



INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Consolidated		University	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Revenue from continuing operations					
Australian Government financial assistance					
Australian Government grants	3,41	153,554	142,029	153,554	142,029
HECS-HELP Australian Government payments	3,41	64,353	56,587	64,353	56,587
FEE-HELP	3,41	3,699	3,333	3,699	3,333
State and Local Government financial assistance	4	8,833	3,456	8,833	3,456
HECS-HELP Student payments		12,040	11,391	12,040	11,391
Fees and charges	5	77,541	70,017	77,541	70,017
Investment income	6	6,276	5,087	7,218	4,770
Royalties		1,080	1,206	938	923
Consultancy and contract research	7	18,130	16,884	18,234	16,724
Other revenue	8	23,220	19,310	16,227	13,517
		368,726	329,300	362,637	322,747
Superannuation:					
Commonwealth supplementation	3,32	22,671	21,628	22,671	21,628
Deferred Government contributions	32	-	24,200	-	24,200
Total revenue from continuing operations		391,397	375,128	385,308	368,575
Other Income/(Loss)	9	(346)	238	(332)	4,018
Total income		391,051	375,366	384,976	372,593
Expenses from continuing operations					
Employee benefits and on-costs	10	208,759	192,638	205,204	189,024
Depreciation and amortisation	11	21,054	19,799	20,902	19,637
Repairs and maintenance	12	8,402	4,433	8,382	4,411
Borrowing cost expense	13	612	1,728	612	1,728
Bad and doubtful debts	14	1,055	703	1,055	703
Other expenses	15	98,517	89,976	96,629	88,204
		338,399	309,277	332,784	303,707
Superannuation:					
Commonwealth supplementation	3,32	22,671	21,628	22,671	21,628
Deferred employee benefits	32	-	24,200	-	24,200
Total expenses from continuing operations		361,070	355,105	355,455	349,535
Operating result before income tax		29,981	20,261	29,521	23,058
Income tax expense		216	779	216	779
Operating result after income tax for the year attributable to the members of the University of South Australia		29,765	19,482	29,305	22,279

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



BALANCE SHEET **AS AT 31 DECEMBER 2006**

	Note	Consolidated		University	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS					
Cash and cash equivalents	16	72,479	81,110	69,804	78,885
Receivables	17	21,769	20,704	20,600	19,523
Other financial assets	19	492	584	492	584
Other non-financial assets	22	6,877	4,296	6,852	4,289
Deferred Government superannuation contribution	32	26,200	25,700	26,200	25,700
Total Current Assets		127,817	132,394	123,948	128,981
NON-CURRENT ASSETS					
Other financial assets	19	9,313	8,904	10,069	9,655
Property, plant and equipment	20	480,284	455,895	479,901	455,647
Intangible assets	21	948	1,329	948	1,329
Deferred Government superannuation contribution	32	282,400	282,900	282,400	282,900
Total Non-Current Assets		772,945	749,028	773,318	749,531
Total Assets		900,762	881,422	897,266	878,512
CURRENT LIABILITIES					
Payables	23	15,730	18,101	15,297	17,726
Interest bearing liabilities	24	1,005	16,169	1,005	16,169
Provisions	25	16,688	15,290	16,345	14,965
Other liabilities	26	26,841	21,209	27,046	21,464
Income tax payable		995	779	995	779
Provision for superannuation	32	26,200	25,700	26,200	25,700
Total Current Liabilities		87,459	97,248	86,888	96,803
NON-CURRENT LIABILITIES					
Payables	23	3,211	3,302	3,211	3,302
Interest bearing liabilities	24	-	1,005	-	1,005
Derivatives		-	509	-	509
Provisions	25	23,933	23,370	23,933	23,370
Provision for superannuation	32	282,400	282,900	282,400	282,900
Total Non-Current Liabilities		309,544	311,086	309,544	311,086
Total Liabilities		397,003	408,334	396,432	407,889
Net Assets		503,759	473,088	500,834	470,623
EQUITY					
Reserves	27(a)	56,386	55,480	56,386	55,480
Retained surplus	27(b)	447,373	417,608	444,448	415,143
Total Equity		503,759	473,088	500,834	470,623

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



STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2006

	Note	Consolidated		University	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Total equity at the beginning of the financial year		473,088	449,441	470,623	443,687
Retained surplus (net of tax):					
Adjustment on adoption of AASB 132 and AASB 139		-	(230)	-	(230)
Property, plant and equipment revaluation reserve (net of tax):					
Gain on revaluation of land and buildings	27	-	4,406	-	4,406
Gain/(Loss) on revaluation of art collection	27	-	(250)	-	(250)
Gain/(Loss) on revaluation of library	27	669	-	669	-
Available-for-sale investments reserve (net of tax):					
Gain on revaluation Available-for-sale financial assets	27	237	239	237	142
Transfer from the University of South Australia Foundation Incorporated		-	-	-	589
Net income recognised directly in equity		906	4,165	906	4,657
Operating result for the year		29,765	19,482	29,305	22,279
Total recognised income and expense for the year		30,671	23,647	30,211	26,936
Total equity at the end of the financial year		503,759	473,088	500,834	470,623
Total recognised income and expense for the year is attributable to the University of South Australia		30,671	23,647	30,211	26,936

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.



CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Consolidated		University	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Inflows:					
Australian Government financial assistance	3	244,930	227,460	244,930	227,460
State and Local Government grants		7,803	3,145	7,803	3,145
HECS-HELP - Student payments		12,040	11,771	12,040	11,771
Receipts from student fees and other customers		89,776	74,682	89,776	74,663
Dividends received		252	179	1,358	79
Interest received		6,077	4,598	5,913	4,464
Royalties		1,080	1,206	938	923
Consultancy and contract research		15,658	15,535	15,750	15,728
Other receipts		22,765	19,440	15,770	13,048
Taxes recovered (GST)		6,201	4,924	6,201	4,924
Proceeds from transfer of activities from University of South Australia Foundation Incorporated		-	-	-	2,553
Outflows:					
Payments to suppliers and employees (inclusive of GST)		(350,879)	(315,997)	(345,668)	(309,929)
Interest paid		(867)	(1,728)	(867)	(1,728)
Net Cash Inflow from Operating Activities	37	54,836	45,214	53,944	47,101
CASH FLOWS FROM INVESTING ACTIVITIES					
Inflows:					
Proceeds from sale of property, plant and equipment		91	34,061	91	34,061
Proceeds from sale of investments		303	727	303	170
Outflows:					
Payments for property, plant and equipment		(46,556)	(46,303)	(46,254)	(46,249)
Payments for investments		(1,136)	(900)	(996)	(166)
Net Cash Outflow from Investing Activities		(47,298)	(12,415)	(46,856)	(12,184)
CASH FLOWS FROM FINANCING ACTIVITIES					
Outflows:					
Principal repayments under finance lease		(1,169)	(1,371)	(1,169)	(1,371)
Repayment of borrowings		(15,000)	-	(15,000)	-
Net Cash Outflow from Financing Activities		(16,169)	(1,371)	(16,169)	(1,371)
Net Increase/(Decrease) in Cash and Cash Equivalents		(8,631)	31,428	(9,081)	33,546
Cash and Cash Equivalents at Beginning of the Year		81,110	49,682	78,885	45,339
CASH AND CASH EQUIVALENTS AT END OF YEAR	16	72,479	81,110	69,804	78,885

Non-cash investing and financing activities – refer to Note 38.

The above Cash Flow Statement should be read in conjunction with the accompanying notes.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for the University of South Australia (the University) as an individual entity and the Consolidated Entity consisting of the University and its subsidiaries.

(a) Basis of preparation

The financial report is a general purpose financial report prepared in accordance with applicable Australian Accounting Standards (AASB), AASB Interpretations, and the Department of Education, Science and Training (DEST) requirements.

Except where in conflict with the DEST requirements, the financial report is prepared in accordance with the South Australian Treasurer's Instructions and Accounting Policy Statements issued under the provisions of the Public Finance and Audit Act 1987.

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars and presented in Australian currency.

Historical cost convention

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

Critical accounting estimates

Compliance with AASB requires certain critical accounting estimates and assumptions to be applied in preparing the financial statements. Further, it requires management to exercise judgement in applying the University's accounting policies. Management's judgement is based on estimates and associated assumptions which are supported by historical experience and other reasonable factors.

The areas involving a high degree of judgement where assumptions and estimates are significant to the financial statements are superannuation receivable and provision, valuation and depreciation of property, plant and equipment, long service, annual leave and workers' compensation provisions. Further details are disclosed in the relevant notes to the financial statements.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period which it effects. If the revision affects both current and future periods, the revision is recognised in the period of the revision and future periods.

(b) Principles of consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the University as at 31 December 2006 and the results of all subsidiaries for the year then ended. The University and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Details of subsidiaries are set out in Note 33.



(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Where material, investments in associates are accounted for in the University's financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post acquisition profits or losses is recognised in the Income Statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

Details of associates are set out in Note 34.

(iii) Joint venture operations

Where material, the proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings.

Details of joint venture operations are set out in Note 35.

(iv) Joint venture entities

Where material, the interest in a joint venture entity is accounted for in the consolidated financial statements using the equity method and is carried at cost by the University.

Under the equity method the Group's share of its associates' post acquisition profits or losses is recognised in the Income Statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

Details of joint venture entities are set out in Note 35.

(c) Foreign currency translation

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Financial Assistance

DEST Financial Assistance (including Commonwealth Grant Scheme, Higher Education Loan Programmes, Scholarships and DEST – Research)

The University recognises DEST financial assistance as revenue in the year in which it had been designated for the funding of teaching and research.

Other Financial Assistance (including ARC, NHMRC, Australian Government and State Government)

Grants received which have specified conditions which give the grantor the right to recall funds not spent in accordance with the specific agreement imposes on the University a performance obligation. That is, the University is required to consume the future economic benefits of the grant as specified, or return the grant to the grantor. Therefore these grants are deferred until this performance obligation has been extinguished and the grant funds have been expended in accordance with their respective agreement or the grantor has exercised the right for funds to be repaid or transferred.

Other grants which do not contain specified conditions are generally recognised on receipt.



(ii) Fees and charges

Fees and charges comprise revenue earned from the provision of programs and other services. Fees and charges are recognised in the period in which the programs or services are provided.

(iii) Investment income

Interest income is recognised as it accrues. Dividend income is recognised only when it is declared, determined or recommended by external entities before the 31 December reporting date.

(iv) Consultancy and contract research

Revenue from consultancy and contract research is recognised in the period in which the services are provided.

(v) Other revenue

Other revenue is recognised when the University obtains control or the right to receive the monies and the recognition criteria is met.

(e) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which 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.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Receivables

Trade receivables are recognised initially at fair value and subsequently adjusted for any provision for doubtful debts. Trade receivables are normally due for settlement no more than 14 days from the date of recognition.

Student fees receivables are recognised initially at fair value as at census date and are collectible at that point. Periodically these receivables are adjusted for any provision for doubtful debts.

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The movement in the provision is recognised in the Income Statement in the period in which receivables are adjusted to an estimated recoverable amount (at least annually).



(h) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities and investments in controlled entities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Balance Sheet date.

