

PART B

**Financial Statements
of the
SAS Trustee Corporation
Pooled Fund**



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

SAS Trustee Corporation - Pooled Fund

To the Treasurer

Audit Opinion

In my opinion, the financial report of the SAS Trustee Corporation - Pooled Fund (the Fund):

- presents fairly the Fund's financial position as at 30 June 2006 and its 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 Trustee's Responsibility

The financial report comprises the statement of changes in net assets, the statement of net assets, and the accompanying notes to the financial statements for the Fund, for the year ended 30 June 2006.

The members of the Board of the SAS Trustee Corporation, as trustee of the Fund are responsible for the preparation of the financial report. 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* 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 Trustee 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 Trustee Board had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Fund,
- 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 *Public Finance and Audit Act 1983* 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 POOLED FUND

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 Pooled Fund 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 POOLED FUND

Statement of Changes in Net Assets

for the year ended 30 June 2006

	Note	2006 \$'m	2005 \$'m
Net Assets Available to Pay Benefits at Beginning of Financial Year		25,899.9	24,214.6
Contribution Revenue			
Employer Contributions		273.7	331.5
Member Contributions		507.2	494.6
	2	780.9	826.1
Transfers			
Scheme Mobility Transfer	4	(0.4)	(7.6)
Investment Revenue			
Short Term Securities		32.4	14.2
Australian Fixed Interest		179.9	180.9
International Fixed Interest		81.3	71.6
Australian Equities		568.5	553.0
International Equities		123.7	147.7
Property		139.5	187.0
		1,125.3	1,154.4
Changes in Net Market Values of Investments		3,246.2	2,199.1
	5	4,371.5	3,353.5
Investment Expenses		(60.1)	(59.4)
Net Investment Revenue		4,311.4	3,294.1
Other Revenue		3.8	3.9
Total Revenue from Ordinary Activities		5,095.7	4,116.5
Benefits Paid	12(b)	(2,457.8)	(2,398.0)
Scheme Administration Expenses	6	(33.7)	(35.3)
Superannuation Contributions Surcharge		(12.9)	(14.3)
Other Expense		(0.7)	(1.3)
Total Expenses from Ordinary Activities		(2,505.1)	(2,448.9)
Change in Net Assets Before Income Tax		2,590.6	1,667.6
Income Tax Benefit	7(a)	87.6	17.7
Change in Net Assets Available to Pay Benefits After Income Tax		2,678.2	1,685.3
Net Assets Available to Pay Benefits at End of Financial Year	8	28,578.1	25,899.9

The above Statement of Changes in Net Assets should be read in conjunction with the accompanying Notes.

SAS TRUSTEE CORPORATION POOLED FUND

Statement of Net Assets
as at 30 June 2006

	Note	2006 \$'m	2005 \$'m
INVESTMENTS			
Short Term Securities		1,421.2	2,291.7
Australian Fixed Interest		2,996.7	3,131.5
International Fixed Interest		1,413.2	1,455.6
Australian Equities		12,420.2	10,808.4
International Equities		7,923.3	6,069.7
Property		2,524.8	2,223.3
		28,699.4	25,980.2
OTHER ASSETS			
Cash at Bank		3.4	3.4
Receivables	9	290.3	242.8
Plant and Equipment		0.1	0.1
Sundry Assets		-	15.7
Current Tax Asset	7(a)	120.4	58.6
		414.2	320.6
TOTAL ASSETS			
		29,113.6	26,300.8
Less:			
LIABILITIES			
Reserve Units	10	4.6	4.7
Payables	11	328.3	248.4
Deferred Tax Liability	7(b)	202.6	147.8
		535.5	400.9
NET ASSETS AVAILABLE TO PAY BENEFITS			
	8	28,578.1	25,899.9

The above Statement of Net Assets should be read in conjunction with the accompanying Notes.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are a general purpose financial report for the SAS Trustee Corporation Pooled Fund (the Fund) reporting entity that consists of the State Authorities Superannuation Scheme (SASS), the State Authorities Non-contributory Superannuation Scheme (SANCS), the State Superannuation Scheme (SSS) and the Police Superannuation Scheme (PSS). These are the superannuation schemes administered by the SAS Trustee Corporation (STC) under the *Superannuation Administration Act 1996* (the Act). STC acts as trustee and holds in trust all assets of the Fund.

The Schemes of the Fund were established under and are governed by various Acts of the New South Wales Parliament. SANCS, SSS and PSS are defined benefit plans, while SASS comprises both a defined benefit component and a defined contribution component. All Schemes in the Fund are closed to new members. The Fund is domiciled in NSW Australia. Its registered address is Level 17, 83 Clarence Street Sydney, NSW, 2000.

Scheme administration services for the Fund are carried out by the Superannuation Administration Corporation trading as Pillar Administration (Pillar). The Fund's custodial activities are performed by JPMorgan Investor Services, DB RREEF Funds Management Ltd and Deutsche Asset Management (Australia) Limited.

Investment managers of the Fund during the year ended 30 June 2006 are:

- Access Economics Pty Limited
- AMP Capital Investors Limited
- Barclays Global Investors Australia Limited
- BIAM Australia Limited
- Capital International Inc.
- DB RREEF Funds Management Ltd
- Deutsche Asset Management (Australia) Limited
- Fidelity International Limited
- GMO Australia Limited
- LaSalle Investment Management (Securities), LP
- Macquarie Investment Management Limited
- Maple-Brown Abbott Limited
- T-Corp (New South Wales Treasury Corporation)
- Pareto Investment Management Limited
- Perennial Value Management Limited
- Perpetual Investment Management Limited
- State Street Global Advisors Australia Limited
- UBS Global Asset Management (Australia) Limited
- Vanguard Investments Australia Ltd
- Wallara Asset Management Pty Limited
- Wellington Management Company LLP

Each manager is required to invest the assets managed by it in accordance with the terms of a written investment mandate. The investment managers and custodians charge management fees for the services provided.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following explains the significant accounting policies which have been adopted in the preparation of the financial statements. Unless otherwise stated, such accounting policies were also adopted in the corresponding preceding reporting period.

(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 (for example, Urgent Issues Group Interpretations).

The financial statements have been drawn up in accordance with Statements of Accounting Concepts, Australian Accounting Standard AAS 25 – *Financial Reporting by Superannuation Plans (AAS 25)* and relevant legislative requirements.

The financial statements comply with Australian equivalents to International Financial Reporting Standards (A-IFRS) to the extent such standards are not inconsistent with AAS 25. The Pooled Fund is a not-for-profit entity.

The accrual method of accounting is used and the financial statements are also prepared in accordance with the historic cost convention, except for assets stated in Note 1(b).

In accordance with the criteria set out in the Australian Accounting Standard AASB 3 – *Business Combinations* and AASB 127 – *Consolidated and Separate Financial Statements*, the Fund is the parent entity of the economic entity. Entities in the economic entity are shown in Note 14. Consolidated financial statements have not been prepared in accordance with these standards on the grounds that the controlled entities are not material to these financial statements. Investments in subsidiaries are carried at net market value.

All amounts are presented in Australian Dollars unless otherwise stated.

