible for the remittance and collection of GST. As such, there are no cash flows relating to GST transactions with the ATO in the Statement of Cash Flows.

## **2.19 State Government funding**

The financial statements are presented under the assumption of ongoing financial support being provided to the Board by the State Government.

## **2.20 Rounding**

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

## **2.21 Insurance**

The Board has arranged, through SAICORP, a division of the South Australian Government Financing Authority, insurance cover that insures all major risks of the Board. The excess payable is fixed under this arrangement.

## **2.22 Unrecognised contractual commitments and contingent assets and liabilities**

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

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

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



## **2.23 New and revised Accounting Standards**

The Board did not voluntarily change any of its accounting policies during 2014-15.

Except for AASB 2015-7 which the Board early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Board for the period ending 30 June 2015. The Board has assessed the impact of the new and amended Standards and Interpretations and considers there will be no impact on the accounting policies or the financial statements of the Board.

In accordance with the new AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*, which became effective for the first time in 2014-15, the Board has reviewed its control assessments (i.e. the Board's involvement with the entity, protective and substantive rights, ability to direct major relevant activities etc.) in accordance with AASB 10 and its classification assessments in accordance with AASB 11, and has concluded that there is no impact. The Board does not currently control another entity and does not have any joint arrangements within the scope of AASB 11. The board will continue to review its involvement and arrangements with entities it is connected with to determine the impact of AASB 10 and 11 for future years.

## **2.24 Events after the reporting period**

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

Note disclosure is made about events between 30 June 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.

### **Note 3. Activities of the Libraries Board**

The identity and purpose of each major activity undertaken by the Board during the year ended 30 June 2015 is summarised below (refer to the Disaggregated Disclosures Schedules – Expenses and Income and Assets and Liabilities).

#### *Activity 1 - Provision of State Library Services*

To provide, through the State Library of South Australia, a comprehensive library and information service for the economic, educational, cultural and social benefit of South Australia and its citizens.

#### *Activity 2 – Support of Public Library Services*

To provide through Public Library Services and the distribution of State subsidies, an equitable and responsible provision of resources, support and services to public libraries and community information agencies.



**Note 4 Staff benefits**

|                                                      | 2015          | 2014          |
|------------------------------------------------------|---------------|---------------|
|                                                      | \$'000        | \$'000        |
| Salaries and wages                                   | 9 269         | 9 406         |
| Annual leave                                         | 902           | 926           |
| Board fees                                           | 40            | 47            |
| Long service leave                                   | 687           | 382           |
| Payroll tax                                          | 622           | 622           |
| Skills and experience retention leave                | 75            | 46            |
| Superannuation                                       | 1 224         | 1 187         |
| Targeted voluntary separation payments (refer below) | 200           | -             |
| Workers compensation provision adjustment            | ( 144)        | 29            |
| Other staff related expenses                         | 163           | 298           |
| <b>Total staff benefits</b>                          | <b>13 038</b> | <b>12 943</b> |

**Remuneration of staff**

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

|                              | 2015     | 2014     |
|------------------------------|----------|----------|
|                              | Number   | Number   |
| \$151 500 to \$161 499       | 1        | -        |
| \$171 500 to \$181 499       | 1        | -        |
| \$181 500 to \$191 499       | -        | 1        |
| \$201 500 to \$211 499       | -        | 1        |
| \$231 500 to \$241 499       | 1        | -        |
| <b>Total number of staff</b> | <b>3</b> | <b>2</b> |

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. The executive base level remuneration rate for 2014-15 is the same as the 2013-14 (i.e. there has been no increase in executive remuneration since 1 July 2013). Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, fringe benefits tax and any salary sacrifice benefits. The total remuneration received by these staff for the year was \$570 000 (\$396 000).

**Targeted voluntary separation packages (TVSP's)**

|                                                                                                | 2015      | 2014     |
|------------------------------------------------------------------------------------------------|-----------|----------|
|                                                                                                | \$'000    | \$'000   |
| Amount paid during the reporting period to separated staff:                                    |           |          |
| TVSP's                                                                                         | 200       | -        |
| Annual leave, long service leave and skills and experience retention leave paid to those staff | 22        | -        |
|                                                                                                | 222       | -        |
| Recovery from the Department of Treasury and Finance                                           | 198       | -        |
| <b>Net cost to the Libraries Board</b>                                                         | <b>24</b> | <b>-</b> |
| Number of staff who were paid TVSP's during the reporting period                               | 2         | Nil      |

**Note 5 Remuneration of board members**

Members that were entitled to receive remuneration for membership during the 2014-15 financial year were:

**Libraries Board**

Mr J Bruce (Chairman)

Ms V Ciccarello (term expired 6 February 2015, reappointed 2 April 2015)

Mr SG Hicks

Mr A Luckhurst-Smith (term expired 6 February 2015, reappointed 2 April 2015)

Ms H Nichols (term expired 13 May 2015)

Mrs A Short (term expired 17 February 2015)

Ms L Spurling (term expired 23 November 2014, reappointed 2 April 2015)

Ms J Wisdom (term expired 13 May 2015)

|                                                                                                         | 2015     | 2014     |
|---------------------------------------------------------------------------------------------------------|----------|----------|
|                                                                                                         | Number   | Number   |
| The number of board members whose remuneration received or receivable falls within the following bands: |          |          |
| \$0 - \$9 999                                                                                           | 8        | 9        |
| \$10 000 - \$19 999                                                                                     | -        | -        |
| <b>Total number of board members</b>                                                                    | <b>8</b> | <b>9</b> |

Remuneration of board members reflects all costs of performing board member duties including sitting fees, superannuation contributions, fringe benefits tax and any other salary sacrifice arrangements. The total remuneration received by the board members for the year was \$43 000 (\$51 000).

Amounts paid to superannuation plans for board members were \$3,000 (\$4 000).

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

**Note 6 Supplies and services**

|                                       | 2015         | 2014         |
|---------------------------------------|--------------|--------------|
|                                       | \$'000       | \$'000       |
| Business services charge              | 269          | 221          |
| Cataloguing and end processing        | 460          | 459          |
| Communications                        | 925          | 934          |
| Consultants' fees                     | 129          | 30           |
| Contractors                           | 123          | 218          |
| Electronic Resources                  | 536          | 437          |
| Freight, courier, postage             | 1 364        | 1 210        |
| Information technology                | 1 337        | 1 343        |
| Insurance & risk management           | 206          | 169          |
| Maintenance                           | 173          | 126          |
| Marketing and promotion               | 202          | 144          |
| Minor equipment purchases and leasing | 323          | 270          |
| Operating lease expenditure           | 1            | -            |
| Preservation activities               | 242          | 197          |
| Travel and accommodation              | 115          | 113          |
| Other                                 | 1 209        | 801          |
| <b>Total supplies and services</b>    | <b>7 614</b> | <b>6 672</b> |

No penalty amounts were paid to small businesses for 2015 and 2014 as required by the Late Payment of Government Debts (Interest) Act

**Payments to Consultants**

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

|                                                      | 2015     | 2015       | 2014     | 2014      |
|------------------------------------------------------|----------|------------|----------|-----------|
|                                                      | Number   | \$'000     | Number   | \$'000    |
| Below \$10 000                                       | 1        | 7          | 7        | 3         |
| Above \$10 000                                       | 2        | 122        | 2        | 27        |
| <b>Total paid/payable to the consultants engaged</b> | <b>3</b> | <b>129</b> | <b>9</b> | <b>30</b> |

**Note 7 Accommodation and facilities**

|                                           | 2015         | 2014         |
|-------------------------------------------|--------------|--------------|
|                                           | \$'000       | \$'000       |
| Accommodation                             | 1 249        | 1 269        |
| Facilities                                | 843          | 906          |
| Security                                  | 480          | 460          |
| <b>Total accommodation and facilities</b> | <b>2 572</b> | <b>2 635</b> |

**Note 8 Depreciation and amortisation**

|                                            | 2015         | 2014         |
|--------------------------------------------|--------------|--------------|
|                                            | \$'000       | \$'000       |
| Buildings and improvements                 | 1 790        | 1 678        |
| Compactus and lifts                        | 78           | 78           |
| Computer equipment                         | 96           | 80           |
| Intangibles                                | 6            | 6            |
| Plant and equipment                        | 84           | 86           |
| <b>Total depreciation and amortisation</b> | <b>2 054</b> | <b>1 928</b> |



**Note 9 Subsidies to Public Libraries**

|                                               | 2015          | 2014          |
|-----------------------------------------------|---------------|---------------|
|                                               | \$'000        | \$'000        |
| Library materials local purchase contribution | 676           | 731           |
| Library materials contribution                | 5 618         | 5 985         |
| Operating contribution                        | 4 793         | 4 941         |
| Community information contribution            | 31            | 31            |
| Community information access                  | 20            | 20            |
| <b>Total subsidies to public libraries</b>    | <b>11 138</b> | <b>11 708</b> |

**Note 10 Net gain from the disposal of investments**

|                                          | 2015     | 2014       |
|------------------------------------------|----------|------------|
|                                          | \$'000   | \$'000     |
| <b>Investments</b>                       |          |            |
| Proceeds from the sale of investments    | 5        | 1 147      |
| Less: Net book value of investments      | -        | (1 000)    |
| <b>Net gain from sale of investments</b> | <b>5</b> | <b>147</b> |

**Note 11 Fees and charges**

|                               | 2015       | 2014       |
|-------------------------------|------------|------------|
|                               | \$'000     | \$'000     |
| Fees for services             | 23         | 57         |
| Lecturing services            | 179        | 129        |
| Microfilming services         | -          | 11         |
| Photocopying services         | 52         | 60         |
| Other fees and charges        | 93         | 66         |
| <b>Total fees and charges</b> | <b>347</b> | <b>323</b> |

**Note 12 Rent and facilities hire**

|                                       | 2015       | 2014       |
|---------------------------------------|------------|------------|
|                                       | \$'000     | \$'000     |
| Facilities hire                       | 74         | 108        |
| Rental income                         | 228        | 181        |
| <b>Total rent and facilities hire</b> | <b>302</b> | <b>289</b> |

**Note 13 Resources received free of charge**

|                                                | 2015       | 2014       |
|------------------------------------------------|------------|------------|
|                                                | \$'000     | \$'000     |
| Conservation services                          | 110        | 122        |
| Business services                              | 269        | 221        |
| <b>Total resources received free of charge</b> | <b>379</b> | <b>343</b> |

**Note 14 Investment income**

|                                | 2015       | 2014       |
|--------------------------------|------------|------------|
|                                | \$'000     | \$'000     |
| Interest income                | 322        | 349        |
| Dividends                      | 177        | 159        |
| Distributions                  | 73         | 53         |
| Dividend imputation credits    | 99         | 76         |
| <b>Total investment income</b> | <b>671</b> | <b>637</b> |

**Note 15 Recoveries Revenue**

|                                 | 2015       | 2014      |
|---------------------------------|------------|-----------|
|                                 | \$'000     | \$'000    |
| Recoveries revenue              | 206        | 54        |
| <b>Total recoveries revenue</b> | <b>206</b> | <b>54</b> |

**Note 16 Other income**

|                           | 2015       | 2014       |
|---------------------------|------------|------------|
|                           | \$'000     | \$'000     |
| Salary recoups            | 23         | 15         |
| Other receipts            | 108        | 131        |
| <b>Total other income</b> | <b>131</b> | <b>146</b> |

**Note 17 Auditor's remuneration**

|                                                                                                   | 2015      | 2014      |
|---------------------------------------------------------------------------------------------------|-----------|-----------|
|                                                                                                   | \$'000    | \$'000    |
| Audit fees paid/payable to the Auditor-General's Department for auditing the financial statements | 47        | 49        |
| <b>Total audit fees</b>                                                                           | <b>47</b> | <b>49</b> |

**Other services**

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

**Note 18 Cash**

|                             | 2015         | 2014         |
|-----------------------------|--------------|--------------|
|                             | \$'000       | \$'000       |
| Deposits with the Treasurer | 6 206        | 6 403        |
| Cash on hand                | 108          | 8            |
| <b>Total cash</b>           | <b>6 314</b> | <b>6 411</b> |

**Deposits with Treasurer**

Deposits with the Treasurer are funds held in the "Libraries Board of South Australia Account", an account held with the Treasurer of South Australia pursuant to section 21 of the *Public Finance and Audit Act 1987*, and funds held in the Premier and Cabinet Operating Account, an account held with the Treasurer of South Australia pursuant to section 8 of the *Public Finance and Audit Act 1987*.

**Cash on hand**

Cash on hand includes petty cash, cheques held on-site and not banked, floats, change machines and an advance account.

**Interest rate risk**

Cash is recorded at nominal value. Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are held in a section 21 interest bearing account titled the "Libraries Board of South Australia Account". In 2014-15 Deposits with the Treasurer were bearing a floating interest rate between 2.07% and 2.35% (2.35% and 2.53%).

**Note 19 Receivables**

|                                      | 2015       | 2014       |
|--------------------------------------|------------|------------|
|                                      | \$'000     | \$'000     |
| <b>Current</b>                       |            |            |
| Prepayments                          | 496        | 545        |
| Receivables                          | 262        | 183        |
| Accrued income                       | 158        | 147        |
| <b>Total current receivables</b>     | <b>916</b> | <b>875</b> |
| <b>Non-current</b>                   |            |            |
| Prepayments                          | -          | 3          |
| Receivables                          | 1          | 2          |
| <b>Total non-current receivables</b> | <b>1</b>   | <b>5</b>   |
| <b>Total receivables</b>             | <b>917</b> | <b>880</b> |



### Interest rate and credit risk

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

It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

(a) Maturity analysis of receivables- refer to note 32.

(b) Categorisation of financial instruments and risk exposure information- refer to note 32.

### Note 20 Property, plant and equipment

|                                                 | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------------|----------------|----------------|
| <b>Land, buildings and improvements</b>         |                |                |
| Land at valuation                               | 4 530          | 4 530          |
| Buildings and improvements at valuation         | 115 390        | 114 097        |
| Accumulated depreciation                        | (57 679)       | (55 889)       |
| <b>Total land, buildings and improvements</b>   | <b>62 241</b>  | <b>62 738</b>  |
| <b>Work in progress</b>                         |                |                |
| Work in progress at cost                        | 256            | 143            |
| <b>Total work in progress</b>                   | <b>256</b>     | <b>143</b>     |
| <b>Compactus and lifts</b>                      |                |                |
| Compactus and lifts at cost (deemed fair value) | 2 444          | 2 430          |
| Accumulated depreciation                        | ( 928)         | ( 850)         |
| <b>Total compactus and lifts</b>                | <b>1 516</b>   | <b>1 580</b>   |
| <b>Plant and equipment</b>                      |                |                |
| Plant and equipment at cost (deemed fair value) | 1 692          | 2 131          |
| Accumulated depreciation                        | (1 132)        | (1 525)        |
| <b>Total plant and equipment</b>                | <b>560</b>     | <b>606</b>     |
| <b>Computer equipment</b>                       |                |                |
| Computer equipment at cost (deemed fair value)  | 844            | 872            |
| Accumulated depreciation                        | ( 554)         | ( 545)         |
| <b>Total computer equipment</b>                 | <b>290</b>     | <b>327</b>     |
| <b>Total property, plant and equipment</b>      | <b>64 863</b>  | <b>65 394</b>  |

### Reconciliation of Property Plant and Equipment

2014-15

|                                                       | Land<br>\$'000 | Buildings<br>and<br>improvmts<br>\$'000 | Work in<br>progress<br>\$'000 | Compactus<br>and Lifts<br>\$'000 | Plant<br>and equip<br>\$'000 | Computer<br>equip<br>\$'000 | Total<br>Tangible<br>Assets<br>\$'000 | Computer<br>Software<br>\$'000 | Total<br>Intangible<br>Assets<br>\$'000 |
|-------------------------------------------------------|----------------|-----------------------------------------|-------------------------------|----------------------------------|------------------------------|-----------------------------|---------------------------------------|--------------------------------|-----------------------------------------|
| <b>Carrying amount at the beginning of the period</b> | <b>4 530</b>   | <b>58 208</b>                           | <b>143</b>                    | <b>1 580</b>                     | <b>606</b>                   | <b>327</b>                  | <b>65 394</b>                         | <b>11</b>                      | <b>11</b>                               |
| Additions                                             | -              | 54                                      | 1 356                         | 10                               | 38                           | 59                          | <b>1 517</b>                          | -                              | -                                       |
| Depreciation and amortisation                         | -              | (1 790)                                 | -                             | ( 78)                            | ( 84)                        | ( 96)                       | <b>(2 048)</b>                        | ( 6)                           | ( 6)                                    |
| Transfers from capital work in progress               | -              | 1 239                                   | (1 243)                       | 4                                | -                            | -                           | -                                     | -                              | -                                       |
| <b>Carrying amount at the end of period</b>           | <b>4 530</b>   | <b>57 711</b>                           | <b>256</b>                    | <b>1 516</b>                     | <b>560</b>                   | <b>290</b>                  | <b>64 863</b>                         | <b>5</b>                       | <b>5</b>                                |

# Reconciliation of Property Plant and Equipment

2013-14

|                                                       | Land         | Buildings and improvmts | Work in progress | Compactus and Lifts | Plant and equip | Computer equip | Total Tangible Assets | Computer Software | Total Intangible Assets |
|-------------------------------------------------------|--------------|-------------------------|------------------|---------------------|-----------------|----------------|-----------------------|-------------------|-------------------------|
|                                                       | \$'000       | \$'000                  | \$'000           | \$'000              | \$'000          | \$'000         | \$'000                | \$'000            | \$'000                  |
| <b>Carrying amount at the beginning of the period</b> | <b>4 150</b> | <b>57 867</b>           | <b>967</b>       | <b>1 639</b>        | <b>633</b>      | <b>197</b>     | <b>65 453</b>         | <b>17</b>         | <b>17</b>               |
| Additions                                             | -            | 257                     | 143              | 19                  | 59              | 110            | 588                   | -                 | -                       |
| Depreciation and amortisation                         | -            | (1 678)                 | -                | ( 78)               | ( 86)           | ( 80)          | (1 922)               | ( 6)              | ( 6)                    |
| Transfers from capital work in progress               | -            | 867                     | ( 967)           | -                   | -               | 100            | -                     | -                 | -                       |
| Revaluation increment                                 | 380          | 895                     | -                | -                   | -               | -              | 1 275                 | -                 | -                       |
| <b>Carrying amount at the end of period</b>           | <b>4 530</b> | <b>58 208</b>           | <b>143</b>       | <b>1 580</b>        | <b>606</b>      | <b>327</b>     | <b>65 394</b>         | <b>11</b>         | <b>11</b>               |

Note 21 Intangible assets

|                                | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------|----------------|----------------|
| <b>Intangibles</b>             |                |                |
| Computer software              | 44             | 44             |
| Less: accumulated amortisation | ( 39)          | ( 33)          |
| <b>Total intangibles</b>       | <b>5</b>       | <b>11</b>      |

Note 22 Research and heritage collections

|                                                  | 2015                   |                   |                 | 2014                   |                   |                 |
|--------------------------------------------------|------------------------|-------------------|-----------------|------------------------|-------------------|-----------------|
|                                                  | At valuation<br>\$'000 | At cost<br>\$'000 | Total<br>\$'000 | At valuation<br>\$'000 | At cost<br>\$'000 | Total<br>\$'000 |
| Family history collection                        | -                      | 4                 | 4               | -                      | 3                 | 3               |
| Maps                                             | 760                    | 23                | 783             | 760                    | 13                | 773             |
| Microfilm serials                                | 1 584                  | 134               | 1 718           | 1 584                  | 96                | 1 680           |
| Monographs                                       | 14 258                 | 273               | 14 531          | 14 258                 | 243               | 14 501          |
| Mortlock audio-visual                            | 2 135                  | 45                | 2 180           | 2 135                  | 36                | 2 171           |
| Mortlock use collections                         | 2 141                  | 98                | 2 239           | 2 141                  | 73                | 2 214           |
| Newspapers purchased                             | 281                    | 279               | 560             | 281                    | 202               | 483             |
| Periodicals                                      | 2 995                  | 492               | 3 487           | 2 995                  | 377               | 3 372           |
| Private archives                                 | 65 301                 | 238               | 65 539          | 65 301                 | 222               | 65 523          |
| Purchased databases                              | -                      | 134               | 134             | -                      | 110               | 110             |
| Rare books and named collections                 | 20 529                 | 127               | 20 656          | 20 529                 | 63                | 20 592          |
| <b>Total research &amp; heritage collections</b> | <b>109 984</b>         | <b>1 847</b>      | <b>111 831</b>  | <b>109 984</b>         | <b>1 438</b>      | <b>111 422</b>  |

## Reconciliation of carrying amounts of research and heritage collections

|                                                                   | 2015                     |                     |                           | 2014                     |                     |                           |
|-------------------------------------------------------------------|--------------------------|---------------------|---------------------------|--------------------------|---------------------|---------------------------|
|                                                                   | Balance 1 July<br>\$'000 | Additions<br>\$'000 | Balance 30 June<br>\$'000 | Balance 1 July<br>\$'000 | Additions<br>\$'000 | Balance 30 June<br>\$'000 |
| Family history collection                                         | 3                        | 1                   | 4                         | 2                        | 1                   | 3                         |
| Maps                                                              | 773                      | 10                  | 783                       | 769                      | 4                   | 773                       |
| Microfilm serials                                                 | 1 680                    | 38                  | 1 718                     | 1 641                    | 39                  | 1 680                     |
| Monographs                                                        | 14 501                   | 30                  | 14 531                    | 14 440                   | 61                  | 14 501                    |
| Mortlock audio-visual                                             | 2 171                    | 9                   | 2 180                     | 2 164                    | 7                   | 2 171                     |
| Mortlock use collections                                          | 2 214                    | 25                  | 2 239                     | 2 188                    | 26                  | 2 214                     |
| Newspapers purchased                                              | 483                      | 77                  | 560                       | 449                      | 34                  | 483                       |
| Periodicals                                                       | 3 372                    | 115                 | 3 487                     | 3 260                    | 112                 | 3 372                     |
| Private archives                                                  | 65 523                   | 16                  | 65 539                    | 65 457                   | 66                  | 65 523                    |
| Purchased databases                                               | 110                      | 24                  | 134                       | 100                      | 10                  | 110                       |
| Rare books and named collections                                  | 20 592                   | 64                  | 20 656                    | 20 565                   | 27                  | 20 592                    |
| <b>Total research &amp; heritage collections carrying amounts</b> | <b>111 422</b>           | <b>409</b>          | <b>111 831</b>            | <b>111 035</b>           | <b>387</b>          | <b>111 422</b>            |



## Note 23 Fair value measurement

### Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Board categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2015.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Board had no valuations categorised into level 1.

### Fair value measurements as at 30 June 2015

|                                               | Fair value<br>\$'000 | Level 2<br>inputs<br>\$'000 | Level 3<br>inputs<br>\$'000 |
|-----------------------------------------------|----------------------|-----------------------------|-----------------------------|
| <b>Recurring fair value measurements</b>      |                      |                             |                             |
| Land (note 20)                                | 4 530                | -                           | 4 530                       |
| Buildings (note 20)                           | 57 711               | -                           | 57 711                      |
| Plant & equipment (note 20)                   | 560                  | -                           | 560                         |
| Computer equipment (note 20 )                 | 290                  | -                           | 290                         |
| Compactus and lifts (note 20 )                | 1 516                | -                           | 1 516                       |
| Heritage collections (note 22)                | 111 831              | 1 082                       | 110 749                     |
| <b>Total recurring fair value measurement</b> | <b>176 438</b>       | <b>1 082</b>                | <b>175 356</b>              |

### Fair value measurements as at 30 June 2014

|                                               | Fair value<br>\$'000 | Level 2<br>inputs<br>\$'000 | Level 3<br>inputs<br>\$'000 |
|-----------------------------------------------|----------------------|-----------------------------|-----------------------------|
| <b>Recurring fair value measurements</b>      |                      |                             |                             |
| Land (note 20)                                | 4 530                | -                           | 4 530                       |
| Buildings (note 20)                           | 58 208               | -                           | 58 208                      |
| Plant & equipment (note 20)                   | 606                  | -                           | 606                         |
| Computer equipment (note 20 )                 | 327                  | -                           | 327                         |
| Compactus and lifts (note 20 )                | 1 580                | -                           | 1 580                       |
| Heritage collections (note 22)                | 111 422              | 1 082                       | 110 340                     |
| <b>Total recurring fair value measurement</b> | <b>176 673</b>       | <b>1 082</b>                | <b>175 591</b>              |

The Board did not measure any non-financial assets at fair value on a non- recurring basis as at 30 June 2015.

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2015. The Board's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

The Library Board assets are held for preservation, cultural and heritage purposes and not held to derive a profit. The current use of all controlled assets is considered their highest and best use.

### Valuation technique and inputs

Valuation techniques used to derive level 2 and level 3 fair values are at note 2.10.

There were no changes in valuation techniques during 2015.

### Reconciliation for recurring Level 3 fair value measurements

#### Recurring Level 3 fair value measurements - reconciliation for assets

|                                                       | Land         | Buildings     | Plant &<br>Equip | Compact<br>us and<br>lifts | Computer<br>equip | Heritage<br>collections | Total          |
|-------------------------------------------------------|--------------|---------------|------------------|----------------------------|-------------------|-------------------------|----------------|
| <b>2014-15</b>                                        |              |               |                  |                            |                   |                         |                |
|                                                       | 2015         | 2015          | 2015             | 2015                       | 2015              | 2015                    | 2015           |
|                                                       | \$'000       | \$'000        | \$'000           | \$'000                     | \$'000            | \$'000                  | \$'000         |
| <b>Opening balance at the beginning of the period</b> | 4 530        | 58 208        | 606              | 1 580                      | 327               | 110 340                 | 175 591        |
| Acquisitions                                          | -            | 1 293         | 38               | 14                         | 59                | 381                     | 1 785          |
| Donated Assets                                        | -            | -             | -                | -                          | -                 | 28                      | 28             |
| Total losses for the period recognised in net result: |              |               |                  |                            |                   |                         |                |
| Depreciation                                          | -            | (1 790)       | (84)             | (78)                       | (96)              | -                       | (2 048)        |
|                                                       | -            | (1 790)       | (84)             | (78)                       | (96)              | -                       | (2 048)        |
| <b>Closing balance at the end of the period</b>       | <b>4 530</b> | <b>57 711</b> | <b>560</b>       | <b>1 516</b>               | <b>290</b>        | <b>110 749</b>          | <b>175 356</b> |

| 2013-14                                                                         | Land           | Buildings      | Plant & Equip  | Compact us and lifts | Computer equip | Heritage collections | Total          |
|---------------------------------------------------------------------------------|----------------|----------------|----------------|----------------------|----------------|----------------------|----------------|
|                                                                                 | 2014<br>\$'000 | 2014<br>\$'000 | 2014<br>\$'000 | 2014<br>\$'000       | 2014<br>\$'000 | 2014<br>\$'000       | 2014<br>\$'000 |
| <b>Opening balance at the beginning of the period</b>                           | 4 150          | 57 867         | 633            | 1 639                | 197            | 109 953              | 174 439        |
| Acquisitions                                                                    | -              | 1 124          | 59             | 19                   | 210            | 346                  | 1 758          |
| Donated Assets                                                                  | -              | -              | -              | -                    | -              | 41                   | 41             |
| Total losses for the period recognised in net result: *                         |                |                |                |                      |                |                      |                |
| Depreciation                                                                    | -              | (1 678)        | ( 86)          | ( 78)                | ( 80)          | -                    | (1 922)        |
|                                                                                 | -              | (1 678)        | ( 86)          | ( 78)                | ( 80)          | -                    | (1 922)        |
| Total gains (losses) for the period recognised in other comprehensive income: * |                |                |                |                      |                |                      |                |
| Revaluation increment                                                           | 380            | 895            | -              | -                    | -              | -                    | 1 275          |
|                                                                                 | 380            | 895            | -              | -                    | -              | -                    | 1 275          |
| <b>Closing balance at the end of the period</b>                                 | <b>4 530</b>   | <b>58 208</b>  | <b>606</b>     | <b>1 580</b>         | <b>327</b>     | <b>110 340</b>       | <b>175 591</b> |

\* All gains or losses relate to assets held at the end of the reporting period and are unrealised.

#### Note 24 Investments

|                                                  | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------|----------------|----------------|
| <b>Non-Current</b>                               |                |                |
| Shares and other direct investments in companies | 8 015          | 7 815          |
| <b>Total investments</b>                         | <b>8 015</b>   | <b>7 815</b>   |

The market value of investments as at 30 June 2015 is \$9.1 million (\$8.7 million).

#### Note 25 Payables

|                                   | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------|----------------|----------------|
| <b>Current</b>                    |                |                |
| Creditors and accruals            | 911            | 830            |
| Staff on-costs                    | 185            | 166            |
| <b>Total current payables</b>     | <b>1 096</b>   | <b>996</b>     |
| <b>Non-current</b>                |                |                |
| Staff on-costs                    | 228            | 231            |
| <b>Total non-current payables</b> | <b>228</b>     | <b>231</b>     |
| <b>Total payables</b>             | <b>1 324</b>   | <b>1 227</b>   |

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave has decreased from the 2014 rate of 40% to 37%. The average factor for the calculation of employer superannuation on-cost has remained unchanged from 2014 at 10.3%. These rates are used in the employment on-cost calculation.

The financial effect of the change in superannuation on-cost rate on staff on-costs and staff benefits expense is immaterial.

#### Interest rate and credit risk

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

(a) Maturity analysis of payables- refer to note 32.

(b) Categorisation of financial instruments and risk exposure information- refer to note 32.



**Note 26 Staff benefits**

|                                         | 2015         | 2014         |
|-----------------------------------------|--------------|--------------|
|                                         | \$'000       | \$'000       |
| <b>Current</b>                          |              |              |
| Annual leave                            | 653          | 629          |
| Long service leave                      | 539          | 459          |
| Skills and experience retention leave   | 122          | 114          |
| Accrued salaries and wages              | 70           | 38           |
| <b>Total current staff benefits</b>     | <b>1 384</b> | <b>1 240</b> |
| <b>Non-current</b>                      |              |              |
| Long service leave                      | 2 545        | 2 488        |
| <b>Total non-current staff benefits</b> | <b>2 545</b> | <b>2 488</b> |
| <b>Total staff benefits</b>             | <b>3 929</b> | <b>3 728</b> |

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a set level of liability for the measurement of long service leave.

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased from 2014 (3.5%) to 2015 (3.0%). The resulting financial effect is immaterial.

The salary inflation rate remained unchanged at 4% for long service leave. The salary inflation rate applied to annual leave and skills and experience retention leave has decreased from 2014 (4.0%) to 2015 (3.0%). The resulting financial effect of the change is immaterial.

**Note 27 Provisions**

|                                                       | 2015       | 2014       |
|-------------------------------------------------------|------------|------------|
|                                                       | \$'000     | \$'000     |
| <b>Current</b>                                        |            |            |
| Provision for workers compensation                    | 9          | 32         |
| <b>Total current provisions</b>                       | <b>9</b>   | <b>32</b>  |
| <b>Non-current</b>                                    |            |            |
| Provision for workers compensation                    | 25         | 146        |
| <b>Total non-current provisions</b>                   | <b>25</b>  | <b>146</b> |
| <b>Total provisions</b>                               | <b>34</b>  | <b>178</b> |
| <b>Carrying amount at the beginning of the period</b> | <b>178</b> | <b>149</b> |
| (Decrease)/ increase in provision recognised          | ( 144)     | 29         |
| <b>Carrying amount at the end of the period</b>       | <b>34</b>  | <b>178</b> |

**Note 28 Other liabilities**

|                                            | 2015      | 2014      |
|--------------------------------------------|-----------|-----------|
|                                            | \$'000    | \$'000    |
| <b>Current</b>                             |           |           |
| Revenue received in advance                | 40        | -         |
| <b>Total current other liabilities</b>     | <b>40</b> | <b>-</b>  |
| <b>Non-current</b>                         |           |           |
| Contractual security deposit               | 10        | 10        |
| <b>Total non-current other liabilities</b> | <b>10</b> | <b>10</b> |
| <b>Total other liabilities</b>             | <b>50</b> | <b>10</b> |

**Note 29 Unrecognised contractual commitments**

| <b>Operating lease commitments</b>                                                                                                                         | <b>2015</b>   | <b>2014</b>   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial statements are payable as follows: | <b>\$'000</b> | <b>\$'000</b> |
| Not later than one year                                                                                                                                    | 37            | 32            |
| Later than one year and not later than five years                                                                                                          | 28            | 34            |
| <b>Total operating lease commitments</b>                                                                                                                   | <b>65</b>     | <b>66</b>     |

The operating lease commitments comprise:

- non-cancellable motor vehicle leases, with rentals payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.

| <b>Public libraries commitments</b>                                                                                                                                                      | <b>2015</b>   | <b>2014</b>   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                                                                                          | <b>\$'000</b> | <b>\$'000</b> |
| Committed orders placed by public libraries through PLS for libraries materials at the reporting date not recognised as liabilities in the financial statements, are payable as follows: |               |               |
| Not later than one year                                                                                                                                                                  | 1 173         | 1 344         |
| <b>Total public libraries commitments</b>                                                                                                                                                | <b>1 173</b>  | <b>1 344</b>  |

**Capital commitments**

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

|                                  |          |           |
|----------------------------------|----------|-----------|
| Not later than one year          | -        | 74        |
| <b>Total capital commitments</b> | <b>-</b> | <b>74</b> |

|  |               |               |
|--|---------------|---------------|
|  | <b>2015</b>   | <b>2014</b>   |
|  | <b>\$'000</b> | <b>\$'000</b> |

**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:

|                                                   |              |            |
|---------------------------------------------------|--------------|------------|
| Not later than one year                           | 565          | 349        |
| Later than one year and not later than five years | 1 818        | 539        |
| Later than five years                             | 1            | -          |
| <b>Total remuneration commitments</b>             | <b>2 384</b> | <b>888</b> |

Amounts disclosed include commitments arising from executive and other service contracts. The Board does not offer remuneration contracts greater than five years. Executive contracts disclosed as at 30 June 2015 for later than five years relates to contracts effective from July 2015, but signed prior to 1 July 2015.

**Other commitments**

The Board's other commitments are for contracts for security, cleaning and other.

|                                                   |              |              |
|---------------------------------------------------|--------------|--------------|
| Not later than one year                           | 2 642        | 2 119        |
| Later than one year and not later than five years | 1 018        | 968          |
| <b>Total other commitments</b>                    | <b>3 660</b> | <b>3 087</b> |

**Note 30 Contingent assets and liabilities**

The Board is not aware of any contingent assets or liabilities as at 30 June 2015.



**Note 31 Cash flow Reconciliation**

|                                                                                                      |                 |                 |
|------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>Reconciliation of cash at the end of the reporting period:</b>                                    | <b>2015</b>     | <b>2014</b>     |
|                                                                                                      | <b>\$'000</b>   | <b>\$'000</b>   |
| Cash as disclosed in the Statement of Financial Position                                             | 6 314           | 6 411           |
| <b>Balance as per the Statement of Cash Flows</b>                                                    | <b>6 314</b>    | <b>6 411</b>    |
|                                                                                                      | <b>2015</b>     | <b>2014</b>     |
|                                                                                                      | <b>\$'000</b>   | <b>\$'000</b>   |
| <b>Reconciliation of net cash provided by operating activities to net cost of providing services</b> |                 |                 |
| Net cash provided by operating activities                                                            | 1 955           | 702             |
| Less revenues from SA Government                                                                     | (33 851)        | (32 563)        |
| <b>Add / (less) non-cash items:</b>                                                                  |                 |                 |
| Amortisation of intangibles                                                                          | ( 6)            | ( 6)            |
| Depreciation of property, plant and equipment                                                        | (2 048)         | (1 922)         |
| Donations of heritage assets                                                                         | 28              | 41              |
| Net gain from the disposal of investments                                                            | 5               | 147             |
| <b>Changes in assets and liabilities</b>                                                             |                 |                 |
| Increase / (decrease) in receivables                                                                 | 37              | ( 61)           |
| (Increase) / decrease in payables                                                                    | ( 56)           | 121             |
| (Increase) in staff benefits                                                                         | ( 201)          | ( 197)          |
| Decrease / (increase) in provisions                                                                  | 144             | ( 29)           |
| (Increase) / decrease in other liabilities                                                           | ( 40)           | -               |
| <b>Net cost of providing services</b>                                                                | <b>(34 033)</b> | <b>(33 767)</b> |

**Note 32 Financial instruments / financial risk management**

**Table 32.1 Categorisation of financial instruments**

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

| Category of financial asset and financial liability | Statement of Financial Position | Note number | 2015                      |                      | 2014                      |                      |
|-----------------------------------------------------|---------------------------------|-------------|---------------------------|----------------------|---------------------------|----------------------|
|                                                     |                                 |             | Carrying amount<br>\$'000 | Fair value<br>\$'000 | Carrying amount<br>\$'000 | Fair value<br>\$'000 |
| <b>Financial assets</b>                             |                                 |             |                           |                      |                           |                      |
| Cash and cash equivalents                           | Cash                            | 18          | 6 314                     | 6 314                | 6 411                     | 6 411                |
| Loans and receivables                               | Receivables (1) (2)             | 19          | 421                       | 421                  | 332                       | 332                  |
| Available for sale financial assets                 | Investments                     | 24          | 8 015                     | 9 104                | 7 815                     | 8 729                |
| <b>Financial liabilities</b>                        |                                 |             |                           |                      |                           |                      |
| Financial liabilities (at cost)                     | Payables (1)                    | 25          | 864                       | 864                  | 781                       | 781                  |
| Other                                               | Other                           | 28          | 50                        | 50                   | 10                        | 10                   |

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

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 19 as other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefits of these assets is in the receipt of goods and services rather than the right to receive cash or another financial asset.

### Fair value

The Board does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short term nature of these. These fair value estimates are included in level 2 as all significant inputs required are observable.

Investments are initially recognised at fair value (cost) and then subsequently held at amortised cost. These fair value estimates are included in level 1 as all inputs are observable.

### Foreign currency risk

Foreign currency risk arises from changes in the value of assets and liabilities denominated in foreign currency as exchange rates fluctuate.

The Board is exposed to currency risk on purchases of books and materials made, in currencies other than Australian dollars. The Board does not hedge any future foreign currency purchases when contracted.

### Credit risk

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

The carrying amount of financial assets as detailed in table 32.1 represents the Board's maximum exposure to credit risk.

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently the Board does not hold any collateral as security for any of its financial assets. There is no evidence to indicate that the financial assets are impaired.

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

**Table 32.2 Ageing analysis of financial assets**

|                             | Past due by              |                              |                             | Total<br>\$'000 |
|-----------------------------|--------------------------|------------------------------|-----------------------------|-----------------|
|                             | Overdue for<br>< 30 days | Overdue for<br>30 to 60 days | Overdue<br>for<br>> 60 days |                 |
|                             | \$'000                   | \$'000                       | \$'000                      |                 |
| <b>2015</b>                 |                          |                              |                             |                 |
| Not impaired<br>Receivables | 190                      | 48                           | -                           | 238             |
| <b>2014</b>                 |                          |                              |                             |                 |
| Not impaired<br>Receivables | 140                      | 1                            | -                           | 141             |



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

**Table 32.3 Maturity analysis of financial assets and financial liabilities**

| Financial statements item          | Carrying amount<br>\$'000 | Contractual maturities |                     |                     |
|------------------------------------|---------------------------|------------------------|---------------------|---------------------|
|                                    |                           | < 1 year<br>\$'000     | 1-5 years<br>\$'000 | > 5 years<br>\$'000 |
| <b>2015</b>                        |                           |                        |                     |                     |
| <b>Financial assets</b>            |                           |                        |                     |                     |
| Cash                               | 6 314                     | 6 314                  | -                   | -                   |
| Receivables                        | 421                       | 420                    | 1                   | -                   |
| Investments                        | 8 015                     | -                      | -                   | 8 015               |
| <b>Total financial assets</b>      | <b>14 750</b>             | <b>6 734</b>           | <b>1</b>            | <b>8 015</b>        |
| <b>Financial liabilities</b>       |                           |                        |                     |                     |
| Payables                           | 864                       | 864                    | -                   | -                   |
| Other                              | 50                        | 40                     | 10                  | -                   |
| <b>Total financial liabilities</b> | <b>914</b>                | <b>904</b>             | <b>10</b>           | <b>-</b>            |
| <b>2014</b>                        |                           |                        |                     |                     |
| <b>Financial assets</b>            |                           |                        |                     |                     |
| Cash                               | 6 411                     | 6 411                  | -                   | -                   |
| Receivables                        | 332                       | 330                    | 2                   | -                   |
| Investments                        | 7 815                     | -                      | -                   | 7 815               |
| <b>Total financial assets</b>      | <b>14 558</b>             | <b>6 741</b>           | <b>2</b>            | <b>7 815</b>        |
| <b>Financial liabilities</b>       |                           |                        |                     |                     |
| Payables                           | 781                       | 781                    | -                   | -                   |
| Other                              | 10                        | -                      | 10                  | -                   |
| <b>Total financial liabilities</b> | <b>791</b>                | <b>781</b>             | <b>10</b>           | <b>-</b>            |

#### Liquidity risk

Liquidity risk arises where the Board is unable to meet its financial obligations as they are due to be settled. The Board is funded principally from grants from the South Australian Government. The Board 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. The Board settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Board exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in Table 32.1 represent the Board's maximum exposure to financial liabilities.

**Note 33 Transactions with SA Government**

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

| Note |                                               | SA Government  |                | Non-SA Government |                | Total          |                |
|------|-----------------------------------------------|----------------|----------------|-------------------|----------------|----------------|----------------|
|      |                                               | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000    | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
|      | <b>Expenses</b>                               |                |                |                   |                |                |                |
| 4    | Staff benefits                                | 627            | 610            | 12 411            | 12 333         | 13 038         | 12 943         |
| 6    | Supplies and services                         |                |                |                   |                |                |                |
|      | Business services charge                      | 269            | 221            | -                 | -              | 269            | 221            |
|      | Cataloguing and end processing                | 5              | -              | 455               | 459            | 460            | 459            |
|      | Communications                                | 166            | 94             | 759               | 840            | 925            | 934            |
|      | Consultants' fees                             | -              | -              | 129               | 30             | 129            | 30             |
|      | Contractors                                   | 44             | -              | 79                | 218            | 123            | 218            |
|      | Electronic resources                          | -              | -              | 536               | 437            | 536            | 437            |
|      | Freight, courier, postage                     | -              | -              | 1 364             | 1 210          | 1 364          | 1 210          |
|      | Information technology                        | 58             | 51             | 1 279             | 1 292          | 1 337          | 1 343          |
|      | Insurance & risk management                   | 192            | 169            | 14                | -              | 206            | 169            |
|      | Maintenance                                   | 49             | 64             | 124               | 62             | 173            | 126            |
|      | Marketing and promotion                       | -              | 8              | 202               | 136            | 202            | 144            |
|      | Minor equipment purchases and leasing         | 15             | 5              | 308               | 265            | 323            | 270            |
|      | Operating lease expenditure                   | -              | -              | 1                 | -              | 1              | -              |
|      | Preservation activities                       | 110            | 121            | 132               | 76             | 242            | 197            |
|      | Travel and accommodation                      | -              | -              | 115               | 113            | 115            | 113            |
|      | Other                                         | 240            | 154            | 969               | 647            | 1 209          | 801            |
| 7    | Accommodation and facilities                  |                |                |                   |                |                |                |
|      | Accommodation                                 | 405            | 427            | 844               | 842            | 1 249          | 1 269          |
|      | Facilities                                    | 433            | 483            | 410               | 423            | 843            | 906            |
|      | Security                                      | 1              | 1              | 479               | 459            | 480            | 460            |
| 8    | Depreciation and amortisation                 | -              | -              | 2 054             | 1 928          | 2 054          | 1 928          |
| 9    | Subsidies to public libraries                 |                |                |                   |                |                |                |
|      | Library materials local purchase contribution | 2              | 1              | 674               | 730            | 676            | 731            |
|      | Library materials contribution                | (9)            | (1)            | 5 627             | 5 986          | 5 618          | 5 985          |
|      | Operating contribution                        | 13             | 14             | 4 780             | 4 927          | 4 793          | 4 941          |
|      | Community information contribution            | 1              | 1              | 30                | 30             | 31             | 31             |
|      | Community information access                  | -              | -              | 20                | 20             | 20             | 20             |
|      | <b>Total expenses</b>                         | <b>2 621</b>   | <b>2 423</b>   | <b>33 795</b>     | <b>33 463</b>  | <b>36 416</b>  | <b>35 886</b>  |
|      | <b>Income</b>                                 |                |                |                   |                |                |                |
| 11   | Fees and charges                              | 7              | 11             | 340               | 312            | 347            | 323            |
|      | Bequests and donations                        | -              | -              | 206               | 104            | 206            | 104            |
|      | Council contributions                         | 3              | 7              | 133               | 69             | 136            | 76             |
| 12   | Rent and facilities hire                      | 69             | 2              | 233               | 287            | 302            | 289            |
| 13   | Resources received free of charge             |                |                |                   |                |                |                |
|      | Conservation services                         | 110            | 122            | -                 | -              | 110            | 122            |
|      | Business services                             | 269            | 221            | -                 | -              | 269            | 221            |
| 14   | Investment income                             |                |                |                   |                |                |                |
|      | Interest Income                               | 177            | 186            | 145               | 163            | 322            | 349            |
|      | Dividends                                     | -              | -              | 177               | 159            | 177            | 159            |
|      | Distributions                                 | -              | -              | 73                | 53             | 73             | 53             |
|      | Dividend imputation credits                   | -              | -              | 99                | 76             | 99             | 76             |
| 15   | Recoveries revenue                            | 92             | -              | 114               | 54             | 206            | 54             |
| 16   | Other income                                  |                |                |                   |                |                |                |
|      | Salary recoups                                | 1              | 3              | 22                | 12             | 23             | 15             |
|      | Other receipts                                | 21             | 38             | 87                | 93             | 108            | 131            |
| 10   | Net gain from the disposal of investments     | -              | -              | 5                 | 147            | 5              | 147            |
|      | Revenues from SA Government                   |                |                |                   |                |                |                |
|      | Recurrent operating grant                     | 32 768         | 32 234         | -                 | -              | 32 768         | 32 234         |
|      | Capital grant                                 | 1 083          | 329            | -                 | -              | 1 083          | 329            |
|      | <b>Total income</b>                           | <b>34 600</b>  | <b>33 153</b>  | <b>1 634</b>      | <b>1 529</b>   | <b>36 234</b>  | <b>34 682</b>  |



| Note |                                                  | SA Government  |                | Non-SA Government |                | Total          |                |
|------|--------------------------------------------------|----------------|----------------|-------------------|----------------|----------------|----------------|
|      |                                                  | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000    | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
|      | <b>Financial assets</b>                          |                |                |                   |                |                |                |
| 19   | Receivables                                      |                |                |                   |                |                |                |
|      | Prepayments                                      | -              | -              | 496               | 548            | 496            | 548            |
|      | Receivables                                      | 27             | -              | 236               | 185            | 263            | 185            |
|      | Accrued income                                   | 12             | 14             | 146               | 133            | 158            | 147            |
|      | Investments                                      |                |                |                   |                |                |                |
| 24   | Shares and other direct investments in companies | -              | -              | 8 015             | 7 815          | 8 015          | 7 815          |
|      | <b>Total financial assets</b>                    | <b>39</b>      | <b>14</b>      | <b>8 893</b>      | <b>8 681</b>   | <b>8 932</b>   | <b>8 695</b>   |
|      | <b>Financial liabilities</b>                     |                |                |                   |                |                |                |
| 25   | Payables                                         |                |                |                   |                |                |                |
|      | Creditors and accruals                           | 271            | 131            | 640               | 699            | 911            | 830            |
|      | Staff on-costs                                   | 206            | 194            | 207               | 203            | 413            | 397            |
| 28   | Other Liabilities                                |                |                |                   |                |                |                |
|      | Revenue received in advance                      | 40             | -              | -                 | -              | 40             | -              |
|      | Contractual security deposit                     | -              | -              | 10                | 10             | 10             | 10             |
|      | <b>Total financial liabilities</b>               | <b>517</b>     | <b>325</b>     | <b>857</b>        | <b>912</b>     | <b>1 374</b>   | <b>1 237</b>   |

**Note 34 Events after the reporting period**

There has not arisen in the interval between the end of the financial year and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the members of the Board, to affect significantly the operations of the Board, the results of those operations, or the state of affairs of the Board in subsequent financial years.

## Libraries Board of South Australia

### Certification of the 2014-2015 Financial Statements

We certify that the financial statements of the Libraries Board of South Australia:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Libraries Board of South Australia; and
- present a true and fair view of the financial position of the Libraries Board of South Australia as at 30 June 2015 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Libraries Board of South Australia for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



James Bruce  
**Chairman**  
**Libraries Board of South Australia**

10 September 2015



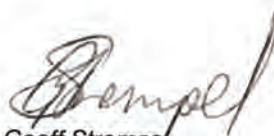
Alan Smith  
**Director**  
**State Library of South Australia**

10 September 2015



George Sclauzero  
**Finance and Directorate Manager**  
**State Library of South Australia**

10 September 2015



Geoff Stempel  
**Associate Director**  
**Public Library Services**

10 September 2015



## INDEPENDENT AUDITOR'S REPORT



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Auditor-General's Department

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### To the Chairman Libraries Board of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and Section 19(3) of the *Libraries Act 1982*, I have audited the accompanying financial report of the Libraries Board of South Australia for the financial year ended 30 June 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2015
- Disaggregated Disclosures - Assets and Liabilities as at 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman, Libraries Board of South Australia, the Director, State Library of South Australia, the Finance and Directorate Manager, State Library of South Australia and the Associate Director, Public Library Services.

### The Members of the Libraries Board of South Australia's Responsibility for the Financial Report

The members of the Libraries Board of South Australia are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the members of the Libraries Board of South Australia determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

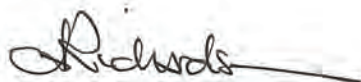
My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the members of the Libraries Board of South Australia as well as the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the Libraries Board of South Australia as at 30 June 2015, 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.



Andrew Richardson  
**Auditor-General**  
18 September 2015



Lifetime Support Authority  
of South Australia

Financial report  
for the year ended  
30 June 2015

**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 30 June 2015

|                                                  | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------|------|----------------|----------------|
| <b>Expenses</b>                                  |      |                |                |
| Participant treatment, care and support expenses | 4    | 95 073         | —              |
| Duty on LSS Fund levy                            |      | 13 956         | 249            |
| Reinsurance                                      |      | 2 598          | 49             |
| Employee benefit expenses                        | 5    | 2 155          | 411            |
| Service delivery and corporate expenses          | 7    | 1 358          | 43             |
| Amortisation expense                             | 9    | 49             | —              |
| <b>Total expenses</b>                            |      | <b>115 189</b> | <b>752</b>     |
| <b>Income</b>                                    |      |                |                |
| Revenues from LSS Fund levy                      |      | 141 078        | 2 263          |
| Investment revenues                              | 10   | 5 488          | 127            |
| Resources received free of charge                | 11   | —              | 411            |
| <b>Total income</b>                              |      | <b>146 566</b> | <b>2 801</b>   |
| <b>Net result from operating activities</b>      |      | <b>31 377</b>  | <b>2 049</b>   |
| <b>Revenues from SA Government</b>               |      |                |                |
| Transitional Contribution                        | 12   | —              | 41 500         |
| <b>Total Revenues from SA Government</b>         |      | <b>—</b>       | <b>41 500</b>  |
| <b>Net Result</b>                                |      | <b>31 377</b>  | <b>43 549</b>  |
| <b>Total Comprehensive result</b>                |      | <b>31 377</b>  | <b>43 549</b>  |

The net result and total comprehensive result are attributable to the SA Government as owner.

The above Statement should be read in conjunction with the accompanying notes.



**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2015**

|                                      | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------|------|----------------|----------------|
| <b>Current Assets</b>                |      |                |                |
| Cash and cash equivalents            | 13   | 2 457          | 42 928         |
| Receivables                          | 14   | 1 678          | 1 050          |
| <b>Total current assets</b>          |      | <b>4 135</b>   | <b>43 978</b>  |
| <b>Non-Current Assets</b>            |      |                |                |
| Financial assets at fair value       | 15   | 165 435        | —              |
| Property, plant and equipment        | 16   | 98             | —              |
| Intangible assets                    | 17   | 311            | 37             |
| <b>Total non-current assets</b>      |      | <b>165 844</b> | <b>37</b>      |
| <b>Total Assets</b>                  |      | <b>169 979</b> | <b>44 015</b>  |
| <b>Current Liabilities</b>           |      |                |                |
| Payables                             | 19   | 1 904          | 339            |
| Employee benefits                    | 20   | 219            | 65             |
| Provisions                           | 21   | 7 239          | —              |
| <b>Total Current Liabilities</b>     |      | <b>9 362</b>   | <b>404</b>     |
| <b>Non-Current Liabilities</b>       |      |                |                |
| Payables                             | 19   | 12             | —              |
| Employee benefits                    | 20   | 133            | 62             |
| Provisions                           | 21   | 85 546         | —              |
| <b>Total Non-Current Liabilities</b> |      | <b>85 691</b>  | <b>62</b>      |
| <b>Total Liabilities</b>             |      | <b>95 053</b>  | <b>466</b>     |
| <b>Net Assets</b>                    |      | <b>74 926</b>  | <b>43 549</b>  |
| <b>Equity</b>                        |      |                |                |
| Retained earnings                    |      | 74 926         | 43 549         |
| <b>Total Equity</b>                  |      | <b>74 926</b>  | <b>43 549</b>  |

The Total Equity is attributable to the SA Government as owner.

|                                      |            |
|--------------------------------------|------------|
| Unrecognised contractual commitments | Note<br>22 |
| Contingent assets and liabilities    | 23         |

The above Statement should be read in conjunction with the accompanying notes.

**Statement of Changes in Equity for the year ended 30 June 2015**

|                                               | <b>Retained<br/>Earnings</b> | <b>Total</b>  |
|-----------------------------------------------|------------------------------|---------------|
|                                               | <b>\$'000</b>                | <b>\$'000</b> |
| <b>Balance at 1 July 2013</b>                 | <b>—</b>                     | <b>—</b>      |
| Net result for 2013-14                        | 43 549                       | 43 549        |
| <b>Total comprehensive result for 2013-14</b> | <b>43 549</b>                | <b>43 549</b> |
| <b>Balance at 30 June 2014</b>                | <b>43 549</b>                | <b>43 549</b> |
| Net result for 2014-15                        | 31 377                       | 31 377        |
| <b>Total comprehensive result for 2014-15</b> | <b>31 377</b>                | <b>31 377</b> |
| <b>Balance at 30 June 2015</b>                | <b>74 926</b>                | <b>74 926</b> |

**All changes in Equity are attributable to the SA Government as owner.**

The above Statement should be read in conjunction with the accompanying notes.



