

22 March 1999

INFORMATION MEMORANDUM

**SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY
(INCORPORATED IN THE STATE OF SOUTH AUSTRALIA)**

Unconditionally guaranteed as to payment of all moneys due by

THE TREASURER OF THE STATE OF SOUTH AUSTRALIA

**EURO COMMERCIAL PAPER PROGRAM
AND OTHER DEBT INSTRUMENT PROGRAM**

DEALERS

**BA Asia Limited
Bankers Trust International
Barclays Bank plc
BT Asia Limited
Citibank International plc
Goldman Sachs International
Warburg Dillon Read**

South Australian Government Financing Authority (“**SAFA**”) has established a Debt Instrument Program (the “**Program**”) under a Program Agreement dated 12 July 1989 (as amended, the “**Program Agreement**”), between SAFA, Local Government Finance Authority of South Australia, the dealers party thereto (the “**Dealers**”) and BT Asia Limited as Program Agent (“**Program Agent**”).

Under the Program, SAFA may from time to time issue Euro Commercial Paper (“**ECP**”) and other Debt Instruments denominated in any currency (including Euro, but excluding Hong Kong dollars) freely convertible into Australian dollars.

It is not intended that ECP will be listed on any stock exchange.

ECP will be issued in bearer form or registered form. ECP in bearer form will be offered and sold in the United States of America or to US persons only as permitted by Rule 144A or Regulation S of the United States Securities Act of 1933 and US Treas Reg § 1.163-5 (C)(2)(i)(D) (the “**D Rules**”). In this regard both the Issuer and the Dealer have made various representations and agreements more particularly set out in the Program Agreement. In addition see under “**Restrictions on Sale**”.

No person is authorised in connection with the offering of the ECP to give any information or to make any representations in respect of this Memorandum (“**Supplement**”) and, if given or made, such information or representations must not be relied upon as having been authorised by SAFA or by any of the Dealers. Neither the delivery of this Memorandum or any Supplement nor any sale made in connection therewith shall, under any circumstances, create any implication that there has been no change in the affairs of SAFA since the date hereof or thereof, as the case may be. This Memorandum and each Supplement is not, nor is it intended to be, an offer or invitation to subscribe or purchase ECP by or on behalf of SAFA or the Dealers or any of them and may not be used for the purpose of an offer or solicitation by any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

SAFA confirms that, in the context of the Program, the information in this Memorandum relating to SAFA and the Program is in every material respect true and accurate and not misleading and there are no facts relating to SAFA and the Program the omission of which would make any statements in this Memorandum relating to SAFA and the Program misleading in any material respect and all reasonable inquiries have been made to ascertain such facts and to verify the accuracy of such statements. No representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Memorandum or any Supplement is made by the Dealers, each of whom shall have no liability for any error, omission or misrepresentation.

The distribution of this Memorandum and the offering of ECP in certain jurisdictions may be restricted by law. Persons into whose possession this Memorandum comes are required by SAFA and the Dealers to inform themselves about and to observe any such restrictions. For a further description see “**Restrictions on Sale**”.

In this Memorandum references “dollars”, “\$”, “AUD”, or “A\$” are to Australian dollars, references to “Yen” or “¥” are to Japanese Yen, references to “Sterling” and “£” are to United Kingdom pounds sterling and references to “Euro” and “€” are to the European Union euro.

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GENERAL DESCRIPTION OF THE PROGRAM

Under the Program SAFA may issue ECP and other Debt Instruments denominated in any currency (including Euro but excluding Hong Kong dollars).

ECP will have a maturity of 365 days or less (subject to the applicable laws of the relevant country).

A Summary of the Terms and Conditions of ECP to be issued under the Program appear of Pages 3-5.

A Summary of the Terms and Conditions of other Debt Instrument to be issued under the Program appear in a separate Information Memorandum dated 22 March 1999 which is available from SAFA or the Program Agent.

SUMMARY OF THE PROGRAM

ECP may be issued under the Program in such form as shall be agreed from time to time by SAFA and one or more Dealers.

Issuer: South Australian Government Financing Authority

Guarantor: The Treasurer of the State of South Australia

Dealers: The Dealers for the issuance of ECP are:

BA Asia Limited
Bankers Trust International
Barclays Bank plc
BT Asia Limited
Citibank International plc
Goldman Sachs International
Warburg Dillon Read

Other dealers may be appointed in respect of the issuance of Notes as may be allowed, or required, from time to time, by the relevant central bank, or equivalent body (however called), or any laws of regulations, applicable to the relevant currency. The dealers to be appointed to facilitate the issuance of other Debt Instruments will be notified in an information memoranda or pricing supplement issued in connection with the issue of such instruments. The full list of Dealers on the Program is provided on page 19.

SAFA has the right to appoint additional and/or replacement Dealers and to issue ECP to persons who are not Dealers. Further details are available from SAFA or the Program Agent upon request.

Program Agent: BT Asia Limited

Type: SAFA may issue ECP in global form (either interest bearing or non interest bearing) and definitive form (either with or without interest coupons). SAFA may issue any other negotiable bearer or registered bonds, notes, bills of exchange, promissory notes or other debt instruments agreed from time to time by SAFA, the relevant Dealer and the Program Agent. Further details are available from SAFA or the Program Agent upon request.

Principal Amount: The Principal Amount of ECP which may be outstanding from time to time is not limited.

Currencies: ECP will be issued in any currencies which are for the time being freely transferable and convertible into Australian dollars (other than Hong Kong dollars) as agreed between SAFA and the Program Agent. It is anticipated that ECP will be denominated in Australian dollars, United States dollars, New Zealand dollars, Euro, Canadian dollars and Sterling subject to the applicable laws of the relevant country.