(b) Assets and Liabilities

Assets and liabilities of the Fund are valued at reporting date at net market values. Net market values comprise market values less estimated costs of disposal. Changes in net market values, representing gains or losses, are recognised in the Statement of Changes in Net Assets in the period in which they occur.

The valuation of each class of asset at 30 June 2006 is determined as follows:

Short Term Securities:	Market rates.
Fixed Interest:	Relevant fixed interest securities markets.
Equities and Unit Trusts:	Relevant stock exchange official quotation or if unlisted, independent or manager valuation.
Property:	Current market value determined individually by independent registered valuers on the basis of an exchange between knowledgeable and willing parties in an arm's length transaction.
Plant and Equipment:	Valued at net fair values; where assets are not material and for which fair values are not readily available, the assets are shown at their written down values. During the year the fair value of plant and equipment declined by \$32,151 (30 June 2005: \$82,611).

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Others: e.g. Sundry Assets and Receivables, where net market values are not applicable, the assets are shown at net fair values. Assets are reviewed annually to ensure they are not recognised at amounts exceeding the value of the economic benefits to be provided by continued use.

All transactions relating to financial instruments are accounted for using trade date accounting.

The Trustees have concluded that the above measurement bases are appropriate. The nature of the assets and liabilities is that measurement amounts may change over time.

Assets and liabilities are recognised when the Fund becomes party to the instrument's contractual provisions.

Assets are derecognised when the contractual rights to cash flows from the asset expire or are transferred to another party.

Liabilities are derecognised when the contractual obligation relating to the liability is discharged, cancelled or expires.

(c) Foreign Currency Transactions

Foreign currency transactions during the year are converted to Australian dollars at the rate of exchange applicable at the date of the transaction. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date. Resulting exchange differences are included in the change in net assets for the year.

(d) Income Tax

The Fund is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1936*. Accordingly, the concessional tax rate of 15% has been applied.

Income tax on the Change in Net Assets for the year comprises current and deferred tax. Income tax is reflected in the Statement of Changes in Net Assets.

Current Tax is the expected tax payable on the taxable income for the year using the concessional tax rate of 15% and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax provided uses the tax rate applicable at balance date.

A deferred tax asset is only recognised to the extent it is probable that future taxable surpluses will be available against which the asset can be used.

(e) Management Expenses

Management expenses charged to the Fund comprise:

Investment Expenses: These are charged directly against investment revenue.

Scheme Administration Expenses: The expenses were allocated in accordance with Trustee policy during the year. The basis for the allocation was number of members and the administrative complexity of each individual Scheme.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Superannuation Contributions Surcharge Tax

The Superannuation Contributions Surcharge tax is levied on surchargeable contributions on the basis of the individual member's adjusted taxable income. Surcharge assessments which are received and paid by the Fund are charged to the relevant members' surcharge debt account.

No provision has been made in these financial statements for the amount of the superannuation contributions surcharge tax which may be payable by the Fund under the *Superannuation Contributions Tax (Assessment and Collections) Act 1997* as the assessments received to date are not considered to be indicative of future assessments. The liability shown in the Statement of Net Assets is calculated using assessments received up to 30 June 2006. The *Superannuation Contributions Tax (Assessment and Collections) Act 1997* was abolished with effect from 1 July 2005.

(g) Rounding

All values reported in the financial statements have been rounded to the nearest million dollars taken to one decimal place, except where otherwise stated.

(h) 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.

(i) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Contributions and Transfers in

Contributions and transfers in are recognised when control of the asset has been attained and are recorded in the period to which they relate.

Interest

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

Dividends

Dividends are recognised on the ex-date.

(j) Early Implementation of Accounting Standards

The Trustee has elected not to early adopt AASB 7 – *Financial Instruments: Disclosures*. The key variation between AASB 7 and current accounting standards is that AASB 7 requires more substantial risk related disclosures relating to credit, liquidity and market risk. AASB 7 will be implemented for the year ended 30 June 2008.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ending 30 June 2006

2. EMPLOYER AND MEMBER CONTRIBUTIONS

	2006				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Employer Contributions	145.8	17.5	109.8	0.6	273.7
Member Contributions	207.0	13.1	270.6	16.5	507.2
Total Contributions	352.8	30.6	380.4	17.1	780.9

	2005				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Employer Contributions	139.3	81.0	110.7	0.5	331.5
Member Contributions	209.9	4.5	262.6	17.6	494.6
Total Contributions	349.2	85.5	373.3	18.1	826.1

The payment of all benefits under the Schemes associated with the Fund is provided for by New South Wales Government statute and the liability is funded, as a minimum, as the benefits become payable.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

2. EMPLOYER AND MEMBER CONTRIBUTIONS (Continued)

Member and Employer contributions for each of the Schemes are determined on the bases described below. The bases for the current year remain unchanged from the previous year. Member contributions for the SANCS represent the co-contributions received from the Federal Government.

Contributions made by the Crown vary from year to year depending upon government liability management priorities. Since 1999, the contributions made by the Crown have decreased significantly (\$nil in 2006; \$nil in 2005; \$nil in 2004; \$nil in 2003; \$nil in 2002; \$243 million in 2001 and \$587 million in 2000).

The Government's objective is to fully fund its superannuation liabilities by 2030. This objective requires that employer contributions be periodically reassessed to ensure that they remain sufficient to achieve full funding by 2030.

A non-superannuation investment fund (the General Government Liability Management Fund (GGLMF)) has been established by the Crown to accumulate Crown employer superannuation contributions. The net assets held in the GGLMF at 30 June 2006 were \$6.3 billion (2005 \$4.1 billion).

The GGLMF receives the level of contributions determined by the Government to meet full funding of superannuation liabilities by 2030. The GGLMF legislation requires that the financial assets accumulated in the investment fund be strictly applied only for the purposes of:

- ◆ transferring assets to the SAS Trustee Corporation defined benefit superannuation trust fund;
- ◆ directly meeting superannuation liabilities, including surcharge debt liabilities incurred by judges, whose pension arrangements are unfunded; and
- ◆ after providing assets to fully cover superannuation liabilities, repaying government borrowings on or before maturity.

(a) State Authorities Superannuation Scheme (SASS)

Member Contributions

Each member elects to contribute between 1% and 9% of salary.

Employer Contributions

Under the provisions of the *State Authorities Superannuation Act 1987* employers are grouped into the two categories below and the bases of contribution are as follows:

- Part 1 Consolidated Fund or supported Government employers and self-financing Semi-government employers are billed monthly and generally contribute at a multiple of the contributions payable by employees. The respective multiples are set by STC, with the concurrence of the NSW Treasurer, at a rate to part fund future liabilities and to fully fund emerging benefits. Some employers contribute on a less than fully funded basis, meeting liabilities as they emerge, while other employers contribute on a fully funded basis.
- Part 3 Hospitals and associated employers contribute an amount equal to their employees' own contributions. Should any shortfall occur the funding deficit is guaranteed to be met from the Consolidated Fund of the NSW Government.

