STATE SUPER
SAS Trustee Corporation
ABN: 29 239 066 746

ANNUAL REPORT
2012–13

www.statesuper.nsw.gov.au

Highlights for 2012–13

- The Fund increased to $38.2 billion at 30 June 2013 and remains one of the largest superannuation funds in Australia
- The Fund's net investment revenue for 2012–13 exceeded $6.1 billion
- The Growth Strategy — the default investment option — earned 17.1% over the year
- At 30 June 2013, Fund assets covered 70% of accrued liabilities (actuarially measured using the assumed earning rate of the Fund)
- The triennial actuarial review of the STC schemes as at 30 June 2012 was tabled in Parliament on 14 March 2013 and published on the STC website
- The Commonwealth and NSW governments provided assurances for university superannuation funding for 2013–14 pending settlement of final funding arrangements
- Three new members were appointed to the Trustee Board in 2012–13
- STC continues to review opportunities for greater collaboration with other organisations
- During the year STC undertook a major redevelopment of its website to provide members with more information and better accessibility
- Member publications were revised to better meet the needs of the different membership categories
- An annual Pension Newsletter was introduced for the 60,000 lifetime pension members in the STC schemes
- State Super Financial Services, a wholly owned subsidiary, conducted more than 18,000 financial planning interviews with STC members or their relatives.
- STC staff presented 79 retirement planning seminars across NSW
- The employer guides were comprehensively reviewed to assist NSW government employers

Mission

STC's mission is to:

- support the future wellbeing of current STC scheme members and pension members by delivering up-to-date superannuation benefits and high-quality service
- engage stakeholders in productive dialogue
- provide optimal investment returns to employers and members.

GLOSSARY

Executive means the executive staff of the SAS Trustee Corporation.

Pooled Fund or **Fund** means the Pooled Fund of the STC schemes referred to in section 81 of the *Superannuation Administration Act 1996.*

STC means SAS Trustee Corporation.

Trustee Board means the Board of the SAS Trustee Corporation, appointed under section 69 of the *Superannuation Administration Act 1996* and comprising an independent Chairperson, four employee representatives and four employer representatives.

STATE SUPER
SAS Trustee Corporation

ANNUAL REPORT
2012–13

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Report to the Ministers

October 2013

The Hon Andrew Constance, MP
Minister for Finance and Services
Level 36, Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

The Hon Mike Baird, MP
Treasurer
Level 36, Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Ministers

We have pleasure in submitting to you for presentation to Parliament the Annual Report of the SAS Trustee Corporation, covering the period from 1 July 2012 to 30 June 2013.

The Annual Report contains the reports for:

- SAS Trustee Corporation,
- SAS Trustee Corporation Division of the Government Service of NSW,
- SAS Trustee Corporation Pooled Fund; and
- controlled entities of the SAS Trustee Corporation Pooled Fund, being:
    - State Super Financial Services Australia Limited
    - Southern Way Unit Trust
    - Pisco STC Funds Unit Trust No.1
    - Pisco STC Funds Unit Trust No.2
    - Valley Commerce Pty Limited
    - Buroba Pty Limited
    - State Infrastructure Trust

These have been prepared in accordance with the provisions of the *Annual Reports (Statutory Bodies) Act 1984*, the *Public Finance and Audit Act 1983*, associated regulations and the Treasurer's directions.

We look forward to working with you during the coming year.

Yours sincerely

Michael Carapiet
Chairperson
SAS Trustee Corporation

George Venardos
Board member and Chairperson of the Risk, Audit and Compliance Committee
SAS Trustee Corporation

Part A – About the SAS Trustee Corporation

Chairperson's report

The Fund

Positive domestic and international equity markets and our enhanced internal capabilities following the changes that we outlined in last year's Annual Report resulted in a pleasing investment performance for the year ending 30 June 2013.

The Growth Strategy produced an annual after-tax return of 17.1% for crediting to member reserves. Employer reserves invested in the Growth Strategy have a higher effective return because their income is tax free to the extent that it is attributable to assets supporting current pension liabilities. The estimated return on employer reserves taking into account their tax exempt pension income was 19.2% for 2012–13.

The financial year returns compare well with the returns of other comparable funds but, more importantly, it has helped the Growth Strategy perform broadly in line with its investment objective of achieving an average annual return of CPI plus 4.5% over rolling 10-year periods.

SASS members have the option of investing in the Growth Strategy, or one or more of three other strategies. For 2012–13, the Balanced and Conservative Strategies returned 13.7% and 9.2% respectively and the Cash Strategy provided a return of 3.2%.

During 2012–13, the assets of the STC Pooled Fund increased by $3.8 billion to $38.2 billion, placing STC in the top ten superannuation funds in Australia.

Investment markets

During the financial year investment markets fluctuated sharply in line with changing views on the outlook for the global economy, but equity markets in developed economies were well up on last year. Accordingly, the overall results for most superannuation funds were positive, especially those that have a significant exposure to growth assets such as Australian and international shares.

A cautious recovery in the United States economy had a positive impact on global investment markets. European economies remain weak even with the reduction in concerns about the stability of the banking system.

Overall, Australian share market returns were good, with the S&P/ASX 200 (Accumulation Index) up over 22% for the year. This was the best financial year return for the Australian sharemarket since 2007.

Governance

The Fund's investment performance reflects both positive market trends as well as the ongoing refinement of STC's investment strategies, processes and risk management.

STC is also reviewing opportunities for greater collaboration with other organisations, including NSW government investment agencies, in order to enhance the effectiveness and efficiency of STC's investment and governance functions.

Actuarial review

This Annual Report includes a summary of the actuary's three-yearly review of the Fund as at 30 June 2012. The actuary's report notes a small reduction in the unfunded liability from $19.9 billion at 30 June 2009 to $19.0 billion at 30 June 2012. The increase in fund assets over 2012–13 has further reduced the unfunded liability to an estimated $16.5 billion at 30 June 2013. The actuary notes that the NSW and Commonwealth governments continue to work on the final funding arrangements for university superannuation liabilities. STC is closely monitoring university liabilities and has received an assurance from both governments that they will fund any shortfall of member benefits in 2013–14 pending a permanent resolution.

Board changes

Two new Board members were appointed in late 2012 — Alex Claassens, the State Secretary of the NSW Branch of the Rail, Tram and Bus Union, and George Venardos who has wide experience in financial services and is a director on various ASX listed companies.

The other new Board member is Tony O'Grady, a manager with the NSW Nurses and Midwives' Association, appointed to replace Rod Harty who ceased as a Board member in May 2013. The Board thanks Rod for his valuable contribution to STC over the past 11 years and welcomes Tony.

I would also like to acknowledge Ron Davis who will be retiring in December 2013 after 18 years service as the full-time employee representative on the STC Board. Ron has shown great dedication and commitment in promoting the interests of scheme members and we wish him well in his retirement.

Chairperson
October 2013

Chief Executive Officer's report

Corporate governance and management

As mentioned in the Chairperson's report, the investment results for 2012–13 were strongly positive, with the default Growth Strategy returning 17.1%. The net investment income of the Fund exceeded $6.1 billion. STC achieved this result largely due to the strong performance of Australian and international sharemarkets supported by significant enhancements to our investment management and processes.

In 2012–13, STC continued to build on staff skills and our technical infrastructure. We recruited staff into senior investment, finance, human resources and legal roles which allowed STC to improve its capabilities across a range of areas, including our oversight and management of service providers and to reflect the industry's response to changes in regulation.

STC strengthened its risk and compliance capabilities to better align with recent Australian Prudential Regulation Authority (APRA) prudential standards and guidance. As part of this, STC has reviewed a wide range of policies and implemented new processes to assist with the monitoring of risk and compliance.

Member services

STC is committed to delivering high-quality services to help members understand and maximise their benefits. STC continues to work with its scheme administrator, Pillar Administration, and its financial advice provider, State Super Financial Services (SSFS), to ensure service delivery that is focused on the needs of members.

During the year, STC and SSFS worked together on several joint initiatives to increase members' understanding of the schemes and to build awareness of the role of financial advice in developing effective contributions and investment strategies and planning for retirement. These initiatives included targeted mail outs to SASS contributory and deferred benefit members.

STC implemented tailored, scheme-based publications – the six monthly *SuperViews* newsletter and the annual *Report to Members*. The scheme-specific *Employer Reference Guides* were also comprehensively reviewed to assist employers manage their administrative obligations.

In July 2013 STC launched a new website to assist members make the most of their scheme entitlements. The website now has an online booking facility for retirement planning seminars, which continue to be an integral part of the STC's member education services.