Purchases and sales of investments are recognised on trade-date (the date on which the Group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Income Statement as gains and losses from investment securities.

If the market for a financial asset is not active (e.g. unlisted securities), the Group attempts to establish fair value by using other valuation techniques. If no relevant or reliable fair value can be determined then the valuation basis reverts to original cost adjusted for impairment.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for Available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss is removed from equity and recognised in the Income Statement.

(i) Property, plant and equipment

Property, plant and equipment original cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Land, buildings, library and art collection are revalued regularly when the carrying amount of an asset materially differs from its fair value.

Revaluation increments are credited directly to the asset revaluation reserve except to the extent that the net increment reverse a net revaluation decrement previously recognised as an expense, in which case the revaluation increment is charged to the Income Statement.

Revaluation decrements are debited directly to the asset revaluation reserve to the extent that a credit balance exists for that asset class. Any remainder of the net revaluation decrement is charged to the Income Statement.

Revaluation increments and decrements are offset against one another within asset classes, but not otherwise.

Items of Property, plant and equipment have been recognised in the financial statements as identified below. Expenditure on a single item of less than \$10,000 is generally not capitalised.

(ii) Land

Land occupied by the University is either owned by the University or by the State Government. All land is recognised on the basis that the University effectively controls the land occupied and is shown at fair value based on periodic, but at least triennial, valuations by external independent valuers.



The last valuation was as at 31 December 2004 and completed independently by Southwick Goodyear Pty Ltd. Land fair value estimates were based on the highest and best use of the land and valued separately from any structures or improvements residing on it, but having regard to any restrictions of its use. Detail of restrictions on assets is provided in Note 1(k).

(iii) Buildings

Buildings, other than buildings under construction, have been recognised on a fair value basis which Management have concluded is approximated by written down current cost. These fair value estimates are based on periodic, but at least triennial, valuations by external independent valuers.

As at 31 December 2004 the entire buildings portfolio was re-valued independently by Southwick Goodyear Pty Ltd and in 2005 a selection of newly constructed buildings were re-valued by the same valuer. Buildings fair value estimates were based on the highest and best use, being the existing use as University campuses. The valuation approach adopted was to assess the "written down current cost" for the buildings based upon the "new replacement cost" having regard to the estimated useful and remaining life for each structure.

Buildings under construction or buildings purchased in the 2006 year are measured at cost.

(iv) Library collection

The library collection is valued at fair value. The University has concluded that the collection's fair value is best approximated by written down current cost based on a University valuation which is completed at the end of each year. The 2006 valuation resulted in an increase of \$0.922 million. An amount of \$0.252 million was recorded in the Income Statement (reversing the prior year write-down) and \$0.676 million was credited to the Library Revaluation Reserve.

(v) Plant and equipment

Plant and equipment includes computer hardware and software, general equipment and vehicles. Plant and equipment is depreciated in accordance with Note 1(j). The carrying value, cost less accumulated depreciation, is deemed to approximate fair value.

(vi) Art collection

As at 31 December 2004 the University internally valued its art collection at fair value with the offsetting adjustments to the art collection revaluation reserve. The art collection will be internally re-valued every three years.

(vii) Leased Assets

Leases of Property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases (Note 31). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing liabilities. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Refer to Note 31 for details on operating leases.

**(j) Depreciation and amortisation**

Depreciation is provided for all property, plant and equipment other than land, art collection and buildings under construction. The University does not depreciate the art collection because it believes that the collection does not diminish in value over time. Depreciation is calculated on a straight line basis to allocate the written down current cost of an asset over its estimated remaining useful life.

Asset class	Useful life
Property:	
Buildings	50 years
Leasehold improvements	Lease term
Library collection:	
Books	10 years
Journals	15 years
Electronic materials	10 years
Plant and equipment:	
IT infrastructure	5 years
IT systems	7 years
IT other	3 years
Motor vehicles	5 years
Other	10 years
Leased plant and equipment:	
IT infrastructure	5 years
IT other	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date.

(k) Restrictions on assets

Land includes \$21.080 million of Crown Lands and \$13.050 million of land dedicated for educational use by the Minister of Education.

The University has restrictions on the above land by application of the University of South Australia Act, 1990 Section 6(3).

(l) Intangible Assets

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the Income Statement as an expense when it is incurred.

With respect to internally generated intangible assets, expenditure on development activities is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Income Statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit, which is currently 7 years.

(m) Unfunded superannuation

In accordance with the 1998 instructions issued by the Department of Education, Training and Youth Affairs (DETYA) now known as DEST the effects of the unfunded superannuation liabilities of the University and its controlled entities were recorded in the Income Statement and the Balance Sheet for the first time in 1998. The prior years' practice had been to disclose liabilities by way of a note to the financial statements. Refer to Note 32.



An arrangement exists between the Australian Government and the State Government to meet the unfunded liability of the University's beneficiaries of the State Superannuation Scheme on an emerging cost basis. This arrangement is evidenced by the State Grants (General Revenue) Amendment Act 1987, Higher Education Funding Act 1988 and subsequent amending legislation. Accordingly, the unfunded liabilities have been recognised in the Balance Sheet as a liability with a corresponding asset. The recognition of both the asset and the liability consequently does not affect the year end net asset position of the University or the Group.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Employee benefits

Employee benefits expected to be settled within one year have been recognised at their nominal amount. These liabilities are measured at the amounts expected to be paid when the liability is settled. Employee entitlements to be settled later than one year have been measured at the present value of the estimated applicable future cash flows.

(i) Wages, salaries, non-monetary benefits and annual leave

Liabilities for wages, salaries, non-monetary benefits and annual leave (including the leave loading) expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The annual leave liability includes associated on-costs. Only on-costs accruing to employees are recognised under employee provisions, while related on-costs are recognised as payables.

(ii) Sick leave

No provision has been made for sick leave as all sick leave is non-vesting.

(iii) Long service leave

The long service leave liability is independently actuarially estimated each year in accordance with AASB 119 *Employee Benefits*. The last update was performed at 31 December 2006 by Stuart Mules, FIAA, of Mercer Human Resource Consulting Pty Ltd. The assumptions used by the actuary include:

- investment earnings rate of 5.92% per annum
- salary inflation rate of 5.00% per annum
- on-costs have been applied at the rate of 12.90%
- the proportion of leave taken in services is 25%, the balance at termination of service.

The current portion represents the amount expected to be paid in the following 12 months.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. The long service leave liability includes associated on-costs. Only on-costs accruing to employees are recognised under employee provisions, while related on-costs are recognised as payables.

(iv) Superannuation

Superannuation schemes exist to provide benefits to University employees and their dependants upon resignation, retirement, disability or death. The contributions made to the funded schemes and on an emerging cost basis to the unfunded schemes by the University and are expensed in the Income Statement. Note 32 provides details in respect of the individual schemes.

**(p) Workers' compensation**

The University is responsible for payments of workers' compensation. Unisure Pty Ltd administers workers' compensation arrangements on behalf of the University. Note 34 provides details of net assets held by Unisure Pty Ltd on behalf of the University.

The provision for workers' compensation is independently actuarially estimated each year. The last update was performed at 31 December 2006 by Tania Muller, FIAA, of Mercer Finance and Risk Consulting Pty Ltd using the Projected Incurred Cost method. Under the Projected Incurred Cost method the development factors for the case estimated incurred costs are determined based on past experience. These factors are used, together with the assumed payment rates, to project claim payments in future years.

(q) Funds held on behalf of external entities

The University holds funds on behalf of a number of external entities which are managed by the University. As at balance date, the funds held are included in cash assets and a corresponding liability is included in other liabilities (refer Note 26).

(r) Goods and services tax (GST)

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

Receivables and payables (excluding accruals) are stated with the amount of GST included.

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

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

(s) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted for changes in deferred tax assets and liabilities. Due to the University's Income Tax Exempt Charitable Entity status, it does not incur Australian income tax. In relation to foreign operations, the University is subject to tax under the Tax Acts applicable in the relevant countries. Tax in respect of these operations has been brought to account in the year it is incurred.

2. Disaggregated information (consolidated)

Geographical	Revenue		Results		Total Assets	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australia	351,550	311,751	28,219	17,902	900,762	881,422
Asia	16,993	17,198	1,529	1,548	-	-
Other	183	351	17	32	-	-
	368,726	329,300	29,765	19,482	900,762	881,422

The University operates in the field of higher education principally in Australia and provides teaching and research services.



	Note	Consolidated		University	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
3. Australian Government financial assistance including HECS-HELP and other Australian Government loan programmes					
(a) Commonwealth Grants Scheme and Other Grants	41.1				
Commonwealth Grants Scheme		109,526	104,452	109,526	104,452
Indigenous Support Fund		871	805	871	805
Equity Programmes		694	745	694	745
Workplace Reform Programme		1,511	1,463	1,511	1,463
Workplace Productivity Programme		412	-	412	-
Capital Development Pool		2,874	2,094	2,874	2,094
Superannuation Programme		22,671	21,628	22,671	21,628
Collaboration & Structural Reform Programme		1,756	1,176	1,756	1,176
Total Commonwealth Grants Scheme and Other Grants		140,315	132,363	140,315	132,363
(b) Higher Education Loan Programmes	41.2				
HECS-HELP		64,353	56,587	64,353	56,587
FEE-HELP		3,699	3,333	3,699	3,333
Total Higher Education Loan Programmes		68,052	59,920	68,052	59,920
(c) Scholarships	41.3				
Australian Postgraduate Awards		1,660	1,355	1,660	1,355
International Postgraduate Research Scholarships		222	294	222	294
Commonwealth Education Cost Scholarships		1,123	653	1,123	653
Commonwealth Accommodation Scholarships		1,473	976	1,473	976
Indigenous Staff Scholarships		-	32	-	32
Total Scholarships		4,478	3,310	4,478	3,310
(d) DEST – Research	41.4				
Institutional Grants Scheme		4,773	4,664	4,773	4,664
Research Training Scheme		8,544	7,797	8,544	7,797
Research Infrastructure Block Grants		1,655	1,495	1,655	1,495
Total DEST – Research Grants		14,972	13,956	14,972	13,956
Total DEST funding		227,817	209,549	227,817	209,549
(e) Australian Research Council	41.5				
(i) Discovery					
Project		2,491	2,334	2,491	2,334
Fellowships		-	10	-	10
Total Discovery		2,491	2,344	2,491	2,344
(ii) Linkages					
Special Research Initiatives		-	8	-	8
International		116	174	116	174
Projects		4,024	2,534	4,024	2,534
Infrastructure		-	122	-	122
Total Linkages		4,140	2,838	4,140	2,838
(iii) Networks and Centres					
Research Networks		314	248	314	248
Centres		732	867	732	867
Total Networks and Centres		1,046	1,115	1,046	1,115