Contributions made by the Crown vary from year to year depending upon government liability management priorities.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

2. EMPLOYER AND MEMBER CONTRIBUTIONS (Continued)

(b) State Authorities Non-contributory Superannuation Scheme (SANCS)

Member Contributions

As the Scheme is 100% employer funded, there are no member contributions. As noted above, any member contribution recognised represent co-contributions received from the Federal Government.

Employer Contributions

Employers are billed at a percentage of employees' salaries, set for each employer by STC with the concurrence of the NSW Treasurer. The current contribution rates for employers range from 0% and 3%.

Contributions made by the Crown vary from year to year depending upon government liability management priorities.

(c) State Superannuation Scheme (SSS)

Member Contributions

Each member contributes on a *rate for age* basis for individual pension units which become available with salary increases. Members may elect to abandon units where total contributions payable would exceed 6% of salary.

Employer Contributions

Each employer contributes at a rate equal to a multiple of relevant employee contributions. The rate is set by STC with the concurrence of the NSW Treasurer. The multiple of employee contributions is estimated to at least meet the cost of emerging benefits, though not to fully fund the employer liability for past services.

Contributions made by the Crown vary from year to year depending upon government liability management priorities.

(d) Police Superannuation Scheme (PSS)

Member Contributions

Members contribute 6% of their salary.

Employer Contributions

Employer contributions vary from year to year.

3. SASS – MEMBER INVESTMENT CHOICE

Effective from November 2003, SASS members have been given the option to choose the investment strategy for their member contributions. The option is also offered to the SASS members who have deferred their benefits. Any election applies to both their contributor financed benefits and their employer financed benefits.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

4. SCHEME MOBILITY TRANSFER

During the year, some employers and their associated members that were governed under *the Local Government Act* left the State Authorities Superannuation Scheme and State Superannuation Scheme. The total amount transferred out was \$2.4 million at 30 June 2006 (30 June 2005: \$8.6 million).

At the same time, there were Local Government and Energy Industries members who had previously left SASS and SSS but elected to return under the mobility provisions. The total amount transferred in was \$2.0 million at 30 June 2006 (30 June 2005: \$1.0 million).

5. INVESTMENT REVENUE

	2006			
	Changes in Net Market Values			
	Income	Held at Reporting Date	Realised During the Year	Total
	\$'m	Unrealised Gain/(Loss) \$'m	Gain/(Loss) \$'m	\$'m
Short Term Securities	32.4	5.7	58.0	96.1
Australian Fixed Interest	179.9	(95.0)	(5.2)	79.7
International Fixed Interest	81.3	(64.4)	(2.7)	14.2
Australian Equities	568.5	1,591.6	242.9	2,403.0
International Equities	123.7	1,045.5	175.2	1,344.4
Property	139.5	277.2	17.4	434.1
Total Investment Revenue	1,125.3	2,760.6	485.6	4,371.5

	2005			
	Changes in Net Market Values			
	Income	Held at Reporting Date	Realised During the Year	Total
	\$'m	Unrealised Gain/(Loss) \$'m	Gain/(Loss) \$'m	\$'m
Short Term Securities	14.2	9.7	63.4	87.3
Australian Fixed Interest	180.9	32.0	(1.5)	211.4
International Fixed Interest	71.6	10.9	128.7	211.2
Australian Equities	553.0	1,451.3	295.3	2,299.6
International Equities	147.7	17.5	39.2	204.4
Property	187.0	137.1	15.5	339.6
Total Investment Revenue	1,154.4	1,658.5	540.6	3,353.5

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

5. INVESTMENT REVENUE (Continued)

Interest Revenue

Within Short Term Securities, Australian Fixed Interest and International Fixed Interest is interest revenue received of \$251.9 million (2005 \$257.1 million).

Royalty Revenue

Within Australian Equities is royalty revenue received of \$14.1 million (2005 \$10.1 million).

Dividend Revenue

Within Australian Equities and International Equities is dividend revenue received of \$651.8 million (2005 \$656.8 million).

Property Lease Revenue

The Fund's property portfolio comprises interests in property trusts and several directly owned properties. These properties are leased commercially to various tenants.

The Fund engaged in the following transactions –

	2006	2005
	\$'m	\$'m
	<hr/>	<hr/>
Rental income derived	137.3	180.9
Direct property operating expenses	(39.5)	(52.7)
Contractual obligations to purchase, construct or develop properties	(14.8)	(0.2)
Contractual obligations for repairs, maintenance or enhancements to properties	-	(0.1)

The future minimum lease payments receivable by the Fund are –

	2006	2005
	\$'m	\$'m
	<hr/>	<hr/>
Not later than one year	103.6	101.6
Later than one year but not later than five years	280.8	320.9
Later than five years	116.2	141.9
	<hr/>	<hr/>
	500.6	564.4
	<hr/>	<hr/>

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

	2006 \$'m	2005 \$'m
6. SCHEME ADMINISTRATION EXPENSES		
Included in Scheme Administration Expenses are the following items:		
Audit Fees – The Auditor-General of New South Wales (audit of the financial statements and no other services)	0.4	0.4
Triennial Actuarial Fees	0.3	-

7. INCOME TAX

Income tax expense and assets and liabilities arising from the levying of income tax (including capital gains tax) on the Fund have been determined in accordance with the provisions of Australian Accounting Standard AASB 112 – *Income Taxes*.

a) Income Tax Benefit recognised in the Statement of Changes in Net Assets	2006 \$'m	2005 \$'m
Current tax benefit		
Current year	(120.4)	(58.6)
Adjustments for prior years	(22.0)	(2.3)
Deferred tax benefit		
Origination and reversal of temporary differences	54.8	43.2
Total income tax benefit in Statement of Changes in Net Assets	(87.6)	(17.7)

**Numerical reconciliation between tax benefit and pre-tax
Change in Net Assets before Tax**

Change in Net Assets before Tax	2,590.6	1,667.6
Income tax using the superannuation fund tax rate of 15%	388.6	250.1
Decrease in tax benefit due to non-deductible expenses	370.6	362.9
Increase in tax benefit due to tax exempt revenues	(745.3)	(548.2)
Notional death and disability insurance premium	(79.5)	(80.2)
Under/(Over) Provision in Prior Year	(22.0)	(2.3)
Income tax benefit on pre-tax Change in Net Assets Before Tax	(87.6)	(17.7)

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

7. INCOME TAX (Continued)

	2006	2005
	\$'m	\$'m
(b) Deferred Tax Liability		
Dividends Receivable	3.6	4.7
Interest Receivable	3.3	0.1
Unrealised Loss on Traditional Securities and Foreign Exchange	(10.9)	(2.0)
Unrealised Capital Gains	205.0	143.5
Contributions Receivable	1.6	1.5
	202.6	147.8

The Fund is exempt from tax payable on investment income set aside for the payment of pensions. In addition, the Fund is able to offset pre 1 July 1988 Funding Credits (PJFC) against the tax payable on employer contributions made during the year. The balance of PJFC available for use at 30 June 2006 amounted to \$1,030.6 million (30 June 2005: \$983.4 million). The tax benefit of these amounts has not been recognised as a deferred tax asset because the Fund has not yet received employer contributions that exceed the PJFC use threshold.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

