

PART B

**Financial Statements
of the
SAS Trustee Corporation**



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

SAS Trustee Corporation

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the SAS Trustee Corporation (STC):

- presents fairly the STC's and the consolidated entity's (defined below) financial position as at 30 June 2006 and their performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act), and the *Public Finance and Audit Regulation 2005*.

My opinion should be read in conjunction with the rest of this report.

Scope

The Financial Report and Board's Responsibility

The financial report comprises the balance sheets, income statements, statements of changes in equity, cash flow statements and accompanying notes to the financial statements for the STC and consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises the STC and the entities it controlled during the year.

The Board of the STC are responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Board in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Board had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the STC or its controlled entities,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



A T Whitfield
Deputy Auditor-General

SYDNEY
27 September 2006

SAS Trustee Corporation

Statement by Members of the Trustee Board for the year ended 30 June 2006

Pursuant to Section 41C(1B) and (1C) of the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Board of the SAS Trustee Corporation, we declare on behalf of the Board that in our opinion:

1. the financial statements present a true and fair view of the financial position of the SAS Trustee Corporation at 30 June 2006 and transactions for the year then ended, and
2. the financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's Directions.

Further, we are not aware of any circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 27th day of September 2006.



Michael Cole
Chairperson
SAS Trustee Corporation



Ian Blair
Board Member and Chairperson of the Audit
and Compliance Committee
SAS Trustee Corporation

SAS Trustee Corporation

Income Statement for the year ended 30 June 2006

	NOTE	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Revenue from Continuing Operations	2	34,025	36,421	34,025	36,421
Expenses of Continuing Operations	2	(34,025)	(36,421)	(34,025)	(36,421)
Result for the period		-	-	-	-

The accompanying notes form an integral part of the above Income Statement.

SAS Trustee Corporation

Balance Sheet As at 30 June 2006

NOTE	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Current Assets				
Cash and cash equivalents	9(a) 2,213	3,581	2,213	3,581
Receivables	3 4,880	2,726	4,772	2,726
Other current assets	22	41	22	41
Total Current Assets	7,115	6,348	7,007	6,348
Total Assets				
	7,115	6,348	7,007	6,348
Current Liabilities				
Payables	4 5,408	4,157	7,007	4,157
Short-term provisions	5 1,403	1,343	-	1,343
Total Current Liabilities	6,811	5,500	7,007	5,500
Non-Current Liabilities				
Long-term provisions	5 304	848	-	848
Total Non-current Liabilities	304	848	-	848
Total Liabilities				
	7,115	6,348	7,007	6,348
Net Assets				
	-	-	-	-
Total Equity				
	-	-	-	-

The accompanying notes form an integral part of the above Balance Sheet.

SAS Trustee Corporation

Cash Flow Statement for the year ended 30 June 2006

	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
NOTE				
Cash Flows from Operating Activities				
Receipts from Associated Schemes	30,951	37,004	30,951	37,004
Interest Received	198	144	198	144
Payments to Suppliers and Employees	(32,517)	(33,997)	(32,517)	(33,997)
Net Operating Cash Flows	9 (b) <u>(1,368)</u>	<u>3,151</u>	9 (b) <u>(1,368)</u>	<u>3,151</u>
Net Increase/(Decrease) in Cash Held	(1,368)	3,151	(1,368)	3,151
Cash at the Beginning of the Financial Year	3,581	430	3,581	430
Cash at the End of the Financial Year	9 (a) <u>2,213</u>	<u>3,581</u>	9 (a) <u>2,213</u>	<u>3,581</u>

The accompanying notes form an integral part of the above Cash Flow Statement.

SAS Trustee Corporation

Statement of Changes in Equity for the year ended 30 June 2006

NOTE	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Retained Earnings				
Balance at start of period	-	-	-	-
Changes in accounting policy	-	-	-	-
Result for period	-	-	-	-
2	-	-	-	-
Balance at end of period	-	-	-	-

The accompanying notes form an integral part of the above Statement of Changes in Equity.

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

1. STATEMENT OF ACCOUNTING POLICIES

Under the terms of the *Superannuation Administration Act 1996* (the Act), the SAS Trustee Corporation (STC) acts as trustee and holds in trust all assets of the Pooled Fund. STC is economically dependent on the Pooled Fund.