		Consolidated		University	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
3.	Australian Government financial assistance including HECS-HELP and other Australian Government loan programmes (continued)				
(f)	Other Australian Government financial Assistance				
	Other Commonwealth Government Research Grants	8,389	7,431	8,389	7,431
	Aboriginal Tutorial Assistance Scheme Grant	152	235	152	235
	Other Commonwealth Grants	242	65	242	65
		8,783	7,731	8,783	7,731
	Total Australian Government financial assistance	244,277	223,577	244,277	223,577
	Reconciliation				
	Australian Government grants	176,225	163,657	176,225	163,657
	HECS-HELP – Australian Government payments	64,353	56,587	64,353	56,587
	Other Australian Government loan programmes	3,699	3,333	3,699	3,333
	Total Australian Government financial assistance	244,277	223,577	244,277	223,577
(g)	Australian Government Grants received – cash basis				
	CGS and Other DEST Grants	140,595	133,254	140,595	133,254
	Higher Education Loan Programmes	63,010	61,647	63,010	61,647
	Scholarships	4,478	3,310	4,478	3,310
	DEST – Research	14,972	13,956	14,972	13,956
	ARC grants – Discovery	2,678	2,829	2,678	2,829
	ARC grants – Linkages	5,798	3,337	5,798	3,337
	ARC grants – Networks and Centres	1,074	1,054	1,074	1,054
	Other Australian Government Grants	12,574	7,552	12,574	7,552
	Total Australian Government Grants received – cash basis	245,179	226,939	245,179	226,939
	OS-Help (Net)	(249)	521	(249)	521
	Total Australian Government funding received – cash basis	244,930	227,460	244,930	227,460
4.	State and Local Government financial assistance				
	Research Grants	7,271	3,097	7,271	3,097
	Other	1,562	359	1,562	359
	Total State and Local Government financial assistance	8,833	3,456	8,833	3,456



	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
5. Fees and charges				
Course fees and charges				
Continuing education	2,309	2,418	2,309	2,418
Fee-paying overseas students	62,983	57,738	62,983	57,738
Fee-paying domestic postgraduate students	3,548	3,785	3,548	3,785
Total course fees and charges	68,840	63,941	68,840	63,941
Other fees and charges				
Open Universities Australia (OUA)	3,502	2,030	3,502	2,030
Fees – civil aviation	721	486	721	486
Miscellaneous enrolment fees	3,279	2,655	3,279	2,655
Seminar/workshops	1,199	905	1,199	905
Total other fees and charges	8,701	6,076	8,701	6,076
Total fees and charges	77,541	70,017	77,541	70,017
6. Investment income				
Dividends	252	179	1,358	79
Interest	5,224	4,473	5,060	4,256
Investment income from associated entity (Unisure Pty Ltd)	800	435	800	435
Total investment income	6,276	5,087	7,218	4,770
7. Consultancy and contract research				
Consultancy	3,576	4,714	3,587	4,714
Contract research	14,554	12,170	14,647	12,010
Total consultancy and contract research	18,130	16,884	18,234	16,724
8. Other revenue				
Donations and bequests	3,446	1,524	3,446	1,301
Scholarships and prizes	340	210	340	210
Other fees and charges	13,799	10,782	6,799	5,175
Other	5,635	6,794	5,642	6,831
Total other revenue	23,220	19,310	16,227	13,517
9. Other income				
Net gain/(loss) on disposal of property, plant and equipment (refer Note 9(a) below)	(318)	219	(304)	210
Net gain/(loss) on disposal of investments	(28)	19	(28)	9
Retained surplus transfer from University of South Australia Foundation Incorporated (refer Note 33(b))	-	-	-	3,799
Total other income	(346)	238	(332)	4,018



	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
9. Other income (continued)				
(a) Net gain/(loss) on disposal of property, plant and equipment				
Property, plant and equipment				
Proceeds from sale	91	34,061	91	34,061
Carrying amount of assets sold	(409)	(33,842)	(395)	(33,851)
Net gain/(loss) on disposal of property, plant and equipment	(318)	219	(304)	210
10. Employee benefits and on-costs				
Academic				
Salaries	89,727	80,861	89,727	80,861
Contributions to superannuation and pension schemes:				
Emerging cost	1,003	1,076	1,003	1,076
Funded	12,288	11,127	12,288	11,127
Payroll tax	5,786	5,272	5,786	5,272
Workers' compensation	(574)	(350)	(574)	(350)
Long service leave	2,431	3,607	2,431	3,607
Annual leave	5,847	4,770	5,847	4,770
Total academic	116,508	106,363	116,508	106,363
Non-academic				
Salaries	68,241	65,133	65,159	62,088
Contributions to superannuation and pension schemes:				
Emerging cost	942	982	690	742
Funded	9,215	8,444	9,215	8,444
Payroll tax	4,911	4,482	4,733	4,313
Workers' compensation	1,818	413	1,794	391
Long service leave	2,171	2,440	2,159	2,373
Annual leave	4,953	4,381	4,946	4,310
Total non-academic	92,251	86,275	88,696	82,661
Total academic & non-academic employee benefits and on-costs	208,759	192,638	205,204	189,024
Contributions to superannuation and pension schemes:				
Emerging cost - Commonwealth supplemented	22,671	21,628	22,671	21,628
Deferred employee benefits for superannuation	-	24,200	-	24,200
Total deferred employee benefits for superannuation	22,671	45,828	22,671	45,828
Total employee benefits and on-costs	231,430	238,466	227,875	234,852



10. Employee benefits and on-costs (continued)

Employee benefits include voluntary separation packages as follows:

	Consolidated		University	
	2006 Number	2005 Number	2006 Number	2005 Number
Number of voluntary separation packages	27	51	27	51
	\$'000	\$'000	\$'000	\$'000
Voluntary separation package expenses	1,742	2,227	1,742	2,227
Annual leave and long service leave entitlements paid	727	855	727	855
Total amount associated with separations	2,469	3,082	2,469	3,082

There is no entitlement to recover separation payments from the Department of Premier and Cabinet.

In accordance with AASB 119 "Employee Benefits", employee on-costs are required to be reported as payables whilst leave liability amounts are reported separately as employee benefits. Below is a composite note showing the total liabilities the University has as at 31 December 2006 relating to employee benefits:

	Consolidated		University	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Annual leave				
On-costs included in payables – current	1,881	1,830	1,881	1,830
On-costs included in payables – non-current	836	852	836	852
Employee benefits – current	8,138	7,601	7,974	7,444
Employee benefits – non-current	3,542	3,405	3,542	3,405
	14,397	13,688	14,233	13,531
Long service leave				
On-costs included in payables – current	948	888	948	888
On-costs included in payables – non-current	2,375	2,450	2,375	2,450
Employee benefits – current	7,664	6,861	7,485	6,693
Employee benefits – non-current	18,773	18,483	18,773	18,483
	29,760	28,682	29,581	28,514
Separations scheme				
Employee benefits – current	273	254	273	254
Total aggregate employee benefits liability	44,430	42,624	44,087	42,299

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	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
11. Depreciation and amortisation				
Buildings	13,250	12,418	13,185	12,360
Library collection	2,505	2,558	2,505	2,558
Plant and equipment	3,753	2,901	3,666	2,797
Amortisation-intangible asset	443	586	443	586
Amortisation-leased assets	1,103	1,336	1,103	1,336
Total depreciation and amortisation	21,054	19,799	20,902	19,637
12. Repairs and maintenance				
Buildings	7,886	3,649	7,870	3,631
Grounds	516	784	512	780
Total repairs and maintenance	8,402	4,433	8,382	4,411
13. Borrowing costs				
Interest expense	576	1,616	576	1,616
Loan guarantee fees	36	112	36	112
Total borrowing costs	612	1,728	612	1,728
14. Bad and doubtful debts				
Doubtful debts	1,055	703	1,055	703
Total bad and doubtful debts	1,055	703	1,055	703
15. Other expenses				
Scholarships, grants and prizes	11,635	9,183	11,635	9,002
Non-capitalised equipment	2,843	2,138	2,836	2,138
Advertising, marketing and promotional expenses	3,331	2,610	3,336	2,601
Telecommunications	4,631	5,031	4,534	4,858
Travel, staff development and entertainment	14,017	13,030	13,844	12,871
External services*	30,061	26,635	29,271	25,967
IT hardware and software	6,660	6,693	6,646	6,645
Library subscriptions	2,483	1,363	2,483	1,363
Printing	2,034	1,992	2,035	1,991
Operating lease rental expenses	2,709	2,727	2,696	2,712
Bank charges, legal costs, insurance and taxes	2,891	3,914	2,876	3,885
General consumables	6,092	6,225	5,657	6,187
Other**	9,130	8,435	8,780	7,984
Total other expenses	98,517	89,976	96,629	88,204

* Included within external services for 2006 is an amount for consultants of \$1.938 million (\$1.938 million consolidated) exclusive of GST (2005: \$2.073 million, \$2.126 million consolidated). This amount excludes consultant payments in relation to the capital works program.

** Net foreign exchange losses included in other expenses for 2006 were \$0.026 million (\$0.026 million consolidated), (2005: \$0.030 million, \$0.030 million consolidated).



	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
16. Cash and cash equivalents				
Cash at bank and on hand	1,525	2,655	879	2,122
Deposits at call	70,954	78,455	68,925	76,763
Total cash and cash equivalents	72,479	81,110	69,804	78,885
(a) Reconciliation to cash at the end of the year				
Balances as above	72,479	81,110	69,804	78,885
Less: Bank overdrafts	-	-	-	-
Balance per Cash Flow Statement	72,479	81,110	69,804	78,885
(b) Cash at bank and on hand				
As at 31 December 2006 the deposits earned 5.75% interest (2005: 5.00%) and the interest is credited to the University quarterly in March, June, October and December.				
(c) Deposits at call				
During the year the cash deposits earned interest at a floating rate between 5.58% and 6.35% (2005: between 5.40% and 5.58%). These deposits had an average maturity of 53 days.				

17. Receivables

Trade debtors	13,733	12,414	12,564	11,233
Less: Provision for doubtful receivables	(1,057)	(538)	(1,057)	(538)
	12,676	11,876	11,507	10,695
Student fees	5,924	7,963	5,924	7,963
Less: Provision for doubtful receivables	(1,708)	(1,149)	(1,708)	(1,149)
	4,216	6,814	4,216	6,814
Commonwealth receivable	4,877	2,014	4,877	2,014
Total current receivables	21,769	20,704	20,600	19,523
(a) Bad and doubtful trade receivables				

During the year ended 31 December 2006 the University has recognised a loss of \$0.197 million (2005: \$0.219 million) in respect of bad and doubtful trade receivables and \$0.858 million (\$0.484 million) in respect of bad and doubtful student fees. These losses have been included in bad and doubtful debts expense in the Income Statement.



Consolidated		University	
2006	2005	2006	2005
\$'000	\$'000	\$'000	\$'000

18. Investments accounted for using the equity method

With the exception of Unisure Pty Ltd the University has no material investments in associates or joint venture entities which would be accounted for in the consolidated financial statements using the equity method of accounting and carried at cost by the University.

Refer to Note 34 for the accounting methodology adopted for Unisure Pty Ltd.