Term of the Program: Until cancelled

| | |
|--------------------------------------|--|
| Tenor of ECP: | 365 days or less |
| Taxation: | All sums payable under any ECP will be paid free and clear of all taxes or withholdings whatsoever required to be deducted or withheld by or within the Commonwealth of Australia except in the circumstances described in such ECP. For a summary of the requirements for an exemption from Australian interest withholding tax see “ Australian Interest Withholding Tax ” below. |
| Redemption for Tax Reasons: | None |
| Issue and Exchange of ECP: | Unless SAFA agrees with a request from a Dealer to issue definitive ECP on the Issue Date, ECP will be in global form and may be exchanged for definitive ECP in the circumstances set out on the form of the global ECP (see Appendix 1). |
| Denominations: | Definitive ECP will be issued in varying denominations up to AUD 1,000,000 (or its equivalent in other currencies) except that the minimum denomination of ECP denominated in Sterling will be £100,000. |
| Purchase Price: | ECP may be issued at a discount and may or may not bear interest. |
| Status of ECP: | ECP will constitute direct unsecured obligations of SAFA and will rank pari passu without any preference or priority among themselves and at least equally with all other unsecured and unsubordinated borrowings of SAFA, except for indebtedness mandatorily preferred by law. |
| Guarantee: | Pursuant to Section 15(1) of the Government Financing Authority Act, 1982 (as amended) (the “ Act ”) all liabilities incurred or assumed by SAFA in pursuance of the Act are guaranteed by the Treasurer of the State of South Australia. |
| Issue Agent and Paying Agent: | Bankers Trust Company (Hong Kong Branch) except Sterling denominated debt instruments issued in definitive form for which Bankers Trust Company (London Branch) will act as Issuing and Paying Agent. |
| Restrictions on Sale: | Selling restrictions apply in all jurisdictions. Of particular note are the jurisdictions of the United States, the United Kingdom, the Commonwealth of Australia, Hong Kong, Singapore, Germany, The Netherlands and Japan. ECP will not be registered under the United States Securities Act of 1933. For a further description see “ Restrictions on Sale ” below. |
| Deed of Covenant: | Pursuant to a Deed of Covenant (“ Deed of Covenant ”) made 12 July 1989 by SAFA in favour of the account holders of Cedelbank and Morgan Guaranty Trust Company of New York as operator of the Euroclear system, SAFA has agreed that if any global ECP becomes void in accordance with the terms of such global ECP, SAFA will pay to such account holders on demand the amounts which it would have been obliged to pay had such account holders been the holders of definitive |

ECP. A copy of the Deed of Covenant is available from SAFA or the Program Agent on request.

Rating: ECP issued under the Program has been rated A1+ by Standard and Poor's Corporation and Prime-1 Moody's Investors Service, Inc.

Governing Law: The Program Agreement is governed by the laws of South Australia. The Agency Agreement and the Deed of Covenant are governed by the laws of England. ECP will be governed by the laws of England.

Forms of ECP and Terms and Conditions: The form of ECP will be substantially as attached to this Memorandum as follows:

1. Form of Global ECP (non interest bearing) -Appendix 1
2. Form of Definitive ECP (without interest coupons) -Appendix 2

The form of ECP denominated in Sterling will be amended to the extent necessary to comply with the requirements of the Bank of England from time to time. Particularly legends, to the following effect, will appear on the form of the ECP:

"The note constitutes interest bearing/discounted/index-linked commercial paper issued in accordance with regulations made under section 4 of the Banking Act 1987."

"Neither the South Australian Government Financing Authority, nor the Treasurer of the State of South Australia, is an authorised institution or a European authorised institution (as such terms are defined in the Banking Act 1987 (Exempt Transactions) Regulations 1997)."

If required by applicable laws of the relevant country, it may be necessary to amend the form of ECP denominated in another currency.

The form of Global ECP with coupon and Definitive ECP with coupon are available from the Program Agent upon request.

USE OF PROCEEDS

The net proceeds from each issue of ECP will be used by SAFA for the purpose of performing its statutory functions under the Act. The proceeds will be available to SAFA for on-lending to South Australian semi-government authorities and to the Government of South Australia or for other purposes authorised by the Act.

SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY

Introduction

SAFA was established on 13 January 1983 by the Government Financing Authority Act, 1982 (“**Act**”) as the central fund raiser for almost all semi-government authorities created by statute in the State of South Australia (“**South Australia**”) and for the South Australian Government itself. Its activities form an integral part of the South Australian public sector financial management. SAFA’s annual report is tabled in the South Australian Parliament around the same time as the annual Financial Statement is presented by the Treasurer of the State of South Australia (“**Treasurer**”) to the South Australian Parliament.

SAFA had capital and reserves of A\$181 million as at 30 June 1998. Under the terms of the Act, moneys provided to SAFA by the Treasurer are to be regarded as provided upon such terms and conditions as the Treasurer may from time to time determine.

The Act provides for the SAFA Advisory Board to consist of five or six members, as the Governor of South Australia determines, including the Under Treasurer of South Australia as the Presiding Member. The other members are appointed by the Governor, upon nomination by the Treasurer. The current members of the SAFA Advisory Board comprise:

| Member of the Advisory Board | Other Positions |
|-------------------------------------|--|
| Mr John Hill | Acting Under Treasurer of South Australia (Presiding Member) |
| Mr Barry Brownjohn | Company Director (Member) |
| Mr Michael Doyle | Financial Consultant (Member) |
| Ms Alice McCleary | Consultant, PricewaterhouseCoopers (Member) |

There are currently two vacant positions on the Advisory Board.

Indebtedness

Under an agreement entered into between the Treasurer and SAFA during 1985, SAFA assumed responsibility for meeting the financial obligations of South Australia to the Commonwealth of Australia (the “**Commonwealth**”). As a result of this assumption SAFA’s debt obligations represent, to a large extent, the outstanding debt of the South Australian public sector.

Financial Statements

The latest financial statements of SAFA are available from the Program Agent upon request. These financial statements are audited by the Auditor-General of the State of South Australia in accordance with Australian Auditing Standards.

THE STATE OF SOUTH AUSTRALIA

General

The State of South Australia, located in the central and southern part of the continent of Australia, covers a total area of 984,377 square kilometres, representing one-eighth of the area of the Australian continent.

The estimated population of South Australia at 31 March 1998 was 1,485,400 representing 7.9 per cent of the population of the Commonwealth. Almost 73 per cent of South Australia's population live in the capital city, Adelaide.

System of Government

South Australia is one of the six Australian States (originally constituted by Acts of Parliament in Great Britain) which in 1901 ceded many of their powers on certain matters of national importance (eg international affairs and defence) to the Commonwealth. From time to time other powers relating to matters of local importance are delegated to local governing bodies. In addition, statutory powers within specified fields are exercised by certain semi-government bodies such as ETSA Corporation and SAFA.

Both the Commonwealth and the South Australian Parliaments are bicameral. In each Parliament, the leader of the Government (the Prime Minister of the Commonwealth and the Premier of South Australia) is a member of the Lower House while the Upper House has restricted powers.

Like the Commonwealth, South Australia's system of executive government is based on the system which evolved in Great Britain in the eighteenth century and is generally known as "cabinet" or "responsible" government. Its main principles are that the Head of State, Her Majesty the Queen (or her representative, the Governor, acting on her behalf) should perform government acts on the advice of her ministers, that she should choose her principal Ministers of State from Members of Parliament belonging to the party or coalition of parties commanding a majority in the Lower House, that the Ministry so chosen should be collectively responsible to that House for the Government of South Australia and that the Ministry should resign if it ceases to command a majority there.

