INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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To the Chair
Return to Work Corporation of South Australia

Opinion

I have audited the financial report of the Return to Work Corporation of South Australia for the financial year ended 30 June 2023.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Return to Work Corporation of South Australia as at 30 June 2023, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2023
- a Statement of Financial Position as at 30 June 2023
- a Statement of Changes in Equity for the year ended 30 June 2023
- a Statement of Cash Flows for the year ended 30 June 2023
- notes, comprising material accounting policy information and other explanatory information
- a Certificate from the Chair, the Chief Executive Officer and the Chief Financial Officer.

Emphasis of matter

I draw attention to notes 4, 9 and 10 of the financial report. There is a significant uncertainty surrounding the financial impact of legislative reforms which will only become clearer as outstanding claims experience emerges in future financial periods. If in future years the actual cost of claims described in notes 9 and 10 are greater than the balances recorded in the financial statements, this will adversely impact the funding ratio described in note 6.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Return to Work Corporation of South Australia. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

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

Responsibilities of the Chief Executive Officer and members of the Board for the financial report

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

In preparing the financial report, the Chief Executive Officer is responsible for assessing the entity's ability to continue as a going concern. The Chief Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

The members of the Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 19 of the *Return to Work Corporation of South Australia Act 1994*, I have audited the financial report of the Return to Work Corporation of South Australia for the financial year ended 30 June 2023.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Return to Work Corporation of South Australia's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- conclude on the appropriateness of the Chief Executive Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer and members of the Board about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

Andrew Richardson
Auditor-General
18 September 2023

ReturnToWorkSA

ABN 83 687 563 395

Annual financial report
for the year ended 30 June 2023

ReturnToWorkSA

Annual financial report – 30 June 2023

Financial Statements

ReturnToWorkSA
Statement of Comprehensive Income
For the year ended 30 June 2023

	Notes	2023 $'000	2022 $'000
Premium revenue	7a	**703,189**	617,193
Cost of claims	8	**(745,048)**	(248,532)
Claims management fees		**(80,088)**	(70,876)
Tribunal and ombudsman fees	11	**(9,245)**	(7,982)
Underwriting result		**(131,192)**	289,803
Net investment profit/(loss)	7b	**248,982**	(190,779)
Self-insured employer fee	7c	**12,181**	12,342
Other income		**308**	351
Net investment profit/(loss) and other income		**261,471**	(178,086)
General operating expenses	12	**(60,990)**	(57,948)
Finance costs	14	**(238)**	(24)
Total operating expenses		**(61,228)**	(57,972)
Operating profit before tax equivalents		**69,051**	53,745
Tax equivalents	15	**-**	-
Total comprehensive result		**69,051**	53,745

The accompanying notes form part of these financial statements. The total comprehensive result is attributable to the SA Government as owner.

ReturnToWorkSA
Statement of Financial Position
As at 30 June 2023

	Notes	2023 $'000	2022 $'000
Assets			
Cash and cash equivalents	18	**74,874**	86,455
Receivables	19	**83,654**	88,453
Investments	20	**3,905,772**	3,618,253
Property, plant and equipment	21	**807**	1,227
Right-of-use assets	22	**5,673**	7,020
Total assets		**4,070,780**	3,801,408
Liabilities			
Payables	24	**28,212**	21,366
Outstanding claims	9, 10	**4,255,584**	4,061,146
Lease liabilities	25	**5,864**	7,020
Liability for employee benefits	16c	**7,013**	6,820
Total liabilities		**4,296,673**	4,096,352
Net (liabilities)		**(225,893)**	(294,944)
Equity			
Retained earnings		**(225,893)**	(294,944)
Total equity		**(225,893)**	(294,944)

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

ReturnToWorkSA
Statement of Changes in Equity
For the year ended 30 June 2023

	Retained earnings $'000
Total equity at 1 July 2021	(348,689)
Total comprehensive result	53,745
Total equity at 30 June 2022	(294,944)
Total equity at 1 July 2022	**(294,944)**
Total comprehensive result	**69,051**
Total equity at 30 June 2023	**(225,893)**

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

ReturnToWorkSA
Statement of Cash Flows
For the year ended 30 June 2023

	Notes	2023 Inflows (Outflows) $'000	2022 Inflows (Outflows) $'000
Cash flows from operating activities			
Premium receipts		**783,680**	687,537
Claim recoveries		**18,885**	13,801
Other receipts		**411**	316
Claim and other related payments		**(585,771)**	(519,465)
Interest received		**33,581**	28,823
Dividends received		**65,262**	57,710
Other payments to suppliers and employees		**(135,146)**	(133,991)
GST		**(53,498)**	(45,976)
Interest paid		**(238)**	(24)
Investment expenses		**(6,752)**	(6,572)
Net cash flows from operating activities	26	**120,414**	82,159
Cash flows from investing activities			
Proceeds from the sale of investments		**669,733**	527,684
Acquisition of property, plant and equipment		**(167)**	(41)
Acquisition of investments		**(800,405)**	(601,630)
Net cash flows (used in) investing activities		**(130,839)**	(73,987)
Cash flows from financing activities			
Repayment of principal portion of lease liabilities		**(1,156)**	(2,318)
Net cash flows (used in) financing activities		**(1,156)**	(2,318)
Net increase/(decrease) in cash and cash equivalents		**(11,581)**	5,854
Cash and cash equivalents at the beginning of the period		**86,455**	80,601
Cash and cash equivalents at the end of the reporting period	18	**74,874**	86,455

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Reporting entity and objectives

ReturnToWorkSA (RTWSA), the principal trading name of the Return to Work Corporation of South Australia, is a not-for-profit statutory authority set up under the Return to Work Corporation of South Australia Act 1994. Domiciled in Australia, RTWSA provides insurance protection for South Australian employers and their workers in the event of work-related injury. RTWSA administers the Return to Work Act 2014 (the Act).
For financial reporting purposes four separate funds are recognised as comprising RTWSA:

- Compensation Fund
- Statutory Reserve Fund
- Insurance Assistance Fund
- Mining and Quarrying Industries Fund

Compensation Fund
The Compensation Fund was established on 30 September 1987 under section 64 of the repealed Workers Rehabilitation and Compensation Act 1986 and continues under the Return to Work Act 2014. Workers injured at work are supported and assisted in returning to work through the payment of income support, medical and other treatment costs.

Statutory Reserve Fund (SRF)
The Statutory Reserve Fund was established under the repealed Workers Compensation Act 1971 and it came into operation in 1980 against which claims relating to workers compensation could be made in the event of the insolvency of an insurance company or the insolvency of an uninsured employer. The Compensation Fund is required to meet any liability arising from a shortfall of the Statutory Reserve Fund.

Insurance Assistance Fund (IAF)
The Insurance Assistance Fund exists to support policies issued under section 118(g) of the repealed Workers Compensation Act 1971. These policies provided assistance to employers who were unable to obtain satisfactory workers compensation insurance under the repealed Act at a determined premium. The Statutory Reserve Fund is required to meet any liability arising from a shortfall of the Insurance Assistance Fund.

Mining and Quarrying Industries Fund
Amendments to the repealed Workers Rehabilitation and Compensation Act 1986 provided for the establishment of the Mining and Quarrying Industries Fund to replace the Silicosis Fund. Funds standing to the credit of the Silicosis Fund were transferred to RTWSA and credited to a special account entitled 'Mining and Quarrying Industries Fund' which is divided into two parts:

Part A - to satisfy liabilities under the Silicosis Scheme established under the repealed Act; and,

Part B - to be available to the Mining and Quarrying Occupational Health and Safety Committee for the purposes referred to in schedule 2 of the Work Health and Safety Act 2012.

Note 2 Statement of compliance

These financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the Public Finance and Audit Act 1987;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the Public Finance and Audit Act 1987; and
- relevant Australian Accounting Standards.

Note 3 Basis of preparation

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

RTWSA operates within the insurance industry predominantly providing for the recovery, return to work and compensation of workers with respect to injuries and diseases arising from their employment. The coverage provided is similar in nature to general insurance and accordingly the accounting standard AASB 1023 General Insurance Contracts is applied. RTWSA operates solely in the State of South Australia.

The assets backing insurance liabilities (outstanding claims) are those assets required to cover the insurance liabilities. Insurance liabilities are defined as outstanding claims and the liability for unearned premiums included in the Statement of Financial Position. As RTWSA operates solely in one industry and substantially all of its liabilities are insurance liabilities, RTWSA considers that substantially all of its assets, excluding property, plant and equipment, exist to back these insurance liabilities. As part of its investment strategy RTWSA seeks to manage its assets allocated to insurance activities having regard to the characteristics of the insurance liabilities.

The Statement of Financial Position is prepared using the liquidity format in which the assets and liabilities are presented broadly in order of liquidity. The assets and liabilities comprise both current amounts and non-current amounts. Information regarding the amount of an item that is expected to be outstanding longer than 12 months is included within the relevant note to the financial statements.

Note 4 Use of judgements and estimates

RTWSA makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on RTWSA and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are those related to the valuation of the outstanding claims liability.