## Statement of Cash Flows for the year ended 30 June 2015

|                                                              | Note  | 2015<br>\$'000    | 2014<br>\$'000 |
|--------------------------------------------------------------|-------|-------------------|----------------|
| <b>Cash flows from operating activities</b>                  |       |                   |                |
| <b>Cash Outflows</b>                                         |       |                   |                |
| Payment for participant treatment, care and support expenses |       | (1 941)           | —              |
| Payment for Duty on LSS Levy                                 |       | (13 006)          | —              |
| Payment for reinsurance                                      |       | (2 597)           | —              |
| Employee benefit payments                                    |       | (1 706)           | —              |
| Payments for service delivery and corporate expenses         |       | (1 782)           | ( 66)          |
| <b>Cash used in operations</b>                               |       | <b>(21 032)</b>   | <b>( 66)</b>   |
| <b>Cash Inflows</b>                                          |       |                   |                |
| LSS Fund levy                                                |       | 140 928           | 1 466          |
| Interest received                                            |       | 53                | 45             |
| <b>Cash generated from operations</b>                        |       | <b>140 981</b>    | <b>1 511</b>   |
| <b>Cash Flows from SA Government</b>                         |       |                   |                |
| Receipts from SA Government - Transitional Contribution      |       | —                 | 41 500         |
| <b>Cash generated from SA Government</b>                     |       | <b>—</b>          | <b>41 500</b>  |
| <b>Net cash provided by operating activities</b>             | 24(b) | <b>119 949</b>    | <b>42 945</b>  |
| <b>Cash flows from investing activities</b>                  |       |                   |                |
| <b>Cash Outflows</b>                                         |       |                   |                |
| Purchase of property, plant and equipment                    |       | ( 147)            | —              |
| Purchase of intangible assets                                |       | ( 273)            | ( 17)          |
| Purchase of investments                                      |       | ( 160 000)        | —              |
| <b>Cash used in investing activities</b>                     |       | <b>( 160 420)</b> | <b>( 17)</b>   |
| <b>Net cash used in investing activities</b>                 |       | <b>(160 420)</b>  | <b>( 17)</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>  |       | <b>(40 471)</b>   | <b>42 928</b>  |
| Cash and cash equivalents at the beginning of the period     |       | 42 928            | —              |
| <b>Cash and cash equivalents at the end of the period</b>    | 24(a) | <b>2 457</b>      | <b>42 928</b>  |

The above Statement should be read in conjunction with the accompanying notes.

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## Notes to and forming part of the Financial Statements

### 1 Objective of the Lifetime Support Authority of South Australia

The Lifetime Support Authority of South Australia (LSA) is a not-for-profit Statutory Authority of the South Australian Government. The LSA was established on 1 July 2013 under section 7 of the Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013 (the Act).

The Board is the governing body of the LSA, and was appointed by the Governor effective from 8 October 2013.

The LSA is responsible for the administration of the Lifetime Support Scheme (LSS), which commenced on 1 July 2014.

The LSS provides necessary and reasonable treatment, care and support for people who suffer serious lifelong disabilities in motor vehicle accidents in South Australia that occur on or after 1 July 2014, regardless of fault. People who receive serious injuries that cause paraplegia or quadriplegia, brain injury, whole limb or multiple amputations, major burns or blindness will qualify for support. The LSS is funded by the LSS Fund levy paid on motor vehicle registrations. The LSS is governed by the Lifetime Support Scheme Rules (LSS Rules), which are made by the Governor on the recommendation of the LSA.

The functions of the LSA under the Act are to:

- Monitor the operation of the LSS.
- Provide advice to the Minister about the administration, efficiency and effectiveness of the LSS.
- Provide support and funding for programs that will provide high-quality services to participants in the LSS, and research and education in connection with services provided to participants in the LSS.
- Disseminate information about the LSS.
- Keep the LSS Rules under review.
- Be responsible for the LSS Fund.

### 2 Summary of Significant Accounting Policies

#### 2.1 Statement of Compliance

The financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the Public Finance and Audit Act 1987.

The LSA has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the LSA is a not-for-profit entity.

Except for AASB 2015-7 which the LSA has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the LSA for the period ending 30 June 2015. Refer to Note 3.

## 2.2 Basis of Preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the LSA's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- compliance with Accounting Policy Statements issued pursuant to section 41 of the Public Finance and Audit Act 1987. In the interest of public accountability and transparency the Accounting Policy Statements 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.
  - b) expenses incurred as a result of engaging consultants.
  - c) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than direct out-of-pocket reimbursement.
  - d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015.

## 2.3 Reporting Entity

The LSA is a not-for-profit Statutory Authority of the South Australian Government. The LSA does not control any other entity and has no interest in unconsolidated structured entities.

## 2.4 Comparative Information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or Accounting Policy Statements have required a change.

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

## 2.5 Rounding

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

## 2.6 Taxation

The LSA is liable for payroll tax, fringe benefits tax and goods and services tax (GST). A nil tax rate is currently approved by the Treasurer for the calculation of income tax equivalent payments to the South Australian Government, consistent with the establishment of the LSS and LSS Fund levy to be on a break-even basis.

The Department of Treasury and Finance (DTF) prepares the Business Activity Statement on behalf of the LSA under the grouping provisions of the GST legislation. Under these provisions, DTF is liable for the payments and entitled to the receipt of GST. As such, GST applicable to the LSA forms part of the financial statements of DTF.



## 2.7 Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the LSA will occur and can be reliably measured.

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

The following are specific recognition criteria:

### Participant treatment, care and support expenses

People seriously injured in motor vehicle accidents on or after 1 July 2014 are accepted as participants of the LSS under the eligibility criteria provided in the LSS Rules. Participant Treatment, Care and Support Expenses relate to the necessary and reasonable benefits provided to participants, related to the motor vehicle injury and in line with clear criteria detailed in the LSS Rules, from date of acceptance into the LSS. Costs are recognised in the reporting period in which they are incurred, via the movement in the provision for Participant treatment, care and support or when the treatment, care and support service has been provided.

### Duty on LSS Fund levy

The Duty on LSS Fund levy is a duty payable to the South Australian Government equivalent to 11% of net LSS Fund levies paid to the LSA. The duty is payable on the levies collected monthly in arrears. Refer to Note 2.8 for further details of the LSS Fund levy.

### Reinsurance

LSA has in place reinsurance, effective from 1 July 2014. The current program limits the LSA's exposure for any event during the accident year according to the deductible and terms of the treaty. All panel reinsurers are contractually required to have a minimum security Standard and Poor's rating of "A-", which is monitored by the LSA's reinsurance broker. Premiums paid to reinsurers are recognised as an expense in accordance with the pattern of reinsurance received. Accordingly, a portion of reinsurance is treated at balance date as a prepayment.

### Employee benefits expenses

Employee benefits expenses include all costs related to employment under the LSA's legislative responsibilities and under agreement with DTF including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

### Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the LSA to the superannuation plan in respect of current services of current LSA staff and assigned DTF staff. DTF centrally recognises the superannuation liability in the whole of government financial statements.

### Service Delivery and Corporate Expenses

Service Delivery and Corporate Expenses generally represent day-to-day running costs incurred in the normal operations of the LSA. These items are recognised as an expense in the reporting period in which they are incurred.

### Depreciation and amortisation

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

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

## 2.7 Expenses (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.

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

| Class of asset         | Useful Life (Years) |
|------------------------|---------------------|
| Leasehold Improvements | Term of Lease       |

### Funding for expenses of the Compulsory Third Party Reform Project and the LSA to 30 June 2014

In January 2013, the South Australian Government established the Compulsory Third Party (CTP) Governance Group to oversee the implementation of reforms to the state's CTP insurance scheme, including the establishment of a new catastrophic injury care scheme for motor vehicle accidents. A secretariat was established to undertake project work for the Governance Group, including changes to CTP insurance policies and payments and the implementation of the scheme that later became known as the LSS as approved. The secretariat was funded by the Motor Accident Commission (MAC) through DTF until 30 June 2014. The costs for the project and policy work associated with the establishment of the LSA and the LSS up to this date included staff contracted to DTF, accommodation, corporate services, communications and office equipment. The expenses for the support relating to the reform project for the year ended 30 June 2014 were shown in the financial statements for MAC and DTF.

Certain expenses incurred by the LSA in the course of meeting its legislative responsibilities up to 30 June 2014 were funded under the arrangement with MAC and DTF, being the remuneration of the Board from its establishment in October 2013 and employee benefits expenses for the Chief Executive employed by the LSA. The expenses were recognised in the LSA's Statement of Comprehensive Income, with corresponding income recognised as Resources Received Free of Charge.

All other expenses up to 30 June 2014 which were a liability of the LSA (i.e. contracts entered into by the LSA, for the operation of the LSS from 1 July 2014) were recognised in the LSA's Statement of Comprehensive Income for the period ended 30 June 2014, funded from income received by the LSA.

## 2.8 Income

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

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

The following are specific recognition criteria:

### Revenues from LSS Fund levy

Revenue from LSS Fund levy is the LSS Fund levy collected by the LSA.

Pursuant to section 44 of the Act, the LSS is funded by a levy applied to the registration of a motor vehicle under the *Motor Vehicles Act 1959*. The levy is collected by the Registrar of Motor Vehicles on behalf of the LSA, and recognised as revenue by the LSA when it is paid to the Registrar. The LSS Fund levy is exempt from GST under the operation of Division 81 of *A New Tax System (Goods and Services Tax) Act 1999*.

The amount of the LSS Fund levy collected by the LSA represents motor vehicle registrations paid by motorists for a renewal date of 1 July 2014 and thereafter.



## 2.8 Income (continued)

### Investment revenues

#### Interest income

Interest income includes interest received on deposits held with the Treasurer and the South Australian Government Financing Authority (SAFA). Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value presented as investment revenue in the Statement of Comprehensive Income.

#### Resources received free of charge

Resources received free of charge are recorded as revenue in the Statement of Comprehensive Income at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would have been purchased if they had not been donated. Refer to Note 2.7 Expenses for further details of the nature of resources received free of charge up to 30 June 2014.

#### Revenues from SA Government

In 2013-14 prior to the commencement of the LSS on 1 July 2014, a transitional contribution of \$41.5 million was paid by MAC from the CTP Fund to the LSS Fund in accordance with Schedule 2, section 23 of the Act. The transitional contribution was a once-off contribution (paid in two instalments), calculated by an independent actuary and determined by the Treasurer to fully fund the LSS from its commencement. Revenue was recognised on a receipts basis.

## 2.9 Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve 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 LSA has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

## 2.10 Assets

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

### Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position include cash at bank and deposits at call that are readily converted to cash and which are subject to insignificant risk of change in value.

Cash is measured at nominal value.

The LSA's physical cash balance is held within the Department of Treasury and Finance Operating Bank Account. The LSA's cash balance is managed in accordance with Treasurer's Instruction 6 Deposit Accounts and Banking.

### Receivables

Receivables include amounts receivable from goods and services, prepayments and other accruals.

The major receivable relates to the LSS Fund levy. The LSS Fund levy is received by the LSA two days in arrears of collection by the Registrar of Motor Vehicles. The receivable represents the amount collected by the Registrar to 30 June but not yet received by the LSA.

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



## 2.10 Assets (Continued)

### Financial assets at fair value

The LSA's investments are managed by Funds SA, the South Australian Government's investment fund manager. The LSA invests in Funds SA's tax exempt multi-sector funds.

### Recognition and Derecognition

Investments in financial assets are recognised initially at fair value. All purchases and sales of financial assets are recognised on the trade date i.e., the date that the LSA commits to purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or has been transferred.

### Subsequent Measurement

Financial assets are classified at fair value through profit or loss. Gains or losses on financial assets are recognised in the Statement of Comprehensive Income as Investment Revenue or Investment Losses and the related assets are recognised as Non-Current Assets in the Statement of Financial Position.

These financial assets are designated on the basis that they are a group of financial assets which are managed and have their performance evaluated on a fair value basis. The LSA's financial assets consist of investments in unlisted trusts with Funds SA, which are valued at the fair value as reported by the manager of the investments.

### Property, plant and equipment

Property, Plant and Equipment is stated at cost net of accumulated depreciation and accumulated impairment losses, deemed to be fair value. The capitalisation threshold is \$10,000.

### Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The LSA has only intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10,000.

### Impairment

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

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

### Fair value measurement

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The LSA classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed at each reporting date.



## 2.10 Assets (Continued)

### *Non-financial assets*

In determining fair value, the LSA has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The LSA's current use is the highest and best use of the assets unless other factors suggest an alternative use is feasible within the next five years. As the LSA did not identify any factors to suggest alternative uses, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years are deemed to approximate fair value.

### *Financial assets/liabilities*

The fair value of assets or liabilities traded in active markets is based on quoted market prices for identical assets or liabilities at balance date. The fair value of other financial assets or liabilities is determined using valuation techniques. These techniques maximises the use of observable market data where it is available. The LSA uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Refer note 15 and 26 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurement for financial assets.

## 2.11 Liabilities

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

Where a liability line item combines amounts expected to be settled within 12 months and more than 12 months, the LSA has separately disclosed the amounts expected to be settled after more than 12 months.

### 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 LSA.

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

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

Employee benefits on-costs include payroll tax and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

### 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 amount.

### *Salaries and wages, annual leave, skills and experience retention leave and sick leave*

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

The annual leave liability and the skills and experience retention leave liability is expected to be payable within twelve months and is measured at the undiscounted amount expected to be paid.

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



## 2.11 Liabilities (continued)

### *Long service leave*

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions and the split between current and non-current are based on employee data from similar South Australian Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match as closely as possible to the estimated future cash outflows.

### *Provisions*

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

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

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

Significant uncertainty exists due to the long-term nature of liabilities and volatility around the number of Scheme Participants and their injury severity.

The LSA's liabilities for participants' treatment, care and support services are valued by the LSS Actuaries, Finity Consulting Pty Ltd, as at the end of the financial year. They are measured as the present value of the expected future payments for claims of the LSS incurred up to the valuation date, including claims incurred but not yet reported.

## 2.12 Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

## 3 New and Revised Accounting Standards and Policies

Except for AASB 2015-7 which the LSA has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the LSA for the period ending 30 June 2015. The LSA has assessed the impact of the new and amended standards and Interpretations and considers there will be no impact on the accounting policies or the financial statements of the LSA.



| 4 Participant treatment, care and support expenses                                              | 2015<br>\$'000       | 2014<br>\$'000  |
|-------------------------------------------------------------------------------------------------|----------------------|-----------------|
| Hospital                                                                                        | 1 967                | —               |
| Rehabilitation                                                                                  | 170                  | —               |
| Equipment                                                                                       | 78                   | —               |
| Attendant Care                                                                                  | 37                   | —               |
| Other                                                                                           | 36                   | —               |
|                                                                                                 | <u>2 288</u>         | <u>—</u>        |
| Movement in provision for participants' treatment, care and support expenses (refer to note 21) | <u>92 785</u>        | <u>—</u>        |
| <b>Total Participant treatment, care and support expenses</b>                                   | <u><b>95 073</b></u> | <u><b>—</b></u> |

| 5 Employee benefit expenses            | 2015<br>\$'000      | 2014<br>\$'000    |
|----------------------------------------|---------------------|-------------------|
| Salaries and Wages*                    | 1 384               | 99                |
| Board and Committee fees               | 367                 | 261               |
| Employment on-costs - superannuation   | 181                 | 32                |
| Employment on-costs - payroll tax      | 101                 | 19                |
| Long service leave                     | 6                   | —                 |
| Annual leave                           | 102                 | —                 |
| Skills and experience retention leave  | 4                   | —                 |
| Other employee related expenses        | 10                  | —                 |
| <b>Total Employee benefit expenses</b> | <u><b>2 155</b></u> | <u><b>411</b></u> |

Refer to Note 2.7 Expenses for detail of the staff costs associated with the establishment of the LSA and the LSS.

| Remuneration of employees                                                                                 | 2015<br>Number of<br>Employees | 2014<br>Number of<br>Employees |
|-----------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| The number of employees whose total remuneration received or receivable falls within the following bands: |                                |                                |
| \$261 500 to \$271 499                                                                                    | 1                              | n/a                            |
| <b>Total</b>                                                                                              | <u><b>1</b></u>                | <u><b>n/a</b></u>              |

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. The employee is executive staff. Remuneration reflects all costs of employment including salaries and wages, payment in lieu of leave, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by the employee for the year was \$264 000.

\* The Chief Executive was appointed by the LSA effective 1 February 2014. Executive remuneration prior to 1 July 2014 was disclosed in DTF's 2013-14 Financial Statements.

## 6 Remuneration of board members

Members that were entitled to receive remuneration for membership during the 2014-15 financial year were:

### LSA Board

Ms Juliet Brown (Chair)  
Ms Melinda OLeary  
Mr Joseph Ullianich  
Mr Kenneth Williams  
Hon Patricia White - Resigned 8 August 2014  
Dr George Potter\*  
Ms Arabella Branson  
Ms Chloe Fox\* - Appointed 25 August 2014

### Audit Committee

Hon Patricia White (Chair and member to 8 August 2014)  
Mr Joseph Ullianich (Chair from 11 September 2014)  
Ms Juliet Brown  
Mr Kenneth Williams  
Dr George Potter\* - Appointed 11 September 2014

### Applications and Rules Committee

Mr Joseph Ullianich (Chair to 11 September 2014)  
Ms Arabella Branson (Chair from 11 September 2014)  
Ms Melinda OLeary (member to 11 September 2014)  
Dr George Potter\*  
Ms Chloe Fox\* - Appointed 25 August 2014

### Finance and Investment Committee

Mr Kenneth Williams (Chair)  
Ms Juliet Brown  
Hon Patricia White - Resigned 8 August 2014  
Ms Melinda OLeary - Appointed 11 September 2014

There were no changes to Board and Committee members other than stated.

**6 Remuneration of board members (continued)**

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

|                                      | 2015<br>Number of<br>Members | 2014<br>Number of<br>Members |
|--------------------------------------|------------------------------|------------------------------|
| \$1 - \$9,999                        | 1                            | —                            |
| \$30,000 - \$39,999                  | 1                            | 3                            |
| \$40,000 - \$49,999                  | 1                            | 3                            |
| \$50,000 - \$59,999                  | 4                            | —                            |
| \$60,000 - \$69,999                  | —                            | 1                            |
| \$90,000 - \$99,999                  | 1                            | —                            |
| <b>Total Number of board members</b> | <b>8</b>                     | <b>7</b>                     |

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 **\$406 000** (2014: \$284 000).

Amounts paid to a superannuation plan for board/committee members was **\$35 000** (2014: \$23 000).

The Board commenced operations effective 8 October 2013 and therefore remuneration for the 2013-2014 financial year is for the period 8 October 2013 to 30 June 2014.

\* In accordance with the Department of the Premier and Cabinet Circular No. 016, the LSA received an exemption for the remuneration of Government employees for Board/Committee duties during the financial year.

**7 Service delivery and corporate expenses**

|                                                      | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------------------------|----------------|----------------|
| Professional fees                                    | 52             | —              |
| Information technology                               | 108            | —              |
| Training and development                             | 91             | —              |
| General administration and consumables               | 372            | —              |
| Accommodation and telecommunication                  | 167            | —              |
| Consultants                                          | 37             | —              |
| Contractors and temporary Staff                      | 71             | —              |
| Minor works, maintenance and equipment               | 35             | —              |
| Service level agreement fees                         | 249            | 20             |
| Other                                                | 176            | 23             |
| <b>Total Service delivery and corporate expenses</b> | <b>1 358</b>   | <b>43</b>      |

The number of, and dollar amount of consultancies paid or payable (included in service delivery and corporate expenses) that fell within the following bands:

|                                             | 2015<br>Number | 2014<br>Number | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------|----------------|----------------|----------------|----------------|
| Below \$10 000                              | 4              | 0              | 5              | 0              |
| Above \$10 000                              | 2              | 0              | 32             | 0              |
| <b>Total Paid or Payable to Consultants</b> | <b>6</b>       | <b>0</b>       | <b>37</b>      | <b>0</b>       |

**8 Auditor's remuneration**

|                                                                | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------------------|----------------|----------------|
| Audit Fees paid or payable to the Auditor-General's Department | 34             | 15             |
| <b>Total Auditor's remuneration</b>                            | <b>34</b>      | <b>15</b>      |

**Other Services**

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of 'Service delivery and corporate expenses' (refer to Note 7).

**9 Amortisation expense**

|                                   | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------|----------------|----------------|
| Leasehold improvements            | 49             | —              |
| <b>Total Amortisation expense</b> | <b>49</b>      | <b>—</b>       |



|                                                                              |               |               |
|------------------------------------------------------------------------------|---------------|---------------|
| <b>10 Investment revenues</b>                                                | <b>2015</b>   | <b>2014</b>   |
|                                                                              | <b>\$'000</b> | <b>\$'000</b> |
| Interest received                                                            | 53            | 127           |
| Net gain on financial asset designated at fair value through profit or loss* | 5 435         | —             |
| <b>Total Investment revenues</b>                                             | <b>5 488</b>  | <b>127</b>    |

\*Net realised gain on switch from Funds SA Conservative Fund is \$8.032m and unrealised loss on Funds SA Untaxed Moderate Fund is \$2.597m.

|                                                |               |               |
|------------------------------------------------|---------------|---------------|
| <b>11 Resources received free of charge</b>    | <b>2015</b>   | <b>2014</b>   |
|                                                | <b>\$'000</b> | <b>\$'000</b> |
| Resources received free of charge              | —             | 411           |
| <b>Total Resources received free of charge</b> | <b>—</b>      | <b>411</b>    |

Resources received free of charge relate to employee benefit expenses directly attributable to the LSA and paid by DTF.

|                                          |               |               |
|------------------------------------------|---------------|---------------|
| <b>12 Revenues from SA Government</b>    | <b>2015</b>   | <b>2014</b>   |
|                                          | <b>\$'000</b> | <b>\$'000</b> |
| Transitional Contribution - MAC          | —             | 41 500        |
| <b>Total Revenues from SA Government</b> | <b>—</b>      | <b>41 500</b> |

|                                        |               |               |
|----------------------------------------|---------------|---------------|
| <b>13 Cash and cash equivalents</b>    | <b>2015</b>   | <b>2014</b>   |
|                                        | <b>\$'000</b> | <b>\$'000</b> |
| At call deposits with SAFA             | —             | 42 050        |
| Deposits with the Treasurer            | 2 457         | 878           |
| <b>Total Cash and cash equivalents</b> | <b>2 457</b>  | <b>42 928</b> |

**Interest rate risk**

Deposits with the Treasurer are interest bearing and earn a variable interest rate. The carrying amount of cash and cash equivalents represents fair value.

|                                         |               |               |
|-----------------------------------------|---------------|---------------|
| <b>14 Receivables</b>                   | <b>2015</b>   | <b>2014</b>   |
|                                         | <b>\$'000</b> | <b>\$'000</b> |
| <b>Current</b>                          |               |               |
| Accrued revenue                         | 1 029         | 879           |
| DTF - Reimbursement of leave provisions | —             | 142           |
| Prepayments*                            | 649           | 29            |
| <b>Total Current Receivables</b>        | <b>1 678</b>  | <b>1 050</b>  |
| <b>Total Receivables</b>                | <b>1 678</b>  | <b>1 050</b>  |

\*\$612 000 of prepayments relates to reinsurance premium.

**Interest rate and credit risk**

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

It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

**Maturity Analysis of Receivables** - refer to Table 26.2 in Note 26.

**Categorisation of financial instruments and risk exposure information** - refer to Note 26.

|                                                                                                              |                |               |
|--------------------------------------------------------------------------------------------------------------|----------------|---------------|
| <b>15 Financial assets at fair value</b>                                                                     |                |               |
| Investments are held in Funds SA multi-sector Untaxed Funds which give exposure to a range of asset classes. | <b>2015</b>    | <b>2014</b>   |
|                                                                                                              | <b>\$'000</b>  | <b>\$'000</b> |
| Funds SA Untaxed Moderate Fund                                                                               | 165 435        | —             |
| <b>Total Financial assets at fair value</b>                                                                  | <b>165 435</b> | <b>—</b>      |

(a) Categorisation of financial instruments - refer to note 26.

(b) Risk exposure information - refer to note 26.

**16 Property, plant and equipment**

|                                            | 2015      | 2014     |
|--------------------------------------------|-----------|----------|
|                                            | \$'000    | \$'000   |
| Leasehold Improvements                     | 147       | —        |
| Accumulated Amortisation                   | (49)      | —        |
|                                            | <u>98</u> | <u>—</u> |
| <b>Total Property, plant and equipment</b> | <b>98</b> | <b>—</b> |

**Reconciliation of Property, Plant and Equipment**

The following table shows the movement of property, plant and equipment during 2014-15:

|                                               | Leasehold<br>Improvements | Total     |
|-----------------------------------------------|---------------------------|-----------|
|                                               | \$'000                    | \$'000    |
| Carrying amount at the beginning of the year  | —                         | —         |
| Additions                                     | 147                       | 147       |
| Amortisation                                  | (49)                      | (49)      |
| <b>Carrying amount at the end of the year</b> | <b>98</b>                 | <b>98</b> |

**17 Intangible assets**

|                                | 2015       | 2014      |
|--------------------------------|------------|-----------|
|                                | \$'000     | \$'000    |
| Work in Progress               | 311        | 37        |
| <b>Total Work in Progress</b>  | <b>311</b> | <b>37</b> |
| <b>Total Intangible assets</b> | <b>311</b> | <b>37</b> |

**Reconciliation of Intangible assets**

|                                                 | Work in<br>Progress | Total      |
|-------------------------------------------------|---------------------|------------|
|                                                 | 2015                | 2015       |
|                                                 | \$'000              | \$'000     |
| Carrying amount at the beginning of the period  | 37                  | 37         |
| Additions                                       | 274                 | 274        |
| <b>Carrying amount at the end of the period</b> | <b>311</b>          | <b>311</b> |

Additions relate to development of the LSA's participant management computer software. There were no indications of impairment for Intangible assets as at 30 June 2015.

**18 Fair value measurement (non-financial assets)**

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The LSA categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement.

The LSA had no valuations categorised into Levels 1 or 2.

In determining fair value the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible) has been taken into account.

Current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As no factors were identified to suggest an alternative use, fair value measurement was based on current use.

**Fair values level 3 measurements and reconciliations**

|                                     | 2015      | 2014     |
|-------------------------------------|-----------|----------|
|                                     | \$'000    | \$'000   |
| <b>Leasehold Improvements</b>       |           |          |
| Acquisitions                        | 147       | —        |
| Amortisation                        | (49)      | —        |
| <b>Total Leasehold Improvements</b> | <b>98</b> | <b>—</b> |



| 19 Payables                       | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------|----------------|----------------|
| <b>Current</b>                    |                |                |
| Accrued Expenses                  | 1 875          | 323            |
| Employment on-costs               | 29             | 16             |
| <b>Total Current Payables</b>     | <b>1 904</b>   | <b>339</b>     |
| <b>Non-Current</b>                |                |                |
| Employment on-costs               | 12             | —              |
| <b>Total Non-Current Payables</b> | <b>12</b>      | <b>—</b>       |
| <b>Total Payables</b>             | <b>1 916</b>   | <b>339</b>     |

**Interest rate and credit risk**

All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand. There is no concentration of credit risk.

**Maturity Analysis of Payables** - refer to Table 26.2 in Note 26.

**Categorisation of financial instruments and risk exposure information** - refer to Note 26.

| 20 Employee benefits                       | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------|----------------|----------------|
| <b>Current</b>                             |                |                |
| Accrued salaries and wages                 | 17             | —              |
| Annual leave                               | 121            | 57             |
| Long service leave                         | 78             | 8              |
| Skills and experience retention leave      | 3              | —              |
| <b>Total Current Employee benefits</b>     | <b>219</b>     | <b>65</b>      |
| <b>Non-Current</b>                         |                |                |
| Long service leave                         | 133            | 62             |
| <b>Total Non-Current Employee Benefits</b> | <b>133</b>     | <b>62</b>      |
| <b>Total Employee Benefits</b>             | <b>352</b>     | <b>127</b>     |

The LSA's long service leave liability was estimated in accordance with AASB 119, using assumptions based on employee experience from a range of similar SA government entities.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate the same for 2013-14 financial year at 4% for long service leave liability and revised the salary inflation rate down by 1% from 2014 (4%) to 2015 (3%) for annual leave and skills, experience and retention leave liability.

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds was 3% (2014: 3.50%).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The net financial effect of the changes in the current financial year is an increase in the long service leave liability of \$10 000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption is the long-term discount rate.

## 21 Provisions

### Provision for participants' treatment, care and support services

Under the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013*, the LSS meets participant care and support services for people severely injured in motor accidents. Entitlement to these services commenced on 1 July 2014. At 30 June 2015, liabilities for all claims incurred up to this date to the scheme were valued by actuaries at Finity Consulting Pty Limited.

The liability for participants' care and support services are measured as the present value of the expected future payments. The present values after discounting are as follows:

|                                                       | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------------------|----------------|----------------|
| <b>Current</b>                                        |                |                |
| Provision for participant treatment, care and support | 7 239          | —              |
| <b>Total Current Provision</b>                        | <b>7 239</b>   | <b>—</b>       |
| <b>Non-Current</b>                                    |                |                |
| Provision for participant treatment, care and support | 85 546         | —              |
| <b>Total Non-Current Provisions</b>                   | <b>85 546</b>  | <b>—</b>       |
| <b>Total Provisions</b>                               | <b>92 785</b>  | <b>—</b>       |
|                                                       | 2015<br>\$'000 | 2014<br>\$'000 |
| Not later than one year                               | 7 239          | —              |
| Later than one year but not later than five years     | 18 062         | —              |
| Later than five years but not later than ten years    | 15 910         | —              |
| Later than ten years                                  | 51 574         | —              |
| <b>Total</b>                                          | <b>92 785</b>  | <b>—</b>       |

### Movement in Provisions

The LSS commenced on 1 July 2014, as such the provision held at the 30 June 2015 covers the first year of liabilities for the Scheme.

### Sensitivity analysis for the valuation as at 30 June 2015

The liability represents the best estimate and is based on standard actuarial assessment. The table below shows sensitivities to some of the key actuarial assumptions used in the valuation. Significant uncertainty exists due to the long-term nature of liabilities and volatility around the number of Scheme participants and their injury severity. The sensitivities below do not represent an upper or lower bound of the provision rather provide an indication of the uncertainty inherent in the provision.

|                                                                                                  | 30 June<br>2015<br>Liability<br>\$m | Effect on<br>30 June<br>Liability<br>\$m | Percentage<br>Effect<br>% |
|--------------------------------------------------------------------------------------------------|-------------------------------------|------------------------------------------|---------------------------|
| <b>Central Estimate of the LSS</b>                                                               | 92.8                                |                                          |                           |
| <b>Different long term gap assumptions</b>                                                       |                                     |                                          |                           |
| a. One per cent per annum lower for all future years                                             | 79.6                                | -13.2                                    | -14%                      |
| b. One per cent per annum higher for all future years                                            | 110.5                               | 17.7                                     | 19%                       |
| <b>Mortality assumptions</b>                                                                     |                                     |                                          |                           |
| a. one percent per annum increase in mortality improvement                                       | 98.4                                | 5.6                                      | 6%                        |
| b. one percent per annum decrease in mortality improvement                                       | 87.7                                | -5.1                                     | -6%                       |
| <b>Other Assumptions</b>                                                                         |                                     |                                          |                           |
| a. All Participants with a brain injury decrease by 1 point on the CANS scale                    | 73.7                                | -19.1                                    | -21%                      |
| b. Long term attendant care rate (in 2015/16 dollars) is 10% higher (increased to \$57 per hour) | 99.7                                | 7.0                                      | 7%                        |



**21 Provisions (continued)****Actuarial assumptions and methods**

In determining the liability each participant is valued on an individual level based on their injury, age and expected future care needs. The following assumptions were used in determining the liability:

**Weighted mean term**

Uninflated, undiscounted  
Inflated, discounted

**2015****Years**

21.1

16.7

**2015****Inflation Investment****Rate Return Rate****4.25% 6.25%****Equivalent Single Rate (all future years)****Definitions****Inflated mean term**

The inflated mean term represents the dollar weighted average period to payment of claims and is unaffected by discounting. It provides an indication of the timeframe over which the LSS must manage and control the cost of these claims.

**Discounted mean term**

The discounted mean term is based on the inflated and discounted cash flows weighted by the period to payment.

**Inflation**

Wage inflation is adopted as the base for the inflation of projected future payments and is set by reference to long term economic indicators. Inflation is with reference to wage inflation (a key driver of attendant care costs and rehabilitation type services). At 30 June 2015 a rate of 3.5% p.a. has been adopted.

Inflation also includes an allowance for superimposed inflation, i.e. the growth in claims cost not explained by underlying inflation or other factors. This includes an allowance for:

- medical inflation costs to grow faster than underlying inflation (0.75% p.a. for all services plus an additional 0.5%p.a. for rehabilitation, hospital and medical services for participants with a brain injury).
- attendant care costs to grow faster than underlying inflation (market supply and demand for services) by 0.75%p.a.

**Discount rates**

The adopted discount rate reflects the expected long term return for the LSA's portfolio of assets.

**Reinsurance Receivables**

Reinsurance recoveries receivable are assessed on at least an annual basis. A receivable is recorded where the actual or estimated cost of participant care and support costs exceed the reinsurance deductible. The recoverable amount for reinsurance recoveries receivable is measured as the present value of the expected future cash flows. If there is objective evidence that LSS will not be able to collect the total reinsurance recovery amounts owing a provision for impairment is established.

At 30 June 2015 the LSA did not have any reinsurance recoveries.

**22 Unrecognised contractual commitments****2015****2014****\$'000****\$'000****Capital Commitments**

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report

Within one year

18

133

**Total Capital Commitments**

18

133

**Expenditure commitments - Remuneration****2015****2014****\$'000****\$'000**

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

1 013

—

Later than one year but not longer than five years

167

—

**Total Remuneration commitments**

1 180

—

**Other Expenditure Commitments****2015****2014****\$'000****\$'000**

Other Expenditure Commitments include commitments for services such as Reinsurance and Actuarial Services.

Commitments in existence at the reporting date but not recognised as liabilities are payable as follows:

Within one year

1 107

2 738

Later than one year but not longer than five years

353

953

**Total Other Commitments**

1 460

3 691



**22 Unrecognised contractual commitments (continued)****Operating lease commitments**

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

Within one year

**Total Operating lease commitments**

2015

2014

\$'000

\$'000

10

10

At the reporting date, the LSA has a operating lease for office accommodation.

Office accommodation is leased from the Department of Planning, Transport and Infrastructure. The lease is non-cancellable with terms ranging up to 6 years. Rental is payable in arrears.

**23 Contingent assets and liabilities**

The LSA is not aware of any contingent assets or liabilities. In addition the LSA has made no guarantees.

**24 Cash flow reconciliation**

2015

2014

\$'000

\$'000

**(a) Reconciliation of Cash and Cash Equivalents at the end of the reporting period**

Statement of Cash Flows

2 457

42 928

Statement of Financial Position

2 457

42 928

**(b) Reconciliation of net cash provided by operating activities to Net result from operating activities:**

2015

2014

\$'000

\$'000

**Net cash provided by operating activities**

119 949

42 945

Less revenues from SA Government

—

(41 500)

**Add Non cash items**

Amortisation expense

( 49)

—

Increment/decrement on revaluation of non current assets

5 435

—

Accrued expenses in Non Current Assets

—

20

**Changes in Assets / Liabilities**

Increase / (decrease) in receivables

628

1 050

(Increase) / decrease in payables

(1 544)

( 339)

(Increase) / decrease in employee benefits

( 257)

( 127)

(Increase) / decrease in provisions

(92 785)

—

**Net result from operating activities**

31 377

2 049

**25 Transactions with SA Government**

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

| Note                                               | SA Government |               | Non-SA Government |              | Total          |               |
|----------------------------------------------------|---------------|---------------|-------------------|--------------|----------------|---------------|
|                                                    | 2015          | 2014          | 2015              | 2014         | 2015           | 2014          |
|                                                    | \$'000        | \$'000        | \$'000            | \$'000       | \$'000         | \$'000        |
| <b>EXPENSES</b>                                    |               |               |                   |              |                |               |
| 4 Participant treatment, care and support expenses | 11 719        | —             | 83 354            | —            | 95 073         | —             |
| Duty on LSS Fund Levy                              | 13 956        | 249           | —                 | —            | 13 956         | 249           |
| Reinsurance                                        | —             | —             | 2 598             | 49           | 2 598          | 49            |
| 5 Employee benefits expenses                       | 109           | —             | 2 046             | 411          | 2 155          | 411           |
| 7 Service delivery and corporate expenses          | —             | —             | —                 | —            | —              | —             |
| Professional fees                                  | —             | —             | 52                | —            | 52             | —             |
| Information technology                             | —             | —             | 108               | —            | 108            | —             |
| Training and development                           | —             | —             | 91                | —            | 91             | —             |
| General administration and consumables             | —             | —             | 372               | —            | 372            | —             |
| Accommodation and telecommunication                | —             | —             | 167               | —            | 167            | —             |
| Consultants                                        | —             | —             | 37                | —            | 37             | —             |
| Contractors and temporary staff                    | —             | —             | 71                | —            | 71             | —             |
| Minor works, maintenance and equipment             | —             | —             | 35                | —            | 35             | —             |
| Service level agreement fees                       | 249           | —             | —                 | 20           | 249            | 20            |
| Other                                              | —             | —             | 176               | 23           | 176            | 23            |
| 9 Amortisation expense                             | —             | —             | 49                | —            | 49             | —             |
| <b>TOTAL EXPENSES</b>                              | <b>26 033</b> | <b>249</b>    | <b>89 156</b>     | <b>503</b>   | <b>115 189</b> | <b>752</b>    |
| <b>INCOME</b>                                      |               |               |                   |              |                |               |
| Revenues from LSS Fund Levy                        | —             | —             | 141 078           | 2 263        | 141 078        | 2 263         |
| 10 Investment revenues                             | 5 488         | 127           | —                 | —            | 5 488          | 127           |
| 11 Resources received free of charge               | —             | 411           | —                 | —            | —              | 411           |
| 12 Transitional Contribution - MAC                 | —             | 41 500        | —                 | —            | —              | 41 500        |
| <b>TOTAL INCOME</b>                                | <b>5 488</b>  | <b>42 038</b> | <b>141 078</b>    | <b>2 263</b> | <b>146 566</b> | <b>44 301</b> |



**25 Transactions with SA Government (continued)**

| Note                                    | SA Government  |                | Non-SA Government |                | Total          |                |
|-----------------------------------------|----------------|----------------|-------------------|----------------|----------------|----------------|
|                                         | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000    | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>FINANCIAL ASSETS</b>                 |                |                |                   |                |                |                |
| 14 Receivables                          |                |                |                   |                |                |                |
| Accrued revenues                        | —              | —              | 1 029             | 879            | 1 029          | 879            |
| DTF - Reimbursement of leave provisions | —              | —              | —                 | 142            | —              | 142            |
| Prepayments                             | —              | —              | 649               | 29             | 649            | 29             |
| 15 Financial assets at fair value       | 165 435        | —              | —                 | —              | 165 435        | —              |
| <b>TOTAL FINANCIAL ASSETS</b>           | <b>165 435</b> | <b>—</b>       | <b>1 678</b>      | <b>1 050</b>   | <b>167 113</b> | <b>1 050</b>   |
| <b>FINANCIAL LIABILITIES</b>            |                |                |                   |                |                |                |
| 19 Payables                             |                |                |                   |                |                |                |
| Accrued expenses                        | 1 566          | 284            | 309               | 39             | 1 875          | 323            |
| Employment on-costs                     | —              | —              | 41                | 16             | 41             | 16             |
| 20 Employee benefits                    | —              | —              | 352               | 127            | 352            | 127            |
| 21 Provision                            | 9 768          | —              | 83 017            | —              | 92 785         | —              |
| <b>TOTAL FINANCIAL LIABILITIES</b>      | <b>11 334</b>  | <b>284</b>     | <b>83 719</b>     | <b>182</b>     | <b>95 053</b>  | <b>466</b>     |

**26 Financial risk management/Financial instruments**

The LSA's principal financial instruments are outlined below. These financial instruments arise directly from the LSA's operations or are required to finance the LSA's operations. The LSA does not enter into or trade financial instruments, including derivative instruments, for speculative purposes.

The LSA's main risks arising from financial instruments are outlined below, together with its objectives, policies and processes for measuring and managing risk.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. LSA's Investment Policy Statement describes the framework within which the LSA's investment program functions, including the Board's governance arrangement for the investment program.

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.

Refer table 26.2 for the carrying amounts of each of the categories of financial assets and liabilities.

**Fair value measurement**

AASB 7 Financial Instrument Disclosures requires disclosure of fair value measurement by level of the following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset either directly (as prices) or indirectly (derived from prices).

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

The table below presents LSA's investments measured and recognised at fair value.

**Table 26.1 LSA Categories of Fair Value Measurement**

| Financial Assets at Fair Value<br>30 June 2015 | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------|-------------------|-------------------|-------------------|-----------------|
| Funds SA Untaxed Moderate Fund                 | —                 | 165 435           | —                 | 165 435         |

Prior to 1 July 2014 the LSA's investments were cash and cash equivalents which were classified as Level 1.

**Credit risk**

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

The LSA has no concentration of credit risk. The LSA does not engage in high risk hedging for its financial assets.

The LSA has no financial assets past due.



## 26 Financial risk management/Financial instruments (continued)

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

Table 26.2: Categorisation and maturity analysis of financial assets and liabilities

| Category of financial asset and financial liability | Notes | 2015<br>Carrying<br>amount /<br>Fair value<br>\$'000 | 2015 Contractual maturities |                            |                     |                                |
|-----------------------------------------------------|-------|------------------------------------------------------|-----------------------------|----------------------------|---------------------|--------------------------------|
|                                                     |       |                                                      | Current<br>\$'000           | Within 1<br>year<br>\$'000 | 1-5 years<br>\$'000 | More than 5<br>years<br>\$'000 |
| <b>Financial assets</b>                             |       |                                                      |                             |                            |                     |                                |
| Cash and cash equivalents                           | 13    | 2 457                                                | 2 457                       | —                          | —                   | —                              |
| Receivables <sup>(1) (2)</sup>                      | 14    | 5                                                    | 5                           | —                          | —                   | —                              |
| Financial assets at fair value <sup>(3)</sup>       | 15    | 165 435                                              | 165 435                     | —                          | —                   | —                              |
| <b>Total financial assets</b>                       |       | <b>167 897</b>                                       | <b>167 897</b>              | <b>—</b>                   | <b>—</b>            | <b>—</b>                       |
| <b>Financial liabilities</b>                        |       |                                                      |                             |                            |                     |                                |
| Payables <sup>(1)</sup>                             | 19    | 640                                                  | 640                         | —                          | —                   | —                              |
| <b>Total financial liabilities</b>                  |       | <b>640</b>                                           | <b>640</b>                  | <b>—</b>                   | <b>—</b>            | <b>—</b>                       |

| Category of financial asset and financial liability | Notes | 2014<br>Carrying<br>amount /<br>Fair value<br>\$'000 | 2014 Contractual maturities |                            |                     |                                |
|-----------------------------------------------------|-------|------------------------------------------------------|-----------------------------|----------------------------|---------------------|--------------------------------|
|                                                     |       |                                                      | Current<br>\$'000           | Within 1<br>year<br>\$'000 | 1-5 years<br>\$'000 | More than 5<br>years<br>\$'000 |
| <b>Financial assets</b>                             |       |                                                      |                             |                            |                     |                                |
| Cash and cash equivalents                           | 13    | 42 928                                               | 42 928                      | —                          | —                   | —                              |
| Receivables <sup>(1) (2)</sup>                      | 14    | 82                                                   | 82                          | —                          | —                   | —                              |
| <b>Total financial assets</b>                       |       | <b>43 010</b>                                        | <b>43 010</b>               | <b>—</b>                   | <b>—</b>            | <b>—</b>                       |
| <b>Financial liabilities</b>                        |       |                                                      |                             |                            |                     |                                |
| Payables <sup>(1)</sup>                             | 19    | 58                                                   | 58                          | —                          | —                   | —                              |
| <b>Total financial liabilities</b>                  |       | <b>58</b>                                            | <b>58</b>                   | <b>—</b>                   | <b>—</b>            | <b>—</b>                       |

<sup>(1)</sup> Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (eg Commonwealth, State and Local Govt taxes, fees and charges; Auditor-General's Department audit fees). 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 levies, tax and equivalents 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).

<sup>(2)</sup> Receivable amount disclosed here excludes prepayments. Prepayments are presented in Note 14 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined by AASB 132 as the future economic benefits of these assets is the receipt of goods and services rather than right to receive cash or another financial asset.

<sup>(3)</sup> The LSA invests in Funds SA's untaxed multi-sector funds. The intention is to hold the investments on a long term basis, however, investments are available for a withdrawal at call.

**Liquidity risk**

Liquidity risk arises where the LSA is unable to meet its financial obligations as they fall due. The continued existence of the LSA is dependent on State Government policy for the LSA's administration and programs. The LSA settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in Table 26.2 represent the LSA's maximum exposure to financial liabilities.



**26 Financial risk management/Financial instruments (continued)****Market risk**

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The LSA's exposures to market risk are primarily associated with movement in the unit price of the investments with Funds SA. The LSA does not have direct exposure to foreign currency risk and its' direct exposure to interest rate risk is insignificant based on a current assessment of risk.

**Sensitivity analysis disclosure**

A sensitivity analysis for a movement in the unit price of the investments with Funds SA is provided in the table below. The sensitivity analysis uses historically based volatility information collected over a 10 year period, quoted at two standard deviations (i.e.95% probability). A reasonably possible change is based on the percentage change in unit price multiplied by the redemption value as at 30 June.

|                                  | Change in Unit Price |           | Impact on profit or loss |                | Impact on Equity |                |
|----------------------------------|----------------------|-----------|--------------------------|----------------|------------------|----------------|
|                                  | 2015<br>%            | 2014<br>% | 2015<br>\$'000           | 2014<br>\$'000 | 2015<br>\$'000   | 2014<br>\$'000 |
| Funds SA Untaxed Moderate Fund * | 24.7                 | n/a       | 40 862                   | n/a            | 40 862           | n/a            |
|                                  | -9.7                 | n/a       | (16 047)                 | n/a            | (16 047)         | n/a            |

\* The LSA commenced its investment with Funds SA on 1 July 2014; prior to this date funds were held in an at call deposit with SAFA.

**Capital Management**

To provide for a financially responsible and sustainable LSS over the long term, the LSA aims to maintain an appropriate capital balance to act as a buffer against uncertainties in the value of outstanding claims liabilities and investment returns. Detailed financial modelling suggests that the LSS's funding position will be at its most vulnerable to these uncertainties in the earlier years.

The LSA has adopted a target funding ratio for the LSS equivalent to a probability of sufficiency of at least 65%. This is the chance that the capital of the LSS is expected to be adequate to cover actual outcomes. The funding ratio is calculated as investment assets divided by the liabilities for participants' treatment, care and support.

The Board continually reviews the LSA's funding position, and assesses the policy on an annual basis to ensure it remains appropriate.

**27 Events after the reporting period**

No circumstance has arisen that has affected or may significantly affect the LSA's operations since 30 June 2015.

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**Certification of the Financial Statements**

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We certify that the:

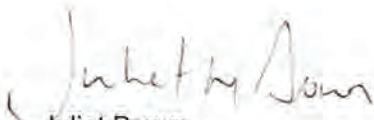
- financial statements of the Lifetime Support Authority :
  - are in accordance with the accounts and records of the authority;
  - comply with relevant Treasurer's Instructions;
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the authority at the end of the financial year and the results of its operations and cash flows for the financial year.
- Internal controls employed by the Lifetime Support Authority over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Lois Boswell  
Chief Executive  
LIFETIME SUPPORT AUTHORITY OF SA  
11 September 2015



Tamara Tomic  
Chief Financial Officer  
LIFETIME SUPPORT AUTHORITY OF SA  
11 September 2015



Juliet Brown  
Chair  
LIFETIME SUPPORT AUTHORITY OF SA  
11 September 2015



## Lifetime Support Authority of South Australia

## Actuarial Certificate

## Outstanding Claim Liabilities as at 30 June 2015

Finity Consulting Pty Limited ("Finity") has been requested by the Lifetime Support Authority of South Australia ("LSA") to undertake an actuarial review of the Lifetime Support Scheme ("LSS" or "the Scheme") as at 30 June 2015 under the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013* ("the Act").

**Data**

We have relied on the accuracy and completeness of the data and other information (qualitative, quantitative, written and verbal) provided to us by LSA for the purpose of making our estimates. We have not independently verified or audited the data but we have reviewed it for general reasonableness and consistency. We have evaluated the information provided through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable ground upon which to base our estimates.

**Basis of Our Estimates**

We have calculated a central estimate of the outstanding claim liabilities, meaning that our assumptions have been selected to yield estimates which are not knowingly above or below the ultimate liabilities. Our estimates are discounted, i.e. they allow for the time value of money, they include allowance for future expenses incurred in the management of the outstanding claims and they are net of expected recoveries.

Where appropriate, our estimates have been prepared in accordance with the Actuaries Institute's Professional Standard 300 ("PS 300"). Some of the requirements of PS 300 are not applicable to our valuation and where this is the case we have specifically documented this in our report.

Australian Accounting Standard 137 (AASB 137) applies to the Scheme in preparing an estimate of the outstanding claims liability in its annual financial statements. We have prepared our estimate of outstanding claims to be consistent with this Accounting Standard's requirements.

**Valuation Results and Provisions**

The Scheme's outstanding claim liabilities are the value of payments to be made after 30 June 2015 in respect of injured persons eligible or expected to become eligible for Scheme participation whose injuries, under the provisions of the Act, arose on or before that date.

Our central estimate of the Scheme's outstanding claims liability as at 30 June 2015 is \$92.8 million. The Scheme has provided \$92.8 million in its financial statements as at 30 June 2015 for the net outstanding claim liabilities. These amounts are made up as follows:

Wed 2 September 2015 3:22 PM

BIL\LSA\SVJUN15\REPORT\FINANCIAL ACCOUNTS\OSC ACTUARIAL CERTIFICATE JUN15.DOCX

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Finity Consulting Pty Limited

ABN 89 111 470 270

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**Table 1 - Outstanding Claim Liabilities at 30 June 2015 – Lifetime Support Scheme**

|                                    | Provision |
|------------------------------------|-----------|
|                                    | \$m       |
| Gross Outstanding Claims Liability | 92.8      |
| Receivables                        | 0.0       |
| Provision for Outstanding Claims   | 92.8      |

In our opinion, this provision is established appropriately in accordance with relevant account and actuarial standards and includes a reasonable central estimate of the net liability including allowance for IBNR (Incurred But Not Reported), claim handling expenses and discounting for the time value of money.

### Uncertainty

It is not possible to put a value on outstanding claim liabilities with certainty. We have prepared our estimates on the basis that they represent our current assessment of the likely future experience of the Scheme. However, deviations of the actual experience from our estimates are normal and to be expected.

There is a limitation upon the accuracy of the estimates in this certificate in that there is an inherent uncertainty in any estimate of outstanding claims. This is due to the fact that the ultimate liability for claims is subject to the outcome of events yet to occur. These include, but are not limited to, the mortality rate and participants' injury severity improvements within the Scheme, the number of participants accepted into the Scheme, future levels of care and support provided to participants and the behaviour of stakeholders such as LSS's management or service providers (including price adjustments).

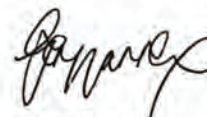
In our judgement we have employed techniques and assumptions that are appropriate and we believe that conclusions presented herein are reasonable, given the information currently available.

### Reports

Full details of the data, methodology, assumptions and results of our valuation are set out in our reports to LSA dated 01 September 2015.



Aaron Cutter



Gillian Harrex

**Fellows of the Institute of Actuaries of Australia**

02 September 2015





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**To the Chair of the Board  
Lifetime Support Authority of South Australia**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 21(2) of the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013*, I have audited the accompanying financial report of the Lifetime Support Authority of South Australia for the financial year ended 30 June 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chair, the Chief Executive and the Chief Financial Officer.

**The Board's Responsibility for the Financial Report**

The Directors of the Board are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board, as well as the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

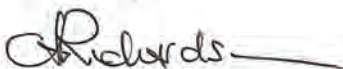
### **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the Lifetime Support Authority of South Australia as at 30 June 2015, 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.

### **Significant inherent uncertainty – provision for participants' treatment, care and support services**

Without qualification to the opinion expressed above, attention is drawn to notes 2.11 and 21 to the financial report.

There is significant inherent uncertainty surrounding the estimate of the provision for participants' treatment, care and support services because of the long-term nature of the provision and limited participants' experience to date. This uncertainty will remain until sufficient participants' experience is available.



Andrew Richardson  
**Auditor-General**  
18 September 2015



Local Government Finance  
Authority of South Australia

Financial report  
for the year ended  
30 June 2015

# **LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA**

## **STATEMENT OF COMPREHENSIVE INCOME** **For the year ended 30 June 2015**

|                                                                | Note        | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------------------|-------------|----------------|----------------|
| <b>INCOME</b>                                                  |             |                |                |
| Interest on Investments                                        | 2(c)        | 2,339          | 2,898          |
| Interest on Loans and Advances                                 | 2(c)        | 46,738         | 45,922         |
| Other Income                                                   | 2(f),2(h),3 | 307            | 491            |
| <b>TOTAL INCOME</b>                                            |             | <b>49,384</b>  | <b>49,311</b>  |
| <b>EXPENSES</b>                                                |             |                |                |
| Interest on Deposits from Councils and Local Government Bodies | 2(d)        | 11,628         | 12,282         |
| Interest on Borrowings                                         | 2(d)        | 28,972         | 28,795         |
| Fees for the Guarantee of the Treasurer of S.A. on Liabilities | 24          | 1,293          | 1,235          |
| Administration Expenses                                        | 4           | 1,812          | 1,877          |
| Other Expenses                                                 | 2(f),5      | 53             | -              |
| <b>TOTAL EXPENSES</b>                                          |             | <b>43,758</b>  | <b>44,189</b>  |
| <b>PROFIT BEFORE INCOME TAX EQUIVALENTS</b>                    |             | <b>5,626</b>   | <b>5,122</b>   |
| Income Tax Equivalent Expense                                  | 2(e)        | 1,688          | 1,537          |
| <b>PROFIT AFTER INCOME TAX EQUIVALENTS</b>                     |             | <b>3,938</b>   | <b>3,585</b>   |
| <b>TOTAL COMPREHENSIVE RESULT</b>                              |             | <b>3,938</b>   | <b>3,585</b>   |

The profit after income tax equivalents and comprehensive result are attributable to the owners.