STC is, for the purpose of any Acts, a statutory body. It is domiciled in NSW Australia. Its registered address is Level 17, 83 Clarence Street Sydney, NSW, 2000.

Scheme administration services for the Pooled Fund are carried out by the Superannuation Administration Corporation trading as Pillar Administration (Pillar). Pillar charges fees for the services it provides.

STC Fund's custodial activities are performed by JPMorgan Investor Services, DB RREEF Funds Management Limited and Deutsche Asset Management (Australia) Limited.

The Pooled Fund is a separate reporting entity for accounting and taxation purposes.

The SAS Trustee Corporation is the parent entity of an Economic Entity comprising –

- SAS Trustee Corporation (referred to as the “Statutory Corporation” in the above statements) and,
- SAS Trustee Corporation Division of the Government Service of NSW. The principles of consolidation of these entities is described at note 1(b) below.

(a) General System of Accounting Underlying the Financial Statements

The financial statements form a general purpose financial report and are prepared in accordance with -

- the *Public Finance and Audit Act 1983*
- the *Public Finance and Audit Regulation 2005*
- the Treasurer's Directions
- applicable Australian Accounting Standards and other professional reporting requirements including Urgent Issues Group Interpretations.

The financial statements comply with Australian equivalents to International Financial Reporting Standards (A-IFRS). Both the Economic Entity and the Parent Entity are not-for-profit entities and A-IFRS have been applied as applicable to not-for-profit entities.

The financial statements have been prepared on an historical cost basis using the accrual method of accounting and do not reflect changing money values of assets. Interest and fee income is accounted for on an accrual basis.

The accounting policies adopted in preparing the financial statements have been consistently applied during the year, unless otherwise stated.

All amounts are expressed in Australian dollars.

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(b) Principles of Consolidation

The consolidated financial report incorporates the assets and liabilities of STC ("Statutory Corporation") and its controlled entity as at 30 June 2006 and the results of Statutory Corporation and the controlled entity for the period then ended. The Statutory Corporation and its controlled entity is referred to in this financial report as the "Economic Entity". The effects of all transactions within the Economic Entity are eliminated in full. There are no outside equity interests.

As the controlled entity was created and control commenced during the year, its results are included in the consolidated Income Statement, Balance Sheet, Cash Flow Statement and Statement of Changes in Equity from the date of creation (17 March 2006).

The accounting policies adopted in the preparing the financial reports are consistently applied by the Statutory Corporation, the Economic Entity and the controlled entity.

The controlled entity also prepares a separate financial report. This financial report is audited by the Auditor-General of NSW.

(c) Administration Expenses and Revenue

All costs relating to scheme administration and executive management of the Pooled Fund are incurred by Statutory Corporation and comprise the direct expenses of Statutory Corporation and administration fees from Pillar.

Under the terms of the Act, the Statutory Corporation must recover the costs it incurs from the Pooled Fund. Consequently it recognises an amount equal to the costs incurred at the time the services are delivered.

Lease expenses are recognised on a straight line basis over the lease term, including incentives and contingent rentals.

(d) Employee Benefits

Wages, salaries and annual leave

The provision for employee benefits relating to wages, salaries and annual leave represents the amount which the Economic Entity has a present obligation to pay resulting from employees' services provided up to the balance date. These provisions are expected to be settled within 12 months and are measured at their nominal values using the remuneration rates expected to apply at the time of settlement. Such measurement provides a reliable estimate of the liability.

Long service leave

The liability for employee benefits relating to long service leave is measured at their discounted value using the risk free rate mandated by NSW Treasury. Such measurement provides a reliable estimate of the liability.

Superannuation

Any unfunded superannuation liability is recognised as a liability in the Balance Sheet and amounts representing pre-paid superannuation contributions are recognised as an asset. The Economic Entity is meeting in full the total superannuation liabilities for its employees. The contributions made to superannuation funds are charged against the operating result.

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(e) Roundings

All values reported in the financial statements have been rounded to the nearest thousand dollars, except where otherwise stated.

(f) Cash Flows

Under current funding arrangements all cash payments to external parties with the exception of Investment Management and Custody fees incurred on behalf of the Statutory Corporation are transacted through the Statutory Corporation's bank account and recovered from the Pooled Fund. Investment Management and Custody fees are disbursed directly by the Custodian from the Fund's pool of assets.