Outstanding claims liability
RTWSA takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The details of the valuation of the outstanding claims liability are set out in Notes 9 and 10.

The outstanding claims liability has been established on the basis of independent actuarial assessments of the estimated costs of settlement of claims, inflated for the anticipated effects of inflation and other factors and discounted to a present value at the reporting period. Risk-free rates are used when discounting liabilities to current values. The risk margins were determined based on advice from Finity Consulting Pty Limited.

	2023	2022
Compensation Fund		
Risk margin	**16.5%**	19.5%
Statutory Reserve Fund and Insurance Assistance Fund		
Risk margin - reported claims	**10.5%**	10.5%
Risk margin - asbestos-related diseases IBNR	**45.0%**	45.0%

The outstanding claims liability includes a liability in respect of the estimated cost of claims incurred but not settled at the reporting period, including the cost of claims incurred but not yet reported (IBNR) to RTWSA. The outstanding liability for the Mining and Quarrying Industries Fund, which had its triennial valuation at 30 June 2022, is $100,000.

Note 4 Use of judgements and estimates (continued)

The estimated cost of claims includes estimates of the direct expenses to be incurred in settling claims net of the expected recoveries

Premiums receivable
The premiums receivable balance is the estimate of premiums due up to 30 June to be received after allowing for impairment and refunds.

Note 5 Reporting by fund

Statement of Comprehensive Income for the year ended 30 June 2023

	Compensation Fund $'000	Statutory Reserve Fund $'000	Insurance Assistance Fund $'000	Mining & Quarrying Industries Fund Part A $'000	Mining & Quarrying Industries Fund Part B $'000	**2023 Total Funds $'000**	2022 Total Funds $'000
Premium revenue	703,189	-	-	-	-	**703,189**	617,193
Cost of claims	(751,287)	6,223	16	-	-	**(745,048)**	(248,532)
Claims management fees	(80,088)	-	-	-	-	**(80,088)**	(70,876)
Tribunal and ombudsman fees	(9,245)	-	-	-	-	**(9,245)**	(7,982)
Underwriting Result	(137,431)	6,223	16	-	-	**(131,192)**	289,803
Net investment profit/(loss)	232,940	12,991	2,111	25	915	**248,982**	(190,779)
Self-insured employer fee	12,181	-	-	-	-	**12,181**	12,342
Other income	308	-	-	-	-	**308**	351
Net investment profit/(loss) and other income	245,429	12,991	2,111	25	915	**261,471**	(178,086)
General operating expenses	(60,481)	-	-	-	(509)	**(60,990)**	(57,948)
Finance costs	(238)	-	-	-	-	**(238)**	(24)
Total operating expenses	(60,719)	-	-	-	(509)	**(61,228)**	(57,972)
Operating profit before tax equivalents	47,279	19,214	2,127	25	406	**69,051**	53,745
Tax equivalents	-	-	-	-	-	**-**	-
Total comprehensive result	47,279	19,214	2,127	25	406	**69,051**	53,745

Note 5 Reporting by fund (continued)

Statement of Financial Position as at 30 June 2023

	Compensation Fund $'000	Statutory Reserve Fund $'000	Insurance Assistance Fund $'000	Mining & Quarrying Industries Fund Part A $'000	Mining & Quarrying Industries Fund Part B $'000	**2023 Total Funds $'000**	2022 Total Funds $'000
Assets							
Cash and cash equivalents	74,874	-	-	-	-	**74,874**	86,455
Receivables	83,654	-	-	-	-	**83,654**	88,453
Investments	3,653,707	204,187	33,284	388	14,206	**3,905,772**	3,618,253
Property, plant and equipment	807	-	-	-	-	**807**	1,227
Right-of-use assets	5,673	-	-	-	-	**5,673**	7,020
Total assets	3,818,715	204,187	33,284	388	14,206	**4,070,780**	3,801,408
Liabilities							
Payables	28,028	-	-	-	184	**28,212**	21,366
Outstanding claims	4,211,407	43,961	116	100	-	**4,255,584**	4,061,146
Lease liabilities	5,864	-	-	-	-	**5,864**	7,020
Liability for employee benefits	7,013	-	-	-	-	**7,013**	6,820
Total liabilities	4,252,312	43,961	116	100	184	**4,296,673**	4,096,352
Net assets/(liabilities)	(433,597)	160,226	33,168	288	14,022	**(225,893)**	(294,944)
Equity							
Retained earnings	(433,597)	160,226	33,168	288	14,022	**(225,893)**	(294,944)
Total equity	(433,597)	160,226	33,168	288	14,022	**(225,893)**	(294,944)

Note 6 Funding ratio

The funding ratio is a measure of financial sustainability showing the availability of assets to fund the Scheme's liabilities.

The Board approved policy sets a funding range of 90% to 120%. The percentage is calculated from dividing total assets by total liabilities.

	2023 $'000	2022 $'000
Funded position	**(225,893)**	(294,944)
Funding percentage	**94.7%**	92.8%

The mechanism for managing the funding position is the Average Premium Rate. Each year the Average Premium Rate for the Compensation Fund is reviewed and future projections of Scheme liability and cost are analysed to determine the most appropriate Average Premium Rate to achieve RTWSA's desired long-term funding and pricing position.

Note 7 Income

(a) Premium revenue

	2023 $'000	2022 $'000
Registered employer premium	**703,189**	617,194
Fines and penalties	**-**	(1)
Premium revenue	**703,189**	617,193

Premium revenue

Premiums are payable by all registered South Australian employers under the Act. Premiums are calculated on the total remuneration paid by employers for the financial year, including consideration for claims experience, and are recognised on an accruals basis in respect to the financial year for which the remuneration is paid. Estimates are included for premiums relating to the current financial year which are payable following the reporting period. Premiums attributable to future years and received in the current financial year have been classified as unearned premiums (refer Note 24).

(b) Net investment profit/(loss)

	2023 $'000	2022 $'000
Dividends	**65,262**	57,710
Interest received	**33,581**	28,823
Change in the net market values:		
Investments held at the end of financial year - unrealised	**172,661**	(227,668)
Investments sold during the financial year - realised	**(15,814)**	(43,645)
Investment profit/(loss)	**255,690**	(184,780)
Investment expenses	**(6,708)**	(5,999)
Net investment profit/(loss)	**248,982**	(190,779)

Investment income

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method. Dividend income is recognised in the Statement of Comprehensive Income on the date RTWSA's right to receive payments is established, which in the case of quoted securities is the ex-dividend date.

(c) Self-insured employer fee

	2023 $'000	2022 $'000
Self-insured employer fee - SA Government	**5,527**	5,563
Self-insured employer fee - non-SA Government	**6,654**	6,779
Self-insured employer fee	**12,181**	12,342

Note 8 Cost of claims

	2023 $'000	2022 $'000
Income support	**168,829**	169,308
Redemptions	**8,897**	839
Lump sum payments	**162,177**	136,374
Hospital treatment	**18,711**	17,324
Medical treatment	**90,567**	84,249
Vocational rehabilitation	**11,973**	10,275
Physiotherapy	**11,861**	11,351
Legal costs	**46,545**	44,936
Other	**28,247**	25,251
Claims paid	**547,807**	499,907
Less recoveries from other parties	**(17,169)**	(12,546)
Net claims paid	**530,638**	487,361
Increase/(decrease) in net outstanding claims liability	**202,085**	(242,649)
Net self-insurer settlements	**12,325**	3,820
Cost of claims	**745,048**	248,532

Claim recoveries

Claim recoveries are made from a range of parties in accordance with the Act. Recoveries received are offset against the cost of claims. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims in that they are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. Movements in recoveries receivable are also shown as a cost of claims.

Note 9 Outstanding claims liability – Compensation Fund

(a) Outstanding claims

	Notes	2023 $'000	2022 $'000
Expected future gross claims payments (undiscounted)		**7,132,761**	6,236,175
Discount to present value		**(3,517,819)**	(2,875,304)
Central estimate		**3,614,942**	3,360,871
Risk margin		**596,465**	648,648
Liability for outstanding claims		**4,211,407**	4,009,519
Recoveries	19	**(78,992)**	(86,639)
Net liability for outstanding claims		**4,132,415**	3,922,880
Current liability for outstanding claims		**639,979**	649,322
Non-current liability for outstanding claims		**3,571,428**	3,360,197
Total liability for outstanding claims		**4,211,407**	4,009,519
Change in liability for outstanding claims		**201,888**	(232,118)
Change in claim recoveries receivable		**7,647**	(2,451)
Movement in net outstanding claims liability		**209,535**	(234,569)
Weighted average expected term to settlement		**11.5 years**	**12.0 years**

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date by RTWSA, with an additional risk margin to allow for the inherent uncertainty in the central estimate. Under Actuarial Professional Standard 302, Valuations of General Insurance Claims, the central estimate is the best estimate of the expected liabilities for outstanding claims based on information currently available and exhibits no bias either towards a pessimistic or an optimistic outcome. The addition of the risk margin brings the estimate of claims to a 75% (2022: 75%) probability of sufficiency, as approved by the Board.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not yet reported, claims incurred but under reported and anticipated claims handling expenses including the run-off provision. The expected future payments are discounted to present value using an appropriate risk-free rate.