*The above statement should be read in conjunction with the accompanying notes.*



# **LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA**

## **STATEMENT OF FINANCIAL POSITION** **As at 30 June 2015**

|                                                    | Note    | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------|---------|----------------|----------------|
| <b>ASSETS</b>                                      |         |                |                |
| Cash and Liquid Assets                             | 6       | 26             | 27             |
| Accrued Interest Receivable                        | 7       | 4,068          | 4,139          |
| Investment Securities                              | 2(f),8  | 51,478         | 61,532         |
| Other Assets                                       | 9       | 137            | 218            |
| Net Loans and Advances                             | 2(g),10 | 695,774        | 668,840        |
| Property, Plant & Equipment                        | 2(j),11 | 2,102          | 2,138          |
| <b>TOTAL ASSETS</b>                                |         | <b>753,585</b> | <b>736,894</b> |
| <b>LIABILITIES</b>                                 |         |                |                |
| Deposits from Councils and Local Government Bodies | 2(k),12 | 440,861        | 372,702        |
| Accrued Interest Payable                           | 13      | 3,129          | 3,522          |
| Borrowings                                         | 14      | 210,304        | 267,398        |
| Derivatives                                        | 2(i),15 | 35,455         | 31,415         |
| Provisions                                         | 2(l),16 | 3,257          | 3,211          |
| Other Liabilities                                  | 17      | 270            | 275            |
| <b>TOTAL LIABILITIES</b>                           |         | <b>693,276</b> | <b>678,523</b> |
| <b>NET ASSETS</b>                                  |         | <b>60,309</b>  | <b>58,371</b>  |
| <b>EQUITY</b>                                      |         |                |                |
| General Reserve                                    | 2(m)    | 59,800         | 57,800         |
| Retained Profits                                   |         | 509            | 571            |
| <b>TOTAL EQUITY</b>                                |         | <b>60,309</b>  | <b>58,371</b>  |
| <b>The equity is attributable to the owners.</b>   |         |                |                |
| Contingent Assets and Liabilities                  | 22      |                |                |

*The above statement should be read in conjunction with the accompanying notes.*

# LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

## STATEMENT OF CHANGES IN EQUITY For the year ended 30 June 2015

|                                                 | General<br>Reserve<br>\$'000 | Retained<br>Profits<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------------|------------------------------|-------------------------------|-----------------|
| <b>Balance at 1 July 2013</b>                   | <b>56,300</b>                | <b>486</b>                    | <b>56,786</b>   |
| Profit After Income Tax Equivalents for 2013/14 | -                            | 3,585                         | 3,585           |
| <b>Total Comprehensive Result for 2013/14</b>   | <b>-</b>                     | <b>3,585</b>                  | <b>3,585</b>    |
| Transfer to Bonus Payment Provision             | -                            | (2,000)                       | (2,000)         |
| Transfer to General Reserve                     | 1,500                        | (1,500)                       | -               |
| <b>Balance at 30 June 2014</b>                  | <b>57,800</b>                | <b>571</b>                    | <b>58,371</b>   |
| Profit After Income Tax Equivalents for 2014/15 | -                            | 3,938                         | 3,938           |
| <b>Total Comprehensive Result for 2014/15</b>   | <b>-</b>                     | <b>3,938</b>                  | <b>3,938</b>    |
| Transfer to Bonus Payment Provision             | -                            | (2,000)                       | (2,000)         |
| Transfer to General Reserve                     | 2,000                        | (2,000)                       | -               |
| <b>Balance at 30 June 2015</b>                  | <b>59,800</b>                | <b>509</b>                    | <b>60,309</b>   |

All changes in equity are attributable to the owners.

*The above statement should be read in conjunction with the accompanying notes.*



# **LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA**

## **STATEMENT OF CASH FLOWS**

**For the year ended 30 June 2015**

|                                                       | <b>Note</b>  | <b>2015<br/>\$'000<br/>Inflows<br/>(Outflows)</b> | <b>2014<br/>\$'000<br/>Inflows<br/>(Outflows)</b> |
|-------------------------------------------------------|--------------|---------------------------------------------------|---------------------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>           |              |                                                   |                                                   |
| Interest and Bill Discounts Received                  |              | 49,513                                            | 48,760                                            |
| Interest Paid                                         |              | (41,161)                                          | (41,461)                                          |
| Fees Paid re Guarantee provided by Treasurer of S.A.  |              | (1,289)                                           | (1,232)                                           |
| Cash Payments to Suppliers and Employees              |              | (1,673)                                           | (1,575)                                           |
| Fees Received                                         |              | 91                                                | 113                                               |
| Income Tax Equivalents Paid                           |              | (1,653)                                           | (1,392)                                           |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>      | <b>19(c)</b> | <b><u>3,828</u></b>                               | <b><u>3,213</u></b>                               |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>           |              |                                                   |                                                   |
| Loans to Councils and Local Government Bodies         |              | (23,356)                                          | (35,172)                                          |
| Investment Securities                                 |              | 10,000                                            | 21,594                                            |
| Payments for Property, Plant & Equipment              |              | (152)                                             | (31)                                              |
| Proceeds from Sale of Property, Plant & Equipment     |              | 49                                                | 60                                                |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>          |              | <b><u>(13,459)</u></b>                            | <b><u>(13,549)</u></b>                            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>           |              |                                                   |                                                   |
| Promissory Notes                                      |              | (3,589)                                           | 131                                               |
| Deposits from Councils and Local Government Bodies    |              | 68,159                                            | (55,613)                                          |
| Short Term Money Market Facilities                    |              | (53,505)                                          | 76,865                                            |
| Fixed Term Borrowings                                 |              | -                                                 | (9,600)                                           |
| Bonus Payment to Councils and Local Government Bodies |              | (2,000)                                           | (1,740)                                           |
| Other                                                 |              | 565                                               | 313                                               |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>      |              | <b><u>9,630</u></b>                               | <b><u>10,356</u></b>                              |
| <b>NET INCREASE/(DECREASE) IN CASH HELD</b>           |              | <b>(1)</b>                                        | <b>20</b>                                         |
| Cash/(bank overdraft) at 1 July                       |              | 27                                                | 7                                                 |
| <b>CASH AT 30 JUNE</b>                                | <b>19(a)</b> | <b><u>26</u></b>                                  | <b><u>27</u></b>                                  |

*The above statement should be read in conjunction with the accompanying notes.*

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2015

#### 1 - Objectives of the Local Government Finance Authority of South Australia

The Local Government Finance Authority of South Australia (the Authority) is a Public Authority and was established pursuant to the Local Government Finance Authority Act, 1983. The functions of the Authority are as follows:

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

#### 2 - Statement of Accounting Policies

##### a) Basis of Accounting

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

The Authority's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain financial instruments that have been valued in accordance with the valuation policy applicable.

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

##### b) Classification of Financial Instruments

Management determines the classification of its investments at initial recognition and at each reporting date in accordance with AASB 139 Financial Instruments: Recognition and Measurement. The Authority classifies its investments into the following categories, which determines the applicable accounting treatment:

**Loans and receivables** – measured at amortised cost. The Authority classifies Loans and Advances, Accrued Interest Receivable, Cash and Liquid Assets and Other Assets under this category.

**Held to maturity financial assets** – measured at amortised cost. The Authority did not have any assets in this category at balance date.

**Available-for-sale financial assets** – measured at fair value with fair value changes taken to Equity and impairment losses and gains taken to the Statement of Comprehensive Income. The Authority classifies certain investment securities (Note 2(f) Refer) under this category, which are not held for trading but can be disposed of in an existing market if required.

**Financial assets or financial liabilities at fair value through profit and loss** - measured at fair value with fair value changes taken to the Statement of Comprehensive Income. The Authority classifies derivative instruments that are not classified as effective hedging instruments under this category (Note 2(i) Refer).

**Fair Value Hedge** – measured at fair value with hedge accounting adjustments taken to the Statement of Comprehensive Income. The Authority classifies derivatives which are effective hedging instruments (Note 2(i) Refer) and the corresponding hedged items (Note 2(h) Refer), which are all fixed rate debenture loans under this category.

**Financial Liabilities at amortised cost** – The Authority classifies all liabilities under this category, other than derivative instrument liabilities which are not classified as effective hedging instruments (Note 2(i) Refer).



## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### c) Interest Income

#### Interest on Investments

This item includes interest income from investment assets which are classified as Loans and receivables, Available-for-sale financial assets and Financial assets at fair value through profit and loss. The interest income is calculated on an accruals basis.

#### Interest on Loans and Advances

This item includes interest income from loan assets classified as Loans and receivables as well as interest income from derivatives that are classified under the Fair Value Hedge category. The interest income is calculated on an accruals basis.

### d) Interest Expense

#### Interest on Deposits from Councils and Local Government Bodies

This item includes interest paid to Councils and Local Government Bodies and is calculated on an accruals basis.

#### Interest on Borrowings

This item includes interest expense on other liabilities used in funding lending activity and interest expense on derivative instruments, and is calculated on an accruals basis.

### e) Income Tax Equivalents

The Authority is required to make payments equivalent to Company Income Tax under the Taxation Equivalent Payment System. The equivalent Company Income Tax liability is calculated/applied on an accounting profits basis.

### f) Investment Securities

Investment securities held by the Authority are mainly Australian bank term deposits which are categorised as Loans and Receivables and therefore accounted for at amortised cost.

Investments held by the Authority that are categorised as Available-for-sale financial assets are recorded at fair value in accordance with the provisions of AASB 139 Financial Instruments: Recognition and Measurement. Gains in relation to these investments which reverse impairment losses previously recognised in the Statement of Comprehensive Income are recognised as revenue to the extent that they reverse prior impairment losses. Similarly any further impairment losses incurred are recognised as an expense in the Statement of Comprehensive Income.

### g) Loans and Advances

Loan agreements with Councils are secured by debentures which provide a charge over Council general revenue. Loans to Prescribed Local Government Bodies (totalling \$12.2 million as at 30/6/15) are predominantly to Council subsidiaries and rely upon the constitutional obligations of Councils in the guarantee of the liabilities incurred or assumed by subsidiaries as per Schedule 2 of the Local Government Act 1999.

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

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

### h) Hedge Accounting

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

The Authority uses interest rate swaps to hedge the interest rate risk associated with long term fixed rate debenture loans to Councils and Prescribed bodies. Hedge Accounting is used where it has been determined that the hedge is highly effective and has been documented according to AASB 139 Financial Instruments: Recognition and Measurement.

The hedges used by the Authority are classified as Fair Value Hedges and the hedged items are all long term fixed rate debenture loans. The hedged amount of the loan is recorded at fair value with the non-interest rate risk component or credit margin recorded on an accrual accounting basis.



## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### i) Derivative Transactions

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

Interest Rate Swaps are categorised as Fair Value Hedges and Futures Contracts are categorised as financial assets or financial liabilities at fair value through profit and loss.

### j) Property, Plant & Equipment

Property, Plant & Equipment are brought to account at cost less, where applicable, any accumulated depreciation.

The depreciable amount of all property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives from the time the asset is held ready for use. The useful life of each category is as follows:-

|                     |                      |
|---------------------|----------------------|
| Office Equipment    | 3 Years              |
| Office Furniture    | 5 Years              |
| Computer Software   | 2.5 Years to 3 Years |
| Motor Vehicles      | 5 Years to 6.7 Years |
| Building Floorspace | 70 Years             |

### k) Concentrations of Deposits

The Authority is an industry specific financial institution which operates under the Local Government Finance Authority Act, 1983. The Authority is restricted by legislation to accepting deposits from Councils and Local Government Bodies operating in South Australia.

### l) Provisions

#### Employee Benefits

A provision is made in respect of the Authority's liability for annual leave and long service leave as at balance date. Long service leave is accrued for all employees from the date of commencement of service. The amount included in the accounts is the undiscounted amount expected to be paid.

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

#### Bonus Payment

A provision is made for the annual bonus to clients which is based on their average account balances for loans and deposits during the financial year. This payment is made pursuant to Section 22(2)(b) of the Local Government Finance Authority Act 1983.

A reconciliation of movements in this provision is provided at Note 16(i).

#### Income Tax Equivalents

A provision is made for Tax Equivalents payable as at 30 June 2015 (Note 2(e) Refer).

A reconciliation of movements in this provision is provided at Note 16(ii).

### m) General Reserve

The General Reserve has been accumulated from profits earned in previous years. The purpose of the reserve is to provide the Authority with a strong financial position and to safeguard against any future adverse conditions that may be encountered. Further profits are earned through the reinvestment of the reserve funds.



## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### **n) Accounting Judgements, Estimates and Assumptions**

#### **Significant accounting judgements**

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

#### **Significant accounting estimates and assumptions**

The fair values of Available-for-sale financial assets, hedged long term fixed rate debenture loans and derivatives are based on observable market rates as at balance date and therefore, no significant estimates or assumptions are used in their calculation.

### **o) Comparative Information**

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and accounting policy statements have required a change.

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

The restated comparative amounts do not replace the original financial statements for the preceeding period.

### **p) Rounding**

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

### **q) New and Revised Accounting Standards**

Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Authority for the period ending 30 June 2015.

The Authority did not voluntarily change any of its accounting policies during 2014-15.

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

With regard to impending Accounting Standards, the Authority has assessed the impact of AASB 9 Financial Instruments and considers there will be no material financial impact when it is due to be adopted in the financial year ending 30 June 2019.

# **LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA**

|                                                          | <b>2015</b>   | <b>2014</b>   |
|----------------------------------------------------------|---------------|---------------|
|                                                          | <b>\$'000</b> | <b>\$'000</b> |
| <b>3 - Other Income</b>                                  |               |               |
| Gain on Impaired Available-for-Sale Assets Revaluation   | -             | 345           |
| Gain on Fair Value Hedges Revaluation (Hedge Accounting) | 214           | 34            |
| Fee Income                                               | 82            | 112           |
| Gain on Sale of Fixed Assets                             | 11            | -             |
|                                                          | <u>307</u>    | <u>491</u>    |

|                                    |              |              |
|------------------------------------|--------------|--------------|
| <b>4 - Administration Expenses</b> |              |              |
| Audit Fees                         | 68           | 96           |
| Consultancy Fees                   | 17           | 28           |
| Depreciation                       | 150          | 166          |
| Occupancy Expenses                 | 36           | 37           |
| Salaries & On-Costs                | 1,004        | 997          |
| Software License Fees              | 98           | 91           |
| Sponsorships                       | 88           | 86           |
| Other Administration Expenses      | 351          | 376          |
|                                    | <u>1,812</u> | <u>1,877</u> |

The amounts received, or due and receivable in respect of this financial year by the Auditors in connection with:

|                                                                   |           |           |
|-------------------------------------------------------------------|-----------|-----------|
| Auditing the accounts by the Auditor General's Department*        | 50        | 61        |
| Financial Management Compliance Program by an external audit firm | 18        | 35        |
|                                                                   | <u>68</u> | <u>96</u> |

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

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

|                      | No.       |           | No.       |
|----------------------|-----------|-----------|-----------|
| Below \$10,000       | 3         | 17        | 3         |
| \$10,000 to \$50,000 | -         | -         | 1         |
|                      | <u>17</u> | <u>27</u> | <u>28</u> |

|                                                        |    |   |
|--------------------------------------------------------|----|---|
| <b>5 - Other Expenses</b>                              |    |   |
| Loss on Impaired Available-for-Sale Assets Revaluation | 53 | - |

|                                   |    |    |
|-----------------------------------|----|----|
| <b>6 - Cash and Liquid Assets</b> |    |    |
| Cash at Bank                      | 26 | 27 |

|                                                                     |              |              |
|---------------------------------------------------------------------|--------------|--------------|
| <b>7 - Accrued Interest Receivable*</b>                             |              |              |
| Interest Receivable - Loans to Councils and Local Government Bodies | 3,207        | 3,072        |
| Interest Receivable - Investment Securities                         | 861          | 1,067        |
|                                                                     | <u>4,068</u> | <u>4,139</u> |

\* The accrued interest receivable on Investment Securities, Net Loans and Advances and Derivatives which are required to be recorded at fair value have been transferred to the respective line item.



# **LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA**

|                                                                                                                                                                                                                                                                                                                                                                                                      | <b>2015</b>    | <b>2014</b>    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                                                                                                                                                                                                                                                                                                                      | <b>\$'000</b>  | <b>\$'000</b>  |
| <b>8 - Investment Securities</b>                                                                                                                                                                                                                                                                                                                                                                     |                |                |
| Deposits and Securities issued by Banks                                                                                                                                                                                                                                                                                                                                                              | 52,000         | 62,000         |
| Accrued Interest Receivable                                                                                                                                                                                                                                                                                                                                                                          | 8              | 9              |
| Fair Value Loss on Impaired Available-for-Sale Assets*                                                                                                                                                                                                                                                                                                                                               | (530)          | (477)          |
|                                                                                                                                                                                                                                                                                                                                                                                                      | <u>51,478</u>  | <u>61,532</u>  |
| <p>*The unrealised impairment loss relates to the market value of perpetual floating rate capital notes, which fluctuates with the quoted price on the Australian Stock Exchange. Whilst the market value will fluctuate over time the return on the initial investment of \$2.0 million remains constant at 100 basis points over the 90 day BBSW interest rate on the face value of the notes.</p> |                |                |
| <b>9 - Other Assets</b>                                                                                                                                                                                                                                                                                                                                                                              |                |                |
| Sundry Debtors and Prepayments                                                                                                                                                                                                                                                                                                                                                                       | <u>137</u>     | <u>218</u>     |
| <b>10 - Net Loans and Advances</b>                                                                                                                                                                                                                                                                                                                                                                   |                |                |
| Advances                                                                                                                                                                                                                                                                                                                                                                                             | 216,122        | 188,105        |
| Term Loans                                                                                                                                                                                                                                                                                                                                                                                           | 434,018        | 438,679        |
| <b>Loans and Advances - at Cost</b>                                                                                                                                                                                                                                                                                                                                                                  | <u>650,140</u> | <u>626,784</u> |
| Fair Value Adjustment (Hedge Accounting)                                                                                                                                                                                                                                                                                                                                                             | 45,634         | 42,056         |
| <b>Net Loans and Advances</b>                                                                                                                                                                                                                                                                                                                                                                        | <u>695,774</u> | <u>668,840</u> |
| <b>Unrecognised Commitments - Loans and Advances</b>                                                                                                                                                                                                                                                                                                                                                 |                |                |
| Unused Cash Advance facilities                                                                                                                                                                                                                                                                                                                                                                       | 383,012        | 362,997        |
| Term loans approved not advanced                                                                                                                                                                                                                                                                                                                                                                     | 7,278          | -              |
|                                                                                                                                                                                                                                                                                                                                                                                                      | <u>390,290</u> | <u>362,997</u> |
| <b>11 - Property, Plant &amp; Equipment</b>                                                                                                                                                                                                                                                                                                                                                          |                |                |
| Plant, Equipment, and Motor Vehicles:                                                                                                                                                                                                                                                                                                                                                                |                |                |
| - at cost                                                                                                                                                                                                                                                                                                                                                                                            | 1,000          | 964            |
| less, accumulated depreciation                                                                                                                                                                                                                                                                                                                                                                       | (640)          | (594)          |
| Building Floorspace                                                                                                                                                                                                                                                                                                                                                                                  |                |                |
| - at cost                                                                                                                                                                                                                                                                                                                                                                                            | 1,799          | 1,799          |
| less, accumulated depreciation                                                                                                                                                                                                                                                                                                                                                                       | (57)           | (31)           |
| <b>Total Property, Plant &amp; Equipment</b>                                                                                                                                                                                                                                                                                                                                                         | <u>2,102</u>   | <u>2,138</u>   |
| <b>Reconciliation of Property, Plant &amp; Equipment</b>                                                                                                                                                                                                                                                                                                                                             |                |                |
| Carrying Amount at 1 July                                                                                                                                                                                                                                                                                                                                                                            | 2,138          | 2,336          |
| Acquisitions                                                                                                                                                                                                                                                                                                                                                                                         | 152            | 31             |
| Disposals                                                                                                                                                                                                                                                                                                                                                                                            | (38)           | (63)           |
| Depreciation                                                                                                                                                                                                                                                                                                                                                                                         | (150)          | (166)          |
| Carrying Amount at 30 June                                                                                                                                                                                                                                                                                                                                                                           | <u>2,102</u>   | <u>2,138</u>   |
| <b>12 - Deposits from Councils and Local Government Bodies</b>                                                                                                                                                                                                                                                                                                                                       |                |                |
| Deposits from Councils and Local Government Bodies                                                                                                                                                                                                                                                                                                                                                   | <u>440,861</u> | <u>372,702</u> |
| <b>13 - Accrued Interest Payable</b>                                                                                                                                                                                                                                                                                                                                                                 |                |                |
| Interest Payable on :                                                                                                                                                                                                                                                                                                                                                                                |                |                |
| - Deposits from Councils and Local Government Bodies                                                                                                                                                                                                                                                                                                                                                 | 2,649          | 2,969          |
| - Borrowings*                                                                                                                                                                                                                                                                                                                                                                                        | 480            | 553            |
|                                                                                                                                                                                                                                                                                                                                                                                                      | <u>3,129</u>   | <u>3,522</u>   |
| <p>* The accrued interest payable on interest rate swaps which are required to be recorded at fair value has been transferred to the Derivatives line item.</p>                                                                                                                                                                                                                                      |                |                |

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

|                                                                                             | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------------------------------------------------------|----------------|----------------|
| <b>14 - Borrowings</b>                                                                      |                |                |
| Short Term Money Market Facility                                                            | 185,475        | 238,980        |
| Promissory Notes                                                                            | 24,829         | 28,418         |
|                                                                                             | <u>210,304</u> | <u>267,398</u> |
| <b>15 - Derivatives</b>                                                                     |                |                |
| Swap Principal Receivable                                                                   | (8,326)        | (8,818)        |
| Interest Receivable - Interest Rate Swaps                                                   | (1,132)        | (1,399)        |
| Interest Payable - Interest Rate Swaps                                                      | 4,135          | 4,234          |
| Fair Value Adjustment                                                                       | 40,778         | 37,317         |
| <b>Interest Rate Swaps*</b>                                                                 | <u>35,455</u>  | <u>31,334</u>  |
| <b>Futures Contracts</b>                                                                    | <u>-</u>       | <u>81</u>      |
|                                                                                             | <u>35,455</u>  | <u>31,415</u>  |
| * Interest rate swaps are shown as the net of the fixed rate leg and the floating rate leg. |                |                |
| <b>16 - Provisions</b>                                                                      |                |                |
| Employee Benefits                                                                           | 320            | 311            |
| Fringe Benefits Tax                                                                         | 18             | 16             |
| Bonus Payment to Councils and Local Government Bodies                                       | 2,000          | 2,000          |
| Provision for Income Tax Equivalents                                                        | 919            | 884            |
|                                                                                             | <u>3,257</u>   | <u>3,211</u>   |
| <b>Movements of major provisions during the year</b>                                        |                |                |
| (i) Bonus Payment to Councils and Local Government Bodies                                   |                |                |
| Opening Balance 1 July                                                                      | 2,000          | 1,740          |
| Increase in Provision                                                                       | 2,000          | 2,000          |
| Amounts Paid                                                                                | (2,000)        | (1,740)        |
| Closing Balance 30 June                                                                     | <u>2,000</u>   | <u>2,000</u>   |
| (ii) Provision for Income Tax Equivalents                                                   |                |                |
| Opening Balance 1 July                                                                      | 884            | 739            |
| Increase in Provision                                                                       | 1,688          | 1,537          |
| Amounts Paid                                                                                | (1,653)        | (1,392)        |
| Closing Balance 30 June                                                                     | <u>919</u>     | <u>884</u>     |
| <b>17 - Other Liabilities</b>                                                               |                |                |
| Employee On-costs                                                                           | 35             | 34             |
| Sundry Creditors                                                                            | 235            | 241            |
|                                                                                             | <u>270</u>     | <u>275</u>     |
| <b>18 - Superannuation Commitments</b>                                                      |                |                |

The Authority contributes to superannuation funds as chosen by individual employees. There is no liability for payments to beneficiaries as they have been assumed by the superannuation scheme. The only liability outstanding at reporting date relates to any contributions due but not yet paid.



# **LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA**

## **19 - Notes to Statement of Cash Flows**

### **(a) Reconciliation of Cash**

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

|                        | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------|------|----------------|----------------|
| Cash and Liquid Assets | 6    | 26             | 27             |

### **(b) Cash Flows Presented on a Net Basis**

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

- (i) Client Deposits and Withdrawals;
- (ii) Sales and Purchases of Money Market Securities;
- (iii) Drawdown and Repayment of Loans and Investments; and
- (iv) Fees Paid and Received

### **(c) Reconciliation of Net Cash Provided by/(Used in) Operating Activities to Profit after Income Tax Equivalents.**

|                                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------|----------------|----------------|
| PROFIT AFTER INCOME TAX EQUIVALENTS                 | 3,938          | 3,585          |
| Decrease/(Increase) in Interest Receivable          | 436            | (59)           |
| Decrease/(Increase) in Sundry Debtors               | 8              | 49             |
| Increase/(Decrease) in Interest Payable             | (573)          | (384)          |
| Increase/(Decrease) in Other Liabilities            | (5)            | 38             |
| Increase/(Decrease) in Provisions                   | 46             | 194            |
| Depreciation                                        | 150            | 166            |
| Revaluation Loss/(Gain)                             | (214)          | (34)           |
| Impairment Loss/(Gain)                              | 53             | (345)          |
| Loss/(Gain) on Disposal of Fixed Assets             | (11)           | 3              |
| NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES | 3,828          | 3,213          |

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### 20 - Remuneration of Board Members

The Authority operates independently under its own legislation and has no other controlled entities.  
The name of each person holding the position of Board Member during the year is as follows:-

Mr Anthony Pederick OAM  
Councillor John Frogley  
Ms Wendy Campana  
Ms Susan McCormick  
Mr David Posaner  
Mr Raj Rajamani  
Councillor John Sanderson  
Mr Mark Searle  
Mr Jeff Tate

Cr John Frogley and Cr John Sanderson were elected for a two year term commencing from 1 January 2015. Mr Anthony Pederick and Mr Raj Rajamani were appointed by the Local Government Association for a two year term commencing 1 January 2015. Mr Jeff Tate completed his term as a Local Government Association Appointee on 31 December 2014 and was not re-appointed. Ms Susan McCormick was re-appointed as the Appointee of the Minister for Finance for a two year term commencing 1 January 2015. Ms Wendy Campana resigned from the Board and was replaced by Mr Mark Searle from 27 April 2015.

Board Members are entitled to receive an allowance. Payment of allowances in respect of members appointed by the Minister, Treasurer or Chief Executive Officer of the Local Government Association of South Australia are made in accordance with Section 13 of the Local Government Finance Authority Act, 1983. The Appointee of the Minister and the Appointee of the Treasurer presently do not seek fees. The amount payable in respect of the Chief Executive Officer of the Local Government Association of South Australia is paid to the Local Government Association of South Australia.

The total amount paid or payable to Board Members for the financial year ended 30 June 2015 was \$56,716 (\$54,472) which includes salary and superannuation.

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

The number of Board Members whose remuneration was within the following bands:

|                     | 2015     | 2014     |
|---------------------|----------|----------|
| \$20,001 - \$30,000 | 1        | 1        |
| \$10,001 - \$20,000 | 1        | 1        |
| \$1 - \$10,000      | 4        | 3        |
| No Remuneration     | 2        | 2        |
|                     | <u>8</u> | <u>7</u> |



## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### 21 - Remuneration of Employees

#### (a) Key Management Personnel

The following persons held authority and responsibility for management of the activities of the Authority, directly or indirectly during the financial year:

|                 |                                  |
|-----------------|----------------------------------|
| Mr Paul Slater  | Chief Executive Officer          |
| Mr Robert Hardy | Senior Manager Financial Markets |

#### (b) Key Management Personnel Remuneration

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

|                       | 2015 | 2014 |
|-----------------------|------|------|
| \$390,000 - \$399,999 | 1    | -    |
| \$370,000 - \$379,999 | -    | 1    |
| \$180,000 - \$189,999 | 1    | 1    |

The table above includes all employees who received remuneration equal to or greater than the base executive remuneration level of \$141,500 (\$141,500), as determined by the Department of Treasury and Finance. The remuneration comprises salary, superannuation contributions including superannuation guarantee charge, motor vehicle package, car parking, living away from home allowance and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by employees earning equal to or greater than the base executive remuneration level for the year was \$584,444 (\$558,749).

### 22 - Contingent Assets and Liabilities

The Authority incurs contingent assets and liabilities as part of its normal operations in providing borrowing and investment services to Local Government in South Australia as are contemplated by its enabling legislation.

#### (a) Contingent Assets

##### (i) Guarantee of the Treasurer of SA on Liabilities

Under Section 24 of the Local Government Finance Authority Act, 1983, all financial obligations incurred or assumed by the Authority are guaranteed by the Treasurer on behalf of the State of South Australia. As at 30 June 2015 the total liabilities guaranteed was \$693.276 million.

##### (ii) Debentures over Council Rate Revenue

Loan agreements with Councils are secured by debentures which provide a charge over Council general revenue. Loans to Prescribed Local Government Bodies (totalling \$12.2 million as at 30/6/15) are predominantly to Council subsidiaries and rely upon the constitutional obligations of Councils in the guarantee of the liabilities incurred or assumed by subsidiaries as per Schedule 2 of the Local Government Act 1999.

As at 30 June 2015 the total loans secured by debenture was \$650.140 million.

#### (b) Contingent Liabilities

##### (i) Financial Guarantee

The Authority has issued a financial guarantee on behalf of the Workers Compensation Scheme of the Local Government Association of South Australia in favour of the Return to Work Corporation of South Australia. The guarantee is fully secured against depositor funds held, the value of which will not be less than the value of any liability that might be incurred. As at 30 June 2015 the amount guaranteed was \$28.124 million.

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### **(ii) Performance Bond/Guarantees**

#### **(i) Northern Adelaide Waste Management Authority**

The Authority has issued a performance bond/guarantee on behalf of the prescribed local government body, Northern Adelaide Waste Management Authority, a regional subsidiary of the City of Playford, Corporation of the Town of Gawler and City of Salisbury in favour of the Environment Protection Authority. As at 30 June 2015 the amount guaranteed was \$350,000.

#### **(ii) Western Region Waste Management Authority**

The Authority has issued a performance bond/guarantee on behalf of the prescribed local government body, Western Region Waste Management Authority, a regional subsidiary of the City of Charles Sturt, City of Holdfast Bay, City of Port Adelaide Enfield and City of West Torrens in favour of the Environment Protection Authority and Urban Renewal Authority. As at 30 June 2015 the amount guaranteed was \$2.0 million.

#### **(iii) City of Charles Sturt**

The Authority has issued a performance bond/guarantee on behalf of the City of Charles Sturt in favour of the Commonwealth of Australia represented by the Department of Social Services. As at 30 June 2015 the amount guaranteed was \$5.8 million.

Note: Pursuant to Schedule 2 of the Local Government Act 1999, liabilities incurred or assumed by a regional subsidiary are guaranteed by the constituent councils.



## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### 23 - Financial Risk Management

#### (a) Risk Management Policies and Procedures

The Treasurer issued a revised consent dated 27 October 2013, for the Authority to enter into a range of financial instruments as part of its normal operations of providing borrowing and investment services to Local Government in South Australia and for managing the associated risks.

All financial instrument transactions and internal control activities are conducted within a Board approved Risk Policy document. A Treasury Management System is in place which provides comprehensive accounting and reporting of financial instrument transactions which in turn allows for compliance with the Risk Policy to be monitored closely.

The risk management process is subject to regular and close senior management scrutiny, including regular Board and other management reporting. An Asset and Liability Committee (ALCO) has been appointed to direct and monitor risk management operations in accordance with the Risk Policy and is accountable to the Board.

#### (b) Market Risk

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

##### (i) Interest Rate Risk

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

##### (i) Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Authority had a number of fair value hedges in place at the reporting date. As the hedging instrument and hedged items have matching fixed rate positions which directly offset each other there would be no material effect on profit or loss if interest rates change.

##### (ii) Sensitivity Analysis for Variable Rate Instruments

It is estimated that a change of 50 basis points applied to the risk exposures in existence at the reporting date would have increased/(decreased) profit for the reporting period by the amounts shown below. For the purpose of this analysis variable rate instruments include all variable rate interest bearing financial instruments which are due to be repriced within 90 days of the reporting date.

|                                                | Principal<br>Balance<br>30/06/15<br>\$'000 | +0.5%<br>\$'000 | -0.5%<br>\$'000 | Principal<br>Balance<br>30/06/14<br>\$'000 | +0.5%<br>\$'000 | -0.5%<br>\$'000 |
|------------------------------------------------|--------------------------------------------|-----------------|-----------------|--------------------------------------------|-----------------|-----------------|
| <b>Variable Rate Financial Assets</b>          |                                            |                 |                 |                                            |                 |                 |
| Investment Securities                          | 47,000                                     | 235             | (235)           | 27,000                                     | 135             | (135)           |
| Loans and Advances                             | 217,122                                    | 1,086           | (1,086)         | 192,687                                    | 963             | (963)           |
| <b>Variable Rate Financial Liabilities</b>     |                                            |                 |                 |                                            |                 |                 |
| Council Deposits                               | 402,750                                    | (2,014)         | 2,014           | 288,476                                    | (1,442)         | 1,442           |
| Short Term Money Market Facility               | 185,475                                    | (927)           | 927             | 238,980                                    | (1,195)         | 1,195           |
| Promissory Notes                               | 24,829                                     | (124)           | 124             | 28,418                                     | (142)           | 142             |
| <b>Variable Rate Derivatives</b>               |                                            |                 |                 |                                            |                 |                 |
| Interest Rate Swaps (Notional Principal)       | 427,852                                    | 2,139           | (2,139)         | 429,625                                    | 2,148           | (2,148)         |
| Futures (Notional Principal/Bond Formula)      | -                                          | -               | -               | 3,000                                      | 140             | (140)           |
| <b>Profit/(Loss) Interest Rate Sensitivity</b> |                                            | <u>395</u>      | <u>(395)</u>    |                                            | <u>607</u>      | <u>(607)</u>    |



## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### (ii) Other Price Risk

The Authority holds an investment issued by an Australian bank known as Floating Rate Capital Notes, which are traded on the Australian Stock Exchange and are therefore classified as Available-for-sale assets. This investment is subject to price variations caused by factors other than interest rate fluctuations.

### (c) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Authority's exposure to credit risk arises from the potential default by counterparties with whom financial assets are held.

Included in the Authority's Risk Policy document is a Credit Risk Limits policy which stipulates counterparty credit limits as follows:

- (i) Investments and Derivatives - Individual counterparties are assessed based on Standard & Poor's Credit Ratings and a limit applied based on that rating. Specific approvals are given for counterparties that are outside of this criteria. Regular reporting of investment and derivative credit exposures are provided to the Board and management.
- (ii) Loans and Advances - Credit limits are applied to individual councils based on debt servicing levels not exceeding Board approved percentages. Debt servicing levels are analysed on receipt of each loan application and the Board approved percentages are reviewed annually. Credit risk is considered minimal as the majority of loan agreements are secured by debentures providing a charge over the Council's general revenue.

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

A concentration of credit risk occurs in relation to loans and advances as under the Local Government Finance Authority Act, 1983, loans and advances made are restricted to Councils and Local Government Bodies (Note 2(g) Refer).

Non-derivative financial assets are shown below at face value or amortised cost and derivative financial assets are shown at their fair value plus the credit conversion factors in line with the APRA Guidelines. The Authority uses Standard and Poor's credit ratings to assess the credit quality of the counterparties it invests with. Loans to Councils and Local Government bodies are shown as No Rating (NR) in the following analysis as they are not required to be rated in this manner.

| 2015                   | Short Term Rating |          |          | Long Term Rating |              |              |              | NR<br>\$'000   | Total<br>\$'000 |
|------------------------|-------------------|----------|----------|------------------|--------------|--------------|--------------|----------------|-----------------|
|                        | A1+               | A1       | A2       | AA-              | A+           | A            | A-           |                |                 |
|                        | \$'000            | \$'000   | \$'000   | \$'000           | \$'000       | \$'000       | \$'000       |                |                 |
| Cash and Liquid Assets | 26                | -        | -        | -                | -            | -            | -            | -              | 26              |
| Investment Securities  | 45,000            | -        | -        | -                | 5,000        | -            | 2,000        | -              | 52,000          |
| Loans and Advances     | -                 | -        | -        | -                | -            | -            | -            | 650,140        | 650,140         |
| Derivatives            | -                 | -        | -        | 1,900            | -            | 3,200        | -            | -              | 5,100           |
| <b>Total</b>           | <b>45,026</b>     | <b>-</b> | <b>-</b> | <b>1,900</b>     | <b>5,000</b> | <b>3,200</b> | <b>2,000</b> | <b>650,140</b> | <b>707,266</b>  |

| 2014                   | Short Term Rating |          |              | Long Term Rating |          |              |              | NR<br>\$'000   | Total<br>\$'000 |
|------------------------|-------------------|----------|--------------|------------------|----------|--------------|--------------|----------------|-----------------|
|                        | A1+               | A1       | A2           | AA-              | A+       | A            | A-           |                |                 |
|                        | \$'000            | \$'000   | \$'000       | \$'000           | \$'000   | \$'000       | \$'000       |                |                 |
| Cash and Liquid Assets | 27                | -        | -            | -                | -        | -            | -            | -              | 27              |
| Investment Securities  | 20,000            | -        | 5,000        | 35,000           | -        | -            | 2,000        | -              | 62,000          |
| Loans and Advances     | -                 | -        | -            | -                | -        | -            | -            | 626,784        | 626,784         |
| Derivatives            | -                 | -        | -            | 1,400            | -        | 4,000        | -            | -              | 5,400           |
| <b>Total</b>           | <b>20,027</b>     | <b>-</b> | <b>5,000</b> | <b>36,400</b>    | <b>-</b> | <b>4,000</b> | <b>2,000</b> | <b>626,784</b> | <b>694,211</b>  |



## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### (d) Liquidity Risk

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

The Authority has a State Government Guarantee covering all liabilities which enables it to borrow funds as required from the financial markets at favourable rates. In order to cover seasonal shortfalls in funding the Authority has access to short term borrowing arrangements with the South Australian Government Financing Authority (SAFA).

A liquidity policy is included in the Authority's Risk Policy document which provides for regular management reporting in order to closely monitor the liquidity position. The Risk Policy requires that sufficient funds are available at all times to meet any reasonable calls on its liabilities.

The following are the remaining contractual maturities of financial liabilities, including estimated interest payments:

2015

| Carrying<br>Amount<br>\$'000 | Contracted<br>Cash Flows<br>\$'000 | 0 - 3<br>Months<br>\$'000 | 3 - 12<br>Months<br>\$'000 | 1 - 5<br>Years<br>\$'000 | > 5<br>Years<br>\$'000 |
|------------------------------|------------------------------------|---------------------------|----------------------------|--------------------------|------------------------|
|------------------------------|------------------------------------|---------------------------|----------------------------|--------------------------|------------------------|

#### Non-Derivative Financial Liabilities

##### Deposits from Councils and Local Government

|            |         |           |           |         |          |   |
|------------|---------|-----------|-----------|---------|----------|---|
| Bodies     | 443,510 | (443,510) | (405,400) | (3,110) | (35,000) | - |
| Borrowings | 210,784 | (210,784) | (210,784) | -       | -        | - |

#### Derivative Financial Liabilities

|                               |           |           |          |          |           |           |
|-------------------------------|-----------|-----------|----------|----------|-----------|-----------|
| Interest Rate Swaps - Outflow | 340,941   | (388,378) | (10,573) | (48,192) | (204,890) | (124,723) |
| Interest Rate Swaps - Inflow  | (305,486) | 330,888   | 12,537   | 33,579   | 172,395   | 112,377   |

2014

| Carrying<br>Amount<br>\$'000 | Contracted<br>Cash Flows<br>\$'000 | 0 - 3<br>Months<br>\$'000 | 3 - 12<br>Months<br>\$'000 | 1 - 5<br>Years<br>\$'000 | > 5<br>Years<br>\$'000 |
|------------------------------|------------------------------------|---------------------------|----------------------------|--------------------------|------------------------|
|------------------------------|------------------------------------|---------------------------|----------------------------|--------------------------|------------------------|

#### Non-Derivative Financial Liabilities

##### Deposits from Councils and Local Government

|            |         |           |           |          |          |   |
|------------|---------|-----------|-----------|----------|----------|---|
| Bodies     | 375,369 | (375,369) | (291,143) | (59,556) | (24,670) | - |
| Borrowings | 267,952 | (267,952) | (267,952) | -        | -        | - |

#### Derivative Financial Liabilities

|                               |           |           |          |          |           |           |
|-------------------------------|-----------|-----------|----------|----------|-----------|-----------|
| Interest Rate Swaps - Outflow | 375,460   | (442,129) | (11,736) | (53,633) | (209,709) | (167,051) |
| Interest Rate Swaps - Inflow  | (344,126) | 385,054   | 13,860   | 39,848   | 176,955   | 154,391   |

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### 24 - Transactions with South Australian Government

The following expense transactions were undertaken during the financial year between the Authority and the South Australian Government:-

|                                                                | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------------------|----------------|----------------|
| Interest Paid - Short Term Money Market Facility               | 5,379          | 4,448          |
| Interest Paid - Fixed Term Borrowings                          | 104            | 402            |
| Interest Paid - Promissory Notes                               | 650            | 721            |
| Fees for the Guarantee of the Treasurer of S.A. on Liabilities | 1,293          | 1,235          |
| Income Tax Equivalents Expense                                 | 1,688          | 1,537          |
| Audit Fees                                                     | 50             | 61             |
| Payroll Tax                                                    | 13             | 10             |

The following financial liabilities were outstanding at the end of the financial year between the Authority and the South Australian Government:-

|                                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------|----------------|----------------|
| Short Term Money Market Facility                    | 185,475        | 238,980        |
| Promissory Notes                                    | 24,829         | 28,418         |
| Interest Payable - Short Term Money Market Facility | 415            | 454            |
| Interest Payable - Promissory Notes                 | 65             | 99             |
| Audit Fees                                          | 53             | 59             |



## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### 25 - Fair Value of Financial Instruments

The book value of financial assets and financial liabilities shown in the table below includes principal, accrued interest and, where applicable, a fair value adjustment. The distribution of accrued interest to asset and liability categories which are recorded at amortised cost in the accounts will cause the amounts shown as book values to differ from those shown on the Statement of Financial Position.

All Derivative Financial Instruments and Available-for-sale financial assets (Investment Securities) have been recorded at fair value, including accrued interest, in the accounts. A portion of Net Loans and Advances has been recorded at fair value using hedge accounting with the remainder recorded at amortised cost.

The fair value of Other Assets and Other Liabilities is not required as the book value is a reasonable approximation of fair value.

#### (a) Fair value of Financial Assets and Financial Liabilities

The following methods and assumptions are used to determine the fair values of financial assets and liabilities:

##### Investment Securities

The fair value of Floating Rate Capital Notes is based on current market rates as quoted on the Australian Stock Exchange. The fair value of Fixed Term Deposits held with Banks is estimated based on a discounted cash flow analysis utilising a zero coupon curve which is representative of the market rates used for unwinding such instruments.

##### Net Loans and Advances

The fair value is estimated based on a discounted cash flow analysis utilising a zero coupon curve which is representative of the market rates used for unwinding such instruments.

##### Deposits from Councils and Prescribed Local Government Bodies

The fair value is estimated using discounted cash flow analysis based on current market rates for deposits having substantially the same terms and conditions.

##### Borrowings

The fair value is estimated using discounted cash flow analysis based on current market rates for borrowings having substantially the same terms and conditions.

##### Derivatives

The fair value of interest rate swaps is estimated based on a discounted cash flow analysis utilising a credit adjusted zero coupon curve which is representative of the market rates used for unwinding such instruments. The fair value of futures contracts is based on current market rates as quoted on the Sydney Futures Exchange.

|                                                 |                                         | 2015                    |                         | 2014                    |                         |
|-------------------------------------------------|-----------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|                                                 |                                         | BOOK<br>VALUE<br>\$'000 | FAIR<br>VALUE<br>\$'000 | BOOK<br>VALUE<br>\$'000 | FAIR<br>VALUE<br>\$'000 |
| <b>Financial Assets</b>                         | <b>Category (Note 2(b) Refer)</b>       |                         |                         |                         |                         |
| Investment Securities                           | Available-for-Sale Financial Assets     | 1,478                   | 1,478                   | 1,533                   | 1,533                   |
| Investment Securities                           | Loans and Receivables                   | 50,861                  | 50,968                  | 61,067                  | 61,552                  |
| Net Loans and Advances                          | Loans and Receivables                   | 230,372                 | 245,669                 | 204,861                 | 218,862                 |
| Net Loans and Advances                          | Fair Value Hedge                        | 468,609                 | 468,609                 | 467,051                 | 467,051                 |
| <b>Financial Liabilities</b>                    | <b>Category (Note 2(b) Refer)</b>       |                         |                         |                         |                         |
| Deposits from Councils<br>and Prescribed Bodies | Financial Liabilities at Amortised Cost | 443,510                 | 444,021                 | 375,671                 | 376,279                 |
| Borrowings                                      | Financial Liabilities at Amortised Cost | 210,784                 | 210,779                 | 267,951                 | 267,939                 |
| Derivatives                                     | Fair Value Hedge                        | 35,455                  | 35,455                  | 31,334                  | 31,334                  |
| Derivatives                                     | Financial Liabilities at Fair Value     | -                       | -                       | 81                      | 81                      |

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### (b) Fair Value Hierarchy

The recognised fair values of financial assets and liabilities are classified according to the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1 – fair values that reflect unadjusted quoted prices in active market for identical assets/liabilities.

Level 2 – fair values that are based on inputs that are directly or indirectly observable for the asset/liability (other than unadjusted quoted price).

Level 3 – fair values that are derived from data not observable in a market. The Authority does not have any financial assets or liabilities which are required to be valued using this method.

| 2015                                         | Level 1<br>\$'000         | Level 2<br>\$'000         | Level 3<br>\$'000         | Total<br>\$'000         |
|----------------------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| <b>Financial Assets</b>                      |                           |                           |                           |                         |
| Investment Securities                        | 1,478                     | 50,968                    | -                         | 52,446                  |
| Net Loans and Advances                       |                           | 714,278                   | -                         | 714,278                 |
| <b>Financial Liabilities</b>                 |                           |                           |                           |                         |
| Deposits from Councils and Prescribed Bodies | -                         | 444,021                   | -                         | 444,021                 |
| Borrowings                                   | -                         | 210,779                   | -                         | 210,779                 |
| Derivatives                                  | -                         | 35,455                    | -                         | 35,455                  |
| <b>2014</b>                                  | <b>Level 1<br/>\$'000</b> | <b>Level 2<br/>\$'000</b> | <b>Level 3<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| <b>Financial Assets</b>                      |                           |                           |                           |                         |
| Investment Securities                        | 1,533                     | 61,552                    | -                         | 63,085                  |
| Net Loans and Advances                       | -                         | 685,913                   | -                         | 685,913                 |
| <b>Financial Liabilities</b>                 |                           |                           |                           |                         |
| Deposits from Councils and Prescribed Bodies | -                         | 376,279                   | -                         | 376,279                 |
| Borrowings                                   | -                         | 267,939                   | -                         | 267,939                 |
| Derivatives                                  | 81                        | 31,334                    | -                         | 31,415                  |



## Certification of the financial statements

We certify that the:

- financial statements of the Local Government Finance Authority of South Australia:
  - are in accordance with the accounts and records of the authority; and
  - comply with relevant Treasurer's instructions; and
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Local Government Finance Authority of South Australia over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



PA Slater  
Chief Executive Officer



GC Hollitt  
Manager Corporate Services



AM Pederick  
Chairman

25 August 2015



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**To the Chairman of the Board of Trustees  
Local Government Finance Authority of South Australia**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 33(2) of the *Local Government Finance Authority Act 1983*, I have audited the accompanying financial report of the Local Government Finance Authority of South Australia for the financial year ended 30 June 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman, the Chief Executive Officer and the Manager Corporate Services.

**The Board of Trustees Responsibility for the Financial Report**

The Board of Trustees are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Board of Trustees determine necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

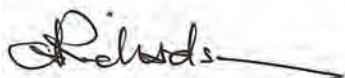
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board of Trustees, as well as the overall presentation of the financial report.



I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the Local Government Finance Authority of South Australia as at 30 June 2015, 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.

A handwritten signature in black ink, appearing to read 'A. Richardson', with a long horizontal stroke extending to the right.

Andrew Richardson  
**Auditor-General**  
16 September 2015

# Lotteries Commission of South Australia

Financial report  
for the year ended  
30 June 2015



# Lotteries Commission of South Australia

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2015

|                                                          | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------------|------|----------------|----------------|
| <b>Expenses</b>                                          |      |                |                |
| Employee benefits expenses                               | 4    | 1 617          | 7 258          |
| Supplies and services                                    | 6    | 676            | 4 040          |
| Master Agent fee                                         | 7    | 53 437         | 53 739         |
| Depreciation and amortisation expense                    | 8    | 30             | 2 859          |
| Net loss from the disposal of non-current assets         | 9    | -              | 2 906          |
| <b>Total expenses</b>                                    |      | <u>55 760</u>  | <u>70 802</u>  |
| <b>Income</b>                                            |      |                |                |
| Sales revenue                                            | 11   | 441 658        | 428 860        |
| Cost of sales                                            | 12   | <u>388 221</u> | <u>375 121</u> |
| <b>Gross margin</b>                                      |      | <u>53 437</u>  | <u>53 739</u>  |
| Other revenues                                           | 13   | <u>47</u>      | <u>7 425</u>   |
| <b>Total income</b>                                      |      | <u>53 484</u>  | <u>61 164</u>  |
| <b>Net cost of providing services</b>                    |      | <u>2 276</u>   | <u>9 638</u>   |
| <b>Revenues from SA Government</b>                       |      |                |                |
| Revenues from SA Government                              | 14   | <u>3 300</u>   | <u>4 360</u>   |
| <b>Net result</b>                                        |      | <u>1 024</u>   | <u>(5 278)</u> |
| <b>Other comprehensive income</b>                        |      |                |                |
| <b>Items that will not be reclassified to net result</b> |      |                |                |
| Remeasurements of Defined Benefit Plan                   |      | <u>-</u>       | <u>532</u>     |
| <b>Total other comprehensive income</b>                  |      | <u>-</u>       | <u>532</u>     |
| <b>Total comprehensive result</b>                        |      | <u>1 024</u>   | <u>(4 746)</u> |

The net result and total comprehensive result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.

# Lotteries Commission of South Australia

## STATEMENT OF FINANCIAL POSITION as at 30 June 2015

|                                      | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------|------|----------------|----------------|
| <b>Current assets</b>                |      |                |                |
| Cash and cash equivalents            | 15   | 51 842         | 46 563         |
| Receivables                          | 16   | 5 391          | 4 053          |
| <b>Total current assets</b>          |      | <u>57 233</u>  | <u>50 616</u>  |
| <b>Non-current assets</b>            |      |                |                |
| Property, plant and equipment        | 17   | 152            | 182            |
| <b>Total non-current assets</b>      |      | <u>152</u>     | <u>182</u>     |
| <b>Total assets</b>                  |      | <u>57 385</u>  | <u>50 798</u>  |
| <b>Current liabilities</b>           |      |                |                |
| Payables                             | 18   | 25 466         | 20 173         |
| Employee benefits                    | 19   | 319            | 625            |
| Other current liabilities            | 20   | 17 132         | 17 709         |
| <b>Total current liabilities</b>     |      | <u>42 917</u>  | <u>38 507</u>  |
| <b>Non-current liabilities</b>       |      |                |                |
| Payables                             | 18   | 901            | 1 134          |
| Employee benefits                    | 19   | 13             | 95             |
| Other non-current liabilities        | 20   | 11 786         | 10 318         |
| <b>Total non-current liabilities</b> |      | <u>12 700</u>  | <u>11 547</u>  |
| <b>Total liabilities</b>             |      | <u>55 617</u>  | <u>50 054</u>  |
| <b>Net assets</b>                    |      | <u>1 768</u>   | <u>744</u>     |
| <b>Equity</b>                        |      |                |                |
| Retained earnings                    |      | 1 768          | 744            |
| <b>Total equity</b>                  |      | <u>1 768</u>   | <u>744</u>     |

The total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments 21

Contingent assets and liabilities 22

The above statement should be read in conjunction with the accompanying notes.



## Lotteries Commission of South Australia

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### STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2015

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|                                           | Retained<br>Earnings<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------|--------------------------------|-----------------|
| <b>Balance at 30 June 2013</b>            | 5 490                          | 5 490           |
| Net Result for 2013-14                    | (5 278)                        | (5 278)         |
| Remeasurements of Defined Benefit Plan    | 532                            | 532             |
| Total comprehensive result<br>for 2013-14 | (4 746)                        | (4 746)         |
| <b>Balance at 30 June 2014</b>            | 744                            | 744             |
| <br>Net result for 2014-15                | <br>1 024                      | <br>1 024       |
| Total comprehensive result<br>for 2014-15 | 1 024                          | 1 024           |
| <b>Balance at 30 June 2015</b>            | 1 768                          | 1 768           |

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

The above statement should be read in conjunction with the accompanying notes.

# **Lotteries Commission of South Australia**

## **STATEMENT OF CASH FLOWS** for the year ended 30 June 2015

|                                                                       | Note | 2015<br>\$'000   | 2014<br>\$'000   |
|-----------------------------------------------------------------------|------|------------------|------------------|
| <b>Cash flows from operating activities</b>                           |      |                  |                  |
| <b>Cash outflows</b>                                                  |      |                  |                  |
| Prizes paid                                                           |      | (262 082)        | (253 814)        |
| Payments to suppliers and employees                                   |      | (3 105)          | (14 023)         |
| Master Agent fee payments                                             |      | (62 204)         | (62 320)         |
| GST paid to the Australian Taxation Office                            |      | (7 105)          | (7 236)          |
| Payments for paid parental leave                                      |      | ( 12)            | -                |
| Distribution to the Hospitals Fund and Recreation and Sport Fund      |      |                  |                  |
| • Gambling tax                                                        | 23   | (71 894)         | (70 627)         |
| • Dividend                                                            |      | -                | ( 112)           |
| • Unclaimed prizes                                                    | 23   | (2 696)          | (2 443)          |
| Distribution to the Hospitals Fund for income tax equivalent          | 23   | -                | ( 48)            |
| <b>Cash used in operations</b>                                        |      | <u>(409 098)</u> | <u>(410 623)</u> |
| <b>Cash inflows</b>                                                   |      |                  |                  |
| Receipts from customers                                               |      | 411 065          | 406 120          |
| SA Government subsidy                                                 |      | 3 300            | 4 680            |
| Receipts for paid parental leave                                      |      | 12               | -                |
| <b>Cash generated from operations</b>                                 |      | <u>414 377</u>   | <u>410 800</u>   |
| <b>Net cash provided by (used in) operating activities</b>            | 24   | <u>5 279</u>     | <u>177</u>       |
| <br><b>Cash flows from investing activities</b>                       |      |                  |                  |
| <b>Cash outflows</b>                                                  |      |                  |                  |
| Purchase of property, plant and equipment                             |      | -                | ( 190)           |
| <b>Net cash provided by (used in) investing activities</b>            |      | <u>-</u>         | <u>( 190)</u>    |
| <br><b>Net increase (decrease) in cash and cash equivalents</b>       |      | <u>5 279</u>     | <u>( 13)</u>     |
| <br>Cash and cash equivalents at the beginning of the financial year  |      | <u>46 563</u>    | <u>46 576</u>    |
| <br><b>Cash and cash equivalents at the end of the financial year</b> | 15   | <u>51 842</u>    | <u>46 563</u>    |

The above statement should be read in conjunction with the accompanying notes.