19. Other financial assets

Current:

Workers' compensation investment fund	492	584	492	584
Total current other financial assets	492	584	492	584

Non-Current:

Available-for-sale	5,130	4,052	4,156	3,073
Investment in controlled entities	-	-	1,730	1,730
Workers' compensation investment fund	4,183	4,602	4,183	4,602
International Development Programs (IDP) loan	-	250	-	250
Total non-current other financial assets	9,313	8,904	10,069	9,655
Total other financial assets	9,805	9,488	10,561	10,239



20. Property, plant and equipment

Consolidated	Construction in progress	Land	Freehold buildings	Plant and equipment	Leasehold improvements	Leased plant and equipment	Library	Art collection	Total
\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
At 1 January 2005									
- Cost	83,330	-	-	34,875	682	6,473	-	-	125,360
- Valuation	-	47,710	520,526	-	-	-	32,113	1,476	601,825
Accumulated depreciation	-	-	(258,539)	(23,163)	(64)	(2,932)	(15,628)	-	(300,326)
Net book amount	83,330	47,710	261,987	11,712	618	3,541	16,485	1,476	426,859
Year Ended 31 December 2005									
Opening net book amount	83,330	47,710	261,987	11,712	618	3,541	16,485	1,476	426,859
Revaluation	-	-	4,407	-	-	-	(253)	(250)	3,904
Additions	29,918	830	5,819	5,619	15	85	2,232	-	44,518
Assets included in a disposal group classified as held for sale and other disposals	-	-	-	(173)	-	-	-	-	(173)
Reclassifications	(95,888)	-	94,116	-	1,772	-	-	-	-
Depreciation charge	-	-	(12,121)	(2,902)	(296)	(1,336)	(2,558)	-	(19,213)
Closing net book amount	17,360	48,540	354,208	14,256	2,109	2,290	15,906	1,226	455,895
At 31 December 2005									
- Cost	17,360	830	7,914	40,321	2,469	6,558	-	-	75,452
- Valuation	-	47,710	616,331	-	-	-	30,963	1,226	696,230
Accumulated depreciation	-	-	(270,037)	(26,065)	(360)	(4,268)	(15,057)	-	(315,787)
Net book amount	17,360	48,540	354,208	14,256	2,109	2,290	15,906	1,226	455,895
Year Ended 31 December 2006									
Opening net book amount	17,360	48,540	354,208	14,256	2,109	2,290	15,906	1,226	455,895
Revaluation	-	-	-	-	-	-	922	-	922
Additions	34,338	-	118	7,588	-	-	2,445	-	44,489
Assets classified as held for sale and other disposals	-	-	(9)	(204)	-	(1)	-	(197)	(411)
Reclassifications	(18,607)	-	17,233	462	912	-	-	-	-
Depreciation charge	-	-	(12,872)	(3,753)	(378)	(1,103)	(2,505)	-	(20,611)
Closing net book amount	33,091	48,540	358,678	18,349	2,643	1,186	16,768	1,029	480,284
At 31 December 2006									
- Cost	33,091	830	25,256	48,167	3,231	6,557	32,621	1,029	117,132
- Valuation	-	47,710	616,331	-	-	-	(15,853)	-	697,691
Accumulated depreciation	-	-	(282,909)	(29,818)	(588)	(5,371)	(15,853)	-	(334,539)
Net book amount	33,091	48,540	358,678	18,349	2,643	1,186	16,768	1,029	480,284



UNIVERSITY OF SOUTH AUSTRALIA

Financial Statements for the year ended 31 December 2006

University	Construction in progress	Land	Freehold buildings	Plant and equipment	Leasehold improvements	Leased plant and equipment	Library	Art collection	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2005									
- Cost	83,330	-	-	34,095	682	6,473	-	-	124,580
- Valuation	-	47,710	520,231	-	-	-	32,113	1,476	601,530
Accumulated depreciation	-	-	(258,400)	(22,569)	(64)	(2,932)	(15,628)	-	(299,593)
Net book amount	83,330	47,710	261,831	11,526	618	3,541	16,485	1,476	426,517
Year Ended 31 December 2005									
Opening net book amount	83,330	47,710	261,831	11,526	618	3,541	16,485	1,476	426,517
Revaluation	-	-	4,407	-	-	-	(253)	(250)	3,904
Additions	29,918	830	5,817	5,531	15	85	2,232	-	44,428
Assets included in a disposal group classified as held for sale and other disposals	-	-	-	(151)	-	-	-	-	(151)
Reclassifications	(95,888)	-	94,116	-	1,772	-	-	-	-
Depreciation charge	-	-	(12,064)	(2,797)	(296)	(1,336)	(2,558)	-	(19,051)
Closing net book amount	17,360	48,540	354,107	14,109	2,109	2,290	15,906	1,226	455,647
At 31 December 2005									
- Cost	17,360	830	7,914	39,475	2,469	6,558	-	-	74,606
- Valuation	-	47,710	616,034	-	-	-	30,963	1,226	695,933
Accumulated depreciation	-	-	(269,841)	(25,366)	(360)	(4,268)	(15,057)	-	(314,892)
Net book amount	17,360	48,540	354,107	14,109	2,109	2,290	15,906	1,226	455,647
Year Ended 31 December 2006									
Opening net book amount	17,360	48,540	354,107	14,109	2,109	2,290	15,906	1,226	455,647
Revaluation	-	-	-	-	-	-	922	-	922
Additions	34,338	-	-	7,404	-	-	2,445	-	44,187
Assets classified as held for sale and other disposals	-	-	(8)	(190)	-	(1)	-	(197)	(396)
Reclassifications	(18,607)	-	17,233	462	912	-	-	-	-
Depreciation charge	-	-	(12,807)	(3,666)	(378)	(1,103)	(2,505)	-	(20,459)
Closing net book amount	33,091	48,540	358,525	18,119	2,643	1,186	16,768	1,029	479,901
At 31 December 2006									
- Cost	33,091	830	25,139	47,151	3,231	6,557	-	-	115,999
- Valuation	-	47,710	616,034	-	-	-	32,621	1,029	697,394
Accumulated depreciation	-	-	(282,648)	(29,032)	(588)	(5,371)	(15,853)	-	(333,492)
Net book amount	33,091	48,540	358,525	18,119	2,643	1,186	16,768	1,029	479,901



21. Intangible assets

	Consolidated \$'000	University \$'000
At 1 January 2005		
Cost	4,036	4,036
Accumulated amortisation	(2,121)	(2,121)
Net book amount	1,915	1,915
Year Ended 31 December 2005		
Opening net book amount	1,915	1,915
Amortisation charge	(586)	(586)
Closing net book amount	1,329	1,329
At 31 December 2005		
Cost	4,036	4,036
Accumulated amortisation	(2,707)	(2,707)
Net book amount	1,329	1,329
Year Ended 31 December 2006		
Opening net book amount	1,329	1,329
Additions	62	62
Amortisation charge	(443)	(443)
Closing net book amount	948	948
At 31 December 2006		
- Cost	4,098	4,098
Accumulated amortisation	(3,150)	(3,150)
Net book amount	948	948



	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
22. Other non-financial assets				
Current:				
Prepayments	4,825	3,323	4,800	3,316
Accrued income	2,052	973	2,052	973
Total current other non-financial assets	6,877	4,296	6,852	4,289
23. Payables				
Current:				
Trade creditors	11,139	13,863	10,706	13,488
Accrued expenses	1,762	1,520	1,762	1,520
Annual leave on-costs	1,881	1,830	1,881	1,830
Long service leave on-costs	948	888	948	888
Total current payables	15,730	18,101	15,297	17,726
Non-current:				
Annual leave on-costs	836	852	836	852
Long service leave on-costs	2,375	2,450	2,375	2,450
Total non-current payables	3,211	3,302	3,211	3,302
Total payables	18,941	21,403	18,508	21,028
24. Interest bearing liabilities				
Current:				
Secured:				
Lease liabilities	1,005	1,169	1,005	1,169
Total current secured interest bearing liabilities	1,005	1,169	1,005	1,169
Unsecured:				
SA Government Financing Authority (SAFA) loan	-	15,000	-	15,000
Total current unsecured interest bearing liabilities	-	15,000	-	15,000
Total current interest bearing liabilities	1,005	16,169	1,005	16,169
Non-current:				
Secured:				
Lease Liabilities	-	1,005	-	1,005
Total non-current interest bearing liabilities	-	1,005	-	1,005
Total interest bearing liabilities	1,005	17,174	1,005	17,174



	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
24. Interest bearing liabilities (continued)				
(a) Assets pledged as security				
The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:				
Non-current:				
<i>Finance lease</i>				
Plant and equipment	1,186	2,290	1,186	2,290
Total assets pledged as security	1,186	2,290	1,186	2,290
(b) Financing arrangements				
Unrestricted access was available at balance date to the following lines of credit:				
Credit standby arrangements				
Total facilities:				
Credit card facility with National Australia Bank (NAB)	5,000	5,000	5,000	5,000
Credit card facility with Amex	1,500	1,350	1,500	1,350
Documentary letter of credit facility with NAB	200	200	200	200
Pre-approved lease/lease purchase with NAB	2,000	2,000	2,000	2,000
IT lease facility with Commonwealth Bank	5,000	8,000	5,000	8,000
Bank Guarantee	5,100	-	5,100	-
	18,800	16,550	18,800	16,550
Used at balance date:				
Credit card facility with NAB	757	714	757	714
Credit card facility with Amex	-	307	-	307
Documentary letter of credit facility with NAB	-	-	-	-
Pre-approved lease/lease purchase with NAB	-	-	-	-
IT lease facility with Commonwealth Bank	72	176	72	176
Bank Guarantee	3,719	-	3,719	-
	4,548	1,197	4,548	1,197
Unused at balance date:				
Credit card facility with NAB	4,253	4,286	4,253	4,286
Credit card facility with Amex	1,500	1,043	1,500	1,043
Documentary letter of credit facility with NAB	200	200	200	200
Pre-approved lease/lease purchase with NAB	2,000	2,000	2,000	2,000
IT lease facility with Commonwealth Bank	4,928	7,824	4,928	7,824
Bank Guarantee	1,381	-	1,381	-
	14,262	15,353	14,262	15,353
Bank loan facilities				
SAFA facility	-	15,000	-	15,000
NAB facilities	35,000	35,000	35,000	35,000
Total facilities	35,000	50,000	35,000	50,000
Used at balance date	-	15,000	-	15,000
Unused at balance date	35,000	35,000	35,000	35,000



	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
25. Provisions				
Current:				
Annual leave	8,138	7,601	7,974	7,444
Long service leave	7,664	6,861	7,485	6,693
Separation scheme	273	254	273	254
Workers' compensation liability	613	574	613	574
Total current provisions	16,688	15,290	16,345	14,965
Non-Current:				
Annual leave	3,542	3,405	3,542	3,405
Long service leave	18,773	18,483	18,773	18,483
Workers' compensation liability	1,618	1,482	1,618	1,482
Total non-current provisions	23,933	23,370	23,933	23,370
Total provisions	40,621	38,660	40,278	38,335

Movements in the workers' compensation liability is set out below:

Workers' compensation liability

Current:

Carrying amount at the start of year	574	540	574	540
Additional provisions recognised	39	34	39	34
Carrying amount at the end of year	613	574	613	574

Non Current:

Carrying amount at the start of year	1,482	1,870	1,482	1,870
Additional provisions recognised	136	(388)	136	(388)
Carrying amount at the end of year	1,618	1,482	1,618	1,482