The claims expense in the Statement of Comprehensive Income comprise claims paid and the change in the liability for outstanding claims both reported and unreported, including the risk margin and claims handling expenses.

The value of the claims liability is determined by RTWSA following an independent actuarial valuation by Finity Consulting Pty Limited. The value of the outstanding claims liability is based on a central estimate and includes a risk margin of 16.5% (2022: 19.3%) to bring the estimated net liability to a 75% (2022: 75%) probability of sufficiency.

The split of the outstanding claims liability between current and non-current liabilities is based on the actuary's estimate. If the timing of claim payment cash flows varies from the actuary's projection then the proportions of the overall claims liability that are shown as current and non-current will vary.

Note 9 Outstanding claims liability – Compensation Fund (continued)

(a) Outstanding claims (continued)
The Scheme is designed to provide services, up to two years of income support and up to three years of medical support for workers injured at work, together with long-term financial support for those seriously injured at work. Assumptions adopted in relation to the projected future payments made to claims are detailed below in Note 9(e).

The estimate of the value of the claims liability is based on the Act including the transitional provisions. Any divergence of the experience from the current valuation assumptions, whether favourable or adverse, will be reflected over time in relation to valuation assumptions.

Developments which potentially affect the Scheme's operating environment and the uncertainty of the liability estimate include:

- ultimate reform outcomes including take-up of section 56A elections and combining of injuries
- future cost growth in medical and treatment related expenditure items, particularly for long term claims
- the outcomes for claims with pending disputes
- actual experience for two year income support claims and whole person impairment assessments
- actual experience for serious injury claims
- the culture of the scheme and the implications for return to work outcomes
- future changes in the overall economic environment.

The increase in the outstanding claims liability includes the net impact of the increase in the average discount rate from 3.91% at 30 June 2022 to 4.37% at 30 June 2023.

Note 9(f) sets out the impact of changes in the key assumptions on which the valuation of the outstanding claims liability is based.

(b) Net claims incurred

	Current year $'000	Prior years $'000	**2023 Total $'000**	Current year $'000	Prior years $'000	2022 Total $'000
Undiscounted						
Gross incurred	1,360,088	136,055	**1,496,143**	1,241,968	(1,124)	1,240,844
Recoveries	(19,129)	5,431	**(13,698)**	(17,821)	(5,966)	(23,787)
Net incurred	1,340,959	141,486	**1,482,445**	1,224,147	(7,090)	1,217,057
Discounted						
Gross incurred	825,129	2,992	**828,121**	803,421	(463,849)	339,572
Recoveries	(16,188)	4,349	**(11,839)**	(15,540)	(2,059)	(17,599)
Net incurred	808,941	7,341	**816,282**	787,881	(465,908)	321,973
Discount and discount movement						
Gross incurred	(534,959)	(133,063)	**(668,022)**	(438,547)	(462,725)	(901,272)
Recoveries	2,941	(1,082)	**1,859**	2,281	3,907	6,188
Net discount movement	(532,018)	(134,145)	**(666,163)**	(436,266)	(458,818)	(895,084)

Current year amounts show the projected ultimate costs for injuries that occurred in the latest financial year. Prior years amounts show the combined value of any reassessment of the costs related to injuries that occurred in all periods prior to the current financial year.

Note 9 Outstanding claims liability – Compensation Fund (continued)

(c) Claims development

The table below shows the development of incurred cost on net outstanding claims relative to the ultimate expected estimate over the past eleven financial years.

	Prior years* $'000	Year ended 30 June 2013 $'000	Year ended 30 June 2014 $'000	Year ended 30 June 2015 $'000	Year ended 30 June 2016 $'000	Year ended 30 June 2017 $'000	Year ended 30 June 2018 $'000	Year ended 30 June 2019 $'000	Year ended 30 June 2020 $'000	Year ended 30 June 2021 $'000	Year ended 30 June 2022 $'000	Year ended 30 June 2023 $'000
Estimate of ultimate claims cost**												
At the end of the year	8,443,764	665,173	574,982	353,734	406,719	411,384	421,395	534,781	563,788	637,576	596,452	608,670
One year later	8,425,850	602,689	403,139	373,333	407,683	407,585	466,182	578,043	622,625	588,872	570,045	-
Two years later	8,388,385	435,366	400,500	339,167	409,268	436,585	473,493	644,584	579,956	577,368	-	-
Three years later	7,697,020	448,842	387,006	364,907	422,385	462,185	582,935	629,443	600,875	-	-	-
Four years later	7,730,774	433,620	401,389	384,569	422,591	521,700	558,439	650,461	-	-	-	-
Five years later	7,632,816	426,533	413,075	419,405	468,244	497,636	583,068	-	-	-	-	-
Six years later	7,732,263	446,462	405,411	432,706	449,187	484,903	-	-	-	-	-	-
Seven years later	7,755,375	433,923	410,852	382,424	436,531	-	-	-	-	-	-	-
Eight years later	7,733,252	447,763	393,610	385,442	-	-	-	-	-	-	-	-
Nine years later	7,740,784	426,511	392,856	-	-	-	-	-	-	-	-	-
Ten years later	7,664,169	429,469	-	-	-	-	-	-	-	-	-	-
Eleven years later	7,692,708	-	-	-	-	-	-	-	-	-	-	-
Current estimate of cumulative claims costs**	7,692,708	429,469	392,856	385,442	436,531	484,903	583,068	650,461	600,875	577,368	570,045	608,670
Cumulative payments**	7,343,295	357,969	320,415	285,270	330,966	327,455	347,669	379,651	335,408	274,558	187,562	79,142
Outstanding payments**	349,413	71,500	72,441	100,172	105,565	157,448	235,399	270,810	265,467	302,810	382,483	529,528
Discount adjustment***	236,562	14,097	11,648	13,243	11,201	13,359	16,142	14,294	9,931	9,340	11,535	15,340
Net outstanding claims	**585,975**	**85,597**	**84,089**	**113,415**	**116,766**	**170,807**	**251,541**	**285,104**	**275,398**	**312,150**	**394,018**	**544,868**

* Development of incurred cost estimate for accidents prior to 30 June 2012 since 30 June 2012.
** Discounted to the beginning of the accident year using actual historical discount rates and the discount rates applied in the estimation.
*** Discount adjustment from beginning of accident year to current valuation date.

Note 9 Outstanding claims liability – Compensation Fund (continued)

(C) Claims development (continued)

	2023	2022
	$'000	$'000
Prior years	**585,975**	572,373
Year ended 30 June 2013	**85,597**	87,526
Year ended 30 June 2014	**84,089**	90,787
Year ended 30 June 2015	**113,415**	119,438
Year ended 30 June 2016	**116,766**	147,363
Year ended 30 June 2017	**170,807**	199,834
Year ended 30 June 2018	**251,541**	250,751
Year ended 30 June 2019	**285,104**	300,132
Year ended 30 June 2020	**275,398**	303,590
Year ended 30 June 2021	**312,150**	391,460
Year ended 30 June 2022	**394,018**	521,673
Year ended 30 June 2023	**544,868**	-
Net outstanding claims	**3,219,728**	2,984,927
Claims handling expenses	**327,409**	303,321
Risk margin	**585,278**	634,632
Net liability for outstanding claims	**4,132,415**	3,922,880

(d) Maturity profile

	Up to 1 yr	1 to 3 yrs	3 to 5 yrs	5 to 10 yrs	10 to 20 yrs	Over 20 yrs	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2023	**621,273**	**804,978**	**456,280**	**673,306**	**741,116**	**835,462**	**4,132,415**
2022	628,775	763,013	412,505	589,926	692,055	836,606	3,922,880

(e) Key assumptions

The key assumptions used by Finity Consulting Pty Limited in developing the valuation of the claims liability are the economic assumptions relating to inflation and discount rates and the assumptions relating to the duration and severity of claims. The key assumptions have been developed through the actuarial analysis of historic trends in conjunction with analysis of current and likely future economic factors. The following key assumptions were used in the measurement of the outstanding claims liability:

	2023	2022
Economic assumptions		
Inflation rate - income support	**0.00% to 3.50%**	0.00% to 3.00%
Inflation rate - medical, legal and other costs	**2.50% to 3.80%**	2.30% to 5.00%
Superimposed inflation rate - medical payments	**0.00% to 2.00%**	0.00% to 2.00%
Superimposed inflation rate - other	**0.00% to 1.50%**	0.00% to 9.00%
Discount rate	**4.37%**	3.91%
Duration and severity of claims	**Refer below**	Refer below
Claims handling expenses	**10.00%**	9.90%
Risk margin	**16.50%**	19.30%

Note 9 Outstanding claims liability – Compensation Fund (continued)

(e) Key assumptions (continued)

Finity Consulting Pty Limited has made a range of assumptions, accepted by RTWSA, relating to the projected durations that claimants will remain in receipt of payments and the quantum of those payments having had regard to the particular characteristics of groups of claims including:

- the distribution of claims between injured and seriously injured workers
- the analysis of past claims experience including the cost of claims.

