

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 MEDIUM TERM NOTE AND OTHER DEBT INSTRUMENT PROGRAM

DEALERS

**Bankers Trust International
Daiwa Europe Limited
Deutsche Bank AG
Goldman Sachs International
Merrill Lynch International**

**Morgan Stanley Dean Witter
Nomura International plc
RBC DS Global Markets
Salomon Smith Barney 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 Medium Term Notes (“**Notes**”) and other Debt Instruments denominated in any currency (including Euro, but excluding Hong Kong dollars) freely convertible into Australian dollars. The Notes will have any maturity as agreed at the time of issue (subject to such minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank or equivalent body (however called) or any laws or regulations applicable to the relevant currency).

Applications may, where agreed to by SAFA and the Program Agent, be made to list some, but not all, tranches of Notes issued or to be issued under the Program on the Luxembourg Stock Exchange or other stock exchanges.

The issue and maturity dates and the principal amount and denomination(s) of and the interest rate, interest payment dates and special conditions (if any) applicable to any tranche of Notes which is to be listed on any stock exchange will be specified in a prospectus or pricing supplement (“**Prospectus**”) which will be issued at the time of such listing. Any Prospectus issued in connection with any tranche of Notes may incorporate by reference the information contained in this Memorandum as such information may have been amended and/or supplemented prior to the date thereof.

Notes will be issued in bearer form or registered form. Notes 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 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. See under “**Restrictions on Sale**”.

No person is authorised in connection with the offering of the Notes to give any information or to make any representations in respect of this Memorandum (“**Supplement**”) or any Prospectus 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, any Supplement and/or any Prospectus 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, each Supplement and each Prospectus is not, nor is it intended to be, an offer or invitation to subscribe or purchase Notes 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, any Supplement or any Prospectus 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 the Notes 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 to “dollars”, “\$”, “AUD”, or “A\$” are to Australian dollars, references to “Yen” and “¥” 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 Notes and other Debt Instruments denominated in any currency (including Euro but not Hong Kong dollars) and having maturities agreed at the time of issue (subject to such other minimum or maximum maturity 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).

A Summary of the Terms and Conditions of Notes to be issued under the Program appear of Pages 4-6.

A Summary of the Terms and Conditions of Eurocommercial Paper 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.

Notes will be issued under the Program in accordance with the terms and conditions of the Program Agreement and Agency Agreement and applicable laws and guidelines of relevant jurisdictions.

SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

Medium Term Notes (“Notes”) may be issued under the Program in such form as shall be agreed from time to time by SAFA, the Program Agent and one or more Dealers. The particular terms of each tranche of Notes to be listed on any stock exchange will be described in the prospectus relating to such Notes.

Issuer: South Australian Government Financing Authority

Guarantor: The Treasurer of the State of South Australia

Dealers: The Dealers for the issuance of Notes are:

Bankers Trust International
Daiwa Europe Limited
Deutsche Bank AG
Goldman Sachs International
Merrill Lynch International
Morgan Stanley Dean Winter
Nomura International plc
RBC DS Global Markets
Salomon Brothers International Limited
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 30.

SAFA has the right to appoint additional and/or replacement Dealers and to issue Notes 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 Notes in, bearer or registered form, commercial paper or other debt instruments agreed from time to time by SAFA, the relevant Dealer and the Program Agent.

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

Currencies: Notes 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 Notes will be denominated in Australian dollars, United States dollars,

New Zealand dollars, Euro, Canadian dollars, Yen and Sterling subject to the applicable laws of the relevant country.