In the next 12 months, one of our key objectives is to increase our understanding of members' needs and expectations, so that we can continue to improve our services. This will be achieved through a number of member research initiatives.

John Livanas
Chief Executive Officer
October 2013

Overview of STC

SAS Trustee Corporation (STC), otherwise known as State Super, operates to invest, support and administer defined benefit superannuation schemes on behalf of the NSW government and associated employers.

STC was established under the *Superannuation Administration Act* in 1996, and is the Trustee of the following defined benefit schemes:

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

Assets

The STC Pooled Fund, which comprises the assets of all four schemes, had net assets of $38.2 billion at 30 June 2013.

Membership

The STC schemes had 121,979 members at 30 June 2013. All schemes are closed to new members, and a large portion of the membership have reached or are approaching retirement age.

The following table contains a summary of each scheme.

State Authorities Superannuation Scheme (SASS)	
Commencement	1 April 1988 under the *State Authorities Superannuation Act 1987*.
Scheme eligibility	New employees in the NSW public sector were eligible to join the scheme and members of the Public Authorities Superannuation Scheme (PASS) were transferred to SASS from 1 April 1988. By 1990, a number of other public sector superannuation schemes were closed and members of these schemes were transferred to SASS. These schemes included, amongst others, the State Public Services Superannuation Fund (SPSSF), the Transport Gratuity Scheme and the Government Railways Superannuation Fund.
Closed to new members	19 December 1992
Members as at 30 June 2013	Contributing members: 34,978 Deferred benefit members: 10,540 Pension members: 3,894 Total members: 49,412
Financial position as at 30 June 2013	Net assets: $11,301.7 million Accrued benefits*: $13,652.8 million Unfunded liabilities: $2,351.1 million
Member benefits	Lump sum of employee contributions accumulated with earnings; plus an employer-financed lump sum defined benefit based on final average salary, membership period and level of employee contributions.

State Superannuation Scheme (SSS)	
Commencement	1 July 1919 under the *Superannuation Act 1916 (NSW)*.
Scheme eligibility	Salaried employees of the NSW public service and teaching service, and a number of statutory authorities scheduled in the *Superannuation Act 1916 (NSW),* were eligible to join SSS.
Closed to new members	1 July 1985
Members as at 30 June 2013	Contributing members: 11,060 Deferred benefit members: 2,490 Pension members: 50,840 Total members: 64,390

*Accrued benefits as measured by the actuary using the assumed earning rate of the Fund as the discount rate. Accounting standards require employers to report accrued benefits using a risk-free discount rate which results in a higher estimate of accrued benefits.

State Superannuation Scheme (SSS) continued	
Financial position as at 30 June 2013	Net assets: $20,910.8 million Accrued benefits*: $31,651.5 million Unfunded liabilities: $10,740.7 million
Member benefits	On retirement a defined benefit (pension or lump sum), the level of which depends on the number of units purchased. Members contribute towards units of fortnightly pension throughout their membership. The number of units that members are entitled to contribute is determined by their salary. Contributions that members make depend on: their age; when the units were granted; the member's gender; and if female, whether they elected 55 or 60 years of age for retirement.

Police Superannuation Scheme (PSS)	
Commencement	1 February 1907 under the *Police Regulation (Superannuation) Act 1906 (NSW).*
Scheme eligibility	Members of the NSW Police Service employed prior to 1 April 1988.
Closed to new members	1 April 1988
Members as at 30 June 2013	Contributing members: 1,532 Deferred benefit members: 128 Pension members: 6,517 Total members: 8,177
Financial position as at 30 June 2013	Net assets: $4,178.6 million Accrued benefits*: $6,852.0 million Unfunded liabilities: $2,673.4 million
Member benefits	On retirement a defined benefit (pension or lump sum) the level of which depends on the member's final average salary and membership period.

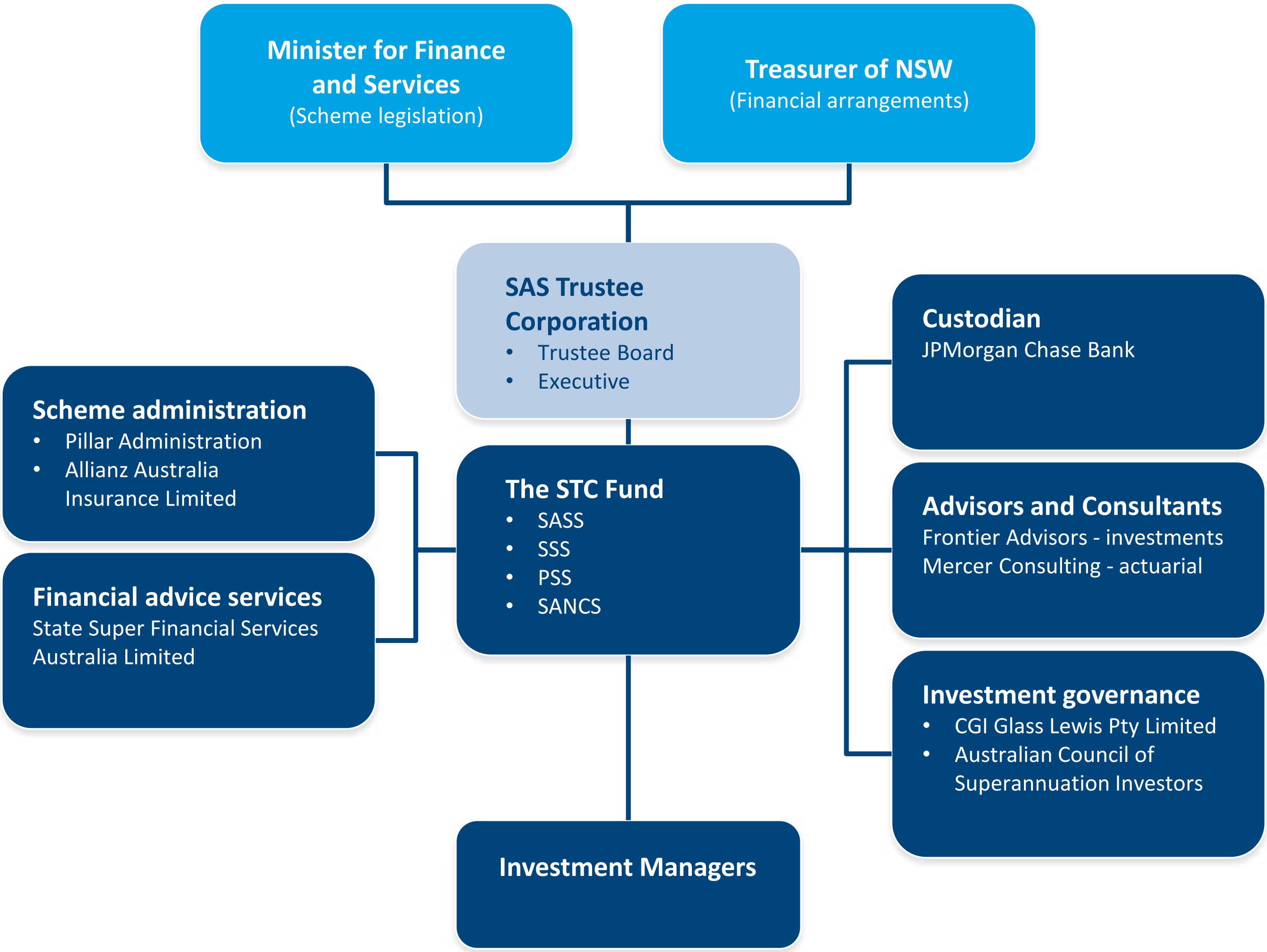
State Authorities Non-contributory Scheme (SANCS)	
Commencement	1 April 1988 under the *State Authorities Non-contributory Superannuation Act 1987 (NSW).*
Scheme eligibility	Members of SASS, SSS and PSS.
Closed to new members	19 December 1992
Members as at 30 June 2013	Current active members: 47,559 Deferred benefit members: 12,234 Total members: 59,793
Financial position as at 30 June 2013	Net assets: $1,817.9 million Accrued benefits*: $2,527.4 million Unfunded liabilities: $709.5 million
Member benefits	SASS, SSS and PSS members receive the SANCS benefit in addition to their main scheme benefit. The SANCS benefit is 100% employer-funded. The benefit is generally a lump sum of up to 3% of members' final salary or final average salary, for each year of service from 1 April 1988 (or if later, the employment commencement date).