The cabinet system operates chiefly by means of constitutional conventions, customs and historical precedent. The executive power of South Australia is exercisable by the Governor who is advised by an executive council which meets only for formal purposes. The overall policy of a Ministry is in practice determined by some or all of the Ministers of State, at regular meetings chaired by the Premier. This group of Ministers is known as the Cabinet.

Economy

South Australia is closely integrated into the Australian economy, particularly the industrial and urban economy concentrated in the south-eastern coastal region of the Australian continent. South Australia's gross state product ("GSP") in 1996/97 (latest data available) totalled \$36.3 billion, accounting for approximately 7.0 per cent of Australia's gross domestic product. Manufacturing is the largest single industrial sector accounting for around one fifth of South Australia's GSP. Traditionally, agriculture and manufacturing have been the important wealth creating sectors of the economy, but agriculture has declined in relative importance over the past two decades. Over the last decade, manufacturing's share of output has held up reasonably well, although its share of employment has fallen - associated with rises in output per worker.

Manufacturing Industries

The most significant manufacturing activities conducted in South Australia are motor vehicle assembly and parts production, and food and beverages. Other important sectors include basic metal products, defence technology, machinery and equipment including household appliances.

The following table (latest available official information) sets out by industry sub-division the value added by manufacturing industries:

| | Year ended 30 June 1997 (A\$ million) |
|--|--|
| Food, Beverages and Tobacco | 1259.3 |
| Textiles, Clothing, Footwear and Leather Products | 228.6 |
| Wood and Paper Products | 310.9 |
| Printing, Publishing and Recorded Media | 348.4 |
| Chemicals, Petroleum, Coal and Associated Products | 546.2 |
| Non-Metallic Mineral Products | 190.1 |
| Metal Products | 710.4 |
| Machinery and Equipment | 1814.7 |
| Other Manufacturing..... | <u>163.4</u> |
| | <u>5572.1</u> |

Source: Australian Bureau of Statistics. Cat. No. 8221.0

Rural Industries

South Australia has an efficient agricultural sector and rural production accounts for a major part of its overseas exports. The following table (latest available official information) sets out the gross value of principal agricultural commodities produced in South Australia during 1997/98.

| | Year ended 30 June 1998 (A\$ million) |
|--------------|--|
| Barley | 341.4 |
| Wheat | 539.6 |
| Grapes | 374.9 |
| Meat | 459.6 |
| Wool..... | 309.5 |
| Other..... | <u>912.5</u> |
| | <u>2937.5</u> |

Source: Australian Bureau of Statistics. Cat. No. 7501.0

The gross value of agricultural production in South Australia in 1997/98 was 2.9 billion. Wheat and Barley production accounted for 30 per cent of this output, while meat accounted for a further 16 per cent. Grape growing is becoming an increasingly larger component of rural production, as vine plantations continue to expand to meet the wine industry's rapid export growth potential.

Mining

Mining operations at Olympic Dam in the State's Far North commenced in late 1988, and since that time the operation has established a position in the world market as a reliable supplier of top quality cathode copper, uranium oxide, silver and gold. The uranium oxide and most of the cathode copper is exported to Europe, Asia and the United States through the Port of Adelaide. The ore body has a combined proved and probable reserve of 572 million tonnes, which means that a very long life can be expected even at a greatly increased production rate.

All products are processed through the metallurgical plant which comprises a concentrator hydrometallurgical plant, a copper smelter and copper refinery.

Initially \$750 million was spent evaluating the Olympic Dam deposit and developing the mine, the plant and the town of Roxby Downs. Another \$60 million was spent to complete Optimisation No 1 in 1992 and a further \$88 million in 1994-95 to reach the Optimisation No 2 production targets.

A major expansion of Olympic Dam operations by Western Mining Corporation Limited was announced in 1996. This is projected to double annual revenues (from \$250 million currently to \$500 million) by early next century. The expansion involves capital expenditures of \$1.5 billion.

The Cooper Basin in the north-east corner of the State supplies both Adelaide and Sydney with natural gas and is Australia's major on-shore source of natural gas. From that area hydrocarbon liquids are also piped several hundred kilometres to Port Bonython, where they are processed and exported as well as sold domestically.

Natural resource development has been an important element in the growth of the natural economy since the mid-1960's but has been of lesser significance in South Australia until recently. During 1997, South Australia's mineral production including oil and gas totalled A\$1308 million.

The following table (latest available official information) sets out the principal mineral products produced in South Australia:

| | Year Ended 31 December 1997 |
|----------------------------|------------------------------------|
| | Value (A\$ millions) |
| Natural Gas | 415.0 |
| Condensate | 76.5 |
| Crude Oil..... | 111.4 |
| Liquid Petroleum Gas | 96.0 |
| Coal | 62.0 |
| Iron Ore | 24.6 |
| Copper..... | 219.8 |
| Uranium Oxide..... | 82.4 |
| Opal (estimated)..... | 40.7 |
| Construction Minerals..... | 90.6 |
| Other..... | <u>89.0</u> |
| Total Minerals | <u>1308.0</u> |

Source: South Australian Department of Mines and Energy

COMMONWEALTH/STATE FINANCIAL RELATIONS

Regulation of Borrowings

Under the Financial Agreement of 1927 made between the Commonwealth and State Governments, the Commonwealth assumed responsibility to bondholders for all State debts existing on 30 June 1927.

The Financial Agreement also established the Australian Loan Council (“**Loan Council**”) which consists of a representative of the Commonwealth Government (in practice the Treasurer of Australia) and of each State of Government (either the Premier or the Treasurer of the State). Loan Council’s functions include determining the aggregate annual borrowing program of the Commonwealth and State governments and their authorities and distributing that program between the Commonwealth and the States. The Financial Agreement provided that, with certain rather limited exceptions, State Governments could not borrow directly. Instead, a mechanism by which the Commonwealth acted as the central borrower for all State Governments was used with the Commonwealth allocating the proceeds to each State.

At the June 1992 Loan Council meeting, amendments to the Financial Agreement were approved in principle to enable States to borrow by the issue of securities in their own names (as distinct from their central borrowing authorities) in domestic and overseas markets and to remove the Commonwealth’s explicit power to borrow on behalf of the States. The requirement for future Commonwealth and State borrowings to be approved under the provisions of the Financial Agreement was also removed.

New borrowings on behalf of the States by the Commonwealth ceased by 1986/87. Until 1989/90 borrowings were restricted to refinancing maturing debt not able to be met by the States from balances available in the National Debt Sinking Fund (“**NDSF**”).

At the June 1990 Loan Council meeting it was resolved that commencing in 1990/91, the States would make additional payments to the NDSF and thereby provide for the progressive redemption of all maturing borrowings raised on behalf of the States by the Commonwealth under the Financial Agreement.