- Term of the Program:** Until cancelled
- Maturities:** Any maturity as agreed at the time of issue (subject to such other minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank or equivalent body (however called) or any laws or regulations applicable to the relevant currency).
- Taxation:** All sums payable under any Note 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 the Terms and Conditions of such Note. For a summary of the requirements for an exemption from Australian interest withholding tax see “**Australian Interest Withholding Tax**” below.
- Redemption for Tax Reasons:** If, as the result of any change in the laws of the Commonwealth of Australia or in the official interpretation of such laws (as more fully described in the Terms and Conditions of the Notes), SAFA is obliged to deduct or withhold taxes from payments to be made in respect of certain tranches of Notes and, in accordance with the Terms and Conditions of the Notes, is obliged to make additional payments to ensure that the holders of such Notes receive the amount which would otherwise have been payable in respect thereof, then SAFA may redeem all, but not some only, of that tranche of Notes at the amount set out in the Terms and Conditions of the Notes.
- Issue and Exchange of Notes:** Each tranche of Notes will initially be represented by one or more temporary global Notes which will be deposited on the relevant issue date with a common depository for Euroclear (“**Euroclear**”) and Cedelbank (“**Cedel**”). The temporary global Notes will be exchanged on any business day not earlier than 40 days after the distribution of the Notes as determined by the Program Agent (“**Exchange Date**”) for one or more permanent global Notes or, upon request, in whole or part, by Noteholders for definitive Notes with receipts, interest coupons and talons (if any) attached upon certification of non-US beneficial ownership. For further details, see “Form of the Notes” Page 7. Any interest in a Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Cedel.
- Denominations:** Definitive Notes will be issued in varying denominations up to AUD 1,000,000 (or its equivalent in other currencies) except that the minimum denomination of each Note denominated in Sterling will be £100,000.
- Purchase Price:** Notes may be issued at par, at a discount or with a premium and may or may not bear interest.
- Status of the Notes:** Notes 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.
Special Conditions:	A Note may be issued subject to special conditions as described thereon. If there is an inconsistency between the special conditions enfaced thereon and the terms and conditions of this Memorandum, then the special conditions will prevail.
Issue Agent and Paying Agent:	Bankers Trust Company (London Branch)
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 and Japan. Notes 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 Euroclear and Cedel, SAFA has agreed that if any global Note becomes void in accordance with the terms of such global Note, 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 Notes. A copy of the Deed of Covenant is available from SAFA or the Program Agent on request.
Rating:	Notes issued under the Program have been rated AA by Standard and Poor’s Corporation and Aa2 by Moody’s Investors Service, Inc.
Governing Law:	The Program Agreement is governed by the laws of South Australia. The Agency Agreement, the Deed of Covenant and the Notes are, or will be, governed by the laws of England.

FORM OF NOTES

Each issue of Notes will initially be represented by one or more temporary global Notes, without receipts, interest coupons or talons, which will be delivered to a common depository for Euroclear and Cedel.

If an interest payment date for any Notes occurs whilst such Notes are represented by a temporary global Note, the related interest payment will be made against presentation of the temporary global Note only to the extent that certification of non-US beneficial ownership (in the form set out in the Agency Agreement) has been received, by Euroclear or Cedel. On or after the Exchange Date, provided that certification of non-US beneficial ownership has been received, interests in the temporary global Note will be exchangeable for interests in a permanent global Note or, where requested by Noteholders, for definitive Notes. No payments will be made on a temporary global Note after the Exchange Date. Payments of principal or interest (if any) in respect of a permanent global Note will be made through Euroclear and Cedel against presentation or surrender, as the case may be, of the permanent global Note without any requirement for certification. Temporary and permanent global Notes and definitive Notes will be issued by the relevant agent pursuant to the Agency Agreement. Until exchanged in full the holder of an interest in any global Note shall in all respects be entitled to the same benefits as the holder of definitive Notes, receipts, interest coupons and talons, subject as set out in the Conditions (as defined in the global Note).

The following legend will appear on all global Notes, definitive Notes, receipts, interest coupons and talons:-

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the United States Internal Revenue Code”.

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts, interest coupons or talons and will not be entitled to capital gains treatment of any gain or any sale, disposition or payment of principal in respect of Notes, receipts, interest coupons or talons.

The form of notes 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 face of all global Notes and definitive Notes denominated in Sterling:-

“This note constitutes an interest bearing/discounted/index-linked note 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).”

Pursuant to the Program Agreement, SAFA and the Program Agent have agreed the following standard forms of Notes (in bearer and registered form and definitive and global form)

Zero Coupon Note
Fixed Rate Note
Fixed Rate Exchangeable Note
Floating Rate Note
Indexed Linked Note
Interest Bearing Note with Amortisation of Redemption Price on early redemption

Indexed Linked Notes

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Index Linked Notes will be calculated by reference to such index and/or formula as the relevant Issuer and the relevant Purchaser(s) may agree (as indicated in the applicable Pricing Supplement).