26. Other liabilities

Accrued interest	-	255	-	255
Other	702	1,643	907	901
Funds held on behalf of external entities	3,511	2,113	3,511	3,110
	4,213	4,011	4,418	4,266
Income in advance on incomplete projects	2,075	1,987	2,075	1,987
Other income in advance:				
Fees and charges	11,367	7,378	11,367	7,378
Commonwealth & State Government grants	9,186	4,552	9,186	4,552
HECS recovery	-	3,281	-	3,281
	20,553	15,211	20,553	15,211
Total other liabilities	26,841	21,209	27,046	21,464



	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
27. Reserves and retained surplus				
(a) Reserves				
Property, plant and equipment revaluation reserve				
Land and buildings	54,291	54,291	54,291	54,291
Art collection	294	294	294	294
Library	669	-	669	-
	55,254	54,585	55,254	54,585
Available-for-sale investments revaluation reserve	1,132	895	1,132	895
Total reserves	56,386	55,480	56,386	55,480
Movements in reserves				
Property, plant and equipment revaluation reserve				
<i>Land and buildings</i>				
Opening balance	54,291	49,885	54,291	49,885
Asset revaluation increment	-	4,406	-	4,406
Closing balance	54,291	54,291	54,291	54,291
<i>Art collection</i>				
Opening balance	294	544	294	544
Asset revaluation decrement	-	(250)	-	(250)
Closing balance	294	294	294	294
<i>Library</i>				
Opening balance	-	-	-	-
Asset revaluation increment	669	-	669	-
Closing balance	669	-	669	-
Total property, plant and equipment revaluation reserve	55,254	54,585	55,254	54,585
Available-for-sale investments revaluation reserve				
Opening balance	895	656	895	164
Transfer from the University of South Australia Foundation Incorporated	-	-	-	589
Asset revaluation increment	237	239	237	142
Closing balance	1,132	895	1,132	895



	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
27. Reserves and retained surplus (continued)				
(b) Retained surplus				
Movement in retained surplus were as follows:				
Retained surplus at 1 January	417,608	398,356	415,143	393,094
Adjustment on adoption of AASB132 and AASB 139, net of tax	-	(230)	-	(230)
Operating result for the year	29,765	19,482	29,305	22,279
Retained surplus at 31 December	447,373	417,608	444,448	415,143

(c) Nature and purpose of reserves

The University has four reserves. The land and buildings reserve records revaluations in land and buildings, the available-for-sale investments reserve records revaluations in investments, the library revaluation reserve records revaluations in the library collection and the art collection revaluation reserve records revaluations in the art collection.

28. Responsible persons and executive officers**(a) Names of responsible persons**

The following persons were responsible persons of the University during the 2006 year. Council members include University employees who may be ex-officio members or elected staff members. An asterisk indicates University employees.

2006 Council Members

Mr David Klingberg, AM, Chancellor
 Professor Denise Bradley, AO Vice Chancellor and President *
 Ms Alice McCleary, Deputy Chancellor
 Mr James Birch
 Mr William Cossey, AM
 Mr Terry Evans
 Dr Timothy Ferris *
 Mr Markus Grammanitsch (resigned October 2006)
 Ms Kath Higgins *
 Mr Justin Lee
 Ms Kerryne Liddle
 Mr Bruce Linn
 Dr Adele Lloyd
 Ms Jan Lowe
 Mr Ian McLachlan
 Mr Sanu Kuruvilla Raja (resigned September 2006)
 Ms Heather Ryland *
 Mr Peter Smith
 Dr Sue Vardon AO
 Dr Michael Venning *
 Associate Professor Adrian Vicary *

**28. Responsible persons and executive officers (continued)****(b) Remuneration of Council members and Executive Officers*****Remuneration of Council members***

No member of Council received any remuneration from the University other than by way of salary and related benefits from a normal employment relationship.

	Consolidated		University	
	2006	2005	2006	2005
	Number	Number	Number	Number
<i>Remuneration of executive officers</i>				
\$150,000 to \$159,999	1	-	1	-
\$190,000 to \$199,999	1	-	1	-
\$200,000 to \$209,999	-	1	-	1
\$220,000 to \$229,999	1	1	1	1
\$230,000 to \$239,999	1	2	1	2
\$240,000 to \$249,999	-	2	-	2
\$250,000 to \$259,999	2	1	2	1
\$270,000 to \$279,999	2	1	2	1
\$280,000 to \$289,999	1	-	1	-
\$290,000 to \$299,999	-	1	-	1
\$310,000 to \$319,999	1	-	1	-
\$460,000 to \$469,999	-	1	-	1
\$490,000 to \$499,999	1	-	1	-
	11	11	11	11

Executives are defined as the Vice Chancellor & President and those staff in a senior line position who report directly to that position. The remuneration includes all normal salary, leave, allowances and other benefits paid during the reporting period. No executive received any remuneration from the University other than by way of salary and related benefits from a normal employment relationship.

(c) Executive Officers compensation

	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	2,412	2,328	2,412	2,328
Post-employment benefits	403	362	403	362
Other long-term benefits	109	-	109	-
Termination benefits	160	-	160	-
	3,084	2,690	3,084	2,690

(d) Related party transactions

From time to time University Council members have interests or positions in entities with which the University conducts business. In all cases, transactions with these entities are undertaken on a normal commercial basis.



Consolidated		University	
2006	2005	2006	2005
\$'000	\$'000	\$'000	\$'000

29. Remuneration of auditors

During the year the following fees were paid for services provided by the auditor of the University of South Australia, its related practices and non-related audit firms:

Assurance Services

Audit services

Fees paid to the Auditor-General's Department:

Auditing the financial report	222	215	221	211
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Fees paid to other audit firms:

Audit and review of financial reports of any entity in the Consolidated Entity	15	12	-	-
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237	227	221	211
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30. Contingent liabilities

The University entered into an agreement with the Minister of the Department of Education, Training and Employment (DETAFE) on 20 February 1997 to provide 35 spaces in a Child Care Centre built in 1997 at the University's City West campus. If the agreement is terminated at any time after the commencement of the eighth year of the term, a sum of \$0.680 million is to be repaid on a pro rata basis reducing to zero after 21 years. As at 31 December 2006 this contingent liability reduced to \$0.583 million.

No material losses are anticipated in respect of any of the above contingent liabilities.

The University has no other material contingent liabilities.

31. Commitments for expenditure**(a) Capital commitments**

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

Property, plant and equipment payable:

Within one year	9,710	8,127	9,710	8,127
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Later than one year but not later than five years	200	932	200	932
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Later than five years	-	-	-	-
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9,910	9,059	9,910	9,059
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(b) Lease commitments**(i) Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the Income Statement on a straight-line basis over the period of the lease.



31. Commitments for expenditure (continued)

Commitments in relation to leases contracted for at the reporting date, but not recognised as liabilities (i.e. operating leases), are payable as follows:

	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Within one year	3,742	3,179	3,742	3,179
Later than one year but not later than five years	7,162	6,960	7,162	6,960
Later than five years	1,550	954	1,550	954
	12,454	11,093	12,454	11,093

Major operating leases include leases for office space, vehicles and computers. The terms of the office space lease agreements include renewal or purchase options ranging between 1 and 10 years.

(ii) Finance leases

Commitments in relation to finance leases are payable as follows:

Within one year	1,324	1,568	1,324	1,568
Later than one year but not later than five years	-	1,324	-	1,324
Later than five years	-	-	-	-
Minimum lease payments	1,324	2,892	1,324	2,892
Future finance charges	(319)	(718)	(319)	(718)
Total lease liabilities	1,005	2,174	1,005	2,174
Representing lease liabilities:				
Current	1,005	1,169	1,005	1,169
Non-current	-	1,005	-	1,005
Total lease liabilities	1,005	2,174	1,005	2,174

The weighted average interest rate implicit in the finance leases is 6.81% (2005: 6.87%).

(c) Other expenditure commitments

Commitments for other expenditure in existence at the reporting date but not recognised as liabilities, payable:

Within one year	7,276	4,932	7,276	4,932
Later than one year but not later than five years	16,139	8,393	16,139	8,393
Later than five years	474	1,462	474	1,462
Total other expenditure commitments	23,889	14,787	23,889	14,787



32. Superannuation plans

The University contributes to the following employee superannuation funds:

(a) South Australian superannuation fund (Super SA)

A number of present and past employees of the University and its predecessor institutions are members of State Government Superannuation Schemes. Under the schemes benefits are paid as a lump sum or continuing pension on the termination of employees' service based on contributions made by the employee and the employees' final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for the administration of the schemes.

Under current arrangements the Board pays the benefits and is reimbursed by the University for the shortfall in the employer's contribution. The Commonwealth Government fully funds the University on an emerging cost basis for the costs and recovers the State's share of the cost directly from the State Government.

The University's superannuation liability with respect to future benefits for current pensioners and employees was assessed by the Director Superannuation (State Superannuation Office) Department of Treasury and Finance as at 31 December 2006 to be \$330.9 million (2005: \$327.7 million). The assessment took into account the latest triennial actuarial investigation of the South Australian Superannuation Fund as at 30 June 2004.

The University's liability under the schemes has been partly funded by an amount of \$22.3 million (2005: \$19.1 million) arising from 3% productivity employer contributions. This results in an unfunded liability of \$308.6 million (2005: \$308.6 million). The net unfunded amount has been recognised in the accounts of the University as a liability and a corresponding receivable from the Commonwealth Government. The asset and liability have been classified as current and non-current according to cash flow projections of the assessment.

Recognition of the receivable from the Commonwealth is in accordance with DEST Guidelines and reflects an assessment that, while there is no legislated requirement, the Commonwealth has committed to fund the University's emerging costs.

Assumptions adopted by the Director Superannuation (State Superannuation Office), South Australian Department of Treasury and Finance in determining the University's liability were:

• Rate of increase in the Consumer Price Index (CPI)	2.5% per annum
• Rate of salary increases	4.0% per annum
• Investment earnings	7.5% per annum

These assumptions have not changed since 2001.

These rates provide for a 1.5% real gap between CPI and salary increases and a further 3.5% real gap between salary increases and investment earnings.

(b) Deferred Government superannuation contribution

The Commonwealth Government has undertaken to provide funding for emerging superannuation costs in its grants to institutions and to recover the State's share of the cost directly from the State Government.

In 2006 there was no change in the net unfunded past service cost for State Superannuation. In 2005, an amount of \$24.2 million was brought to account (both as revenue and an expense) to reflect the increase.

**32. Superannuation plans (continued)**

	2006 \$'000	2005 \$'000
Deferred Government superannuation contribution at the beginning of the year	308,600	284,400
Increase/(decrease) in amount owing for unfunded liability	-	24,200
Deferred Government superannuation contribution at the end of the year	308,600	308,600
Comprising:		
• Current asset	26,200	25,700
• Non-current asset	282,400	282,900
	308,600	308,600

(c) UniSuper

The University contributes to the following employee superannuation funds:

(i) UniSuper Defined Benefit Division (DBD)

The University contributes to the DBD at a rate double the contributions made by employees. Employees' contributions are normally 7% of their gross salaries. The DBD provides defined benefits based on years of service, average service fraction and final average salary or choice of investment funds.