8. NET ASSETS

	2006				Total \$'m
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	
Member Reserves (1)					
Balance at Beginning of Financial Year	3,850.7	-	4,571.9	388.4	8,811.0
Increase/(Decrease) in Net Assets	520.9	-	398.2	19.2	938.3
Balance at End of Financial Year	4,371.6	-	4,970.1	407.6	9,749.3
Employer Reserves (2)					
Balance at Beginning of Financial Year	1,283.5	147.0	13,836.4	631.8	15,898.7
Increase/(Decrease) in Net Assets	1,775.9	736.7	(925.8)	(76.9)	1,509.9
Balance at End of Financial Year	3,059.4	883.7	12,910.6	554.9	17,408.6
Death or Invalidation Reserves (3)					
Balance at Beginning of Financial Year	16.8	-	-	-	16.8
Increase/(Decrease) in Net Assets	3.2	-	-	-	3.2
Balance at End of Financial Year	20.0	-	-	-	20.0
Deferred Benefits Reserves (4)					
Balance at Beginning of Financial Year	954.3	219.1	-	-	1,173.4
Increase/(Decrease) in Net Assets	185.0	41.8	-	-	226.8
Balance at End of Financial Year	1,139.3	260.9	-	-	1,400.2
Net Assets Available to Pay Benefits	8,590.3	1,144.6	17,880.7	962.5	28,578.1

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

8. NET ASSETS (Continued)

	2005				Total \$'m
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	
Member Reserves (1)					
Balance at Beginning of Financial Year	3,484.9	-	4,393.5	378.0	8,256.4
Increase/(Decrease) in Net Assets	365.8	-	178.4	10.4	554.6
Balance at End of Financial Year	3,850.7	-	4,571.9	388.4	8,811.0
Employer Reserves (2)					
Balance at Beginning of Financial Year	1,437.6	286.8	12,472.8	718.4	14,915.6
Increase/(Decrease) in Net Assets	(154.1)	(139.8)	1,363.6	(86.6)	983.1
Balance at End of Financial Year	1,283.5	147.0	13,836.4	631.8	15,898.7
Death or Invalidation Reserves (3)					
Balance at Beginning of Financial Year	13.8	-	-	-	13.8
Increase/(Decrease) in Net Assets	3.0	-	-	-	3.0
Balance at End of Financial Year	16.8	-	-	-	16.8
Deferred Benefits Reserves (4)					
Balance at Beginning of Financial Year	842.5	186.9	-	-	1,029.4
Increase/(Decrease) in Net Assets	111.8	32.2	-	-	144.0
Balance at End of Financial Year	954.3	219.1	-	-	1,173.4
Net Assets Available to Pay Benefits	6,105.3	366.1	18,408.3	1,020.2	25,899.9

(1) The Member Reserve represents members' accounts that comprise the balance of members' contributions and net investment income earned less benefits paid that are attributable to contributor-financed benefits. Only the contributors under the *State Authorities Superannuation Scheme* are required to pay scheme administration fees.

(2) The Employer Reserve represents employers' accounts that comprise the balance of employers' contributions and net investment income earned less benefits paid and scheme administration fees. In addition, the employers are also responsible for the tax liabilities levied on the employers' contributions.

(3) The Death or Invalidation Reserve represents accumulated funds available to provide death or invalidity cover to members for the months during which they have public sector employment. The reserve balance is the excess of member premiums over benefits paid.

(4) The Deferred Benefit Reserve represents member account balances that, on the election of the member or by default, are to remain with the Fund following the member's exit from employment in the public sector. The deferred benefit of SSS and PSS members has been included in the employer reserve of the respective Schemes.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

8. NET ASSETS (Continued)

As described at Note 3 SASS and SASS Deferred members are able to elect an investment strategy for their member contributed balances.

Balances of the SASS Member Reserve and the Deferred Benefit Reserve in the various investment strategies at the reporting date are:

	2006				
	Growth \$'m	Conservative Growth \$'m	Balanced \$'m	Cash \$'m	Total \$'m
SASS Member	4,267.1	24.8	66.6	13.1	4,371.6
Deferred Benefit	1,105.5	7.0	22.8	4.0	1,139.3
	5,372.6	31.8	89.4	17.1	5,510.9
	2005				
	Growth \$'m	Conservative Growth \$'m	Balanced \$'m	Cash \$'m	Total \$'m
SASS Member	3,752.0	26.4	57.6	14.7	3,850.7
Deferred Benefit	926.8	5.6	16.8	5.1	954.3
	4,678.8	32.0	74.4	19.8	4,805.0

	2006 \$'m	2005 \$'m
9. RECEIVABLES		
Contributions Receivable	31.5	30.1
Accrued Income	60.1	99.4
Margin Call Deposits	76.7	69.1
Investment Sales	90.6	43.5
Other Receivables	31.4	0.7
	290.3	242.8

Within receivables is an impairment allowance of \$148,865 (2005 \$150,000).

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

10. RESERVE UNITS

Reserve Units are units held by certain SSS members. They represent units purchased in advance at a rate which is the *rate for age* at the date purchased with an option to convert to full rate units in SSS at any future date. On conversion they are no longer recognised as a liability but as part of member funds.

	2006 \$'m	2005 \$'m
11. PAYABLES		
Superannuation Benefits	40.2	34.4
Investment Purchases	112.4	48.6
Investment – Other Creditors	54.5	36.7
Provision for Contribution Surcharges	115.0	102.2
Amount Payable–STC	4.2	1.8
Investment Fees Payable	-	7.7
Other Payables	2.0	17.0
	328.3	248.4

Movements in the Provision for Contribution Surcharge were as follows –

	2006 \$'m
Opening Balance	102.2
Add -	
Assessments Received	16.5
Annual indexation	6.1
Less -	
Payments made to the Australian Taxation Office	(9.8)
Closing Balance	115.0

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

12. ACCRUED BENEFITS

(a) Liability for Accrued Benefits

The amount of accrued benefits has been determined on the basis of the present value of expected future payments which arise from membership of the Fund up to the measurement date. The figure reported has been determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions. For 2006 the non financial assumptions have been determined from a comprehensive review of the Pooled Fund experience by the actuary in the three years to 30 June 2005. The financial assumptions that have been applied for the calculations are:

	Accrued Benefits 2006 % pa.	Accrued Benefits 2005 % pa.
Valuation Assumptions		
Investment Return Rate		
- asset backing current pension liabilities	7.7	7.0
- other	7.0	7.0
Salary Increase Rate	4.0	4.0
CPI Increase Rate	2.5	2.5

The valuation at 30 June 2003 indicated that the unfunded liability of the Fund was \$16,661.0 million, excluding the GGLMF balance of \$1,651.4 million.

In addition to the Triennial Actuarial investigation, the actuary also provides yearly estimates at the reporting date.

