

PART B

**Financial Statements
of the
SAS Trustee Corporation Division
of the Government Service of NSW**



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

SAS Trustee Corporation Division of the Government Service of NSW

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the SAS Trustee Corporation Division of the Government Service of NSW (the *STC Division*):

- presents fairly the *STC Division's* financial position as at 30 June 2006 and its performance for the period 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 the Chief Executive Officer's Responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for the *STC Division*, for the period ended 30 June 2006.

The Chief Executive Officer of the *STC Division* is 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 Chief Executive Officer 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 Chief Executive Officer had not fulfilled his reporting obligations.

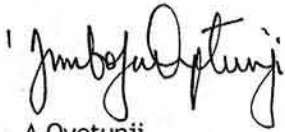
My opinion does *not* provide assurance:

- about the future viability of the STC Division,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its 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 Oyetunji
Director, Financial Audit Services

SYDNEY
20 September

SAS Trustee Corporation Division of the Government Service of NSW

Statement by Chief Executive Officer for the period ended 30 June 2006

Pursuant to Section 41C(1B) and (1C) of the *Public Finance and Audit Act 1983* I declare that in my opinion:

1. the financial statements present a true and fair view of the financial position of the SAS Trustee Corporation Division of the Government Service of NSW at 30 June 2006 and transactions for the period 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, I am not aware of any circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 19 day of September 2006.



Don McLean
Chief Executive Officer

SAS Trustee Corporation Division of the Government Service of NSW

Income Statement for the period ended 30 June 2006

	NOTE	<u>2006</u> <u>\$'000</u>
Revenue		
Personnel Services		<u>546</u>
Expenses		
Salaries		548
Defined contribution superannuation		42
Defined benefit superannuation		(135)
Annual and long service leave		36
Other Payroll Related		<u>55</u>
Total expenses		<u>546</u>
Operating Result	2	<u>-</u>

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

SAS Trustee Corporation Division of the Government Service of NSW

Balance Sheet As at 30 June 2006

	NOTE	<u>2006</u> <u>\$'000</u>
Current Assets		
Receivables	3	<u>1,707</u>
		<u>1,707</u>
Current Liabilities		
Payables	4	-
Short-term provisions	5	<u>1,403</u>
Total Current Liabilities		<u>1,403</u>
Non-Current Liabilities		
Long-term provisions	5	<u>304</u>
Total Non-current Liabilities		<u>304</u>
Total Liabilities		<u>1,707</u>
Net Assets		<u>-</u>
Total Equity		<u>-</u>

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

SAS Trustee Corporation Division of the Government Service of NSW

**Cash Flows Statement
for the period ended 30 June 2006**

		2006 \$'000
	NOTE	Inflows/ (Outflows)
Cash Flows from Operating Activities		
Receipts		546
Interest Received		
Payments to Suppliers and Employees		(546)
Net Operating Cash Flows	9 (b)	-
Net Increase/(Decrease) in Cash Held		-
Cash at the Beginning of the Financial Period		-
Cash at the End of the Financial Period	9 (a)	-

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

SAS Trustee Corporation Division of the Government Service of NSW

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

	NOTE	<u>2006</u> <u>\$'000</u>
Retained Earnings		
Balance at start of period		-
Changes in accounting policy		-
Result for period	2	-
Balance at end of period		<u>-</u>

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

SAS Trustee Corporation Division of the Government Service of NSW

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

1. STATEMENT OF ACCOUNTING POLICIES

A. Reporting entity

The SAS Trustee Corporation Division of the Government Service of NSW is a Division of the Government Service, established pursuant to Part 2 of Schedule 1 to the *Public Sector Employment and Management Act 2002*. It is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts. It is domiciled in NSW Australia and its office is at Level 17, 83 Clarence Street, Sydney.

The objective of the SAS Trustee Corporation Division of the Government Service of NSW is to provide personnel services to the SAS Trustee Corporation (STC).

The SAS Trustee Corporation Division of the Government Service of NSW commenced operations on 17 March 2006 when it assumed responsibility for the employees and employee-related liabilities of the SAS Trustee Corporation. The assumed liabilities were recognised on 17 March 2006 together with an offsetting receivable representing the related funding due from the former employer.

The financial report was authorised for issue by the Chief Executive Officer of STC. The report will not be amended and reissued as it has been audited.

B. Basis of preparation

This is a general purpose financial report prepared in accordance with the requirements of Australian Accounting Standards, the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and specific directions issued by the Treasurer.