At its 23 November 2006 meeting the Board approved an amendment to Clause 34 of the UniSuper Trust Deed, effective 31 December 2006, altering its classification from a Defined Benefit Plan to a Defined Contribution Plan. Previously under Clause 34 if the UniSuper assets were considered by the Trustee to be insufficient to provide benefits payable under the Deed, the trust could request additional contributions from employers, provided they are given notice that such a request may be made 4 years in advance. If such a request was agreed to by employers then members were required to also make additional contributions equal to one-half of the rate which their employer is prepared to contribute.

Clause 34 now states that where the Trustee considers the assets to be insufficient to provide benefits payable under the Deed, the Trustee must reduce the benefits on a fair and equitable basis.

As set out under paragraph 25 of AASB119 a defined contribution plan is a plan where the employer's legal or constructive obligation is limited to the amount it agrees to contribute to the fund and the actuarial risk and investment risk fall on the employee.

As at 30 June 2006 there is no funding surplus or deficit which currently affects, or is expected to affect, the amount of future contributions payable by participating employers to the Defined Contribution Plan.

As at 30 June 2006 the assets of the DBD in aggregate (i.e. entire multiemployer DBD plan) were estimated to be:

- \$958.0 million in excess of vested benefits. The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving the service of the participating institution) and include the value of CPI indexed pensions being provided by the DBD.
- \$1,834.0 million in excess of accrued benefits. The accrued benefits have been calculated as the present value of expected future benefit payments to members and CPI indexed pensioners which arise from membership of UniSuper up to the reporting date.

**32. Superannuation plans (continued)**

The vested benefit and accrued benefit liabilities were determined by the Fund's actuary Russell Employee Benefits using the actuarial demographic assumptions outlined in their report dated 13 July 2006 on the actuarial investigation of the DBD as at 31 December 2005. The financial assumptions used were:

	Vested Benefits	Accrued Benefits
Gross of tax investment return	7.0% p.a.	8.3% p.a.
Net of tax investment return	6.5% p.a.	7.8% p.a.
Consumer Price Index	2.5% p.a.	2.5% p.a.
Inflationary salary increases long term	3.5% p.a.	3.5% p.a.
Inflationary salary increases next three years	5.0% p.a.	5.0% p.a.

Additional promotional salary increases are assumed to apply based on past experience. Assets have been included at their net market value, i.e. allowing for realisation costs.

(ii) UniSuper Accumulation Super 2 (Accum 2)

The University contributes to the scheme at a rate double the contributions made by employees. Employees' contributions are normally 7% of their gross salaries. The fund provides benefits based on the defined contributions of the University and employee during the membership of the employee.

Employees may have an Accum 2 account if they had elected within the first 12 months of membership to transfer their benefit calculation from the DBD to the Accum 2. Contributions made by both the employee and employer remain unchanged.

(iii) UniSuper Accumulation Super 1 (Accum 1)

The University makes contributions into the fund for employee entitlements arising under the Superannuation Guarantee (SG) and Award obligations. The scheme is non-contributory for employees. The fund provides benefits based on the defined contributions of the University during the membership of the employee.

The University has recognised an expense of \$14.472 million (2005: \$13.203 million) in respect of the DBD and Accum 2.

The University has also recognised an expense of \$7.001 million (2005: \$6.336 million) in respect of Accum 1.



33. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

Name of entity	Country of incorporation	Ownership interest	
		2006 %	2005 %
(a) ITEK Pty Ltd	Australia	100	100
(b) University of South Australia Foundation Incorporated	Australia	100	100

(a) ITEK Pty Ltd (ITEK)

ITEK Pty Ltd was formed on 1 July 1999 and since this time has had a year end date of 30 June. ITEK Pty Ltd is trustee for the ITEK trust and has a 100% controlling interest in GTA Pty Ltd which is trustee for the GTA trust. The ITEK trust provides the University with business incubation and technology commercialisation services. ITEK's role is to support the commercialisation of University research through the formation of spin-off companies, licensing and the sale of intellectual property to generate returns for the University, and also for the staff and students involved in the creation of intellectual property.

(b) University of South Australia Foundation Incorporated (Foundation)

The Foundation's purpose was to partner the University, its alumni and its supporters in industry and elsewhere in generating interest in the University. At the same time it sought to attract broadly based levels of philanthropic support for the benefit of the University.

The University funded the operating costs of the Foundation directly so that donations and bequests received were wholly used for their intended purpose.

Due to changes in tax law governing charities that came into effect on 1 July 2005 the Foundation no longer qualified as a tax exempt charity. As the University continues to qualify as a tax exempt body the operations and net assets of the Foundation were transferred into the University effective from 1 July 2005. During the second half of 2005 the remaining net assets (\$4.388 million) of Foundation were transferred (at fair value) to the University. The retained surplus transferred (\$3.798 million) was recorded as other income while the investment revaluation reserve balance (\$0.589 million) was credited to the University's available-for-sale investments revaluation reserve.

The Foundation has been left as a University subsidiary with no assets, liabilities or equity as at 31 December 2006. This company will remain legally intact indefinitely to ensure that any future donations, which have named the Foundation as the beneficiary, will ultimately flow to the University as intended.

**34. Investments in associates**

The University has an interest in Unisure Pty Ltd and SABRENet Ltd as described below:

(a) Unisure Pty Ltd (Unisure)

The University is a shareholder along with the University of Adelaide and the Flinders University of South Australia in Unisure Pty Ltd, which manages workers' compensation claims on behalf of the three institutions. The University's interest (33.3%) in Unisure Pty Ltd is not considered to be material to the University's core activities. Consequently, the investment in the Associate has not been accounted for using the equity method as per the Australian Accounting Standard AASB 128 'Investment in Associates' however, consistent with prior years, it has incorporated its share of the year end balances and the financial transactions of the Unisure Unit Trust within the University.

Unisure Pty Ltd is the trustee of the Unisure Unit Trust which holds the University's workers' compensation liabilities and the associated investment funds. As at 31 December 2006 the Unit Trust held net assets of \$2.444 million on behalf of the University of South Australia (2005: \$3.130 million).

(b) SABRENet Ltd (SABRENet)

SABRENet Ltd was registered on 28 September 2005 as a non-profit company limited by guarantee and has been recognised by the Australian Tax Office as a tax exempt entity. The founding members are the three South Australian Universities and the South Australia Government.

The objects for which the company was established are to be a non-profit institution to further the use of advanced data networking for the conduct of research and education in South Australia for the benefit of South Australia and for the purposes of economic and social advancement in Australia generally.

While the University has significant influence over SABRENet, its interest in SABRENet is limited to the use of SABRENet's asset (the network). That is, the University receives no return for its interest in SABRENet. To date, the University has provided \$0.250 million to SABRENet which has been recognised as an expense in the year payment was made.

Each of the above associates is incorporated in Australia.

Carrying amounts:

Information relating to associates is set out below:

Entity	Principal activity	Ownership interest		Consolidated carrying amount		University carrying amount	
		2006 %	2005 %	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(a) Unisure Pty Ltd*	Manages workers' compensation claims on behalf of the University.	33%	33%	2,444	3,130	2,444	3,130
				<u>2,444</u>	<u>3,130</u>	<u>2,444</u>	<u>3,130</u>

* As discussed above the University's investment in Unisure is proportionately consolidated within the University and Consolidated Entity. Therefore the carrying amount denoted here represents the net assets carried within the accounts.

**34. Investments in associates (continued)**

	Consolidated	
	2006	2005
	\$'000	\$'000
Movements in carrying amounts		
Carrying amount at the beginning of the financial year	3,130	3,039
Share of profits/(losses)	(686)	91
Carrying amount at the end of the financial year	2,444	3,130

Summarised financial information of associates

	Assets	Liabilities	Consolidated Entity's share of:	
	\$'000	\$'000	Revenues	Profit/(Loss)
			\$'000	\$'000
2006				
Unisure Pty Ltd	4,675	2,231	800	(686)
2005				
Unisure Pty Ltd	5,186	2,056	435	91

35. Interests in joint ventures**(a) Joint venture operations**

The University's interests in joint venture operations are as follows:

Entity		Reporting date	Output interest	
			2006	2005
(i)	Mawson Centre Building	31 Dec	63.00%	63.00%
(ii)	SPRI (Building)	30 Jun	30.00%	30.00%
(iii)	SAPAC	30 Jun	20.00%	20.00%

**35. Interests in joint ventures (continued)****(i) Mawson Centre Building**

The University, the City of Salisbury, the Land Management Corporation, Delfin Lend Lease and the Department of Education and Children's Services (DECS) entered into an agreement in 2003 to design, develop, construct and eventually operate the Mawson Centre at Mawson Lakes. This multi-purpose community centre will assist in meeting the cultural, entertainment, recreational and educational needs of the Mawson Lakes residents, employees and adjacent community. The University has a 63% share of the joint venture and management responsibility for the centre, with the City of Salisbury holding a 19% share and DECS holding an 18% share.

As at 31 December 2006, the University's share of the Mawson Centre development totalled \$6.1 million (2005: \$6.3 million) which is reported in Buildings. There were no advance contributions from the joint venturers at year end (2005: \$0.069 million).

(ii) Signal Processing Research Institute (SPRI) Building

The University and the Technology Development Corporation (subsumed by the MFP Development Corporation and subsequently the Land Management Corporation) entered into an agreement in 1991 to establish a building to house the SPRI at Mawson Lakes. The building is leased to University research centres affiliated with the SPRI and other lessees. The University has a 30% share of the joint venture with the Land Management Corporation holding the remaining 70% share. In 2004 the building was independently re-valued and the University's 30% share of the asset's carrying amount as at 31 December 2006 is \$1.838 million (2005: \$1.889 million) which is included in Buildings.

The University's share of this joint venture's operations has not been included in the consolidated report due to them being immaterial to the University's activities.

(iii) South Australian Partnership for Advanced Computing (SAPAC)

SAPAC is a joint venture of the three South Australian universities and its mission is to act as a point of focus for the support of advanced, high-performance and grid computing in Australia. The University's share of this joint venture has not been included in the consolidated report due to them being immaterial to the University's activities.

(b) Joint venture entities

The University has an interest in a number of joint venture entities as described below. The University's interests in these joint ventures are not considered to be material to the University's core activities. Consequently, they have not been taken up in the accounts on an equity basis as per the Australian Accounting Standard AASB 131 Interest in Joint Ventures.

Entity	Reporting Date	Ownership Interest	
		2006	2005
(i) ACCA	30 Jun	20.00%	20.00%
(ii) CIEAM	30 Jun	10.74%	11.39%
(iii) CRCIF	30 Jun	2.95%	2.95%
(iv) CRCIMST	30 Jun	8.00%	8.00%
(v) Rail CRC	30 Jun	8.30%	8.30%
(vi) CRCSS	30 Jun	24.00%	24.00%
(vii) CRCST Pty Ltd	30 Jun	5.00%	5.00%
(viii) CSSIP	30 Jun	5.20%	5.20%
(ix) CWQT	30 Jun	5.13%	5.13%
(x) DK-CRC	30 Jun	4.60%	4.60%
(xi) SACITT	31 Dec	33.33%	33.33%
(xii) SGRHS	31 Dec	50.00%	50.00%
(xiii) SATAC	30 Jun	25.00%	25.00%
(xiv) Auto CRC	30 Jun	8.09%	8.09%
(xv) CRC CARE	30 Jun	4.00%	4.00%
(xvi) CRC Polymers	30 Jun	1.85%	1.85%

**35. Interests in joint ventures (continued)****(i) ACCA – Australian Centre for Community Ageing**

ACCA is a joint venture collaboration involving internationally recognised education and training organisations, a major aged care provider, an international developer of urban communities and an internationally respected Research Centre. The collaboration involves the 'pooling' of expertise contributed by each of the joint venture members.