	2006			2005		
	Accrued Benefits \$'m	Net Assets Available To Pay Benefits \$'m	Over/ (Under) Funded \$'m	Accrued Benefits \$'m	Net Assets Available To Pay Benefits \$'m	Over/ (Under) Funded \$'m
State Authorities Superannuation Scheme	11,600.0	8,590.3	(3,009.7)	10,566.5	6,105.3	(4,461.2)
State Authorities Non-contributory Superannuation Scheme	2,354.2	1,144.6	(1,209.6)	2,230.7	366.1	(1,864.6)
State Superannuation Scheme	26,142.7	17,880.7	(8,262.0)	26,203.1	18,408.3	(7,794.8)
Police Superannuation Scheme	5,672.9	962.5	(4,710.4)	5,065.4	1,020.2	(4,045.2)
	45,769.8	28,578.1	(17,191.7)	44,065.7	25,899.9	(18,165.8)

Benefits are guaranteed by the participating employers and ultimately the Crown. The relevant statutes require that all benefits be paid in full as and when they fall due.

As noted at Note 2 a non-superannuation investment fund (the General Government Liability Management Fund (GGLMF)) has been established to accumulate Crown employer superannuation contributions. The net assets held in the GGLMF at 30 June 2006 were \$6.3 billion (2005 \$4.1 billion).

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

12. ACCRUED BENEFITS (Continued)

(b) Movement in the Liability for Accrued Benefits

Accrued benefits increase due to the cost of accruing benefits and the imputed cost of interest, and reduce as benefits are paid, and may vary due to changes in valuation bases and changes in experience from previous assumptions. Based on current assumptions, the value of Accrued Benefits should not start to decline until after 2015.

	2006				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Balance at Beginning of Financial Year	10,566.5	2,230.7	26,203.1	5,065.4	44,065.7
Benefits Paid	(728.7)	(177.4)	(1,259.6)	(292.1)	(2,457.8)
	9,837.8	2,053.3	24,943.5	4,773.3	41,607.9
Increase in Accrued Benefits	1,762.2	300.9	1,199.2	899.6	4,161.9
Balance at End of Financial Year	11,600.0	2,354.2	26,142.7	5,672.9	45,769.8

	2005				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Balance at Beginning of Financial Year	9,823.8	2,096.5	24,887.6	4,761.4	41,569.3
Benefits Paid	(758.9)	(180.6)	(1,182.9)	(275.6)	(2,398.0)
	9,064.9	1,915.9	23,704.7	4,485.8	39,171.3
Increase in Accrued Benefits	1,501.6	314.8	2,498.4	579.6	4,894.4
Balance at End of Financial Year	10,566.5	2,230.7	26,203.1	5,065.4	44,065.7

13. VESTED BENEFITS

Vested benefits are benefits which are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and include benefits which members were entitled to receive had they terminated their Fund membership at the reporting date.

	2006			2005		
	Vested Benefits \$'m	Net Assets Available To Pay Benefits \$'m	Over/ (Under) Funded \$'m	Vested Benefits \$'m	Net Assets Available To Pay Benefits \$'m	Over/ (Under) Funded \$'m
State Authorities Superannuation Scheme	8,584.9	8,590.3	5.4	7,564.7	6,105.3	(1,459.4)
State Authorities Non-contributory Superannuation Scheme	2,866.4	1,144.6	(1,721.8)	2,675.8	366.1	(2,309.7)
State Superannuation Scheme	23,374.4	17,880.7	(5,493.7)	23,392.1	18,408.3	(4,983.8)
Police Superannuation Scheme	3,902.1	962.5	(2,939.6)	3,767.9	1,020.2	(2,747.7)
	38,727.8	28,578.1	(10,149.7)	37,400.5	25,899.9	(11,500.6)

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

13. VESTED BENEFITS (Continued)

Vested benefits exceeded net assets at 30 June 2006 and 30 June 2005. The Trustee is working with the NSW Treasury and the Actuary to facilitate the Government's stated objective to fully fund the schemes by 2030.

14. CONTROLLED ENTITIES

The following entities comprise the Pooled Fund economic entity:

Parent Entity

Pooled Fund

	Activity	Ownership Interest	
		2006 %	2005 %
Controlled Entities			
State Super Financial Services Australia Limited (SSFSAL) [incorporated in Australia]	Financial planning and funds management	82.4	85
The following entities are managed by Deutsche Asset Management (Australia) Ltd			
Valley Commerce Pty Limited [incorporated in Australia]	Dormant	100	100
Buroba Pty Limited [incorporated in Australia]	Dormant	100	100

Voting power held in the above entities is the same as the ownership interest.

During the year the Controlled Entities paid dividends and trust distributions to the Parent Entity of \$12.0 million (2005 \$8.8 million).

The controlled entities are all audited by the NSW Auditor-General.

15. RELATED PARTY INFORMATION

The Trustee of the Fund is STC. 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
Mr M Cole
Mr R Davis
Ms A De Salis (term commenced 1 February 2006)
Mr R Harty
Mr M Lambert
Mr N Lewocki
Ms M O'Halloran
Ms O Sananikone (term completed 31 January 2006)
Mr P Scully

(a) Board Members' Remuneration

All income received or due and receivable by Board members is disclosed in the financial report of STC.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

15. RELATED PARTY INFORMATION (Continued)

(b) Remuneration received or due and receivable by Board Members and Directors of the Economic Entity from Controlled Entities (refer Note 14 Controlled Entities)

All income received is disclosed in the financial report of each controlled entity.

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

All transactions entered into during the year with Board members and their related entities are disclosed in the financial statements of STC.

(d) Transactions with Other Related Parties

	<u>2006</u> \$'m	<u>2005</u> \$'m
Property rental received from SSFSAL on normal commercial terms and conditions	0.9	1.1

16. SEGMENT REPORTING

The Fund operates in the superannuation and investment management industry in New South Wales. All revenue, expenses, assets and liabilities are as shown in the Statement of Changes in Net Assets and the Statement of Net Assets.

17. CONTINGENT LIABILITIES

In managing the investment portfolio the investment managers enter into various types of investment contracts that can give rise to contingent liabilities. Investment contracts are detailed in Note 19.

Two other 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 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.

18. SECURITIES LENDING PROGRAM

The Fund participates in a Securities Lending Program managed by the custodian, JP Morgan Investor Services. The Fund received \$5.4 million (2005 \$4.7 million) additional fee income from this program, which adds to the Fund's overall yearly return.

At 30 June 2006, the total value of the loaned securities was \$3.5 billion (2005 \$3.0 billion) while the total value of the Collateral was \$3.6 billion (2005 \$3.2 billion). The loaned securities represented about 12.1% of the Fund's total investment, which was within the allowable limit of 25%.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS

Disclosures for the year ended 30 June 2006 comply with the requirements of AASB 132 – *Financial Instruments: Disclosure and Presentation* and AASB 139 – *Financial Instruments: Recognition and Measurement*.

This financial report uses the exemption provided in AASB 1 paragraph 36A and presents details of financial instruments as at 30 June 2005 in accordance with generally accepted accounting principles that applied as at 30 June 2005. Thus, information pertaining to financial instruments as at 30 June 2005 is in accordance with the provisions of AAS 33 – *Presentation and Disclosure of Financial Instruments*. The significant difference between AAS 33 and AASB 132/139 is that under AAS 33 amounts are expressed at net market value, while under A-IFRS amounts are expressed at fair value. Also, AAS 33 allows amounts to be presented in currencies other than Australian Dollar. Under A-IFRS amounts are to be expressed only in Australian Dollars.