Loan Council’s monitoring and reporting arrangements were changed during 1992/93. The new arrangements focus upon an aggregate Loan Council Allocation which is based upon each jurisdiction estimated general government deficit/surplus as defined by the Australian Bureau of Statistics. The measure reflects a jurisdiction’s net call on financial markets.

During 1994/95, legislative amendments were passed which reduced the role of the Financial Agreement to providing for the existence of the Loan Council, which has no legal powers, and to specifying arrangements between the Commonwealth and the States in relation to past borrowings. The new Financial Agreement became effective on 1 July 1995.

Taxation and Revenue Sharing

The Commonwealth retains exclusive power to impose customs and excise duties, but shares responsibility with the States for all other forms of taxation. However, since 1942 and with the agreement of the States, the Commonwealth has been the sole income taxing authority in Australia, raising income tax nationally and reimbursing a share of this to the States.

The reimbursement is in the form of Financial Assistance Grants and Specific Purpose Payments. Financial Assistance Grants are “untied” funds which assist in the financing of State Government recurrent expenditure priorities, the distribution amongst the States being based upon per capita relativities as assessed by an independent advisory body, the Commonwealth Grants Commission.

Specific Purpose Payments are generally grants which are “tied” to particular Commonwealth Government expenditure objectives. The administration of these funds by the States is subject to guidelines agreed with the Commonwealth. The distribution and magnitude of Specific Purpose Payments are determined through the Commonwealth budget, usually following negotiations between the State and Commonwealth Government.

SOUTH AUSTRALIAN PUBLIC SECTOR FINANCES

The collection of public revenue and the expenditure of public money in South Australia is the responsibility of three groups of authorities: the Commonwealth Government; the South Australian Government and the State semi-government bodies, which together make up South Australian public sector finances; and local government.

A major proportion of the revenue of the South Australian Government and a smaller proportion of the revenue of local government authorities and some semi-government bodies is derived from grants from other levels of government. Additional revenue comes from the proceeds of the sale of goods and services to the public and to other governments and authorities. A further source of funds is the loan markets; government securities are issued for the raising of loans in Australia and overseas.

Authorisation for appropriation of public moneys to Commonwealth and South Australian Government departments is given by Appropriation Acts or by Special Acts of their respective Parliaments.

Each South Australian semi-government body derives its authority for expenditure from the provisions of the specific Act under which it has been established.

State Authority Accounts

South Australian public sector finances comprise the financial transactions of all South Australian Government departments, agencies and non-financial State semi-government bodies. Transfers between accounts and agencies within the South Australian public sector are eliminated by consolidation to reflect the net transactions of the South Australian public sector with the rest of the economy.

Receipts and Outlays

The presentation of public sector finances draws largely on internationally accepted classification concepts (as adopted by the United Nations in 'A System of National Accounts') developed for the presentation of national accounts by government. These concepts are also observed by the Australian Bureau of Statistics (ABS) in its preparation of Government Financial Estimates, except for the treatment of certain lending activities of the government.

Details of outlays, receipts and financing items of all South Australian State authorities have been consolidated from the accounts of State Government departments and semi-government bodies, in a format similar to that of a published Sources and Application of Funds Statement, as depicted in the table on pages 14 and 15.

Economic Transactions of South Australian State Government

| | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 | 1998-99 Estimate |
|---|---------|---------|---------|---------|---------|---------------------|
| | (\$m) | (\$m) | (\$m) | (\$m) | (\$m) | (\$m) |
| <u>Consolidated Government</u> | | | | | | |
| Outlays | | | | | | |
| Current Outlays | | | | | | |
| Current Expenditure | 4,113 | 4,167 | 4,189 | 4,242 | 4,838 | 4,901 |
| Less: Sales of goods and services | -387 | -423 | -508 | -527 | -903 | -805 |
| Equals: Final consumption expenditure | 3,727 | 3,744 | 3,682 | 3,715 | 3,935 | 4,096 |
| Interest payments | 1,395 | 1,490 | 1,303 | 1,172 | 914 | 828 |
| Subsidies paid to public trading enterprises | 285 | 277 | 252 | 285 | 369 | 414 |
| Current grants to other governments | 104 | 96 | 100 | 104 | 114 | 117 |
| Other transfer payments | 518 | 525 | 547 | 641 | 799 | 805 |
| Total current outlays | 6,030 | 6,131 | 5,883 | 5,916 | 6,131 | 6,260 |
| Capital outlays | | | | | | |
| Expenditure on fixed assets | 840 | 819 | 810 | 796 | 807 | 919 |
| Plus: Expenditure on secondhand assets (net) | -213 | -204 | -322 | -197 | -212 | -109 |
| Equals: Gross fixed capital expenditure | 627 | 614 | 488 | 599 | 595 | 810 |
| Expenditure on land and intangible assets (net) | -8 | 11 | 0 | -1 | -31 | 1 |
| Capital grants | | | | | | |
| To other sectors | 24 | 49 | 29 | 37 | - | - |
| To other levels of government | 17 | 13 | 11 | 13 | 2 | 2 |
| Other advances paid | -369 | -374 | -870 | -225 | -298 | -147 |
| Other capital outlays (net) | -87 | -180 | 149 | 46 | 1 | 11 |
| Total capital outlays | 205 | 134 | -193 | 470 | 269 | 677 |
| Total outlays | 6,234 | 6,266 | 5,688 | 6,386 | 6,400 | 6,937 |
| Revenues | | | | | | |
| Taxes, fees and fines | 1,869 | 1,950 | 2,100 | 2,234 | 2,434 | 2,591 |
| Net operating surplus of public trading enterprises | 439 | 595 | 526 | 629 | 657 | 607 |

Economic Transactions of South Australian State Government (continued)

| | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 | 1998-99 Estimate |
|---|---------|---------|---------|---------|---------|---------------------|
| | (\$m) | (\$m) | (\$m) | (\$m) | (\$m) | (\$m) |
| Interest received | 628 | 575 | 453 | 362 | 94 | 100 |
| Grants received | 2,828 | 2,910 | 2,887 | 2,820 | 2,894 | 2,972 |
| For own use | 2,639 | 2,705 | 2,669 | 2,587 | 2,645 | 2,720 |
| For onpassing | 189 | 205 | 218 | 233 | 249 | 252 |
| Other revenue | 462 | 184 | 213 | 183 | 334 | 285 |
| Total revenue | 6,227 | 6,214 | 6,180 | 6,229 | 6,413 | 6,554 |
| Financing and deficit measures | | | | | | |
| Advances received (net) | -122 | -218 | -107 | -169 | 0 | 0 |
| Borrowing (net) | 4,006 | -4,572 | -1,747 | -1,217 | -255 | 50 |
| Increase in provisions (net) | | | | | | |
| For depreciation | 296 | 285 | 289 | 346 | 350 | 359 |
| Other | -40 | 6 | -36 | -19 | -108 | -25 |
| Other financing transactions | -4,132 | 4,550 | 1,112 | 1,216 | 0 | 0 |
| Total financing | 8 | 51 | -490 | 157 | -13 | 383 |
| Less increase in provisions (net) | 299 | 355 | 256 | 291 | 279 | 281 |
| Equals: Total Deficit | -248 | -240 | -742 | -170 | -255 | 46 |
| Of which | | | | | | |
| Current deficit | -52 | 6 | -297 | -485 | -383 | -481 |
| Capital deficit | -196 | -246 | -445 | 314 | 128 | 527 |
| Less: Advances paid (net) | -369 | -374 | -870 | -225 | -298 | -147 |
| Equals: Deficit adjusted for net advances | 121 | 133 | 128 | 54 | 43 | 197 |

Note: Totals may not add due to rounding.