## Lotteries Commission of South Australia

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# Lotteries Commission of South Australia

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Establishment and function of the Lotteries Commission of South Australia

The Lotteries Commission of South Australia (the Commission), was established under the *State Lotteries Act 1966*, with the primary function of promoting and conducting lotteries in South Australia.

Tatts Lotteries SA Pty Ltd (Tatts) operates the Commission's brands and products, as the appointed Master Agent for a term expiring in December 2052. It is required to provide the Commission with all information relevant to its performance as Master Agent under the Transaction Documents and for the proper operation of the agency arrangement.

The Commission, in its capacity as principal, monitors Tatts' compliance with the Transaction Documents and retains the power to instruct Tatts to comply with its obligations under the Transaction Documents.

The terms and conditions of the appointment and on-going operation are governed by a number of Transaction Documents.

### 2. Summary of significant accounting policies

#### (a) Statement of compliance

The Commission has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Commission has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Commission is a not-for-profit entity.

Australian Accounting Standards 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 2015 (refer to Note 3).

#### (b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Commission's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures which have been included in this financial report:
  - (a) revenues, expenses, receivables and payables where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature;
  - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income and Note 6). (The term *Consultant* is defined in Accounting Policy Framework APF II *General Purpose Financial Statements Framework*, APS 4.6.);
  - (c) employee targeted voluntary separation package information;
  - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees; and
  - (e) Commission members and remuneration information, where a Commission member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.



## Lotteries Commission of South Australia

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented.

### (c) Reporting entity

The reporting entity comprises all activities of the Commission. This includes all transactions processed through the Lotteries Fund which is established under section 16(1) of the *State Lotteries Act 1966*. Tatts holds and operates the Lotteries Fund for and on behalf of the Commission.

### (d) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

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

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

### (e) Rounding

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

### (f) Taxation

#### *Tax equivalent regime*

In accordance with Treasurer's Instruction 22 *Tax Equivalent Payments*, the Commission was required to pay to the State Government an income tax equivalent. The income tax liability was based on the State Taxation Equivalent Regime which applied the accounting profit method. This required that the corporate income tax rate be applied to net profit. Following the appointment of Tatts as Master Agent, no payments are required or have been made under the tax equivalent regime.

The Commission is not subject to income tax. The Commission is liable for payroll tax, fringe benefits tax and goods and services tax (GST).

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

The Commission, in accordance with section 16(3)(b) of the *State Lotteries Act 1966*, is required to pay GST of one eleventh of net gambling revenue (NGR), being gross sales less total prizes paid, direct to the Australian Taxation Office (ATO). The GST on NGR is treated as a cost of sales.

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

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

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

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



## Lotteries Commission of South Australia

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

### (g) Income

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

Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific Accounting Standard, or where offsetting reflects the substance of the transaction or other event.

Note 27 discloses income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

- Sales revenue for Saturday X Lotto, Monday and Wednesday X Lotto, Oz Lotto, Powerball, Keno, Super 66 and The Pools is recognised as at the date of the draw. For these games, sales revenue as at 30 June for draws or competitions subsequent to that date are treated as sales in advance. Sales revenue for Instant Scratch tickets is recognised as tickets are sold.
- Revenues from SA Government are recognised as income when the Commission obtains control of the subsidy and the income recognition criteria are met (i.e. the amount can be reliably measured and the flow of resources is probable).
- Revenues from fees and charges are derived from the provision of goods and services. This revenue is recognised upon delivery of the goods or services to the recipients. From 11 December 2012 to 31 July 2014 the costs and disbursements incurred by the Commission in providing agreed services to Tatts have been recovered from Tatts, in accordance with an agreed formula contained in the Transitional Services Agreement.

### (h) Expenses

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

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific Accounting Standard, or where offsetting reflects the substance of the transaction or other event.

Note 27 discloses expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

#### *Cost of sales expenses*

Cost of sales expenses include actual prizes paid, gambling tax on net gambling revenue, agents' commission and GST on net gambling revenue and are recognised in the reporting period in which the sales revenue is recognised.

#### *Employee benefits expenses*

Employee benefits expenses include all costs related to employment, including salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

#### *Superannuation*

Superannuation expenses charged to the Statement of Comprehensive Income represent:

- Contributions made by the Commission to the superannuation plan in respect of current employees;
- Defined benefits accrued during the reporting period; and
- Remeasurements of the Defined Benefit Plan.

Note 2(n) provides further details.



## Lotteries Commission of South Australia

### *Supplies and services*

Supplies and services generally represent the day-to-day running costs, including maintenance and occupancy costs, incurred in the normal operations of the Commission. These items are recognised as an expense in the reporting period in which they are incurred.

### *Depreciation and amortisation of non-current assets*

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

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

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

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

### **(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 assets and 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) Assets**

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

Note 27 discloses receivables where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

### *Cash and cash equivalents*

Cash and cash equivalents in the Statement of Financial Position and the Statement of Cash Flows includes the Commission's cash on hand and deposits held at call, and cash held by Tatts on behalf of the Commission for game related obligations. These are subject to insignificant risk of changes in value and are used in the cash management function on a day-to-day basis.

The Commission's bank account is held with the Commonwealth Bank of Australia in an At Call Deposit account.

Cash held by Tatts for game related obligations on behalf of the Commission is held with Westpac Banking Corporation.

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

Cash is measured at nominal value.

### *Receivables*

Receivables include amounts receivable from agents and other parties, prize settlements receivable from lottery operators in other States participating in inter-jurisdictional prize pooling arrangements, and prepayments. Receivables (other than prepayments) arise in the normal course of selling goods and services to agents and other parties and through prize settlement arrangements with other Bloc members.

All game related receivables are administered by Tatts on behalf of the Commission.



## Lotteries Commission of South Australia

### *Sundry receivables*

Sundry receivables are generally receivable within 14 -30 days and are carried at amounts due.

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

### *Prize settlements receivable from Blocs*

Saturday X Lotto, Monday and Wednesday X Lotto, Oz Lotto, Powerball, Super 66 and The Pools are games supported by inter-jurisdictional prize pooling arrangements. Lottery operators participating in individual games form Blocs for the relevant games. Amounts receivable from Blocs represent monies due from other jurisdictions for prizes won in South Australia. Settlement of amounts receivable from Bloc members are normally due 14 days after the date of the draw.

All game related prize settlements receivable from Blocs are administered by Tatts on behalf of the Commission.

### *Non-current asset acquisition, recognition and disposal*

Non-current assets are initially recorded at cost, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation/amortisation.

All non-current assets with a value of \$2,000 or more are capitalised.

Assets listed in the Business Assets Sales Deed were purchased by Tatts. The consideration paid for these assets formed part of the aggregate consideration paid by Tatts for the rights to operate SA Lotteries' brands and products.

Assets related to the Online Lotteries System were transferred to Tatts when the GTECH agreement was novated in favour of Tatts in November 2013.

### *Revaluation of non-current assets*

All non-current tangible assets are valued at fair value and revaluation of non-current assets is only performed when their fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years. The Commission does not currently have any assets that meet this revaluation criteria.

### *Impairment*

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

## **(k) Liabilities**

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

Note 27 discloses payables where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

### *Payables*

Payables include creditors, accrued expenses, prizes payable, GST payable, employment on-costs and Paid Parental Leave Scheme payable.

All game related payables are administered by Tatts on behalf of the Commission.

### *Creditors and accrued expenses*

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

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



## Lotteries Commission of South Australia

The Paid Parental Leave Scheme payable represents amounts which the Commission has received from the Commonwealth Government to forward on to eligible employees via the Commission's payroll process. That is, the Commission is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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

### *Prizes payable*

Prizes payable represent amounts due to be paid to customers for prizes won in South Australia and settlements due to lottery operators in other States participating in inter-jurisdictional prize pooling arrangements.

Amounts payable for prizes won in South Australia are generally available for payment the day following the draw, or in the case of Instant Scratch tickets and minor Keno prizes, on the date of sale or draw. Division 1 prizes for lotto matrix type games are normally paid 14 days after the date of draw in accordance with the Lotteries Rules. Amounts payable to Blocs represent monies due to other lottery operators for prizes won in interstate jurisdictions. Settlement of amounts payable to Bloc members are normally due 14 days after the date of the draw.

Non-current prizes payable relate to outstanding annuity-style Instant Scratch tickets prizes where the total prize is payable in instalments over a number of years in accordance with the terms and conditions of each game. The liability is measured at the undiscounted amount expected to be paid.

All prizes payable are administered by Tatts on behalf of the Commission.

### *Employment on-costs*

Employment on-costs include superannuation contributions, payroll tax and WorkCover levies with respect to outstanding liabilities for salaries, long service leave, annual leave and skills and experience retention entitlements. Employment on-costs are settled when the respective employee benefit that they relate to is discharged.

### *Employee benefits*

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

The Commission makes contributions to the 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.

### *Salaries, annual leave, skills and experience retention entitlement and sick leave*

The liability for salaries is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the skills and experience retention entitlement liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid.

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

### *Long service leave*

The liability for long service leave is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary levels, experience of employee departures and periods of service.

The portion of the long service leave liability classified as current represents the amount that is expected to be paid as leave taken or paid on termination of employment during the Commission's normal operating cycle.



## Lotteries Commission of South Australia

### *Unclaimed Prizes Reserve*

Other than a prize in a Special Appeal Lottery (note 2(l)), any prize in a lottery that has not been collected or taken delivery of within 12 months of the date of the draw or relevant day is forfeited to the Commission and transferred into the Unclaimed Prizes Reserve. Subsection 16C(4) of the *State Lotteries Act 1966* requires the Commission to pay:

- 50 per cent of the amount derived from unclaimed prizes in The Pools (and other sports lotteries or special lotteries) to the Recreation and Sport Fund; and
- 50 per cent of the amount derived from unclaimed prizes in other lotteries to the Hospitals Fund.

The balance in the Reserve is applied by the Commission from time to time for the purposes of providing additional or increased prizes in a subsequent lottery or lotteries, providing prizes in promotional lotteries or making ex gratia payments.

The *State Lotteries Act 1966* provides for an ex gratia payment to a person who satisfies the Commission that they are a winner of a prize in a lottery conducted by the Commission, despite the fact that a prize has been forfeited to the Commission, the winning ticket has been lost or destroyed or the period of notice of a claim for the prize has expired.

Ex gratia payments are charged to the Unclaimed Prizes Reserve. The next payment to either the Hospitals Fund or Recreation and Sport Fund is then reduced by an amount equivalent to 50 per cent of the ex gratia payment, depending on the game played.

The Unclaimed Prizes Reserve is administered by Tatts on behalf of the Commission and must only be disbursed in accordance with approvals given by the Commission.

### *Distribution of funds to Government*

In accordance with subsection 16(3) of the *State Lotteries Act 1966*, the Commission is required to pay to the Hospitals Fund the balance of surplus funds remaining after:

- payment of gambling tax and GST on NGR;
- making allowances for operating and capital expenses;
- applying the net proceeds and gambling tax of The Pools to the Recreation and Sport Fund;
- in respect of Special Appeal Lotteries (note 2(l)), applying the net proceeds and unclaimed prizes less the GST on NGR to the beneficiary(s) of those lotteries; and
- retaining funds for certain designated purposes.

Gambling tax is paid from the Lotteries Fund by Tatts on behalf of the Commission to the State.

As detailed in note 2(f), the Commission was required prior to the commencement of the Transaction Documents to make tax equivalent payments as a result of the application of the tax equivalent regime. In accordance with the provisions of the *State Lotteries Act 1966* and Treasurer's Instruction 22 *Tax Equivalent Payments*, the transfer of funds to the Hospitals Fund was reflected in the financial statements in the form of:

- (i) a gambling tax of 41 per cent on NGR in respect of all lotteries conducted by the Commission except sports lotteries, special lotteries and special appeal lotteries;
- (ii) an income tax equivalent payment (calculated on the accounting profits method), recorded as an expense item in the Statement of Comprehensive Income;
- (iii) a dividend, represented by net profit after income tax equivalent payment and increased/decreased by funds retained for certain designated purposes; and
- (iv) unclaimed prizes.

The composition of all amounts due and payable to Government on account of the Hospitals Fund and Recreation and Sport Fund is detailed in note 23.

### **(l) Special Appeal Lotteries**

Section 13AB of the *State Lotteries Act 1966* enables the Commission to conduct Special Appeal Lotteries. Tatts is to do all things necessary to assist the Commission to conduct Special Appeal Lotteries and will receive compensation in accordance with the Master Agency Agreement and the Treasurer's Agency Fees Guarantee and Payment Deed.

No Special Appeal Lotteries were conducted during the financial year.



## Lotteries Commission of South Australia

### (m) Operating leases

The Commission has an accommodation lease agreement for its office. In respect of this operating lease, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased asset.

The Commission is responsible for maintaining any improvements that it makes and repairing any damage to the premises caused by staff, customers, contractors or visitors.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight line basis over the lease term. The straight line basis is representative of the pattern of benefits derived from the leased assets.

### (n) Superannuation

The Commission had an established superannuation plan for its employees, the Lotteries Commission of South Australia Superannuation Plan (the Plan), a sub-plan of the Mercer Super Trust. The Plan provided lump sum benefits on retirement, death, disablement and withdrawal. During the 2013-14 financial year the Commission determined to wind up the Plan in 2014-15. The Plan was terminated effective 30 September 2014 with all defined benefit liabilities in the Plan crystallised at this date and employees' entitlements transferred to an accumulation fund of their choice.

The calculation for the expense for the 2014-15 year for the defined benefit section of the Plan has been determined via an actuarial valuation by Stuart Mules, FIAA (Mercer Investment Nominees Limited). The report was dated 19 June 2015.

Actuarial gains and losses are recognised in full, in the period in which they occur, and are recognised in Other Comprehensive Income.

The superannuation expense of the defined benefit section of the Plan is recognised as and when the contributions become payable and consist of current service cost, interest cost, actuarial gains and losses, and past service cost.

The Commission also contributes to other externally managed superannuation plans. These contributions are expensed when they fall due and the Commission's obligation is limited to these contributions.

### (o) Reserves

#### *Keno Prize Reserve*

This reserve was established to meet Keno Spot 10 prizes. The reserve has been funded from retained earnings as a proportion of all Keno Spot 10 gross sales. To the extent possible, the equivalent value of the Keno Spot 10 prize won is transferred from the reserve to retained earnings and paid to the Hospitals Fund.

The Spot 10 \$1M guaranteed amount and the accrued jackpot amount is held for, and on behalf of the Commission, by Tatts.

### (p) Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating expenditures arising from contractual sources and are disclosed at their nominal value.

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

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

### (q) Insurance

The Commission has arranged, through the SA Government Captive Insurance Corporation (SAICORP), a division of the South Australian Government Financing Authority (SAFA) to insure all major risks of the organisation. The excess payable under this arrangement varies depending on each class of insurance held.

## Lotteries Commission of South Australia

### (r) Events after the reporting period

Where an event occurs after 30 June and before the date the financial statements are authorised for issue, and those events provide information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements. Note disclosure is made where there is a material impact on the results of subsequent years.

### 3. New and revised Accounting Standards and policies

The Commission did not voluntarily change any of its accounting policies in 2014-15.

#### **Accounting Policy Framework**

In accordance with amendments to Accounting Policy Statement II *General Purpose Financial Statements Framework*, effective for the year ended 30 June 2015, the Commission is no longer considered a for-profit entity. Accordingly the 2014-15 Financial Statements have been prepared on a not-for-profit basis (refer note 2(a)).

#### **Accounting Standards**

Australian Accounting Standards and interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by the Commission for the reporting period ended 30 June 2015.

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



## Lotteries Commission of South Australia

### 4. Employee benefits expenses

|                                                    | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------|----------------|----------------|
| Salaries                                           | 964            | 3 218          |
| TVSPs (refer below)                                | -              | 3 195          |
| Annual leave                                       | 124            | 388            |
| Long service leave                                 | 80             | ( 266)         |
| Skills and experience retention leave              | 4              | ( 3)           |
| Commission members' fees                           | 37             | 62             |
| Employment on-costs - other                        | 47             | 205            |
| Employment on-costs - superannuation contributions | 90             | 269            |
| Contributions to defined benefit plan              | 271            | 190            |
| <b>Total employee benefits expenses</b>            | <b>1 617</b>   | <b>7 258</b>   |

### Targeted voluntary separation packages (TVSPs)

|                                                                                                    | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------------------------------------------------------|----------------|----------------|
| Amounts paid during the reporting period to separated employees:                                   |                |                |
| TVSPs                                                                                              | -              | 3 195          |
| Annual leave, long service leave and skills and experience retention leave paid to those employees | -              | 906            |
|                                                                                                    | -              | 4 101          |
| Recovery received from the Department of Treasury and Finance (DTF)                                | -              | 2 522          |
| <b>Net cost to the Commission</b>                                                                  | <b>-</b>       | <b>1 579</b>   |

The number of employees who received TVSPs during the reporting period was zero (35).

### Remuneration of employees

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, TVSP payments, retention payments, superannuation contributions, salary sacrifice benefits, fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$0.651 million (\$1.995 million).

|                                                                                                     | 2015<br>No. | 2014<br>No. |
|-----------------------------------------------------------------------------------------------------|-------------|-------------|
| The number of employees whose remuneration received or receivable falls within the following bands: |             |             |
| \$161 500 - \$171 499                                                                               | -           | 1           |
| \$181 500 - \$191 499                                                                               | 1           | -           |
| \$251 500 - \$261 499                                                                               | -           | 1           |
| \$281 500 - \$291 499                                                                               | -           | 1           |
| \$291 500 - \$301 499                                                                               | -           | 1           |
| \$301 500 - \$311 499                                                                               | -           | 1           |
| \$331 500 - \$341 499                                                                               | -           | 1           |
| \$351 500 - \$361 499                                                                               | -           | 1           |
| \$461 500 - \$471 499                                                                               | 1           | -           |
| <b>Total number of employees</b>                                                                    | <b>2</b>    | <b>7</b>    |

## Lotteries Commission of South Australia

### 5. Key management personnel

#### (a) Commission members

The following persons held the position of member of the Commission:

W R Jackson, BEc, FASA Presiding Member (10 July 2014 to 31 December 2014, 15 January 2015 to 30 June 2015)  
 J R Roache BAcc, GradCertMgt (Monash) FAICD, FCPA, FAIM (10 July 2014 to 31 December 2014)\*  
 A Cadd B.Acc, AdvDipBA, MBA(Adv) (10 July 2014 to 31 December 2014, 15 January 2015 to 30 June 2015)\*  
 L Hart BEc (Hons), GradDipAppFin(SecInst), GAICD (15 January 2015 to 30 June 2015)\*

Commission Member terms expired on 30 June 2015 and were not renewed after the *Statutes Amendment (Boards and Committees - Abolition and Reform) Act 2015* abolished the Commission effective from 1 July 2015. A single Commissioner was appointed on 23 July 2015.

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

#### (b) Commission members' remuneration

The total remuneration received and receivable by Commission members includes fees, superannuation contributions, salary sacrifice benefits, fringe benefits tax and professional indemnity insurance paid on behalf of Commission members.

|                                                                                                              | 2015<br>No.   | 2014<br>No.   |
|--------------------------------------------------------------------------------------------------------------|---------------|---------------|
| The number of Commission members whose remuneration received or receivable falls within the following bands: |               |               |
| \$0 to \$9 999                                                                                               | 3             | 1             |
| \$10 000 to \$19 999                                                                                         | -             | -             |
| \$20 000 to \$29 999                                                                                         | -             | 1             |
| \$30 000 to \$39 999                                                                                         | -             | -             |
| \$40 000 to \$49 999                                                                                         | 1             | 1             |
| <b>Total number of Commission members</b>                                                                    | <b>4</b>      | <b>3</b>      |
|                                                                                                              | <b>2015</b>   | <b>2014</b>   |
|                                                                                                              | <b>\$'000</b> | <b>\$'000</b> |
| The total remuneration received or receivable by Commission members was:                                     | 42            | 69            |

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

#### (c) Other key management personnel

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

The senior management team comprised the following persons for the full financial year unless otherwise stated:

J R Roache BAcc, GradCertMgt (Monash) FAICD, FCPA, FAIM - Chief Executive (1 July 2014 to 31 December 2014)  
 D G Hardy LLB, BA GDLP - Chief Executive (1 January 2015 to 30 June 2015)  
 D G Hardy LLB, BA GDLP - Director Legal and Regulatory Compliance (1 July 2014 to 31 December 2014)  
 P Marsden, BComm, CPA - Finance Manager



## Lotteries Commission of South Australia

### (d) Other key management personnel compensation

|                                                                                                                   | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| The compensation of key management personnel included in employee benefits expenses (refer note 4) is as follows: |                |                |
| Short-term employee benefits                                                                                      | 707            | 854            |
| Post-employment benefits                                                                                          | 117            | 124            |
| Long-term employee benefits                                                                                       | 7              | 16             |
| <b>Total key management personnel compensation</b>                                                                | <b>831</b>     | <b>994</b>     |

### 6. Supplies and services

|                                    | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------|----------------|----------------|
| External audit fees                | 135            | 185            |
| Operating leases                   | 150            | 1 162          |
| Internal audit fees                | 131            | 171            |
| Computer operations                | 82             | 1 686          |
| Other                              | 65             | 266            |
| Consultancies                      | 52             | 26             |
| Other occupancy costs              | 34             | 466            |
| Training costs                     | 14             | 8              |
| Marketing and promotions           | 13             | 14             |
| Motor vehicle fleet costs          | -              | 56             |
| <b>Total supplies and services</b> | <b>676</b>     | <b>4 040</b>   |

#### Consultancies

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

|                                                  | 2015<br>No. | 2014<br>No. | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------|-------------|-------------|----------------|----------------|
| Below \$10 000                                   | 1           | -           | 1              | -              |
| \$10 000 to \$50 000                             | -           | 1           | -              | 26             |
| Above \$50 000                                   | 1           | -           | 51             | -              |
| <b>Total paid/payable to consultants engaged</b> | <b>2</b>    | <b>1</b>    | <b>52</b>      | <b>26</b>      |

### 7. Master Agent fee

|                                                               | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------------------------|----------------|----------------|
| Gross sales                                                   | 441 658        | 428 860        |
| less prizes                                                   | 268 206        | 257 226        |
| less gambling tax on NGR                                      | 71 115         | 70 372         |
| less GST on NGR                                               | 15 768         | 15 604         |
| <b>Gross Master Agent fee (including Agents' commissions)</b> | <b>86 569</b>  | <b>85 658</b>  |
| less Agents' commissions                                      | 33 132         | 31 919         |
| <b>Net Master Agent fee</b>                                   | <b>53 437</b>  | <b>53 739</b>  |

The Master Agent fee is payable to Tatts as the Commission's exclusive Master Agent for operating SA Lotteries' brands and products. Under clause 8.3 of the Master Agency Agreement, the Master Agent remits the amount of the Master Agent fee less Agents' commissions to an account nominated by the Master Agent.

## Lotteries Commission of South Australia

### 8. Depreciation and amortisation expense

|                                            | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------|----------------|----------------|
| <b>Depreciation</b>                        |                |                |
| Plant and equipment                        | -              | 77             |
| Online lotteries system                    | -              | 2 365          |
| <b>Total depreciation</b>                  | -              | 2 442          |
| <b>Amortisation</b>                        |                |                |
| Leasehold improvements                     | 30             | 417            |
| <b>Total amortisation</b>                  | 30             | 417            |
| <b>Total depreciation and amortisation</b> | 30             | 2 859          |

### 9. Net gain (loss) from disposal of non-current assets

|                                                            | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------------------------------|----------------|----------------|
| Proceeds from disposal                                     | -              | -              |
| Less: Net book value of assets disposed                    | -              | 2 906          |
| <b>Net gain (loss) from disposal of non-current assets</b> | -              | (2 906)        |

Assets are derecognised on disposal or when no future economic benefits are expected from the asset's use or disposal.

#### Former Wayville head office plant and equipment

|                                                            |   |      |
|------------------------------------------------------------|---|------|
| Proceeds from disposal                                     | - | -    |
| Less: Net book value of assets disposed                    | - | 5    |
| <b>Net gain (loss) from disposal of non-current assets</b> | - | ( 5) |

#### Sundry assets

|                                                            |   |      |
|------------------------------------------------------------|---|------|
| Proceeds from disposal                                     | - | -    |
| Less: Net book value of assets disposed                    | - | 5    |
| <b>Net gain (loss) from disposal of non-current assets</b> | - | ( 5) |

#### Assets transferred to Tatts

|                                                            |   |         |
|------------------------------------------------------------|---|---------|
| Proceeds from disposal                                     | - | -       |
| Less: Net book value of assets disposed                    | - | 2 896   |
| <b>Net gain (loss) from disposal of non-current assets</b> | - | (2 896) |

### 10. Auditor's remuneration

|                                                                                                               | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements | 135            | 185            |
| <b>Total audit fees</b>                                                                                       | 135            | 185            |

The Auditor-General is the auditor of the Commission.

#### **Other Services**

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



## Lotteries Commission of South Australia

### 11. Sales revenue

|                              | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------|----------------|----------------|
| Saturday X Lotto             | 147 855        | 142 132        |
| Keno                         | 109 183        | 103 336        |
| Powerball                    | 72 005         | 57 496         |
| Oz Lotto                     | 45 012         | 52 534         |
| Monday and Wednesday X Lotto | 33 776         | 35 812         |
| Instant Scratch tickets      | 32 382         | 35 667         |
| Super 66                     | 938            | 1 288          |
| The Pools                    | 507            | 595            |
| <b>Total sales revenue</b>   | <b>441 658</b> | <b>428 860</b> |

Sales revenue includes Agents' commissions.

### 12. Cost of sales

|                                             | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------|----------------|----------------|
| Prizes                                      | 268 206        | 257 226        |
| Gambling tax on net gambling revenue        | 71 115         | 70 372         |
| Agents' commissions                         | 33 132         | 31 919         |
| GST on net gambling revenue paid to the ATO | 15 768         | 15 604         |
| <b>Total cost of sales</b>                  | <b>388 221</b> | <b>375 121</b> |

### 13. Other revenues

|                                          | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------------|----------------|----------------|
| Reimbursements from Master Agent         | 21             | 4 835          |
| TVSP's recovered from DTF (refer note 4) | -              | 2 522          |
| Sundry                                   | 26             | 68             |
| <b>Total other revenues</b>              | <b>47</b>      | <b>7 425</b>   |

### 14. Revenues from SA Government

|                                          | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------------|----------------|----------------|
| Revenues from SA Government              | 3 300          | 4 360          |
| <b>Total revenues from SA Government</b> | <b>3 300</b>   | <b>4 360</b>   |

The Commission is funded by a subsidy from the SA Government.

## Lotteries Commission of South Australia

### 15. Cash and cash equivalents

|                                        | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------|----------------|----------------|
| Deposits held at call and cash on hand | 2 163          | 1 652          |
| Funds held by the Master Agent         | 49 679         | 44 911         |
| <b>Total cash and cash equivalents</b> | <b>51 842</b>  | <b>46 563</b>  |

In accordance with clause 7 of the Master Agency Agreement, Tatts hold and operate the Lotteries Fund for and on behalf of the Commission. The Commission assigned all of its rights, title and interest to future interest earnings on the Lotteries Fund to the Master Agent. The consideration for the assignment of interest was included in the aggregate consideration paid by Tatts for the transaction to the State.

#### Interest rate risk

Deposits held at call and cash on hand are non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

### 16. Receivables

|                                         | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------|----------------|----------------|
| <b>Current</b>                          |                |                |
| Prize settlements receivable from Blocs | 4 226          | 837            |
| Agent debtors                           | 623            | 2 416          |
| Sundry receivables                      | 538            | 795            |
| Prepayments                             | 4              | 5              |
| <b>Total current receivables</b>        | <b>5 391</b>   | <b>4 053</b>   |

#### Ageing analysis of receivables

|                    | Overdue for         |                        |                     | TOTAL<br>\$'000 |
|--------------------|---------------------|------------------------|---------------------|-----------------|
|                    | < 30 days<br>\$'000 | 30 - 60 days<br>\$'000 | > 60 days<br>\$'000 |                 |
| Sundry receivables | -                   | -                      | -                   | -               |

#### Interest Rate Risk

All receivables are non-interest bearing.

#### Credit Risk

Credit risk represents the loss that would be recognised if parties owing monies to the Commission at the reporting date fail to honour their obligations. It is not anticipated that parties will fail to discharge their obligations. The major portion of monies owing relates to the operation of SA Lotteries' brands and products by the Master Agent.

#### Net Fair Values

The carrying amount of receivables approximates net fair value due to being receivable on demand.



## Lotteries Commission of South Australia

### 17. Property, plant and equipment

|                                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------|----------------|----------------|
| <b>Plant and equipment</b>                          |                |                |
| Plant and equipment at cost (deemed fair value)     | 101            | 119            |
| Accumulated depreciation                            | ( 101)         | ( 119)         |
| <b>Total plant and equipment</b>                    | <u>-</u>       | <u>-</u>       |
| <b>Online lotteries system</b>                      |                |                |
| Online lotteries system at cost (deemed fair value) | -              | -              |
| Accumulated depreciation                            | -              | -              |
| <b>Total online lotteries system</b>                | <u>-</u>       | <u>-</u>       |
| <b>Work-in-progress</b>                             |                |                |
| Leasehold improvements at cost (deemed fair value)  | -              | 182            |
| <b>Total work-in-progress</b>                       | <u>-</u>       | <u>182</u>     |
| <b>Leasehold improvements</b>                       |                |                |
| Leasehold improvements at cost (deemed fair value)  | 182            | -              |
| Accumulated amortisation                            | ( 30)          | -              |
| <b>Total leasehold improvements</b>                 | <u>152</u>     | <u>-</u>       |
| <b>Total property, plant and equipment</b>          | <u>152</u>     | <u>182</u>     |

#### Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2014-15 and 2013-14.

|                                           | Plant &<br>equip-<br>ment<br>\$'000 | Online<br>lotteries<br>system<br>\$'000 | Work-in-<br>progress<br>\$'000 | Leasehold<br>improve-<br>ments<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------|-------------------------------------|-----------------------------------------|--------------------------------|------------------------------------------|-----------------|
| <b>Carrying amount at 1 July 2014</b>     | -                                   | -                                       | 182                            | -                                        | 182             |
| Additions                                 | -                                   | -                                       | -                              | -                                        | -               |
| Assets derecognised (including disposals) | -                                   | -                                       | -                              | -                                        | -               |
| Transfers                                 | -                                   | -                                       | ( 182)                         | 182                                      | -               |
| Depreciation and amortisation             | -                                   | -                                       | -                              | ( 30)                                    | ( 30)           |
| <b>Carrying amount at 30 June 2015</b>    | <u>-</u>                            | <u>-</u>                                | <u>-</u>                       | <u>152</u>                               | <u>152</u>      |
| <b>Carrying amount at 1 July 2013</b>     | 82                                  | 5 149                                   | 109                            | 417                                      | 5 757           |
| Additions                                 | -                                   | 1                                       | 189                            | -                                        | 190             |
| Assets derecognised (including disposals) | ( 5)                                | (2 788)                                 | ( 113)                         | -                                        | (2 906)         |
| Transfers                                 | -                                   | 3                                       | ( 3)                           | -                                        | -               |
| Depreciation and amortisation             | ( 77)                               | (2 365)                                 | -                              | ( 417)                                   | (2 859)         |
| <b>Carrying amount at 30 June 2014</b>    | <u>-</u>                            | <u>-</u>                                | <u>182</u>                     | <u>-</u>                                 | <u>182</u>      |

#### Impairment

There were no indications of impairment of property, plant and equipment assets at 30 June 2015.

## Lotteries Commission of South Australia

### 18. Payables

|                                   | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------|----------------|----------------|
| <b>Current</b>                    |                |                |
| Prizes payable                    | 19 515         | 12 946         |
| Undistributed funds (note 23)     | 5 277          | 6 047          |
| GST payable                       | 446            | 636            |
| Creditors and accrued expenses    | 192            | 500            |
| Employment on-costs               | 36             | 44             |
| <b>Total current payables</b>     | <u>25 466</u>  | <u>20 173</u>  |
| <b>Non-current</b>                |                |                |
| Prizes payable                    | 900            | 1 125          |
| Employment on-costs               | 1              | 9              |
| <b>Total non-current payables</b> | <u>901</u>     | <u>1 134</u>   |
| <b>Total payables</b>             | <u>26 367</u>  | <u>21 307</u>  |

Based on an actuarial assessment performed by the Department of Treasury and Finance, the percentage of long service leave expected to be taken as leave has decreased from the 2014 rate of 40% to 37% and the rate for the calculation of employer superannuation on-costs remained at 10.3% in 2015. These rates are used in the employment on-cost calculation.

#### *Interest rate and credit risk*

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

### 19. Employee benefits

|                                                             | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------------------------|----------------|----------------|
| <b>Current</b>                                              |                |                |
| Annual leave                                                | 136            | 91             |
| Long service leave                                          | 175            | 307            |
| Skills and experience retention entitlement                 | 1              | 3              |
| Accrued salaries and wages                                  | 7              | 5              |
| Defined benefit superannuation plan liability (note 26 (b)) | -              | 219            |
| <b>Total current employee benefits</b>                      | <u>319</u>     | <u>625</u>     |
| <b>Non-Current</b>                                          |                |                |
| Long service leave                                          | 13             | 95             |
| <b>Total non-current employee benefits</b>                  | <u>13</u>      | <u>95</u>      |
| <b>Total employee benefits</b>                              | <u>332</u>     | <u>720</u>     |



## Lotteries Commission of South Australia

### 20. Other liabilities

|                                                           | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------------|----------------|----------------|
| <b>Current</b>                                            |                |                |
| Prize Reserve Funds (a)                                   | 10 821         | 8 162          |
| Keno Prize Reserve (b)                                    | 3 500          | 4 692          |
| Monday and Wednesday X Lotto Division 1 Prize Reserve (c) | 894            | 3 365          |
| Unearned revenue - sales in advance                       | 1 917          | 1 490          |
| <b>Total current other liabilities</b>                    | <u>17 132</u>  | <u>17 709</u>  |
| <b>Non-current</b>                                        |                |                |
| Unclaimed prizes reserve (d)                              | 11 786         | 10 318         |
| <b>Total non-current other liabilities</b>                | <u>11 786</u>  | <u>10 318</u>  |
| <b>Total other liabilities</b>                            | <u>28 918</u>  | <u>28 027</u>  |

#### (a) Prize Reserve Funds

|                                           |               |              |
|-------------------------------------------|---------------|--------------|
| Balance at 1 July                         | 8 162         | 9 577        |
| Allocated to prize reserve funds          | 13 270        | 11 563       |
| Applied to additional or increased prizes | (10 611)      | (12 978)     |
| Balance at 30 June                        | <u>10 821</u> | <u>8 162</u> |

An agreed proportion of the total amount of net sales (gross sales less Agents' commissions) for each of Saturday X Lotto, Monday and Wednesday X Lotto, Oz Lotto, Powerball, Super 66 and The Pools is set aside to accumulate as the Prize Reserve Fund for each game in accordance with the respective Game Rules. These funds are applied from time to time for the payment of additional or increased prizes in subsequent lotteries or prizes in respect of missed prize entries for previous lottery draws.

#### (b) Keno Prize Reserve

|                            |              |              |
|----------------------------|--------------|--------------|
| Opening balance            | 4 692        | 2 681        |
| Allocated to prize reserve | 3 405        | 3 751        |
| Applied to prizes          | (4 597)      | (1 740)      |
| Balance at 30 June         | <u>3 500</u> | <u>4 692</u> |

In accordance with the Game Rules, the Keno Prize Reserve is funded by 32.967% of Keno Spot 10 net sales (gross sales less Agents' commissions) to meet the Keno Spot 10 prize which comprises the guaranteed amount of \$1m and the jackpot amount.

#### (c) Monday and Wednesday X Lotto Division 1 Prize Reserve

|                            |            |              |
|----------------------------|------------|--------------|
| Balance at 1 July          | 3 365      | 2 775        |
| Allocated to prize reserve | 5 689      | 7 599        |
| Applied to prizes          | (8 160)    | (7 009)      |
| Balance at 30 June         | <u>894</u> | <u>3 365</u> |

In accordance with the Game Rules, the Monday and Wednesday X Lotto Division 1 Prize Reserve was funded by 27% of net sales (gross sales less Agents' commissions) to meet the Division 1 prize until 18 December 2013. The percentage of net sales used to fund the reserve was 20% between 19 December 2013 and 30 April 2014. From 1 May 2014 until 4 February 17% was used, from 5 February onwards the percentage was 20%.

## Lotteries Commission of South Australia

|                                                                                                                                 | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>(d) Unclaimed Prizes Reserve</b>                                                                                             |                |                |
| Balance at 1 July                                                                                                               | 10 318         | 8 615          |
| Unclaimed monies forfeited                                                                                                      | 5 410          | 4 521          |
| Balance before distributions                                                                                                    | 15 728         | 13 136         |
| Monies provided for distribution to the Hospitals Fund                                                                          | (2 704)        | (2 255)        |
| Monies provided for distribution to the Recreation and Sport Fund                                                               | ( 1)           | ( 1)           |
| Applied to additional or increased prizes in subsequent lottery draws,<br>prizes in promotional lotteries or ex gratia payments | (1 237)        | ( 562)         |
| Balance at 30 June                                                                                                              | 11 786         | 10 318         |

### 21. Unrecognised contractual commitments

|                                                                                                                                            | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>Operating lease commitments</b>                                                                                                         |                |                |
| Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows: |                |                |
| Within one year                                                                                                                            | 151            | 146            |
| Later than one year but not longer than five years                                                                                         | 412            | 563            |
| <b>Total operating lease commitments</b>                                                                                                   | 563            | 709            |
|                                                                                                                                            | 2015<br>\$'000 | 2014<br>\$'000 |
| <i>Representing:</i>                                                                                                                       |                |                |
| Non-cancellable operating leases                                                                                                           | 563            | 709            |

The Commission's operating lease relates to office accommodation leased from the Department of Planning, Transport and Infrastructure - Building Management Accommodation and Property Services unit. The five year lease is non-cancellable with a five year right of renewal. Rental provisions within the lease agreement require future lease payments to be increased by 3.25% per annum. The initial lease term expires on 31 January 2019.

|                                                                                                                  | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>Other commitments</b>                                                                                         |                |                |
| Other expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows: |                |                |
| Within one year                                                                                                  | 200            | 66             |
| Later than one year but not longer than five years                                                               | 5              | 19             |
| <b>Total other commitments</b>                                                                                   | 205            | 85             |

#### Master Agent Fee

The Commission's commitments include a monthly Master Agent fee payable to Tatts for a term of 40 years commencing 11 December 2012. No amounts payable by the Commission to the Master Agent are disclosed as the fee is based on a formula which is contingent on gross sales, prizes, gambling tax on net gambling revenue, Agents' commissions and GST on net gambling revenue. The amount is paid on a monthly basis.

### 22. Contingent assets and liabilities

The Commission is not aware of any contingent assets or contingent liabilities.

The Commission has made no guarantees.



## Lotteries Commission of South Australia

### 23. Distribution of funds to SA Government

|                       | Balance<br>1 July<br>\$'000 | Balance<br>1 July<br>\$'000 | Distribution    |                 |                 |                 | Balance<br>30 June<br>\$'000 | Balance<br>30 June<br>\$'000 |
|-----------------------|-----------------------------|-----------------------------|-----------------|-----------------|-----------------|-----------------|------------------------------|------------------------------|
|                       |                             |                             | Provided        |                 | (Paid)          |                 |                              |                              |
|                       | Commi-<br>ssion             | Master<br>Agent             | Commi-<br>ssion | Master<br>Agent | Commi-<br>ssion | Master<br>Agent | Commi-<br>ssion              | Master<br>Agent              |
| Gambling tax          | -                           | 5 922                       | -               | 71 115          | -               | (71 894)        | -                            | 5 143                        |
| Unclaimed prizes      | -                           | 125                         | -               | 2 705           | -               | (2 696)         | -                            | 134                          |
| <b>Totals 2014-15</b> | -                           | 6 047                       | -               | 73 820          | -               | (74 590)        | -                            | 5 277                        |
| <b>Totals 2013-14</b> | 291                         | 6 358                       | -               | 72 628          | ( 291)          | (72 939)        | -                            | 6 047                        |

Comprising:

#### Distribution to Hospitals Fund

|                  |   |       |   |        |   |          |   |       |
|------------------|---|-------|---|--------|---|----------|---|-------|
| Gambling tax     | - | 5 911 | - | 71 004 | - | (71 785) | - | 5 130 |
| Unclaimed prizes | - | 125   | - | 2 704  | - | (2 695)  | - | 134   |
| <b>Totals</b>    | - | 6 036 | - | 73 708 | - | (74 480) | - | 5 264 |

#### Distribution to Recreation and Sport Fund

|                  |   |    |   |     |   |        |   |    |
|------------------|---|----|---|-----|---|--------|---|----|
| Gambling tax     | - | 11 | - | 111 | - | ( 109) | - | 13 |
| Unclaimed prizes | - | -  | - | 1   | - | ( 1)   | - | -  |
| <b>Totals</b>    | - | 11 | - | 112 | - | ( 110) | - | 13 |

### 24. Cash flow reconciliation

|                                                                                                       | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>Reconciliation of cash and cash equivalents at the end of the reporting period:</b>                |                |                |
| Cash and cash equivalents disclosed in the Statement of Financial Position                            | 51 842         | 46 563         |
| Balance as per the Statement of Cash Flows                                                            | 51 842         | 46 563         |
| <b>Reconciliation of net cash provided by operating activities to net cost of providing services:</b> |                |                |
| <b>Net cash provided by (used in) operating activities</b>                                            | 5 279          | 177            |
| Less: Revenues from SA Government                                                                     | (3 300)        | (4 360)        |
| Less: Unclaimed prizes distribution provided                                                          | 2 705          | 2 256          |
| <b>Add (less): non-cash items</b>                                                                     |                |                |
| Depreciation and amortisation expense                                                                 | ( 30)          | (2 859)        |
| Net (gain) loss on disposal of non-current assets                                                     | -              | (2 906)        |
| Increase (decrease) in carrying value of defined benefit superannuation plan net liability            | 219            | ( 190)         |
| <b>Movement in assets / liabilities</b>                                                               |                |                |
| Increase(decrease) in receivables                                                                     | 1 333          | (1 742)        |
| (Increase)decrease in payables (including undistributed funds)                                        | (5 055)        | 4 297          |
| (Increase)decrease in employee benefits                                                               | 169            | 1 469          |
| (Increase)decrease in other liabilities                                                               | (3 596)        | (5 780)        |
| <b>Net cost of providing services</b>                                                                 | (2 276)        | (9 638)        |

## Lotteries Commission of South Australia

### 25. Financial risk management

The Commission is exposed to a variety of financial risks, including market risk, credit risk and liquidity risk.

Risk management is carried out by all areas of the organisation and risk management policies and practices are in accordance with the Australian Risk Management Standards and a corporate policy approved by the Commission.

The Commission has non-interest bearing assets (cash at bank, cash on hand and receivables) and liabilities (payables and other liabilities). The maturity of financial assets and liabilities are disclosed separately in the relevant notes: current items mature in less than 12 months; non-current items mature in more than 12 months.

The Commission's exposure to cash flow interest risk is minimal.

The Commission's exposure to credit risk is minimal. The major portion of monies owing relates to the operation of SA Lotteries' brands and products by Tatts as the Master Agent. It is not anticipated that parties will fail to discharge their obligations. The Commission has policies and procedures in place to ensure that transactions occur with parties with appropriate credit history.

Liquidity risk arises where an organisation is unable to meet its financial obligations as and when they fall due. The Commission has consistent and stable cash flows from the SA Government, which means its exposure to liquidity risk is minimal. The Commission's exposure to liquidity risk is insignificant based on current expectations regarding risk.

### 26. Superannuation

#### (a) Description of significant events

The Plan was terminated effective 30 September 2014 with all defined benefit liabilities in the Plan crystallised at this date and the employee's entitlements transferred to an accumulation fund of their choice. This is considered a "settlement" under AASB 119.

The amount transferred for each member from the defined benefit assets to employees' accumulation account balances was the deferred leaving service benefit. As the transfer amount was equal to the present value of the defined benefit obligation, determined at 30 September 2014, the transfer has not resulted in any settlement gains or losses.

#### (b) Reconciliation of the net defined benefit (liability)/asset

|                                                                        | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------------------------------------------|----------------|----------------|
| <b>Net defined benefit (liability)/asset at start of year</b>          | <b>( 219)</b>  | <b>( 561)</b>  |
| Current service cost                                                   | ( 115)         | ( 269)         |
| Net interest                                                           | -              | ( 13)          |
| Past service cost                                                      | -              | ( 138)         |
| Actual return on plan assets less interest income                      | ( 64)          | 430            |
| Actuarial losses (gains) arising from changes in financial assumptions | -              | 142            |
| Actuarial losses (gains) arising from liability experience             | ( 118)         | ( 40)          |
| Employer contributions                                                 | 516            | 230            |
| <b>Net defined benefit asset/(liability) at end of year</b>            | <b>-</b>       | <b>( 219)</b>  |



## Lotteries Commission of South Australia

### (c) Reconciliation of the fair value of plan assets

|                                                                 | 2015         | 2014         |
|-----------------------------------------------------------------|--------------|--------------|
|                                                                 | \$'000       | \$'000       |
| <b>Fair value of plan assets at beginning of financial year</b> | <b>4 106</b> | <b>7 670</b> |
| Interest income                                                 | 19           | 183          |
| Actual return on Plan assets less interest income               | ( 64)        | 430          |
| Employer contributions                                          | 516          | 230          |
| Contributions by plan participants                              | 9            | 80           |
| Benefits paid                                                   | -            | (4 357)      |
| Taxes, premiums and expenses paid                               | ( 181)       | ( 131)       |
| Transfers in                                                    | -            | 1            |
| Settlements                                                     | (4 405)      | -            |
| <b>Fair value of plan assets at end of financial year</b>       | <b>-</b>     | <b>4 106</b> |

### (d) Reconciliation of the defined benefit obligation

|                                                                                   | 2015         | 2014         |
|-----------------------------------------------------------------------------------|--------------|--------------|
|                                                                                   | \$'000       | \$'000       |
| <b>Present value of defined benefit obligation at beginning of financial year</b> | <b>4 325</b> | <b>8 231</b> |
| Current service cost                                                              | 115          | 269          |
| Interest cost                                                                     | 19           | 196          |
| Contributions by plan participants                                                | 9            | 80           |
| Actuarial losses (gains) arising from changes in financial assumptions            | -            | ( 142)       |
| Actuarial losses (gains) arising from liability experience                        | 118          | 40           |
| Benefits paid                                                                     | -            | (4 357)      |
| Taxes, premiums and expenses paid                                                 | ( 181)       | ( 131)       |
| Transfers in                                                                      | -            | 1            |
| Past service cost                                                                 | -            | 138          |
| Settlements                                                                       | (4 405)      | -            |
| <b>Present value of defined benefit obligation at end of financial year</b>       | <b>-</b>     | <b>4 325</b> |

### (e) Significant actuarial assumptions at the reporting date

|                                                                  | 2015     | 2014     |
|------------------------------------------------------------------|----------|----------|
| <b>Assumptions to determine defined benefit cost</b>             |          |          |
| Discount rate                                                    | 3.50% pa | 3.50% pa |
| Expected salary increase rate                                    | 3.00% pa | 3.50% pa |
| <b>Assumptions to determine defined benefit obligation (DBO)</b> |          |          |
| Discount rate                                                    | n/a      | 3.50% pa |
| Expected salary increase rate                                    | n/a      | 3.00% pa |

## Lotteries Commission of South Australia

### 27. Transactions with SA Government

As required by APS 4.1 of Accounting Policy Framework II *General Purpose Financial Statements Framework*, the following table discloses revenues, expenses, receivables and payables where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

| Note                                                                                                             | SA Government  |                | Non-SA Government |                | Total          |                |
|------------------------------------------------------------------------------------------------------------------|----------------|----------------|-------------------|----------------|----------------|----------------|
|                                                                                                                  | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000    | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>EXPENSES</b>                                                                                                  |                |                |                   |                |                |                |
| 4. <b>Employee benefits expenses</b>                                                                             | 165            | 446            | 1 452             | 6 812          | 1 617          | 7 258          |
| 6. <b>Supplies and services</b>                                                                                  |                |                |                   |                |                |                |
| External audit fees                                                                                              | 135            | 185            | -                 | -              | 135            | 185            |
| Operating leases                                                                                                 | 150            | 161            | -                 | 1 001          | 150            | 1 162          |
| Internal audit fees                                                                                              | -              | -              | 131               | 171            | 131            | 171            |
| Computer operations                                                                                              | 58             | 24             | 24                | 1 662          | 82             | 1 686          |
| Other                                                                                                            | 17             | 25             | 48                | 241            | 65             | 266            |
| Consultancies                                                                                                    | -              | -              | 52                | 26             | 52             | 26             |
| Other occupancy costs                                                                                            | 1              | 3              | 33                | 463            | 34             | 466            |
| Training costs                                                                                                   | 1              | 1              | 13                | 7              | 14             | 8              |
| Marketing and promotions                                                                                         | -              | -              | 13                | 14             | 13             | 14             |
| Motor vehicle fleet costs                                                                                        | -              | 56             | -                 | -              | -              | 56             |
| <b>Total supplies and services</b>                                                                               | 362            | 455            | 314               | 3 585          | 676            | 4 040          |
| 7. <b>Master Agent fee</b>                                                                                       | -              | -              | 53 437            | 53 739         | 53 437         | 53 739         |
| <b>TOTAL EXPENSES (excluding depreciation and amortisation and net loss from disposal of non-current assets)</b> | 527            | 901            | 55 203            | 64 136         | 55 730         | 65 037         |
| <b>INCOME</b>                                                                                                    |                |                |                   |                |                |                |
| 11. <b>Sales revenue</b>                                                                                         | -              | -              | 441 658           | 428 860        | 441 658        | 428 860        |
| 12. <b>Cost of sales</b>                                                                                         |                |                |                   |                |                |                |
| Prizes                                                                                                           | -              | -              | (268 206)         | (257 226)      | (268 206)      | (257 226)      |
| Gambling tax on NGR                                                                                              | (71 115)       | (70 372)       | -                 | -              | (71 115)       | (70 372)       |
| Agents' commissions                                                                                              | -              | -              | (33 132)          | (31 919)       | (33 132)       | (31 919)       |
| GST on NGR paid to the ATO                                                                                       | -              | -              | (15 768)          | (15 604)       | (15 768)       | (15 604)       |
| <b>Total cost of sales</b>                                                                                       | (71 115)       | (70 372)       | (317 106)         | (304 749)      | (388 221)      | (375 121)      |
| 13. <b>Other revenues</b>                                                                                        | 12             | 2 557          | 35                | 4 868          | 47             | 7 425          |
| 14. <b>Revenues from SA Government</b>                                                                           | 3 300          | 4 360          | -                 | -              | 3 300          | 4 360          |
| <b>TOTAL INCOME (excluding net gain from disposal of non-current assets)</b>                                     | (67 803)       | (63 455)       | 124 587           | 128 979        | 56 784         | 65 524         |
| 16. <b>Receivables</b>                                                                                           |                |                |                   |                |                |                |
| <b>Current</b>                                                                                                   |                |                |                   |                |                |                |
| Prize settlements receivable from Blocs                                                                          | -              | -              | 4 226             | 837            | 4 226          | 837            |
| Agent debtors                                                                                                    | -              | -              | 623               | 2 416          | 623            | 2 416          |
| Sundry receivables                                                                                               | 5              | -              | 533               | 795            | 538            | 795            |
| Prepayments                                                                                                      | 4              | 5              | -                 | -              | 4              | 5              |
| <b>Total current receivables</b>                                                                                 | 9              | 5              | 5 382             | 4 048          | 5 391          | 4 053          |



## Lotteries Commission of South Australia

| Note                              | SA Government |              | Non-SA Government |               | Total         |               |
|-----------------------------------|---------------|--------------|-------------------|---------------|---------------|---------------|
|                                   | 2015          | 2014         | 2015              | 2014          | 2015          | 2014          |
|                                   | \$'000        | \$'000       | \$'000            | \$'000        | \$'000        | \$'000        |
| <b>18. Payables</b>               |               |              |                   |               |               |               |
| <b>Current</b>                    |               |              |                   |               |               |               |
| Creditors and accrued expenses    | 141           | 372          | 51                | 128           | 192           | 500           |
| Prizes payable                    | -             | -            | 19 515            | 12 946        | 19 515        | 12 946        |
| GST payable                       | -             | -            | 446               | 636           | 446           | 636           |
| Undistributed funds               | 5 277         | 6 047        | -                 | -             | 5 277         | 6 047         |
| Employment on-costs               | 30            | 23           | 6                 | 21            | 36            | 44            |
| <b>Total current payables</b>     | <b>5 448</b>  | <b>6 442</b> | <b>20 018</b>     | <b>13 731</b> | <b>25 466</b> | <b>20 173</b> |
| <b>Non-current</b>                |               |              |                   |               |               |               |
| Prizes payable                    | -             | -            | 900               | 1 125         | 900           | 1 125         |
| Employment on-costs               | 1             | 5            | -                 | 4             | 1             | 9             |
| <b>Total non-current payables</b> | <b>1</b>      | <b>5</b>     | <b>900</b>        | <b>1 129</b>  | <b>901</b>    | <b>1 134</b>  |
| <b>Total payables</b>             | <b>5 449</b>  | <b>6 447</b> | <b>20 918</b>     | <b>14 860</b> | <b>26 367</b> | <b>21 307</b> |

## Lotteries Commission of South Australia

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### Certification of the Financial Statements

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We certify that the attached general purpose financial statements for the Lotteries Commission of South Australia:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987* and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Lotteries Commission of South Australia; and
- present a true and fair view of the financial position of the Lotteries Commission of South Australia as at 30 June 2015 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Lotteries Commission of South Australia for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.

  
**David Hardy**  
Commissioner  
**Lesa Lum**  
Senior Management Accountant

18 September 2015



## INDEPENDENT AUDITOR'S REPORT



Government of South Australia  
Auditor-General's Department

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### To the Commissioner Lotteries Commission of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 18A(2) of the *State Lotteries Act 1966*, I have audited the accompanying financial report of the Lotteries Commission of South Australia for the financial year ended 30 June 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Commissioner and Senior Management Accountant.

### The responsibility of the Commissioner for the Financial Report

The Commissioner is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Commissioner determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

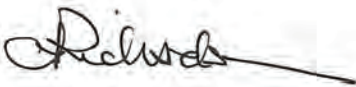
My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commissioner, as well as the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the Lotteries Commission of South Australia as at 30 June 2015, 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.

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal stroke extending to the right.