All transactions of the SAS Trustee Corporation Division of the Government Service of NSW are conducted through Statutory Corporation's bank account.

(g) Financial Instruments

Financial Instruments give rise to positions that are financial assets or liabilities. These include Cash at Bank, Receivables and Accounts Payable. All classes of instruments are initially recorded at cost and are subsequently carried at amortised cost. Such measurement provides a reliable estimate of the liability. Any impairment loss occurring on financial instruments is treated as an expense in the period in which it occurs.

(h) Accounting standards issued but not yet effective

The following accounting standards issued but not yet effective have not been applied –

- AASB 7 Financial Instruments Disclosures (potentially more substantial risk related disclosures relating to credit, liquidity and market risk). AASB7 will be implemented for the year ending 30 June 2008.
- AASB 119 Employee Benefits (requires more detailed disclosure of superannuation movements).

(i) Comparative Figures

Where there have been changes in presentation in the current financial year, the comparative figures for the previous year have been adjusted to conform to these changes.

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

2. RESULT

	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
The result includes the following items of revenue and expense:				
Management Fees	33,681	35,859	33,681	35,859
Recoupment of administration expenses from FSS Trustee Corporation	-	256	-	256
Other Income	344	306	344	306
Total Revenues	34,025	36,421	34,025	36,421
Trustee Expenses				
Board Member Fees	566	609	566	609
Other Administration Expenses	24	44	24	44
Total Trustee Expenses	590	653	590	653
Executive Expenses				
Employee Related Expenses	1,693	1,513	1,054	1,513
Superannuation	(331)	1,281	(238)	1,281
Personnel Services Expense	-	-	546	-
Fees for Services	267	340	267	340
Accommodation	270	261	270	261
Other Administration Expenses	655	234	655	234
Total Executive Expenses	2,554	3,629	2,554	3,629
Fund Expenses				
Fees for Services	2,594	1,771	2,594	1,771
Other Administration Expenses	186	41	186	41
Pillar Administration Fees	28,101	30,327	28,101	30,327
Total Fund Expenses	30,881	32,139	30,881	32,139
Total Administration Expenses	34,025	36,421	34,025	36,421

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

2. RESULT (CONTINUED)

Contained within Administration Expenses are fees paid to consultants of \$426,448 (2005 \$554,460) and audit fees of \$13,000 for the Statutory Corporation and an estimated \$3,000 for the SAS Trustee Corporation Division of the Government Service of NSW.

Lease payments made during the year comprised –

	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Minimum lease payments	246	183	246	183
Contingent rentals	-	-	-	-
	246	183	246	183

The Statutory Corporation uses operating leases to provide its office space, certain office equipment and a motor vehicle. Contingent rentals and the existence renewal options are applicable only to office space. Contingent rentals have been included to the extent the amounts are calculable.

3. RECEIVABLES	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Current				
Amounts Receivable — Pooled Fund	4,244	1,788	4,244	1,788
Amounts Receivable — FSS Trustee Corporation (FTC)	-	425	-	425
Other Receivables	528	513	528	513
Superannuation (refer Note 7)	108	-	-	-
	4,880	2,726	4,772	2,726

The amount receivable from FTC for executive costs is for 50% of certain shared costs for the period 1 July 2004 to 31 December 2004. From 1 January 2005 FTC established its own administration facility.

4. PAYABLES	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Current				
Amount Payable — Pillar (Administration Fees)	2,503	2,483	2,503	2,483
Other Payables	2,905	1,674	2,905	1,674
Amounts Payable – SAS Trustee Corporation Division of the Government Service of NSW	-	-	1,599	-
	5,408	4,157	7,007	4,157

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

5. PROVISIONS

	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Current				
Employee Benefits	783	362	-	362
Superannuation (refer Note 7)	620	981	-	981
	1,403	1,343	-	1,343
Non-current				
Employee Benefits	304	848	-	848
	304	848	-	848

6. EXECUTIVES' REMUNERATION

	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Income received or due and receivable by executive officers of Statutory Corporation whose income is \$100,000 or more	1,645	1,485	732	1,485