SAFA and the Program Agent may amend any standard form of Note. SAFA, the Program Agent and a Dealer may agree a special form of Note to be issued by SAFA and purchased by that Dealer.

SPECIMEN TERMS AND CONDITIONS OF THE NOTES

The following Terms and Conditions are an example of those Terms and Conditions which (subject to characteristics of the Note, completion and amendment) will be attached to each definitive Note. These Specimen Terms and Conditions assume interest is payable at a fixed rate.

The Notes comprising the series of which this Note is part (the “**Notes**”) of the South Australian Government Financing Authority (“**SAFA**”) are issued subject to and with the benefit of an agency agreement dated 12 July 1989 as amended (the “**Agency Agreement**”) made between SAFA, Local Government Finance Authority of South Australia and BT Asia Limited (the “**Agent**”) as the same may be amended from time to time prior to the issue of the Notes or in accordance with the Conditions. Certain statements under this heading are summaries of, and subject to, the detailed provisions of the Agency Agreement, copies of which are available for inspection at the principal office of the Agent in Hong Kong at 36th Floor, Two Pacific Place, 88 Queensway, Hong Kong and at the offices of the paying agents appointed for making payments in respect of the Notes specified on the face of this Note (the “**Paying Agents**”). The holders of the Notes (the “**Noteholders**”) and the holders of the Coupons (“**Couponholders**”) appertaining to the Notes in bearer form (“**Coupons**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions contained in the Agency Agreement.

1. Form, Denomination and Transfer

- (a) The Notes are issued in bearer form (“**Bearer Notes**”) each with, at the date of issue, Coupons attached thereto or in registered form (“**Registered Notes**”) or in both bearer and registered form as specified on the face of this Note.
- (b) Title to the Bearer Notes and Coupons will pass by delivery. Title to the Registered Notes will pass by transfer and registration in accordance with the Agency Agreement. SAFA, the Agent and any Paying Agent, Registrar and Transfer Agent may deem and treat the bearer of each Bearer Note and Coupon and the person named in the register as the Registered Holder of each Registered Note as the absolute holder thereof (whether or not such Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for the purpose of making payments and for all other purposes.
- (c) If Notes are in both bearer and registered form as specified on the face of this Note, then at the option of the holder upon request confirmed in writing, subject to the terms of the Agency Agreement and the provisions concerning the Record Date in Condition 9, Bearer Notes, provided that all unmatured Coupons relating thereto are attached or are surrendered therewith, will be exchangeable for an equal aggregate principal amount of Registered Notes. Registered Notes will not be exchangeable in whole or in part for Bearer Notes.
- (d) Registered Notes may be lodged for transfer (with the form of application in respect thereof duly executed) at the specified office of any Registrar or Transfer Agent and, if Notes are in both bearer and registered form as specified on the face of this Note, Bearer Notes (together with all unmatured Coupons appertaining thereto) may be presented for exchange for Registered Notes at the specified office of any Transfer Agent, without service charge but upon payment of any taxes and other governmental charges and upon the relevant Transfer

Agent or, as the case may be, Registrar being satisfied with the documents of title and identity of the person making the request and subject to such reasonable regulations as SAFA may from time to time agree with the Transfer Agents and Registrars, including any restrictions imposed by SAFA on transfers of Registered Notes originally sold to certain institutional investors in the United States or who are US Persons.

Registered Notes may be transferred in whole or in part (in the Minimum Transfer Amount or integral multiples of that amount).

2. **Guarantee**

The repayment of the principal of and other amounts on the Notes is guaranteed by the Treasurer of the State of South Australia (the “**Guarantor**”) by virtue of the provisions of Section 15(1) of the Government Financing Authority Act, 1982 of the State of South Australia (as amended) (the “**Act**”). Section 15(2) of the Act provides for any liability of the Guarantor under such guarantee to be satisfied without further appropriation out of the general revenue of the State of South Australia.

3. **Status**

The Notes are direct, unsecured obligations of SAFA and rank pari passu without any preference among themselves and equally with all other unsecured indebtedness (other than subordinated indebtedness and indebtedness preferred by mandatory provisions of law) of SAFA from time to time outstanding. SAFA has no express power under the Act to secure any indebtedness for borrowed money, or any guarantee of any such indebtedness, by any mortgage, lien, pledge or other charge upon any of its present or future assets or revenues.