Andrew Richardson  
**Auditor-General**  
18 September 2015



# Motor Accident Commission

Financial report  
for the year ended  
30 June 2015

**MOTOR ACCIDENT COMMISSION  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2015**

|                                                 |      | CTP              |                  | MAC              |                  |
|-------------------------------------------------|------|------------------|------------------|------------------|------------------|
|                                                 | Note | 2015<br>\$'000   | 2014<br>\$'000   | 2015<br>\$'000   | 2014<br>\$'000   |
| Premium revenue                                 | 5    | 432,744          | 513,470          | 432,744          | 513,470          |
| Outwards reinsurance expense                    |      | (3,087)          | (5,738)          | (3,087)          | (5,738)          |
| <b>Net premium</b>                              |      | <b>429,657</b>   | <b>507,732</b>   | <b>429,657</b>   | <b>507,732</b>   |
| Claims expense                                  | 6    | (122,080)        | (112,802)        | (122,080)        | (112,802)        |
| Reinsurance and other recoveries                | 5    | 1,096            | (889)            | 1,096            | (889)            |
| <b>Net claims</b>                               | 22   | <b>(120,984)</b> | <b>(113,691)</b> | <b>(120,984)</b> | <b>(113,691)</b> |
| Unexpired risk expense                          | 10   | 9,157            | (25,325)         | 9,157            | (25,325)         |
| Other underwriting expenses                     | 7    | (113,426)        | (122,716)        | (113,332)        | (122,690)        |
| Contributions                                   | 8    | -                | (122,300)        | -                | (122,300)        |
| <b>Underwriting profit (loss)</b>               |      | <b>204,404</b>   | <b>123,700</b>   | <b>204,498</b>   | <b>123,726</b>   |
| Investment revenue                              | 5    | 55,755           | 54,102           | 55,482           | 53,872           |
| Other revenue                                   | 5    | -                | 2,803            | (10)             | 2,813            |
| Investment management fee                       |      | (8,491)          | (9,020)          | (8,491)          | (9,020)          |
| <b>Net investment revenue</b>                   |      | <b>47,264</b>    | <b>47,885</b>    | <b>46,981</b>    | <b>47,665</b>    |
| <b>Net Result before market value movements</b> |      | <b>251,668</b>   | <b>171,585</b>   | <b>251,479</b>   | <b>171,391</b>   |
| Investment market value movements               | 5    | 173,114          | 311,964          | 173,114          | 311,964          |
| <b>Net result</b>                               |      | <b>424,782</b>   | <b>483,549</b>   | <b>424,593</b>   | <b>483,355</b>   |
| <b>Total comprehensive result</b>               |      | <b>424,782</b>   | <b>483,549</b>   | <b>424,593</b>   | <b>483,355</b>   |

The net result and total comprehensive result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.



**MOTOR ACCIDENT COMMISSION  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2015**

|                                             |      | CTP              |                  | MAC              |                  |
|---------------------------------------------|------|------------------|------------------|------------------|------------------|
|                                             | Note | 2015<br>\$'000   | 2014<br>\$'000   | 2015<br>\$'000   | 2014<br>\$'000   |
| <b>Current Assets</b>                       |      |                  |                  |                  |                  |
| Cash                                        | 26   | 25,680           | 15,788           | 26,680           | 16,569           |
| Receivables                                 | 9    | 7,233            | 11,246           | 7,323            | 11,309           |
| Reinsurance and other recoveries receivable | 11   | 2,187            | 2,295            | 2,187            | 2,295            |
| Other financial assets                      | 12   | 187,299          | 279,137          | 187,299          | 279,137          |
| Prepayments                                 |      | 15,810           | 17,245           | 15,810           | 17,245           |
| Other assets                                | 13   | 348              | -                | 348              | -                |
| <b>Total Current Assets</b>                 |      | <b>238,557</b>   | <b>325,711</b>   | <b>239,647</b>   | <b>326,555</b>   |
| <b>Non-Current Assets</b>                   |      |                  |                  |                  |                  |
| Receivables                                 | 9    | 500              | 400              | -                | -                |
| Reinsurance and other recoveries receivable | 11   | 8,660            | 9,599            | 8,660            | 9,599            |
| Other financial assets                      | 12   | 2,031,408        | 2,576,830        | 2,031,408        | 2,576,830        |
| Investment property                         | 14   | 603,750          | 599,500          | 603,750          | 599,500          |
| Property, plant and equipment               | 15   | -                | -                | 755              | 648              |
| <b>Total Non-Current Assets</b>             |      | <b>2,644,318</b> | <b>3,186,329</b> | <b>2,644,573</b> | <b>3,186,577</b> |
| <b>Total Assets</b>                         |      | <b>2,882,875</b> | <b>3,512,040</b> | <b>2,884,220</b> | <b>3,513,132</b> |
| <b>Current Liabilities</b>                  |      |                  |                  |                  |                  |
| Payables                                    | 16   | 9,189            | 10,378           | 9,055            | 10,070           |
| Unearned income                             | 17   | 144,758          | 139,009          | 144,758          | 139,009          |
| Outstanding claims                          | 18   | 361,850          | 450,101          | 361,852          | 450,103          |
| Unexpired risk liability                    | 10   | 1,455            | 2,022            | 1,455            | 2,022            |
| Provisions                                  | 20   | 9,900            | -                | 10,352           | 406              |
| <b>Total Current Liabilities</b>            |      | <b>527,152</b>   | <b>601,510</b>   | <b>527,472</b>   | <b>601,610</b>   |
| <b>Non-Current Liabilities</b>              |      |                  |                  |                  |                  |
| Unearned income                             | 17   | 1,712            | 1,777            | 1,712            | 1,777            |
| Outstanding claims                          | 18   | 1,516,129        | 1,633,143        | 1,516,191        | 1,633,193        |
| Unexpired risk liability                    | 10   | 14,713           | 23,303           | 14,713           | 23,303           |
| Provisions                                  | 20   | -                | 1,020            | 829              | 1,639            |
| <b>Total Non-Current Liabilities</b>        |      | <b>1,532,554</b> | <b>1,659,243</b> | <b>1,533,445</b> | <b>1,659,912</b> |
| <b>Total Liabilities</b>                    |      | <b>2,059,706</b> | <b>2,260,753</b> | <b>2,060,917</b> | <b>2,261,522</b> |
| <b>Net Assets</b>                           |      | <b>823,169</b>   | <b>1,251,287</b> | <b>823,303</b>   | <b>1,251,610</b> |
| <b>Equity</b>                               |      |                  |                  |                  |                  |
| Retained earnings                           |      | 823,169          | 1,251,287        | 823,303          | 1,251,610        |
| <b>Total Equity</b>                         |      | <b>823,169</b>   | <b>1,251,287</b> | <b>823,303</b>   | <b>1,251,610</b> |

The Total Equity is attributable to the SA Government as owner.

|                                   |    |
|-----------------------------------|----|
| Commitments                       | 24 |
| Contingent assets and liabilities | 28 |

The above statement should be read in conjunction with the accompanying notes.

**MOTOR ACCIDENT COMMISSION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2015**

|                                                                        | CTP              |                 | MAC              |                 |
|------------------------------------------------------------------------|------------------|-----------------|------------------|-----------------|
|                                                                        | 2015             | 2014            | 2015             | 2014            |
|                                                                        | \$'000           | \$'000          | \$'000           | \$'000          |
| <b>Cash Flows from Operating Activities</b>                            |                  |                 |                  |                 |
| Cash receipts from CTP insurance premiums                              | 479,800          | 523,410         | 479,800          | 523,410         |
| Other cash receipts in the course of operations                        | 2,318            | 2,725           | 2,308            | 2,735           |
| Cash received from sale of property                                    | -                | 31,025          | -                | 31,025          |
| Cash payments in settlement of claims                                  | (353,519)        | (385,323)       | (353,519)        | (385,323)       |
| Lifetime Support Scheme Contribution                                   | -                | (41,500)        | -                | (41,500)        |
| Road Safety Contribution                                               | -                | (100,000)       | -                | (100,000)       |
| Other cash payments in the course of operations                        | (133,653)        | (156,892)       | (133,220)        | (156,332)       |
| Interest and other investment income                                   | 764,346          | 89,976          | 764,376          | 90,002          |
| <b>Net Cash inflows/(outflows) from Operating Activities (Note 26)</b> | <b>759,292</b>   | <b>(36,579)</b> | <b>759,745</b>   | <b>(35,983)</b> |
| <b>Cash Flows from Investing Activities</b>                            |                  |                 |                  |                 |
| Payment for property, plant and equipment                              | -                | -               | (234)            | (31)            |
| <b>Net Cash outflows from Investing Activities</b>                     | <b>-</b>         | <b>-</b>        | <b>(234)</b>     | <b>(31)</b>     |
| <b>Cash Flows from Financing Activities</b>                            |                  |                 |                  |                 |
| Return of capital                                                      | (852,900)        | -               | (852,900)        | -               |
| <b>Net Cash outflows from Financing Activities</b>                     | <b>(852,900)</b> | <b>-</b>        | <b>(852,900)</b> | <b>-</b>        |
| Net change in cash held                                                | (93,608)         | (36,579)        | (93,389)         | (36,014)        |
| Cash at the beginning of the year                                      | 278,269          | 314,848         | 279,050          | 315,064         |
| <b>Cash at the end of the year (Notes 2(q), 26)</b>                    | <b>184,661</b>   | <b>278,269</b>  | <b>185,661</b>   | <b>279,050</b>  |

The above statement should be read in conjunction with the accompanying notes.



**MOTOR ACCIDENT COMMISSION  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2015**

|                                               | <b>Note</b> | <b>CTP<br/>S'000</b> | <b>MAC<br/>S'000</b> |
|-----------------------------------------------|-------------|----------------------|----------------------|
| Retained Earnings at 30 June 2013             |             | 767,738              | 768,255              |
| <b>Total Comprehensive Result for 2013/14</b> |             | 483,549              | 483,355              |
| Retained Earnings at 30 June 2014             |             | <b>1,251,287</b>     | <b>1,251,610</b>     |
| <b>Total Comprehensive Result for 2014/15</b> |             | <b>424,782</b>       | <b>424,593</b>       |
| Return of capital                             | 23          | (852,900)            | (852,900)            |
| Balance as at 30 June 2015                    |             | <b>823,169</b>       | <b>823,303</b>       |

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

The above statement should be read in conjunction with the accompanying notes.

**MOTOR ACCIDENT COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**1 ACTIVITIES OF THE MOTOR ACCIDENT COMMISSION**

The Motor Accident Commission's (MAC and / or the Commission) principal activity is the underwriting of Compulsory Third Party (CTP) Insurance in South Australia.

Effective 1 July 2013, a new CTP Insurance Scheme was implemented by MAC which included a series of reforms designed to improve the Scheme's affordability, deliver a consistent compensation system for those injured in a motor vehicle crash and promote optimal recovery for injured people.

The SA Government has announced that it will open the provision of Compulsory Third Party (CTP) insurance to the private sector in South Australia from July 2016. As part of this initiative, MAC will end its role as the sole provider of CTP insurance in South Australia and this will allow MAC to cease writing new CTP insurance policies and run off its claims against policies issued up to and including 30 June 2016. MAC will continue its role as Nominal Defendant and with the promotion of road safety awareness through its non-commercial community programs. These include sponsorship of road safety research and the delivery of communications aimed at safer road user behaviour.

**2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

MAC has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial report has been prepared with MAC being treated as a Not for Profit entity. The financial report contains consolidated financial statements for MAC and the MAC CTP Fund (CTP) for the year ended 30 June 2015. The financial statements of MAC and the MAC CTP Fund are prepared for the same reporting period, using consistent accounting policies. All intra-group balances, transactions, income and expenses are eliminated in full.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian accounting standards and comply with Treasurer's Instructions (TI) and accounting policy statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

In the interest of public accountability and transparency, the accounting policy statements require the following note disclosure, which have been included in this financial report:

- i) *revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within 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 equal to or greater than the base executive remuneration (within \$10 000 bandwidths) and the aggregate of the remuneration level paid or payable or otherwise made available, directly or indirectly by the entity to those employees; and*
- iv) *board/committee member and remuneration information where a board/committee member is entitled to receive income from membership other than a direct out of pocket reimbursement.*

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by MAC for the reporting period ending 30 June 2015. Refer to Note 3.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for Other financial assets and Investment properties which are valued in accordance with the valuation policy applicable.

**(b) Premium Revenue**

The earned portion of premiums received and receivable, is recognised as revenue. Premium is treated as earned from the date of attachment of risk. Unearned premium is determined by apportioning the premiums written prior to year-end on a daily pro-rata basis.



**MOTOR ACCIDENT COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**(c) Investment Income**

Fees and discounts are amortised over the period to which they relate. Interest is taken to income on an earned basis. Investment income is reported after deducting costs and expenses relating to management, operation and maintenance of the investment portfolio.

**(d) Outwards Reinsurance**

Premiums paid to reinsurers are recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance is treated at balance date as a prepayment.

**(e) Claims**

Claims expense and a liability for outstanding claims are recognised in respect of the direct insurance and inwards reinsurance businesses. The liability covers claims reported but not yet paid, incurred but not reported (IBNR) claims, the anticipated direct and indirect costs of settling those claims and estimated reinsurance and other insurance recoveries. Claims outstanding are based on average or individual claim file estimates, with IBNRs and settlement costs calculated using statistics from past experience and trends.

- i) *CTP Claims* - The liability for outstanding CTP claims is measured as the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation. The expected future payments are discounted to present value at balance date and a margin is included to provide sufficient confidence that the provision is adequate. The outstanding claims liability is subject to actuarial assessment.

A risk margin is added to the outstanding claims provision to increase the probability that the net liability is adequately provided to a sufficiency level of 80%.

- ii) *Other Claims* - In the insurance and inwards reinsurance businesses, delays occur in the notification of information normally used in the calculation of claims provisions. The directors, having due consideration for the nature of the risks involved and any material event that would adversely affect the operating results, have provided an amount for claims in the accounts that is sufficient to cover known events and at the same time, assist to maintain prudential reserves.

**(f) Reinsurance and Other Recoveries Receivable**

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and IBNRs are recognised as revenue. Recoveries receivable used in the calculation of claims provisions are brought to account where they can be reliably measured. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims.

**(g) Unexpired Risk**

AASB 1023 'General Insurance Contracts' requires an assessment of the net unearned premium reserve to ensure that it is at least equal to the future claims expense, inclusive of a prudential margin and associated claims management expenses. If this is not so, then additional provisioning is included such that this condition is met.

An assessment of the expected future claims relating to the unexpired risk period represented by the unearned premium has been undertaken by the Actuaries as at 30 June 2015.

In order to meet the Liability Adequacy Test (LAT), additional provisioning is included at a probability of sufficiency of 80%.

**(h) Collection Charges**

Costs incurred in obtaining and recording policies of insurance are recognised as collection costs and have been brought to account during the financial year as they do not represent a future benefit.



**MOTOR ACCIDENT COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**(i) Levies and Charges**

A liability for levies and charges is recognised on business written to balance date. Levies and charges payable by MAC are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment, which is the Licence Fee payable to Revenue SA.

**(j) Receivables**

**i) Trade Debtors**

Trade debtors principally relate to premiums collected by the Department for Planning, Transport & Infrastructure (DPTI), an agent of MAC, not yet passed over to the CTP Fund. The settlement of these amounts occurs within seven working days.

**ii) Investment Debtors**

Investment debtors consists of interest and rental due on other investments.

The collectability of debts is assessed at balance date and specific allowance is made for any doubtful debts. The carrying amount of receivables approximates fair value due to being receivable on demand.

**(k) Other Financial Assets**

AASB1023 requires that assets backing insurance liabilities are to be measured at fair value with any changes in value taken to the Statement of Comprehensive Income. All assets of an investment nature held by the CTP Fund are considered to be for the purpose of backing insurance liabilities.

**i) Unit Trusts**

The bulk of MAC's investment portfolio is held with Funds SA, the SA State Government investment body. These investments are held via unit trusts in a range of asset classes. Market quotations are used as the valuation basis for these units.

**ii) Property Securities**

By market quotations as at 30 June 2015.

**iii) Other Investments**

Other investments are valued based on current economic conditions, market interest rates and the latest available information on the investments as considered appropriate by the directors.

**(l) Investment Properties**

Investment Properties are properties which are held for long term rental yields or for capital appreciation or both. Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties. The 2015 revaluations were based on independent assessments made by members of the Australian Property Institute.

Changes in fair value are recognised in the Statement of Comprehensive Income. Rental income is recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease.

**(m) Employee Benefits**

A liability for employee benefits has been accrued at 30 June 2015.

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

*Salaries and wages, annual leave, SERL and sick leave*

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

The annual leave liability and the SERL is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.



**MOTOR ACCIDENT COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

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

*Long service leave*

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

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities across the government sector. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

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

*Superannuation*

MAC makes contributions to SA 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 (SASB) or external schemes.

**(n) Taxation**

MAC is an income tax exempt organisation pursuant to Section 24AK of the *Income Tax Assessment Act 1936*.

MAC is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, land tax and local government rates.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (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; and
- receivables and payables, which are stated with the amount of GST included.

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

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

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

**(o) Property, Plant and Equipment**

MAC has adopted the fair value method of valuing its property, plant and equipment assets. Plant and equipment and building fitout are recorded at cost (a proxy for fair value) and depreciated over their estimated useful lives. The rates of depreciation are detailed below. Land and buildings are treated as investments and are consequently not subject to depreciation.

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

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

| <b>Asset Class</b>  | <b>Depreciation Method</b> | <b>Depreciation Rate</b>        |
|---------------------|----------------------------|---------------------------------|
| Plant and equipment | Diminishing Value          | 20%                             |
| Building fitout     | Straight Line              | Over the remaining useful life. |
| Other               | Straight Line              | 10%                             |



**MOTOR ACCIDENT COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**(p) Payables**

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

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

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

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

Employee benefits on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

The carrying amount of payables approximates fair value due to amounts owing being payable on demand.

**(q) Cash**

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call.

**(r) Provision for Incentive Payment**

A liability for payment of a Financial Outcome Measure (FOM) incentive to Allianz has been accrued at 30 June 2015. Payment of the incentive is based on Allianz's performance in reducing the cost of claims over the period from 1 January 2014 to 30 June 2015, compared to benchmarks in accordance with the terms of the CTP Services Contract.

**(s) Rounding**

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

**(t) Interest in a Jointly Controlled Property**

MAC has a 50% interest in a jointly controlled property at 400 George Street, Brisbane. MAC recognises its interest in the jointly controlled property by recognising its share of liabilities, expenses and income from the use and output of the jointly controlled property.

**(u) Events after the Reporting Date**

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

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

**3 CHANGES IN ACCOUNTING POLICIES**

The Commission did not voluntarily change any of its accounting policies during the year.

Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by MAC for the reporting period ending 30 June 2015. MAC has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements.



**MOTOR ACCIDENT COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

| 4 | NET RESULT                                                                          | CTP            |                | MAC            |                |
|---|-------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|   |                                                                                     | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
|   | Net result is arrived at after crediting and charging the following specific items: |                |                |                |                |
|   | <b>Credits</b>                                                                      |                |                |                |                |
|   | Interest received/receivable                                                        | 9,625          | 14,562         | 9,655          | 14,588         |
|   | <b>Charges</b>                                                                      |                |                |                |                |
|   | Amounts set aside to provide for:                                                   |                |                |                |                |
|   | - Employee benefits                                                                 | -              | -              | 267            | 209            |
|   | - Depreciation of property, plant and equipment                                     | -              | -              | 127            | 97             |
| 5 | REVENUE                                                                             |                |                |                |                |
|   | Premium revenue                                                                     |                |                |                |                |
|   | - Direct                                                                            | 432,744        | 513,470        | 432,744        | 513,470        |
|   |                                                                                     | <b>432,744</b> | <b>513,470</b> | <b>432,744</b> | <b>513,470</b> |
|   | Reinsurance and other recoveries                                                    |                |                |                |                |
|   | - Other                                                                             | 1,096          | (889)          | 1,096          | (889)          |
|   |                                                                                     | <b>1,096</b>   | <b>(889)</b>   | <b>1,096</b>   | <b>(889)</b>   |
|   | Investment revenue                                                                  |                |                |                |                |
|   | - Interest                                                                          | 9,625          | 11,780         | 9,655          | 11,806         |
|   | - Rentals                                                                           | 45,814         | 42,189         | 45,511         | 41,933         |
|   | - Profit – investments realised                                                     | 316            | 133            | 316            | 133            |
|   |                                                                                     | <b>55,755</b>  | <b>54,102</b>  | <b>55,482</b>  | <b>53,872</b>  |
|   | Investment market value movements – unrealised gains/(losses)                       |                |                |                |                |
|   | - Fixed Interest                                                                    | 27,549         | 29,854         | 27,549         | 29,854         |
|   | - Equities                                                                          | 99,917         | 178,251        | 99,917         | 178,251        |
|   | - Properties                                                                        | 2,014          | 19,758         | 2,014          | 19,758         |
|   | - Other                                                                             | 43,634         | 84,101         | 43,634         | 84,101         |
|   |                                                                                     | <b>173,114</b> | <b>311,964</b> | <b>173,114</b> | <b>311,964</b> |
|   | Other revenue                                                                       |                |                |                |                |
|   | - Foreign exchange gains/(losses)                                                   | -              | -              | (10)           | 1              |
|   | - Other                                                                             | -              | 2,803          | -              | 2,812          |
|   |                                                                                     | <b>-</b>       | <b>2,803</b>   | <b>(10)</b>    | <b>2,813</b>   |
|   |                                                                                     | <b>662,709</b> | <b>881,450</b> | <b>662,426</b> | <b>881,230</b> |

**MOTOR ACCIDENT COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**6 CLAIMS EXPENSE**

|                                     | CTP            |                | MAC            |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2015           | 2014           | 2015           | 2014           |
|                                     | \$'000         | \$'000         | \$'000         | \$'000         |
| Claims paid*                        | 327,346        | 359,924        | 327,346        | 359,924        |
| Claims provision adjustment         | (147,561)      | (282,005)      | (147,561)      | (282,005)      |
| Adjustment for economic assumptions | (57,705)       | 34,883         | (57,705)       | 34,883         |
|                                     | <b>122,080</b> | <b>112,802</b> | <b>122,080</b> | <b>112,802</b> |

\* Claims paid includes supplies and services paid or payable to SA Government entities as follows:

|                                          |       |       |
|------------------------------------------|-------|-------|
| Ambulance and helicopter rescue services | 6,095 | 6,095 |
|------------------------------------------|-------|-------|

|                                      | CTP            |                | MAC            |                |
|--------------------------------------|----------------|----------------|----------------|----------------|
|                                      | 2015           | 2014           | 2015           | 2014           |
|                                      | \$'000         | \$'000         | \$'000         | \$'000         |
| <b>7 OTHER UNDERWRITING EXPENSES</b> |                |                |                |                |
| Management expenses *                | 53,143         | 55,793         | 53,049         | 55,767         |
| Levies and charges **                | 48,783         | 55,423         | 48,783         | 55,423         |
| Collection charges **                | 11,500         | 11,500         | 11,500         | 11,500         |
|                                      | <b>113,426</b> | <b>122,716</b> | <b>113,332</b> | <b>122,690</b> |

\* Management expenses include supplies and services paid or payable to SA Government entities as follows:

|                                 |       |       |
|---------------------------------|-------|-------|
| Corporate support services      | 230   | 2,975 |
| Road safety supplies & services | 2,031 | 1,807 |

\*\* In relation to Levies and charges and Collection charges, the entire amount was paid or payable to SA Government entities.

**8 CONTRIBUTIONS**

|                         |   |                |   |                |
|-------------------------|---|----------------|---|----------------|
| Road Safety             | - | 100,000        | - | 100,000        |
| Lifetime Support Scheme | - | 22,300         | - | 22,300         |
|                         | - | <b>122,300</b> | - | <b>122,300</b> |

In 2013-14, MAC made a contribution of \$100 million towards a dedicated fund to be used for road safety initiatives with a particular focus on the treatment of Black Spots. The payment was required by the Treasurer pursuant to section 25(5)(d) of the Motor Accident Commission Act 1992 for road safety initiatives to the Government in accordance with the functions and objectives under section 14(1)(d) of the MAC Act. Payment of this amount was made to the Department of Treasury and Finance in the 2013/14 financial year.

In addition in January 2014, Cabinet approved the payment by MAC of \$41.5 million in transitional funding to the Lifetime Support Authority (LSA). Of the amount payable to the LSA, \$19.2 million related to a reduction in MAC's unearned premium reserve as at 30 June 2014. The remaining amount of \$22.3 million was payable to fund their 'no fault' claim costs. Payment of these amounts also occurred in the 2013/14 financial year.



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| 9 RECEIVABLES                        | CTP            |                | MAC            |                |
|--------------------------------------|----------------|----------------|----------------|----------------|
|                                      | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>Current</b>                       |                |                |                |                |
| Trade debtors                        | 4,131          | 5,316          | 4,146          | 5,329          |
| Other debtors                        | -              | -              | 74             | 49             |
|                                      | <b>4,131</b>   | <b>5,316</b>   | <b>4,220</b>   | <b>5,378</b>   |
| Investment debtors                   | 3,102          | 5,930          | 3,103          | 5,931          |
|                                      | <b>3,102</b>   | <b>5,930</b>   | <b>3,103</b>   | <b>5,931</b>   |
| <b>Total Current Receivables</b>     | <b>7,233</b>   | <b>11,246</b>  | <b>7,323</b>   | <b>11,309</b>  |
| <b>Non-Current</b>                   |                |                |                |                |
| Payroll Advance                      | 500            | 400            | -              | -              |
| <b>Total Non-Current Receivables</b> | <b>500</b>     | <b>400</b>     | <b>-</b>       | <b>-</b>       |
| <b>Total Receivables</b>             | <b>7,733</b>   | <b>11,646</b>  | <b>7,323</b>   | <b>11,309</b>  |

Investment debtors consists of interest and rent due on investments.

Other debtors generally arise from transactions outside the usual operating activities of the Commission.

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**10 UNEXPIRED RISK LIABILITY**

AASB 1023 requires a Liability Adequacy Test (LAT) which is an assessment of the net unearned premium reserve to ensure that it is at least equal to the future claims expense, inclusive of a prudential margin and associated claims management expenses. If this is not so, then additional provisioning is included such that this condition is met.

An assessment of the expected future claims relating to the unexpired risk period represented by the unearned premium has been undertaken by the Actuaries as at 30 June 2015.

|                                                    | CTP            |                | MAC            |                |
|----------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                    | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| Central estimate of present value of future claims | 112,100        | 113,600        | 112,100        | 113,600        |
| Risk margin                                        | 18,200         | 18,400         | 18,200         | 18,400         |
| Other expenses                                     | 16,800         | 17,000         | 16,800         | 17,000         |
| <b>Present value of expected future claims</b>     | <b>147,100</b> | <b>149,000</b> | <b>147,100</b> | <b>149,000</b> |
| Unearned premium liability                         | 146,470        | 140,568        | 146,470        | 140,568        |
| Related reinsurance asset                          | 272            | 352            | 272            | 352            |
| Prepaid licence fees                               | (15,810)       | (17,245)       | (15,810)       | (17,245)       |
|                                                    | <b>130,932</b> | <b>123,675</b> | <b>130,932</b> | <b>123,675</b> |
| <b>Unexpired risk liability</b>                    | <b>16,168</b>  | <b>25,325</b>  | <b>16,168</b>  | <b>25,325</b>  |

In order to meet the Liability Adequacy Test (LAT), additional provisioning for the premium liability has been included at a probability of sufficiency of 80% (2014: 80%) which results in a risk margin of 14.1% (2014: 14.1%). This risk margin is based on MAC's claims experience and the Actuaries knowledge of industry practice for CTP insurance portfolios which they consider are appropriate for MAC. As MAC has only one class of insurance, no allowance has been made for diversification of insurance classes.

|                                 |               |               |               |               |
|---------------------------------|---------------|---------------|---------------|---------------|
| <b>Unexpired Risk Liability</b> |               |               |               |               |
| Opening balance                 | 25,325        | -             | 25,325        | -             |
| Unexpired risk expense          | (9,157)       | 25,325        | (9,157)       | 25,325        |
| <b>Closing balance</b>          | <b>16,168</b> | <b>25,325</b> | <b>16,168</b> | <b>25,325</b> |
| <b>Unexpired risk liability</b> |               |               |               |               |
| - Current                       | 1,455         | 2,022         | 1,455         | 2,022         |
| - Non-current                   | 14,713        | 23,303        | 14,713        | 23,303        |
| <b>Total liability</b>          | <b>16,168</b> | <b>25,325</b> | <b>16,168</b> | <b>25,325</b> |



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**11 REINSURANCE AND OTHER RECOVERIES RECEIVABLE**

|                                                    | CTP           |               | MAC           |               |
|----------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                    | 2015          | 2014          | 2015          | 2014          |
|                                                    | \$'000        | \$'000        | \$'000        | \$'000        |
| Expected future recoveries (undiscounted)          | 11,901        | 13,400        | 11,901        | 13,400        |
| Discount to present value *                        | (1,054)       | (1,506)       | (1,054)       | (1,506)       |
| <b>Reinsurance and other recoveries receivable</b> | <b>10,847</b> | <b>11,894</b> | <b>10,847</b> | <b>11,894</b> |
| Reinsurance and other recoveries receivable        |               |               |               |               |
| - Current                                          | 2,187         | 2,295         | 2,187         | 2,295         |
| - Non-current                                      | 8,660         | 9,599         | 8,660         | 9,599         |
|                                                    | <b>10,847</b> | <b>11,894</b> | <b>10,847</b> | <b>11,894</b> |

\*Refer to Note 18(b) for details of the inflation and discount rates used in the determination of this discounting adjustment.

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**12 OTHER FINANCIAL ASSETS**

|                                                  | CTP              |                  | MAC              |                  |
|--------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                  | 2015<br>\$'000   | 2014<br>\$'000   | 2015<br>\$'000   | 2014<br>\$'000   |
| <b>Current</b>                                   |                  |                  |                  |                  |
| Fixed interest                                   |                  |                  |                  |                  |
| - Cash and deposits                              | 158,981          | 262,481          | 158,981          | 262,481          |
| - Cash - Unit trust                              | 13,797           | 3,983            | 13,797           | 3,983            |
| - Fixed interest - Unit trust                    | 14,521           | 12,673           | 14,521           | 12,673           |
| <b>Total Current Other Financial Assets</b>      | <b>187,299</b>   | <b>279,137</b>   | <b>187,299</b>   | <b>279,137</b>   |
| <b>Non-Current</b>                               |                  |                  |                  |                  |
| Fixed interest                                   |                  |                  |                  |                  |
| - Fixed interest - Unit trust                    | 711,547          | 620,972          | 711,547          | 620,972          |
| Equities                                         |                  |                  |                  |                  |
| - Australian equities - Unit trust               | 219,757          | 494,096          | 219,757          | 494,096          |
| - International equities - Unit trust            | 216,174          | 504,380          | 216,174          | 504,380          |
| - Absolute return - Unit trust                   | 34,660           | 30,968           | 34,660           | 30,968           |
| Other                                            |                  |                  |                  |                  |
| - Internal inflation linked - Unit trust         | 55,281           | 169,819          | 55,281           | 169,819          |
| - MAC infrastructure - Unit trust                | 133,855          | 122,358          | 133,855          | 122,358          |
| - MAC diversified strategies income - Unit trust | 660,134          | 634,237          | 660,134          | 634,237          |
| <b>Total Non-Current Other Financial Assets</b>  | <b>2,031,408</b> | <b>2,576,830</b> | <b>2,031,408</b> | <b>2,576,830</b> |
| <b>Total Other Financial Assets</b>              | <b>2,218,707</b> | <b>2,855,967</b> | <b>2,218,707</b> | <b>2,855,967</b> |

**13 OTHER ASSETS**

|                                           |     |   |     |   |
|-------------------------------------------|-----|---|-----|---|
| Rescue Retrieval & Aviation Services Base | 348 | - | 348 | - |
|-------------------------------------------|-----|---|-----|---|

During the year, the MAC Board agreed to fund the establishment of an emergency medical retrieval service facility on leased land at the Adelaide Airport to a value of approximately \$12.0 million. Work on the project has commenced and the amount brought to account reflects work in progress to date. The Board has now agreed to pursue transfer of responsibility for construction of the building to the Department of Health via a Memorandum of Administrative Arrangement. Negotiations with the Department of Health are currently underway.



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| 14 INVESTMENT PROPERTY                      | CTP            |                | MAC            |                |
|---------------------------------------------|----------------|----------------|----------------|----------------|
|                                             | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| <b>At Fair Value</b>                        |                |                |                |                |
| Balance at 1 July                           | 599,500        | 608,400        | 599,500        | 608,400        |
| Disposals                                   | -              | (31,000)       | -              | (31,000)       |
| Capitalised subsequent expenditure          | 2,236          | 2,342          | 2,236          | 2,342          |
| Net (loss)/gain from fair value adjustments | 2,014          | 19,758         | 2,014          | 19,758         |
| <b>Balance at 30 June</b>                   | <b>603,750</b> | <b>599,500</b> | <b>603,750</b> | <b>599,500</b> |

**Fair value hierarchy**

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. MAC categorises non-financial assets measured at fair value into the hierarchy based on the level of inputs used in measurement.

Fair value measurements for Investment property recognised in the Statement of Financial Position as at 30 June 2015 are all classified as level 2 being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price.

**Valuation basis**

Valuation techniques used to derive level 2 fair values are detailed as follows. There were no changes in valuation techniques during 2015. Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties. The revaluations were based on independent assessments made by members of the Australian Property Institute.

**Amounts recognised in the Statement of Comprehensive Income for investment property**

|                                |               |               |               |               |
|--------------------------------|---------------|---------------|---------------|---------------|
| Rental income                  | 60,165        | 59,381        | 59,862        | 59,125        |
| Direct operating expenses      | (14,351)      | (17,192)      | (14,351)      | (17,192)      |
| <b>Total amount recognised</b> | <b>45,814</b> | <b>42,189</b> | <b>45,511</b> | <b>41,933</b> |

**Leasing arrangements**

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

|                                                  |                |                |                |                |
|--------------------------------------------------|----------------|----------------|----------------|----------------|
| Not later than one year                          | 49,422         | 48,474         | 49,422         | 48,474         |
| Later than one year but no later than five years | 171,554        | 189,505        | 171,554        | 189,505        |
| Later than five years                            | 74,559         | 105,019        | 74,559         | 105,019        |
|                                                  | <b>295,535</b> | <b>342,998</b> | <b>295,535</b> | <b>342,998</b> |

These operating leases are not recognised in the Statement of Financial Position as assets.

The non-cancellable leases are property leases with numerous tenants for a variety of terms where the rent is payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by various methods including CPI, fixed increases and to market. In some cases options exist to renew the leases at the end of the term of the leases. We have utilised the calculations provided by our valuers to determine the commitments under non-cancellable operating leases as at 30 June 2015. In determining those figures, our valuers have calculated their figures consistent with AASB117.

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| 15 PROPERTY, PLANT AND EQUIPMENT          | CTP            |                | MAC            |                |
|-------------------------------------------|----------------|----------------|----------------|----------------|
|                                           | 2015<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
| Building Fitout                           | -              | -              | 1,012          | 784            |
| Accumulated depreciation                  | -              | -              | (337)          | (225)          |
|                                           | -              | -              | <b>675</b>     | <b>559</b>     |
| Plant and equipment                       | -              | -              | 115            | 108            |
| Accumulated depreciation                  | -              | -              | (60)           | (47)           |
|                                           | -              | -              | <b>55</b>      | <b>61</b>      |
| Other                                     | -              | -              | 31             | 31             |
| Accumulated depreciation                  | -              | -              | (6)            | (3)            |
|                                           | -              | -              | <b>25</b>      | <b>28</b>      |
| <b>Total Property Plant and Equipment</b> | -              | -              | <b>755</b>     | <b>648</b>     |
| <i><b>Building Fitout</b></i>             |                |                |                |                |
| Carrying amount at beginning of year      | -              | -              | 559            | 634            |
| Additions                                 | -              | -              | 228            | 5              |
| Depreciation                              | -              | -              | (112)          | (80)           |
| <b>Carrying amount at end of year</b>     | -              | -              | <b>675</b>     | <b>559</b>     |
| <i><b>Plant and equipment</b></i>         |                |                |                |                |
| Carrying amount at beginning of year      | -              | -              | 61             | 67             |
| Additions                                 | -              | -              | 6              | 8              |
| Depreciation                              | -              | -              | (12)           | (14)           |
| <b>Carrying amount at end of year</b>     | -              | -              | <b>55</b>      | <b>61</b>      |
| <i><b>Other</b></i>                       |                |                |                |                |
| Carrying amount at beginning of year      | -              | -              | 28             | 13             |
| Additions                                 | -              | -              | -              | 18             |
| Depreciation                              | -              | -              | (3)            | (3)            |
| <b>Carrying amount at end of year</b>     | -              | -              | <b>25</b>      | <b>28</b>      |

**16 PAYABLES**

**Current**

|                        |              |               |              |               |
|------------------------|--------------|---------------|--------------|---------------|
| Creditors and accruals | <b>9,189</b> | <b>10,378</b> | <b>9,055</b> | <b>10,070</b> |
|------------------------|--------------|---------------|--------------|---------------|



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| 17 UNEARNED INCOME                                                                                                                                                                                                                                                                                          | CTP              |                  | MAC              |                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                                                                                                                                                                                                                                                             | 2015<br>\$'000   | 2014<br>\$'000   | 2015<br>\$'000   | 2014<br>\$'000   |
| <b>Current</b>                                                                                                                                                                                                                                                                                              |                  |                  |                  |                  |
| Unearned premium                                                                                                                                                                                                                                                                                            | 144,758          | 138,791          | 144,758          | 138,791          |
| Unearned property income                                                                                                                                                                                                                                                                                    | -                | 218              | -                | 218              |
| <b>Total Current Unearned Income</b>                                                                                                                                                                                                                                                                        | <b>144,758</b>   | <b>139,009</b>   | <b>144,758</b>   | <b>139,009</b>   |
| <b>Non-Current</b>                                                                                                                                                                                                                                                                                          |                  |                  |                  |                  |
| Unearned premium                                                                                                                                                                                                                                                                                            | 1,712            | 1,777            | 1,712            | 1,777            |
| <b>Total Non-Current Unearned Income</b>                                                                                                                                                                                                                                                                    | <b>1,712</b>     | <b>1,777</b>     | <b>1,712</b>     | <b>1,777</b>     |
| <b>Total Unearned Income</b>                                                                                                                                                                                                                                                                                | <b>146,470</b>   | <b>140,786</b>   | <b>146,470</b>   | <b>140,786</b>   |
| <b>18 OUTSTANDING CLAIMS</b>                                                                                                                                                                                                                                                                                |                  |                  |                  |                  |
| a) Expected future claims payments (undiscounted)                                                                                                                                                                                                                                                           | 1,810,059        | 2,051,346        | 1,810,123        | 2,051,398        |
| Risk margin applied (undiscounted)                                                                                                                                                                                                                                                                          | 239,088          | 266,046          | 239,088          | 266,046          |
| Discount to present value - central estimate                                                                                                                                                                                                                                                                | (151,065)        | (207,169)        | (151,065)        | (207,169)        |
| Discount to present value - risk margin applied                                                                                                                                                                                                                                                             | (20,103)         | (26,979)         | (20,103)         | (26,979)         |
| <b>Liability for outstanding claims</b>                                                                                                                                                                                                                                                                     | <b>1,877,979</b> | <b>2,083,244</b> | <b>1,878,043</b> | <b>2,083,296</b> |
| Current                                                                                                                                                                                                                                                                                                     | 361,850          | 450,101          | 361,852          | 450,103          |
| Non-current                                                                                                                                                                                                                                                                                                 | 1,516,129        | 1,633,143        | 1,516,191        | 1,633,193        |
| <b>Liability for outstanding claims</b>                                                                                                                                                                                                                                                                     | <b>1,877,979</b> | <b>2,083,244</b> | <b>1,878,043</b> | <b>2,083,296</b> |
| On 1 July 2013, a new South Australian CTP Scheme came into effect. The New Scheme embodies a series of scheme reforms designed to improve the Scheme's affordability, deliver a consistent compensation system for those injured in a motor vehicle crash and promote optimal recovery for injured people. |                  |                  |                  |                  |
| Old Scheme                                                                                                                                                                                                                                                                                                  | 1,170,578        | 1,683,106        | 1,170,578        | 1,683,106        |
| New Scheme                                                                                                                                                                                                                                                                                                  | 707,401          | 400,138          | 707,401          | 400,138          |
| Non-CTP                                                                                                                                                                                                                                                                                                     | -                | -                | 64               | 52               |
| <b>Liability for outstanding claims</b>                                                                                                                                                                                                                                                                     | <b>1,877,979</b> | <b>2,083,244</b> | <b>1,878,043</b> | <b>2,083,296</b> |
| b) The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:                                                                                                                                                                   |                  |                  |                  |                  |
| For the succeeding year                                                                                                                                                                                                                                                                                     |                  |                  |                  |                  |
| - Inflation rate                                                                                                                                                                                                                                                                                            | 5.50%            | 6.50%            | 5.50%            | 6.50%            |
| - Discount rate                                                                                                                                                                                                                                                                                             | 2.50%            | 3.10%            | 2.50%            | 3.10%            |
| For subsequent years                                                                                                                                                                                                                                                                                        |                  |                  |                  |                  |
| - Inflation rate                                                                                                                                                                                                                                                                                            | 5.50%            | 6.50%            | 5.50%            | 6.50%            |
| - Discount rate                                                                                                                                                                                                                                                                                             | 2.50%            | 3.10%            | 2.50%            | 3.10%            |
| c) The weighted average expected term to settlement of the outstanding claims from balance date is estimated to be:                                                                                                                                                                                         | 3.4 years        | 3.3 years        | 3.4 years        | 3.3 years        |

The method of calculating outstanding claims is set out in detail in Note 2(e).

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**18 OUTSTANDING CLAIMS (continued)**

The claims provision for the Compulsory Third Party Fund as at 30 June 2015 has been reviewed by the Fund Actuary, Gillian Harrex BEc, FIAA of Finity Consulting Pty Limited. The directors have adopted a central estimate plus a risk margin as determined by the Actuaries to achieve an 80% probability that the provision will prove adequate. An overall risk margin of 13% (2014: 13%) has been applied and is derived using the framework established by the Actuaries Institute. As MAC only includes one class of insurance, no allowance has been made for diversification of insurance classes.

For Inwards Reinsurance, the directors have adopted an internal valuation of the estimated outstanding liability.

**Sensitivity analysis**

There is considerable uncertainty inherent in the estimation of the outstanding claims liability and in particular there is uncertainty attached to:

- a) the actual impact of the CTP legislative changes effective 1 July 2013 and the commencement of the Lifetime Support Scheme (LSS) from 1 July 2014. The key risks include:
  - estimating the claims frequency and the number of claim settlements; and
  - estimating the impact of tort reform on the ultimate cost of claims.
- b) large claims, given their potential to cause significant one-off effects on the valuation and the difficulty in estimating future large claims experience;
- c) future inflation and superimposed inflation. While the claims environment has been benign for some years, it is possible for some level of claims cost escalation to emerge as service providers (particularly solicitors) adjust to the New Scheme environment.

The relative financial sensitivity of the outstanding claims provision to changes in the key valuation assumptions is illustrated in the following table. The sensitivities shown should not be considered to be equally probable, nor are they mutually exclusive. Furthermore, they do not represent upper or lower bounds of all possible outcomes.

| Change in Model parameters                                 | Impact on Provision |           |
|------------------------------------------------------------|---------------------|-----------|
|                                                            | %                   | \$'000    |
| Change in Valuation Assumption:                            |                     |           |
| For accidents from 1 July 2009 to 30 June 2013:            |                     |           |
| - average size of attritional claims increased by 15%      | 4.3                 | 80,200    |
| - average size of large claims increased by 18%            | 4.4                 | 83,500    |
| For accidents after 30 June 2013:                          |                     |           |
| - number of claims involving a settlement decreased by 25% | (6.2)               | (117,000) |
| - average size of attritional claims increased by 15%      | 4.3                 | 80,700    |
| - average size of large claims increased by 18%            | 1.4                 | 25,900    |
| Number of large claims increased by 9% to 152              | 0.5                 | 10,300    |
| Discount rate increased from 2.5% to 3.0% p.a.             | (1.7)               | (31,100)  |
| Discount rate decreased from 2.5% to 2.0% p.a.             | 1.7                 | 31,800    |
| Superimposed inflation rate increased from 2.0% to 3.0%    | 3.1                 | 57,700    |
| Superimposed inflation rate increased from 2.0% to 1.0%    | (2.9)               | (55,400)  |



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**18 OUTSTANDING CLAIMS**

**Claims Development**

|                                                                            | 2006      | 2007      | 2008      | 2009      | 2010      | 2011      | 2012      | 2013      | 2014     | 2015     | Total            |
|----------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|----------|------------------|
|                                                                            | \$'000    | \$'000    | \$'000    | \$'000    | \$'000    | \$'000    | \$'000    | \$'000    | \$'000   | \$'000   | \$'000           |
| <b>Net ultimate claims cost estimate</b>                                   |           |           |           |           |           |           |           |           |          |          |                  |
| At end of accident year                                                    | 354,460   | 382,329   | 426,940   | 444,156   | 459,249   | 483,650   | 492,426   | 514,693   | 400,476  | 338,287  |                  |
| One year later                                                             | 355,875   | 386,338   | 394,295   | 426,282   | 458,570   | 469,417   | 488,162   | 461,742   | 373,095  |          |                  |
| Two years later                                                            | 352,055   | 378,015   | 397,754   | 433,527   | 440,122   | 466,825   | 432,909   | 429,302   |          |          |                  |
| Three years later                                                          | 364,139   | 380,349   | 397,925   | 411,612   | 426,006   | 429,090   | 423,085   |           |          |          |                  |
| Four years later                                                           | 379,637   | 383,684   | 394,421   | 408,503   | 400,245   | 409,690   |           |           |          |          |                  |
| Five years later                                                           | 380,167   | 369,627   | 383,942   | 366,346   | 353,942   |           |           |           |          |          |                  |
| Six years later                                                            | 376,103   | 361,341   | 355,010   | 335,156   |           |           |           |           |          |          |                  |
| Seven years later                                                          | 367,193   | 354,025   | 361,708   |           |           |           |           |           |          |          |                  |
| Eight years later                                                          | 355,234   | 343,858   |           |           |           |           |           |           |          |          |                  |
| Nine years later                                                           | 341,660   |           |           |           |           |           |           |           |          |          |                  |
| Current est. of net ultimate claims cost                                   | 341,660   | 343,858   | 361,708   | 335,156   | 353,942   | 409,690   | 423,085   | 429,302   | 373,095  | 338,287  |                  |
| Cumulative payments                                                        | (323,001) | (313,360) | (313,716) | (288,482) | (276,903) | (246,611) | (180,141) | (113,885) | (40,606) | (29,261) |                  |
| Net undiscounted claims liability for the ten most recent accident years   | 18,659    | 30,498    | 47,992    | 46,674    | 77,039    | 163,079   | 242,944   | 315,417   | 332,489  | 309,026  | <b>1,583,817</b> |
| Discount to present value                                                  | (1,550)   | (2,425)   | (3,564)   | (3,278)   | (5,401)   | (11,497)  | (17,448)  | (24,428)  | (33,645) | (31,131) | <b>(134,367)</b> |
| Net discounted claims liability for the ten most recent accident years     | 17,109    | 28,073    | 44,428    | 43,396    | 71,638    | 151,582   | 225,496   | 290,989   | 298,844  | 277,895  | <b>1,449,450</b> |
| <b>Reconciliation</b>                                                      |           |           |           |           |           |           |           |           |          |          |                  |
| Net discounted claims liability for accident years 2004/05 and prior       |           |           |           |           |           |           |           |           |          |          | 90,874           |
| Claims handling expenses                                                   |           |           |           |           |           |           |           |           |          |          | 107,823          |
| Risk margin                                                                |           |           |           |           |           |           |           |           |          |          | 218,985          |
| <b>Net outstanding claims liability</b>                                    |           |           |           |           |           |           |           |           |          |          | <b>1,867,132</b> |
| Gross outstanding claims liability on the statements of financial position |           |           |           |           |           |           |           |           |          |          | 1,877,979        |
| Reinsurance and other recoveries on outstanding claims liability           |           |           |           |           |           |           |           |           |          |          | (10,847)         |
| <b>Net outstanding claims liability</b>                                    |           |           |           |           |           |           |           |           |          |          | <b>1,867,132</b> |

Estimated timing of net cash outflows resulting from recognised insurance liabilities is provided below. This is provided instead of a maturity analysis for financial liabilities showing remaining contractual liabilities.

**Estimated timing of net cashflows**

|                    | Up to 1 year | 2 - 4 years | 5 - 9 years | 10 - 14 years | 15 - 19 years | 20 - 24 years | Later | Total            |
|--------------------|--------------|-------------|-------------|---------------|---------------|---------------|-------|------------------|
|                    | \$'000       | \$'000      | \$'000      | \$'000        | \$'000        | \$'000        |       | \$'000           |
| <b>Liabilities</b> | 359,663      | 954,345     | 450,013     | 82,004        | 19,674        | 1,433         |       | <b>1,867,132</b> |

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**19 INSURANCE CONTRACTS RISK MANAGEMENT**

A key risk from operating in the CTP insurance industry is the exposure to insurance risk arising from underwriting CTP insurance contracts. CTP insurance policies transfer risk to the insurer by indemnifying the policyholders against adverse affects arising from the occurrence of specified uncertain future events. The risk is that the actual amount of claims to be paid in relation to CTP insurance policies will be different to the amount estimated at the time CTP premiums are determined. MAC is exposed to this risk because the price for a policy must be set before the losses relating to the insurance cover are known. Hence the insurance business involves inherent uncertainty. MAC also faces other risks relating to the conduct of the CTP insurance business including financial and capital risks.

A fundamental part of the overall risk management strategy is the effective governance and management of the risks that impact the amount, timing and uncertainty of cash flows arising from insurance policies.

**Risk Management objectives and policies for mitigating insurance risk**

The risk management activities can be broadly separated into underwriting (acceptance and pricing of risk), claims management and investment management. The objective of these risk management functions is to secure the longer term financial performance of the CTP insurance scheme.

The key policies in place to mitigate risks arising from underwriting CTP insurance policies include the following:

*Pricing*

Actuarial models are used which combine historical and projected data to calculate premiums and monitor claims patterns. The data used includes historical pricing, investment behaviours and claims experience and takes account of current market and Scheme trends. All data used is subject to thorough verification and reconciliation processes.

A recommendation in relation to the premiums which MAC may charge is made by an independent body, the Third Party Premiums Committee (TPPC), taking into account actuarial models and having regard to MAC's obligation to seek to achieve and maintain a sufficient level of solvency in the Fund. The CTP Premiums to be charged for each financial year are ultimately determined by Cabinet.

Whilst premiums are set based on assumptions regarding the behaviour of claims and investments during the year, actual claims and investment behaviour often varies from these assumptions and the results achieved by MAC can therefore be affected by a range of factors over which MAC has limited or no control, including variations in economic factors (such as inflation and interest rates) and investment market volatility and directions by the Minister to charge premiums other than those recommended by the TPPC.

*Reinsurance*

The use of reinsurance is to limit exposure to large single claims and accumulation of claims that arise from the same event or the accumulation of similar events. This includes the monitoring of reinsurers' credit risk to control exposure to potential reinsurance counterparty default. All reinsurers are required contractually to have a minimum security Standard & Poor's rating of "A -". MAC's reinsurance broker monitors the Standard & Poor's rating of all panel reinsurers.

*Claims management*

Claim determination is managed by Allianz on behalf of MAC by their employees who possess the requisite degree of experience and competence. It is MAC policy to respond and settle claims quickly whenever possible and to pay claims fairly, in accordance with the law and in line with community and Government expectations.



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**19 INSURANCE CONTRACTS RISK MANAGEMENT (continued)**

*Investment management*

Assets and liabilities are managed so as to correlate the expected pattern of claims payments with the assets that are held to back insurance liabilities. Further information regarding investment related risks is contained in the Notes to the Accounts.

*Risk reduction*

MAC looks to reduce the frequency and severity of claims by investing in community road safety initiatives.

**20 PROVISIONS**

|                                     | CTP          |              | MAC           |              |
|-------------------------------------|--------------|--------------|---------------|--------------|
|                                     | 2015         | 2014         | 2015          | 2014         |
|                                     | \$'000       | \$'000       | \$'000        | \$'000       |
| <b>Current</b>                      |              |              |               |              |
| Employee benefits                   |              |              |               |              |
| - Annual leave                      | -            | -            | 447           | 392          |
| - SERL                              | -            | -            | 5             | 14           |
| Incentive payment                   | 9,900        | -            | 9,900         | -            |
| <b>Total Current Provision</b>      | <b>9,900</b> | <b>-</b>     | <b>10,352</b> | <b>406</b>   |
| <b>Non-Current</b>                  |              |              |               |              |
| Employee benefits                   |              |              |               |              |
| - LSL                               | -            | -            | 829           | 619          |
| Incentive payment                   | -            | 1,020        | -             | 1,020        |
| <b>Total Non-Current Provisions</b> | <b>-</b>     | <b>1,020</b> | <b>829</b>    | <b>1,639</b> |
| <b>Total Provisions</b>             | <b>9,900</b> | <b>1,020</b> | <b>11,181</b> | <b>2,045</b> |

*AASB 119 Employee Benefits* contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth bonds has decreased from 2014 (3.5%) to 2015 (3.0%).

The decrease in the bond yield, which is used as the rate to discount further long service leave cash flows, results in an increase in the reported long service liability.

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

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**21 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES**

**(1) Categorisation of Financial Instruments**

The total carrying amount for all financial assets is equal to the fair value of these assets. Investments in investment properties as detailed in note 14 are classed as level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price. All assets held in unit trusts (excluding inflation linked investments) as detailed in note 12 are classed as a combination of level 1 assets being the fair value that reflect unadjusted quoted prices in active market for identical assets and level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price. All assets held in inflation linked investment unit trusts as detailed in note 12 are classed as a combination of level 1 assets being the fair value that reflect unadjusted quoted prices in active market for identical assets, level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price and level 3 assets being fair values that are not based on observable market data.

**(2) Derivative Financial Instruments**

Derivatives are defined as financial contracts whose value depend on, or is derived from assets, liabilities, reference rates or indices. They are used to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively.

MAC's external investment managers may from time to time use authorised derivatives to manage portfolio risks and to facilitate the implementation of effective investment strategies. MAC's internal investment team may use authorised derivatives (in the form of a protection strategy), in exceptional circumstances and with the relevant approvals, to reduce the dominant equities risk in the Fund.

The fair values of all derivative positions as at 30 June 2015 are incorporated within the Statement of Financial Position.



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**21 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)**

**(3) Foreign Exchange Risk**

As part of a diversified investment strategy, MAC has funds invested in international markets. MAC's external currency overlay manager for international equities, hedges 50% of the developed markets exposure within international equities to Australian dollars. MAC's external fund managers for International Fixed Income Securities and Infrastructure Securities hedge 100% of this exposure back to Australian dollars. The Global Macro Absolute Return investment is denominated in Australian dollars, but the external fund manager takes active currency positions.