The number of executive officers whose income is \$100,000 or more are shown below in their relevant income bands:	Economic Entity 2006 Number	Economic Entity 2005 Number	Statutory Corporation 2006 Number	Statutory Corporation 2005 Number
Remuneration (including superannuation contributions) of:				
\$110,000 — \$119,999	1	1	1	1
\$120,000 — \$129,999	3	2	2	2
\$130,000 — \$139,999	1	-	-	-
\$140,000 — \$149,999	-	1	-	1
\$150,000 — \$159,999	1	1	-	1
\$160,000 — \$169,999	1	-	-	-
\$170,000 — \$179,999	-	1	1	1
\$180,000 — \$189,999	1	1	-	1
\$190,000 — \$199,999	-	-	1	-
\$210,000 — \$219,999	-	1	-	1
\$240,000 — \$249,999	1	-	-	-
\$250,000 — \$259,999	1	1	-	1
	10	9	5	9
The Statutory Corporation remuneration is for the period prior to the transfer of staff to SAS Trustee Corporation Division of Government Service of NSW – 1 July 2005 to 17 March 2006.				

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

7. SUPERANNUATION

The Economic Entity participates in the following closed defined benefit superannuation schemes for some of its staff –

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS)

The following information has been prepared by the scheme actuary.

From 1 July 2005 to 17 March 2006 the superannuation liability rested with the Statutory Corporation. On 17 March it was transferred to the SAS Trustee Corporation Division of the Government Service of NSW. The transfer amount was actuarially determined.

Reconciliation of the assets and liabilities recognised in the Balance Sheet:

Economic Entity

As at 30 June 2006	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	720	231	5,077
Fair value of plan assets	(801)	(258)	(4,457)
	(81)	(27)	620
Surplus in excess of recovery available from schemes	-	-	-
Unrecognised past service cost	-	-	-
Net (asset)/liability disclosed in Balance Sheet	(81)	(27)	620

Statutory Corporation

As at 30 June 2006	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	-	-	-
Fair value of plan assets	-	-	-
	-	-	-
Surplus in excess of recovery available from schemes	-	-	-
Unrecognised past service cost	-	-	-
Net (asset)/liability disclosed in Balance Sheet	-	-	-

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

7. SUPERANNUATION (CONTINUED)

Reconciliation of the assets and liabilities recognised in the Balance Sheet (Continued)

Economic Entity

As at 30 June 2005	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	648	265	4,735
Fair value of plan assets	(639)	(264)	(3,762)
	9	1	973
Surplus in excess of recovery available from schemes	-	-	-
Unrecognised past service cost	-	-	-
Net (asset)/liability disclosed in Balance Sheet	9	1	973

Statutory Corporation

As at 30 June 2005	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	648	265	4,735
Fair value of plan assets	(639)	(264)	(3,762)
	9	1	973
Surplus in excess of recovery available from schemes	-	-	-
Unrecognised past service cost	-	-	-
Net (asset)/liability disclosed in Balance Sheet	9	1	973

All assets are invested at arm's length by STC in its capacity as the Fund's trustee.

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

7. SUPERANNUATION (CONTINUED)

Movement in net liability/asset recognised in the Balance Sheet

Economic Entity

As at 30 June 2006	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Net (asset)/liability at start of year	8	-	973
Net expense recognised in the Income Statement	(48)	(14)	(272)
Contributions	(41)	(13)	(81)
Net (asset)/liability disclosed in Balance Sheet	<u>(81)</u>	<u>(27)</u>	<u>620</u>

Statutory Corporation

As at 30 June 2006	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Net (asset)/liability at start of year	8	-	973
Transfer to Division	55	19	(722)
Net expense recognised in the Income Statement	(34)	(10)	(193)
Contributions	(29)	(9)	(58)
Net (asset)/liability disclosed in Balance Sheet	<u>-</u>	<u>-</u>	<u>-</u>

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

7. SUPERANNUATION (CONTINUED)

Movement in net liability/asset recognised in the Balance Sheet (Continued)

Economic Entity

As at 30 June 2005	SASS \$'000	SANCS \$'000	SSS \$'000
Net (asset)/liability at start of year	17	8	602
Net expense recognised in the Income Statement	23	11	484
Contributions	(31)	(18)	(113)
Net (asset)/liability disclosed in Balance Sheet	9	1	973

Economic Entity

As at 30 June 2005	SASS \$'000	SANCS \$'000	SSS \$'000
Net (asset)/liability at start of year	17	8	602
Net expense recognised in the Income Statement	23	11	484
Contributions	(31)	(18)	(113)
Net (asset)/liability disclosed in Balance Sheet	9	1	973