4. **Interest**

(a) **Period of Accrual of Interest**

The Notes bear interest from (and including) the Issue Date specified on the face of this Note (the “**Issue Date**”). Interest will cease to accrue on each Note from the due date for redemption thereof unless upon due presentation thereof, payment of principal is improperly withheld or refused. Any overdue principal of this Note will continue to bear interest at rates determined from time to time in accordance with this Condition 4 (in all cases from and including the due date until but excluding the date specified below), as well after as before any judgement, either until the date it shall be paid to the holder hereof, or until the date on which notice has been given to the Noteholders to the effect that the funds for payment of principal in respect hereof, together with accrued interest thereon, have been received by the Principal Paying Agent specified on the face of this Note and are available for collection, whichever is the earlier.

(b) **Interest Payment Dates**

Interest is payable in arrears on the Interest Payment Dates specified on the face of this Note in each year.

The period from and including an Interest Payment Date (or, in the case of the first period, the Issue Date) to but excluding the next Interest Payment Date is referred to as an “**Interest Period**”.

(c) Rate of Interest

Interest shall accrue on the Notes at the Rate of Interest specified on the face of this Note and the amount of interest payable on each Interest Payment Date shall be calculated on the basis of the Interest Rate Computation specified on the face of this Note.

(d) Agent

SAFA shall procure that so long as any of the Notes remains outstanding (as defined in the Agency Agreement) there shall at all times be a principal paying agent for the purposes of the Notes. The principal paying agent may not resign its duties as such or have its appointment terminated as such without a successor having been approved and appointed as aforesaid.

(e) Notifications, etc. to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decision given, expressed, made or obtained for the purposes of the provisions of this Condition 4, by the Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on SAFA, the Agent and the Paying Agents and all Noteholders and Couponholders and (subject as aforesaid) no liability to the Noteholders or Couponholders shall attach to the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions.

5. Redemption

- (a) Unless previously redeemed or purchased as provided herein and cancelled, the Notes will be redeemed at their Principal Amount on the Maturity Date. The Notes may not, unless SAFA and the holder thereof otherwise agree, be redeemed in whole or in part prior to that date except as provided in Condition 5(b) below (but without prejudice to the provisions of Condition 11).
- (b) If SAFA would, as a result of any change in, or in the official interpretation of, any laws (or regulations made thereunder) of the Commonwealth of Australia or of any political subdivision thereof or any authority or agency thereof or therein (except the State of South Australia) having power to tax, be required for reasons outside its control, after taking all steps reasonably available to it to avoid making such payment, to pay any additional amounts pursuant to Condition 10, or the Guarantor would as a result of any such change be required for reasons outside its control, after taking all steps reasonably available to it to avoid making such payment, to pay any such additional amounts under its guarantee of the Notes, then SAFA may, at its option upon giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption) in accordance with Condition 17, redeem all (but not some only) of the Notes at their Principal Amount, together with accrued interest to (but excluding) the date fixed for redemption in the notice to Noteholders.

6. Purchase

SAFA may at any time purchase Notes together with all unmatured Coupons appertaining thereto in the open market or otherwise at any price. Notes and Coupons so purchased as aforesaid may be held or resold or, at the discretion of SAFA, may be surrendered to the Agent for cancellation.

7. Cancellation

All Notes, redeemed or surrendered for cancellation (and the Coupons appertaining thereto) shall be cancelled forthwith and may not be reissued or resold.

8. Prescription

Notes and Coupons will become void unless presented for payment within a period of 10 years and 5 years respectively from the Relevant Date (as defined in Condition 10) therefor.