**(4) Interest Rate Risk**

Interest Rate risk is the risk that movements in interest rates will cause the value of fixed interest securities and the discount rate used to calculate MAC's outstanding liabilities, to deviate from expectations. MAC manages interest rate risk by using an appropriate asset / liability duration matching strategy and ensuring that asset allocations for different investment products are consistent with the time horizon for each. The risk is also managed through the use of specialist cash and fixed income investment managers, as well as specialist advice from a Global Insurance Investment Asset Consultant. Furthermore, an Asset Liability Committee and Dynamic Asset Allocation Committee are in place to manage these risks.

MAC's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

|                                         | <b>Floating<br/>interest rate<br/>\$'000</b> | <b>Non-interest<br/>bearing<br/>\$'000</b> | <b>Total<br/>carrying amount<br/>\$'000</b> |
|-----------------------------------------|----------------------------------------------|--------------------------------------------|---------------------------------------------|
| <b>30 June 2015</b>                     |                                              |                                            |                                             |
| <b>Financial Assets</b>                 |                                              |                                            |                                             |
| Cash and deposits                       | 185,661                                      | -                                          | 185,661                                     |
| Receivables                             | -                                            | 7,323                                      | 7,323                                       |
| Cash - Unit trust*                      | -                                            | 13,797                                     | 13,797                                      |
| Fixed interest - Unit trust*            | -                                            | 726,068                                    | 726,068                                     |
| Australian equities - Unit trust*       | -                                            | 219,757                                    | 219,757                                     |
| International equities - Unit trust*    | -                                            | 216,174                                    | 216,174                                     |
| Other - Unit trust*                     | -                                            | 883,930                                    | 883,930                                     |
| <b>Total financial assets</b>           | <b>185,661</b>                               | <b>2,067,049</b>                           | <b>2,252,710</b>                            |
| <b>Weighted average interest rate %</b> | <b>2.70%</b>                                 |                                            |                                             |
| <b>Financial Liabilities</b>            |                                              |                                            |                                             |
| Creditors                               | -                                            | 9,055                                      | 9,055                                       |
| <b>Total financial liabilities</b>      | <b>-</b>                                     | <b>9,055</b>                               | <b>9,055</b>                                |
| <b>Net financial assets</b>             | <b>185,661</b>                               | <b>2,057,994</b>                           | <b>2,243,655</b>                            |

\* Investments are held in unit trusts which are exposed directly to market risk only. Any income derived is directly attributable to market movements.

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**21 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)**

**(4) Interest Rate Risk (continued)**

The entity's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

|                                         | <b>Floating<br/>interest rate<br/>\$'000</b> | <b>Non-interest<br/>bearing<br/>\$'000</b> | <b>Total<br/>carrying amount<br/>\$'000</b> |
|-----------------------------------------|----------------------------------------------|--------------------------------------------|---------------------------------------------|
| <b>30 June 2014</b>                     |                                              |                                            |                                             |
| <b>Financial Assets</b>                 |                                              |                                            |                                             |
| Cash and deposits                       | 279,050                                      | -                                          | 279,050                                     |
| Receivables                             | -                                            | 11,309                                     | 11,309                                      |
| Cash - Unit trust*                      | -                                            | 3,983                                      | 3,983                                       |
| Fixed interest - Unit trust*            | -                                            | 633,645                                    | 633,645                                     |
| Australian equities - Unit trust*       | -                                            | 494,096                                    | 494,096                                     |
| International equities - Unit trust*    | -                                            | 504,380                                    | 504,380                                     |
| Other - Unit trust*                     | -                                            | 957,382                                    | 957,382                                     |
| <b>Total financial assets</b>           | <b>279,050</b>                               | <b>2,604,795</b>                           | <b>2,883,845</b>                            |
| <b>Weighted average interest rate %</b> | <b>2.55%</b>                                 |                                            |                                             |
| <b>Financial Liabilities</b>            |                                              |                                            |                                             |
| Creditors                               | -                                            | 10,070                                     | 10,070                                      |
| <b>Total financial liabilities</b>      | <b>-</b>                                     | <b>10,070</b>                              | <b>10,070</b>                               |
| <b>Net financial assets</b>             | <b>279,050</b>                               | <b>2,594,725</b>                           | <b>2,873,775</b>                            |

\* Investments are held in unit trusts which are exposed directly to market risk only. Any income derived is directly attributable to market movements.

| <b>Reconciliation of Net Financial Assets</b>     | <b>2015<br/>\$'000</b> | <b>2014<br/>\$'000</b> |
|---------------------------------------------------|------------------------|------------------------|
| Net Financial Assets                              | 2,243,655              | 2,873,775              |
| Add - Reinsurance and other recoveries receivable | 10,847                 | 11,894                 |
| - Prepayments                                     | 15,810                 | 17,245                 |
| - Investments - Property assets                   | 603,750                | 599,500                |
| - Property, plant and equipment                   | 755                    | 648                    |
| - Other assets                                    | 348                    | -                      |
| Less - Unearned income                            | (146,470)              | (140,786)              |
| - Outstanding claims                              | (1,878,043)            | (2,083,296)            |
| - Unexpired risk provision                        | (16,168)               | (25,325)               |
| - Provisions                                      | (11,181)               | (2,045)                |
| <b>Net Assets</b>                                 | <b>823,303</b>         | <b>1,251,610</b>       |



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**21 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)**

**(5) Credit Risk**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

*Recognised Financial Instruments*

The carrying amounts of financial assets included in the Statement of Financial Position represent MAC's maximum exposure to credit risk to these assets. MAC minimises concentrations of credit risk by undertaking diversified transactions in a large number of investments through underlying external fund managers and via a closely monitored panel of diversified Bank Groups which are rated (by Standard & Poor's) within the MAC Cash Portfolio. MAC is not materially exposed to any individual counterparty.

The credit risk relating to investments is monitored and assessed, and maximum exposures are limited. The following table provides information regarding the credit risk exposure relating to MAC's interest bearing investments, based on S&P's counterparty credit ratings.

|                                                        |  |                     |           |                     |            |                  |                  |
|--------------------------------------------------------|--|---------------------|-----------|---------------------|------------|------------------|------------------|
| <b>30 June 2015</b>                                    |  | <b>A1+</b>          | <b>A1</b> |                     |            |                  |                  |
| <b>Short Term</b>                                      |  | <b>Allocation %</b> |           |                     |            |                  |                  |
| Cash                                                   |  | 83.5                | 16.5      |                     |            |                  |                  |
| Cash & Deposits                                        |  | 95.6                | 4.4       |                     |            |                  |                  |
| <b>Long Term</b>                                       |  | <b>AAA</b>          | <b>AA</b> | <b>A</b>            | <b>BBB</b> | <b>Below BBB</b> | <b>Not Rated</b> |
|                                                        |  |                     |           | <b>Allocation %</b> |            |                  |                  |
| Internal inflation linked (externally managed portion) |  | 72.9                | 19.5      | 3.6                 | 4.0        | -                | -                |
| Fixed interest                                         |  | 74.4                | 25.6      | -                   | -          | -                | -                |
| Diversified strategies income                          |  | 22.3                | 13.3      | 34.8                | 29.5       | -                | -                |
| <b>30 June 2014</b>                                    |  | <b>A1+</b>          | <b>A1</b> |                     |            |                  |                  |
| <b>Short Term</b>                                      |  | <b>Allocation %</b> |           |                     |            |                  |                  |
| Cash                                                   |  | 86.8                | 13.2      |                     |            |                  |                  |
| Cash & Deposits                                        |  | 85.5                | 14.5      |                     |            |                  |                  |
| <b>Long Term</b>                                       |  | <b>AAA</b>          | <b>AA</b> | <b>A</b>            | <b>BBB</b> | <b>Below BBB</b> | <b>Not Rated</b> |
|                                                        |  |                     |           | <b>Allocation %</b> |            |                  |                  |
| Internal inflation linked (externally managed portion) |  | 76.0                | 16.9      | 2.9                 | 4.2        | -                | -                |
| Fixed interest                                         |  | 76.8                | 23.2      | -                   | -          | -                | -                |
| Diversified strategies income                          |  | 20.3                | 14.6      | 30.9                | 33.5       | 0.7              | -                |

The MAC Cash portfolio is predominately comprised of Term Deposits which are ranked at the top of the capital structure. Term Deposits have statutory priority under the Banking Act 1959 and therefore have lower credit risk than other non-deposit cash instruments.

The MAC Fixed Interest Liability Matched portfolio is comprised of Australian Government and Semi Government Bonds.

The MAC Diversified Strategy Income (DSI) portfolio is in the process of progressively eliminating any exposure to non-investment grade securities (rated less than BBB by S&P). MAC divested from Funds SA DSI and constructed MAC DSI in 2012 in order to eliminate this exposure to non-investment grade securities.

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**21 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)**

**(6) Market Risk**

In addition to the effects of movements in interest rates, the CTP Fund is exposed to market risks influencing investment valuations.

Market risk represents the risk that investment returns generated by different financial markets will be volatile and will deviate from long term expectations over the short / medium term. Market risk analysis is conducted on a regular basis and is conducted on a total portfolio basis.

In managing market risks, MAC aims to reduce the impact of short term fluctuations on the reported result for the period. Over the longer term, sustained variations in economic variables will have an ongoing impact on the reported results. MAC manages the risk of financial market volatility through ensuring a diversity of exposures to different financial markets and sub-markets and via an asset liability matching and dynamic asset allocation process.

The estimated financial impact of changes in interest rates and in the value of equities is shown in the following table. It should be noted that the financial impact on MAC's reported total comprehensive result and equity are the same.

|                                     | Movement<br>in Variable<br>% | Financial Impact |                |
|-------------------------------------|------------------------------|------------------|----------------|
|                                     |                              | 2015<br>\$'000   | 2014<br>\$'000 |
| <b>Interest rates</b>               | (1.0)                        | 66,946           | 69,936         |
|                                     | (0.5)                        | 32,177           | 33,876         |
|                                     | 0.5                          | (29,584)         | (31,690)       |
|                                     | 1.0                          | (56,575)         | (61,196)       |
| <b>Australian equity markets</b>    | (10)                         | (21,976)         | (49,410)       |
|                                     | (5)                          | (10,988)         | (24,705)       |
|                                     | (1)                          | (2,198)          | (4,941)        |
|                                     | 5                            | 10,988           | 24,705         |
|                                     | 10                           | 21,976           | 49,410         |
| <b>International equity markets</b> | (10)                         | (21,617)         | (50,438)       |
|                                     | (5)                          | (10,809)         | (25,219)       |
|                                     | (1)                          | (2,162)          | (5,044)        |
|                                     | 5                            | 10,809           | 25,219         |
|                                     | 10                           | 21,617           | 50,438         |

Changes in Australian and International Equities markets will proportionally affect the values of the Australian and International Equity investments. The currency movement of the AUD will also have an impact on the International Equities portfolio.



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**21 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)**

**(7) Liquidity and Cash Flow Risk**

Liquidity risk is the risk that MAC will not be able to meet its financial obligations as they fall due. The liquidity risks associated with the need to satisfy requests for business cash outflows are mitigated by maintaining sufficient cash reserves to satisfy usual levels of demand. MAC ensures that a very high proportion of the CTP Fund is invested in securities that are actively traded and highly liquid. Liquidity risks are further minimised through trading with approved exchanges and counterparties. An outstanding liabilities cash flow matching process has also been implemented to assist the business in managing future cash flow requirements.

**22 NET CLAIMS INCURRED**

Current period claims relate to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in all previous reporting periods.

|                                            | CTP<br>30-Jun-15          |                          |                 | MAC<br>30-Jun-15          |                          |                 |
|--------------------------------------------|---------------------------|--------------------------|-----------------|---------------------------|--------------------------|-----------------|
|                                            | Current<br>Year<br>\$'000 | Prior<br>Years<br>\$'000 | Total<br>\$'000 | Current<br>Year<br>\$'000 | Prior<br>Years<br>\$'000 | Total<br>\$'000 |
| Gross claims incurred and related expenses |                           |                          |                 |                           |                          |                 |
| - undiscounted                             | 407,312                   | (348,212)                | 59,100          | 407,312                   | (348,212)                | 59,100          |
| Reinsurance and other recoveries           |                           |                          |                 |                           |                          |                 |
| - undiscounted                             | (2,672)                   | 2,015                    | (657)           | (2,672)                   | 2,015                    | (657)           |
| <b>Net claims incurred</b>                 |                           |                          |                 |                           |                          |                 |
| - undiscounted                             | <b>404,640</b>            | <b>(346,197)</b>         | <b>58,443</b>   | <b>404,640</b>            | <b>(346,197)</b>         | <b>58,443</b>   |
| Discount and discount movement             |                           |                          |                 |                           |                          |                 |
| - gross claims incurred                    | (38,227)                  | 101,206                  | 62,979          | (38,227)                  | 101,206                  | 62,979          |
| Discount and discount movement             |                           |                          |                 |                           |                          |                 |
| - reinsurance and other recoveries         | 220                       | (658)                    | (438)           | 220                       | (658)                    | (438)           |
| <b>Net discount movement</b>               | <b>(38,007)</b>           | <b>100,548</b>           | <b>62,541</b>   | <b>(38,007)</b>           | <b>100,548</b>           | <b>62,541</b>   |
| <b>Net claims incurred</b>                 | <b>366,633</b>            | <b>(245,649)</b>         | <b>120,984</b>  | <b>366,633</b>            | <b>(245,649)</b>         | <b>120,984</b>  |

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**22 NET CLAIMS INCURRED (continued)**

|                                            | CTP<br>30-Jun-14          |                          |                 | MAC<br>30-Jun-14          |                          |                 |
|--------------------------------------------|---------------------------|--------------------------|-----------------|---------------------------|--------------------------|-----------------|
|                                            | Current<br>Year<br>\$'000 | Prior<br>Years<br>\$'000 | Total<br>\$'000 | Current<br>Year<br>\$'000 | Prior<br>Years<br>\$'000 | Total<br>\$'000 |
| Gross claims incurred and related expenses |                           |                          |                 |                           |                          |                 |
| - undiscounted                             | 484,450                   | (459,000)                | 25,450          | 484,450                   | (459,000)                | 25,450          |
| Reinsurance and other recoveries           |                           |                          |                 |                           |                          |                 |
| - undiscounted                             | (2,957)                   | 5,043                    | 2,086           | (2,957)                   | 5,043                    | 2,086           |
| <b>Net claims incurred</b>                 |                           |                          |                 |                           |                          |                 |
| - undiscounted                             | <b>481,493</b>            | <b>(453,957)</b>         | <b>27,536</b>   | <b>481,493</b>            | <b>(453,957)</b>         | <b>27,536</b>   |
| Discount and discount movement             |                           |                          |                 |                           |                          |                 |
| - gross claims incurred                    | (57,560)                  | 144,912                  | 87,352          | (57,560)                  | 144,912                  | 87,352          |
| Discount and discount movement             |                           |                          |                 |                           |                          |                 |
| - reinsurance and other recoveries         | 329                       | (1,526)                  | (1,197)         | 329                       | (1,526)                  | (1,197)         |
| <b>Net discount movement</b>               | <b>(57,231)</b>           | <b>143,386</b>           | <b>86,155</b>   | <b>(57,231)</b>           | <b>143,386</b>           | <b>86,155</b>   |
| <b>Net claims incurred</b>                 | <b>424,262</b>            | <b>(310,571)</b>         | <b>113,691</b>  | <b>424,262</b>            | <b>(310,571)</b>         | <b>113,691</b>  |



**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**23 RETURN OF CAPITAL**

|                   | CTP       |        | MAC       |        |
|-------------------|-----------|--------|-----------|--------|
|                   | 2015      | 2014   | 2015      | 2014   |
|                   | \$'000    | \$'000 | \$'000    | \$'000 |
| Return of capital | (852,900) | -      | (852,900) | -      |

MAC made a payment of \$852.9 million in 2014-15 to the State Government's Highway Fund, an account maintained by the Department of Planning, Transport and Infrastructure in accordance with the Public Finance and Audit Act 1987. The payment was a return of net surplus capital as required by the Treasurer pursuant to section 26(2) of the Motor Accident Commission Act 1992.

**24 COMMITMENTS**

**Operational expenditure commitments**

*Road Safety and Sponsorship expenditure \**

Committed but not provided for and payable:

|                                                  |              |              |              |              |
|--------------------------------------------------|--------------|--------------|--------------|--------------|
| Not later than one year                          | 2,515        | 5,549        | 2,515        | 5,549        |
| Later than one year but no later than five years | 776          | 2,641        | 776          | 2,641        |
|                                                  | <b>3,291</b> | <b>8,190</b> | <b>3,291</b> | <b>8,190</b> |

\* The amounts indicated above are contract amounts and do not allow for CPI adjustments.

*Management agreements*

MAC's contractual arrangements with Allianz Australia Insurance Limited (AAL) for the provision of the claims management operations of the Fund expire on 30 June 2016. The initial contract arrangement with AAL commenced on 1 July 2003. The base management fee payable each year to AAL until the contract period concludes has been supplemented with an Incentive Fee arrangement. AAL is part of Allianz AG.

MAC does not have any contingent liabilities or commitments in relation to the jointly controlled property at 400 George Street, Brisbane.

**25 AUDITORS' REMUNERATION**

Amounts received or due and receivable for auditing the accounts of  
MAC:

|                                |            |            |            |            |
|--------------------------------|------------|------------|------------|------------|
| - Auditor-General's Department | <b>105</b> | <b>112</b> | <b>117</b> | <b>124</b> |
|--------------------------------|------------|------------|------------|------------|

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of 'Other underwriting expenses' (refer to note 7)

**MOTOR ACCIDENT COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**26 CASH FLOW RECONCILIATION**

|                                                                                                       | CTP            |                 | MAC            |                 |
|-------------------------------------------------------------------------------------------------------|----------------|-----------------|----------------|-----------------|
|                                                                                                       | 2015<br>\$'000 | 2014<br>\$'000  | 2015<br>\$'000 | 2014<br>\$'000  |
| <b>1) Reconciliation of cash</b>                                                                      |                |                 |                |                 |
| Cash                                                                                                  | 25,680         | 15,788          | 26,680         | 16,569          |
| Deposits at call                                                                                      | 158,981        | 262,481         | 158,981        | 262,481         |
|                                                                                                       | <b>184,661</b> | <b>278,269</b>  | <b>185,661</b> | <b>279,050</b>  |
| <b>2) Reconciliation of net cash inflows/(outflows) from operating activities</b>                     |                |                 |                |                 |
| Total comprehensive result                                                                            | 424,782        | 483,549         | 424,593        | 483,355         |
| Add/(less) non-cash items:                                                                            |                |                 |                |                 |
| - Depreciation                                                                                        | -              | -               | 127            | 97              |
| - (Profit) Loss on sale and revaluation to market value of investments                                | (173,430)      | (312,089)       | (173,430)      | (312,089)       |
| Increase in taxes payable and provisions                                                              | -              | -               | (62)           | (5)             |
| <b>Net cash inflows/(outflows) from operating activities before changes in assets and liabilities</b> | <b>251,352</b> | <b>171,460</b>  | <b>251,228</b> | <b>171,358</b>  |
| Change in assets and liabilities                                                                      |                |                 |                |                 |
| - (Inc)/dec in investments                                                                            | 705,768        | 62,593          | 705,768        | 62,593          |
| - (Inc)/dec in other assets                                                                           | (348)          | -               | (348)          | -               |
| - (Inc)/dec in receivables                                                                            | 3,281          | 6,574           | 3,964          | 6,642           |
| - Inc/(dec) in payables and provisions                                                                | (2,227)        | 22,006          | (2,345)        | 22,638          |
| - Inc/(dec) in outstanding claims                                                                     | (204,218)      | (243,716)       | (204,206)      | (243,718)       |
| - Inc/(dec) in unearned premium                                                                       | 5,684          | (55,496)        | 5,684          | (55,496)        |
| <b>Net cash (outflows)/inflows from operating activities</b>                                          | <b>759,292</b> | <b>(36,579)</b> | <b>759,745</b> | <b>(35,983)</b> |



**MOTOR ACCIDENT COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**27 SUFFICIENT LEVEL OF SOLVENCY**

Sub-section 14(3) of the *Motor Accident Commission Act 1992* defines as one of the principal objectives of the Commission, the objective of achieving and maintaining a Sufficient Level of Solvency in the CTP Fund. A revised formula to calculate a Sufficient Level of Solvency was issued by the Treasurer on 21 June 2013 and subsequently published in The South Australian Government Gazette. The formula specifies that the Fund will have a Sufficient Level of Solvency if its assets exceed the sum of the Fund's liabilities plus 10% of the outstanding claims liabilities, 10% of the premium liabilities provision and 10% of the investments in equities and property.

As at 30 June 2015, the Sufficient Solvency target was \$2,383.0 million (2014: \$2,659.1 million) which compares to the Fund's assets of \$2,882.9 million (2014: \$3,512.0 million) and this equates to 121.0% (2014: 132.1%) of the required level of Sufficient Solvency.

In recent years, there has been significant movement in MAC's solvency, which demonstrates the potential volatility of the CTP Fund on an annual basis and its dependence on strong investment market returns to achieve and maintain Sufficient Solvency.

The Sufficient Solvency Target has created a prudential reserve for MAC which has allowed it to remain in a strong net asset position (\$823.3m). The Sufficient Solvency Target has therefore fulfilled its role of underpinning the viability of the CTP Fund.

The accounts are prepared on a going concern basis after consideration of the following issues:

- The Fund reports positive net assets as at 30 June 2015;
- The Fund's investment strategy ensures adequate liquidity to meet liabilities as and when they fall due;
- The Fund's investment strategy is designed to assist in maintaining Sufficient Solvency; and
- MAC is supported by a Government guarantee pursuant to sub-section 21(1) of the *Motor Accident Commission Act 1992*.

**28 CONTINGENT ASSETS AND LIABILITIES**

Insurance underwriting by its very nature has liabilities contingent upon certain events occurring which give rise to a claim under the policy of insurance. All of the known and expected claims in respect of events that have occurred up to balance date have been accounted for in the preparation of these financial statements. Occasionally certain claims may require legal judgment to determine a suitable settlement. The result of such legal arbitration may result in a liability to the Commission different to that incorporated in these accounts.

**MOTOR ACCIDENT COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**29 CONSULTANTS**

The number and value of consultancies paid /payable that fell within the following bandwidths during the financial year were:

|                | MAC    |        |        |        |
|----------------|--------|--------|--------|--------|
|                | 2015   |        | 2014   |        |
|                | Number | \$'000 | Number | \$'000 |
| Below \$10,000 | 7      | 27     | 14     | 59     |
| Above \$10,000 | 19     | 4,211  | 31     | 7,131  |

**30 DIRECTORS' REMUNERATION**

The names of each person holding the position of director of MAC during the financial year are:

|                                     |               |                                     |
|-------------------------------------|---------------|-------------------------------------|
| J H Brown                           | W M Griggs    | Y Sneddon                           |
| R A Cook (Retired 30 June 2015)     | J T Hazel     | P L White (Resigned 11 August 2014) |
| K O Foley (Appointed 7 August 2014) | R A Korotcoff |                                     |

|                                                                                                               | 2015   | 2014   |
|---------------------------------------------------------------------------------------------------------------|--------|--------|
|                                                                                                               | \$'000 | \$'000 |
| Total remuneration paid or payable, or otherwise made available, to all directors of MAC from the Commission: | 358    | 385    |

The number of directors of MAC whose remuneration received or receivable from the Commission falls within the following bands:

|                     | 2015   | 2014   |
|---------------------|--------|--------|
|                     | Number | Number |
| \$0 - \$9,999       | 2      | 1      |
| \$30,000 - \$39,999 | -      | 1      |
| \$40,000 - \$49,999 | 1      | -      |
| \$50,000 - \$59,999 | 4      | 5      |
| \$80,000 - \$89,999 | 1      | 1      |

Directors of MAC receive remuneration in the form of statutory fees. In accordance with the Department of the Premier & Cabinet circular No. 016, government employees did not receive any remuneration from the Commission for Board or Committee duties during the financial year.

**Superannuation and retirement benefits**

Directors of MAC are not paid superannuation or retirement benefits for their activities associated with MAC other than the amount set aside by the Commission in compliance with the Superannuation Guarantee Charge of \$31,000 (2014: \$33,000).



**MOTOR ACCIDENT COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**31 REMUNERATION OF EMPLOYEES**

|                                            | <b>2015</b>   | <b>2014</b>   |
|--------------------------------------------|---------------|---------------|
|                                            | <b>\$'000</b> | <b>\$'000</b> |
| Salaries & Wages                           | 4,911         | 3,999         |
| LSL                                        | 211           | 122           |
| Annual Leave                               | 56            | 83            |
| SERL                                       | -             | 4             |
| Employment on-costs - superannuation       | 464           | 417           |
| Employment on-costs - other                | 330           | 288           |
| Board & committee fees                     | 359           | 385           |
| <b>Total employee remuneration expense</b> | <b>6,331</b>  | <b>5,298</b>  |

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

|                                  | <b>Number</b> | <b>Number</b> |
|----------------------------------|---------------|---------------|
| \$141,500 - \$151,499            | -             | 1             |
| \$151,500 - \$161,499            | 2             | 2             |
| \$161,500 - \$171,499            | 3             | 2             |
| \$201,500 - \$211,499            | -             | 1             |
| \$231,500 - \$241,499            | 2             | -             |
| \$261,500 - \$271,499            | 2             | 1             |
| \$281,500 - \$291,499            | 1             | -             |
| \$331,500 - \$341,499            | 1             | -             |
| \$341,500 - \$351,499            | 1             | -             |
| \$391,500 - \$401,499            | -             | 1             |
| <b>Total number of employees</b> | <b>12</b>     | <b>8</b>      |

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$2.8 million (2014 \$1.7 million).

**32 RELATED PARTIES**

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

**Directors' transactions with the Commission**

MAC sold CTP insurance to directors of the Commission or their director-related entities during the year within a normal customer relationship on terms and conditions no more favourable than those available on similar transactions to other members of the public.

The directors of MAC may hold positions in other organisations in which MAC invests or provides funding in the ordinary course of business. The terms and conditions of those transactions with director-related entities are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms' length basis.

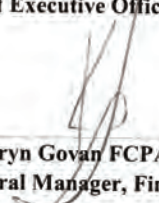
## MOTOR ACCIDENT COMMISSION CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the attached general purpose financial statements for the Motor Accident Commission:

- 1 comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- 2 are in accordance with the accounts and records of the Commission; and
- 3 presents a true and fair view of the financial position of the Commission as at 30 June 2015 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Motor Accident Commission for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.

Signed in accordance with a resolution of the directors.

  
**William (Bill) Griggs AM ASM**  
Chairman  
**Aaron Chia**  
Chief Executive Officer  
**Kathryn Govan FCPA / CSA**  
General Manager, Finance

**Adelaide**

**Dated the 31st day of August 2015**





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**To the Chairman of the Board of Directors  
Motor Accident Commission**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 28(3) of the *Motor Accident Commission Act 1992*, I have audited the accompanying financial report of the Motor Accident Commission for the financial year ended 30 June 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman, the Chief Executive Officer and the General Manager, Finance.

**The Board's Responsibility for the Financial Report**

The Board of Directors of the Motor Accident Commission are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Board of Directors determine necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the Motor Accident Commission as at 30 June 2015, 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.

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

**Auditor-General**

16 September 2015



# Museum Board

Financial report  
for the year ended  
30 June 2015

**Museum Board**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 30 June 2015**

|                                                           | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------------|------|----------------|----------------|
| <b>Expenses</b>                                           |      |                |                |
| Staff benefits                                            | 4    | 7 703          | 7 806          |
| Supplies and services                                     | 6    | 4 355          | 4 323          |
| Accommodation and facilities                              | 7    | 2 885          | 2 884          |
| Depreciation and amortisation                             | 8    | 2 080          | 1 999          |
| Grants                                                    |      | 150            | 7              |
| <b>Total expenses</b>                                     |      | <b>17 173</b>  | <b>17 019</b>  |
| <b>Income</b>                                             |      |                |                |
| Grants                                                    | 9    | 1 358          | 913            |
| Fees and charges                                          | 10   | 503            | 820            |
| Donations and bequests                                    |      | 428            | 465            |
| Donations of heritage assets                              |      | 1 437          | 1 434          |
| Sponsorships                                              | 11   | 268            | 319            |
| Interest and investment income                            | 12   | 183            | 155            |
| Resources received free of charge                         | 14   | 534            | 450            |
| Recoveries                                                |      | 230            | 270            |
| Net gain from the disposal of non-current assets          | 13   | 247            | 52             |
| Sale of goods                                             |      | 1 262          | 1 234          |
| Other income                                              | 15   | 354            | 265            |
| <b>Total income</b>                                       |      | <b>6 804</b>   | <b>6 377</b>   |
| <b>Net cost of providing services</b>                     |      | <b>10 369</b>  | <b>10 642</b>  |
| <b>Revenues from SA Government</b>                        |      |                |                |
| Recurrent operating grant                                 |      | 10 508         | 10 286         |
| Capital grant                                             |      | 563            | 870            |
| <b>Total revenues from SA Government</b>                  |      | <b>11 071</b>  | <b>11 156</b>  |
| <b>Net result</b>                                         |      | <b>702</b>     | <b>514</b>     |
| <b>Other Comprehensive Income</b>                         |      |                |                |
| <i>Items that will not be reclassified to net result:</i> |      |                |                |
| Change in value of land and buildings                     | 17   | -              | 863            |
| <b>Total other comprehensive income</b>                   |      | <b>-</b>       | <b>863</b>     |
| <b>Total comprehensive result</b>                         |      | <b>702</b>     | <b>1 377</b>   |

The net result and total comprehensive result are attributable to the SA Government as owner

*The above statement should be read in conjunction with the accompanying notes*



**Museum Board**  
**STATEMENT OF FINANCIAL POSITION**  
**as at 30 June 2015**

|                                      | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------|------|----------------|----------------|
| <b>Current assets</b>                |      |                |                |
| Cash                                 | 24   | 4 596          | 3 590          |
| Receivables                          | 16   | 590            | 640            |
| Inventories                          |      | 106            | 86             |
| <b>Total current assets</b>          |      | <b>5 292</b>   | <b>4 316</b>   |
| <b>Non-current assets</b>            |      |                |                |
| Receivables                          | 16   | 3              | 10             |
| Property, plant and equipment        | 17   | 40 730         | 42 282         |
| Intangible assets                    | 18   | 104            | 94             |
| Heritage collections                 | 19   | 364 056        | 362 579        |
| Investments                          | 20   | 782            | 947            |
| <b>Total non-current assets</b>      |      | <b>405 675</b> | <b>405 912</b> |
| <b>Total assets</b>                  |      | <b>410 967</b> | <b>410 228</b> |
| <b>Current liabilities</b>           |      |                |                |
| Payables                             | 21   | 764            | 632            |
| Staff benefits                       | 22   | 917            | 950            |
| Provision                            | 23   | 8              | 9              |
| <b>Total current liabilities</b>     |      | <b>1 689</b>   | <b>1 591</b>   |
| <b>Non-current liabilities</b>       |      |                |                |
| Payables                             | 21   | 125            | 133            |
| Staff benefits                       | 22   | 1 395          | 1 430          |
| Provision                            | 23   | 20             | 38             |
| <b>Total non-current liabilities</b> |      | <b>1 540</b>   | <b>1 601</b>   |
| <b>Total liabilities</b>             |      | <b>3 229</b>   | <b>3 192</b>   |
| <b>Net assets</b>                    |      | <b>407 738</b> | <b>407 036</b> |
| <b>Equity</b>                        |      |                |                |
| Revaluation surplus                  |      | 270 498        | 270 498        |
| Retained earnings                    |      | 137 240        | 136 538        |
| <b>Total equity</b>                  |      | <b>407 738</b> | <b>407 036</b> |

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments 25

Contingent assets and liabilities 26

*The above statement should be read in conjunction with the accompanying notes*

**Museum Board**  
**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 30 June 2015**

|                                               | Revaluation<br>surplus | Retained<br>earnings | Total          |
|-----------------------------------------------|------------------------|----------------------|----------------|
|                                               | \$'000                 | \$'000               | \$'000         |
| <b>Balance at 30 June 2013</b>                | <b>269 635</b>         | <b>136 024</b>       | <b>405 659</b> |
| Net result for 2013-14                        | -                      | 514                  | 514            |
| Gain on revaluation of land and buildings     | 863                    | -                    | 863            |
| <b>Total comprehensive result for 2013-14</b> | <b>863</b>             | <b>514</b>           | <b>1 377</b>   |
| <b>Balance at 30 June 2014</b>                | <b>270 498</b>         | <b>136 538</b>       | <b>407 036</b> |
| Net result for 2014-15                        | -                      | 702                  | 702            |
| <b>Total comprehensive result for 2014-15</b> | <b>-</b>               | <b>702</b>           | <b>702</b>     |
| <b>Balance at 30 June 2015</b>                | <b>270 498</b>         | <b>137 240</b>       | <b>407 738</b> |

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

*The above statement should be read in conjunction with the accompanying notes*



**Museum Board**  
**STATEMENT OF CASH FLOWS**  
for the year ended 30 June 2015

|                                                            | Note | 2015<br>\$'000  | 2014<br>\$'000  |
|------------------------------------------------------------|------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                |      |                 |                 |
| <b>Cash outflows</b>                                       |      |                 |                 |
| Staff benefits                                             |      | (7 781)         | (7 685)         |
| Supplies and services                                      |      | (3 975)         | (6 421)         |
| Accommodation and facilities                               |      | (2 885)         | (2 884)         |
| Grants                                                     |      | ( 150)          | ( 7)            |
| GST payments to the ATO                                    |      | ( 90)           | ( 177)          |
| <b>Cash used in operations</b>                             |      | <b>(14 881)</b> | <b>(17 174)</b> |
| <b>Cash inflows</b>                                        |      |                 |                 |
| Grants                                                     |      | 1 416           | 913             |
| Fees and charges                                           |      | 503             | 1 557           |
| Donations and bequests                                     |      | 428             | 465             |
| Sponsorships                                               |      | 234             | 283             |
| Interest and investment income                             |      | 187             | 192             |
| Recoveries                                                 |      | 230             | 270             |
| Sale of goods                                              |      | 1 471           | 1 234           |
| Other                                                      |      | 354             | 463             |
| <b>Cash generated from operations</b>                      |      | <b>4 823</b>    | <b>5 377</b>    |
| <b>Cash flows from SA Government</b>                       |      |                 |                 |
| Recurrent operating grant                                  |      | 10 508          | 10 286          |
| Capital grant                                              |      | 563             | 870             |
| <b>Cash generated from SA Government</b>                   |      | <b>11 071</b>   | <b>11 156</b>   |
| <b>Net cash provided by/(used in) operating activities</b> | 24   | <b>1 013</b>    | <b>( 641)</b>   |
| <b>Cash flows from investing activities</b>                |      |                 |                 |
| <b>Cash outflows</b>                                       |      |                 |                 |
| Purchases of heritage collections                          |      | ( 57)           | ( 361)          |
| Purchases of property, plant and equipment and intangibles |      | ( 394)          | (1 189)         |
| Purchases of investments                                   |      | (1 211)         | ( 511)          |
| <b>Cash used in investing activities</b>                   |      | <b>(1 662)</b>  | <b>(2 061)</b>  |
| <b>Cash inflows</b>                                        |      |                 |                 |
| Proceeds from sale of investments                          |      | 1 655           | 536             |
| <b>Cash generated from investing activities</b>            |      | <b>1 655</b>    | <b>536</b>      |
| <b>Net cash (used in) investing activities</b>             |      | <b>( 7)</b>     | <b>(1 525)</b>  |
| <b>Cash flows from financing activities</b>                |      |                 |                 |
| <b>Cash inflows</b>                                        |      |                 |                 |
| Cash from consolidated entities                            |      | -               | 1 506           |
| <b>Cash generated from financing activities</b>            |      | <b>-</b>        | <b>1 506</b>    |
| <b>Net cash provided by financing activities</b>           |      | <b>-</b>        | <b>1 506</b>    |
| <b>Net increase/(decrease) in cash</b>                     |      | <b>1 006</b>    | <b>( 660)</b>   |
| Cash at the beginning of the financial year                |      | 3 590           | 4 250           |
| <b>Cash at the end of the financial year</b>               | 24   | <b>4 596</b>    | <b>3 590</b>    |

*The above statement should be read in conjunction with the accompanying notes.*

# **Museum Board**

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## Museum Board

### 1 Objectives of the Museum Board

The functions of the Museum Board (the Board), as prescribed under the South Australian Museum Act 1976, are as follows:

- to undertake the care and management of the Museum
- to manage the premises of the Board
- to carry out, or promote, research into matters of scientific and historical interest
- to accumulate and care for objects and specimens of scientific or historical interest
- to accumulate and classify data in regard to any such matters
- to disseminate information of scientific or historical interest
- to advise the Minister on matters relating to scientific or historical research or collections
- to carry out any other functions assigned to the Board by this or any other Act or the Minister.

### 2 Summary of significant accounting policies

#### 2.1 Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (AAS) and comply with Treasurer's Instructions and Accounting Policy Statements (APS) promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Board has applied AAS that are applicable to not-for-profit entities, as the Board is a not-for-profit entity.

Except for AASB 2015-7 which the Board has early adopted, AAS 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 2015.

#### 2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported



- compliance with APS issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the APS require the following note disclosures, which have been included in the financial statements:
  - a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature
  - b) expenses incurred as a result of engaging consultants
  - c) staff targeted voluntary separation package information
  - d) staff whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly, by the entity to those staff
  - e) Board/committee member and remuneration information, where a Board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented.

## 2.3 Reporting entity

The financial statements and accompanying notes cover the Board as an individual reporting entity. It is a statutory authority of the State of South Australia, established pursuant to the South Australian Museum Act 1976.

The Board's consolidated financial statements have been prepared by combining the financial statements of the Museum Board, SA Museum Foundation Incorporated and the SA Museum Foundation Fund in accordance with AASB 10 Consolidated Financial Statements.

In forming the view that the SA Museum Foundation Incorporated and SA Museum Foundation Fund (the entities) are controlled, the Board considered its involvement with the entities and determined that its substantive rights give them the current ability to direct the major relevant activities of the entities and is exposed or has rights to variable returns from its involvement, contributing to the furtherance of the Board's objectives.

The activities of the entities are not material and therefore a full consolidated presentation has not been adopted.



Consistent accounting policies have been applied and all inter-entity balances and transactions arising within the consolidated entity have been eliminated in full. Comparative information has been updated to reflect the consolidation of these reporting entities as at 30 June 2014.

## **2.4 Sources of funds**

The Board's principal source of funds consists of grants from the State Government. In addition, the Board also receives monies from sales, admissions, donations, bequests, sponsorships and other receipts, and uses the monies for the achievement of its objectives.

## **2.5 Income and expenses**

Income and expenses are recognised in the Board's Statement of Comprehensive Income to the extent it is probable that the flow of economic benefits to or from the Board will occur and can be reliably measured. Income and expenses have been classified according to their nature, and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

### *Income*

Income from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Investment income is recognised when the Board obtains control over the funds. Income from the rendering of a service is recognised upon the delivery of the service to the customers. Government grants are recognised as income in the period in which the Board obtains control over the grants. Bequests, donations and sponsorships are recognised as an asset and income when the Board obtains control or obtains the right to receive the bequest, donation or sponsorship and the income recognition criteria are met (i.e. the amount can be reliably measured and the flow of resources is probable).

Donated heritage collections received by the Board are recognised as income in the Statement of Comprehensive Income in the year of receipt at fair value.

### *Resources received free of charge*

Resources received free of charge are recorded as income and expenditure in the Statement of Comprehensive Income at their fair value.

Under an arrangement with Arts SA and Artlab Australia, divisions of the Department of State Development, Artlab Australia receives SA Government appropriation to perform conservation services on the Board's heritage collections. The value of this work performed is recognised as resources received free of charge in income (note 14) and a corresponding amount included as conservation work expenditure in supplies and services (note 6).

Under an arrangement with the Services Division of the Department of State Development, financial services and human resource services are provided free of charge to the Board. The value of these services is recognised as resources received free of charge in income (note 14) and a corresponding amount included as a business services charge in supplies and services (note 6).



#### *Net gain on 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 has been determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

#### *Staff benefits expense*

Staff benefits expense includes all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

### **2.6 Current and non-current classification**

Assets and liabilities are characterised as either current or non-current in nature. The Board has a clearly identifiable operating cycle of twelve months. Assets and liabilities that will be realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

### **2.7 Cash**

Cash in the Statement of Financial Position includes cash at bank, cash on hand and short term cash deposits with fund managers.

For the purposes of the Statement of Cash Flows, cash is as defined above. Cash is measured at nominal value.

### **2.8 Receivables**

Receivables include amounts receivable from goods and services, prepayments and other accruals.

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

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

### **2.9 Investments**

Investments are brought to account at cost in accordance with Accounting Policy Framework IV *Financial Asset and Liability Framework* APS 2.1.

### **2.10 Inventories**

Inventories are measured at the lower of cost or their net realisable value. Cost of inventory is measured on the basis of the first-in, first-out method. Net realisable value is determined using the estimated sale proceeds less costs incurred in marketing, selling and distributing to customers. Inventories include stock held by the Museum cafe and shop.

### **2.11 Non-current asset acquisition and recognition**

The cost method of accounting is used for the initial recording of all acquisitions of assets. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. Assets donated during the year have been brought to account at fair value.



All non-current assets with a value of \$10,000 or greater are capitalised.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

## **2.12 Valuation of non-current assets**

All non-current assets are held at fair value and a revaluation of non-current assets or a group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

Land and buildings and heritage collections are re-valued every 6 years. However, if at any time management considers the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrement of the same asset class previously recognised as an expense, in which case the increase is recognised as income.

Any revaluation decrement is recognised as an expense, except to the extent that it offsets a previous revaluation increase of the same asset class, in which case the decrease is debited directly to the revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

Upon revaluation, the accumulated depreciation has been restated proportionately with the change in gross carrying amount of the asset so that the carrying amount, after revaluation, equals its revalued amount.

Upon disposal or de-recognition, any revaluation surplus relating to that asset is transferred to retained earnings.

### *Land and buildings*

Land and buildings have been valued at fair value. Valuations of land and buildings were determined as at 30 June 2014 by certified independent valuer Valcorp Australia Pty Ltd.

### *Plant and equipment*

Plant and equipment, including computer equipment, has been deemed to be held at fair value on acquisition.

### *Intangible assets*

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Board only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.



### *Heritage collections*

The Board's collections were revalued as at 30 June 2011 using the valuation methodology outlined below in accordance with fair value principles adopted under AASB 116 Property, Plant and Equipment. These valuations were undertaken by both external valuers and internal specialists.

The collections were broadly valued on the following basis:

| <b>Collection</b>           | <b>Method of valuation</b> |
|-----------------------------|----------------------------|
| Heritage collections        | Net market valuation       |
| Natural history collections | Cost of recovery           |

Heritage collection status applies to those collections where an established market exists. The net market valuation applied has been assessed either by valuation undertakings by staff and valuers or by applying valuations determined under the Cultural Gifts Program.

Natural history collections have been valued at fair value on the basis of the cost of fieldwork, preparation and documentation to replace the material in its present condition. The most recent revaluation saw an increase in the value of each holotype from \$1,000 to \$5,000 per specimen.

Internal valuations were carried out by staff specialists in their related fields. These valuations were based on a knowledge of the particular collections, an understanding of valuation techniques and the markets that exist for the collection items. Independent external valuers were engaged to review the methodology adopted for valuation to verify the valuations applied by internal specialists via sampling techniques, and to carry out independent valuations where required.

Heritage collections deemed to have market value are Australian ethnology, foreign ethnology, malacology, butterflies, industrial history collection, mineralogy, museum library, archives/artworks and rare books.

Natural history collections valued at cost of recovery are the Australian biological tissue bank, the Australian helminthological collection, entomology, arachnology, marine invertebrates, ichthyology, herpetology, ornithology, mammalogy, palaeontology and archaeology.

The archaeology collection was valued for the first time in the 30 June 2011 valuation. Previously the collection was inaccessible due to storage limitations.

In June 2012, the archives/artwork collection was valued by Theodore Bruce Auctions Pty Ltd. Resource limitations had previously prevented the valuation of the collection.

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

| <b>Collection</b>                       | <b>Industry expert</b> |
|-----------------------------------------|------------------------|
| Foreign ethnology                       | H Gallasch             |
| Mineralogy                              | R Noble                |
| Malacology (marine invertebrates)       | I Van Streepen         |
| Butterflies (terrestrial invertebrates) | L Mound                |
| Mammalogy                               | R Schodde              |
| Archives/artwork                        | JFB Bruce              |



Heritage collections assessed internally by staff with the necessary expertise:

| Collection           | Industry expert |
|----------------------|-----------------|
| Australian ethnology | P Jones         |
| Foreign ethnology    | B Craig         |

Collections deemed to be culturally sensitive, including human remains or items which are secret and sacred to Aboriginal communities have not been included within the current valuation and are deemed to be at zero valuation. These collections are human biology, secret sacred and archives.

### 2.13 Impairment of assets

All non-current assets are tested for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement costs. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For re-valued assets an impairment loss is offset against the revaluation surplus.

### 2.14 Fair value measurement

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Board classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1    traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2    not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3    not traded in an active market and are derived from unobservable inputs.

#### *Non-financial assets*

In determining fair value, the Board has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible and financially feasible).

The Board's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Board did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a 'fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years' are deemed to approximate fair value.



## 2.15 Depreciation/ amortisation of non-current assets

All property, plant and equipment and intangibles, having a limited useful life, are systematically depreciated/ amortised over their useful lives in a manner that reflects the consumption of their service potential.

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

Land is not depreciated.

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

| <u>Class of asset</u>      | <u>Useful life (years)</u> |
|----------------------------|----------------------------|
| Buildings and improvements | 20-100                     |
| Plant and equipment :      |                            |
| Exhibition                 | 10                         |
| Other                      | 3-25                       |
| Computer equipment         | 3-5                        |
| Intangibles                | 5-10                       |

Exhibitions with a life of less than one year are expensed.

Heritage collections are kept under special conditions so that there is no physical deterioration and they are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised, as their service potential has not, in any material sense, been consumed during the reporting period.

## 2.16 Payables

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

Creditors and accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period. All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

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

## 2.17 Staff benefits

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

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



(i) *Salaries, wages, annual leave and SERL*

Liabilities for salaries, wages, annual leave and skills and experience retention leave have been recognised as the amount unpaid at the reporting date at remuneration rates current at reporting date. The annual leave liability and the SERL liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid.

(ii) *Long service leave*

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by staff up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of staff departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

(iii) *On-costs*

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

(iv) *Superannuation*

The Board makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the relevant superannuation schemes. The Department of Treasury and Finance centrally recognises the superannuation liability, for the schemes operated by the State Government, in the whole-of-government financial statements.

## **2.18 Workers compensation provision**

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2015 provided by a consulting actuary engaged through the Office for the Public Sector. The provision is for the estimated cost of ongoing payments to staff as required under current legislation.

## **2.19 Leases**

The Board has entered into a number of operating lease agreements for accommodation and motor vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.



## **2.20 Comparative information**

The presentation and classification of items in the financial statements are consistent with prior periods except where specific Accounting Standards and/or Accounting Policy Statements have required a change.

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

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

## **2.21 Taxation**

The Museum Board, the SA Museum Foundation Incorporated and SA Museum Foundation Fund are separate registered GST entities for taxation purposes.

The Museum Board is a deductible gift recipient member of the Arts SA GST Group. GST relating to the activities of the Museum Board are not recognised as a receivable/payable in the Statement of Financial Position as Arts SA is responsible for the remittance and collection of GST on behalf of the GST group.

The Board is liable for payroll tax and the emergency services levy.

The Museum Board, the SA Museum Foundation Incorporated and SA Museum Foundation Fund are not subject to income tax.

Income, expenses, assets and liabilities are recognised net of the amount of GST. The amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the cost of acquisition of an asset or part of an item of expense.

The net GST receivable by the SA Museum Foundation Incorporated and the SA Museum Foundation Fund is disclosed in note 16.

## **2.22 Events after the reporting period**

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

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

## **2.23 State Government funding**

The financial statements are presented under the assumption of ongoing financial support being provided to the Board by the State Government.

## **2.24 Rounding**

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



## **2.25 Insurance**

The Board has arranged, through SAICORP, a division of the SA Government Financing Authority, to insure all major risks of the Board. The excess payable is fixed under this arrangement.

## **2.26 Unrecognised contractual commitments and contingent assets and liabilities**

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

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

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

## **3 New and revised accounting standards**

Except for AASB 2015-7 which the Board has early adopted, AAS and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Board for the period ending 30 June 2015. The Board has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Board.

In accordance with the new AASB 10 Consolidated Financial Statements which became effective for the first time in 2014-15, it has been determined that for the reporting period the Board had control over the SA Museum Foundation Fund and SA Museum Foundation Incorporated and hence has consolidated these entities. The Board did not have control over any additional entities and does not have any joint arrangements within the scope of AASB 11 Joint Arrangements. Refer to note 2.3 for further information about the Board's involvement with the SA Museum Foundation and SA Museum Foundation Incorporated.

The Board will continue to review its involvement and arrangements with entities it is connected with to determine the impact of AASB 10 for future years.

#### 4 Staff benefits

|                                       | 2015         | 2014         |
|---------------------------------------|--------------|--------------|
|                                       | \$'000       | \$'000       |
| Salaries and wages                    | 5 935        | 6 031        |
| Long service leave                    | 243          | 227          |
| Annual leave                          | 480          | 491          |
| Skills and experience retention leave | 31           | 29           |
| Staff on-costs - superannuation       | 629          | 632          |
| Staff on-costs - other                | 330          | 314          |
| Board fees                            | 18           | 18           |
| Other staff related expenses          | 37           | 64           |
| <b>Total staff benefits</b>           | <b>7 703</b> | <b>7 806</b> |

#### Remuneration of staff

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

|                        | 2015     | 2014     |
|------------------------|----------|----------|
| \$141 500 to \$151 499 | -        | 1        |
| \$211 500 to \$221 499 | 1        | -        |
| <b>Total</b>           | <b>1</b> | <b>1</b> |

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. The executive base level remuneration rate for 2014-15 is the same as the 2013-14 rate (ie there has been no increase in executive remuneration since 1 July 2013). Remuneration of staff reflects all costs including salaries and wages, payments in lieu of leave, superannuation contributions, fringe benefits tax and salary sacrifice benefits. The total remuneration received or receivable by these staff members for the year was \$219 000 (\$144 000).

There were no targeted voluntary separation packages paid in 2014-15 or 2013-14.

#### 5 Remuneration of board and committee members

Members during the 2014-15 financial year were:

##### Museum Board

Hon Dr J Lomax-Smith AM (Chairperson)  
 Prof D Adelson  
 Ms J H Brown  
 Ms N Buddle  
 Ms H Carreker  
 Mr P Hanlon  
 Mr D Rathman PSM  
 Mr A Noble (appointed 25 August 2014)

##### Aboriginal Advisory Committee

Mr D Rathman PSM (Chairperson)  
 Dr L O'Donoghue AC, CBE, DSG  
 Mr M Turner (term ended 28 August 2014)  
 Ms E Tongerie  
 Mr F Lampard OAM  
 Ms S Miller



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

|                                | 2015      | 2014      |
|--------------------------------|-----------|-----------|
| \$0 - \$9 999                  | 13        | 17        |
| <b>Total number of members</b> | <b>13</b> | <b>17</b> |

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees and superannuation. Total remuneration received or receivable by members was \$20 000 (\$19 000).

Amounts paid or payable to a superannuation plan for board/committee members were \$2 000 (\$1 000).

Members of the Museum Foundation Board did not receive remuneration in 2013-14 or 2014-15.

### Related party disclosures

Board members or their related entities have transactions with the Board that occur within a normal customer or supplier relationship on terms and conditions no more favorable than those with which it is reasonably expected the entity would have adopted if the transactions were undertaken with any other entity at arm's length in similar circumstances.

## 6 Supplies and services

|                                    | 2015         | 2014         |
|------------------------------------|--------------|--------------|
|                                    | \$'000       | \$'000       |
| Cost of goods sold                 | 483          | 484          |
| Insurance and risk                 | 389          | 391          |
| Marketing                          | 270          | 305          |
| Administration                     | 442          | 394          |
| IT                                 | 276          | 328          |
| Maintenance                        | 77           | 154          |
| Artlab conservation work           | 362          | 321          |
| Business services charge           | 172          | 129          |
| Collections                        | 56           | 88           |
| Exhibitions                        | 250          | 204          |
| Research                           | 313          | 344          |
| Travel and accommodation           | 95           | 104          |
| Contractors                        | 151          | 267          |
| Motor vehicle expenses             | 54           | 53           |
| Minor equipment                    | 78           | 59           |
| Fees                               | 163          | 185          |
| Consultants                        | 332          | 92           |
| Hire, rent and equipment           | 39           | 44           |
| Audit fees                         | 52           | 79           |
| Legal fees                         | 4            | 24           |
| OHS&W                              | 31           | 24           |
| Bad and doubtful debts             | 16           | -            |
| Other                              | 250          | 250          |
| <b>Total supplies and services</b> | <b>4 355</b> | <b>4 323</b> |

## Consultants

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

|                | 2015<br>Number | 2014<br>Number | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------|----------------|----------------|----------------|----------------|
| Below \$10,000 | 7              | 4              | 24             | 6              |
| Above \$10,000 | 8              | 4              | 308            | 86             |
| <b>Total</b>   | <b>15</b>      | <b>8</b>       | <b>332</b>     | <b>92</b>      |

## Auditor's remuneration

|                                                                                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------------------------------------------------------|----------------|----------------|
| Audit fees paid/payable:                                                                            |                |                |
| Auditor-General's Department for the audit of financial statements                                  | 36             | 36             |
| Other auditors for the audit of the Mawson Collection Trust                                         | 1              | 1              |
| Other auditors for the audit of the SA Museum Foundation Incorporated and SA Museum Foundation Fund | 15             | 42             |
| <b>Total audit fees</b>                                                                             | <b>52</b>      | <b>79</b>      |

No other services were provided to the Board by the Auditor-General's Department or the other auditors of the Mawson Collection Trust, SA Museum Foundation Incorporated and SA Museum Foundation Fund.