*Accrued benefits as measured by the actuary using the assumed earning rate of the Fund as the discount rate. Accounting standards require employers to report accrued benefits using a risk-free discount rate which results in a higher estimate of accrued benefits.

Organisational structure

STC operates under the *Superannuation Administration Act 1996 (NSW)* (SA Act) which sets out its functions, duties, powers and obligations. The SA Act also specifies the requirements for Trustee Board composition and appointments. The Minister responsible for the administration of the SA is the Minister of Finance and Services, who also has powers to monitor the operations of STC.

STC's operational arrangements as at 30 June 2013 are set out below:



Function and role of the Trustee Board

The principal functions of the Trustee Board as set out in section 50(1) of the SA Act are to:

- administer the STC schemes
- invest and manage the Pooled Fund
- provide for the custody of the assets and securities of the STC schemes
- ensure that benefits payable to the persons entitled to receive benefits under the STC schemes are paid in accordance with the Acts under which the schemes are established or constituted
- determine disputes under those Acts
- exercise such other functions with respect to the STC schemes and the Pooled Fund as the Minister may from time to time approve by order in writing.

STC is required to outsource its principal functions of administration, investment and custody under sections 64(1), 59(1) and 61(1) of the SA Act, respectively.

The role of the Trustee Board extends to strategy, corporate governance, risk management, policy making and monitoring. Accordingly, the Trustee Board is responsible for:

- monitoring of the STC schemes and the Pooled Fund, including its control and accountability systems
- appointing and removing the Chief Executive
- input into, and final approval of the long-term strategy for the STC schemes and annual Corporate Plan
- approving and monitoring the annual budget and any extraordinary expenditure
- approving and monitoring of STC's systems of risk management, compliance and control
- approving and monitoring policies and procedures for the management of the Fund, including:
  - risk management and compliance policies
  - business plans, policies and processes for the operation of the Fund necessary for proper direction, control and performance measurement
  - standards which can be used to assess the performance of the Fund's operations and provide a basis for continuous improvement.
- setting the objectives, strategies and risk approval of the investments, approving major investment decision and monitoring and assessing performance
- approving and monitoring of STC's governance procedures, including work, health and safety, and the Code of Conduct and Ethics for the Trustee Board and the staff of STC
- monitoring the performance of the Pooled Fund, the Trustee Board, STC management and service providers.

Trustee Board members' profiles

Michael Carapiet

Chairperson
Appointed August 2011

As well as being Chairperson of STC, Mr Carapiet is Chairperson of the Safety, Return to Work and Support Board that comprises the WorkCover Authority of NSW, the Lifetime Care and Support and Motor Accidents Authority. He is a Director of Southern Cross Media Limited, State Super Financial Services Australia Limited and Clean Energy Finance Corporation and is on the Advisory Boards of Norton Rose Australia and Transfield Holdings.

Mr Carapiet has more than 30 years experience in the financial sector and has held a number of senior roles with the Macquarie Group, where he was a member of Macquarie's Executive Committee from 2005. Prior to his retirement in July 2011, his roles included Global Head of Advisory and Specialised Funds, and Executive Chairman of Macquarie Capital and Macquarie Securities. Mr Carapiet has a Master of Business Administration from Macquarie University.

Paul Scully

Employer Representative
Company Director
Appointed February 2004

Mr Scully is the Managing Director of Decision Horizons, a consulting enterprise through which he offers his services based on 30 years experience in financial services and investment management.

Mr Scully is an actuary by training, holds a Bachelor of Arts in Actuarial Studies and is a Fellow of the Institute of Actuaries of Australia and the Australian Institute of Company Directors. He was, until July 2003, Chief Executive Officer for the Asia-Pacific region of ING Investment Management and a member of its global board. He has also held executive positions in life insurance and retail funds management. He now maintains a portfolio of non-executive directorships (including State Super Financial Services Australia Limited), and consulting assignments.

Michael Lambert

Employer Representative
Company Director
Appointed February 2004

Mr Lambert is a consultant to the Asia-Pacific investment bank CIMB. Previously, Mr Lambert was a managing director in the investment banking industry and prior to that, the Secretary of the New South Wales Treasury, as well as holding various other senior positions in the NSW public sector. He has extensive experience and expertise in financial analysis, and in advising governments and clients on financial and strategic issues. He is also a Non-Executive Director of the Sax Institute and State Super Financial Services Australia Limited, chair of the Heavy Vehicle Charging and Investment Reform Board and chair of the External Advisory Committee of the Department of Government and International Relations, University of Sydney.

Mr Lambert has a Bachelor of Economics (Honours) and a Master of Economics from the University of Sydney.

Karen Moses

Employer Representative
Company Director
Appointed March 2012

Ms Moses is currently Executive Director, Finance and Strategy at Origin Energy Limited. She was appointed a Director of Origin Energy Limited in 2009, Australia Pacific LNG Pty Limited in 2005, Contact Energy Limited in New Zealand, 2004, Sydney Dance Company in 2012 and Energia Andina S.A. incorporated in Chile, April 2013.

Ms Moses has over 30 years experience in the energy industry spanning oil, gas, electricity and coal commodities, and upstream production, supply and downstream marketing operations within Australia and overseas. She is a former Director of Australian Energy Market Operator Limited (2008 to 2012), Energy and Water Ombudsman (Victoria) Limited (2005 to 2010) and VENCorp (2004 to 2009). Ms Moses holds a Bachelor of Economics and a Diploma of Education from the University of Sydney.

George Venardos

Employer Representative
Company Director
Appointed November 2012

Mr Venardos is an experienced Non-Executive Director with more than 30 years experience in finance, accounting, insurance and funds management.

He is currently a Director of IOOF Holdings Ltd, Perennial Investment Partners Ltd, Ardent Leisure Ltd and Territory Insurance Office, and is the Non-Executive Chairman of BluGlass Ltd and Guild Group Holdings Ltd.

His former positions include Group Chief Financial Officer of Insurance Australia Group, and for 10 years Chairman of the Finance and Accounting Committee of the Insurance Council of Australia. He also held the position of Finance Director of Legal and General Group in Australia. Mr Venardos has a Bachelor of Commerce from the University of New South Wales and is a Chartered Accountant.

Ron Davis

Employee Representative
Chairperson of the Police Superannuation Advisory Committee
Appointed July 1996

Mr Davis is the full-time employee representative on the Trustee Board, a position he has held since 1 January 2002. Mr Davis was previously a Valuation Manager with the State Valuation Office. He is the Branch Assistant Secretary of the SPSF NSW Sub Branch and the immediate Past President of the Professional Officers' Association. He also represents members as a delegate to the Unions NSW Public Sector Employees' Superannuation Committee. Mr Davis is a Fellow of the Australian Institute of Superannuation Trustees, a Fellow of the Association of Superannuation Funds of Australia (ASFA) and a member of ASFA's NSW Division Executive Committee.

He is also a Director of State Super Financial Services Australia Limited.

Sue Walsh

Employee Representative
President of the Public Service Association of NSW
Appointed March 2011

Ms Walsh is the President of the Public Service Association (PSA) of NSW and over the years has held a number of senior delegate positions in the PSA. She is also President of the NSW Branch of the Community and Public Sector Union and Vice President of that organisation's Federal Executive, Federal Council and is a member of the Federal Education Industry Committee.

Ms Walsh is employed as an Administrative Manager with the Department of Education and Communities (formerly the Department of Education and Training). Ms Walsh is on the Executive of Unions NSW and is a delegate to the Australian Council of Trade Unions.

Ms Walsh is a Director of State Super Financial Services Australia Limited and a member of its Audit and Compliance Committee and its Due Diligence Committee.

Alex Claassens

Employee Representative
NSW Rail, Tram and Bus Union
Appointed November 2012

Mr Claassens is currently the NSW State Secretary of the NSW Rail, Tram and Bus Union. He has a passion for the transport industry, having started his career driving trains on the NSW rail network. Mr Claassens has long been an advocate for the rights of transport workers, joining the union as a delegate in 1992 and working through various positions until being elected to the highest position in the NSW branch in 2010. He is also an Executive Member of the National Rail, Tram and Bus Union and a Director of Encompass Credit Union.

Mr Claassens still drives passenger trains in NSW, as well as driving heritage steam locomotives on a regular basis.

Tony O'Grady

Employee Representative
NSW Nurses and Midwives' Association
Appointed June 2013

Mr O'Grady is the Manager, Projects and Compliance for the New South Wales Nurses and Midwives' Association. He began his registered nurse training in 1982 and worked as a nurse until joining the NSW Nurses and Midwives' Association in November 1987. He worked as an organiser, industrial officer, team manager and projects manager for the Association, before commencing his current role in 2006.