9. Payments

- (a) Payment of principal in respect of Bearer Notes will be made against presentation and surrender of Notes, at the specified office of any Paying Agent. Payments of interest in respect of Bearer Notes will be made against presentation and surrender of the appropriate Coupons at the specified office of any Paying Agent. 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.
- (b) Payments in respect of Bearer Notes will be made by:
 - (i) cheque denominated in the Currency of the Principal Amount specified on the face of this Note delivered at an address of the holder in the place of payment specified on the face hereof (the “**Place of Payment**”) or mailed to an address outside Australia and the United States of America; or
 - (ii) telegraphic transfer to an account denominated in the Currency of the Principal Amount maintained by the holder in the Place of Payment; or
 - (iii) by transfer to an account maintained by Euroclear, Cedelbank and/or any other clearing system approved by the Agent (each a “**Clearing System**”) as that Clearing System may from time to time specify for value on the relevant Maturity Date or Interest Payment Date, as the case may be, subject in all case to any fiscal or other laws of regulations in respect of such payment.
- (c) Payments of Principal in respect of Registered Notes will be made against presentation and surrender of such Registered Notes at the specified office of any Transfer Agent or Registrar. Interest on Registered Notes will be paid to the persons shown on the register at the close of business on the fifteenth day prior to the due date for payment of interest (the “**Record Date**”). Bearer Notes surrendered in exchange for Registered Notes between the Record Date and the due date for the payment of interest will not be required to be surrendered with the Coupon relating to such due date. Payments on each Registered Note will be made by cheque denominated in the Currency of the Principal Amount delivered at an address in the Place of Payment or mailed to the address of the holders (or to the first named of joint holders) of such Note appearing in the register maintained by the Registrar. Notwithstanding the foregoing, upon application by the Registered Holder to the specified office of the Registrar not less than 15 days prior to a date for payment of principal or interest in respect of a Registered Note, such payment may be made (in the case of principal, against surrender of the relevant Registered Note as aforesaid) on the due date by telegraphic transfer to an account denominated in the Currency of the Principal Amount specified on the face of this

Note maintained by the Registered Holder in the Place of Payment. Payments pursuant to this paragraph shall be made subject in all cases to any fiscal or other laws and regulations applicable in respect of such payment.

- (d) Upon the date on which any Bearer Note becomes due and payable unmatured Coupons appertaining thereto (whether or not attached to such Bearer Note) shall become void and no payment shall be made in respect thereof. If the due date for redemption of any Bearer Note (or any part thereof) is not an Interest Payment Date, accrued interest will be paid only against presentation of such Bearer Note.
- (e) If the due date for payment of any amount in respect of any Note is not a business day, then the holder thereof shall not be entitled to payment of the amount due until the next following business day unless that day falls in the next calendar month, in which case the due date will be the first preceding day that is a business day, and the holder shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 9, “**business day**” means any day on which commercial banks and foreign exchange markets are open for business in the place where the relevant Note is presented and, in the case of transfer to or from an account, in the place where the account is maintained and any Business Day Centre (if any) specified on the face of this Note.
- (f) The initial Paying Agents and their initial specified offices are set out on the face of this Note. SAFA will reserve the right at any time to vary or terminate the appointment of any such Paying Agent and/or to appoint additional or other Paying Agents. SAFA will in all events maintain a Paying Agent in a city in Europe (which, so long as the Notes are listed on a stock exchange, shall be in the city of that stock exchange). Notice of any change in or addition to the Paying Agents and of any change in their specified offices will be published in accordance with Condition 17.

10. Taxation

- (a) All payments made under the Notes and Coupons 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 subdivision 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 under the Notes for or on account of Taxes then, the sum payable by SAFA in respect of 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 Noteholders and Couponholders receive and retain (free from any liability in respect of 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 additional amount shall be paid if:

- (i) the requirement to make such deduction or withholding arises by reason only of some connection which a Noteholder or Couponholder has with Australia (other than the entitlement to receive payment under a Note or Coupon); or

- (ii) payment is to be made to or on behalf of a Noteholder or Couponholder who has not made, but in respect of whom such deduction or withholding would not have been required had the Noteholder or Couponholder made, a declaration of non-residence or other similar claim for exemption; or
 - (iii) a Note or Coupon is presented for payment more than 30 days after the Relevant Date except to the extent that the Noteholder or Couponholder would have been entitled to such additional amounts on presenting the same for payment on such thirtieth day.
- (b) 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 the Agent on or prior to such date it means the date on which, the full amount of such moneys having been so received, notice to that effect shall have been duly given to the Noteholders in accordance with Condition 17.
 - (c) Any reference in these Conditions to a payment in respect of any Note or Coupon shall be deemed also to refer to any additional amount in respect thereof which may be payable under this Condition.