STATE GOVERNMENT ACCOUNTS

State government finance is a component of South Australian public sector finances and relates to transactions which are published in the Treasurer's Accounts, that is, the Consolidated Account, Deposit Accounts and Special Deposit Accounts. Departmental expenditures comprise the majority of the expenditures of these accounts but also included are those Boards and Committees which operate mainly through the Treasurer's Accounts and which are not analysed as separate statutory authorities.

Consolidated Account

Current Receipts and Payments

This section of the Consolidated Account is credited with receipts from many items of State taxation, fees licences and charges for service, recoveries by the Government on its investments in various State Authorities, general revenue assistance grants from the Commonwealth and current Commonwealth specific purpose grants. This section is debited with the cost of revenue collection, legislative and administrative functions, interest on borrowings by the Treasurer of South Australia, provision of education, health, social security and welfare and other services, development of State resources and the net cost of operating business undertakings.

Capital Receipts and Payments

This section of the Consolidated Account records the capital payments for construction, or acquisition, of assets such as schools, reservoirs, hospitals, forests, plant and equipment, advances to public authorities and for primary production and housing.

Receipts to this section include grants provided by the Commonwealth for specific capital purposes, funds borrowed from SAFA and receipts from sale of assets.

The process of reform in public sector financial management over recent years has resulted in the above figures not being directly comparable between some years. This process continued in 1995/96 with the introduction of changes involving the transfer payments from Consolidated Account to respective Deposit Accounts (this is described in more detail below).

Deposit Accounts and Special Deposit Accounts

These Accounts are established in accordance with Section 21 and 8 of the Public Finance and Audit Act.

Deposit Accounts principally represent moneys lodged with the Treasurer by public authorities and other bodies on current account and funds established under an Act of Parliament to be applied to a specific purpose.

The main purpose of Special Deposit Accounts has been to facilitate the allocation of charges and receipts under various headings of receipts and payments within the Consolidated Account.

However, there have been significant changes in public sector financial management involving the transfer of agency financial operations from the Consolidated Account to Special Deposit Accounts.

Under new budgetary funding and accounting arrangements, amounts determined by the Government to be appropriate for each agency are appropriated by Parliament and transferred from Consolidated Account to respective Special Deposit Accounts to cover all of the operations of individual departments.

The amounts transferred are in effect the difference between revenues and expenditures of each department and when supplemented by revenues raised directly by agencies are available to fund currency and capital expenditures.

The decision to expand progressively the use of Special Deposit Accounts as part of establishing a financial framework for budget sector agencies, was based on the benefits that would result in terms of improved accountability to Parliament and clearer presentation of the overall financial operations of agencies. The changed accounting arrangements also complement and improve the budget policy and thrust of recent years for agencies to have maximum flexibility and provides incentives for agencies to effectively manage the overall level of resources provided to them by the Government. Incentives to agencies including retained benefits resulting from revenue raising or cost cutting opportunities were often lacking under the previous arrangements for departments operating through Consolidated Account.

GENERAL INFORMATION

The Program and the issue of debt instruments including the ECP have been approved by SAFA and by the Treasurer in accordance with the Act.

Under Section 5(2) of the Act, SAFA holds its property on behalf of the Crown. By virtue of Section 10 of the Crown Proceedings Act 1992 of South Australia, no writ, warrant or similar process shall be issued out of any court against SAFA. SAFA has not waived its immunity from execution, attachment or other process in respect of its property in any jurisdiction.

SAFA is not required to, and does not, publish interim financial statements.

There is no litigation, actual or pending or threatened against SAFA, the State of South Australia or the Guarantor which may have a material adverse effect on the financial or other condition of SAFA, the State of South Australia or the Guarantor.

Except as disclosed herein, there has been no material adverse change in the financial position of SAFA or the Guarantor since 30 June 1998.

The dealers appointed for the issuance of all Debt Instruments under the Program include:

BA Asia Limited
Bankers Trust International
Barclays Bank plc
BT Asia Limited
Citibank International plc
Daiwa Europe Limited
Deutsche Bank AG
Goldman Sachs International
Merrill Lynch International Limited
Morgan Stanley Dean Witter
Salomon Smith Barney International
Nomura International plc
RBC DS Global Markets
Warburg Dillon Read

AUSTRALIAN INTEREST WITHHOLDING TAX

The following is a general summary of the requirements, at the date of this Information Memorandum, to be satisfied for an exemption, under Section 128F of the Income Tax Assessment Act 1936 Australia (“Tax Act”), from Australian interest withholding tax in respect of Debt Instruments issued under the Debt Instrument Program. It is not intended to be an exhaustive explanation of the circumstances in which Australian interest withholding tax is applicable which can be dependent on the class of holder of a Debt Instrument. Prospective holders who are in any doubt as to their particular tax position should obtain their own tax advice.

An exemption from Australian interest withholding tax is available under Section 128F of the Tax Act if the following requirements are met:

- The issuer must be a resident of Australia when it issues the Debt Instruments and when interest is paid;
- The Debt Instruments must be issued outside Australia for the purpose of raising finance outside Australia and interest must be paid outside Australia;
- The issuer satisfies a public offer test, which is intended to ensure that lenders in the overseas capital markets are aware that the issuer is offering Debt Instruments for issue. The Tax Act provides five alternative tests, at least one of which must be complied with in order for the public offer test to be satisfied. A summary of these tests is provided below;
- The issuer does not know, or have reasonable grounds to suspect, that at the time of issue, the Debt Instruments were being, or would be, acquired by a resident of Australia or an associate of the issuer (other than in the capacity of a dealer, manager or underwriter in relation to the placement of the Debt Instruments); and
- At the time of the payment of interest, the issuer does not know, or have reasonable grounds to suspect, the payee is an associate of the issuer.

SAFA proposes to issue Debt Instruments under the Debt Instrument Program in a manner that satisfies these requirements.