SAS Trustee Corporation

**Notes to the financial statements
for the year ended 30 June 2006**

7. SUPERANNUATION (CONTINUED)

Total expense recognised in Income Statement

Economic Entity

As at 30 June 2006	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Current Service Cost	31	15	58
Interest on obligation	38	13	263
Expected return on scheme assets	(48)	(19)	(281)
Net actuarial losses/(gains) recognised in year	(69)	(23)	(312)
Change in surplus in excess of recovery available from scheme	-	-	-
Past service cost	-	-	-
Losses/(gains) on curtailments and settlements	-	-	-
Total included in Employee Related Expenses	(48)	(14)	(272)

Statutory Corporation

As at 30 June 2006	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Current Service Cost	22	11	41
Interest on obligation	27	9	187
Expected return on scheme assets	(34)	(14)	(200)
Net actuarial losses/(gains) recognised in year	(49)	(16)	(221)
Change in surplus in excess of recovery available from scheme	-	-	-
Past service cost	-	-	-
Losses/(gains) on curtailments and settlements	-	-	-
Total included in Employee Related Expenses	(34)	(10)	(193)

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

7. SUPERANNUATION (CONTINUED)

Total expense recognised in Income Statement (Continued)

Economic Entity

As at 30 June 2005	SASS \$'000	SANCS \$'000	SSS \$'000
Current Service Cost	25	15	59
Interest on obligation	34	13	246
Expected return on scheme assets	(38)	(16)	(245)
Net actuarial losses/(gains) recognised in year	2	(1)	424
Change in surplus in excess of recovery available from scheme	-	-	-
Past service cost	-	-	-
Losses/(gains) on curtailments and settlements	-	-	-
Total included in Employee Related Expenses	23	11	484

Statutory Corporation

As at 30 June 2005	SASS \$'000	SANCS \$'000	SSS \$'000
Current Service Cost	25	15	59
Interest on obligation	34	13	246
Expected return on scheme assets	(38)	(16)	(245)
Net actuarial losses/(gains) recognised in year	2	(1)	424
Change in surplus in excess of recovery available from scheme	-	-	-
Past service cost	-	-	-
Losses/(gains) on curtailments and settlements	-	-	-
Total included in Employee Related Expenses	23	11	484

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

7. SUPERANNUATION (CONTINUED)

Actual return on scheme assets

Economic Entity

As at 30 June 2006	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Actual return on plan assets	101	36	608

Statutory Corporation

As at 30 June 2006	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Actual return on plan assets	72	26	432

Economic Entity

As at 30 June 2005	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Actual return on plan assets	70	29	422

Statutory Corporation

As at 30 June 2005	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Actual return on plan assets	70	29	422

Principal actuarial assumptions at reporting date

(a) Economic Assumptions

	2006	2005
Discount rate at 30 June	5.9%	5.2%
Expected return on fund assets at 30 June	7.6%	7.3%
Expected salary increases	4.0%	4.0%
Expected rate of CPI increase	2.5%	2.5%

(b) Demographic Assumptions

Demographic assumptions reflect those adopted by the scheme actuary in its triennial review of the schemes.

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

7. SUPERANNUATION (CONTINUED)

Arrangements for employer funding – Funding position calculated in accordance with AAS 25 – Financial Reporting by Superannuation Plans

Economic Entity

As at 30 June 2006	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Accrued benefits	696	223	4,297
Net market value of fund assets	(800)	(258)	(4,458)
Net (surplus)/deficit	(104)	(35)	(161)

Statutory Corporation

As at 30 June 2006	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Accrued benefits	-	-	-
Net market value of fund assets	-	-	-
Net (surplus)/deficit	-	-	-

Economic Entity

As at 30 June 2005	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Accrued benefits	601	242	3,713
Net market value of fund assets	(639)	(264)	(3,762)
Net (surplus)/deficit	(38)	(22)	(49)

Statutory Corporation

As at 30 June 2005	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Accrued benefits	601	242	3,713
Net market value of fund assets	(639)	(264)	(3,762)
Net (surplus)/deficit	(38)	(22)	(49)