The valuation of the outstanding claims liability is strongly dependent on the assumptions adopted in relation to the duration of the long-term claims for seriously injured workers.

On 28 July 2022 the Return to Work (Scheme Sustainability) Amendment Act 2022 was proclaimed. The Amendment Act:

- codified the approach to combining injuries
- increased the threshold for accessing serious injury benefits from 30% to 35% WPI for physical injury claims
- allows serious injury claimants to elect to receive a section 56 economic loss lump sum payment instead of ongoing income support
- allows for a redemption of medical expenses on serious injury claims.

The outstanding claims liability valuation reflects changes arising from the Amendment Act.

While the Amendment Act has been implemented there is still significant uncertainty on how the reforms will ultimately operate in practice. As a consequence the risk margin to bring the estimated claims liability to a 75% probability of sufficiency as at 30 June 2023 is still high at 16.5%, though lower than the 19.3% applied last year.

(f) Sensitivity to changes in key assumptions

The sensitivity of the discounted net outstanding claims estimate and profit/(loss) impact at the 75th percentile (i.e. after allowing for the risk margin) to changes in key assumptions is shown in the following table:

	Increase/ (decrease) in net liability $'million	Percentage of net liability
Economic and modelling assumptions		
Strong economic scenario (2% gap between inflation and discount rate)	(392)	(9%)
Weak economic conditions (0% gap)	544	13%
Duration and severity of claims		
Superimposed inflation is 1% higher than assumed for medical care costs for serious injury claims	245	6%
Impact of removing mortality loadings for catastrophic claims	439	11%
Combining numbers continue to emerge lower than expected	(125)	(3%)
Reduction in serious injury claims due to threshold change halved	173	4%

In conducting its valuation Finity Consulting Pty Limited modelled a number of other scenarios under which the assumptions for future claims experience differed from those used in the valuation. Under those scenarios the total value of the liability differed from the central estimate by plus or minus amounts which were within the variation range of values shown above.

The selection of the probability of sufficiency has a material impact on the valuation of the outstanding claims liability.

Note 10 Outstanding claims liability – Other Funds

(a) Outstanding claims – SRF and IAF

	SRF $'000	IAF $'000	**2023 Combined $'000**	2022 Combined $'000
Open claims	1,616	-	**1,616**	1,839
Total incurred but not yet reported (IBNR)	26,711	74	**26,785**	31,351
Claims handling expenses	2,408	6	**2,414**	2,821
Central estimate	30,735	80	**30,815**	36,011
Risk margin	13,226	36	**13,262**	15,516
Net liability for outstanding claims	43,961	116	**44,077**	51,527

The value of the claims liability is determined by RTWSA following an independent actuarial valuation by Finity Consulting Pty Limited. The claims liability estimate is based on a central estimate and includes a risk margin to bring the estimate of claims to a 75% (2022: 75%) probability of sufficiency.

The IBNR component is primarily made up of the estimated liability of the funds for asbestos-related disease claims that will be made after 30 June 2023 due to exposure prior to 30 June 2023. Due to the latent nature of the disease there is a significant delay between the time of injury and reporting of the claim. Relatively few claims have been notified at the date of adopting these financial statements. The generally accepted opinion is that this delay is in the order of 40 years on average.

The asbestos-related disease IBNR component was estimated by Finity Consulting Pty Limited based on:

- forecast total future claim numbers derived by fitting projection models to the SRF/IAF claims data by disease, recognising the varying nature of the exposure for different claims
- forecasts of average claim costs derived from analysis of SRF/IAF claims data, external data and information obtained from discussion with key parties. This analysis was based on disease type, size of claim and legal costs, adjusted to allow for the timing of claim payments and for future claims inflation, discounted to their present value.

(b) Maturity profile – SRF and IAF

	Up to 1 yr $'000	1 to 3 yrs $'000	3 to 5 yrs $'000	5 to 10 yrs $'000	10 to 20 yrs $'000	Over 20 yrs $'000	Total $'000
2023	**2,272**	**5,112**	**5,560**	**12,027**	**14,318**	**4,788**	**44,077**
2022	2,943	5,327	6,001	13,574	18,199	5,483	51,527

Note 10 Outstanding claims liability – Other Funds (continued)

(c) Movement in liability – SRF and IAF

	SRF			IAF		
	2023	2022	Change	**2023**	2022	Change
	$'000	$'000	$'000	**$'000**	$'000	$'000
Asbestos-related						
Reported	**1,109**	1,336	(227)	**-**	-	-
IBNR / re-opened claims	**26,688**	31,236	(4,548)	**74**	84	(10)
	27,797	32,572	(4,775)	**74**	84	(10)
Non-asbestos-related						
Reported	**507**	503	4	**-**	-	-
IBNR / re-opened claims	**23**	31	(8)	**-**	-	-
	530	534	(4)	**-**	-	-
Central estimate	**28,327**	33,106	(4,779)	**74**	84	(10)
Claims handling expenses	**2,408**	2,814	(406)	**6**	7	(1)
Risk margin	**13,226**	15,475	(2,249)	**36**	41	(5)
Total outstanding claims liability	**43,961**	51,395	(7,434)	**116**	132	(16)

(d) Key assumptions

The key assumptions used in developing the estimate of the outstanding claims liability include economic assumptions relating to inflation and discount rates, the assumptions relating to severity of claims and the assumptions used to estimate the level of claims incurred but not reported. The key assumptions have been developed through the actuarial analysis of historic trends in conjunction with analysis of current and likely future economic factors.

	2023	2022
Inflation rate		
asbestos claims	**5.40%**	5.25%
non-asbestos claims	**3.40%**	3.25%
Discount rate	**4.27%**	3.80%
Claim handling expenses	**8.50%**	8.50%
Risk margin		
reported claims	**10.50%**	10.50%
IBNR claims	**45.00%**	45.00%

The significant assumptions underpinning the asbestos-related disease IBNR are that the propensity to claim and the basis for compensating claims remain similar to the current situation, specifically:

- the number of diagnosed incidents of asbestos-related disease continues to develop in line with past trends
- the proportion of incidents compensated by the funds remains similar to current levels but with an allowance for an increase in the proportion of claims which revert to the SRF from uninsured and insolvent employers
- there are no additional failures of insurance companies.

(e) Sensitivity to changes in key assumptions

The key sensitivity for the SRF and the IAF is in relation to the ultimate value of the IBNR for asbestos-related claims.

(f) Mining and Quarrying Industries Fund – silicosis liability

The 30 June 2022 triennial valuation undertaken by Finity Consulting Pty Limited estimated the extent of the existing and prospective liabilities for the Silicosis Scheme under the repealed Act as being $100,000.

Note 10 Outstanding claims liability – Other Funds (continued)

(g) Summary of Other Funds

	2023	2022
	$'000	$'000
Statutory Reserve Fund	**43,961**	51,395
Insurance Assistance Fund	**116**	132
Mining and Quarrying Industries Fund	**100**	100
Net liability for outstanding claims	**44,177**	51,627
Current liability for outstanding claims	**2,272**	2,943
Non-current liability for outstanding claims	**41,905**	48,684
Total liability for outstanding claims	**44,177**	51,627
Change in liability for outstanding claims	**(7,450)**	(8,080)

Note 11 Tribunal and ombudsman fees

	2023	2022
	$'000	$'000
South Australian Employment Tribunal	**8,877**	7,621
Ombudsman funding	**368**	361
Total tribunal and ombudsman fees	**9,245**	7,982

Note 12 General operating expenses

		2023	2022
	Notes	**$'000**	$'000
Employee benefits	16	**36,735**	33,073
Depreciation and amortisation	13	**1,934**	3,331
Other operating costs		**22,321**	21,544
Total general operating expenses		**60,990**	57,948

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the Public Finance and Audit Act 1987 were $432,400 (2022: $435,800). No other services were provided by the Auditor-General's Department.

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

	No.	**2023**	No.	2022
		$'000		$'000
Below $10,000	**1**	**6**	1	9
$10,000 or above	**13**	**4,063**	11	3,112
Total	**14**	**4,069**	12	3,121

Note 13 Depreciation and amortisation

	Notes	2023 $'000	2022 $'000
Leasehold improvements including office furniture and fittings		-	636
Computer, communications and general office equipment		**487**	515
Right-of-use land and buildings		**1,395**	2,126
Right-of-use motor vehicles		**52**	54
Total depreciation and amortisation	12	**1,934**	3,331

Note 14 Finance costs

	2023 $'000	2022 $'000
Interest and finance charges paid/payable for lease liabilities	**238**	24
Finance costs	**238**	24

Note 15 Taxation

In accordance with Treasurer's Instruction 22 Tax Equivalent Payments, effective 1 July 2015, RTWSA is required to pay to the SA Government an income tax equivalent. The Return to Work Corporation of South Australia Act 1994 restricts the application of tax equivalents to financial years in which RTWSA has achieved a funding level of at least 100% (with its outstanding claims liabilities at a 75% probability of sufficiency) and it has achieved a profit from insurance operations. The income tax liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires the corporate income tax rate (30%) to be applied to the operating profit. The current income tax liability, if applicable, relates to the income tax expense outstanding for the current period.