The five alternative tests provided under the Tax Act to satisfy the public offer test can be summarised as:

- (i) offers to 10 or more unrelated financiers or securities dealers in the financial markets;
- (ii) offers to 100 or more likely investors;
- (iii) offers of Debt Instruments that are listed on a stock exchange outside Australia;
- (iv) offers via publicly available financial market sources; or
- (v) offers to dealers, managers or underwriters who by agreement with the issuer offer the Debt Instruments for sale within 30 days by one of the preceding methods.

The issue of a global note by one of these methods will satisfy the public offer test.

As set out in more detail in the terms and conditions of ECP, all sums payable by SAFA under any ECP will be paid free and clear of all taxes or withholdings whatsoever required to be deducted or withheld by or within the Commonwealth of Australia except where required by law. Where SAFA is required by law to deduct or withhold an amount from any sum payable under any ECP SAFA will “gross up” the payment except in the circumstances described in such ECP. One such circumstance is if the holder has some connection (other than the entitlement to receive payment) with Australia.

RESTRICTIONS ON SALE

1. The United States of America

The Debt Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of US persons, except in certain transactions exempt from, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Debt Instruments are subject to United States tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to US persons, except in certain transactions permitted by United State tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that it will not offer or sell any Debt Instruments within the United States or to, or for the account or benefit of, US persons, and it will have sent to each dealer to which it sells Debt Instruments during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Debt Instruments within the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

2. United Kingdom

Each Dealer represents and agrees that:

- (a) **General Compliance:** it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to such Debt Instruments in, from or otherwise involving the United Kingdom; and
- (b) **Investment advertisements:** it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Debt Instruments to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements)(Exemptions) Order 1996 or is a person to whom such document may otherwise lawfully be issued or passed on.

3. Australia

Debt Instruments may not be offered or sold, nor may invitations for them be sold or made, in or to residents of the Commonwealth of Australia or its territories (including corporations or other entities organised under the laws thereof other than a foreign branch of such a corporation located outside the Commonwealth of Australia or its territories) in connection with the initial distribution of the Debt Instruments.

Debt Instruments may not, after their initial distribution, be (directly or indirectly) offered for subscription or purchase, nor may invitations be issued to subscribe for or buy or sell Debt Instruments, nor may any draft or definitive document in relation to any such offer, invitation, purchase or sale be distributed in Australia, in any case except in accordance with the Corporations Law, the Corporations Regulations and any other applicable laws.

In addition, Debt Instruments which are in registered form may not be offered or sold (whether or not as part of their initial distribution) to any person to be held in the name of a resident of the Commonwealth of Australia or its territories (including corporations or other entities organised under the laws thereof and including a foreign branch of such a corporation located outside the Commonwealth of Australia or its territories) unless the person has either:

- (a) quoted, or been taken to have quoted, the person's tax file number to the Issuer in connection with the Debt Instrument; or
- (b) given the Issuer notice that the person acquired the Debt Instrument in the ordinary course of its business of providing business finance or details of a reason why the Debt Instruments are not an investment to which Part VA of the Income Tax Assessment Act 1936 of Australia applies.

4. Hong Kong

Debt Instruments may not be offered or sold in Hong Kong, by means of any document, other than to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32) of Hong Kong. No invitation or advertisement relating to Debt Instruments may be issued in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Debt Instrument intended to be disposed of to persons outside Hong Kong or to be disposed of in Hong Kong only to persons whose business involves the acquisition, disposal or holding, of securities, whether as principal or as agent.

5. Singapore

The Debt Instruments may not be offered or sold, nor may any invitations, documents or other material in connection with the Debt Instruments be issued, distributed, either directly or indirectly:

- (i) to any person or persons in Singapore other than under circumstances in which such offer or sale does not constitute an offer, sale or invitation of the Debt Instruments to the public or a section of the public in Singapore; or
- (ii) to the public or any member of the public in Singapore other than pursuant to, and in accordance with the conditions of, an exemption applicable or granted under Division 5A of Part IV of the Companies Act, Chapter 50 of the Republic of Singapore and to persons to whom the Debt Instruments may be offered or sold under such exemption.

6. Japan

Debt Instruments have not been and will not be registered under the Securities and Exchange Law of Japan (the "**Securities and Exchange Law**"). Each Dealer has agreed, and each further Dealer appointed under the Program will be required to agree, that it will not offer or sell any Debt Instruments, directly or indirectly, in Japan or to, or for the benefit of, any Japanese person (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

7. Germany

Each Dealer has confirmed that it is aware of the fact that no selling prospectus (“*Verkaufsprospekt*”) has been and will be published in respect of the Debt Instruments or the Program and that it will comply with the Securities Selling Prospectus Act of the Federal Republic of Germany (“*Wertpapier-Verkaufsprospektgesetz*”) of 13 December, 1990.

8. The Netherlands

Each Dealer has represented and agreed that it has not, directly or indirectly, offered, sold, transferred or delivered and will not, directly or indirectly, offer, sell, transfer or deliver any Zero Coupon Notes in The Netherlands as part of their initial distribution (or immediately thereafter) or as part of any re-offering (unless such offer, sale or transfer is effected in accordance with the Dutch Savings Certificate Act). For the purposes of this paragraph “**Zero Coupon Notes**” are Debt Instruments that constitute a claim for a fixed amount against the Issuer and on which interest does not become due prior to maturity or on which no interest is due whatsoever. Rights representing an interest in a Global Note do not constitute Zero Coupon Notes.

With respect to Debt Instruments other than Zero Coupon Notes, each Dealer has represented and agreed that it has not offered and will not offer as part of their initial distribution or any re-offering any such Debt Instrument with a denomination of less than NLG100,000 (or the equivalent thereof in another currency) in the Netherlands.

9. General

All applicable laws and regulations must be observed in any jurisdiction in which Debt Instruments may be offered, sold or delivered. No person may directly or indirectly offer, sell, resell, reoffer or deliver Debt Instruments or distribute any document, circular, advertisement or other offering material in any country or jurisdiction except under circumstances that will result, to the best of its knowledge and belief, in compliance with all applicable laws and regulations.