From the year ending 30 June 2008 the financial report will adopt AASB 7 – *Financial Instruments: Disclosures* in place of AASB 132. AASB 7 requires a greater level of disclosure than AASB 132.

For the purpose of this financial report, a financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments include both primary instruments (such as receivables, payables and equity securities) and derivative instruments (such as financial options, foreign exchange transactions, forward rate agreements and interest rate and currency swaps).

The Fund is invested in a variety of financial instruments, as shown below. The investments are in accordance with a carefully determined investment strategy. The investment strategy is subject to regular review to ensure its continued relevance to the Fund's activities and to prevailing investment markets. An objective of the investment strategy is to avoid undue concentrations of risk.

(i) Accounting Policies

Recognised instruments	Accounting policies	Terms and conditions
1. Receivables	Receivables include income receivable and unsettled sales of securities. They are carried at nominal amounts.	Sales of securities are made on various terms for different securities and in different countries. Income receivable is also settled on varying terms depending on the security and country.
2. Futures	Futures are stated at market value using the daily closing price.	The futures are share price index futures and Fixed Interest futures.
3. Unlisted Trusts	The Net Market Value of Unlisted Trusts is determined on the basis of the withdrawal unit prices as advised by the relevant fund manager.	The terms and conditions are set out in the applicable trust constitution.
4. Listed Shares	Listed shares are carried at market value, less an amount for selling costs which would be incurred if the investments were sold. The basis for valuation of listed securities is the last sale price quoted at close of business on the last day of the period on the relevant securities exchange. Certain costs incurred in acquiring the investment, such as brokerage and stamp duty, are capitalised in the cost of the investments. Dividend income is recognised on the ex-date.	N/A

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(i) Accounting Policies (Continued)

Recognised instruments	Accounting policies	Terms and conditions
5. Bills of exchange and other discount securities	Carried as net market value using market rates as at 30 June 2006.	Average maturity of 54 days with effective interest rates in the range of 5.795% to 5.979%.
6. Promissory Notes	Carried at net market value as at 30 June 2006.	Average maturity of 38 days with effective interest rates in the range of 5.82% to 6.009%
7. Loans to co-operative housing societies	Loans to co-operative housing societies are stated at net market value. Interest income is recognised in the Statement of Changes in Net Assets when earned.	Loans to co-operative housing societies have an average effective interest rate of 7.57%.
8. Bank Deposits	Stated at net market value. Interest income is recognised in the Statement of Changes in Net Assets when earned.	Bank deposits represent 11AM call deposits and uninvested cash and has no fixed maturity dates. Deposits have effective interest rates in the range of 0% to 5.76%.
9. Government Bonds	Carried at net market value based on discounted cash flow.	Government bonds on average mature on 3/4/2012 and have effective interest rates in the range of 5.77% to 6.025%.
10. Semi Government Bonds	Carried at net market value based on discounted cash flow.	Semi Government bonds on average mature on 5/9/2011 and have effective interest rates in the range of 5.95% to 6.08%.
11. International Bonds	Carried at net market value based on discounted cash flow.	International Bonds on average mature on 27/11/2016 and have effective interest rates in the range of 0.666% to 5.323%.
12. Council Loans	Carried at net market value based on discounted cash flow.	Council Loans on average mature on 5/12/2013 and have effective interest rates in the range of 6.02% to 6.026%.
13. Direct Property	Reported at net market value based on independent valuations.	N/A
14. Options	Options are stated at market value using the daily closing price.	The options are all Australian Exchange Traded options.
15. Investment Purchases	Liabilities are recognised for amounts to be paid for under investment commitments.	Settlement for securities is made in accordance with investment agreements between counterparties.
16. Foreign exchange forward contracts	Foreign exchange forward contracts are undertaken to hedge against adverse foreign exchange movements. Gains or losses on these contracts are recognised through the translation of underlying transactions and/or instruments at hedge rates.	At balance date the Fund has various forward exchange contracts open in its international portfolios.
17. Payables	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund.	Liabilities are settled on receipt of invoices in accordance with terms thereof.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(ii) Use of Derivative Financial Instruments

The Fund uses derivatives to hedge its various exposures by reducing risks such as foreign exchange, interest rate and equity market movement. Changes in the derivatives' net market value are highly correlated with changes in the net market value of the underlying hedged item. Derivatives used for hedging purposes may include foreign exchange forward contracts, interest rate futures, share price index futures, forward rate agreements and options. These derivative instruments involve credit risk and market risk.

The credit risk of the foreign exchange forward contracts is discussed in Section (iii), *Credit Risk*. Futures contracts settle in cash daily, therefore, the credit risk to the Fund is significantly reduced. All Australian exchange traded options are novated by the Options Clearing House, therefore the credit risk associated with these contracts is significantly reduced.

The following table summarises the aggregate notional amounts of the futures and options contracts, their net market value and fair value at 30 June 2006 and net market value for 2005.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(ii) Use of Derivative Financial Instruments (Continued)

Futures and Options Contracts

All amounts stated in Australian Dollars

Type of Contract	2006			2006			2005		
	Contract/Notional \$'m	Fair Value		Contract/Notional \$'m	Net Market Value		Contract/Notional \$'m	Net Market Value	
		Assets \$'m	Liabilities \$'m		Assets \$'m	Liabilities \$'m		Assets \$'m	Liabilities \$'m
Buy									
Futures in respect of money market securities	-	-	-	-	-	-	-	-	-
International exchange traded options	-	-	-	-	-	-	-	-	-
Australian share price index futures	102.8	-	-	102.8	-	-	174.2	-	0.2
International share price index futures	6.6	-	-	6.6	-	-	491.6	-	2.6
Over the counter options	-	-	-	-	-	-	-	-	-
Options in respect of fixed interest securities	-	-	-	-	-	-	-	-	-
Australian fixed interest futures	90.4	-	0.4	90.4	-	0.4	87.9	-	-
International fixed interest futures	461.6	-	2.9	461.7	-	2.8	453.9	-	-
Interest rate swaps	-	-	-	-	-	-	-	-	-
Cross currency swaps	-	-	-	-	-	-	-	-	-
Total Buys	661.4	-	3.3	661.5	-	3.2	1,207.6	6.3	2.8
Sell									
Futures in respect of money market securities	-	-	-	-	-	-	-	-	-
Australian exchange traded options Call	(2.2)	-	0.3	(2.2)	-	0.3	(3.6)	-	0.4
Australian exchange traded options Put	1.0	-	-	1.0	-	-	1.2	-	-
International exchange traded options	-	-	-	-	-	-	-	-	-
Australian share price index futures	(562.3)	-	18.1	(562.3)	-	18.1	(800.3)	-	7.1
International share price index futures	(41.0)	-	1.4	(41.0)	-	1.4	-	-	-
Over the counter options	-	-	-	-	-	-	-	-	-
Options in respect of fixed interest securities	-	-	-	-	-	-	-	-	-
Australian fixed interest futures	-	-	-	-	-	-	-	-	-
International fixed interest futures	-	-	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-	-	-
Cross currency swaps	-	-	-	-	-	-	-	-	-
Total Sells	(604.5)	-	19.8	(604.5)	-	19.8	(802.7)	-	7.5
	56.9	-	23.1	57.0	-	23.0	404.9	6.3	10.3

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(iii) Credit Risk

Credit (or counterparty) risk is the risk that counterparty will fail to perform contractual obligations to a financial instrument and causes the Fund to incur a financial loss. In the normal course of its operations the Fund accepts credit risk on the majority of its non-equity investments.