## 7 Accommodation and facilities

|                                           | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------|----------------|----------------|
| Accommodation                             | 910            | 902            |
| Facilities                                | 1 043          | 1 088          |
| Security                                  | 932            | 894            |
| <b>Total accommodation and facilities</b> | <b>2 885</b>   | <b>2 884</b>   |

## 8 Depreciation and amortisation

|                                            | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------|----------------|----------------|
| <b>Depreciation</b>                        |                |                |
| Buildings and improvements                 | 1 423          | 1 354          |
| Plant and equipment                        | 632            | 621            |
| Computer equipment                         | 10             | 14             |
| <b>Total depreciation</b>                  | <b>2 065</b>   | <b>1 989</b>   |
| <b>Amortisation</b>                        |                |                |
| Intangibles                                | 15             | 10             |
| <b>Total amortisation</b>                  | <b>15</b>      | <b>10</b>      |
| <b>Total depreciation and amortisation</b> | <b>2 080</b>   | <b>1 999</b>   |

## 9 Grants

|                         | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------|----------------|----------------|
| State government grants | 370            | 337            |
| General grants          | 877            | 513            |
| Commonwealth grants     | 111            | 63             |
| <b>Total grants</b>     | <b>1 358</b>   | <b>913</b>     |



**10 Fees and charges**

|                               | 2015       | 2014       |
|-------------------------------|------------|------------|
|                               | \$'000     | \$'000     |
| Admissions                    | 236        | 408        |
| Functions                     | 115        | 85         |
| Fees for service              | 93         | 287        |
| Other                         | 59         | 40         |
| <b>Total fees and charges</b> | <b>503</b> | <b>820</b> |

**11 Sponsorships**

|                           | 2015       | 2014       |
|---------------------------|------------|------------|
|                           | \$'000     | \$'000     |
| Cash sponsorships         | 234        | 283        |
| In-kind sponsorships      | 34         | 36         |
| <b>Total sponsorships</b> | <b>268</b> | <b>319</b> |

**12 Interest and investment income**

|                                             | 2015       | 2014       |
|---------------------------------------------|------------|------------|
|                                             | \$'000     | \$'000     |
| Interest                                    | 138        | 94         |
| Investment income                           | 45         | 61         |
| <b>Total interest and investment income</b> | <b>183</b> | <b>155</b> |

**13 Net gain (loss) from the disposal of non-current assets**

|                                                      | 2015         | 2014        |
|------------------------------------------------------|--------------|-------------|
|                                                      | \$'000       | \$'000      |
| <b>Investments</b>                                   |              |             |
| Proceeds from disposal                               | 1 655        | 536         |
| Less: Net book value of assets disposed              | (1 376)      | ( 470)      |
| <b>Net gain from disposal of investments</b>         | <b>279</b>   | <b>66</b>   |
| <b>Plant and equipment</b>                           |              |             |
| Proceeds from disposal                               | -            | -           |
| Less: Net book value of assets disposed              | ( 15)        | ( 5)        |
| <b>Net loss from disposal of plant and equipment</b> | <b>( 15)</b> | <b>( 5)</b> |
| <b>Heritage assets</b>                               |              |             |
| Proceeds from disposal                               | -            | -           |
| Less: Net book value of assets disposed              | ( 17)        | ( 9)        |
| <b>Net loss from disposal of heritage assets</b>     | <b>( 17)</b> | <b>( 9)</b> |
| <b>Total assets</b>                                  |              |             |
| Total proceeds from disposal                         | 1 655        | 536         |
| Less: Total net book value of assets disposed        | (1 408)      | ( 484)      |
| <b>Total net gain from disposal of assets</b>        | <b>247</b>   | <b>52</b>   |

**14 Resources received free of charge**

|                                                | 2015       | 2014       |
|------------------------------------------------|------------|------------|
|                                                | \$'000     | \$'000     |
| Business services charge                       | 172        | 129        |
| Artlab conservation work                       | 362        | 321        |
| <b>Total resources received free of charge</b> | <b>534</b> | <b>450</b> |

**15 Other income**

|                           | 2015       | 2014       |
|---------------------------|------------|------------|
|                           | \$'000     | \$'000     |
| Lab consumable recharge   | 152        | 93         |
| Commissions and royalties | 27         | 50         |
| Competition entry fees    | 68         | 34         |
| Exhibition hire           | 26         | 14         |
| Other                     | 81         | 74         |
| <b>Total other income</b> | <b>354</b> | <b>265</b> |

**16 Receivables**

|                                      | 2015       | 2014       |
|--------------------------------------|------------|------------|
|                                      | \$'000     | \$'000     |
| <b>Current</b>                       |            |            |
| Receivables                          | 424        | 483        |
| Less allowance for doubtful debts    | ( 15)      | -          |
| Prepayments                          | 31         | 29         |
| Accrued income                       | 15         | 19         |
| GST receivable                       | 135        | 109        |
| <b>Total current receivables</b>     | <b>590</b> | <b>640</b> |
| <b>Non-current</b>                   |            |            |
| Receivables                          | 1          | 1          |
| Prepayments                          | 2          | 9          |
| <b>Total non-current receivables</b> | <b>3</b>   | <b>10</b>  |
| <b>Total receivables</b>             | <b>593</b> | <b>650</b> |

**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 income 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.

a) *Maturity analysis of receivables - refer Note 28*

b) *Categorisation of financial instruments and risk exposure information - refer Note 28*



### Allowance for doubtful debts

The allowance for doubtful debts is recognised when there is objective evidence that a receivable is impaired. Bad and doubtful debts expense has been recognised in supplies and services in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the allowance for doubtful debts are as follows:

|                                                 | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------------|----------------|----------------|
| Carrying amount at the beginning of the period  | -              | -              |
| Increase in allowance                           | 16             | -              |
| Amounts written off                             | (1)            | -              |
| <b>Carrying amount at the end of the period</b> | <b>15</b>      | <b>-</b>       |

### 17 Property, plant and equipment

|                                                 | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------------|----------------|----------------|
| <b>Land, buildings and improvements</b>         |                |                |
| Land at fair value                              | 5 300          | 5 300          |
| Buildings and improvements at fair value        | 73 036         | 72 962         |
| Less: Accumulated depreciation                  | (42 800)       | (41 377)       |
| <b>Total land, buildings and improvements</b>   | <b>35 536</b>  | <b>36 885</b>  |
| <b>Work in progress</b>                         |                |                |
| Work in progress at cost                        | 465            | 56             |
| <b>Total work in progress</b>                   | <b>465</b>     | <b>56</b>      |
| <b>Plant and equipment</b>                      |                |                |
| Plant and equipment at cost (deemed fair value) | 8 870          | 8 859          |
| Less: Accumulated depreciation                  | (4 148)        | (3 535)        |
| <b>Total plant and equipment</b>                | <b>4 722</b>   | <b>5 324</b>   |
| <b>Computer equipment</b>                       |                |                |
| Computer equipment at cost (deemed fair value)  | 49             | 49             |
| Less: Accumulated depreciation                  | (42)           | (32)           |
| <b>Total computer equipment</b>                 | <b>7</b>       | <b>17</b>      |
| <b>Total property, plant and equipment</b>      | <b>40 730</b>  | <b>42 282</b>  |

### Valuation of land and buildings

The valuation of land and buildings was performed by a certified independent valuer from Valcorp Australia Pty Ltd as at 30 June 2014. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

### 18 Intangible assets

|                                | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------|----------------|----------------|
| <b>Computer software</b>       |                |                |
| Computer software at cost      | 104            | 104            |
| Less: Accumulated amortisation | (25)           | (10)           |
| <b>Total computer software</b> | <b>79</b>      | <b>94</b>      |

|                                |            |           |
|--------------------------------|------------|-----------|
| <b>Work in progress</b>        |            |           |
| Work in progress at cost       | 25         | -         |
| <b>Total work in progress</b>  | <b>25</b>  | <b>-</b>  |
| <b>Total intangible assets</b> | <b>104</b> | <b>94</b> |

## 19 Heritage collections

|                                        | 2015           | 2014           |
|----------------------------------------|----------------|----------------|
|                                        | \$'000         | \$'000         |
| Social/industrial history              | 278            | 278            |
| Australian Aboriginal ethnographic     | 24 839         | 24 788         |
| Foreign ethnology                      | 8 470          | 8 462          |
| Australian polar collection            | 4 808          | 4 808          |
| Archives/artwork                       | 16 839         | 16 735         |
| Archaeology                            | 69 301         | 69 301         |
| Minerals                               | 17 979         | 17 764         |
| Malacology                             | 7 752          | 7 686          |
| Butterflies                            | 41             | 41             |
| Australian biological tissue bank      | 17 631         | 17 631         |
| Australian helminthological collection | 25 009         | 24 483         |
| Entomology                             | 80 145         | 80 145         |
| Arachnology                            | 11 481         | 11 389         |
| Marine invertebrates                   | 15 553         | 15 553         |
| Ichthyology                            | 5 053          | 4 837          |
| Herpetology                            | 6 520          | 6 488          |
| Ornithology                            | 12 526         | 12 494         |
| Mammalogy                              | 7 963          | 7 963          |
| Palaeontology                          | 25 470         | 25 335         |
| Library                                | 6 398          | 6 398          |
| <b>Total heritage collections</b>      | <b>364 056</b> | <b>362 579</b> |

### Reconciliation of carrying amounts of heritage collections

|                                        | Balance<br>1 July<br>2014 | Additions | Disposals | Balance<br>30 June<br>2015 |
|----------------------------------------|---------------------------|-----------|-----------|----------------------------|
|                                        | \$'000                    | \$'000    | \$'000    | \$'000                     |
| Social/industrial history              | 278                       | -         | -         | 278                        |
| Australian Aboriginal ethnographic     | 24 788                    | 51        | -         | 24 839                     |
| Foreign ethnology                      | 8 462                     | 8         | -         | 8 470                      |
| Australian polar collection            | 4 808                     | -         | -         | 4 808                      |
| Archives/artwork                       | 16 735                    | 104       | -         | 16 839                     |
| Archaeology                            | 69 301                    | -         | -         | 69 301                     |
| Minerals                               | 17 764                    | 215       | -         | 17 979                     |
| Malacology                             | 7 686                     | 66        | -         | 7 752                      |
| Butterflies                            | 41                        | -         | -         | 41                         |
| Australian biological tissue bank      | 17 631                    | -         | -         | 17 631                     |
| Australian helminthological collection | 24 483                    | 543       | ( 17)     | 25 009                     |
| Entomology                             | 80 145                    | -         | -         | 80 145                     |
| Arachnology                            | 11 389                    | 92        | -         | 11 481                     |
| Marine invertebrates                   | 15 553                    | -         | -         | 15 553                     |
| Ichthyology                            | 4 837                     | 216       | -         | 5 053                      |



|                                        |                |              |              |                |
|----------------------------------------|----------------|--------------|--------------|----------------|
| Herpetology                            | 6 488          | 32           | -            | 6 520          |
| Ornithology                            | 12 494         | 32           | -            | 12 526         |
| Mammalogy                              | 7 963          | -            | -            | 7 963          |
| Palaeontology                          | 25 335         | 135          | -            | 25 470         |
| Library                                | 6 398          | -            | -            | 6 398          |
| <b>Carrying amount at 30 June 2015</b> | <b>362 579</b> | <b>1 494</b> | <b>( 17)</b> | <b>364 056</b> |

**Reconciliation of carrying amounts of heritage collections**

|                                        | <b>Balance<br/>1 July<br/>2013<br/>\$'000</b> | <b>Additions<br/>\$'000</b> | <b>Disposals<br/>\$'000</b> | <b>Balance<br/>30 June<br/>2014<br/>\$'000</b> |
|----------------------------------------|-----------------------------------------------|-----------------------------|-----------------------------|------------------------------------------------|
| Social/industrial history              | 278                                           | -                           | -                           | 278                                            |
| Australian aboriginal ethnographic     | 24 778                                        | 10                          | -                           | 24 788                                         |
| Foreign ethnology                      | 8 456                                         | 6                           | -                           | 8 462                                          |
| Australian polar collection            | 4 808                                         | -                           | -                           | 4 808                                          |
| Archives/artwork                       | 16 726                                        | 9                           | -                           | 16 735                                         |
| Archaeology                            | 69 305                                        | -                           | ( 4)                        | 69 301                                         |
| Minerals                               | 17 462                                        | 307                         | ( 5)                        | 17 764                                         |
| Malacology                             | 7 686                                         | -                           | -                           | 7 686                                          |
| Butterflies                            | 41                                            | -                           | -                           | 41                                             |
| Australian biological tissue bank      | 17 611                                        | 20                          | -                           | 17 631                                         |
| Australian helminthological collection | 24 026                                        | 457                         | -                           | 24 483                                         |
| Entomology                             | 79 917                                        | 228                         | -                           | 80 145                                         |
| Arachnology                            | 11 026                                        | 363                         | -                           | 11 389                                         |
| Marine invertebrates                   | 15 553                                        | -                           | -                           | 15 553                                         |
| Ichthyology                            | 4 824                                         | 13                          | -                           | 4 837                                          |
| Herpetology                            | 6 480                                         | 8                           | -                           | 6 488                                          |
| Ornithology                            | 12 475                                        | 19                          | -                           | 12 494                                         |
| Mammalogy                              | 7 963                                         | -                           | -                           | 7 963                                          |
| Palaeontology                          | 25 314                                        | 21                          | -                           | 25 335                                         |
| Library                                | 6 398                                         | -                           | -                           | 6 398                                          |
| <b>Carrying amount at 30 June 2014</b> | <b>361 127</b>                                | <b>1 461</b>                | <b>( 9)</b>                 | <b>362 579</b>                                 |

**20 Investments**

|                                                              | <b>2015<br/>\$'000</b> | <b>2014<br/>\$'000</b> |
|--------------------------------------------------------------|------------------------|------------------------|
| <b>Non-current</b>                                           |                        |                        |
| Shares, convertible notes and other investments in companies | 782                    | 947                    |
| <b>Total investments</b>                                     | <b>782</b>             | <b>947</b>             |

The market value of investments as at 30 June 2015 is \$764 000 (\$1.208 million).

Of the three investment accounts; Museum Board, Norman B Tindale Memorial and the Mawson Collection - there are restrictions in place for both the Norman B Tindale Memorial and Mawson Collection relating to funds totalling \$489 000 (\$557 000).

## 21 Payables

|                                   | 2015       | 2014       |
|-----------------------------------|------------|------------|
|                                   | \$'000     | \$'000     |
| <b>Current</b>                    |            |            |
| Creditors and accruals            | 644        | 510        |
| Staff on-costs                    | 120        | 122        |
| <b>Total current payables</b>     | <b>764</b> | <b>632</b> |
| <b>Non-current</b>                |            |            |
| Staff on-costs                    | 125        | 133        |
| <b>Total non-current payables</b> | <b>125</b> | <b>133</b> |
| <b>Total payables</b>             | <b>889</b> | <b>765</b> |

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave has decreased to 37% (40%). The average factor for the calculation of employer superannuation cost on-cost has remained unchanged at 10.3%. These rates are used in the staff on-cost calculation. The financial effect of this change on staff on-costs and staff benefits expense is immaterial.

### Interest rate and credit risk

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

- a) *Maturity analysis of payables - refer Note 28*
- b) *Categorisation of financial instruments and risk exposure information - refer Note 28*

## 22 Staff benefits

|                                         | 2015         | 2014         |
|-----------------------------------------|--------------|--------------|
|                                         | \$'000       | \$'000       |
| <b>Current</b>                          |              |              |
| Annual leave                            | 492          | 543          |
| Skills and experience retention leave   | 58           | 56           |
| Long service leave                      | 322          | 273          |
| Accrued salaries and wages              | 45           | 78           |
| <b>Total current staff benefits</b>     | <b>917</b>   | <b>950</b>   |
| <b>Non-current</b>                      |              |              |
| Long service leave                      | 1 395        | 1 430        |
| <b>Total non-current staff benefits</b> | <b>1 395</b> | <b>1 430</b> |
| <b>Total staff benefits</b>             | <b>2 312</b> | <b>2 380</b> |

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a set level of liability.

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased from 2014 (3.5%) to 2015 (3.0%).



This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

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

The salary inflation rate remained unchanged at 4.0% for long service leave. The salary inflation rate applied to annual leave and skills and experience retention leave has decreased from 2014 4.0% to 2015 3.0%. The resulting financial effect of the change is immaterial.

## 23 Provision

|                                                                 | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------------------|----------------|----------------|
| <b>Current</b>                                                  |                |                |
| Provision for workers compensation                              | 8              | 9              |
| <b>Total current provision</b>                                  | <b>8</b>       | <b>9</b>       |
| <b>Non-current</b>                                              |                |                |
| Provision for workers compensation                              | 20             | 38             |
| <b>Total non-current provision</b>                              | <b>20</b>      | <b>38</b>      |
| <b>Total provision</b>                                          | <b>28</b>      | <b>47</b>      |
| <b>Reconciliation of the provision for workers compensation</b> |                |                |
| Provision at the beginning of the financial year                | 47             | 44             |
| (Decrease)/increase in provision during the year                | (19)           | 3              |
| <b>Carrying amount at the end of the period</b>                 | <b>28</b>      | <b>47</b>      |

## 24 Cash flow reconciliation

### Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash held for investments and cash at bank. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

|                                                                | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------------------|----------------|----------------|
| Deposits with the Treasurer                                    | 1 615          | 735            |
| Cash other                                                     | 2 977          | 2 851          |
| Cash on hand                                                   | 4              | 4              |
| <b>Cash as recorded in the Statement of Financial Position</b> | <b>4 596</b>   | <b>3 590</b>   |

### Deposits with the Treasurer

Deposits with the Treasurer are a combination of funds held in the "Museum Board Account", an account held with the Treasurer of South Australia pursuant to section 21 of the *Public Finance and Audit Act 1987*, and funds held in the Arts SA Operating Account. This account is held with the Treasurer of South Australia pursuant to section 8 of the *Public Finance and Audit Act 1987*. There are stipulated restrictions on the use of the Zimmerman Bequest component of the cash funds available \$107 000 (\$103 000) and the Bonython Bequest component of the cash funds available \$21 000 (\$21 000).

### Cash other

Cash other is term deposits, cash held for investments with fund managers and cash held by the SA Museum Foundation Incorporated and SA Museum Foundation Fund. There are restrictions in place for the cash accounts for Norman B Tindale Memorial and Mawson Collection \$938 000 (\$676 000).

### Cash on hand

Cash on hand includes petty cash and floats.

### Interest rate risk

Cash and cash equivalents are recorded at nominal value. Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Board are held in the section 21 interest bearing account titled the "Museum Board Account" and in the accounts identified in cash other.

### Reconciliation of net cash provided by operating activities to net cost of providing services

|                                                  | 2015<br>\$'000  | 2014<br>\$'000  |
|--------------------------------------------------|-----------------|-----------------|
| <b>Net cash provided by operating activities</b> | 1 013           | ( 641)          |
| Less revenues from SA Government                 | (11 071)        | (11 156)        |
| <b>Add/(less) non-cash items:</b>                |                 |                 |
| Depreciation & amortisation expense              | (2 080)         | (1 999)         |
| Bad and doubtful debts                           | ( 16)           | -               |
| Donations of heritage collections                | 1 437           | 1 434           |
| Net gain on disposal of non-current assets       | 247             | 52              |
| Net assets transferred in on consolidation       | -               | 830             |
| Accounting policy changes on consolidation       | -               | ( 293)          |
| <b>Changes in assets and liabilities</b>         |                 |                 |
| (Decrease) in receivables                        | ( 42)           | ( 667)          |
| Increase/(decrease) in inventories               | 20              | ( 6)            |
| Decrease in payables                             | 36              | 1 938           |
| Decrease/(increase) in staff benefits            | 68              | ( 132)          |
| Decrease/(increase) in provisions                | 19              | ( 2)            |
| <b>Net cost of providing services</b>            | <b>(10 369)</b> | <b>(10 642)</b> |



## 25 Unrecognised contractual commitments

### Operating lease commitments

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

|                                                    | 2015      | 2014      |
|----------------------------------------------------|-----------|-----------|
|                                                    | \$'000    | \$'000    |
| Within one year                                    | 29        | 17        |
| Later than one year but not longer than five years | 29        | 28        |
| <b>Total operating lease commitments</b>           | <b>58</b> | <b>45</b> |

The operating lease commitments comprise non-cancellable motor vehicle leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.

### Remuneration commitments

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

|                                                    | 2015       | 2014       |
|----------------------------------------------------|------------|------------|
|                                                    | \$'000     | \$'000     |
| Within one year                                    | 265        | 205        |
| Later than one year but not longer than five years | 396        | 512        |
| <b>Total remuneration commitments</b>              | <b>661</b> | <b>717</b> |

Amounts disclosed include commitments arising from executive and other service contracts. The Board does not offer remuneration contracts greater than five years.

### Other commitments

|                                                    | 2015         | 2014         |
|----------------------------------------------------|--------------|--------------|
|                                                    | \$'000       | \$'000       |
| Within one year                                    | 1 155        | 1 004        |
| Later than one year but not longer than five years | 702          | 212          |
| <b>Total other commitments</b>                     | <b>1 857</b> | <b>1 216</b> |

The Board's other commitments are for agreements for security and cleaning.

Contingency provisions within the contracts require the minimum contract payments to be increased by variable operating costs and wage rises. Options exist to renew the contracts at the end of their terms.

## 26 Contingent assets and liabilities

The Board is not aware of any contingent assets or liabilities as at 30 June 2015.

## 27 Events after balance date

There are no known events after balance date that affect these financial statements in a material manner.



## 28 Financial instruments/financial risk management

### 28.1 Financial risk management

Risk management is managed by the Board's corporate services section and Board risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Board is exposed to financial risk - liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

#### Table 28.2 Categorisation of financial instruments

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

| Category of financial asset and financial liability | Statement of Financial Position line item | Note | 2015            |            |
|-----------------------------------------------------|-------------------------------------------|------|-----------------|------------|
|                                                     |                                           |      | Carrying amount | Fair value |
|                                                     |                                           |      | \$'000          | \$'000     |
| <b>Financial assets</b>                             |                                           |      |                 |            |
| Cash and cash equivalents                           | Cash                                      | 24   | 4 596           | 4 596      |
| Investments                                         | Investments                               | 20   | 782             | 764        |
| Loans and receivables                               | Receivables <sup>(1) (2)</sup>            | 16   | 410             | 410        |
| <b>Financial liabilities</b>                        |                                           |      |                 |            |
| Financial liabilities at cost                       | Payables <sup>(1)</sup>                   | 21   | 608             | 608        |

| Category of financial asset and financial liability | Statement of Financial Position line item | Note | 2014            |            |
|-----------------------------------------------------|-------------------------------------------|------|-----------------|------------|
|                                                     |                                           |      | Carrying amount | Fair value |
|                                                     |                                           |      | \$'000          | \$'000     |
| <b>Financial assets</b>                             |                                           |      |                 |            |
| Cash and cash equivalents                           | Cash                                      | 24   | 3 590           | 3 590      |
| Investments                                         | Investments                               | 20   | 947             | 1 208      |
| Loans and receivables                               | Receivables <sup>(1) (2)</sup>            | 16   | 484             | 484        |
| <b>Financial liabilities</b>                        |                                           |      |                 |            |
| Financial liabilities at cost                       | Payables <sup>(1)</sup>                   | 21   | 475             | 475        |

<sup>(1)</sup> 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 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).



<sup>(2)</sup> Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 16 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

### Credit risk

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

The carrying amount of financial assets as detailed in table 28.2 represents the Board's maximum exposure to credit risk.

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently the Board does not hold any collateral as security to any of its financial assets. There is no evidence to indicate that the financial assets are impaired.

**Table 28.3 Ageing analysis of financial assets**

The following table discloses the ageing of financial assets past due:

| Financial assets item    | Overdue for < 30 days | Overdue for 30–60 days | Overdue for > 60 days | Total  |
|--------------------------|-----------------------|------------------------|-----------------------|--------|
|                          | \$'000                | \$'000                 | \$'000                | \$'000 |
| <b>2015</b>              |                       |                        |                       |        |
| Not impaired Receivables | 10                    | 40                     | 68                    | 118    |
| <b>2014</b>              |                       |                        |                       |        |
| Not impaired Receivables | 99                    | 21                     | 364                   | 484    |

**Table 28.4 Maturity analysis of financial assets and liabilities**

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

|                                    | Contractual maturities |              |           |            |
|------------------------------------|------------------------|--------------|-----------|------------|
|                                    | Carrying amount        | < 1 year     | 1-5 years | > 5 years  |
|                                    | \$'000                 | \$'000       | \$'000    | \$'000     |
| <b>2015</b>                        |                        |              |           |            |
| <b>Financial assets</b>            |                        |              |           |            |
| Cash                               | 4 596                  | 4 596        | -         | -          |
| Receivables                        | 410                    | 410          | -         | -          |
| Investments                        | 782                    | -            | -         | 782        |
| <b>Total financial assets</b>      | <b>5 788</b>           | <b>5 006</b> | <b>-</b>  | <b>782</b> |
| <b>Financial liabilities</b>       |                        |              |           |            |
| Payables                           | 608                    | 608          | -         | -          |
| <b>Total financial liabilities</b> | <b>608</b>             | <b>608</b>   | <b>-</b>  | <b>-</b>   |



|                                    |              |              |          |            |
|------------------------------------|--------------|--------------|----------|------------|
| <b>2014</b>                        |              |              |          |            |
| <b>Financial assets</b>            |              |              |          |            |
| Cash                               | 3 590        | 3 590        | -        | -          |
| Receivables                        | 484          | 484          | -        | -          |
| Investments                        | 947          | -            | -        | 947        |
| <b>Total financial assets</b>      | <b>5 021</b> | <b>4 074</b> | <b>-</b> | <b>947</b> |
| <b>Financial liabilities</b>       |              |              |          |            |
| Payables                           | 475          | 475          | -        | -          |
| <b>Total financial liabilities</b> | <b>475</b>   | <b>475</b>   | <b>-</b> | <b>-</b>   |

## 29 Fair value measurement

The Board categorises non-financial assets measured at fair value into a hierarchy based on the level of inputs used in measurement.

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels as at 30 June 2015. The Board has no valuations categorised into level 1.

### Fair value measurements at 30 June 2015

| <b>Recurring fair value measurements</b>       | <b>Level 2</b> | <b>Level 3</b> | <b>2015</b>    |
|------------------------------------------------|----------------|----------------|----------------|
|                                                | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b>  |
| Land (note 17)                                 | 250            | 5 050          | 5 300          |
| Buildings & improvements (note 17)             | 1 203          | 29 033         | 30 236         |
| Plant & equipment (note 17)                    | -              | 4 722          | 4 722          |
| Computer equipment (note 17)                   | -              | 7              | 7              |
| Heritage collections (note 19)                 | -              | 364 056        | 364 056        |
| <b>Total recurring fair value measurements</b> | <b>1 453</b>   | <b>402 868</b> | <b>404 321</b> |

### Fair value measurements at 30 June 2014

| <b>Recurring fair value measurements</b>       | <b>Level 2</b> | <b>Level 3</b> | <b>2014</b>    |
|------------------------------------------------|----------------|----------------|----------------|
|                                                | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b>  |
| Land (note 17)                                 | 250            | 5 050          | 5 300          |
| Buildings & improvements (note 17)             | 1 154          | 30 431         | 31 585         |
| Plant & equipment (note 17)                    | -              | 5 324          | 5 324          |
| Computer equipment (note 17)                   | -              | 17             | 17             |
| Heritage collections (note 19)                 | -              | 362 579        | 362 579        |
| <b>Total recurring fair value measurements</b> | <b>1 404</b>   | <b>403 401</b> | <b>404 805</b> |

There were no transfers of assets between level 1 and 2 fair value hierarchy levels in 2015. The Board's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

### Valuation techniques and inputs

Valuation techniques used to derive level 2 and 3 fair values are at notes 2,17 and below. There were no changes in valuation techniques during 2015.

Land with restricted use is classified within input Level 3

Buildings specialised are classified as input Level 3



Heritage buildings - Market buying price has been estimated by the written-down replacement cost of a modern equivalent or reproduced comparable asset, not the replacement cost of an existing asset on a like with like materials basis.

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3)

**Reconciliation of Level 3 recurring fair value measurements at 30 June 2015**

|                                                                     | Land<br>\$'000 | Buildings<br>& improv.<br>\$'000 | Plant &<br>equip.<br>\$'000 | Computer<br>equipment<br>\$'000 | Heritage<br>assets<br>\$'000 | Total<br>\$'000 |
|---------------------------------------------------------------------|----------------|----------------------------------|-----------------------------|---------------------------------|------------------------------|-----------------|
| <b>Opening balance at 1 July 2014</b>                               | <b>5 050</b>   | <b>30 431</b>                    | <b>5 324</b>                | <b>17</b>                       | <b>362 579</b>               | <b>403 401</b>  |
| Acquisitions                                                        | -              | -                                | 54                          | -                               | 57                           | 111             |
| Donated assets                                                      | -              | -                                | -                           | -                               | 1 437                        | 1 437           |
| Transfers between asset classes                                     | -              | -                                | 14                          | -                               | -                            | 14              |
| Disposals                                                           | -              | -                                | ( 15)                       | -                               | ( 17)                        | ( 32)           |
| <b>Subtotal</b>                                                     | <b>5 050</b>   | <b>30 431</b>                    | <b>5 377</b>                | <b>17</b>                       | <b>364 056</b>               | <b>404 931</b>  |
| <b>Total gains/(losses) for the period recognised in net result</b> |                |                                  |                             |                                 |                              |                 |
| Depreciation                                                        | -              | (1 398)                          | ( 632)                      | ( 10)                           | -                            | (2 040)         |
| Other                                                               | -              | -                                | ( 23)                       | -                               | -                            | ( 23)           |
| <b>Subtotal</b>                                                     | <b>-</b>       | <b>(1 398)</b>                   | <b>( 655)</b>               | <b>( 10)</b>                    | <b>-</b>                     | <b>(2 063)</b>  |
| <b>Closing balance at 30 June 2015</b>                              | <b>5 050</b>   | <b>29 033</b>                    | <b>4 722</b>                | <b>7</b>                        | <b>364 056</b>               | <b>402 868</b>  |

**Reconciliation of Level 3 recurring fair value measurements at 30 June 2014**

|                                                                                     | Land<br>\$'000 | Buildings<br>& improv.<br>\$'000 | Plant &<br>equip.<br>\$'000 | Computer<br>equipment<br>\$'000 | Heritage<br>assets<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------------------------------------------------|----------------|----------------------------------|-----------------------------|---------------------------------|------------------------------|-----------------|
| <b>Opening balance at 1 July 2013</b>                                               | <b>4 600</b>   | <b>30 621</b>                    | <b>4 479</b>                | <b>31</b>                       | <b>361 127</b>               | <b>400 858</b>  |
| Acquisitions                                                                        | -              | -                                | 93                          | -                               | 27                           | 120             |
| Donated assets                                                                      | -              | -                                | -                           | -                               | 1 434                        | 1 434           |
| Transfers between asset classes                                                     | -              | 743                              | 1 387                       | -                               | -                            | 2 130           |
| Disposals                                                                           | -              | -                                | ( 5)                        | -                               | ( 9)                         | ( 14)           |
| <b>Subtotal</b>                                                                     | <b>4 600</b>   | <b>31 364</b>                    | <b>5 954</b>                | <b>31</b>                       | <b>362 579</b>               | <b>404 528</b>  |
| <b>Total gains/(losses) for the period recognised in net result</b>                 |                |                                  |                             |                                 |                              |                 |
| Depreciation                                                                        | -              | (1 346)                          | ( 621)                      | ( 14)                           | -                            | (1 981)         |
| Other                                                                               | -              | -                                | ( 9)                        | -                               | -                            | ( 9)            |
| <b>Subtotal</b>                                                                     | <b>-</b>       | <b>(1 346)</b>                   | <b>( 630)</b>               | <b>( 14)</b>                    | <b>-</b>                     | <b>(1 990)</b>  |
| <b>Total gains/(losses) for the period recognised in other comprehensive income</b> |                |                                  |                             |                                 |                              |                 |
| Revaluation increment                                                               | 450            | 413                              | -                           | -                               | -                            | 863             |
| <b>Subtotal</b>                                                                     | <b>450</b>     | <b>413</b>                       | <b>-</b>                    | <b>-</b>                        | <b>-</b>                     | <b>863</b>      |
| <b>Closing balance at 30 June 2014</b>                                              | <b>5 050</b>   | <b>30 431</b>                    | <b>5 324</b>                | <b>17</b>                       | <b>362 579</b>               | <b>403 401</b>  |

### 30 Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

|                                | Note | SA<br>Government<br>2015<br>\$'000 | Non-SA<br>Government<br>2015<br>\$'000 | Total<br>2015<br>\$'000 |
|--------------------------------|------|------------------------------------|----------------------------------------|-------------------------|
| <b>Expenses</b>                |      |                                    |                                        |                         |
| Staff benefits expenses        | 4    | 330                                | 7 373                                  | 7 703                   |
| Supplies and services          | 6    |                                    |                                        |                         |
| Cost of goods sold             |      | -                                  | 483                                    | 483                     |
| Insurance and risk management  |      | 387                                | 2                                      | 389                     |
| Marketing                      |      | 2                                  | 268                                    | 270                     |
| Administration                 |      | -                                  | 442                                    | 442                     |
| IT services and communications |      | 86                                 | 190                                    | 276                     |
| Maintenance                    |      | 4                                  | 73                                     | 77                      |
| Artlab conservation work       |      | 362                                | -                                      | 362                     |
| Business services charge       |      | 172                                | -                                      | 172                     |
| Collections                    |      | 11                                 | 45                                     | 56                      |
| Exhibitions                    |      | 6                                  | 244                                    | 250                     |
| Research                       |      | 3                                  | 310                                    | 313                     |
| Travel and accommodation       |      | -                                  | 95                                     | 95                      |
| Contractors                    |      | -                                  | 151                                    | 151                     |
| Motor vehicle expenses         |      | 42                                 | 12                                     | 54                      |
| Minor equipment                |      | 2                                  | 76                                     | 78                      |
| Fees                           |      | -                                  | 163                                    | 163                     |
| Consultants                    |      | -                                  | 332                                    | 332                     |
| Hire, rent and equipment       |      | -                                  | 39                                     | 39                      |
| Audit fees                     |      | 36                                 | 16                                     | 52                      |
| Legal fees                     |      | 4                                  | -                                      | 4                       |
| OHS&W                          |      | -                                  | 31                                     | 31                      |
| Doubtful debts expense         |      | -                                  | 16                                     | 16                      |
| Other                          |      | 21                                 | 229                                    | 250                     |
| Accommodation and facilities   | 7    |                                    |                                        |                         |
| Accommodation                  |      | 509                                | 401                                    | 910                     |
| Facilities                     |      | 649                                | 394                                    | 1 043                   |
| Security                       |      | -                                  | 932                                    | 932                     |
| <b>Total Expenses</b>          |      | <b>2 626</b>                       | <b>12 317</b>                          | <b>14 943</b>           |
| <b>Income</b>                  |      |                                    |                                        |                         |
| Sponsorships                   | 11   |                                    |                                        |                         |
| Cash sponsorships              |      | -                                  | 234                                    | 234                     |
| In-kind sponsorships           |      | -                                  | 34                                     | 34                      |
| Grants                         | 9    |                                    |                                        |                         |
| State government grants        |      | 370                                | -                                      | 370                     |
| General grants                 |      | -                                  | 877                                    | 877                     |
| Commonwealth grants            |      | -                                  | 111                                    | 111                     |



|                                    |    |            |              |              |
|------------------------------------|----|------------|--------------|--------------|
| Fees and charges                   | 10 |            |              |              |
| Admissions                         |    | -          | 236          | <b>236</b>   |
| Functions                          |    | 6          | 109          | <b>115</b>   |
| Fees for service                   |    | 5          | 88           | <b>93</b>    |
| Other                              |    | 3          | 56           | <b>59</b>    |
| Interest and investment income     | 12 |            |              |              |
| Interest                           |    | 42         | 96           | <b>138</b>   |
| Investments                        |    | -          | 45           | <b>45</b>    |
| Resources received free of charge  | 14 |            |              |              |
| Business services charge           |    | 172        | -            | <b>172</b>   |
| Artlab conservation work           |    | 362        | -            | <b>362</b>   |
| Other income                       | 15 |            |              |              |
| Lab consumable recharge            |    | -          | 152          | <b>152</b>   |
| Commissions and royalties          |    | -          | 27           | <b>27</b>    |
| Competition entry fees             |    | -          | 68           | <b>68</b>    |
| Exhibition hire                    |    | -          | 26           | <b>26</b>    |
| Other                              |    | -          | 81           | <b>81</b>    |
| Sale of goods                      |    | -          | 1 262        | <b>1 262</b> |
| <b>Total Income</b>                |    | <b>960</b> | <b>3 502</b> | <b>4 462</b> |
| <b>Financial Assets</b>            |    |            |              |              |
| Receivables                        | 16 |            |              |              |
| Receivables                        |    | 3          | 422          | <b>425</b>   |
| Less allowance for doubtful debts  |    | -          | ( 15)        | <b>( 15)</b> |
| Prepayments                        |    | -          | 33           | <b>33</b>    |
| Accrued income                     |    | 4          | 11           | <b>15</b>    |
| GST receivable                     |    | -          | 135          | <b>135</b>   |
| <b>Total Financial Assets</b>      |    | <b>7</b>   | <b>586</b>   | <b>593</b>   |
| <b>Financial Liabilities</b>       |    |            |              |              |
| Payables                           | 21 |            |              |              |
| Creditors and accruals             |    | 36         | 608          | <b>644</b>   |
| Staff on-costs                     |    | 120        | 125          | <b>245</b>   |
| <b>Total Financial Liabilities</b> |    | <b>156</b> | <b>733</b>   | <b>889</b>   |

|                                |      | SA<br>Government | Non-SA<br>Government | Total          |
|--------------------------------|------|------------------|----------------------|----------------|
|                                | Note | 2014<br>\$'000   | 2014<br>\$'000       | 2014<br>\$'000 |
| <b>Expenses</b>                |      |                  |                      |                |
| Staff benefits expenses        | 4    | 314              | 7 492                | <b>7 806</b>   |
| Supplies and services          | 6    |                  |                      |                |
| Cost of goods sold             |      | -                | 484                  | <b>484</b>     |
| Insurance and risk management  |      | 386              | 5                    | <b>391</b>     |
| Marketing                      |      | 7                | 298                  | <b>305</b>     |
| Administration                 |      | -                | 394                  | <b>394</b>     |
| IT services and communications |      | 83               | 245                  | <b>328</b>     |
| Maintenance                    |      | 6                | 148                  | <b>154</b>     |
| Artlab conservation work       |      | 321              | -                    | <b>321</b>     |
| Business services charge       |      | 129              | -                    | <b>129</b>     |
| Collections                    |      | 37               | 51                   | <b>88</b>      |
| Exhibitions                    |      | 7                | 197                  | <b>204</b>     |
| Research                       |      | 5                | 339                  | <b>344</b>     |

|                                   |    |              |               |               |
|-----------------------------------|----|--------------|---------------|---------------|
| Travel and accommodation          |    | -            | 104           | <b>104</b>    |
| Contractors                       |    | -            | 267           | <b>267</b>    |
| Motor vehicle expenses            |    | 12           | 41            | <b>53</b>     |
| Minor equipment                   |    | -            | 59            | <b>59</b>     |
| Fees                              |    | -            | 185           | <b>185</b>    |
| Consultants                       |    | -            | 92            | <b>92</b>     |
| Hire, rent and equipment          |    | -            | 44            | <b>44</b>     |
| Audit fees                        |    | 36           | 43            | <b>79</b>     |
| Legal fees                        |    | 24           | -             | <b>24</b>     |
| OHS&W                             |    | 1            | 23            | <b>24</b>     |
| Other                             |    | 8            | 242           | <b>250</b>    |
| Accommodation and facilities      | 7  |              |               |               |
| Accommodation                     |    | 483          | 419           | <b>902</b>    |
| Facilities                        |    | 634          | 454           | <b>1 088</b>  |
| Security                          |    | 1            | 893           | <b>894</b>    |
| <b>Total Expenses</b>             |    | <b>2 494</b> | <b>12 519</b> | <b>15 013</b> |
| <b>Income</b>                     |    |              |               |               |
| Sponsorships                      | 11 |              |               |               |
| Cash sponsorships                 |    | 23           | 260           | <b>283</b>    |
| In-kind sponsorships              |    | -            | 36            | <b>36</b>     |
| Grants                            | 9  |              |               |               |
| State government grants           |    | 337          | -             | <b>337</b>    |
| General grants                    |    | 83           | 430           | <b>513</b>    |
| Commonwealth grants               |    | -            | 63            | <b>63</b>     |
| Fees and charges                  | 10 |              |               |               |
| Admissions                        |    | 2            | 406           | <b>408</b>    |
| Functions                         |    | 9            | 76            | <b>85</b>     |
| Fees for service                  |    | 25           | 262           | <b>287</b>    |
| Other                             |    | 8            | 32            | <b>40</b>     |
| Interest and investment income    | 12 |              |               |               |
| Interest                          |    | 45           | 49            | <b>94</b>     |
| Investments                       |    | -            | 61            | <b>61</b>     |
| Resources received free of charge | 14 |              |               |               |
| Business services charge          |    | 129          | -             | <b>129</b>    |
| Artlab conservation work          |    | 321          | -             | <b>321</b>    |
| Other income                      | 15 |              |               |               |
| Lab consumable recharge           |    | 8            | 85            | <b>93</b>     |
| Commissions and royalties         |    | -            | 50            | <b>50</b>     |
| Competition entry fees            |    | -            | 34            | <b>34</b>     |
| Exhibition hire                   |    | -            | 14            | <b>14</b>     |
| Other                             |    | -            | 74            | <b>74</b>     |
| Sale of goods                     |    | -            | 1 234         | <b>1 234</b>  |
| <b>Total Income</b>               |    | <b>990</b>   | <b>3 166</b>  | <b>4 156</b>  |
| <b>Financial Assets</b>           |    |              |               |               |
| Receivables                       | 16 |              |               |               |
| Receivables                       |    | 264          | 220           | <b>484</b>    |
| Prepayments                       |    | -            | 38            | <b>38</b>     |
| Accrued income                    |    | 4            | 15            | <b>19</b>     |
| GST receivable                    |    | -            | 109           | <b>109</b>    |
| <b>Total Financial Assets</b>     |    | <b>268</b>   | <b>382</b>    | <b>650</b>    |



**Financial Liabilities**

|                                    |    |            |            |            |
|------------------------------------|----|------------|------------|------------|
| Payables                           | 21 |            |            |            |
| Creditors and accruals             |    | 80         | 430        | <b>510</b> |
| Staff on-costs                     |    | 120        | 135        | <b>255</b> |
| <b>Total Financial Liabilities</b> |    | <b>200</b> | <b>565</b> | <b>765</b> |

**SA MUSEUM BOARD**  
**RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES**  
**2014-15**

|                                        | Land improvements | Buildings & improvements | Work in progress | Plant & equipment | Computer equipment | Total Tangible assets | Computer software | Work in progress intangible assets | Total Intangible assets |
|----------------------------------------|-------------------|--------------------------|------------------|-------------------|--------------------|-----------------------|-------------------|------------------------------------|-------------------------|
|                                        | \$'000            | \$'000                   | \$'000           | \$'000            | \$'000             | \$'000                | \$'000            | \$'000                             | \$'000                  |
| <b>Carrying amount at 1 July 2014</b>  | <b>5 300</b>      | <b>31 585</b>            | <b>56</b>        | <b>5 324</b>      | <b>17</b>          | <b>42 282</b>         | <b>94</b>         | <b>-</b>                           | <b>94</b>               |
| Additions                              | -                 | -                        | 497              | 54                | -                  | 551                   | -                 | 25                                 | 25                      |
| Disposals                              | -                 | -                        | -                | (42)              | -                  | (42)                  | -                 | -                                  | -                       |
| Accumulated depreciation on disposals  | -                 | -                        | -                | 27                | -                  | 27                    | -                 | -                                  | -                       |
| Depreciation and amortisation          | -                 | (1 423)                  | -                | (632)             | (10)               | (2 065)               | (15)              | -                                  | (15)                    |
| Transfers between asset classes        | -                 | 74                       | (88)             | 14                | -                  | -                     | -                 | -                                  | -                       |
| Other                                  | -                 | -                        | -                | (23)              | -                  | (23)                  | -                 | -                                  | -                       |
| <b>Carrying amount at 30 June 2015</b> | <b>5 300</b>      | <b>30 236</b>            | <b>465</b>       | <b>4 722</b>      | <b>7</b>           | <b>40 730</b>         | <b>79</b>         | <b>25</b>                          | <b>104</b>              |

**RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT**  
**2013-14**

|                                        | Land improvements | Buildings & improvements | Work in progress | Plant & equipment | Computer equipment | Total Tangible assets | Computer software | Work in progress intangible assets | Total Intangible assets |
|----------------------------------------|-------------------|--------------------------|------------------|-------------------|--------------------|-----------------------|-------------------|------------------------------------|-------------------------|
|                                        | \$'000            | \$'000                   | \$'000           | \$'000            | \$'000             | \$'000                | \$'000            | \$'000                             | \$'000                  |
| <b>Carrying amount at 1 July 2013</b>  | <b>4 850</b>      | <b>30 621</b>            | <b>2 356</b>     | <b>4 479</b>      | <b>31</b>          | <b>42 337</b>         | <b>-</b>          | <b>-</b>                           | <b>-</b>                |
| Additions                              | -                 | -                        | 1 051            | 93                | -                  | 1 144                 | 45                | -                                  | 45                      |
| Disposals                              | -                 | -                        | -                | (238)             | -                  | (238)                 | -                 | -                                  | -                       |
| Accumulated depreciation on disposals  | -                 | -                        | -                | 233               | -                  | 233                   | -                 | -                                  | -                       |
| Depreciation and amortisation          | -                 | (1 354)                  | -                | (621)             | (14)               | (1 989)               | (10)              | -                                  | (10)                    |
| Revaluation increment/(decrement)      | 450               | 413                      | -                | -                 | -                  | 863                   | -                 | -                                  | -                       |
| Transfers between asset classes        | -                 | 1 905                    | (3 351)          | 1 387             | -                  | (59)                  | 59                | -                                  | 59                      |
| Other                                  | -                 | -                        | -                | (9)               | -                  | (9)                   | -                 | -                                  | -                       |
| <b>Carrying amount at 30 June 2014</b> | <b>5 300</b>      | <b>31 585</b>            | <b>56</b>        | <b>5 324</b>      | <b>17</b>          | <b>42 282</b>         | <b>94</b>         | <b>-</b>                           | <b>94</b>               |



## Museum Board

### Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Museum Board:

- are in accordance with the accounts and records of the Board;
- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987* and relevant Australian Accounting Standards; and
- present a true and fair view of the financial position of the Museum Board as at 30 June 2015 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Museum Board over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the financial year.



Mr Brian Oldman

**Director**

**South Australian Museum**

16 September 2015



Ms Noelene Buddle

**Member**

**Museum Board**

16 September 2015



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**To the Chair  
Museum Board**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 16(3) of the *South Australian Museum Act 1976*, I have audited the accompanying financial report of the Museum Board for the financial year ended 30 June 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from a Member, Museum Board and the Director, South Australian Museum.

**The members of the Museum Board's Responsibility for the Financial Report**

The members of the Museum Board are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the members of the Museum Board determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

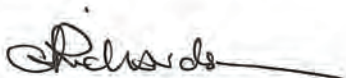
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the members of the Museum Board, as well as the overall presentation of the financial report.



I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the Museum Board as at 30 June 2015, 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.

A handwritten signature in black ink, appearing to read 'Andrew Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson  
**Auditor-General**  
21 September 2015

Office of the National Rail  
Safety Regulator

Financial report  
for the year ended  
30 June 2015



# The Office of the National Rail Safety Regulator

## Statement of Comprehensive Income

For the year ended 30 June 2015

|                                                            |      | 2015          | 2014          |
|------------------------------------------------------------|------|---------------|---------------|
|                                                            | Note | \$'000        | \$'000        |
| <b>Expenses:</b>                                           |      |               |               |
| Employee benefits expenses                                 | 4    | 6,677         | 6,018         |
| Supplies and services                                      | 5    | 3,315         | 3,609         |
| Service level agreement                                    | 6    | 19,626        | 13,431        |
| Depreciation and amortisation                              | 7    | 364           | 358           |
| Net loss from the disposal of non-current and other assets | 8    | 146           | -             |
| Transition expenses                                        | 9    | -             | 851           |
| Other expenses                                             | 10   | 19            | 12            |
| <b>Total expenses</b>                                      |      | <b>30,147</b> | <b>24,279</b> |
| <b>Income:</b>                                             |      |               |               |
| Revenues from fees and charges                             | 11   | 30,695        | 24,248        |
| Commonwealth revenues                                      | 12   | -             | 91            |
| Interest revenues                                          | 13   | 352           | 143           |
| Funding for transition expenses                            | 14   | -             | 131           |
| Other income                                               | 15   | 4             | -             |
| <b>Total income</b>                                        |      | <b>31,051</b> | <b>24,613</b> |
| <b>Net result</b>                                          |      | <b>904</b>    | <b>334</b>    |
| <b>Total comprehensive result</b>                          |      | <b>904</b>    | <b>334</b>    |

The above statements should be read in conjunction with the accompanying notes.

# The Office of the National Rail Safety Regulator

## Statement of Financial Position

As at 30 June 2015

|                                      | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------|------|----------------|----------------|
| <b>Current assets:</b>               |      |                |                |
| Cash and cash equivalents            | 16   | 8,300          | 5,789          |
| Receivables                          | 17   | 2,358          | 2,527          |
| <b>Total current assets</b>          |      | <b>10,658</b>  | <b>8,316</b>   |
| <b>Non-Current assets</b>            |      |                |                |
| Property, plant and equipment        | 18   | 891            | 384            |
| Intangible assets                    | 19   | 1,706          | 828            |
| <b>Total Non-Current assets</b>      |      | <b>2,597</b>   | <b>1,212</b>   |
| <b>Total assets</b>                  |      | <b>13,255</b>  | <b>9,528</b>   |
| <b>Current liabilities:</b>          |      |                |                |
| Payables                             | 20   | 2,467          | 615            |
| Employee benefits                    | 21   | 912            | 847            |
| Other liabilities                    | 22   | 1,382          | 580            |
| <b>Total current liabilities</b>     |      | <b>4,761</b>   | <b>2,042</b>   |
| <b>Non-Current liabilities:</b>      |      |                |                |
| Employee benefits                    | 21   | 171            | 67             |
| <b>Total Non-Current liabilities</b> |      | <b>171</b>     | <b>67</b>      |
| <b>Total liabilities</b>             |      | <b>4,932</b>   | <b>2,109</b>   |
| <b>Net assets</b>                    |      | <b>8,323</b>   | <b>7,419</b>   |
| <b>Equity:</b>                       |      |                |                |
| Retained earnings                    |      | 7,344          | 4,539          |
| Reserve for transition expenses      |      | 979            | 2,880          |
| <b>Total equity</b>                  | 24   | <b>8,323</b>   | <b>7,419</b>   |
| Unrecognised contractual commitments | 25   |                |                |
| Contingent assets and liabilities    | 26   |                |                |

The above statements should be read in conjunction with the accompanying notes.



# The Office of the National Rail Safety Regulator

## Statement of Changes in Equity

For the year ended 30 June 2015

|                                               | Note | Reserve for<br>Transition expenses<br>\$'000 | Retained<br>earnings<br>\$'000 | Total<br>\$'000 |
|-----------------------------------------------|------|----------------------------------------------|--------------------------------|-----------------|
| <b>Balance at 30 June 2013</b>                |      | <b>3,849</b>                                 | <b>3,236</b>                   | <b>7,085</b>    |
| <b>Net result for 2013-14</b>                 |      | <b>-</b>                                     | <b>334</b>                     | <b>334</b>      |
| <b>Total comprehensive result for 2013-14</b> |      | <b>-</b>                                     | <b>334</b>                     | <b>334</b>      |
| Transfer between equity components            |      | (969)                                        | 969                            | -               |
| <b>Balance at 30 June 2014</b>                |      | <b>2,880</b>                                 | <b>4,539</b>                   | <b>7,419</b>    |
| <b>Net result for 2014-15</b>                 |      | <b>-</b>                                     | <b>904</b>                     | <b>904</b>      |
| <b>Total comprehensive result for 2014-15</b> |      | <b>-</b>                                     | <b>904</b>                     | <b>904</b>      |
| Transfer between equity components            |      | (1,901)                                      | 1,901                          | -               |
| <b>Balance at 30 June 2015</b>                | 24   | <b>979</b>                                   | <b>7,344</b>                   | <b>8,323</b>    |

The above statements should be read in conjunction with the accompanying notes.

# The Office of the National Rail Safety Regulator

## Statement of Cash Flows

For the year ended 30 June 2015

|                                                             |      | 2015<br>Inflows<br>(Outflows)<br>\$'000 | 2014<br>Inflows<br>(Outflows)<br>\$'000 |
|-------------------------------------------------------------|------|-----------------------------------------|-----------------------------------------|
| <b>Cash flows from operating activities</b>                 | Note |                                         |                                         |
| Cash outflows                                               |      |                                         |                                         |
| Employee benefit payments                                   |      | (6,630)                                 | (5,573)                                 |
| Payments for supplies and services                          |      | (3,718)                                 | (4,279)                                 |
| Payments of service level agreement                         |      | (18,161)                                | (13,431)                                |
| Payments for paid parental leave scheme                     |      | (9)                                     | -                                       |
| Other Payments                                              |      | 0                                       | -                                       |
| Transition expenses                                         |      | -                                       | (856)                                   |
| <b>Cash used in operations</b>                              |      | <b>(28,518)</b>                         | <b>(24,139)</b>                         |
| Cash inflows                                                |      |                                         |                                         |
| Fees and charges                                            |      | 31,180                                  | 23,847                                  |
| Interest received                                           |      | 349                                     | 144                                     |
| Funding for transition expenses                             |      | -                                       | 131                                     |
| GST recovered from the ATO                                  |      | 932                                     | -                                       |
| Receipts for paid parental leave scheme                     |      | 11                                      | -                                       |
| Other receipts                                              |      | 4                                       | -                                       |
| <b>Cash generated from operations</b>                       |      | <b>32,476</b>                           | <b>24,122</b>                           |
| <b>Net cash provided by (used in) operating activities</b>  | 28   | <b>3,958</b>                            | <b>(17)</b>                             |
| <b>Cash flows from investing activities</b>                 |      |                                         |                                         |
| Cash outflows                                               |      |                                         |                                         |
| Purchase of property, plant and equipment                   |      | (197)                                   | -                                       |
| Purchases of intangibles                                    |      | (1,250)                                 | -                                       |
| <b>Cash generated from investing activities</b>             |      | <b>(1,447)</b>                          | <b>-</b>                                |
| <b>Cash used in investing activities</b>                    |      | <b>(1,447)</b>                          | <b>-</b>                                |
| <b>Net increase (decrease) in cash and cash equivalents</b> |      | <b>2,511</b>                            | <b>(17)</b>                             |
| <b>Cash and cash equivalents at 1 July 2014</b>             |      | <b>5,789</b>                            | <b>5,806</b>                            |
| <b>Cash and cash equivalents at 30 June 2015</b>            | 16   | <b>8,300</b>                            | <b>5,789</b>                            |



# **The Office of the National Rail Safety Regulator**

## **Notes to and forming part of the financial statements**

### **1. Objective of the Office of the National Rail Safety Regulator**

The Office of the National Rail Safety Regulator is established under the *Rail Safety National Law (South Australia) Act 2012* (the Law).

The Office of the National Rail Safety Regulator has the principal objective of facilitating the safe operation of rail transport across Australia. This is achieved through regulation of the rail industry in accordance with the Law, supporting regulations, guidelines and policies and the promotion of safety as a fundamental objective in the delivery of rail transport services.

### **2. Summary of significant accounting policies**

#### **(a) Statement of compliance**

These financial statements have been prepared in compliance with section 263 of the Rail Safety National Law (*South Australia) Act 2012* and Regulation 48 of Rail Safety National Law National Regulations.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (AAS).

The Office of the National Rail Safety Regulator has applied AASs that are applicable to ONRSR.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Office of the National Rail Safety Regulator for the reporting period ending 30 June 2015. Refer to Note 3.