This is the first financial report prepared on the basis of Australian Equivalents to International Financial Reporting Standards.

Generally, the historical cost basis of accounting has been adopted and the financial report does not take into account changing money values or current valuations. However, certain provisions are measured at fair value (see note 1 G).

The accrual basis of accounting has been adopted in the preparation of the financial report, except for cash flow information.

Management's judgements, key assumptions and estimates are disclosed in the relevant notes to the financial report.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

C. Comparative information

As this is the first financial report for the SAS Trustee Corporation Division of the Government Service of NSW, comparative information for the previous year is not provided.

D. Income

Income is measured at the fair value of the consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

SAS Trustee Corporation Division of the Government Service of NSW

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

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

E. Receivables

A receivable is recognised when it is probable that the future cash inflows associated with it will be realised and it has a value that can be measured reliably. It is derecognised when the contractual or other rights to future cash flows from it expire or are transferred.

A receivable is measured initially at fair value and subsequently at amortised cost using the effective interest rate method, less any allowance for doubtful debts. A short-term receivable with no stated interest rate is measured at the original invoice amount where the effect of discounting is immaterial. An invoiced receivable is due for settlement within thirty days of invoicing.

If there is objective evidence at period end that a receivable may not be collectable, its carrying amount is reduced by means of an allowance for doubtful debts and the resulting loss is recognised in the income statement. Receivables are monitored during the period and bad debts written off against the allowance when they are determined to be irrecoverable. Any other loss or gain arising when a receivable is derecognised is also recognised in the income statement.

F. Payables

Payable include accrued wages, salaries and related on costs (such as payroll tax, fringe benefits tax and workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

A payable is recognised when a present obligation arises under a contract or otherwise. It is derecognised when the obligation expires or is discharged, cancelled or substituted.

A short-term payable with no stated interest rate is measured at historical cost of the effect of discounting is immaterial.

SAS Trustee Corporation Division of the Government Service of NSW

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

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

G. Employee benefit provision and expenses

Provisions are made for liabilities of uncertain amount or uncertain timing of settlement.

Employee benefit provisions represent expected amounts payable in the future in respect of unused entitlements accumulated as at the reporting date. Liabilities associated with, but that are not, employee benefits (such as payroll tax) are recognised separately.

Superannuation and leave liabilities are recognised as expenses and provision when the obligations arise, which is usually through the rendering of service by employees.

Long-term annual leave (ie that is not expected to be taken within twelve months) is measured at present value using a discount rate equal to the market yield of government bonds.

Superannuation and long service leave provisions are actuarially assessed prior to each reporting date and are measured at the present value of expected future payments.

All other employee benefit liabilities (ie for benefits falling due wholly within twelve months after reporting date) are assessed by management and are measured at the undiscounted amount of expected future payments.

The amount recognised for superannuation and long service leave provisions is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligations are to be settled directly.

The amount recognised in the income statement for superannuation and long service leave is the net total of current service cost, interest cost, the expected return on plan assets and actuarial gains and losses. Actuarial gains or losses are recognised as income or expense in the year they occur.

The actuarial assessment of superannuation provisions uses the Projected Unit Credit Method and reflects the benefit set out in the terms of the schemes. The liabilities are discounted using the market yield rate on government bonds of similar maturity to those obligations. Actuarial assumptions are unbiased and mutually compatible and financial assumptions are based on market expectations for the period over which the obligations are to be settled.

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).

2. RESULT

The SAS Trustee Corporation Division of the Government Service of NSW did not make any payments to consultants

The audit fee for the entity is met by STC and is estimated at \$3,000. The auditor provided no other services other than the audit of this financial report.

SAS Trustee Corporation Division of the Government Service of NSW

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

	2006 \$'000
3. RECEIVABLES	
Current	
Amounts Receivable — STC	1,599
Superannuation (refer Note 7)	108
	<u>1,707</u>
4. PAYABLES	
Current	
Amount Payable — STC	-
Other Payables	-
	<u>-</u>
5. PROVISIONS	
Current	
Employee Benefits	783
Superannuation (refer Note 7)	620
	<u>1,403</u>
Non-current	
Employee Benefits	304
	<u>304</u>

SAS Trustee Corporation Division of the Government Service of NSW

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

6. EXECUTIVES' REMUNERATION

2006
\$'000

Income received or due and receivable during the period 1 July 2005 to 30 June 2006 by executive officers of the SAS Trustee Corporation Division of the Government Service of NSW whose income is \$100,000 or more