(ii) CIEAM - Co-operative Research Centre for Integrated Engineering Asset Management

The CIEAM is a national co-operative research centre which involves a multidisciplinary team of Australia's leading researchers in engineering, IT, business and humanities, and six major industry partners in a novel, coordinated and comprehensive approach to the maintenance of Australia's national engineering infrastructure. It will be a leading international research centre focusing on innovative industry directed R&D, education and commercialisation in an integrated approach to life-cycle physical asset management to meet present and future needs to ensure international competitiveness and sustainability of Australian industry.

(iii) CRCIF - Co-operative Research Centre for Irrigation Futures

The CRCIF is a national co-operative research centre. Its goals are to double profitability and halve water use of Australian irrigation. It also intends to define and promote sustainable irrigation areas and practices.

(iv) CRCIMST - Co-operative Research Centre for Intelligent Manufacturing Systems and Technologies

The CRCIMST is a national co-operative research centre. Its purpose is to establish a world class research centre with representation from both industry and universities in areas of research to provide a technology base for the sustainable development in Australia of internationally competitive manufacturing. In 2006 CRCIMST was closed.

(v) Rail CRC - Co-operative Research Centre for Railway Engineering and Technologies

Rail CRC is a national co-operative research centre. Its purpose is to promote the development of an internationally competitive, efficient and sustainable rail service to facilitate the development of an Australian export industry in railway technologies.

(vi) CRCSS - Co-operative Research Centre for Satellite Systems

The CRCSS is a national co-operative research centre. Its mission is to deliver a new sustainable advantage for Australian industries and government agencies involved in services based on the applications of future generations of small satellites. In 2006 CRCSS was closed.

(vii) CRCST Pty Ltd - Co-operative Research Centre for Sustainable Tourism Pty Ltd

The CRCST is a national co-operative research centre. It focuses on developing a dynamic, internationally competitive and sustainable tourism industry, through delivering innovations and strategic knowledge to business, community and government to enhance the environmental, economic and social sustainability of tourism.

(viii) CSSIP – Co-operative Research Centre for Sensor Signal and Information Processing

The CSSIP is a national co-operative research centre. Its purpose is to provide research and postgraduate education in signal and information processing for sensors. In 2006 CSSIP ceased operations.

(ix) CWQT - Centre for Water Quality and Treatment

The CWQT is a national co-operative research centre. Its purpose is to enhance scientific and technological capabilities, support scientific research and encourage applications of science and technology in industry and other areas in the area of water quality and treatment.

**35. Interests in joint ventures (continued)****(x) DK-CRC - Desert Knowledge Co-operative Research Centre**

The DK-CRC is a national co-operative research centre. Its purpose is to develop and disseminate an understanding of sustainable living in remote desert environments, delivering enduring regional economies and livelihoods based on Desert Knowledge, and creating the networks to market this knowledge in other desert lands.

(xi) SACITT - South Australian Consortium for Information Technology and Telecommunications

SACITT brings together the three universities of SA and is supported by an Advisory Board comprising industry and government representatives. Its purposes are to establish South Australia as an international centre for IT&T research and academic excellence, to create a single point of focus for marketing the state as centre for IT&T research and academic excellence, to create a forum for information sharing and collaboration, to coordinate future IT&T research demands by South Australia industry, and to enable the three universities to plan jointly for education provision in IT&T through advice to the South Australian Vice-Chancellors Committee.

(xii) SGRHS - Spencer Gulf Rural Health School (formerly SACRRH – South Australian Centre for Rural and Remote Health)

The University of South Australia and the University of Adelaide have been chosen by the Commonwealth to establish a University Department of Rural Health, known as SGRHS and located at the University of South Australia, Whyalla campus. The aim of the Centre is to improve access to appropriate health care services for rural and remote communities.

(xiii) SATAC - South Australian Tertiary Admissions Centre

SATAC is a joint venture of the three South Australian universities and the Minister for Education Training and Employment. SATAC receives and processes undergraduate and postgraduate applications for admission to the TAFE SA, Charles Darwin University and the three universities in South Australia.

(xiv) Auto CRC - CRC for Advanced Automotive Technologies

The vision of the Auto CRC is to be the nation's principal industry-led collaborative research and development organisation for the advancement of an internationally competitive and sustainable Australian Automotive Industry. The Auto CRC will provide the incentive for industry to work with research providers in design, engineering and manufacturing research, which will also develop skilled professionals to utilise the outcomes generated.

(xv) CRC CARE - Contamination Assessment and Remediation of the Environment

The goal of the CRC CARE is to develop a risk based approach to remediation leading to improved regulatory acceptance of commercially viable and cost-effective solutions to environmental contamination. The CRC will develop monitoring tools for contaminant groups including heavy metals, petroleum hydrocarbons, industrial solvents and persistent organics.

(xvi) CRC Polymers

The CRC for Polymers conducts leading-edge polymer research to deliver the technically advanced polymeric materials and polymer engineering required to transform Australian industries and to establish and expand companies in emerging high-growth areas of the economy. Its research activities are conducted in four programs: biomedical polymers; advanced polymeric materials; polymers for sustainable development; and engineering and design.

36. Events occurring after the Balance Sheet date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction, event of a material and unusual nature likely to affect significantly the operation of the Consolidated Entity, the results of operations, or the state of affairs of the Consolidated Entity in future periods.



	Consolidated		University	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
37. Reconciliation of operating result after income tax to net cash inflow from operating activities				
Operating result for the year	29,765	19,482	29,305	22,279
Add/(less) items classified as investing activities:				
(Profit)/loss on sale of plant and equipment	318	(219)	304	(210)
Add/(less) non-cash items:				
Depreciation and amortisation	21,054	19,799	20,902	19,637
Non cash donations	(442)	(471)	(442)	(471)
Capital assets	2,768	3,467	2,482	2,219
Non cash investments	252	(252)	252	(252)
Foundation Incorporated contributions	-	-	-	1,246
Interest rate swap	(509)	279	(509)	279
Available-for-sale asset revaluation	245	(180)	390	141
Change in assets and liabilities:				
(Increase)/decrease in receivables	(1,065)	(954)	(1,077)	(559)
(Increase)/decrease in other assets	(2,898)	(1,161)	(2,885)	(2,889)
Increase/(decrease) in payables	(2,462)	1,688	(2,520)	1,358
Increase/(decrease) in provisions	1,961	2,053	1,943	1,967
Increase/(decrease) in other liabilities	5,849	1,683	5,799	2,356
Net cash provided by operating activities	54,836	45,214	53,944	47,101
38. Non-cash investing and financing activities				
Donations of works of art and library materials	442	471	442	471
Acquisition of plant and equipment by means of finance leases	-	85	-	85
	442	556	442	556
39. Assets and liabilities of trusts for which the University is trustee				

The University was trustee or custodian for the following trusts during the year:

Aborigines Advancement League;
 KM Bodnar;
 Constance Gordon-Johnson Fund;
 Davy Scholarship;
 Donald Dyer Scholarship;
 Lydia Longmore Memorial Fund;
 PW Stephens Engineering Prize;
 Sansom Trust Fund;
 William T Southcott Scholarship; and
 Bob Hawke Prime Ministerial Centre.



40. Financial instruments

(a) Financial risk management

The University's activities exposes it to a variety of financial risks including:

(i) *Market risk*

The University assesses the likely foreign exchange risk for offshore activities and enters into hedging arrangements if appropriate. As at 31 December 2006 the University held US\$0.277 million (AUD\$0.350 million) (2005: US\$0.422 million (AUD\$0.575 million)) and RM\$0.170 million (AUD\$0.061 million) - Malaysian Ringgit (2005: RM\$0.135 million (AUD\$0.049 million)) in offshore bank accounts.

(ii) *Credit risk*

Credit risk represents the loss that would be recognised if counter-parties failed to perform as contracted.

The credit risk on financial assets excluding investments of the University which have been recognised in the Balance Sheet is the carrying amount net of any provisions for doubtful debts.

The University is not materially exposed to any specific overseas country or individual customer.

(iii) *Liquidity risk*

The University maintains a \$35.0 million bill facility with the NAB which has a drawdown facility, available to 31 December 2016. As at 31 December 2006 this facility has not been drawn down.

(iv) *Cash flow and fair value interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The above \$35.0 million bill facility with the NAB is at a floating rate of interest.

(b) Derivative financial instruments

(i) *Instruments used by the Group*

From time to time the Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates and to trade and to profit from short term movements in exchange rates in accordance with the financial risk management policies described above.

Interest rate swap contracts - cash flow hedges

During the year the University cancelled an open interest rate swap with the NAB to fix interest rates on a loan facility currently arranged and expected to be drawn down in future years.

As a result of the cancellation of this swap during the year a profit of \$0.088 million was recorded in the 2006 year.



40. Financial instruments (continued)

(c) Interest rate risk exposures

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Consolidated Entity intends to hold fixed rate assets and liabilities to maturity.

	Variable interest rate \$'000	Fixed Interest Rate Maturity						Non interest bearing \$'000	Total \$'000
		1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000		
2006									
Financial assets:									
Cash assets	72,479	-	-	-	-	-	-	-	72,479
Receivables	-	-	-	-	-	-	-	21,769	21,769
Other financial assets	4,675	-	-	-	-	-	-	5,130	9,805
Accrued income	-	-	-	-	-	-	-	2,052	2,052
	77,154	-	-	-	-	-	-	28,951	106,105
Weighted average interest rate	5.93%								
Financial liabilities:									
Payables	-	-	-	-	-	-	-	18,941	18,941
Finance lease	-	1,005	-	-	-	-	-	-	1,005
Other	-	-	-	-	-	-	-	702	702
Funds held on behalf of external entities	-	-	-	-	-	-	-	3,511	3,511
	-	1,005	-	-	-	-	-	23,154	24,159
Weighted average interest rate		6.81%							
Net financial assets (liabilities)	77,154	(1,005)	-	-	-	-	-	5,797	81,946



40. Financial instruments (continued)

		Fixed Interest Rate Maturity							
	Variable interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Non interest bearing	Total
	\$`000	\$`000	\$`000	\$`000	\$`000	\$`000	\$`000	\$`000	\$`000
2005									
Financial assets:									
Cash assets	81,110	-	-	-	-	-	-	-	81,110
Receivables	-	-	-	-	-	-	-	17,687	17,687
Other financial assets	5,186	-	-	-	-	-	-	4,302	9,488
Accrued income	-	-	-	-	-	-	-	973	973
	86,296	-	-	-	-	-	-	22,962	109,258
Weighted average interest rate									
	5.38%								
Financial liabilities:									
Payables	-	-	-	-	-	-	-	21,403	21,403
Interest bearing liabilities	-	15,000	-	-	-	-	-	-	15,000
Finance lease	-	1,169	1,005	-	-	-	-	-	2,174
Derivatives	-	-	-	-	-	-	-	509	509
Accrued interest	-	255	-	-	-	-	-	-	255
Other	-	-	-	-	-	-	-	1,642	1,642
Funds held on behalf of external entities	-	-	-	-	-	-	-	2,113	2,113
	-	16,424	1,005	-	-	-	-	25,667	43,096
Weighted average interest rate									
		9.94%	6.87%						
Net financial assets (liabilities)									
	86,296	(16,424)	(1,005)	-	-	-	-	(2,705)	66,162