FORM OF GLOBAL EUROCOMMERCIAL PAPER

NEGOTIABLE GUARANTEED GLOBAL EURONOTE

SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY (Incorporated in the State of South Australia)

Unconditionally guaranteed as to payment of all moneys due by

THE TREASURER OF THE STATE OF SOUTH AUSTRALIA

| | |
|--|--------------------------------------|
| Issue Date: | Principal Amount: |
| Maturity Date: | Currency: |
| Place of Issue: | Place of Payment [outside Australia] |
| Cedel Bank, société anonyme Security Code: | Euroclear Security Code: |
| Number of Notes: | Denomination of each Note: |

1. **SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY** (“SAFA”) for value received **HEREBY PROMISES** to pay to the bearer on the Maturity Date, provided that is such day is not a day on which commercial banks and foreign exchange markets are open for domestic and foreign exchange business in Hong Kong, Sydney, Adelaide and (if not one of the foregoing) the principal financial centre of the currency of this Note, the Maturity Date shall be the next succeeding day which is such a business day (unless such day is in another calendar month, in which event the Maturity Date shall be the immediately preceding such business day), the Principal Amount.
2. This is a Global Note in respect of an issue of Notes in the number specified above, each in the denominations specified above.
3. Payment of the face value of this Global Note by SAFA shall be made in the currency of this Global Note against due presentation and surrender to **BANKERS TRUST COMPANY** of 36th Floor, Two Pacific Place, 88 Queensway, Hong Kong as SAFA’s paying agent, at the option of the holder, by telegraphic transfer (i) to an account denominated in the currency of the Principal Amount maintained by Euroclear, Cedelbank and/or any other clearing system approved by Bankers Trust Company (each a “**Clearing System**”) as that Clearing System may from time to time specify for value on such Maturity Date or (ii) to such an account otherwise maintained in the Place of Payment, all in accordance with the provisions of an agreement dated 12 July 1989 as amended (the “**Agency Agreement**”) between SAFA, Local Government Finance Authority of South Australia and BT Asia Limited, copies of which may be inspected during normal business hours at the office of BT Asia Limited, 36th Floor, Two Pacific Place 88 Queensway, Hong Kong, and subject in all cases to any fiscal or other laws and regulations applicable in respect of such payment.

If this Global Note is presented for payment more than 30 days after the Maturity Date, it must be presented and surrendered to SAFA at its head office in Adelaide.

4. All payments made under this Global Note shall be free and clear of and without deduction or withholding for or on account of (i) any set-off counterclaim or (ii) except to the extent, if any, required by law, any tax, duty, assessment or governmental charge of whatever nature imposed or levied by or on behalf of the Commonwealth of Australia or any political sub-division thereof or authority therein having power to tax (“Taxes”). If SAFA is required by any law to make any deduction or withholding from any sum payable by it hereunder for or on account of Taxes, then the sum payable by SAFA in respect of which such deduction or withholding is required to be made shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the holder of this Global Note receives and retains (free from any liability in respect of any such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made, provided that no such additional amount shall be paid if:
 - (a) the requirement to make such deduction or withholding arises by reason only of some connection which the holder of this Note has with Australia (other than entitlement to receive payment under this Note); or
 - (b) payment is to be made to or on behalf of the holder of this Note who has not made, but in respect of whom such deduction or withholding would not have been required had he made, a declaration on non-residence or other similar claim for exemption; or
 - (c) this Note is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of this Note would have been entitled to such additional amount on presenting the same for payment on such thirtieth day.

As used herein, the “**Relevant Date**” means the date on which such payment shall become due, except that if the amount of the moneys payable has not been received by Bankers Trust Company (Hong Kong branch) on or prior to such date it means the date on which the full amount of such moneys are so received.

5. This Global Note ranks pari passu with all other unsecured indebtedness (other than subordinated indebtedness and indebtedness preferred by mandatory provisions of law) of SAFA from time to time outstanding. Payment to the holder of this Global Note of the Principal Amount and any such additional amounts is guaranteed by the Treasurer of the State of South Australia pursuant to Section 15(1) of the Government Financing Authority Act, 1982 of the State of South Australia.
6. If default is made in the payment referred to above SAFA undertakes that upon presentation and surrender of Global Note to Bankers Trust Company (Hong Kong branch) at its office during normal business hours after the Maturity Date specified above and if payment hereof is not made in full, it will issue to the person who presented and surrendered this Global Note duly executed bearer definitive Notes with an aggregate face amount equal to that set out above and in denominations set out above and with the same issue date and Maturity Date as this Global Note.
7. If, for whatever reason (whether or not this Global Note is presented for exchange in accordance with paragraph 6) not all definitive Notes are issued in exchange for this Global Note before 5.00pm (Hong Kong time) on the seventh day after the Maturity Date, this Global Note (including the obligation hereunder to issue definitive Notes) will become void and the bearer will have no further rights under this Global Note (but without prejudice to the rights which the bearer and any other persons may have under the Deed of Covenant dated 12 July 1989 executed by SAFA, a copy of which may be inspected during normal business hours at the office of BT Asia Limited specified above).

8. This Global Note is transferable by delivery and shall be governed by and construed in accordance with English Law.
9. SAFA irrevocably agrees for the benefit of the bearer hereof that any legal action or proceeding arising out of in connection with this Global Note may be brought in the courts of England, irrevocably submits to the non-exclusive jurisdiction of such courts and agrees that the process by which any suit, action or proceeding is begun in such courts may be served on it by being delivered to Fleetside Legal Representative Services Limited 9 Cheapside, London EC2V 6AD. In the event that Fleetside Legal Representative Services Limited ceases to act as agent, SAFA agrees to appoint another agent for the service of process in London within 30 days of receipt of notice of such cessation. Nothing contained in this clause shall limit any right to take proceedings in any other courts of competent jurisdiction, provided that such courts shall not include any courts whose inclusion would render ineffective the submission to the jurisdiction of the courts of England.
10. SAFA acknowledges that its participation in the execution, delivery and performance of this Global Note constitutes a commercial act and undertakes, so far as it has power, not to plead immunity in answer to any proceedings instituted in any courts.
11. This Global Note shall not be valid for any purpose until the Certificate of Authentication enfaced hereon has been duly signed by or on behalf of the Issue Agent.

IN WITNESS whereof **SAFA** has caused this Global Note to be duly executed in facsimile on its behalf.

SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY

By:
Duly Authorised Signatory

Certificate of Authentication (without recourse, warranty or liability).

This Note is authenticated by or on behalf of **BANKERS TRUST COMPANY** (Hong Kong branch) as Issue Agent.

By:
Duly Authorised Signatory

This Global Note has not been registered under the Securities Act of 1933 of the United State (“**Act**”). By purchasing and accepting this Global Note or any interest herein or rights in respect hereof, the holder of this Global Note (the “**Holder**”) and any person entitled to any interest herein or rights in respect hereof (a “**Beneficial Owner**”) agrees with the Issuer that it will not offer, sell or deliver this Global Note or any interest herein or rights in respect hereof at any time, directly or indirectly, in a principal amount less than US\$250,000 (or its equivalent in other currencies) and other than (i) directly to a Qualified Institutional Buyer (as defined in Rule 144A under the Act) in accordance with Rule 144A under the Act, (ii) to the Issuer or any United States bank or registered broker-dealer effecting sales for the Issuer in the United State, or (iii) outside the United State in accordance with Regulation S under the Act.