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

7. SUPERANNUATION (CONTINUED)

Arrangements for employer funding – Recommended contribution rates

As at 30 June 2006	SASS Multiple of member contributions	SANCS % member salaries	SSS Multiple of member contributions
	1.90	2.50	1.60
As at 30 June 2005	SASS Multiple of member contributions	SANCS % member salaries	SSS Multiple of member contributions
	1.90	2.50	1.60

Contribution rates were determined by the scheme actuary using the Aggregate Funding Method. This method involves calculating an employer contribution rate that will ensure the availability of sufficient assets to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

Arrangements for employer funding – Economic assumptions adopted

	2006	2005
Expected rate of return on fund assets at 30 June	7.3%	7.0%
Expected salary increases	4.0%	4.0%
Expected rate of CPI increase	2.5%	2.5%

Arrangements for employer funding – Nature of asset/liability

If a surplus exists in the Economic Entity's interest in the scheme the Economic Entity may be able to use the amount by a reduction in required contribution rate. The Statutory Corporation in its capacity as the scheme's trustee and NSW Treasury must approve such a reduction.

If a deficiency exists the Economic Entity is responsible for any difference between its share of scheme assets and the defined benefit obligation.

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

8. RELATED PARTY INFORMATION

(a) Board Members and Remuneration Received or Due and Receivable by the following

2006 2005
\$ \$

The names of the Board Members of STC in office during the year ended 30 June 2006 and up to the date of signing these accounts, are as follows:

Mr I Blair	47,088	47,088
Mr M Cole	70,523	72,703
Mr R Davis	137,200	136,115
Ms A De Salis (term commenced 1 February 2006)	18,348	-
Mr R Harty	44,908	44,908
Mr M Lambert	40,548	40,548
Mr N Lewocki	44,908	44,908
Ms M O'Halloran	44,908	44,908
Ms O Sananikone (term completed 31 January 2006)	26,196	44,908
Mr P Scully	44,908	44,908
	519,535	520,994

(b) Transactions entered into during the year with Board Members and their Related Entities

2006 2005
\$'000 \$'000

Fees paid to the Statutory Corporation by State Super Financial Services Australia Limited (SSFSAL), a company in which Mr R Davis is a director, on normal commercial terms and conditions.

50 50

Rental payments and outgoings received by the Pooled Fund from SSFSAL, a company in which Mr R Davis is a director, on normal commercial terms and conditions.

904 1,233

(c)

On 17 March 2006 the NSW Government created the SAS Trustee Corporation Division of the Government Service of NSW. This entity is a special purpose entity providing personnel services to the Statutory Corporation. Its activities are conducted on behalf of the Statutory Corporation according to the Statutory Corporation's specific business needs. Day to day control of this entity is vested in the CEO of the Statutory Corporation.

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

9. CASH FLOW INFORMATION

(a) Reconciliation of Cash

	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Cash at bank	2,213	3,581	2,213	3,581

Cash flows reflect cash movements resulting from transactions with suppliers and employees including Pillar, the Pooled Fund and FTC. Under current funding arrangements all cash payments to external parties on behalf of Economic Entity are recovered from the Pooled Fund.

The Economic Entity's cash at bank is held with a major trading bank and attracts a floating interest rate which is subject to change at the discretion of the bank. At 30 June 06 the rate was 4.29% (2005 4.68%).

(b) Reconciliation of Net Result to Net Cash Used in Operating Activities

	Economic Entity 2006 \$'000 Inflows/ (Outflows)	Economic Entity 2005 \$'000 Inflows/ (Outflows)	Statutory Corporation 2006 \$'000 Inflows/ (Outflows)	Statutory Corporation 2005 \$'000 Inflows/ (Outflows)
Net Result after income tax	-	-	-	-
<u>Changes in Assets and Liabilities:</u>				
<u>(Increase)/Decrease in Assets</u>				
Prepayments	19	(37)	19	(37)
Receivables —				
Pooled Fund	(2,451)	1,830	(2,343)	1,830
FTC	425	858	425	858
Other Receivables	(128)	(74)	(128)	(74)
<u>Increase/(Decrease) in Liabilities</u>				
Payables —				
Pillar	20	(105)	20	(105)
Other Payables	1,231	(242)	2,830	(242)
Provisions	(484)	921	(2,191)	921
Net Cash From/(Used) in Operating Activities	(1,368)	3,151	(1,368)	3,151

10. SEGMENT REPORTING

The Economic Entity operates in the superannuation and investment management industry in New South Wales. All revenue, expenses, assets and liabilities are as shown in the Income Statement and Balance Sheet.