As the Manager, Projects and Compliance, Mr O'Grady is responsible for the Association's finance, information technology and records departments, as well as managing insurance and a variety of compliance-related areas.

He served as a Director for Private Hospitals Superannuation Pty Limited – the Trustee for the Health Industry Plan (HIP) – between 2005 and 2010.

Mr O'Grady holds a Graduate Diploma in Employment Relations from the University of Technology, Sydney and a Certificate in Nursing, which he completed at Royal North Shore Hospital.

STC Executive team

The STC Executive team consists of the Chief Executive Officer and six General Managers. This team is responsible for implementing STC's corporate strategies and the management of the organisation's day-to-day operational activities. Senior managers within the organisation support the organisation to achieve its objective.

The STC Executive as at 30 June 2013 is as follows:

Chief Executive Officer
John Livanas

- **General Manager, Investments** Mark O'Brien
- **General Manager, Operations and Implementation** Melanie O'Rourke
- **General Manager, Member Services** Kevin Dent
- **General Manager, Risk, Compliance and General Counsel** Narelle Wooden
- **General Manager, Finance** Andrew Grice
- **General Manager, People and Culture** Belinda Lawn

Executive team profiles

John Livanas

Chief Executive Officer

Mr Livanas leads a team of experienced senior executives managing the provisions of member services and the investment of $38 billion worth of assets in State Super.

Mr Livanas has over 25 years industry experience and has worked in organisations including Deloitte; the South African Government Employees Pension Fund — the precursor to the country's sovereign fund, and several Australian superannuation funds.

Prior to his appointment in October 2011, Mr Livanas was the Chief Executive Officer of AMIST Super (2008 to 2011) and the General Manager of FuturePlus Financial Services (2002 to 2008). He was also a Director of ISPT and ISPT Grosvenor International Property Trust from 2010 to 2012. In August 2013, he was appointed to the Board of the Australian Council of Superannuation Investors.

Mr Livanas holds a Bachelor of Science in Engineering, an MBA from the University of Witwatersrand and a Graduate Diploma of Finance and Investments from the Financial Services Institute of Australia.

Mark O'Brien

General Manager, Investments

Mr O'Brien joined STC in February 2013 to develop the investment capacity of the STC Executive. He leads a team of investment professionals tasked with ensuring the Fund meets the Trustee's return and risk objectives.

His responsibilities include portfolio construction, the design and development of STC's investment strategy, and managing assets and manager evaluation processes in line with the overall risk and liability profile of the funds.

He has had a long career in investment management. He spent close to 10 years with ANZ Funds Management running Australian Equities portfolios before moving to AMP Capital Investors for 19 years where he held a variety of roles including Head of Australian Equities, Head of Strategy, Head of Investor Relations (for AMP Ltd), Head of International and Multi Manager Funds, and Chief Investment Officer.

Mr O'Brien holds an Agricultural Science degree and an MBA from the University of Melbourne.

Melanie O'Rourke

General Manager, Operations and Implementation

Ms O'Rourke joined STC in February 2012 and is responsible for the operational aspects of the scheme's investments. This includes implementing investment decisions, monitoring the Fund's managers and custodians, and reporting on the Fund's investments to management, the Trustee Board and associated Board Committees.

Prior to her appointment, Ms O'Rourke worked at WorkCover Authority of NSW for over four years within the Investment Division in the Investment Operations team for the Workers Compensation Insurance Fund. Prior to that, Ms O'Rourke managed the transition team for master custody clients at BNP Paribas, after moving from Mercer, where she spent five years in the custody consulting and asset transition team.

Ms O'Rourke holds a Bachelor of Business (Accounting and Finance) and is also a CPA.

Kevin Dent

General Manager, Member Services

Mr Dent is responsible for all member services, including scheme administration, communications, advice and member education services.

Prior to joining STC in June 2011, Mr Dent was a senior manager at the Australian Prudential Regulation Authority and a senior executive at ComSuper, the administrator of the Commonwealth Government's public sector and military superannuation schemes.

Mr Dent has an MBA, a Master's degree in Accounting and a Graduate Diploma in Applied Finance and Investment.

Narelle Wooden

General Manager, Risk, Compliance and General Counsel

Ms Wooden is responsible for providing the Trustee Board and the Executive with legal services, and oversees the Fund's compliance, risk, internal audit and secretariat services.

Prior to her appointment at STC in January 2010, Ms Wooden worked for more than 15 years as a lawyer, general counsel and company secretary in financial services, funds management and superannuation. Ms Wooden is also a member of the Police Superannuation Advisory Committee.

Ms Wooden holds a Bachelor of Commerce and Laws and a Masters of Laws.

Andrew Grice

General Manager, Finance

Mr Grice is responsible for the management accounting, financial accounting, financial statements, external audits, direct taxation, indirect taxation and actuarial aspects of STC and the Fund. This involves providing support and expert advice in these areas within STC, and also managing STC's external relationships with suppliers, peers and regulators.

Prior to his appointment in September 2004, Mr Grice was an external auditor with more than a decade of experience auditing some of Australia's largest superannuation organisations.

Mr Grice is a Chartered Accountant and holds Bachelor and Master's Degrees in Accounting.

Belinda Lawn

General Manager, People and Culture

Ms Lawn joined STC in July 2012 and is responsible for all employment-related activities, as well as facilitating the Project Management and Strategic Planning processes.

Ms Lawn brings to STC over 20 years experience in human resources–related fields within the financial services sector, including time with Macquarie Bank, the Australian Financial Markets Association, AMP and the Australian Securities and Investments Commission.

Ms Lawn holds a Bachelor of Economics (Honours), a Master of Economics, a Diploma of Education, and a Certificate IV in Workplace Assessment and Training.

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Part B – Corporate Performance

STC's performance against its objectives in the 2012–13 Corporate plan

STC's 2012–13 Corporate Plan identified five key objectives for the financial year:

1. To achieve the long-term investment return objectives of the Fund within an appropriate risk profile

2. To provide efficient management of outsourced contracts

3. To provide relevant, quality services to members on a cost effective basis

4. To maintain a strong working relationships with key stakeholders

5. To operate in accordance with "good practice" governance principles.

Each objective has key performance indicators to achieve these objectives.

1. To achieve the long-term investment return objectives of the Fund within an appropriate risk profile.

Key performance indicator: Exceed CPI + 4.5% after tax and fees per annum over rolling 10-year periods.

The investment return objective set for the Fund by STC, in combination with the Government's funding contributions, aims to achieve the Government's objective of full funding by 2030.

Meeting the long-term goal requires the investments to be actively managed to avoid downside exposure. Given the nature of the cash flow of the Fund, STC will reallocate assets as it deems necessary to maintain the probability of achieving full funding.

STC has achieved an average annual return for the Growth Strategy of 7.1% p.a. over the last 10 years which is broadly in line with the benchmark return of 7.2% p.a. over this period.

STC implements its investment objectives through fund managers, and over the course of 2012–13, STC has been varying the apportionment between its active managers and passive managers, as part of the process for allocating the investments appropriately for the longer term.

STC has continued to maintain prudent liquidity requirements to fund its liabilities. An increased focus on liquidity management remains a priority for the investment team.

STC reviews the risk and asset allocation settings of the Fund regularly. The asset allocation process is well diversified across asset classes and risk premia. The aim is to generate equity like returns with substantially reduced volatility. Risk management plays a crucial role in this process. STC's portfolio is well diversified across risk premiums, asset classes, investment managers and individual securities. STC believes that the current strategies in place for managing the investments of the Fund are likely to achieve the long-term investment objectives.

2. To provide efficient management of outsourced contracts.

Key performance indicator: All service providers have met Service Level Agreements and are operating under contracts that are appropriate for the level of risk and extent of service that they provide.

The scheme administration services for STC are provided by Pillar Administration, a NSW State Owned Corporation, under an administration agreement. The agreement details the administration services and contains service standards by which the performance of Pillar is measured and monitored. Pillar reports quarterly on their performance, which is measured against an aggregate performance index. Pillar's administration contract was last renewed in September 2005. STC benchmarked Pillar's services in 2011 and Pillar and STC are currently negotiating a revised contract.

From 2007, Allianz Australia Insurance Limited (Allianz) commenced administering PSS member claims for medical expenses and administering payments of PSS permanent impairment lump sum benefits. These claims were formerly undertaken by the NSW Police Force and Pillar. Allianz reports monthly on agreed performance indicators.