(d) Fair value of financial assets and liabilities

The carrying amounts of financial assets and liabilities at the reporting date all approximate the net fair values except for SAFA borrowings at fixed rates of interest. The value of those borrowings are:

2006 Carrying Amount \$'000	2006 Net Fair Value \$'000	2005 Carrying Amount \$'000	2005 Net Fair Value \$'000
-	-	15,000	15,168



41. Acquittal of Commonwealth Government financial assistance

41.1 Commonwealth Grants Scheme and other Grants

	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
	Commonwealth Grants Scheme				Indigenous Support Fund		Equity Programmes		Workplace Reform Programme		Workplace Productivity Programme	
Financial assistance received in cash during reporting period	109,376	105,542	871	805			694	745	1,511	1,463	412	-
Net accrual adjustments	150	(1,090)	-	-			-	-	-	-	-	-
Revenue for the period	109,526	104,452	871	805			694	745	1,511	1,463	412	-
Surplus/(deficit) from the previous year	-	-	-	-			388	173	-	-	-	-
Total revenue including accrued revenue	109,526	104,452	871	805			1,082	918	1,511	1,463	412	-
less expenses including accrued expenses	(109,526)	(104,452)	(871)	(805)			(621)	(530)	(1,511)	(1,463)	-	-
Surplus/(deficit) for reporting period	-	-	-	-			461	388	-	-	412	-

	Capital Development Pool		Superannuation		Collaboration & Structural Reform		Total
Financial assistance received in cash during reporting period	2,874	2,094	23,101	21,429	1,756	1,176	140,595
Net accrual adjustments	-	-	(430)	199	-	-	(280)
Revenue for the period	2,874	2,094	22,671	21,628	1,756	1,176	140,315
Surplus/(deficit) from the previous year	-	47	-	-	2,061	1,441	2,449
Total revenue including accrued revenue	2,874	2,141	22,671	21,628	3,817	2,617	142,764
less expenses including accrued expenses	(2,874)	(2,141)	(22,671)	(21,628)	(1,034)	(556)	(139,108)
Surplus/(deficit) for reporting period	-	-	-	-	2,783	2,061	3,656



41.2 HECS and other Commonwealth Loan Programmes

	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
	HECS-HELP		FEE-HELP		OS-HELP		Total			
Financial assistance received in cash during reporting period	59,423	58,771	3,587	2,876	(249)	521	62,761	62,168		
Net accrual adjustments	4,930	(2,184)	(139)	436	500	(500)	5,291	(2,248)		
Revenue for the period	64,353	56,587	3,448	3,312	251	21	68,052	59,920		
Surplus/(deficit) from the previous year	-	-	-	-	-	-	-	-		
Total revenue including accrued revenue	64,353	56,587	3,448	3,312	251	21	68,052	59,920		
less expenses including accrued expenses	(64,353)	(56,587)	(3,448)	(3,312)	(251)	(21)	(68,052)	(59,920)		
Surplus/(deficit) for reporting period	-	-	-	-	-	-	-	-		

41.3 Scholarships

	Australian Postgraduate Awards	International Postgraduate Research Scholarships	Commonwealth Education Costs Scholarships	Commonwealth Accommodation Scholarships	Indigenous Staff Scholarships
Financial assistance received in cash during reporting period	1,660	222	1,123	1,473	-
Net accrual adjustments	-	-	-	-	-
Revenue for the period	1,660	222	1,123	1,473	32
Surplus/(deficit) from the previous year	341	38	66	77	6
Total revenue including accrued revenue	2,001	260	1,189	1,550	38
less expenses including accrued expenses	(1,507)	(260)	(291)	(1,190)	(26)
Surplus/(deficit) for reporting period	494	-	267	360	6

41.3 Scholarships (continued)

Financial assistance received in cash during reporting period		
Net accrual adjustments	4,478	3,310
Revenue for the period	4,478	3,310
Surplus/(deficit) from the previous year	528	430
Total revenue including accrued revenue	5,006	3,740
less expenses including accrued expenses	(3,879)	(3,212)
Surplus/(deficit) for reporting period	1,127	528

41.4 DEST – Research

	Institutional Grants Scheme	Research Training Scheme	Research Infrastructure Block Grants	Total
Financial assistance received in cash during reporting period				
Net accrual adjustments	-	-	-	-
Revenue for the period	4,773	8,544	1,655	13,956
Surplus/(deficit) from the previous year	-	-	-	-
Total revenue including accrued revenue	4,773	8,544	1,655	13,956
less expenses including accrued expenses	(4,773)	(8,544)	(1,655)	(13,956)
Surplus/(deficit) for reporting period	-	-	-	-



41.5 Australian Research Council Grants

(a) Discovery

Financial assistance received in cash during reporting period

Net accrual adjustments:

Movement in accrued income

Movement in deferred income

Revenue for the period

Movement in deferred income

Surplus/(deficit) from the previous year

Total revenue including accrued revenue

less expenses including accrued expenses

Surplus/(deficit) for reporting period

(b) Linkages

Financial assistance received in cash during reporting period

Net accrual adjustments:

Movement in accrued income

Movement in deferred income

Revenue for the period

Movement in deferred income

Surplus/(deficit) from the previous year

Total revenue including accrued revenue

less expenses including accrued expenses

Surplus/(deficit) for reporting period

	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

	Projects	Fellowships		Total
	2,678	2,819	10	2,678
				2,829
	56	(71)	-	56
	(243)	(414)	-	(71)
				(414)
Revenue for the period	2,491	2,334	10	2,491
	243	414	-	243
	1,356	942	-	1,356
				942
Total revenue including accrued revenue	4,090	3,690	10	4,090
	(2,491)	(2,334)	(10)	(2,491)
				(2,344)
Surplus/(deficit) for reporting period	1,599	1,356	-	1,599
				1,356

	Special Research Initiatives	Infrastructure	International	Projects
	-	-	119	288
				5,679
	-	-	-	-
	-	8	122	(3)
				(114)
Revenue for the period	8	122	116	174
	(8)	(122)	3	114
	8	-	158	44
				1,937
	8	122	277	332
	(8)	(122)	(116)	(174)
				(4,024)
Total revenue including accrued revenue	-	-	6,926	4,471
	-	-	(2,534)	(2,534)
Surplus/(deficit) for reporting period	-	-	161	158
				2,902
				1,937



(b) Linkages (continued)

	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Total	5,798	3,337				
Financial assistance received in cash during reporting period						
Net accrual adjustments:						
Movement in accrued income	(690)	316				
Movement in deferred income	(968)	(815)				
Revenue for the period	4,140	2,838				
Movement in deferred income	968	815				
Surplus/(deficit) from the previous year	2,095	1,280				
Total revenue including accrued revenue	7,203	4,933				
less expenses including accrued expenses	(4,140)	(2,838)				
Surplus/(deficit) for reporting period	3,063	2,095				

(c) Networks and Centres

	Research Networks		Centres		Total	
	312	306	762	748	1,074	1,054
Financial assistance received in cash during reporting period						
Net accrual adjustments:						
Movement in accrued income	20	20	-	-	20	20
Movement in deferred income	(18)	(78)	(30)	119	(48)	41
Revenue for the period	314	248	732	867	1,046	1,115
Movement in deferred income	18	78	30	(119)	48	(41)
Surplus/(deficit) from the previous year	228	150	131	250	359	400
Total revenue including accrued revenue	560	476	893	998	1,453	1,474
less expenses including accrued expenses	(314)	(248)	(732)	(867)	(1,046)	(1,115)
Surplus/(deficit) for reporting period	246	228	161	131	407	359

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University of South Australia

CERTIFICATE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

To the best of our knowledge and belief:

- the financial statements present fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the University as at 31 December 2006 and the result of its operations and its cash flows for the year then ended;
- the amount of Australian Government financial assistance expended during the reporting period was for the purpose(s) for which it was intended and the University has complied with applicable legislation, contracts, agreements and programme guidelines in making expenditure; and
- that internal controls over financial reporting have been effective throughout the reporting period.

Mr David Klingberg, AM
Chancellor

19 / 6 / 2007

Professor Peter Høj
Vice Chancellor and President

19 / 6 / 2007



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TO THE CHANCELLOR UNIVERSITY OF SOUTH AUSTRALIA

SCOPE

As required by section 31 of the *Public Finance and Audit Act 1987* and section 19 of the *University of South Australia Act 1990*, I have audited the financial report of the University of South Australia for the financial year ended 31 December 2006. The financial report comprises:

- An Income Statement;
- A Balance Sheet;
- A Statement of Changes in Equity;
- A Cash Flow Statement;
- Notes to and forming part of the Financial Statements;
- Certificate by the Chancellor and Vice Chancellor.

The financial report includes the consolidated financial statements of the consolidated entity, comprising the University of South Australia and the entities it controlled at year end or from time to time during the financial year.

The University Council are responsible for the financial report. I have conducted an independent audit of this financial report in order to express an opinion on it to the Chancellor.

The audit has been conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing and Assurance Standards to provide reasonable assurance that the financial report is free of material misstatement.

Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Higher Education Supporting Act 2003*, Accounting Standards and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with my understanding of the University of South Australia's and the consolidated entity's financial position, the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

QUALIFICATION

The University has recognised \$8.9 million of unspent government grants as a liability for the year ended 31 December 2006. The amount has been recognised as income received in advance and included in 'Other Liabilities' - Commonwealth and State Government Grants in Note 26 to the financial statements. The University has disclosed its accounting treatment for these grants in Note 1(d) to the financial statements.

In my opinion, the government grants are contributions and meet the criteria for recognition as income in accordance with Accounting Standard AASB 1004 'Contributions' and the Department of Treasury and Finance Accounting Policy Framework V 'Income Framework'. The University controls these funds upon receipt and it is highly probable that any unspent funds will be spent in accordance with grant conditions. It is highly unlikely that unspent funds will need to be repaid to the granting bodies and as such grant funds received, including any unspent portion, should be recognised as income at the time of receipt.

As a result, the following has been misstated in the 2006 Financial Report:

- the revenue recognised as Australian Government Grants and State and Local Government Financial Assistance is understated by \$1.3 million and \$3.8 million respectively;
- Net operating result and Retained Surplus is understated by \$5.1 million and \$3.8 million respectively;
- Other Liabilities is overstated by \$8.9 million.

QUALIFIED AUDIT OPINION

In my opinion, except for the effect on the financial report of the matter referred to in the qualification paragraphs, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Higher Education Supporting Act 2003*, applicable Accounting Standards and other mandatory professional reporting requirements, the financial position of the University of South Australia and of the consolidated entity as at 31 December 2006, the results of their operations and their cash flows for the year then ended.



S O'Neill
Acting Auditor-General
22 June 2007