The Fund's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets (other than equity investments) is the carrying amount of those assets as indicated in the Statement of Net Assets.

In relation to unrecognised financial assets, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement.

The Fund's maximum credit risk exposure in relation to foreign exchange forward contracts is the full amount of the foreign currency it will be required to pay when settling the forward exchange contract, should the counterparty not deliver the Australian dollar amounts to the Fund. At 30 June 2006 this amount was \$2,627.3 million (2005: \$2,587.1million). During the year the average maximum credit risk exposure for foreign exchange forward contracts was \$3,504.0 million (2005: \$2,598.2 million).

Credit risk is monitored and controlled through credit approval procedures and the setting of forward and daily limits for each counterparty.

The Fund does not have a concentration of credit risk that arises from an exposure to a single counterparty. Furthermore, the Fund does not have a material exposure to a group of counterparties which are expected to be affected similarly by changes in economic or other conditions.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(iv) Currency Risk

The Fund's exposure at 30 June 2006 to foreign exchange rate movement on international investments is shown below. As discussed in Section (ii) *Use of derivative financial instruments*, the Fund has entered into foreign exchange forward contracts to hedge its investment in foreign currency denominated financial assets. These foreign exchange forward contracts are carried at their net market value. The obligations arising under these contracts will be realised between 7th July 2006 to 27th September 2006 for the International Portfolios.

YEAR ENDED 30 JUNE 2006
FOREIGN EXCHANGE RISK DISCLOSURE

	2006 NET MARKET VALUE								
	USD \$'m	CAD \$'m	JPY \$'m	CHF \$'m	SEK \$'m	EUR \$'m	GBP \$'m	OTHER \$'m	TOTAL \$'m
Assets									
Cash and cash equivalents	18.0	2.2	0.8	0.2	0.2	3.5	3.4	1.0	29.3
Financial assets held at net market value	3,505.5	242.9	1,055.3	187.5	72.1	1,471.1	690.6	138.3	7,363.3
Derivative financial instruments	-	-	-	-	-	-	-	-	-
FFX	-	-	-	-	-	-	-	-	-
Other assets	32.9	1.2	5.6	1.0	1.1	9.0	10.2	3.0	64.0
Total assets	3,556.4	246.3	1,061.7	188.7	73.4	1,483.6	704.2	142.3	7,456.6
Liabilities									
Financial liabilities held at net market value	-	-	-	-	-	-	-	-	-
Derivative financial instruments	1.2	0.1	0.4	0.2	-	1.8	0.4	-	4.1
FFX	942.9	63.7	451.9	3.5	5.8	847.0	285.0	27.5	2,627.3
Other liabilities	25.9	1.0	4.9	1.6	1.0	5.3	5.0	3.0	47.7
Total liabilities	970.0	64.8	457.2	5.3	6.8	854.1	290.4	30.5	2,679.1
Net Assets	2,586.4	181.5	604.5	183.4	66.6	629.5	413.8	111.8	4,777.5

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(iv) Currency Risk (Continued)

YEAR ENDED 30 JUNE 2005
FOREIGN EXCHANGE RISK DISCLOSURE

	2005 NET MARKET VALUE								
	USD \$'m	CAD \$'m	JPY \$'m	CHF \$'m	SEK \$'m	EUR \$'m	GBP \$'m	OTHER \$'m	TOTAL \$'m
Assets									
Cash and cash equivalents	11.4	2.8	0.4	0.5	0.4	0.5	1.8	0.7	18.5
Financial assets held at net market value	3,384.2	172.6	918.6	189.6	66.5	1,355.7	637.7	133.0	6,857.9
Derivative financial instruments	0.7	0.3	1.9	-	-	1.7	1.0	-	5.6
FFX	-	-	-	-	-	-	-	-	-
Other assets	11.2	-	0.7	2.0	-	3.5	3.3	-	20.7
Total assets	3,407.5	175.7	921.6	192.1	66.9	1,361.4	643.8	133.7	6,902.7
Liabilities									
Financial liabilities held at net market value	-	-	-	-	-	-	-	-	-
Derivative financial instruments	2.6	-	-	-	-	-	-	-	2.6
FFX	979.5	65.8	515.0	37.1	12.4	731.9	213.8	31.5	2,587.0
Other liabilities	10.6	2.4	1.3	-	-	0.6	0.2	-	15.1
Total liabilities	992.7	68.2	516.3	37.1	12.4	732.5	214.0	31.5	2,604.7
Net Assets	2,414.8	107.5	405.3	155.0	54.5	628.9	429.8	102.2	4,298.0

The currency risk disclosure has been prepared on the Fund's direct investments and not on a look through basis for investments held indirectly through unit trusts. Therefore the disclosure of the currency risk above does not represent the full currency risk profile of the Fund, as the Fund has significant investments in unit trusts that have exposure to currency markets. Currency risks in these unit trusts are managed by the respective managers of the trusts.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(v) Interest Rate Risk

The Fund's investments in debt and short term money market instruments are subject to interest rate risks and the return on these investments will fluctuate in accordance with movements in the interest rates.

The Fund's exposure to interest rate risk, including contractual repricing or maturity dates (whichever dates are earlier) and the weighted average effective interest rates associated with these financial instruments as at 30 June 2006 and as at 30 June 2005, are shown in the tables below. All other financial assets and liabilities are non-interest bearing.

The interest risk disclosure has been prepared on the Fund's direct investments and not on a look through basis for investments held indirectly through unit trusts. Therefore the disclosure of the interest risk below does not represent the full interest rate risk profile of the Fund, where the Fund has significant investments in unit trusts that have exposure to interest rate movements. Interest rate risks in these unit trusts are managed by the respective managers of the trusts.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(v) Interest Rate Risk (Continued)