RTWSA is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, land tax equivalents and local government rate equivalents.

Income, expenses and assets are recognised net of GST, except when the amount of GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office.

Note 16 Employee benefits

	Notes	2023 $'000	2022 $'000
Salaries and wages		**32,229**	29,287
Long service leave		**526**	(18)
Annual leave		**605**	783
Skills and experience retention leave		**80**	77
Employment on-costs - superannuation		**3,295**	2,944
Total employee benefits expenses	12	**36,735**	33,073

(a) Key management personnel

RTWSA key management personnel include the Minister, Board members, the Chief Executive Officer and members of the Executive Team. The compensation disclosed in this note excludes salaries and other benefits the Minister receives. The Minister's remuneration and allowances are set by the Parliamentary Remuneration Act 1990 and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account under section 6 the Parliamentary Remuneration Act 1990.

	2023 $'000	2022 $'000
Compensation		
Salaries and other short-term employee benefits	**2,818**	2,325
Post-employment benefits	**283**	221
Total	**3,101**	2,546

(b) Remuneration of Employees

	2023 No.	2022 No.
The number of employees whose remuneration received or receivable falls within the following bands		
$157,001 to $160,000*	**N/A**	3
$160,001 to $180,000	**14**	12
$180,001 to $200,000	**8**	14
$200,001 to $220,000	**8**	-
$220,001 to $240,000	**2**	2
$260,001 to $280,000	**-**	3
$280,001 to $300,000	**4**	-
$320,001 to $340,000	**1**	1
$340,001 to $360,000	**-**	1
$360,001 to $380,000	**1**	-
$460,001 to $480,000	**-**	1
$540,001 to $560,000	**1**	-
Total	**39**	37

*This band has been included for the purpose of reporting comparative figures based on the executive base level remuneration rate for 2021-22.

The total remuneration received by those employees for the year was $8.4 million (2022: $7.6 million).

Note 16 Employee benefits (continued)

The table includes all employees whose normal remuneration was equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits, any fringe benefits tax paid, or payable in respect of those benefits, as well as any termination benefits for employees who have left RTWSA.

(c) Liability for employee benefits

	2023 $'000	2022 $'000
Current		
Annual leave	**2,892**	2,770
Skills and experience retention leave	**92**	82
Long service leave	**2,588**	2,507
	5,572	5,359
Non-current		
Long service leave	**1,441**	1,461
	7,013	6,820

Employee benefits - wages, salaries, skills and experience retention leave, annual leave and long service leave accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

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

The annual leave liability and the skills and experience retention leave liability are expected to be payable in full within 12 months and are measured at the undiscounted amount expected to be paid.

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 Employee Benefits requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has increased from 3.50% at 30 June 2022 to 4.00% at 30 June 2023. This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, reduced the increase in the reported long service leave liability.

The salary inflation rate used in the actuarial assessment performed by the Department of Treasury and Finance has increased from 2.50% at 30 June 2022 and 3.50% at 30 June 2023 for long service leave liability.

The net financial impact of the changes to actuarial assumptions in the current financial year is a decrease in the long service liability of $0.1 million and employee benefits expense of $0.2 million. The impact of future periods is impracticable to estimate as the long service leave is calculated using a number of demographical and financial assumptions, including the long-term discount rate.

Note 16 Employee benefits (continued)

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

(d) Related party transactions

RTWSA is a statutory authority and is wholly owned and controlled by the South Australian Government. Related parties of RTWSA include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Note 17 Remuneration of board and committee members

Board members during the financial year ended 30 June 2023 were:

Member	Board	Appointed / Resigned	Investment & Finance Committee	Audit & Risk Committee	Human Resources Committee	Technology Committee
Ms. K Atherton	Member	Appointed 17 Nov 22	-	Member	Member	-
Ms. N Borda	Member		-	-	-	Member
Mr. K Cheater	Member	Appointed 17 Nov 22	-	Chair	-	Member
Dr. W Griggs	Member		Chair	-	-	Member
Mr. C Latham	Member	Resigned 31 Oct 22	-	-	-	-
Mr. G McCarthy	Chair		Member	-	Member	Chair
Ms. E Perry	Member		-	Member	Chair	-
Mr. J Rau	Member		Member	-	-	-
Ms. Y Sneddon	Member	Resigned 31 Oct 22	-	-	-	-

Committee membership is at 30 June 2023.

The number of members whose remuneration received and receivable falls within the following bands:

	2023	2022
$20,000 to $39,999	**4**	4
$40,000 to $59,999	**1**	-
$60,000 to $79,999	**3**	4
$100,000 to $119,999	**1**	1

The total remuneration received and receivable by board members for the year was $467,000 (2022: $473,000) which includes superannuation contributions.

The Minister's Advisory Committee is established under section 171 of the Return to Work Act 2014 (the Act). Its role includes advising the Minister for Industrial Relations on the operation of the Act. The members' remuneration paid/payable was $60,000 (2022: $60,000). Members of the Committee include S. Mead (Presiding Member), D. Blairs, D. Connor, K.J. Crowe, E. Dabars, S.C. Knight, E.T. Mah, and R. Paterson, A.A. Tulic (appointed 1 September 2022).

Remuneration for this committee is not included in the board and committee remuneration table.

Note 18 Cash and cash equivalents

	2023 $'000	2022 $'000
Cash equivalents	**74,874**	86,455

Cash and cash equivalents comprises cash on hand and at bank.

Note 19 Receivables

	Notes	2023 $'000	2022 $'000
Current receivables			
Contractual receivables		**21,639**	20,072
Less allowance for doubtful debts		**(7,000)**	(6,600)
		14,639	13,472
Refunds		**(10,001)**	(12,512)
Recoverable claim payments	9	**18,706**	20,547
Sundry receivables and prepayments		**24**	854
Total current receivables		**23,368**	22,361
Non-current receivables			
Recoverable claim payments	9	**60,286**	66,092
Total non-current receivables		**60,286**	66,092
Total trade and other receivables		**83,654**	88,453
Impairment of receivables			
Opening balance		**(6,600)**	(7,100)
Amounts written off		**1,894**	1,000
Increase in allowance recognised		**(2,294)**	(500)
Closing Balance		**(7,000)**	(6,600)

The carrying amounts of receivables approximates net fair value due to being receivable on demand. Claim recoveries receivable are stated at the amounts estimated in the actuarial valuation.

Collectability of receivables is reviewed on an ongoing basis. Allowances for doubtful debts are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9 Financial Instruments. Bad debts are written off when identified.

Note 20 Investments

	Notes	2023 $'000	2022 $'000
Deposits with financial institutions		**199,854**	271,198
Debt securities		**1,461,303**	1,452,008
Australian equities		**232,599**	201,008
Overseas equities		**920,555**	769,976
Real assets (property and infrastructure)		**1,080,950**	947,243
Derivatives		**10,511**	(23,180)
Total investments	27d	**3,905,772**	3,618,253
Current		**266,631**	286,700
Non-current		**3,639,141**	3,331,553
Total investments	27d	**3,905,772**	3,618,253

Investments are measured at fair value. Changes in the fair values of investments at the reporting period from the end of the previous reporting period, or from cost of acquisition if acquired during the financial year, are recognised as gains or losses in the Statement of Comprehensive Income.

The fair value of investments represents their net fair value and is determined as follows:

- cash assets are carried at the face value of the amounts deposited or drawn which approximates their fair value
- listed securities and Government securities are valued by reference to market quotations
- underlying property assets and investments in unlisted unit trusts are valued by reference to independent third parties.

All investments are classified as backing insurance liabilities (outstanding claims liabilities).

Note 21 Property, plant and equipment

	Leasehold improvements including office furniture and fittings $'000	Computer, communications and general office equipment $'000	Total $'000
Cost			
Balance at 1 July 2021	6,775	2,119	8,894
Additions	-	37	37
Disposals	-	(11)	(11)
Balance at 30 June 2022	6,775	2,145	8,920
Balance at 1 July 2022	6,775	2,145	8,920
Additions	-	67	67
Disposals	-	(143)	(143)
Balance at 30 June 2023	**6,775**	**2,069**	**8,844**
Accumulated Depreciation			
Balance at 1 July 2021	(6,139)	(414)	(6,553)
Depreciation charge	(636)	(515)	(1,151)
Disposals	-	11	11
Balance at 30 June 2022	(6,775)	(918)	(7,693)
Balance at 1 July 2022	(6,775)	(918)	(7,693)
Depreciation charge	-	(487)	(487)
Disposals	-	143	143
Balance at 30 June 2023	**(6,775)**	**(1,262)**	**(8,037)**
Carrying Amounts			
At 30 June 2022	-	1,227	1,227
At 30 June 2023	**-**	**807**	**807**

Property, plant and equipment with a value equal to or in excess of $15,000 is capitalised, otherwise it is expensed. All assets acquired, including leasehold improvements, computer and communications and general office equipment are stated at cost less accumulated depreciation and accumulated impairment losses, deemed to be fair value. All assets are owned by RTWSA.