State Super Financial Services Australia Limited (SSFS) provides a range of financial planning and information services to STC members. STC has documented the services offered to members by SSFS through an access agreement. SSFS provides monthly reporting on the services provided to STC members and annual compliance and service quality reports.

JPMorgan Chase has been STC's custodian since 1998 and the contracts between STC and JPMorgan Chase were renewed in December 2009.

The investments of the Pooled Fund are managed by specialist fund managers. Each manager is required to invest the assets managed by it in accordance with the provisions set out in an Investment Management Agreement. The list of investment managers as at 30 June 2013 is included on page 27.

Independent actuarial services are provided by Mercer Consulting (Australia) Pty Ltd.

3. To provide relevant quality services to members on a cost-effective basis.

Key performance indicator: Member satisfaction levels achieve required targets set.

Members have access to a range of information and advice services to assist them to make informed decisions about their scheme entitlements and options.

These services include:

- a contact centre and personal interview service, which provides members with general advice about their schemes
- information seminars for members in both metropolitan and regional centres
- financial planning advice through State Super Financial Services Australia Limited (SSFS)
- a website, providing detailed information about the STC schemes, a salary sacrifice calculator and online account access
- tailored scheme specific communication to members, including the six-monthly *SuperViews* newsletter, the annual *Report to Members* and the annual *Pension Newsletter*.
- annual benefit statements.

STC has recently redeveloped its website to enhance the functionality and accessibility of information available to members and other stakeholders.

The website features separate microsites for each of STC's schemes – SASS, SSS and PSS, which can be accessed via the website homepage. Each microsite has been specifically designed to include detailed information about each scheme's rules and benefits, as well as tailored information for each of the member segments including contributing members, deferred benefit members and pension members.

The design of the website allows for key information to be easily communicated to members via a latest news section and other information areas on the scheme microsite homepages.

During the next 12 months, STC will continue to develop the functionality of the website to further enhance the services available to members online.

STC has segmented its printed member communications to tailor scheme information and articles of interest specific to each scheme. This included producing a SASS and a SSS/PSS version of the annual *Report to Members* and three versions of the *SuperViews* newsletter.

STC also published the first edition of an annual *Pension Newsletter* in September 2012. This pension newsletter has been developed to assist pension members stay informed about their pension entitlements and scheme rules. It also includes information about administrative processes and articles of interest.

During 2012–13, STC also commenced its annual member research project. A member satisfaction survey was undertaken in 2013 to measure the satisfaction of the services provided by Pillar Administration, SSFS and STC. A number of other research initiatives will be undertaken during the 2013–14 period to enhance our understanding of members' needs and expectations so that we can continue to provide appropriate services.

SSFS provides advice services to STC members and during 2012–13, STC and SSFS collaborated on a number of joint communications initiatives. These initiatives included:

- a notification to members of the increase to the concessional contribution cap for those aged 50 years and over
- a mail out to SASS active members about the benefits of increasing their rate of contribution
- a mail out to SASS deferred benefit members about choosing an investment strategy to suit the member's individual circumstances
- information to pension members about the availability of advice services.

STC and SSFS will continue to work on a number of initiatives in the coming year to increase members' awareness of their scheme and how SSFS services may assist members with the decisions they face.

STC offers information seminars for members in both metropolitan and regional centres. The seminars are conducted by STC staff and approximately 3,200 members attended the 79 seminars held in 2012–13.

4. To maintain strong working relationships with key stakeholders.

Key performance indicator: Relationships with key government stakeholders are maintained at a high level with constructive and consistent dialogue.

Key stakeholders are the relevant NSW Government Ministers (the Minister for Finance and Services and the Treasurer) and their departmental staff with responsibility for superannuation and investment matters.

During 2012–13, STC met regularly with senior staff of the Department of Finance and Services, and Treasury. STC also met with the senior management of the universities to discuss the individual circumstances and funding position of each university.

University funding

The most recent actuarial review of the State Super schemes dated 4 December 2012 has confirmed that, without additional contributions, the employer reserves in the State Super fund for each university are likely to become exhausted over the period from 2014–15 to 2021–22. A copy of the 2012 actuarial review can be found on the State Super website at www.statesuper.nsw.gov.au/news-and-publications

STC has written to each university to obtain agreement to a funding plan for additional employer contributions. The universities, however, have not been in a position to provide the funding plans, due to ongoing negotiations between the Commonwealth and NSW governments over each government's share of the superannuation funding required from the universities.

The NSW Government advised in its Budget Papers released on 18 June 2013 that the negotiations over university superannuation are at an advanced stage. The budget papers indicated that NSW is prepared to fund a share that reflects a fair estimate of the State's funding responsibilities for university superannuation and that, together with the Commonwealth funding, this will ensure that the university employer reserves are not depleted.

STC has received an assurance from the NSW and Commonwealth governments that they will fund any shortfall of member benefits in 2013–14 pending a permanent resolution. STC is closely monitoring this issue and will inform members when a funding agreement is finalised. As further information becomes available, STC will provide updates on the State Super website at www.statesuper.nsw.gov.au

5. To operate in accordance with 'good practice' governance principles.

Key performance indicator: Effective decision making, with recognised robust processes embedded in the organisation.

The STC schemes are exempt public sector superannuation schemes under the Commonwealth *Superannuation Industry (Supervision) Act 1993* (SIS Act) and as such are complying superannuation funds for concessional taxation and Superannuation Guarantee purposes. Under the 1996 Heads of Government Agreement governing the operation of exempt public sector superannuation schemes, the NSW Government undertakes to ensure that the STC schemes comply with the principles of the Commonwealth government's retirement incomes, including preservation, vesting and reporting to members. The *Superannuation Administration Act 1996* requires STC, in exercising its functions, to have regard to the Heads of Government Agreement.

As part of the Commonwealth Government's Stronger Super changes, the SIS legislation has been amended to provide for the Australian Prudential Regulation Authority (APRA) to make prudential standards for APRA regulated superannuation trustees.

During the year, STC undertook a significant review of its policies and procedures to ensure that they are consistent in all material respects with the prudential standards applicable to STC if it were regulated by APRA. The review was substantially completed by the end of the financial year.

Part C – Operations Overview

Operations overview

This section provides an overview of STC's investment performance and management activities during 2012–13. It also includes information about STC's member services and the trends in STC's membership.

Investments

Global environment for 2012–13

Despite the investment market fluctuations, the end of financial year results were positive for investment funds, especially those with a high exposure to growth assets such as Australian and international shares.

United States recovery

By the end of June 2013, the forecast for the United States, the world's largest economy, was much brighter. The economy was boosted by improved financial markets liquidity and solid company earnings. In addition, the booming shale oil/ gas industry which some experts believe could make the United States energy self-sufficient by 2035, was a standout.

The prospects for the economy had also been improved by a long-awaited recovery in the residential property market and a gradual improvement in employment.

Change in China

While investors have been influenced by events in the United States, they have been closely watching China as the new government there tries to rein in excessive debt. At the same time, the government is trying to move the Chinese economy from a reliance on exports to one where consumer spending makes up a larger proportion of the economy. This is a long-term project but markets have been reassured by the recent economic growth numbers. The OECD expects China's economy to grow by more than 8% in 2014.

Stability in Europe

Over the past few years, Europe has been a source of much concern for the global economy. While the 2012–13 financial year was not without turmoil, the European economic crises had less of an impact on global markets this year. The Eurozone economy is still very weak, recording its seventh successive quarter of negative economic growth in June. Negotiations towards closer economic co-operation have slowed and debt problems still weigh on the big economies of France, Italy and Spain. Europe continues to weigh down the global economy and the impact of austerity policies, high unemployment and the difficulty of pan-European economic reform will have a dampening effect on growth.

Effects on the Australian market

During the 2012–13 financial year, Australian investment markets were again influenced by international trends. Slowing Chinese growth had the greatest impact, pushing down the prices of Australian commodities and the share prices of Australia's big mining companies. With this source of economic growth slowing down, the Reserve Bank continued to reduce local interest rates making high-yielding investments, including shares, more attractive.

Impact on financial markets

International shares delivered strong returns for investors over the 2012–13 financial year. The overall global market was up over 30% (according to the MSCI World Ex-Australia Unhedged Index) and the United States S&P500 (Accum Index) up 20.6%.

In Australia, overall market returns were strong, with the S&P/ ASX 200 Accumulation Index up over 22%, making this the best financial year return for the Australian sharemarket since 2006–07.

STC's performance

STC was well positioned to benefit from the lift in global share markets that flowed from improved investor confidence.