FORM OF DEFINITIVE EUROCOMMERCIAL PAPER

NEGOTIABLE GUARANTEED EURONOTE

SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY (Incorporated in the State of South Australia)

Unconditionally guaranteed as to payment of all moneys due by

THE TREASURER OF THE STATE OF SOUTH AUSTRALIA

| | |
|-----------------|--------------------------------------|
| Issue Date: | Principal Amount: |
| Maturity Date: | Currency: |
| Place of Issue: | Place of Payment [outside Australia] |
| Serial No: | Series No: |

1. **SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY** (“SAFA”) for value received **HEREBY PROMISES** to pay to the bearer on the Maturity Date, provided that if such day is not a day on which commercial banks and foreign exchange markets are open for domestic and foreign exchange business in Hong Kong, Sydney, Adelaide and (if not one of the foregoing) the principal financial centre of the currency of this Note, the Maturity Date shall be the next succeeding day which is such a business day (unless such day is in another calendar month, in which event the Maturity Date shall be immediately preceding such business day), the Principal Amount.
2. Payment of the face value of this Note by SAFA shall be made in the currency of this Note against due presentation and surrender to **BANKERS TRUST COMPANY** of 36th Floor, Two Pacific Place, 88 Queensway, Hong Kong as SAFA’s paying agent, at the option of the holder, by (i) cheque denominated in the currency of the Principal Amount delivered at an address in the Place of Payment specified above or mailed to an address outside Australia and the United States of America or (ii) by telegraphic transfer to an account denominated in the currency of the Principal Amount maintained in the Place of Payment or (iii) by telegraphic transfer to an account denominated in the currency of the Principal Amount maintained by Euroclear, Cedelbank and/or any other clearing system approved by Bankers Trust Company (each a “**Clearing System**”) as that Clearing System may from time to time specify for value on such Maturity Date, all in accordance with the provisions of an agreement dated 12th July 1989 as amended (the “**Agency Agreement**”) between SAFA, Local Government Finance Authority of South Australian and BT Asia Limited, copies of which may be inspected during normal business hours at the office of BT Asia Limited, 36th Floor, Two Pacific Place 88 Queensway, Hong Kong, and subject in all cases to any fiscal or other laws and regulations applicable in respect of such payment.

If this Note is presented more than 30 days after the Maturity Date, it must be presented and surrendered to SAFA at its head office in Adelaide.

3. All payments made under this Note shall be free and clear of and without deduction or withholding for or on account of (i) any set-off or counterclaim or (ii) except to the extent, if any, required by law, any tax, duty, assessment or governmental charge of whatever nature imposed or levied by or on behalf of the Commonwealth of Australia or any political sub-division thereof or authority therein having power to tax (“Taxes”). If SAFA is required by any law to make any deduction or withholding from any sum payable by it hereunder for or on account of Taxes, then the sum payable by SAFA in respect of which such deduction or withholding is required to be made shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the holder of this Note receives and retains (free from any liability in respect of any such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made, provided that no such additional amount shall be paid if:
 - (a) the requirement to make such deduction or withholding arises by reason only of some connection which the holder of this Note has with Australia (other than the entitlement to receive payment under this Note); or
 - (b) payment is to be made to or on behalf of the holder of this Note who has not made, but in respect of whom such deduction or withholding would not have been required had he made, a declaration of non-residence or other similar claim for exemption; or
 - (c) this Note is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of this Note would have been entitled to such additional amount on presenting the same for payment on such thirtieth day.

As used herein, the “**Relevant Date**” means the date on which such payment shall become due, except that if the amount of the moneys payable has not been received by Bankers Trust Company (Hong Kong branch) on or prior to such date it means the date on which the full amount of such moneys are so received.

4. This Note ranks pari passu with all other unsecured indebtedness (other than subordinated indebtedness and indebtedness preferred by mandatory provisions of law) of SAFA from time to time outstanding. Payment to the holder of this Note of the Principal Amount and any such additional amounts is guaranteed by the Treasurer of the State of South Australia pursuant to Section 15(1) of the Government Financing Authority Act 1982 (as amended) of the State of South Australia.
5. This Note is transferable by delivery and shall be governed by and construed in accordance with English law.
6. SAFA irrevocably agrees for the benefit of the bearer hereof that any legal action or proceeding arising out of or in connection with this Note may be brought in the courts of England, irrevocably submits to the non-exclusive jurisdiction of such courts and agrees that the process by which such suit, action or proceeding is begun in such courts may be served on it by being delivered to Fleetside Legal Representative Services Limited 9 Cheapside, London EC2V 6AD. In the event that Fleetside Legal Representative Services Limited ceases to act as agent, SAFA agrees to appoint another agent for the service of process in London within 30 days of receipt of notice of such cessation. Nothing contained in this clause shall limit any right to take proceedings in any other courts of competent jurisdiction, provided that such courts shall not include any courts whose inclusion would render ineffective the submission to the jurisdiction of the courts of England.
7. SAFA acknowledges that its participation in the execution, delivery and performance of this Note constitutes a commercial act and undertakes, so far as it has power, not to plead immunity in answer to any proceedings instituted in any courts.

8. This Note shall not be valid for any purpose until the Certificate of Authentication enclosed hereon has been duly signed by or on behalf of the Issue Agent.

IN WITNESS whereof SAFA has caused this Note to be duly executed in facsimile on its behalf.

SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY

By:
Duly Authorised Signatory

Certificate of Authentication (without recourse, warranty or liability)

This Note is authenticated by or on behalf of **BANKERS TRUST COMPANY** (Hong Kong branch) as Issue Agent.

By:
Duly Authorised Signatory

This Note has not been registered under the Securities Act of 1933 of the United States (“**Act**”). By purchasing and accepting this Note, the holder of this Note (the “**Holder**”) agrees with the Issuer that it will not offer, sell or deliver this Note other than (i) directly to a Qualified Institutional Buyer (as defined in Rule 144A under the Act) in accordance with Rule 144A under the Act, (ii) to the Issuer or any United States bank or registered broker-dealer effecting sales for the Issuer in the United States, or (iii) outside the United States in accordance with Regulation S under the Act.

OFFICE OF THE ISSUER

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OFFICES OF DEALERS UNDER PROGRAM

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Facsimile: (44171) 933 2271

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Canary Wharf
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Facsimile: (44171) 500 1890

Goldman Sachs International

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OFFICES OF ISSUE AND PAYING AGENTS

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1 Appold Street,
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Attention: Corporate Trust and Agency Services

Bankers Trust Company (Hong Kong Branch)
36th Floor, Two Pacific Place
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Facsimile: (852) 533 8022
Telex: HX 73046
Attention: Corporate Trust and Agency Services

OFFICE OF PROGRAM AGENT

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