Refer to Note 23 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements.

Depreciation is calculated on a straight line basis so as to write off the cost of each item over its expected useful life. The estimated useful life in years used for each class of asset is as follows:

	2023	2022
Leasehold improvements including office furniture and fittings	**5-10**	5-10
Computer, communications and general office equipment	**3-5**	3-5

The cost of improvements to leasehold properties is amortised over the shorter of the unexpired period of the lease and the estimated useful lives of the improvements.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Note 22 Right-of-use assets

	Land and buildings $'000	Motor vehicles $'000	Total $'000
Cost			
Balance at 1 July 2021	6,378	133	6,511
Additions	6,973	29	7,002
Disposals	-	(37)	(37)
Balance at 30 June 2022	13,351	125	13,476
Balance at 1 July 2022	13,351	125	13,476
Additions	-	100	100
Disposals	-	(60)	(60)
Balance at 30 June 2023	**13,351**	**165**	**13,516**
Accumulated Depreciation			
Balance at 1 July 2021	(4,252)	(61)	(4,313)
Depreciation charge	(2,126)	(54)	(2,180)
Disposals	-	37	37
Balance at 30 June 2022	(6,378)	(78)	(6,456)
Balance at 1 July 2022	(6,378)	(78)	(6,456)
Depreciation charge	(1,395)	(52)	(1,447)
Disposals		60	60
Balance at 30 June 2023	**(7,773)**	**(70)**	**(7,843)**
Carrying Amounts			
At 30 June 2022	6,973	47	7,020
At 30 June 2023	**5,578**	**95**	**5,673**

Right-of-use assets for land and buildings and motor vehicles leased by RTWSA as lessee are measured at cost.

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than $15,000 are not recognised as right-of-use assets. If applicable, the associated lease payments are recognised as an expense.

Depreciation is calculated on a straight line basis so as to write off the cost of each item over its expected useful life. The estimated useful life in years used for each class of asset is as follows:

	2023	2022
Right-of-use land and buildings	**Lease term**	Lease term
Right-of-use motor vehicles	**Lease term**	Lease term

RTWSA has a limited number of leases:

- RTWSA leases land and buildings for its offices, under agreements of five years with options to extend. On renewal, the terms of the leases are renegotiated.
- RTWSA leases motor vehicles with terms of three years with options to extend.

The lease liabilities related to the right-of-use assets are disclosed in Note 25. The maturity analysis of lease liabilities is disclosed in Note 27(d). Expenses related to leases include depreciation, as disclosed in Note 13, and interest expense, as disclosed in Note 14.

Impairment
Property, plant and equipment leased by RTWSA has been assessed for impairment. There was no indication of impairment. No impairment loss or reversal of impairment loss was recognised.

Note 23 Fair value measurement (non-financial assets)

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

Fair value of non-financial assets, which must be estimated for recognition or for disclosure purposes, is measured using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

RTWSA had no valuations categorised into levels 1 or 2.

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

Current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As no factors were identified to suggest an alternative use, fair value measurement was based on current use.

	Leasehold improvements including office furniture and fittings $'000	Computer, communications and general office equipment $'000	Total $'000
Balance at 1 July 2021	636	1,705	2,341
Additions	-	37	37
Depreciation	(636)	(515)	(1,151)
Balance at 1 July 2022	-	1,227	1,227
Balance at 1 July 2022	-	1,227	1,227
Additions	-	67	67
Depreciation	-	(487)	(487)
Balance at 1 July 2023	**-**	**807**	**807**

Total losses for level 3 non-financial assets in the period included in general operating expenses:

	$'000
2022	(1,151)
2023	**(487)**

Note 24 Payables

	2023 $'000	2022 $'000
Current		
Contractual payables	**26,891**	20,246
Unearned premiums	**193**	77
Employment on-costs	**960**	882
Non-current		
Employment on-costs	**168**	161
Total payables	**28,212**	21,366

Payables are measured at nominal amounts, and are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Employment on-costs include payroll tax, RTWSA premium and superannuation contributions and are settled when the respective employee benefits that they relate to are discharged.

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

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave is 43% at 30 June 2023 (2022: 42%). The average factor for the calculation of employer superannuation on-costs has risen to 11.2% at 30 June 2023 (2022: 10.6%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is immaterial.

Note 25 Lease liabilities

(a) Lease liabilities

	2023 $'000	2022 $'000
Current		
Lease liabilities	**1,342**	1,234
Non-current		
Lease liabilities	**4,522**	5,786
Total lease liabilities	**5,864**	7,020

All material cash outflows are reflected in the lease liabilities disclosed above.

(b) Cash outflow for leases

	2023 $'000	2022 $'000
Land and buildings	**1,441**	2,289
Motor vehicles	**52**	54
Total cash outflow for leases	**1,493**	2,343

Note 25 Lease Liabilities (continued)

(c) Extension options

The lease for office space is for a five year term to 30 June 2027 with a right of renewal for a further five years. As at 30 June 2023 it is not reasonably certain that RTWSA will take up the option to extend the lease beyond 30 June 2027.

Note 26 Reconciliation of comprehensive result to net cash flows from operating activities

	2023	2022
	$'000	$'000
Total comprehensive result	**69,051**	53,745
Add / (less) non-cash items		
Depreciation	**1,934**	3,331
Change in net market values of investments	**(156,847)**	271,313
Movement in assets and liabilities		
Increase/(decrease) in payables	**6,846**	1,935
(Increase)/decrease in receivables	**4,799**	(7,093)
Increase/(decrease) in outstanding claims liability	**194,438**	(240,198)
Increase/(decrease) in employee benefits	**193**	(874)
Net cash flows from operating activities	**120,414**	82,159

Note 27 Risk management

(a) Overview

RTWSA's risk management framework is the principal means by which identified risks are managed. RTWSA has developed a corporate governance framework that supports risk management. Each identified risk is analysed according to an established risk management process and appropriate treatment strategies are adopted in order to manage RTWSA's exposure to risk. The key aspects of the process established in the risk management framework to mitigate risk include:

- the establishment of a Board Audit and Risk Committee, which is responsible for developing and monitoring risk management policies
- the establishment of the Risk Appetite Statement, which is reviewed annually
- the establishment and regular review by the Board and management of an enterprise risk register
- the establishment of a system of internal controls to manage risk
- the maintenance and use of management information systems, which provide up to date, and reliable data relevant to the risks to which the business is exposed
- the identification of operational risks and the establishment and implementation of processes to address and mitigate those risks.

The Board Audit and Risk Committee reports regularly to the Board on its activities. The Committee oversees how management monitors compliance with RTWSA's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by RTWSA. A risk management policy is in place to ensure risks are identified, analysed and managed appropriately by RTWSA. RTWSA's risk management framework is part of its governance risk and compliance system which is reviewed regularly to reflect changes in market conditions and in RTWSA's activities. RTWSA, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The Committee is assisted in its oversight by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit and Risk Committee.

The broad categories of risk faced by RTWSA are:

- insurance risk
- operational risk
- financial risk.

(b) Insurance risk
As set out in Note 1, RTWSA provides insurance protection in the event of work-related injury, in accordance with the Act, to workers employed in South Australia through the following funds:

- Compensation Fund
- Statutory Reserve Fund
- Insurance Assistance Fund
- Mining and Quarrying Industries Fund.

In accordance with the Act the Compensation Fund is funded by charging premiums to all employers covered by the Act which are calculated as a percentage of the remuneration paid or expected to be paid by each employer. The percentage or premium rate applicable to each employer is determined annually based on the industry in which the employer operates and the Average Premium Rate. Small employers, with annual remuneration less than $14,920 (subject to indexation), are not required to register or pay a premium.

The Average Premium Rate is set annually by the Board in accordance with its funding and premium setting policy based on an actuarial assessment of the expected claims and expenses of the Compensation Fund and an estimate of the likely overall remuneration for all the employers that are required to pay premiums under the Act. The Average Premium Rate is then used as a basis for determining an individual premium rate for individual industry groups.

Note 27 Risk management (continued)

(b) Insurance risk (continued)

The risk associated with premium rate pricing is controlled by obtaining external actuarial advice concerning the funding requirements of the Scheme and through the use of robust and historical models. The number of registered (non self-insured) employers insured under the Act for the financial year was approximately 60,000. The entitlements payable to injured workers are determined by the Act.

RTWSA's approach to determining the outstanding claims provisions and related sensitivities is set out in Notes 9 and 10. A key control utilised by RTWSA in seeking to ensure the adequacy of the claims provision is the regular completion of actuarial valuations:

- Compensation Fund - every six months
- Statutory Reserve Fund - every twelve months
- Insurance Assistance Fund - every twelve months
- Mining and Quarrying Industries Fund - every three years.

(c) Operational risk

Operational risk relates to the risk of loss arising from system failure, human error or from other circumstances not related to insurance or financial risks. These risks are managed through the risk framework outlined above, which includes a system of delegated authorities, effective segregation of duties, access controls and review processes.