As the year progressed, a number of changes were made to the portfolio composition to improve the blend of managers and strategy diversification. The Fund benefited from the improved returns flowing from its holdings in property and infrastructure and increased holdings of cash when the markets corrected in the last quarter of the year.

The Fund also moved from a position of being relatively fully hedged on the Australian dollar through the year to unhedged in the last quarter, through the active currency overlays program in place. This added to returns as the dollar weakened against global currencies and share markets corrected in May and June of 2013.

Investment returns for each strategy

SASS is a hybrid scheme with the member financed benefit component being an accumulation of member contributions with investment earnings and the employer-financed benefit component being a defined benefit. On deferral, both the member and employer-financed components are accumulated with investment earnings from the investment strategy or strategies selected by the member.

SASS members have a choice of four investment strategies — Growth, Balanced, Conservative and Cash. The Growth Strategy is the default strategy that applies if a member does not make an investment choice.

The crediting rates for the four investment strategies, along with the median manager results from the Mercer survey of superannuation funds, are shown below.

The crediting rates shown below have been rounded to one decimal point and shown as an annual rate. Actual crediting rates are declared monthly to four decimal places. The annual rate is the compounded monthly rates.

	Growth Strategy	
Year ending	Crediting rate (% p.a.)	Median manager[1] %
2013	17.1	15.4
2012	0.4	0.5
2011	8.7	8.2
2010	9.2	10.0
2009	-10.3	-12.2
Average annual compound rate (% p.a.)		
Over 3 years	8.5	7.8
Over 5 years	4.6	4.1
Over 10 years	7.1	6.6

[1]Growth- Mercer Investment Performance Survey of Employer Super Balanced Growth (60-80)

	Balanced Strategy	
Year ending	Crediting rate (% p.a.)	Median manager[2] %
2013	13.7	11.3
2012	2.6	2.5
2011	7.7	7.5
2010	8.4	9.5
2009	-4.2	-8.1
Average annual compound rate (% p.a.)		
Over 3 years	7.9	7.1
Over 5 years	5.5	4.5
Since Dec 2003	6.8	5.4

[2]Balanced - Mercer Investment Performance Survey of Employer Super Moderate Growth (40-60)

	Conservative Strategy	
Year ending	Crediting rate (% p.a.)	Median manager[3] %
2013	9.2	8.2
2012	4.6	4.0
2011	6.7	6.4
2010	7.1	8.3
2009	0.6	-3.4
Average annual compound rate (% p.a.)		
Over 3 years	6.8	6.2
Over 5 years	5.6	4.7
Since Dec 2003	6.3	5.0

[3]Conservative - Mercer Investment Performance Survey of Employer Super Conservative (20-40)

	Cash Strategy	
Year ending	Crediting rate (% p.a.)	Median manager %
2013	3.2	n/a
2012	4.2	n/a
2011	4.5	n/a
2010	3.4	n/a
2009	4.7	n/a
Average annual compound rate (% p.a.)		
Over 3 years	4.0	n/a
Over 5 years	4.0	n/a
Since Dec 2003	4.6	n/a

Investment returns against objectives

The table below shows the annual average returns for the investment strategies relative to their long-term investment objectives.

Declared returns for the period ending 30 June 2013 against the investment objectives

Strategy	Period	Declared return % p.a.	Objective % p.a.
Growth (Objective: CPI + 4.5%)	10 years	7.1	7.2
Balanced (Objective: CPI + 3.0%)	7 years	5.0	5.6
Conservative (Objective: CPI + 2.0%)	4 years	6.9	4.6
Cash (Objective: CPI + 1.5%)	3 years	4.0	3.9

Strategic asset allocation

Effective 1 July 2012, the Trustee has adopted a different classification within the asset allocation. Rather than allocating asset classes into two categories (growth and defensive), the Trustee now allocates the asset classes into three categories — liquid defensive, liquid growth and alternatives — to more closely reflect the role of each category within the portfolio.

The liquid growth category of assets consists of Australian and international listed equities. The liquid defensive category consists of Australian and international fixed interest and cash. Property, infrastructure, corporate debt, inflation linked bonds, absolute return strategies and private equity comprise the alternatives category.

Liquid growth is expected to make a large contribution to long-term returns, but returns are likely to be highly volatile. The allocation to liquid growth, as well as the allocation between Australian equities and international equities within the liquid growth category, may be changed from time to time depending on market opportunities.

Alternatives serve a dual purpose. Some of the asset classes in this category are expected to generate returns in line with or higher than CPI+4.5%, which is the objective for the Growth Strategy. Other asset classes within the alternatives category are expected to have a dual objective of providing CPI+4.5%, but with the ability to provide downside protection when markets are turbulent.

Liquid defensive represents asset classes that tend to do well when markets are turbulent. These asset classes provide capital protection when most other strategies are not performing well, but they are not expected to generate CPI+4.5% over the long term.

STC can dynamically allocate assets between liquid defensives and liquid growth based on changes in the investment environment, whereas the allocation to alternatives is strategic in nature. Alternatives are generally illiquid and investments are held over the medium to long term.

Passive rebalancing

The Pooled Fund passively rebalances the tradeable asset classes in the portfolio in a disciplined manner in order to ensure the portfolio conforms to the target asset allocation. For the Balanced and Conservative strategies, if an asset class has deviated away from the target asset allocation, the manager trades against the Growth Strategy, to return allocations back to the target asset allocation. For the Growth Strategy, if an asset class has deviated outside a set range relative to the target asset allocation, the manager reallocates funds between asset classes to return allocations within the agreed range. This rebalancing process may involve the use of derivatives.

Growth Strategy

Investment objective: The objective of the Growth Strategy is to maximise the earnings rate subject to a greater than 50% probability of exceeding CPI+4.5% p.a. over rolling 10-year periods.

Risk: Medium to high (Risk band 5: from 3 to less than 4 negative annual returns estimated over any 20-year period).

Net assets at 30 June 2013: $37,186.9 million

Asset allocation as at 30 June 2013:

	Strategic %	Actual %
Liquid growth	**54.0**	**56.5**
Australian equities	31.0	30.4
International equities	23.0	26.1
Alternatives	**30.5**	**21.3**
Property	8.0	8.3
Infrastructure	9.0	7.6
Other alternatives	13.5	5.4
Liquid defensive	**15.5**	**22.2**
Australian fixed interest	5.5	6.9
International fixed interest	2.5	2.2
Cash	7.5	13.1
TOTAL	**100.0**	**100.0**

During 2012–13 the strategic allocation to alternatives was increased significantly to facilitate new investments in direct infrastructure, direct property, and multi-asset strategies. It was expected to take time to find the right assets and build the targeted exposures across the relevant strategies. The process is well underway and the gap between the actual asset allocation and the strategic target will be narrowed substantially during the next twelve months. In the meantime, cash levels have been held at higher than long-term levels which has dampened the impact of short-term volatility on the Fund.

Balanced Strategy

Investment objective: The objective of the Balanced Strategy is to maximise the earnings rate subject to a greater than 60% probability of exceeding CPI+3.0% p.a. over rolling 7-year periods.

Risk: Medium (Risk band 4: from 2 to less than 3 negative annual returns estimated over any 20-year period).

Net assets at 30 June 2013: $335.4 million

Asset allocation as at 30 June 2013:

	Strategic %	Actual %
Liquid growth	**38.0**	**37.8**
Australian equities	22.0	21.6
International equities	16.0	16.2
Alternatives	**20.0**	**20.2**
Property	6.0	6.0
Infrastructure	5.0	8.3
Other alternatives	9.0	5.9
Liquid defensive	**42.0**	**42.0**
Australian fixed interest	13.5	13.5
International fixed interest	6.5	6.5
Cash	22.0	22.0
TOTAL	**100.0**	**100.0**

Conservative Strategy

Investment objective: The objective of the Conservative Strategy is to maximise the earnings rate subject to a greater than 70% probability of exceeding CPI+2.0% p.a. over rolling 4-year periods.

Risk: Low (Risk band 2: from 0.5 to less than 1 negative annual returns estimated over any 20-year period).

Net assets at 30 June 2013: $386.5 million

Asset allocation as at 30 June 2013:

	Strategic %	Actual %
Liquid growth	**20.0**	**19.7**
Australian equities	12.0	11.7
International equities	8.0	8.0
Alternatives	**17.2**	**17.2**
Property	5.4	5.4
Infrastructure	4.0	6.9
Other alternatives	7.8	4.9
Liquid defensive	**62.8**	**63.1**
Australian fixed interest	13.8	13.6
International fixed interest	9.0	8.9
Cash	40.0	40.6
TOTAL	**100.0**	**100.0**

Cash Strategy

Investment objective: The objective of the Cash Strategy is to maximise the earnings rate subject to a greater than 80% probability of exceeding the CPI+1.5% p.a. over rolling 3-year periods.