#### **(b) Basis of preparation**

The preparation of the financial statements requires:

- The use of certain accounting estimates and requires management to use its judgement in the process of applying the Office of the National Rail Safety Regulator's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes.
- Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

The Office of the National Rail Safety Regulator's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented.



# **The Office of the National Rail Safety Regulator**

**(c) Comparative information**

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards have required a change.

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

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

**(d) Rounding**

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

**(e) Taxation**

The Office of the National Rail Safety Regulator is not subject to income tax. The Office of the National Rail Safety Regulator is liable for payroll tax, FBT, GST and Emergency Services Levy.

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

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

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

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

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

**(f) Events after the reporting date**

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

Note disclosure is made about events between 30 June and the date the financial statements are authorised 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**

Income is recognised to the extent that it is probable that the flow of economic benefits to the Office of the National Rail Safety Regulator will occur and can be reliably measured.

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



# **The Office of the National Rail Safety Regulator**

The following are specific recognition criteria:

## *Fees and charges*

Revenues from fees and charges are derived from the provision of services to industry and state governments. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

## *Contributions received*

Contributions are recognised as an asset and income when the Office of the National Rail Safety Regulator obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (i.e. the amount can be reliably measured and the flow of resources is probable).

Generally, the Office of the National Rail Safety Regulator has obtained control or the right to receive for:

- Contributions with unconditional stipulations - this will be when the agreement becomes enforceable - i.e. the earlier of when the receiving entity has formally been advised that the contribution (e.g. grant stipulation) has been approved; agreement/contract is executed; and/or the contribution is received.
- Contributions with conditional stipulations - this will be when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for contributions received or receivable under the agreement.

All contributions received by the Office of the National Rail Safety Regulator have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

## *Other income*

Other income consists of refunds for salary sacrificing

## **(h) Expenses**

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Office of the National Rail Safety Regulator will occur and can be reliably measured.

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

The following are specific recognition criteria:

## *Employee benefits expenses*

Employee benefits expenses include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

## *Superannuation*

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Office of the National Rail Safety Regulator to the externally managed superannuation plans in respect of current Office of the National Rail Safety Regulator staff.

## *Service Level Agreement*

For contributions payable under the Service Level Agreement, the contribution will be recognised as a liability and expense when the Office of the National Rail Safety Regulator has a present obligation to pay the contribution and the expense recognition criteria are met.



# **The Office of the National Rail Safety Regulator**

## *Depreciation and amortisation*

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

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

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

| <b>Class of asset</b> | <b>Useful life(years)</b> |
|-----------------------|---------------------------|
| Computer equipment    | 5 - 10                    |
| Intangible assets     | 3 - 5                     |

Depreciation on Fixtures and fittings is calculated using the diminishing value method.

## **(i) Current and non - current classification**

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

Where asset and liability line item combine amounts expected to be realised within 12 months and more than 12 months, the Office of the National Rail Safety Regulator has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

## **(j) Assets**

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

### *Cash and cash equivalents*

Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand.

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

Cash is measured at nominal value.

### *Receivables*

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

Receivables arise in the normal course of providing services to industry and state governments.

Receivables are generally settled within 30 days after the issue of an invoice.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Office of the National Rail Safety Regulator will not be able to collect the debt. Bad debts are written off when identified.



# **The Office of the National Rail Safety Regulator**

## *Non-current assets*

### Acquisition and recognition

Non-current assets are initially identified at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

All non-current tangible assets with a value equal to or in excess of \$5,000 are capitalised.

### Impairment

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

### *Intangible assets*

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either definite or indefinite. The Office of the National Rail Safety Regulator only has intangible assets with definite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

## **(k) Liabilities**

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

### *Payables*

Payables include creditors, accrued expenses, GST payable and employment on-costs and Paid Parental Leave Scheme payable.

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

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

The Paid Parental Leave Scheme payable represents amounts which The Office of National Rail Safety Regulator has received from the Commonwealth Government to forward onto eligible employees via The Office of National Rail Safety Regulator standard payroll processes. That is, the The Office of National Rail Safety Regulator is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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

Employee benefit on-costs include payroll tax, workers compensation and superannuation contributions in respect to outstanding liabilities for salaries and wages, LSL and annual leave.



# **The Office of the National Rail Safety Regulator**

The Office of National Rail Safety Regulator makes contributions to several State Government and Commercial 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 are contributions which have not yet been paid to scheme managers.

## *Leases*

The Office of the National Rail Safety Regulator leases office premises. Lease payments are increased annually in accordance with movements in CPI or as per the lease agreement.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased asset.

## *Employee benefits*

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

### *• Wages, salaries, annual leave & sick leave*

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

The annual leave liability 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 for sick leave.

### *• LSL*

This amount has been calculated in accordance with AASB119.

The liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service.

## *Provisions*

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

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

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

The Office of the National Rail Safety Regulator is responsible for the payment of workers compensation claims.



# The Office of the National Rail Safety Regulator

## *Other current liabilities*

This liability represents the difference between the proposed industry revenue received from NSW operators and the NSW contribution to ONRSR head office costs.

### **(l) Unrecognised contractual commitments and contingent assets and liabilities**

Commitments include operating lease commitments arising from contractual or statutory sources and are disclosed at their nominal value.

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

### **3. New and revised accounting standards and policies**

The Office of the National Rail Safety Regulator did not voluntarily change any of its accounting policies during 2014-15.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Office of the National Rail Safety Regulator for the period ending 30 June 2015. The Office of the National Rail Safety Regulator has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Office of the National Rail Safety Regulator.

### **4. Employee benefits expenses**

|                                         | <b>2015</b>   | <b>2014</b>   |
|-----------------------------------------|---------------|---------------|
|                                         | <b>\$'000</b> | <b>\$'000</b> |
| Salaries and wages                      | 5,189         | 4,601         |
| Long service leave                      | 104           | 148           |
| Annual leave                            | 504           | 540           |
| Employment on-costs - superannuation    | 537           | 458           |
| Employment on-costs - other             | 314           | 257           |
| Workers compensation                    | 29            | 14            |
| <b>Total employee benefits expenses</b> | <b>6,677</b>  | <b>6,018</b>  |

### ***Remuneration of employees***

|                                                                                                     | <b>2015</b>   | <b>2014</b>   |
|-----------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                     | <b>Number</b> | <b>Number</b> |
| The number of employees whose remuneration received or receivable falls within the following bands: |               |               |
| \$141,500 to \$151,499                                                                              | 1             | 1             |
| \$151,500 to \$161,499                                                                              | 1             | 2             |
| \$161,500 to \$171,499                                                                              | 2             | 0             |
| \$211,500 to \$221,499                                                                              | 2             | 0             |
| \$221,500 to \$231,499                                                                              | 0             | 1             |
| \$231,500 to \$241,499                                                                              | 0             | 1             |
| \$241,500 to \$251,499                                                                              | 0             | 0             |
| \$251,500 to \$261,499                                                                              | 3             | 0             |
| \$291,500 to \$301,499                                                                              | 0             | 2             |
| \$311,500 to \$321,499                                                                              | 2             | 0             |
| \$391,500 to \$401,499                                                                              | 0             | 1             |
| <b>Total number of employees</b>                                                                    | <b>11</b>     | <b>8</b>      |

# The Office of the National Rail Safety Regulator

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation of leave, superannuation contributions, salary sacrifice benefits, fringe benefits and any FBT paid in respect of those benefits. The total remuneration received by these employees was \$2.472 million (\$1.920 million).

| <b>5. Supplies and services</b>    | <b>2015</b>   | <b>2014</b>   |
|------------------------------------|---------------|---------------|
|                                    | <b>\$'000</b> | <b>\$'000</b> |
| Travelling expenses                | 563           | 547           |
| Information Technology             | 1,048         | 918           |
| Insurance                          | 289           | 233           |
| Property                           | 636           | 614           |
| Contractors fees                   | 271           | 839           |
| Other                              | 508           | 458           |
| <b>Total supplies and services</b> | <b>3,315</b>  | <b>3,609</b>  |

## **Consultants**

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

|                                          | <b>2015</b>   |               | <b>2014</b>   |
|------------------------------------------|---------------|---------------|---------------|
|                                          | <b>\$'000</b> | <b>Number</b> | <b>\$'000</b> |
| Below \$10,000                           | 32            | 9             | 20            |
| <b>Total paid/payable to consultants</b> | <b>32</b>     | <b>9</b>      | <b>20</b>     |

## **Auditors remuneration**

|                                                                                                                                                     | <b>2015</b>   | <b>2014</b>   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                                                     | <b>\$'000</b> | <b>\$'000</b> |
| Audit fees paid/payable to the Auditor General's Department relating to the audit of financial statements (included in supplies and services above) | 43            | 44            |
| <b>Total Audit fees</b>                                                                                                                             | <b>43</b>     | <b>44</b>     |

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

| <b>6. Service level agreement</b>              | <b>2015</b>   | <b>2014</b>   |
|------------------------------------------------|---------------|---------------|
|                                                | <b>\$'000</b> | <b>\$'000</b> |
| Payment under Service Level Agreement with NSW | 13,767        | 13,431        |
| Payment under Service Level Agreement with VIC | 5,859         | 0             |
| <b>Total Service Level Agreement</b>           | <b>19,626</b> | <b>13,431</b> |

| <b>7. Depreciation and amortisation</b>    | <b>2015</b>   | <b>2014</b>   |
|--------------------------------------------|---------------|---------------|
|                                            | <b>\$'000</b> | <b>\$'000</b> |
| Fixtures and fittings                      | 21            | 24            |
| Computer Equipment                         | 40            | 46            |
| Computer Software                          | 303           | 288           |
| <b>Total depreciation and amortisation</b> | <b>364</b>    | <b>358</b>    |



# The Office of the National Rail Safety Regulator

## 8. Net loss from the disposal of non-current and other assets

|                                                          | 2015       | 2014     |
|----------------------------------------------------------|------------|----------|
|                                                          | \$'000     | \$'000   |
| <b>Intangible assets:</b>                                |            |          |
| Computer Software                                        |            |          |
| Proceeds from disposal                                   | 0          | 0        |
| Less net book value of assets disposed                   | 146        | 0        |
| <b>Total Net loss from disposal of intangible assets</b> | <b>146</b> | <b>0</b> |

## 9. Transition expenses

|                                                                                                                            | 2015     | 2014       |
|----------------------------------------------------------------------------------------------------------------------------|----------|------------|
|                                                                                                                            | \$'000   | \$'000     |
| Transition expenses for the establishment of branch<br>Offices and the development of the relevant IT and business systems | 0        | 851        |
| <b>Total transition expenses</b>                                                                                           | <b>0</b> | <b>851</b> |

## 10. Other expenses

|                                                             | 2015      | 2014      |
|-------------------------------------------------------------|-----------|-----------|
|                                                             | \$'000    | \$'000    |
| Bad debts and allowances for doubtful debts (refer note 17) | 19        | 12        |
| <b>Total other expenses</b>                                 | <b>19</b> | <b>12</b> |

## 11. Revenue from fees and charges

|                                                       | 2015          | 2014          |
|-------------------------------------------------------|---------------|---------------|
|                                                       | \$'000        | \$'000        |
| Revenue from accreditations                           | 100           | 58            |
| Revenue from annual fees from industry and government | 30,595        | 24,190        |
| <b>Total revenue from fees and charges</b>            | <b>30,695</b> | <b>24,248</b> |

## 12. Commonwealth revenues

|                                   | 2015     | 2014      |
|-----------------------------------|----------|-----------|
|                                   | \$'000   | \$'000    |
| Grants                            | 0        | 91        |
| <b>Total Commonwealth Revenue</b> | <b>0</b> | <b>91</b> |

## 13. Interest revenues

|                                | 2015       | 2014       |
|--------------------------------|------------|------------|
|                                | \$'000     | \$'000     |
| Interest received              | 352        | 143        |
| <b>Total interest revenues</b> | <b>352</b> | <b>143</b> |

## 14. Funding for transition expenses

|                                                   | 2015     | 2014       |
|---------------------------------------------------|----------|------------|
|                                                   | \$'000   | \$'000     |
| Funding for transition received from Commonwealth | 0        | 131        |
| <b>Total funding for transition expenses</b>      | <b>0</b> | <b>131</b> |

This funding is the final payment for the establishment of Branch Offices for jurisdictions which have not yet joined the Office of the National Rail Safety Regulator. At 30 June 2015 \$0.979 million had not been yet expended as several Branch Offices will be established in subsequent years. Thus, this amount will appear in a later year's Financial Statements as expenditure for which no matching revenue will be shown.

# The Office of the National Rail Safety Regulator

## 15. Other income

|                            | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------|----------------|----------------|
| Salary sacrificing refund  | 4              | 0              |
| <b>Total other revenue</b> | <b>4</b>       | <b>0</b>       |

## 16. Cash and cash equivalents

|                                        | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------|----------------|----------------|
| Cash at bank and on hand               | 8,300          | 5,789          |
| <b>Total cash and cash equivalents</b> | <b>8,300</b>   | <b>5,789</b>   |

Included in the above amount is monies held for transition cost (\$0.979 million) and which will not be used for general Office of the National Rail Safety Regulator operations.

The Office of the National Rail Safety Regulator has been granted an overdraft limit facility of \$400,000. This limit has not been used.

## 17. Receivables

|                                   | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------|----------------|----------------|
| Receivables                       | 1,882          | 1,576          |
| Less allowance for doubtful debts | -19            | -12            |
| Prepayments                       | 314            | 334            |
| Accrued interest                  | 9              | 6              |
| GST input tax receivable          | 172            | 623            |
| <b>Total Receivables</b>          | <b>2,358</b>   | <b>2,527</b>   |

### Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

|                                                                 | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------------------------------------|----------------|----------------|
| Movements in the allowance for doubtful debts (impairment loss) |                |                |
| <b>Carrying amount at the beginning of the period</b>           | 12             | 0              |
| Increase in the allowance                                       | 19             | 12             |
| Amounts written off                                             | -12            | 0              |
| <b>Carrying amount at the end of the period</b>                 | <b>19</b>      | <b>12</b>      |

## 18. Property, plant and equipment

|                                    | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------|----------------|----------------|
| Fixtures and fittings:             |                |                |
| At cost                            | 245            | 245            |
| Accumulated depreciation           | -56            | -35            |
| <b>Total fixtures and fittings</b> | <b>189</b>     | <b>210</b>     |



# The Office of the National Rail Safety Regulator

Work In Progress (Fixtures and fittings):

|                                                                 |            |            |
|-----------------------------------------------------------------|------------|------------|
| At Cost                                                         | 568        | 0          |
| <b>Total Work in Progress (Fixtures and fittings)</b>           | <b>568</b> | <b>0</b>   |
| <b>Total Fixtures and fittings (including work in progress)</b> | <b>757</b> | <b>210</b> |

Computer equipment:

|                                 |            |            |
|---------------------------------|------------|------------|
| At cost                         | 231        | 231        |
| Accumulated depreciation        | -97        | -57        |
| <b>Total computer equipment</b> | <b>134</b> | <b>174</b> |

|                                            |            |            |
|--------------------------------------------|------------|------------|
| <b>Total property, plant and equipment</b> | <b>891</b> | <b>384</b> |
|--------------------------------------------|------------|------------|

## **Impairment**

There were no indications of impairment of property, plant and equipment at 30 June 2015.

## **19. Intangible assets**

|                                | <b>2015<br/>\$'000</b> | <b>2014<br/>\$'000</b> |
|--------------------------------|------------------------|------------------------|
| Computer Software              |                        |                        |
| At cost                        | 1,122                  | 1,224                  |
| Accumulated amortisation       | -566                   | -396                   |
| <b>Total Computer software</b> | <b>556</b>             | <b>828</b>             |

Work In Progress (Intangibles):

|                                             |              |          |
|---------------------------------------------|--------------|----------|
| At Cost                                     | 1,150        | 0        |
| <b>Total Work in Progress (Intangibles)</b> | <b>1,150</b> | <b>0</b> |

|                                |              |            |
|--------------------------------|--------------|------------|
| <b>Total Intangible assets</b> | <b>1,706</b> | <b>828</b> |
|--------------------------------|--------------|------------|

The Office of the National Rail Safety Regulator has no contractual commitments for the acquisition of intangible assets.

## **Impairment**

There were no indications of impairment of intangible assets at 30 June 2015.

### *Asset movement reconciliation 2015*

|                                        | <b>Fixtures<br/>and fittings<br/>\$'000</b> | <b>Computer<br/>equipment<br/>\$'000</b> | <b>Intangible<br/>assets<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|----------------------------------------|---------------------------------------------|------------------------------------------|-----------------------------------------|-------------------------|
| <b>2015</b>                            |                                             |                                          |                                         |                         |
| Carrying amount at 1 July 2014         | 210                                         | 174                                      | 828                                     | 1,212                   |
| Additions at cost                      | 0                                           | 0                                        | 177                                     | 177                     |
| Additions work in progress             | 568                                         | 0                                        | 1,150                                   | 1,718                   |
| Disposals                              | 0                                           | 0                                        | -146                                    | -146                    |
| Depreciation/amortisation              | -21                                         | -40                                      | -303                                    | -364                    |
| <b>Carrying amount at 30 June 2015</b> | <b>757</b>                                  | <b>134</b>                               | <b>1,706</b>                            | <b>2,597</b>            |

### *Asset movement reconciliation 2014*

|                                        | <b>Fixtures<br/>and fittings<br/>\$'000</b> | <b>Computer<br/>equipment<br/>\$'000</b> | <b>Intangible<br/>assets<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|----------------------------------------|---------------------------------------------|------------------------------------------|-----------------------------------------|-------------------------|
| <b>2014</b>                            |                                             |                                          |                                         |                         |
| Carrying amount at 1 July 2013         | 234                                         | 129                                      | 1,081                                   | 1,444                   |
| Additions                              | 0                                           | 91                                       | 35                                      | 126                     |
| Depreciation/Amortisation              | -24                                         | -46                                      | -288                                    | -358                    |
| <b>Carrying amount at 30 June 2014</b> | <b>210</b>                                  | <b>174</b>                               | <b>828</b>                              | <b>1,212</b>            |

# The Office of the National Rail Safety Regulator

## 20. Payables

|                                    | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------|----------------|----------------|
| <b>Current:</b>                    |                |                |
| Creditors                          | 764            | 179            |
| Accrued expenses                   | 1,665          | 394            |
| Employee on-costs                  | 36             | 41             |
| Paid Parental Leave Scheme payable | 2              | 0              |
| GST Payable                        | 0              | 1              |
| <b>Total current payables</b>      | <b>2,467</b>   | <b>615</b>     |

## 21. Employee benefits

|                                            | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------|----------------|----------------|
| <b>Current</b>                             |                |                |
| Accrued salaries and wages                 | 117            | 199            |
| Annual Leave                               | 703            | 539            |
| Long service leave                         | 92             | 109            |
| <b>Total current employee benefits</b>     | <b>912</b>     | <b>847</b>     |
| <b>Non-Current</b>                         |                |                |
| Long service leave                         | 171            | 67             |
| <b>Total non-current employee benefits</b> | <b>171</b>     | <b>67</b>      |
| <b>Total Employee benefits</b>             | <b>1,083</b>   | <b>914</b>     |

## 22. Other liabilities

|                                        | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------|----------------|----------------|
| <b>Current</b>                         |                |                |
| Unearned revenue                       | 1,382          | 580            |
| <b>Total current other liabilities</b> | <b>1,382</b>   | <b>580</b>     |

## 23. Provisions

There are no unsettled workers compensation claims

## 24. Equity

|                                 | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------|----------------|----------------|
| Retained Earnings               | 7,344          | 4,539          |
| Reserve for transition expenses | 979            | 2,880          |
| <b>Total Equity</b>             | <b>8,323</b>   | <b>7,419</b>   |

An amount of \$0.979 million that represents the funding that will be used in the subsequent financial years for the establishment of new Branch Offices has been treated as a separate reserve.

## 25. Unrecognised contractual commitments

### Capital Commitments

There are no Capital Commitments in the Office of the National Rail Safety Regulator.



# The Office of the National Rail Safety Regulator

## **Expenditure commitments - Remuneration**

|                                                                                                                                                                                                   | <b>2015</b>   | <b>2014</b>   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                                                                                                   | <b>\$'000</b> | <b>\$'000</b> |
| 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                                                                                                                                                                                   | 933           | 1,561         |
| Later than one year but no longer than five years                                                                                                                                                 | 1,543         | 1,442         |
| <b>Total remuneration commitments</b>                                                                                                                                                             | <b>2,476</b>  | <b>3,003</b>  |

Amounts disclosed include commitments arising from executive and other service contracts.

The Office of the National Rail Safety Regulator does not offer fixed-term remuneration contracts greater than five years.

## **Expenditure commitments - Other**

|                                                   | <b>2015</b>   | <b>2014</b>   |
|---------------------------------------------------|---------------|---------------|
|                                                   | <b>\$'000</b> | <b>\$'000</b> |
| Within one year                                   | 125           | 212           |
| Later than one year but no longer than five years | 0             | 0             |
| <b>Total other commitments</b>                    | <b>125</b>    | <b>212</b>    |

Amounts disclosed include commitments arising from IT maintenance contracts and contractors.

## **Operating lease commitments**

|                                                                                                                                            | <b>2015</b>   | <b>2014</b>   |
|--------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                                            | <b>\$'000</b> | <b>\$'000</b> |
| Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows: |               |               |
| Within one year                                                                                                                            | 684           | 546           |
| Later than one year but no longer than five years                                                                                          | 1,291         | 1,023         |
| Later than five years                                                                                                                      | 1,181         | 0             |
| <b>Total operating lease commitments</b>                                                                                                   | <b>3,156</b>  | <b>1,569</b>  |

The Office of the National Rail Safety Regulator's operating leases is for office accommodation and motor vehicles.

The leases are non-cancellable with terms ranging up to 10 years with some leases having the right of renewal. Rent is payable one month in advance.

## **Finance Lease commitments**

There are no Finance Lease commitments in the Office of the National Rail Safety Regulator.

## **26. Contingent assets and liabilities**

The Office of the National Rail Safety Regulator is not aware of any contingent assets or liabilities.

## **27. Remuneration of board and committee members**

Members during the 2015 financial year were:

### **ONRSR Board**

\* Mr Robert Andrews ( resigned 31 Dec 2014)

\* Ms Susan McCarrey ( appointed 8 Dec 2014)

Ms Catherine Scott

Mr Peter Batchelor

### **Audit & Risk Committee**

Ms Catherine Scott

Mr Malcolm Renney

# The Office of the National Rail Safety Regulator

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

|                                | 2015<br>Number | 2014<br>Number |
|--------------------------------|----------------|----------------|
| \$0 - \$9,999                  | 1              | 1              |
| \$30,000 - \$39,999            | 0              | 0              |
| \$60,000 - \$69,000            | 2              | 2              |
| <b>Total number of members</b> | <b>3</b>       | <b>3</b>       |

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions and salary sacrifice benefits. The total remuneration received or receivable by members was \$134,360 (\$127,124).

\* Contracted employee whose salary is included under Employee benefit expenses in the Statement of Comprehensive Income.

## 28 Cash flow reconciliation

|                                                                            | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------------------------------------|----------------|----------------|
| Reconciliation of cash and cash equivalents at 30 June:                    |                |                |
| Cash and cash equivalents disclosed in the Statement of Financial Position | 8,300          | 5,789          |
| <b>Balance as per the Statement of Cash Flows</b>                          | <b>8,300</b>   | <b>5,789</b>   |

Reconciliation of net cash provided by operating activities to net result

|                                                        |            |            |
|--------------------------------------------------------|------------|------------|
| Net cash provided by (used in) operating activities    | 3,958      | (17)       |
| Add (less) non cash items:                             |            |            |
| Depreciation and amortisation                          | (364)      | (358)      |
| Net loss disposal Intangible assets                    | (146)      | 0          |
| Assets provided from non-cash contributions            | 0          | 126        |
| Movements in assets and liabilities:                   |            |            |
| Increase (decrease) in Receivables                     | (169)      | 1,688      |
| (Increase) decrease in Payables - Operating Activities | (1404)     | (92)       |
| (Increase) decrease in Employee benefits               | (169)      | (433)      |
| (Increase) decrease in other liabilities               | (802)      | (580)      |
| <b>Net result</b>                                      | <b>904</b> | <b>334</b> |

## 29. Financial instruments/Financial risk management

### Financial risk management

Risk management is managed by The Office of the National Rail Safety Regulator corporate services section and risk management policies are in accordance with good practice.

The Office of the National Rail Safety Regulator is exposed to financial risk – liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

### Categorisation of financial instruments

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



# The Office of the National Rail Safety Regulator

**Table 29.1**

| Financial instrument      | Note | 2015            |               | 2014            |              |
|---------------------------|------|-----------------|---------------|-----------------|--------------|
|                           |      | Carrying amount | Fair value    | Carrying amount | Fair value   |
|                           |      | \$'000s         | \$'000s       | \$'000s         | \$'000s      |
| Financial assets:         |      |                 |               |                 |              |
| Cash and cash equivalents | 16   | 8,300           | 8,300         | 5,789           | 5,789        |
| Receivables* **           | 17   | 1,882           | 1,882         | 1,576           | 1,576        |
|                           |      | <b>10,182</b>   | <b>10,182</b> | <b>7,365</b>    | <b>7,365</b> |
| Financial liabilities:    |      |                 |               |                 |              |
| Payables*                 | 20   | 2,384           | 2,384         | 533             | 533          |
| Other Liabilities         | 22   | 1,382           | 1,382         | 580             | 580          |
|                           |      | <b>3,766</b>    | <b>3,766</b>  | <b>1,113</b>    | <b>1,113</b> |

\* Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. 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. They are carried at cost.

\*\* Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 17 as trade and other receivables in accordance with paragraph 78 (b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

## **Credit risk**

Credit risk arises when there is the possibility of The Office of the National Rail Safety Regulator debtors defaulting on their contractual obligations resulting in financial loss to The Office of the National Rail Safety Regulator. The Office of the National Rail Safety Regulator monitors risk on a regular basis and has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Office of the National Rail Safety Regulator does not engage in high risk hedging for its financial assets.

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

**Table 29.2 Ageing analysis of financial assets**

|                          | Overdue for<br><30 days<br>\$'000s | Overdue for<br>30 - 60 days<br>\$'000s | Past due by<br>Overdue for<br>>60 days<br>\$'000s | Total<br>\$'000s |
|--------------------------|------------------------------------|----------------------------------------|---------------------------------------------------|------------------|
| <b>2015</b>              |                                    |                                        |                                                   |                  |
| <b>Not impaired</b>      |                                    |                                        |                                                   |                  |
| Receivables *            | 3                                  | 0                                      | 1,860                                             | 1,863            |
| <b>Impaired</b>          |                                    |                                        |                                                   |                  |
| Receivables *            | 0                                  | 0                                      | 19                                                | 19               |
| <b>Total Receivables</b> | <b>3</b>                           | <b>0</b>                               | <b>1,879</b>                                      | <b>1,882</b>     |

\* Receivable amounts disclosed here exclude amounts relating to statutory receivables and payables. 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, commonwealth tax, audit receivables/payables etc. They would be excluded from the disclosure. The standard defines contract as enforceable by law. They are carried at cost.

## **Maturity analysis**

The total financial assets are \$10,182,000 and total financial liabilities are \$3,766,000. Maturity analysis demonstrates they are both within 1 year of contractual maturity.

# **The Office of the National Rail Safety Regulator**

## ***Liquidity risk***

Liquidity risk arises where the Office of the National Rail Safety Regulator is unable to meet its financial obligations as they are due to be settled. The Office of the National Rail Safety Regulator is funded principally from fees from rail industry and state government. The Office of the National Rail Safety Regulator settles undisputed accounts within 30 days of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Office of the National Rail Safety Regulator's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in Table 29.1 represents the Office of the National Rail Safety Regulator's maximum exposure to financial liabilities.

## ***Market risk***

The Office of the National Rail Safety Regulator has no market risk exposure or exposure to foreign currency or other price risks or interest rate risks.

## ***Sensitivity disclosure analysis***

A sensitivity analysis has not been undertaken for the interest rate risk of the Office of the National Rail Safety Regulator as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

## **30. Events after the reporting period**

There have been no events after the reporting period.



# The Office of the National Rail Safety Regulator

## Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Office of the National Rail Safety Regulator:

- complies with Section 263 of the Rail Safety National Law (South Australia) Act 2012 and Regulation 48 of *RSNL National Regulations* , and relevant Australian accounting standards;
- are in accordance with the accounts and records of the Office of the National Rail Safety Regulator; and
- presents a true and fair view of the financial position of the Office of the National Rail Safety Regulator as at 30 June 2015 and the results of its operation and cash flows for the financial year.

We certify the internal controls employed by the Office of the National Rail Safety Regulator for the financial year over its financial reporting and the preparation of the general purpose financial Statements have been effective throughout the reporting period.



Chief Executive

10 / 9 / 2015



Executive Director - Corporate

10 / 9 / 2015



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**To the Chief Executive  
The Office of the National Rail Safety Regulator**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 263 of the *Rail Safety National Law (South Australia) Act 2012*, I have audited the accompanying financial report of the Office of the National Rail Safety Regulator for the financial year ended 30 June 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chief Executive and the Executive Director, Corporate.

**Chief Executive's Responsibility for the Financial Report**

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with the provisions of the *Public Finance and Audit Act 1987* and the *Rail Safety National Law (South Australia) Act 2012* and Australian Accounting Standards, and for such internal control as the Chief Executive determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

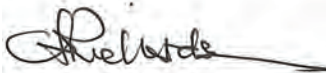
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as the overall presentation of the financial report.



I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the Office of the National Rail Safety Regulator as at 30 June 2015, its financial performance and its cash flows for the year then ended in accordance with the provisions of the *Public Finance and Audit Act 1987* and *Rail Safety National Law (South Australia) Act 2012* and Australian Accounting Standards.

A handwritten signature in black ink, appearing to read 'A Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson  
**Auditor-General**  
15 September 2015

# Parliamentary Superannuation Scheme

Financial report  
for the year ended  
30 June 2015



## Parliamentary Superannuation Scheme

### Operating Statement for the year ended 30 June 2015

|                                        | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------|------|----------------|----------------|
| <b>INVESTMENT AND OTHER REVENUE:</b>   |      |                |                |
| Investment Revenue                     |      | 22 952         | 30 281         |
| Other Revenue                          |      | 7              | 8              |
| <b>Contribution Revenue:</b>           |      |                |                |
| Contributions by Members               | 1(d) | 533            | 695            |
| Contributions by Employers             | 1(d) | 3 815          | 3 786          |
| Rollovers from Other Schemes           |      | 1 089          | 496            |
| <b>Total Contribution Revenue</b>      |      | <b>5 437</b>   | <b>4 977</b>   |
| <b>Total Revenue</b>                   |      | <b>28 396</b>  | <b>35 266</b>  |
| <b>EXPENSES:</b>                       |      |                |                |
| Direct Investment Expenses             | 4    | 1 587          | 1 417          |
| Administration Expenses                | 5    | 245            | 242            |
| Benefit Expenses                       | 7    | 14 059         | 12 878         |
| <b>Total Expenses</b>                  |      | <b>15 891</b>  | <b>14 537</b>  |
| <b>OPERATING RESULT FOR THE PERIOD</b> |      | <b>12 505</b>  | <b>20 729</b>  |

*The Operating Statement should be read in conjunction with the accompanying notes*

### Statement of Financial Position as at 30 June 2015

|                                              | Note | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------------|------|----------------|----------------|
| <b>INVESTMENTS:</b>                          |      |                |                |
| Inflation Linked Securities A                |      | 16 694         | 16 580         |
| Property A                                   |      | 32 976         | 30 563         |
| Australian Equities A                        |      | 54 994         | 51 680         |
| International Equities A                     |      | 58 821         | 59 222         |
| Long Term Fixed Interest                     |      | 4 918          | 3 767          |
| Short Term Fixed Interest                    |      | 384            | 1 569          |
| Diversified Strategies - Growth A            |      | 22 157         | 18 368         |
| Diversified Strategies - Income              |      | 31 627         | 30 289         |
| Cash                                         |      | 7 942          | 5 284          |
| Socially Responsible Investment              |      | 643            | 377            |
|                                              |      | <b>231 156</b> | <b>217 699</b> |
| <b>OTHER ASSETS:</b>                         |      |                |                |
| Cash and Cash Equivalents                    | 10   | 722            | 331            |
| Contributions Receivable                     |      | 3              | 15             |
| Receivables                                  |      | 7              | 8              |
|                                              |      | <b>732</b>     | <b>354</b>     |
| <b>Total Assets</b>                          |      | <b>231 888</b> | <b>218 053</b> |
| <b>CURRENT LIABILITIES:</b>                  |      |                |                |
| Payables                                     |      | 17             | 120            |
| Benefits Payable                             |      | 111            | 84             |
| <b>Total Liabilities</b>                     |      | <b>128</b>     | <b>204</b>     |
| <b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>  | 6    | <b>231 760</b> | <b>217 849</b> |
| <b>Less: LIABILITY FOR ACCRUED BENEFITS</b>  | 7    | <b>202 161</b> | <b>200 755</b> |
| <b>EXCESS OF NET ASSETS OVER LIABILITIES</b> |      | <b>29 599</b>  | <b>17 094</b>  |

*The Statement of Financial Position should be read in conjunction with the accompanying notes*

# Parliamentary Superannuation Scheme

## Statement of Cash Flows for the year ended 30 June 2015

|                                                                  | Note | Inflows<br>(Outflows)<br>\$'000 | 2015<br>Inflows<br>(Outflows)<br>\$'000 | 2014<br>Inflows<br>(Outflows)<br>\$'000 |
|------------------------------------------------------------------|------|---------------------------------|-----------------------------------------|-----------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                     |      |                                 |                                         |                                         |
| Contributions Received:                                          |      |                                 |                                         |                                         |
| Contributions by Members                                         |      | 536                             |                                         | 692                                     |
| Contributions by Employers                                       |      | 3 824                           |                                         | 3 774                                   |
| Rollovers from Other Schemes                                     |      | <u>1 090</u>                    |                                         | <u>496</u>                              |
|                                                                  |      |                                 | 5 450                                   | 4 962                                   |
| Bank Interest Received                                           |      |                                 | 8                                       | 8                                       |
| GST Recovered from the ATO                                       |      |                                 | 14                                      | 10                                      |
| Benefits Paid:                                                   |      |                                 |                                         |                                         |
| Pensions                                                         |      | (10 214)                        |                                         | (9 519)                                 |
| Commutations                                                     |      | (2 508)                         |                                         | (2 595)                                 |
| Lump Sums                                                        |      | <u>(9)</u>                      |                                         | <u>(680)</u>                            |
|                                                                  |      |                                 | (12 731)                                | (12 794)                                |
| Administration Expenses Paid                                     |      |                                 | (258)                                   | (348)                                   |
| <b>Net Cash (used in) Operating Activities</b>                   | 9    |                                 | <u>(7 517)</u>                          | <u>(8 162)</u>                          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                     |      |                                 |                                         |                                         |
| Receipts from Funds SA                                           |      |                                 | 14 079                                  | 12 920                                  |
| Payments to Funds SA                                             |      |                                 | <u>(6 171)</u>                          | <u>(4 796)</u>                          |
| <b>Net Cash provided by Investing Activities</b>                 |      |                                 | <u>7 908</u>                            | <u>8 124</u>                            |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD</b> |      |                                 | <u>391</u>                              | <u>(38)</u>                             |
| <b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>                       |      |                                 | <u>331</u>                              | <u>369</u>                              |
| <b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>                      | 10   |                                 | <u>722</u>                              | <u>331</u>                              |

*The Statement of Cash Flows should be read in conjunction with the accompanying notes*



## **Parliamentary Superannuation Scheme**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

#### **1. Objectives and Funding**

##### **(a) Parliamentary Superannuation Scheme**

The Parliamentary Superannuation Scheme (the Scheme) is a compulsory superannuation scheme which exists pursuant to the *Parliamentary Superannuation Act 1974* (the Act). The Act provides for the payment of superannuation benefits to persons who have served as members of Parliament and makes provisions for the families of such persons.

The *Parliamentary Superannuation (Scheme for New Members) Amendment Act 2005* ("the Amendment Act") was proclaimed to come into operation on 15 September 2005. The Amendment Act amended the principal Act by closing the existing scheme ('new scheme') now known as the PSS2 scheme. PSS1 ('old scheme') was closed to new entrants in 1995. The current scheme is known as PSS3.

Contributions are deposited by the Treasurer into the Parliamentary Superannuation Fund (the Fund), established under section 13 of the Act. A separate division of the Fund has been established for the PSS3 scheme. The Fund is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

PSS1 and PSS2 members are entitled to pension based benefits determined in accordance with the Act to be a percentage of the members' salary. A member may elect to commute to a lump sum a percentage of their pension entitlement. PSS3 members are entitled to an accumulation style benefit.

##### **(b) The South Australian Parliamentary Superannuation Board**

The Act charges the South Australian Parliamentary 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 (DTF) to provide the administrative services through a Service Level Agreement.

Under the terms of the Act, the Board is required to determine rates of return to be credited to each division of the Fund, with those rates being credited to each contribution account at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by Funds SA for each division of the Fund.

##### **(c) Superannuation Funds Management Corporation of South Australia (Funds SA)**

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

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

##### **(d) Funding Arrangements**

Under Section 39(1) of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a Special Deposit Account with DTF established for that purpose. During the period ended 30 June 2015 payments were made from a Special Deposit Account.

For PSS1 and PSS2 members, Section 14A of the Act requires every member of Parliament with less than 20 years and one month's service, to make contributions of 11.5 percent of their base salary (including any additional salary) to the Treasurer. Section 14A(2) requires members of Parliament with 20 years and one month's service or over, to make contributions of 5.75 percent of their base salary and 11.5 percent of any additional salary. Under Section 14B of the Act PSS3 members can elect to make contributions at a whole number percentage of the combined value of their salary and any additional salary. A separate contribution account is maintained for each member. Members' contributions are paid to the Treasurer who deposits those contributions into the Parliamentary Superannuation Fund, with \$533,000 (2014 \$695,000) being credited during the year ended 30 June 2015.

Employer contributions are paid to the Treasurer from SA Government entities to fund emerging superannuation liabilities. For PSS1 and PSS2 members, the employer contribution is 2.75 times the member's contribution. For PSS3 members, the employer contribution is 15.4 percent of salary. A separate employer contribution account is maintained for each PSS3 member. These contributions are deposited into the Scheme, with \$3.815 million (2014 \$3.786 million) being credited during the year ended 30 June 2015.

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



## Parliamentary Superannuation Scheme

### 2. Summary of Significant Accounting Policies

#### (a) Basis of Accounting

This financial report is a general purpose financial report. The accounts have been prepared in accordance with relevant Australian Accounting Standards and Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*, except as provided below.

The principal standard applied in preparing this financial report is AAS 25 "Financial Reporting by Superannuation Plans". Other Accounting Standards are also applied where necessary except to the extent that they differ from AAS 25.

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

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

#### New Accounting Standard

AASB 1056 "Superannuation Entities" was recently issued and becomes mandatory for the Scheme's financial statements commencing 1 July 2016. The Scheme does not plan to adopt this standard early and the extent of the impact has not yet been determined.

#### (b) Basis of Valuations of Assets and Liabilities

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

##### (i) Inflation Linked Securities A

The Inflation Linked Securities portfolio invests in discretely managed portfolios and internal inflation linked securities. Discretely managed portfolios are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date.

Internally managed inflation linked securities, 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.

##### (ii) Property A

The Property A portfolio comprises two sub-sectors:

##### Listed Property Trusts

These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this sub-sector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

##### Unlisted property vehicles

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

##### (iii) Australian Equities A

The Australian Equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

##### (iv) International Equities A

The International Equities A portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

##### (v) Short Term and Long Term Fixed Interest

The Short Term and Long Term Fixed Interest portfolios have exposure to domestic and global debt instruments and is managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.



## Parliamentary Superannuation Scheme

### Summary of Significant Accounting Policies (Continued)

#### (vi) Diversified Strategies Growth A

The Diversified Strategies Growth A portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cashflows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2012). 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 discretely managed investments and Australian and international pooled funds, 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 the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

#### (viii) Cash

The Cash portfolio is externally managed. The investments are held in a cash management fund. Cash balances are supplied by the relevant financial institution and have been valued on the basis of principal plus accrued interest.

#### (ix) Socially Responsible Investment

The Socially Responsible Investment portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

### (c) **Taxation**

The Scheme is a constitutionally protected superannuation fund in terms of Section 295-15 of the *Income Tax Assessment Act 1997*, Regulation 995-1.04 (Schedule 4) and is exempt from income tax.

### (d) **Operation of Investment Portfolio**

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2015, Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

- High Growth;
- Growth;
- Balanced;
- Moderate;
- Conservative;
- Capital Defensive;
- Cash; and
- Socially Responsible.

During the financial year all of the above investment options, with the exception of Conservative, were available to PSS3 members. The assets of the remainder of the Parliamentary Superannuation Scheme are invested in the Growth option.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

### (e) **Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Regulation 70.5.03 of *A New Tax System (Goods and Services Tax) Regulations 1999* specifies the rate at which GST can be recovered through reduced input tax credits.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office is classified as part of operating cash flows.

### (f) **Revenue**

Superannuation contributions and other revenue are recognised to the extent that it is probable that the flow of economic benefits to the Scheme will occur and can be reliably measured.

Investment revenue represents the change in market value due to the movement in the value of funds invested with Funds SA.



## Parliamentary Superannuation Scheme

### Summary of Significant Accounting Policies (Continued)

#### (g) Comparative Information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification unless impracticable.

Where applicable, the restated comparative amounts do not replace the original financial statements for the preceding period.

#### (h) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the department will occur and can be reliably measured.

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

#### (i) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

Cash is measured at nominal value.

### 3. Transfers to/from Consolidated Account

For the 2013-14 financial year a change in process was agreed between the Government Accounting, Reporting and Procurement Branch of the Department of Treasury and Finance and Super SA whereby the transfer to/from the Consolidated Account if determined will occur after reporting date, after the surplus or deficit is known. As a result, there was no transfer to or from the Consolidated Account for the reporting period (2014 Nil).

### 4. Direct Investment Expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment.

### 5. Administration Expense

|                                        | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------------|----------------|----------------|
| Administration Expenses <sup>(i)</sup> | 222            | 222            |
| Other Expenses <sup>(ii)</sup>         | 15             | 15             |
| Consultancy Expenses <sup>(iii)</sup>  | 8              | 5              |
|                                        | <u>245</u>     | <u>242</u>     |

i. Administration Expenses comprises the costs incurred by the Department of Treasury and Finance in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Scheme.

ii. Auditor's remuneration comprises 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 these totalled \$15,400 (2014 \$15,000). No other services were provided by the Auditor-General's Department.

iii. Consultancy Expenses are in relation to actuarial services provided by Brett & Watson Pty Ltd regarding the valuation of accrued benefits liability in accordance with AAS25.



## Parliamentary Superannuation Scheme

### 6. Net Assets Available to Pay Benefits

|                                   | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------|----------------|----------------|
| <b>(a) PSS1 and PSS2 Division</b> |                |                |
| Funds held at 1 July              | 205 588        | 187 842        |
| <i>Add</i>                        |                |                |
| Contributions by Members          | 533            | 695            |
| Contributions by Employers        | 1 514          | 2 018          |
| Investment Revenue                | 21 625         | 28 872         |
| Other Revenue                     | 7              | 8              |
|                                   | <u>23 679</u>  | <u>31 593</u>  |
| <i>Less:-</i>                     |                |                |
| Benefits Paid                     | 12 644         | 12 253         |
| Administration Expenses           | 245            | 242            |
| Direct Investment Expenses        | 1 495          | 1 352          |
|                                   | <u>14 384</u>  | <u>13 847</u>  |
| <b>Funds held at 30 June</b>      | <u>214 883</u> | <u>205 588</u> |
| <b>(b) PSS3 Division</b>          |                |                |
| Funds held at 1 July              | 12 261         | 9 332          |
| <i>Add</i>                        |                |                |
| Contributions by Employers        | 2 301          | 1 768          |
| Rollovers from Other Schemes      | 1 089          | 496            |
| Investment Revenue                | 1 327          | 1 409          |
|                                   | <u>4 717</u>   | <u>3 673</u>   |
| <i>Less:-</i>                     |                |                |
| Benefits Paid                     | 9              | 679            |
| Direct Investment Expenses        | 92             | 65             |
|                                   | <u>101</u>     | <u>744</u>     |
| <b>Funds held at 30 June</b>      | <u>16 877</u>  | <u>12 261</u>  |
| <b>TOTAL NET ASSETS</b>           | <u>231 760</u> | <u>217 849</u> |

### 7. Liability for Accrued Benefits

The liability for accrued benefits is the Scheme's present obligation to pay benefits to members and has been calculated on the basis of the present value of expected future payments arising from membership of the Scheme up to the reporting date.

For PSS1 and PSS2 members, the accrued liabilities are the present value of expected future benefit payments arising from membership of the Scheme up to 30 June 2015. For PSS3 members, the accrued liability is the balance of the employee and employer contribution accounts as at 30 June 2015.

The expected future benefit payments have been determined using the same pensioner mortality assumptions as the 2013 triennial review of the South Australian Superannuation Scheme. Salary increases of 1.5 percent per annum above the Adelaide Consumer Price Index (CPI) have been assumed. The CPI is assumed to be 2.5 percent. In accordance with Australian Accounting Standard AAS 25 "Financial Reporting by Superannuation Plans" the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of 4.5 percent per annum above the CPI.

The accrued superannuation liability as determined by Bruce Watson, Fellow of the Institute of Actuaries of Australia from consulting actuaries Brett & Watson Pty Ltd is estimated at \$202.161 million (2014 \$200.755 million) as at 30 June 2015.

|                                                  | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------------------|----------------|----------------|
| Liability for Accrued Benefits at 1 July         | 200 755        | 200 809        |
| Add: Benefit Expenses (i)                        | 14 059         | 12 878         |
| Less: Benefits Paid/Payable                      | <u>12 653</u>  | <u>12 932</u>  |
| <b>Liability for Accrued Benefits at 30 June</b> | <u>202 161</u> | <u>200 755</u> |
| Represented By:                                  |                |                |
| PSS 1 and PSS2 Division                          | 185 255        | 188 488        |
| PSS 3 Division                                   | <u>16 906</u>  | <u>12 267</u>  |
|                                                  | <u>202 161</u> | <u>200 755</u> |

- i. This figure represents the change in Liability for Accrued Benefits plus Benefits Paid/Payable for the year.



## Parliamentary Superannuation Scheme

### 8. Vested Benefits

Vested Benefits are benefits which are not conditional upon continued membership of the Scheme, or any factor other than resignation from the Scheme. Vested Benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date. The value of vested benefits is greater than the Liability for Accrued Benefits, as vested benefits are based on the involuntary expiration of service, and this would result in an entitlement to benefits occurring immediately. The vested superannuation liability is estimated at \$213.250 million (2014 \$214.791 million) as at 30 June 2015.

|                                          | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------------|----------------|----------------|
| Vested Benefits - PSS1 and PSS2 Division | 196 344        | 202 524        |
| Vested Benefits - PSS3 Division          | 16 906         | 12 267         |
|                                          | <u>213 250</u> | <u>214 791</u> |

The liability for benefits from the Parliamentary Superannuation Scheme is met partly by the SA Government and partly by member contributions.

### 9. Reconciliation of Operating Result to Net Cash (used in) Operating Activities

|                                                   | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------------------------------|----------------|----------------|
| Operating Result                                  | 12 505         | 20 729         |
| Benefit Expenses                                  | 14 059         | 12 878         |
| Benefits Paid/Payable                             | (12 653)       | (12 932)       |
| Investment Revenue                                | (22 952)       | (30 281)       |
| Direct Investment Expenses                        | 1 587          | 1 417          |
| Decrease / (Increase) in Receivables              | 1              | (8)            |
| Decrease / (Increase) in Contributions Receivable | 12             | (15)           |
| (Decrease) / Increase in Payables                 | (103)          | 15             |
| Increase in Benefits Payable                      | 27             | 35             |
| Net Cash (used in) Operating Activities           | <u>(7 517)</u> | <u>(8 162)</u> |

### 10. Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

|                                                             | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------------------------------|----------------|----------------|
| Cash & Cash Equivalents per Statement of Financial Position | 722            | 331            |
| Cash & Cash Equivalents per Statement of Cash Flows         | <u>722</u>     | <u>331</u>     |

### 11. Financial Instruments

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.



## Parliamentary Superannuation Scheme

### **Financial Instruments (Continued)**

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.

Funds SA makes available performance reports which are provided to the Board at least annually.

#### **a) Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

##### **I. Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of 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) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the international equities asset sector are 50 percent hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above, by Funds SA.

##### **II. Interest rate risk**

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- Ensuring asset allocations of different investment products are consistent with the time horizon of each.
- The use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.
- The Scheme's receivables and payables are non-interest bearing. The carrying amounts of these assets approximate to fair value.

##### **III. Other market price risk**

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Operating Statement, all changes in market conditions will directly affect investment revenue.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- Ensuring a diversity of exposures to different financial markets and sub markets.
- Ensuring asset allocations for different investment products are consistent with the time horizon of each.

##### **IV. Sensitivity analysis**

The Funds SA Board has determined that their forecast risk/return profile provides a reasonable measure of the sensitivity of the expected returns in each investment option in the year ahead. The following tables show the standard deviation around expected nominal returns for each investment option.

**2015**

| Investment Option    | Sensitivity variable       | Expected Nominal Return | Nominal Standard Deviation |
|----------------------|----------------------------|-------------------------|----------------------------|
| High Growth          | Nominal standard deviation | 8.2%                    | 11.9%                      |
| Growth               | Nominal standard deviation | 7.5%                    | 10.0%                      |
| Balanced             | Nominal standard deviation | 7.0%                    | 8.8%                       |
| Moderate             | Nominal standard deviation | 6.1%                    | 6.8%                       |
| Conservative         | Nominal standard deviation | 5.4%                    | 5.1%                       |
| Capital Defensive    | Nominal standard deviation | 4.5%                    | 3.2%                       |
| Cash                 | Nominal standard deviation | 2.9%                    | 1.3%                       |
| Socially Responsible | Nominal standard deviation | 6.2%                    | 10.4%                      |



## Parliamentary Superannuation Scheme

### Market Risk (Continued)

2014

| Investment Option    | Sensitivity variable       | Expected Nominal Return | Nominal Standard Deviation |
|----------------------|----------------------------|-------------------------|----------------------------|
| High Growth          | Nominal standard deviation | 9.1%                    | 12.1%                      |
| Growth               | Nominal standard deviation | 8.3%                    | 9.9%                       |
| Balanced             | Nominal standard deviation | 7.8%                    | 8.6%                       |
| Moderate             | Nominal standard deviation | 7.0%                    | 6.6%                       |
| Conservative         | Nominal standard deviation | 6.3%                    | 4.8%                       |
| Capital Defensive    | Nominal standard deviation | 5.5%                    | 3.0%                       |
| Cash                 | Nominal standard deviation | 3.9%                    | 1.5%                       |
| Socially Responsible | Nominal standard deviation | 7.2%                    | 10.6%                      |

Standard deviation is a useful historical measure of the variability of returns earned by an investment portfolio. The standard deviations shown above represent the range at which actual future returns are expected to occur either side of the nominal return approximately two thirds of the time.

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 and there is no concentration of credit risk.

#### 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.

| 30 June 2015                | Less than 3 Months<br>\$'000 | Total Contractual Cash Flows<br>\$'000 | Carrying Amount Liabilities<br>\$'000 |
|-----------------------------|------------------------------|----------------------------------------|---------------------------------------|
| Benefits payable            | 111                          | 111                                    | 111                                   |
| Vested benefits (see below) | 213 250                      | 213 250                                | 213 250                               |
| <b>Total</b>                | <b>213 361</b>               | <b>213 361</b>                         | <b>213 361</b>                        |



## Parliamentary Superannuation Scheme

### Liquidity Risk (Continued)

| 30 June 2014                | Less than 3 Months<br>\$'000 | Total Contractual Cash Flows<br>\$'000 | Carrying Amount Liabilities<br>\$'000 |
|-----------------------------|------------------------------|----------------------------------------|---------------------------------------|
| Benefits payable            | 84                           | 84                                     | 84                                    |
| Vested benefits (see below) | 214 791                      | 214 791                                | 214 791                               |
| <b>Total</b>                | <b>214 875</b>               | <b>214 875</b>                         | <b>214 875</b>                        |

Payable amounts disclosed here exclude amounts relating to statutory payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees).

Vested benefits have been included in the less than 3 months column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

#### d) Fair Value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### Financial assets at fair value through profit or loss Level 1 and level 3 are not relevant to the Scheme

**Level 2  
\$'000**

#### 30 June 2015

Unlisted managed investment schemes

Funds SA

231 156

231 156

#### 30 June 2014

Unlisted managed investment schemes

Funds SA

217 699

217 699

#### 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.

## 12. Related Parties

### (a) Board Members

The following are members of the Parliamentary Superannuation Board who served during the course of the 2014-15 financial year, along with the period served.

|                  |          |                            |
|------------------|----------|----------------------------|
| Russell Wortley  | Chairman | 1 July 2014 - 30 June 2015 |
| Michael Atkinson | Member   | 1 July 2014 - 30 June 2015 |
| Tammie Pribanic  | Member   | 1 July 2014 - 30 June 2015 |

### (b) Board Member's Remuneration

Board members do not receive fees for their Board membership.

## 13. Events after the reporting period

There were no significant events after the reporting period.

## Parliamentary Superannuation Scheme

### Certification of the Financial Report

We certify that the attached general purpose financial report for the Parliamentary Superannuation Scheme:

- complies with any relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Scheme; and
- presents a true and fair view of the financial position of the Scheme as at 30 June 2015 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Scheme for the financial year over its financial reporting and its preparation of the general purpose financial report have been effective throughout the reporting period.



Hon Russell Wortley, MLC  
PRESIDENT OF THE LEGISLATIVE COUNCIL  
CHAIRMAN, PARLIAMENTARY SUPERANNUATION BOARD



John Montague  
GENERAL MANAGER  
STATE SUPERANNUATION OFFICE



Robert Drusetta FCPA  
MANAGER GOVERNANCE, BOARD AND CORPORATE SUPPORT  
STATE SUPERANNUATION OFFICE





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## **To the Chairman Parliamentary Superannuation Board**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the accompanying financial report of the Parliamentary Superannuation Scheme for the financial year ended 30 June 2015. The financial report comprises:

- an Operating Statement for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman, Parliamentary Superannuation Board, General Manager, State Superannuation Office and the Manager, Governance, Board and Corporate Support, State Superannuation Office.

## **The members of the Parliamentary Superannuation Board's Responsibility for the Financial Report**

The members of the Parliamentary Superannuation Board are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the members of the Parliamentary Superannuation Board determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

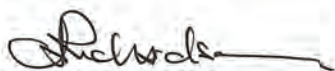
My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the members of the Parliamentary Superannuation Board, as well as the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial report gives a true and fair view of the financial position of the Parliamentary Superannuation Scheme as at 30 June 2015, 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.



Andrew Richardson  
**Auditor-General**  
19 September 2015