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

11. COMMITMENTS FOR EXPENDITURE

	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Lease Commitments				
Commitments in relation to non-cancellable operating leases contracted for at balance date but not provided for in the accounts, including goods and services tax:				
Payable not later than 1 year	238	209	238	209
Payable later than 1 year and not later than 5 years	957	833	957	833
Payable greater than 5 years	360	544	360	544
	1,555	1,586	1,555	1,586

Administration Expenses

Commitments in relation to fixed administration fees for the Pooled Fund payable to Pillar included in the services contract dated 1 October 2005 but not provided for in the accounts, including goods and services tax:

Payable not later than 1 year	8,479	2,300	8,479	2,300
Payable later than 1 year and not later than 5 years	27,556	-	27,556	-
	36,035	2,300	36,035	2,300

The terms of the contract allow for the fixed costs to be adjusted annually in line with an index stated in the contract.

The administration expenses noted above qualify for a reduced input tax credit of 75% of the goods and services tax included therein.

12. CONTINGENT LIABILITIES

Broadly, two classes of contingent liabilities potentially exist in relation to either the Trustee in its capacity as Trustee of the Pooled Fund, or the Fund itself:

- (i) Legal Costs and additional benefit amounts in relation to member benefit entitlement disputes, notified, but not resolved.
- (ii) Legal Costs and damages arising from claims relating to the ownership and operation of physical assets.

In both cases it is impractical to estimate the financial effect or the amount of any possible recovery from third parties relating to these contingent liabilities. The Trustee is indemnified out of the assets of the Fund.

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

13. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

This is the Economic Entity's first financial report prepared under A-IFRS.

The following adjustments were required to opening balances on transition to A-IFRS –

Income Statement

	Note	30 June 2005	1 July 2004
		\$'000	\$'000
Net Result or Loss		-	-
Adjustments to revenue on transition to A-IFRS	a, b, c	1,088	518
Adjustments to expenses on transition to A-IFRS		(1,088)	(518)
	a, b, c		
Net Result or loss under A-IFRS		-	-

Balance Sheet

	Note	30 June 2005	1 July 2004
		\$'000	\$'000
Net Assets		-	-
Adjustments to assets on transition to A-IFRS	a, b, c	978	518
Adjustments to liabilities on transition to A-IFRS	a, b, c	(978)	(518)
Net Assets Available to Pay Benefits under A-IFRS		-	-

(a) Employee Benefits - Superannuation

AASB 119 – *Employee Benefits* requires defined benefit superannuation liabilities to be discounted using a risk free rate of return. This discount rate is less than the rate previously used and results in an increased liability and increased expense.

The cumulative impact on the financial position at 30 June 2005 is an increase of provisions for superannuation by \$1,091,000 and an increase in superannuation expenses of \$1,091,000.

As the Economic Entity is required to recover all expenses from the Pooled Fund, the change in this amount results in a change in the receivable of \$1,091,000 at 30 June 2005. The change also affected the Economic Entity's revenue by the same amount.

The superannuation balances as at 30 June 2005 were revised at the request of NSW Treasury. Thus, the changes on conversion to A-IFRS have been amended from those disclosed in Economic Entity's final Australian Generally Accepted Accounting Principles based financial report.

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

13. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) Employee Benefits – Leave Entitlements

AASB 119 – *Employee Benefits* requires employees entitlements not expected to be discharged within 12 months to be stated at discounted present value.

The cumulative impact on the financial position at 30 June 2005 was a decrease of non current leave entitlements by \$3,000 and a decrease in leave expenses of \$3,000.

As the Economic Entity is required to recover all expenses from the Pooled Fund, the change in this amount results in a change in the receivable of \$3,000 at 30 June 2005. The change also affects the Economic Entity's revenue by the same amount.

(c) Lease expenses

AASB 117 – Leases requires lease expense to reflect in a straight line any incentives and contingent rentals.

The cumulative impact on the financial position at 30 June 2005 was an increase on expenses of \$14,081.

As the Economic Entity is required to recover all expenses from the Pooled Fund, the change in this amount results in a change in the receivable of \$14,081 at 30 June 2005. The change also affects the Economic Entity's revenue by the same amount.

End of Audited Financial Report