Risk: Very low (Risk band 1: from less than 0.5 negative annual returns estimated over any 20-year period).

Net assets at 30 June 2013: $300.2 million

Asset allocation as at 30 June 2013:

	Strategic %	Actual %
Liquid growth	**0.0**	**0.0**
Australian equities	0.0	0.0
International equities	0.0	0.0
Alternatives	**0.0**	**0.0**
Property	0.0	0.0
Infrastructure	0.0	0.0
Other alternatives	0.0	0.0
Liquid defensive	**0.0**	**0.0**
Australian fixed interest	0.0	0.0
International fixed interest	0.0	0.0
Cash	100.0	100.0
TOTAL	**100.0**	**100.0**

Management of investments

STC undertook its annual review of the investment strategy for the Pooled Fund in June 2013 and made the following changes effective 1 July 2013.

A change to the return objective for the Cash Strategy

STC has revised the return objective for the Cash Strategy, from CPI+1.5% p.a. over rolling three-year periods to CPI+0.75% p.a. over rolling three-year periods. This change reflects official cash rates being significantly lower than they were at same time last year, and STC's view is that it is unlikely the Cash Strategy would be able to deliver a real return in excess of 0.75% over the next three years, given that the strategy is invested only in short-term cash instruments.

Strategic asset allocation of the Growth Strategy

Effective from 1 July 2013, the strategic asset allocation of the Growth Strategy was revised to:

Growth Strategy	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	**54.0**	**38.0 - 70.0**
Australian equities	30.0	
International equities	24.0	
Alternatives	**32.5**	**22.5 - 40.5**
Property	9.0	
Infrastructure	10.0	
Other alternatives	13.5	
Liquid defensive	**13.5**	**10.0 - 29.5**
Australian fixed interest	4.0	
International fixed interest	2.0	
Cash	7.5	
TOTAL	**100.0**	**100.0**

Strategic asset allocation of the Balanced and Conservative Strategies

STC has decided to reduce the strategic asset allocations to Australian and international fixed interest assets in the Balanced and Conservative strategies by 10.6% in favour of investments in infrastructure and property. The asset allocation changes to the Balanced and Conservative Strategies do not adversely affect their risk and return profiles (Standard Risk Measures) over their respective time horizons.

Strategic asset allocation of the Balanced Strategy

Effective from 1 July 2013, the strategic asset allocation of the Balanced Strategy was revised to:

Balanced Strategy	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	**38.0**	**28.0 - 48.0**
Australian equities	22.0	
International equities	16.0	
Alternatives	**30.6**	**25.6 - 35.6**
Property	10.0	
Infrastructure	10.0	
Other alternatives	10.6	
Liquid defensive	**31.4**	**21.4 - 41.4**
Australian fixed interest	10.0	
International fixed interest	4.3	
Cash	17.1	
TOTAL	**100.0**	**100.0**

Strategic asset allocation of the Conservative Strategy

Effective from 1 July 2013, the strategic asset allocation of the Conservative Strategy was revised to:

Conservative Strategy	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	**20.0**	**12.5 - 27.5**
Australian equities	12.0	
International equities	8.0	
Alternatives	**27.8**	**22.8 - 32.8**
Property	10.0	
Infrastructure	10.0	
Other alternatives	7.8	
Liquid defensive	**52.2**	**44.7 - 59.7**
Australian fixed interest	8.0	
International fixed interest	4.2	
Cash	40.0	
TOTAL	**100.0**	**100.0**

Introduction of ranges

In addition to changing the asset allocation of the Balanced and Conservative strategies, STC has implemented dynamic asset allocation (DAA) ranges for the two strategies. This change means that the allocation to liquid defensive asset classes (fixed interest and cash) and liquid growth asset classes (essentially bonds and equities) can be altered relative to their strategic asset allocation weighting. This allows STC to respond to medium-term relative valuation opportunities, and protect against shorter-term market risks.

STC does not expect that using the DAA ranges for the Balanced and Conservative strategies will change the strategies' overall risk and return profiles. The ranges were introduced to enhance and protect the strategies, given that the investment environment is likely to be challenging for these strategies over the next three to five years.

Divestment of investments in tobacco product manufacturers

The Trustee Board has reviewed the ESG (environmental, social and governance) merits of investment in tobacco securities and has decided to divest its holdings in tobacco product manufacturers. STC has instructed its managers accordingly and STC's ESG policy is being updated to reflect the decision.

Investment governance

The Trustee Board established an Investment Committee in February 2012 to support the Board in determining and effecting the investment strategy; to conduct the process of appointing and replacing investment managers and other investment service providers; and to ensure that asset and liability matching is taken into account in investment management decisions. The Investment Committee met on 14 occasions in 2012–13. Prior to the establishment of the Investment Committee, all of its functions, policies and processes were undertaken by the Board itself.

Crediting rate policies and processes

The crediting rate policy of the Trustee Board is that all available investment earnings or losses, after providing for tax and investment expenses, are distributed to employers and members, based on a declared crediting rate that is determined monthly. Members exiting the Pooled Fund schemes receive a daily interim rate applicable since the last monthly rate was determined.

During the year, STC commenced a review of its crediting rate processes, in particular the roles performed by its administrator and its custodian. The review is expected to be completed in 2013–14.

Derivatives

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing the investment portfolio.

During the year to 30 June 2013, the managers made limited use of derivatives, except for the passive rebalancing program, which makes extensive use of index futures.

Currency hedging policy

The Trustee's policy for currency hedging at 30 June 2013 was:

- international equities are hedged from 0% to 64% into Australian dollars
- international property, infrastructure and alternative assets are hedged from 0% to 100% into Australian dollars
- international fixed interest assets (sovereign and corporate debt) are hedged 100% into Australian dollars.

The Trustee is considering implementing an active overlay program in 2013–14 to assist manage currency risk.

Large investments

During the year, no individual investment directly held by the Pooled Fund exceeded 5% of the Fund's total investments.

Master custodian

The Trustee Board has appointed JPMorgan Chase Bank, NA, as master custodian to hold the Pooled Fund's assets. The master custodian also values the Fund daily and monitors each investment manager's daily activity to ensure compliance with its investment mandate.

Investment managers

As required by the *Superannuation Administration Act 1996*, all of the Pooled Fund's assets are managed by external fund managers appointed by STC. Each manager operates under a written agreement and investment mandate. The performance of the various fund managers is monitored throughout the year and new managers may be added or existing managers replaced. The investment managers as at 30 June 2013 are:

Australian Equities
BlackRock Investment Management (Australia) Limited
BT Investment Management (RE) Limited
Ellerston Capital Limited
Lazard Asset Management Pacific Co
Macquarie Investment Management Limited
Maple-Brown Abbott Limited
Northcape Capital
Perennial Value Management Limited
Platypus Asset Management Pty Ltd
State Street Global Advisors, Australia, Limited

International Equities (and currency)
Altrinsic Global Advisors LLC
AQR Capital Management, LLC
Arrowstreet Capital L.P.
AXA Rosenberg Investment Management Asia Pacific Ltd
Axiom International Investors LLC
Capital International, Inc
Genesis Asset Managers LLP
Hexavest Inc.
Lazard Asset Management Pacific Co
Pareto Investment Management Limited
RealIndex Investments Pty Limited
State Street Global Advisors, Australia, Limited
Trilogy Global Advisors, LLC
Trilogy Global Advisors, LP (via Orion Asset Management Services Pty Ltd)

Property
DEXUS Funds Management Limited
EG Funds Management Pty Ltd
Franklin Templeton Investments Australia Limited
LaSalle Investment Management (via Equity Trustees Limited)
SG Hiscock & Company Limited
State Street Global Advisors, Australia, Limited
Vanguard Investments Australia Ltd

International Fixed Interest
State Street Global Advisors, Australia, Limited

Australian Fixed Interest & Cash
Colonial First State Asset Management (Australia) Limited
Deutsche Asset Management (Australia) Limited
State Street Global Advisors, Australia, Limited

Alternative Assets
Access Capital Advisers Pty Ltd
AMP Capital Investors Limited
Challenger Management Services Limited
Deutsche Asset Management (Australia) Limited
GMO Australia Limited
Hasting Investment Management Pty Limited
Kaplan Funds Management Pty Limited
Macquarie Investment Management Limited
New South Wales Treasury Corporation
Pareto Investment Management Limited
RARE Infrastructure Limited
Schroder Investment Management Australia Limited
Siguler Guff DOF III GP LLC
Siguler Guff DOF IV GP LLC
State Street Global Advisors, Australia, Limited

Investment expenses

The indirect cost percentage for an investment strategy is the investment management expenses incurred by the strategy expressed as a percentage of the average net asset value of the strategy. The indirect cost percentages for the four investment strategies are shown below.