1,645

The number of executive officers whose income is \$100,000 or more are shown below in their relevant income bands:

2006
Number

Remuneration (including superannuation contributions) of:

\$110,000	—	\$119,999	1
\$120,000	—	\$129,999	3
\$130,000	—	\$139,999	1
\$150,000	—	\$159,999	1
\$160,000	—	\$169,999	1
\$180,000	—	\$189,999	1
\$240,000	—	\$249,999	1
\$250,000	—	\$259,999	1
			<u>10</u>

SAS Trustee Corporation Division of the Government Service of NSW

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

7. SUPERANNUATION

The SAS Trustee Corporation Division of the Government Service of NSW 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.

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

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

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

Movement in net liability/asset recognised in the Balance Sheet:

As at 30 June 2006	SASS \$'000	SANCS \$'000	SSS \$'000
Net (asset)/liability transferred in on 17 March 2006	(55)	(19)	722
Net expense recognised in the Income Statement	(14)	(4)	(79)
Contributions	(12)	(4)	(23)
Net (asset)/liability disclosed in Balance Sheet	(81)	(27)	620

SAS Trustee Corporation Division of the Government Service of NSW

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

7. SUPERANNUATION (CONTINUED)

Total expense recognised in Income Statement

As at 30 June 2006	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Current Service Cost	9	4	17
Interest on obligation	11	4	76
Expected return on scheme assets	(14)	(6)	(82)
Net actuarial losses/(gains) recognised in period	(20)	(7)	(90)
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	(14)	(5)	(79)

Actual return on scheme assets

As at 30 June 2006	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Actual return on plan assets	29	11	176

Principal actuarial assumptions at reporting date

(a) Economic Assumptions

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

SAS Trustee Corporation Division of the Government Service of NSW

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

7. SUPERANNUATION (CONTINUED)

(b) Demographic Assumptions

Demographic assumptions reflected those adopted by the Scheme actuary in its triennial review of the schemes.

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

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)

Arrangements for employer funding – Recommended contribution rates

As at 30 June 2006	SASS	SANCS	SSS
	Multiple of member contributions	% member salaries	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

Expected rate of return on fund assets at 30 June	7.3% p.a.
Expected salary increases	4.0% p.a.
Expected rate of CPI increase	2.5% p.a.

Arrangements for employer funding – Nature of asset/liability

If a surplus exists in the entity's interest as an employer in the scheme it may be able to use the amount by a reduction in required contribution rate. STC in its capacity as the scheme's trustee and NSW Treasury must approve such a reduction.

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

SAS Trustee Corporation Division of the Government Service of NSW

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

8. RELATED PARTY INFORMATION

Transactions entered into during the period with Parent Entity	2006 \$'000
Staff services provided at cost to SAS Trustee Corporation –	
• revenue	546
• expense	(546)

The SAS Trustee Corporation Division of the Government Service of NSW receives the following services from the SAS Trustee Corporation at no charge –

- administration support
- accounting support
- payment of external audit fees.

9. CASH FLOW INFORMATION

(a) Reconciliation of Cash	2006 \$'000
Cash at Bank	-

The SAS Trustee Corporation Division of the Government Service of NSW did not have a bank account at 30 June 2006. All transactions are transacted through the bank account of the SAS Trustee Corporation.

The SAS Trustee Corporation Division of the Government Service of NSW does not have any credit standby arrangements or loan facilities.

SAS Trustee Corporation Division of the Government Service of NSW

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

9. CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of Net Result to Net Cash Used in Operating Activities	2006 \$'000 Inflows/ (Outflows)
Net Result after income tax	
Changes in Assets and Liabilities:	
<u>(Increase)/Decrease in Assets</u>	
Prepayments	-
Receivables	1,707
 <u>Increase/(Decrease) in Liabilities</u>	
Payables	-
Provisions	1,707
Net Cash From/(Used) in Operating Activities	-

10. SEGMENT REPORTING

The SAS Trustee Corporation Division of the Government Service of NSW operates to provide staff to the SAS Trustee Corporation. It operates solely in New South Wales. All revenue, expenses, assets and liabilities are as shown in the Income Statement and Balance Sheet.

11. COMMITMENTS FOR EXPENDITURE	2006 \$'000
	-

12. CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2006.

End of Audited Financial Report