(d) Financial risk

RTWSA has exposure to the following financial risks:

- credit risk
- liquidity risk
- market risk.

RTWSA's exposure to these risks arises primarily in relation to its investment portfolio, and also in relation to its other financial assets. This note presents information about RTWSA's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Investments – risk management framework
RTWSA's Investment Policy and Strategy document describes the framework within which the RTWSA investment program functions, including the Board's governance arrangements for the investment program.

The mission of the investment program is to contribute to an improved funding position for the Scheme. The investment program will achieve this by delivering, over the long term, a rate of return that exceeds the average actuarial discount rate.

The current long term return objective for the investment program is a return of CPI + 2.5%. This will be achieved through adopting a moderate risk, balanced investment portfolio.

The formal Investment Policy is reviewed annually by the Board to ensure it remains appropriate to the organisation's current circumstances.

Note 27 Risk management (continued)

(d) Financial risk (continued)

The investment portfolio is managed internally by experienced professionals supported by an internationally recognised investment consultancy firm that provides advice on asset allocation, selection of external fund managers, and undertakes specialised investment research and performance measurement.

The Board Investment and Finance Committee monitors the investment program on a regular basis.

RTWSA has a master custody arrangement with National Australia Bank (NAB). All assets are held by NAB under safe custody, except for the internally managed cash and a global equity index fund.

At any particular time the composition of the portfolio will vary from the Board approved Investment Strategy targets depending on the decisions of individual fund managers and market movements. However, any variance to the target is required to be within Board approved limits.

Note 27 Risk management (continued)

(d) Financial risk (continued)

The composition of each asset group:

As at 30 June 2023

	Level 1 $'000	Level 2 $'000	Level 3 $'000	**Total $'000**
Deposits with Financial Institutions	199,854	-	-	**199,854**
Debt securities	1,296,385	-	164,918	**1,461,303**
Australian equities	232,599	-	-	**232,599**
Overseas equities	920,555	-	-	**920,555**
Real assets (property and infrastructure)	389,320	-	691,630	**1,080,950**
Derivatives	-	10,511	-	**10,511**
Total investments at fair value through profit and loss	3,038,713	10,511	856,548	**3,905,772**

As at 30 June 2022

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Deposits with Financial Institutions	271,198	-	-	271,198
Debt securities	1,452,008	-	-	1,452,008
Australian equities	201,008	-	-	201,008
Overseas equities	769,976	-	-	769,976
Real assets (property and infrastructure)	390,285	328,526	228,432	947,243
Derivatives	-	(23,180)	-	(23,180)
Total investments at fair value through profit and loss	3,084,475	305,346	228,432	3,618,253

The hierarchy for the fair value measurement of investments is:

- Level 1: quoted prices (unadjusted) in active markets for identical assets
- Level 2: inputs, other than quoted prices included within level 1, that are observable for the asset either directly (as prices) or indirectly (derived from prices)
- Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

Note 27 Risk management (continued)

(d) Financial risk (continued)

Use of derivatives
In the normal course of its investment activities RTWSA is party to arrangements involving derivatives. Derivatives held within portfolios through RTWSA's custodian have three main objectives:

- risk management - minimisation or reduction of specific risks within a given portfolio. For example forward exchange contracts are used to hedge currency movements to remove their impact on international investment portfolio returns
- transactional efficiency - derivatives provide effective exposure to markets or individual securities while incurring transaction costs lower than the cost of purchasing the underlying security or basket of securities. In many instances the derivative markets provide much more liquidity than the underlying physical market
- value added strategies - given their low cost and high liquidity, derivatives can be an efficient way to support portfolio positions. As there can also be pricing anomalies between derivatives and underlying physical securities there can be opportunities to take advantage of different pricing.

Derivative exposures are subject to the same restrictions as physical assets within each portfolio's investment guidelines. Derivatives also need to comply with the fund managers' risk management policies and RTWSA's Derivatives Policy and Fund Manager Guidelines. Where there is inconsistency, RTWSA's Fund Manager Guidelines will take precedence. Additionally no gearing or leverage is allowed from derivative positions, with all net long derivative exposures covered by cash or cash equivalent securities.

The use of derivatives is restricted to appropriately credentialed counterparties. Unit Trusts in which RTWSA invests may use derivative instruments appropriate to the investment markets in which they invest. The use of derivatives within the Unit Trusts in which RTWSA invests is approved and monitored by the responsible entity or trustee for the respective Unit Trust.

No single instrument is individually material to the future cash flows of RTWSA. RTWSA does not consider that the nature and extent of the use of derivatives warrants separate disclosure of individual contracts. RTWSA, through its separate account investment portfolios, uses derivative instruments as follows:

Forward exchange contracts

- RTWSA invests in global markets to access the risk reduction benefits of diversification. In order to protect against exchange rate movements for a portion of overseas exposures, RTWSA has entered into forward exchange contracts, which require settlement of the net gain or loss at maturity. For diversification purposes RTWSA intentionally maintains some un-hedged currency exposures
- the gain or loss on open contracts as at the reporting period has been taken up in the financial statements as an unrealised gain or loss based on the exchange rate current as at the end of the reporting period
- the use of forward exchange contracts for speculative purposes is prohibited.

Futures contracts

- RTWSA invests across a range of markets. Futures contracts give investors the ability to increase or decrease exposure to these markets with very low transaction costs
- the gain or loss on outstanding futures contracts as at the reporting period are taken up in the financial statements as an unrealised gain or loss based on the fair value as at the end of the reporting period
- futures contracts are predominantly used for transactional efficiency and value added strategies.

Credit risk
Credit risk is the risk of financial loss to RTWSA if a premium payer, other debtor or counterparty to a financial instrument fails to meet their contractual obligations.

Note 27 Risk management (continued)

(d) Financial risk (continued)

Credit risk - investments
RTWSA manages its exposure to credit risk related to fixed interest, cash investments and non-centrally cleared financial instruments through its Investment Strategy and Investment Guidelines, which incorporate credit limits. Credit exposures are monitored against approved limits with breaches corrected and notified to the Board Investment and Finance Committee.

The following tables outline RTWSA's credit risk exposure within the major debt securities asset classes.

As at 30 June 2023

	Short-term issue ratings*			Long-term issue ratings**					Not Rated***	
	A1+ $'000	A1 $'000	A2 $'000	AAA $'000	AA $'000	A $'000	BBB $'000	BB or below $'000	$'000	**Total $'000**
Government	-	-	-	692,968	112,028	-	-	-	-	**804,996**
Corporate	-	-	-	92,876	80,491	114,605	196,466	20,861	154,924	**660,223**
Cash	114,051	64,356	3,699	-	-	-	-	-	-	**182,106**
	114,051	64,356	3,699	785,844	192,519	114,605	196,466	20,861	154,924	**1,647,325**

As at 30 June 2022

	Short-term issue ratings*			Long-term issue ratings**					Not Rated***	
	A1+ $'000	A1 $'000	A2 $'000	AAA $'000	AA $'000	A $'000	BBB $'000	BB or below $'000	$'000	Total $'000
Government	-	-	-	746,302	120,533	-	-	-	-	866,835
Corporate	-	-	-	113,316	41,330	124,401	195,874	40,114	61,235	576,270
Cash	231,571	20,000	-	-	-	-	-	-	-	251,571
	231,571	20,000	-	859,618	161,863	124,401	195,874	40,114	61,235	1,694,676

* Standard & Poor's short-term financial strength ratings apply for cash portfolio and short-term investments. A1+ is the highest short-term strength rating.
** Standard & Poor's long-term credit ratings. AAA is the highest possible long-term credit rating.
*** Not rated assets for this table are non-defensive assets and consist predominately of private debt investments in pooled funds.

Credit risk - other financial assets
The only significant exposure to credit risk in relation to assets, other than investments, relates to contractual receivables, which include premiums due and payable from registered and self-insured employers and overpayment recoveries from employers, workers and providers. RTWSA is able to enforce the collection of debts due under the Act or via restitution principles through a court of competent jurisdiction. RTWSA has processes in place to monitor all material credit exposures and has an established policy to manage debt recovery.

Note 27 Risk management (continued)

(d) Financial risk (continued)
9.7% of RTWSA's contractual receivables and sundry receivables were past due greater than 30 days (2022: 15.6%). The ageing of RTWSA's contractual receivables and sundry receivables at the reporting date was:

	2023	2022
	$'000	$'000
Not past due	**12,411**	11,423
Past due 1-30 days	**829**	662
Past due 31-60 days	**1,423**	2,017
Past due 61 days to one year	**-**	224
	14,663	14,326

There were no significant concentrations of credit risk.

Liquidity risk
Liquidity risk arises from the possibility that RTWSA will not be able to meet its financial obligations as they fall due. RTWSA's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to RTWSA's reputation. RTWSA requires that at least 15% of investments can be liquidated within five business days. As at 30 June 2023 approximately 80% of RTWSA's investments could be liquidated within five business days.