11. Events of Default

If one or more of the following events (the “**Events of Default**”) shall have occurred:-

- (a) SAFA shall fail to perform or observe any term, undertaking or agreement contained in any of the Notes and such failure shall continue for 14 days after notice thereof shall have been given to SAFA at its principal office or to the specified office of the Agent by any Noteholder; or
- (b) any indebtedness (as hereinafter defined) of SAFA in an amount exceeding ten million Australian dollars (A\$10,000,000) or its equivalent shall become due and payable prior to its stated maturity and shall not be paid within five business days thereafter or shall not be paid at the maturity thereof or within five business days after the expiration of any period of grace which may be given in relation thereto unless the obligation to pay any such indebtedness is being contested in good faith or unless the failure to pay such indebtedness does not result from a material adverse change in the financial condition of SAFA; for the purposes of this Condition 11(b) “**indebtedness**” shall mean any debt which is payable to a body corporate or other person outside the Commonwealth of Australia and “**business day**” means any day on which commercial banks and foreign exchange markets are open in Sydney or Adelaide; or
- (c) SAFA ceases to be an entity validly constituted and existing under the Act or any statutory modification or re-enactment thereof unless the obligations of SAFA under the Notes are assumed by a body responsible to a Minister of the Crown in right of the State of South Australia or any other body corporate which succeeds to the whole or substantially the whole of the assets or business of SAFA and those obligations are validly guaranteed mutatis mutandis on the terms of the guarantee contained in Section 15 of the Act (as in force on the date hereof) by the Guarantor or in such other manner as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders; or
- (d) a law is enacted or a decree or order is made or issued by a court of competent jurisdiction in the Commonwealth of Australia or the State of South of Australia of any legal action is taken by SAFA or by any governmental authority authorised by law to do so which results in SAFA ceasing to carry on or being empowered to carry on its business or any substantial part

thereof or its establishment is suspended, revoked or repealed unless the obligations of SAFA under the Notes are not affected thereby or are assumed by a body responsible to a Minister of the Crown in right of the State of South of Australia or any other body corporate which succeeds to the whole or substantially the whole of the assets or business of SAFA and those obligations are validly guaranteed mutatis mutandis on the terms of the guarantee contained in Section 15 of the Act (as in force on the date hereof) by the Guarantor or in such other manner as may be approved by an Extraordinary Resolution of the Noteholders; or

- (e) any governmental or other consent, licence or authority required to make and maintain the obligations under the Notes legal, valid, binding, enforceable and admissible in evidence or required to enable SAFA to perform its obligations thereunder is withdrawn or ceases to be in full force and effect or otherwise the obligations of SAFA under the Notes shall cease to be in full force and effect; or
- (f) the guarantee of the Notes by the Guarantor ceases to be in full force and effect or is rendered nugatory for any cause or by any means whatsoever or any legislation is introduced the result of which would be to remove the benefit of such guarantee or terminate or amend the same in a manner materially adverse to the interests of the Noteholders or the Guarantor shall be unable to perform its obligations thereunder for any reason.

then, in any such event any Noteholder may thereafter by written notice to the Agent at its specified office, effective upon receipt thereof by the Agent, declare such Note to be forthwith due and payable whereupon the redemption price thereof together with accrued interest calculated in accordance with Condition 4 shall become immediately due and payable without presentation, demand, protest or other notice of any kind, all of which SAFA will expressly waive, notwithstanding anything contained in the Notes to the contrary, unless prior to the time when the Agent receives such notice all Events of Default in respect of all the Notes shall have been remedied.

12. Substitution

SAFA may, without the consent of the Noteholders, be replaced as a principal debtor under the Notes by a body responsible to a Minister of the Crown in right of the State of South Australia or any other body corporate which succeeds to the whole or substantially the whole of the assets or business of SAFA and which in either case, assumes all of the obligations of SAFA under the Notes, so long as (a) all necessary governmental and regulatory consents and approvals have been obtained for such substitution, (b) those obligations are validly guaranteed mutatis mutandis on the terms of the guarantee contained in Section 15 of the Act (as in force on the date hereof) by the Guarantor or in such other manner as may be approved by an Extraordinary Resolution of the Noteholders and (c) notice of any such substitution has been given to the Noteholders.