	FLOATING INTEREST RATE \$'m	FIXED INTEREST - TIME TO MATURITY NET MARKET VALUE				TOTAL (PER STATEMENT OF NET ASSETS) \$'m	WEIGHTED AVERAGE INTEREST RATE (%pa)
		LESS THAN 12 MONTHS \$'m	1 - 5 YEARS \$'m	OVER 5 YEARS \$'m	NON INT BEARING \$'m		
Assets	476					476	5.16%
Cash and cash equivalents	-	-	-	-	-	-	-
Financial assets held at net market value	-	-	-	-	-	-	-
Government Bonds – Domestic	-	695	505	-	-	1,309	5.80%
Semi Government Loans	-	78	434	-	-	1,337	6.01%
Mortgaged Backed Securities	-	68	51	230	-	349	4.58%
International Fixed Interest	-	-	574	843	-	1,417	3.58%
Other Fixed Interest	-	-	-	2	-	2	6.02%
Discount Securities	1,044	-	-	-	-	1,044	5.93%
Unlisted Unit Trusts	-	-	-	5,943	-	5,943	N/A
Direct Property	-	-	-	2,529	-	2,529	N/A
Equity	-	-	-	14,392	-	14,392	N/A
Derivative financial instruments	-	-	-	-	-	-	N/A
FFX	-	-	-	2,628	-	2,628	N/A
Other assets	-	-	-	215	-	215	N/A
Cash at bank	-	3	-	-	-	3	5.10%
Current tax asset	-	-	-	120	-	120	N/A
Total assets	1,520	258	2,145	2,014	25,827	31,764	
Liabilities							
Financial liabilities held at net market value	-	-	-	-	-	-	N/A
Derivative financial instruments	-	-	-	23	-	23	N/A
FFX	-	-	-	2,627	-	2,627	N/A
Superannuation contributions	115	-	-	-	-	115	5.77%
surcharge payable	-	-	-	-	-	213	N/A
Other liabilities	-	-	-	203	-	203	N/A
Deferred tax	-	-	-	5	-	5	N/A
Reserve Units	-	-	-	3,071	-	3,186	N/A
Total liabilities	115	-	-	3,071	-	3,186	
Net assets	1,405	258	2,145	2,014	22,756	28,578	

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(v) Interest Rate Risk (Continued)

	FLOATING INTEREST RATE \$'m	FIXED INTEREST - TIME TO MATURITY NET MARKET VALUE					TOTAL (PER STATEMENT OF NET ASSETS) \$'m	WEIGHTED AVERAGE INTEREST RATE (%pa)
		LESS THAN 12 MTHS \$'m	1 - 5 YEARS \$'m	OVER 5 YEARS \$'m	NON INT BEARING \$'m			
2005								
Assets	727	-	-	-	-	727	4.77%	
Cash and cash equivalents	-	-	-	-	-	-		
Financial assets held at net market value	-	-	-	-	-	-		
Government Bonds – Domestic	-	643	549	-	-	1,316	5.15%	
Semi Government Loans	-	183	682	-	-	1,417	5.37%	
Mortgaged Backed Securities	-	-	1	-	-	1	5.74%	
International Fixed Interest	-	659	761	-	-	1,420	2.47%	
Other Fixed Interest	-	-	-	-	-	-	N/A	
Discount Securities	2,035	-	-	-	-	2,035	5.64%	
Unlisted Unit Trusts	-	-	-	-	3,534	3,534	N/A	
Direct Property	-	-	-	-	1,350	1,350	N/A	
Equity	-	-	-	-	14,211	14,211	N/A	
Derivative financial instruments	-	-	-	-	6	6	N/A	
FFX	-	-	-	-	2,629	2,629	N/A	
Other assets	-	-	-	-	174	174	N/A	
Cash at bank	3	-	-	-	-	3	4.85%	
Sundry assets	-	-	-	-	16	16	N/A	
Current tax asset	-	-	-	-	59	59	N/A	
Total assets	2765	307	1,854	1,993	21,979	28,898		
Liabilities								
Financial liabilities held at net market value	-	-	-	-	-	-	N/A	
Derivative financial instruments	-	-	-	-	10	10	N/A	
FFX	-	-	-	-	2,587	2,587	N/A	
Superannuation contributions surcharge payable	102	-	-	-	-	102	5.11%	
Other liabilities	-	-	-	-	146	146	N/A	
Deferred tax	-	-	-	-	148	148	N/A	
Reserve Units	-	-	-	-	5	5	N/A	
Total liabilities	102	-	-	-	2,896	2,998		
Net assets	2,663	307	1,854	1,993	19,083	25,900		

SAS TRUSTEE CORPORATION POOLED FUND

Noted to and forming part of the financial statements

for the year ended 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(vi) Liquidity risk management

The Fund manages liquidity risk by maintaining adequate banking facilities and through continuous monitoring of forecast and actual cash flows.

(vii) Net Fair Value Disclosures

The Statement of Net Assets is prepared in accordance with AAS 25 – *Financial reporting by Superannuation Plans*. All investment assets are valued at net market value at 30 June 2006. All other assets and other liabilities are recorded at historical cost which, in the opinion of the Trustees, approximates their net market value.

The following table is the requirement of AASB 132 stating the net market values and fair values of assets and liabilities at 30 June 2006 and 2005.

Disclosure of Financial Assets held at Fair Value Comparable to Net Market Value

	Fair Value 30-Jun-06 \$'m	Net Market Value 30-Jun-06 \$'m	Net Market Value 30-Jun-05 \$'m
Held for trading			
Derivatives	-	-	6
Total held for trading	-	-	6
Designated assets through profit or loss			
Equity securities	14,376	14,392	14,211
Fixed interest securities	4,412	4,414	4,154
Unlisted unit trusts	5,943	5,943	3,534
Direct Property	2,526	2,529	1,350
Money market securities	1,044	1,044	2,035
Total designated assets through profit or loss	28,301	28,322	25,284
Total financial assets held through profit or loss	28,301	28,322	25,290

SAS TRUSTEE CORPORATION POOLED FUND

Noted to and forming part of the financial statements
for the year ended 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(vii) Net fair value disclosures (Continued)

Disclosure of Financial Liabilities held at Fair Value Comparable to Net Market Value

	Fair Value 30-Jun-06 \$'m	Net Market Value 30-Jun-06 \$'m	Net Market Value 30-Jun-05 \$'m
Held for trading			
Derivatives	23	23	10
Total held for trading	23	23	10
Designated liabilities through profit or loss			
Equity securities	-	-	-
Fixed interest securities	-	-	-
Unlisted unit trusts	-	-	-
Money market securities	-	-	-
Total designated liabilities through profit or loss	-	-	-
Total financial liabilities held through profit or loss	23	23	10

20. EVENT AFTER REPORTING DATE

The Fund's custodian has advised that as at 31 August 2006 the net investment assets of the Fund were \$28,624.3 million. Since 30 June 2006 the Fund's investments have made a return of approximately –

- Growth 1.0%
- Conservative Growth 1.3%
- Balanced 1.3%
- Cash 0.8%

SAS TRUSTEE CORPORATION POOLED FUND

Noted to and forming part of the financial statements

for the year ended 30 June 2006

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

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

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

	30 June 2005 \$'m	1 July 2004 \$'m
Net Assets Available to Pay Benefits	25,901.0	24,215.2
Adjustment on transition to A-IFRS (refer note below)	(1.1)	(0.6)
Net Assets Available to Pay Benefits under A-IFRS	25,899.9	24,214.6

The Adjustment on transition comprised –

- A. Amount charged by the Fund Trustee for administration services (The Trustee is required to recover all its administration costs from the Fund. As A-IFRS resulted in different measurement of certain employee liabilities and lease costs by the Trustee, the amount the Trustee was required to recover from the Fund changed).
- B. Doubtful debts were previously expressed as a general estimate. On transition to A-IFRS the provision was recalculated by reviewing each debt separately. The difference resulting from the revised method was a \$20,000 reduction at 30 June 2005.

End of Audited Financial Report