Both the asset and liability liquidity risks are managed through management risk strategies. 84.2% (2022: 83.4%) of RTWSA's liabilities are non-current and consist predominately of estimates of payments of entitlements to workers compensation made over the long-term to individual claimants. RTWSA's asset allocation is such that, if required, it could be realisable as cash within a few months. Accordingly RTWSA considers that its short-term liquidity risks are minimal.

The table below outlines the maturity profile of certain financial liabilities, excluding outstanding claims, based on the remaining undiscounted obligations. The maturity profiles of outstanding claims are outlined in notes 9 & 10.

As at 30 June 2023	1 year or less	1 to 3 years	3 to 5 years	Over 5 years	No Term	**Total**
	$'000	$'000	$'000	$'000	$'000	**$'000**
Lease liabilities	1,342	2,927	1,595	-	-	**5,864**
Contractual and other payables	28,044	168	-	-	-	**28,212**

As at 30 June 2022	1 year or less	1 to 3 years	3 to 5 years	Over 5 years	No Term	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Lease liabilities	1,234	2,702	3,084	-	-	7,020
Contractual and other payables	21,205	161	-	-	-	21,366

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

Note 27 Risk management (continued)

(d) Financial risk (continued)

RTWSA is exposed to market risk primarily through:

- currency risk
- interest rate risk
- market price risk.

Currency risk

RTWSA is directly exposed to currency risk on purchases and financial instruments that are denominated in a currency other than Australian dollars. RTWSA uses forward exchange contracts for a portion of its international investments to hedge its exposure to foreign currency fluctuations. All overseas bond securities, overseas listed property and overseas infrastructure are covered by forward exchange contracts. Approximately 33% of the international equity securities holdings are covered by forward exchange contracts. The remaining equities are left intentionally exposed to exchange rate movements. The changes in the valuations of these open contracts are disclosed in the financial statements as unrealised gains or losses as at the reporting period.

The analysis below demonstrates the impact of a strengthening or weakening Australian dollar on assets held in foreign currencies. This analysis is based on foreign currency exchange rate variances that RTWSA considered to be reasonably possible at the reporting date and assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss		Equity	
	Strengthening $'000	Weakening $'000	Strengthening $'000	Weakening $'000
30 June 2023				
US Dollar (10% movement)	(36,255)	36,255	(36,255)	36,255
China (10% movement)	(6,595)	6,595	(6,595)	6,595
Euro (10% movement)	(5,005)	5,005	(5,005)	5,005
JPY (10% movement)	(1,807)	1,807	(1,807)	1,807
Sterling (10% movement)	(3,003)	3,003	(3,003)	3,003
Other (10% movement)	(8,893)	8,893	(8,893)	8,893
30 June 2022				
US Dollar (10% movement)	(28,442)	28,442	(28,442)	28,442
China (10% movement)	(3,221)	3,221	(3,221)	3,221
Euro (10% movement)	(3,923)	3,923	(3,923)	3,923
JPY (10% movement)	(1,459)	1,459	(1,459)	1,459
Sterling (10% movement)	(4,344)	4,344	(4,344)	4,344
Other (10% movement)	(10,655)	10,655	(10,655)	10,655

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed interest securities are exposed to changes in fair value due to fluctuating interest rates whilst floating rate securities are exposed to future cash flow variations as a result of changes to interest rates. The risk management approach adopted by RTWSA to manage such risks is through its asset allocation whereby a mixture of high credit rated and readily liquidated fixed interest securities are held in conjunction with short-term deposits and cash to achieve the desired level of interest rate risk exposure.

RTWSA's fixed interest investments are held predominately in domestic markets. Such holdings form part of RTWSA's defensive or low risk exposure to provide capital stability and secure income. RTWSA's investments in interest bearing securities consist largely of marketable securities.

Note 27 Risk management (continued)

(d) Financial risk (continued)

RTWSA's sensitivity to movements in interest rates in relation to the value of interest bearing investments is shown in the table below. This analysis is based on interest rate variances that RTWSA considered to be reasonably possible at the reporting date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	Strengthening $'000	Weakening $'000	Strengthening $'000	Weakening $'000
1% interest rate movement - interest bearing investments				
2023	**(81,066)**	**81,066**	**(81,066)**	**81,066**
2022	(96,527)	96,527	(96,527)	96,527

Market price risk
Market price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market pricing (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual instrument or its issuer (idiosyncratic risk), or factors affecting all similar financial instruments traded in the market (systematic risk).

RTWSA is exposed to market price risk in all asset groups with the highest systematic risk in listed securities. These investments consist of investments listed on the Australian Stock Exchange and other major international exchanges (excluding listed debt). The market price risk in all other asset groups is considered less significant.

RTWSA manages its exposure to market price risk through the adoption of a long-term investment strategy based on extensive modelling of the expected return, volatility and correlation of each asset category included in the investment program to maximise returns for a given level of risk. By diversifying investments across a number of lowly correlated markets the volatility of the aggregate investment return is moderated over time.

The potential impact of movements in the market value of Australian and overseas listed equities on RTWSA's Statement of Comprehensive Income and Statement of Financial Position is shown in the sensitivity analysis below. The calculation excludes the impact from currency risk. Industry standard categorisations have been adopted for RTWSA's equity exposures.

	Profit or loss		Equity	
	Strengthening $'000	Weakening $'000	Strengthening $'000	Weakening $'000
Listed Securities				
30 June 2023				
Australian equities - (20% movement)	46,520	(46,520)	46,520	(46,520)
Overseas equities - (20% movement)	184,111	(184,111)	184,111	(184,111)
30 June 2022				
Australian equities - (20% movement)	40,202	(40,202)	40,202	(40,202)
Overseas equities - (20% movement)	153,995	(153,995)	153,995	(153,995)

Note 27 Risk management (continued)

(d) Financial risk (continued)

Fair value measurements
The fair value of financial assets must be estimated for recognition and measurement or for disclosure purposes. AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets
- Level 2: inputs, other than quoted prices included within level 1, that are observable for the asset either directly (as prices) or indirectly (derived from prices)
- Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date with the resulting value discounted back to present value
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in level 2 except for unlisted infrastructure assets.
The following table presents the changes in level 3 instruments for the years ended 30 June 2023 and 2022:

	Financial year ended 30 June 2023 $'000	Financial year ended 30 June 2022 $'000
Unit Trusts - unlisted infrastructure		
Opening balance	**228,432**	212,626
Re-classifications	**421,035**	-
Contributions	**201,759**	-
Withdrawals	**(22,702)**	(5,403)
Gains recognised in investment profit	**28,024**	21,209
Closing balance	**856,548**	228,432

Re-classifications reflect current market conditions.

Note 28 Employer financial guarantees

Under section 129 of the Act and schedule 3 of the Regulations, RTWSA administers financial guarantees lodged by non-SA Government self-insured employers. As at 30 June 2023, RTWSA held security to the value of $308.7 million (2022: $302.3 million) in financial guarantees or other approved substituted financial securities for self-insured employers. These guarantees are held in the event of a self-insured employer no longer being able to meet its claim liabilities.

Note 29 Self-insured Insolvency Contribution Aggregate

The Act requires fees paid by self-insured employers to include a fair contribution towards the actual and prospective liabilities of RTWSA arising from the insolvency of self-insured employers and other liabilities of the RTWSA as an insurer of last resort. The Self-Insured Insolvency Contribution Aggregate ("SIICA") is a pooled fund representing contribution fees received over time less any amounts paid by RTWSA as a result of the insolvency of a self-insured employer in excess of a financial guarantee held by RTWSA plus notional attributed interest (calculated by applying the Reserve Bank of Australia cash rate to the balance as at 30 June each year). The SIICA balance as at 30 June 2023 is $55.8 million (2022: $55.2 million).

Note 30 Impact of standards and statements not yet implemented

RTWSA has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective.

The material impacts on RTWSA are outlined below:

(a) AASB 17 Insurance Contracts

A comprehensive standard for all insurance contracts (life, general and health) replacing AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts.

Application date is 1 July 2026.

There will be significant changes in terminology, presentation and disclosure, including making a choice on whether changes in discount rates and other market variables are accounted for in Comprehensive Income or in Other Comprehensive Income. The financial impacts are yet to be assessed.

Note 31 Events after the reporting period

There have been no events after the reporting period which would have a material effect on RTWSA's financial statements at 30 June 2023.

ReturnToWorkSA
Certificate under section 23(2) of the Public Finance and Audit Act 1987
30 June 2023

In our opinion the financial statements for the Return to Work Corporation of South Australia:

- are in accordance with the accounts and records of the Return to Work Corporation of South Australia;
- comply with relevant Treasurer's Instructions;
- comply with relevant accounting standards; and
- present a true and fair view of the financial position of the Return to Work Corporation of South Australia at the end of the financial year and the result of its operation and cash flows for the financial year.

In our opinion the internal controls employed by the Return to Work Corporation of South Australia for the financial year over its financial reporting and its preparation of financial statements have been sufficiently effective to enable the presentation of financial statements that are free from material misstatement.

G. McCarthy

Chair

M. Francis

Chief Executive Officer

D. Quirk

Chief Financial Officer

11 September 2023