13. Agent and Paying Agents

In acting in respect of the Notes, the Agent, Registrar, Transfer Agent and Paying Agents are acting in such capacity solely as agents of SAFA and do not assume any obligations towards or relationships of agency or trust for or with the holders of the Notes except that any funds received by the Agent or any Paying Agent for the payment of the Notes shall be held by it in trust for the persons entitled thereto until the expiration of the relevant period of prescription.

The Agency Agreement and any agreement supplemental thereto may be amended by the parties thereto, without the consent of any Noteholder, if in the reasonable opinion of such parties the amendment will not adversely affect the interests of the Noteholders.

14. Replacement of Notes and Coupons

Should any Note or Coupon be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office in London of the Agent or at the specified office of such other Paying Agent as may from time to time be designated by SAFA for the purpose and notice of whose designation is given to the Noteholders in accordance with Condition 17 upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as SAFA may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements are issued.

15. Meetings of Noteholders

The Agency Agreement contains provisions of convening meetings of the Noteholders to consider any matter affecting their interests, including modifications by Extraordinary Resolution of the Notes (including their Terms and Conditions). An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not and on all holders of Coupons, except that any modification, inter alia, postponing the date of maturity of the Notes will only be binding if passed at a meeting of Noteholders (or at any adjournment thereof) at which a special quorum (as provided for in the Agency Agreement) is present.

16. Further Issues

SAFA is at liberty from time to time, without the consent of the Noteholders, to create and issue further notes to form a single series with the Notes. Any such further notes shall be issued subject to and with the benefit of the Agency Agreement.

17. Notices

All notices to the Noteholders will be deemed to have been duly given if published in the Financial Times in London and, (so long as the Notes are listed on a stock exchange, in a daily newspaper in the city of that stock exchange) or, if this is not practicable, in one other leading English language daily newspaper with circulation in Europe and shall be deemed to have been given on the date of the first such publication.

18. Governing Law

The Agency Agreement and the Notes are governed by and will be construed in accordance with, the laws of England. SAFA hereby submits to the non-exclusive jurisdiction of the English courts in any matter arising out of the issue of, or relating to, the Notes and appoints 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.

The taking of proceedings in any jurisdiction shall not preclude any person from taking proceedings in any other jurisdiction, nor shall anything affect the right to serve process in any manner permitted by law.

SAFA acknowledges that its participation in the execution, delivery 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.

USE OF PROCEEDS

The net proceeds from each issue of Notes 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 Bary 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 1,485,000 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 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	1,259.3
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>5,572.1</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. Cereal production was at record levels.

	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\$1.308 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	89.0
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 25 and 26.

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>						
<u>Outlays</u>						
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
<u>Revenues</u>						
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 Notes 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
Morgan Stanley Dean Witter
Nomura International plc
RBC DS Global Markets
Salomon Brothers International Limited
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 the Notes, all sums payable by SAFA under any Note 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 Note SAFA will “gross up” the payment except in the circumstances described in such Note. 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.

Until 40 days after the commencement of the offering of any Debt Instruments, an offer or sale of such Debt Instruments within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of indexed linked Debt Instruments or dual currency Debt Instruments shall be subject to such additional US selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Debt Instruments, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

2. United Kingdom

Each Dealer represents and agrees that:

- (a) in relation to Debt Instruments having a maturity of one year or more and which are to be listed on the London Stock Exchange, it has not offered or sold and will not offer or sell any Debt Instruments to persons in the United Kingdom prior to admission of such Debt Instruments in accordance with Part IV of the Financial Services Act 1986 (the “**FSA**”) except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the FSA;
- (b) in relation to Debt Instruments which have a maturity of one year or more and which are not to be listed on the London Stock Exchange, it has not offered or sold and, prior to the expiry of the period of six months from the issue date of such Debt Instruments, will not offer or sell any such Debt Instruments to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (c) 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 any 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 (as amended) or is a person to whom such document may otherwise lawfully be issued or passed on; and

- (d) it has complied and will comply with all applicable provisions of the FSA with respect to anything done by it in relation to any Debt Instruments in, from or otherwise involving the United Kingdom.

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 may not be offered, sold or delivered directly or indirectly in Japan or to, or for the benefit of, any Japanese person (which term means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering, resale or delivery, directly or indirectly, in Japan or to or for the benefit of any Japanese person in contravention of the Securities and Exchange Law and other relevant Japanese laws, regulations or administrative guidelines.

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.

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