Strategy	% of average total assets	
	Actual 2012–13	Estimated 2013–14
Growth	0.33	0.36
Balanced	0.29	0.35
Conservative	0.21	0.27
Cash	0.05	0.05

The actual indirect cost percentages for the Balanced and Conservative investment strategies in 2012–13 were higher than expected due to the larger than estimated performance fees as a result of the returns achieved.

The indirect cost percentages for 2013–14 are estimates and may change due to market circumstances or changes in the structure of the asset sectors as the year unfolds. These estimates are slightly higher in 2013–14 due to:

- increasing the allocations to the alternatives category (the investment related costs for unlisted assets are higher than those for listed investments such as Australian equities)
- a restructure of investment managers to a mix of managers with complementary strategies.

Member services

Overview of scheme membership

The membership of the STC schemes as at 30 June 2013 are set out below.

Scheme	As at 30 June 2008	As at 30 June 2013	% movement in 5 years
Active members			
SASS	50,194	34,978	(30%)
SSS	22,033	11,060	(50%)
PSS	2,597	1,532	(41%)
Total	**74,824**	**47,570**	**(36%)**
Deferred benefit members			
SASS	11,311	10,540	(7%)
SSS	3,831	2,490	(35%)
PSS	170	128	(25%)
Total	**15,312**	**13,158**	**(14%)**
Pension members			
SASS	4,233	3,894	(8%)
SSS	42,596	50,840	19%
PSS	5,994	6,517	9%
Total	52,823	61,251	16%
TOTAL	**142,959**	**121,979**	**(15%)**

Please refer to page 49 for the membership statistics for the past five years.

The STC schemes are closed to new members and, over the past five years, the number of active members fell by 27,254 while the number of pension members increased by 8,428.

Over the coming five year period to 30 June 2018 the membership of the STC schemes will continue to fall to a projected 93,147 members. During this period the contributory or active membership will more than halve to 20,439 members. The rapid reduction in contributors reflects the age profile of the membership as well as the SSS benefit design which encourages retirement by age 60.

Over the period to 2018, the deferred benefit membership is projected to fall to 6,783 members, as these members reach the age when they can claim their benefit.

In contrast to the reduction in contributory and deferred benefit members, the number of pension members is projected to continue to steadily increase from 61,251 to reach its peak number of 65,925 in 2018. In the longer term, pension members will be the only members in the STC schemes.

Services for members

STC continues to provide a range of services to enable members to obtain timely, accurate and useful information on the schemes and their personal benefit entitlements.

Website

During 2012–13, STC undertook a major redevelopment of the website. To improve members' experience when accessing scheme specific information, the website has been restructured to include separate sections for the SASS, SSS and PSS schemes. The online content has also been revised to enhance members' understanding about their benefit entitlements.

In addition, an online booking facility has been implemented to allow members to register for a retirement planning seminar. In the next 12 months, STC will review relevant feedback to further enhance the information on the website and to develop more tools to assist members with their ongoing knowledge of their scheme.

Retirement planning seminars

During 2012–13, STC staff conducted 72 retirement planning seminars which were attended by 3,012 SASS and SSS members. Of these, 22 seminars were held in the Sydney CBD, 18 in the metropolitan area and 32 in regional centres. In addition to the retirement planning seminars, STC conducted seven Understanding Your Super seminars for SASS members with a total of 253 members attending.

Staff from State Super Financial Services attend all STC seminars and conduct a presentation on retirement planning to supplement the scheme information provided by STC staff.

Personal interview service

Personal interviews are available for current and deferred STC members. Members are provided with general advice about their scheme and general superannuation information. During 2012–13, Pillar staff conducted 1,832 interviews, most at their Sydney CBD office, with the remainder at regional offices of State Super Financial Services.

Financial planning advice

STC's 100% owned subsidiary State Super Financial Services Australia Limited provides financial planning advice to members of the STC schemes and their relatives. STC has documented the services offered to members by SSFS through an access agreement.

STC and SSFS liaise closely to ensure that the members of the STC schemes have access to high quality information and advice about their scheme entitlements and financial planning.

During 2012–13, SSFS made 18,673 financial planner appointments in respect of STC members or relatives of STC members. SSFS also provided 561 telephone advisory service calls (208 for general information and advice and 353 for limited personal advice).

Members' use of services

The trends in members' use of the services are shown in the table below.

	2010–11	2011–12	2012–13
Telephone calls	106,238	111,242	109,050
Personal interviews	2,459	2,143	1,832
Seminar attendance	4,189	3,834	3,265
Letters	6,202	8,486	7,109
Emails	10,680	10,373	13,916

The decline in members' use of services can be attributed to the steady reduction in membership.

SASS member investment choice

SASS members are able to choose single or multiple investment strategies for their personal account balance and future contributions.

The table below shows the allocation of member account balances by investment strategy. The account balances in this table cover both contributory and deferred SASS members, are net of surcharge tax liabilities and include deferred SANCS benefits invested in the Growth Strategy.

	Account balances			
	30 June 2012 $ million	%	30 June 2013 $ million	%
Growth	5,133.9	87	5,627.7	85
Balanced	211.7	4	335.4	5
Conservative	219.4	4	386.5	5
Cash	313.0	5	300.2	5
Total	**5,878.0**	**100**	**6,649.8**	**100**

The large majority of account balances continue to be invested in the Growth Strategy (the default strategy). Over the course of 2012–13, the amount invested in each strategy increased other than in the Cash Strategy where there was a small reduction.

Salary-sacrifice contributions

All members have the option of contributing their compulsory member contributions on a post-tax or a pre-tax (salary sacrifice) basis. The majority of members in all schemes make salary sacrifice contributions. The percentage of members contributing by salary sacrifice from 30 June 2011 to 30 June 2013, with a breakdown for each scheme, is shown in the following table.

Percentage of members contributing via salary sacrifice over the last three years

	30 June 2011	30 June 2012	30 June 2013
SASS	48%	50%	60%
SSS	71%	74%	77%
PSS	51%	53%	58%

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Part D – Corporate Governance

The following information is provided in accordance with the *Annual Reports (Statutory Bodies) Regulation 2010*.

Note: The SAS Trustee Corporation has been granted an exemption by the New South Wales Treasurer from including an outline budget for the following year.

Corporate Governance

Compliance framework

STC has a formal compliance framework, which includes the documentation of its plans and policies. The Trustee Board receives ongoing reporting and actively participates in the monitoring process to ensure the adequacy of the plans and policies both directly and through its Committees.

STC's compliance processes include:

- the review and maintenance of plans and policies required by NSW legislation for public sector agencies
- the review and maintenance (to the extent reasonably practicable) of plans and policies that comply with the *Superannuation Industry (Supervision) Act 1993* (SIS), APRA and ASIC requirements for regulated and licensed superannuation trustees
- the review and maintenance of a compliance checklist that identifies STC's legislative and contractual obligations quarterly and annually with the results reported to the Risk, Audit and Compliance Committee
- the review and maintenance of a risk management checklist that identifies STC's key risks (quarterly and annually with the results reported to STC's Risk, Audit and Compliance Committee)
- formal annual verification being obtained from STC's outsourced service providers, confirming that they have complied with their contractual and legislative obligations during the year in relation to their services to STC
- periodic internal audits of compliance with relevant plans and policies.

Prudential governance

STC schemes are exempt public sector superannuation schemes under the SIS. The SIS legislation treats exempt public sector superannuation schemes as complying funds for concessional taxation and Superannuation Guarantee purposes.

Under a Heads of Government Agreement, the NSW Government undertakes to ensure that STC schemes conform with the principles of the Commonwealth Government's retirement incomes policy relating to preservation, vesting, reporting to members, and adequate protection of members' benefits.

The *Superannuation Administration Act 1996 (NSW)* requires STC in exercising its functions to have regard to the Heads of Government Agreement. The legislation enables the NSW Government to prudentially monitor and audit the STC schemes and Trustee Board.

Trustee Board membership and frequency of meetings

The Trustee Board consists of a Chairperson, four employer representatives and four employee representatives (nominated by Unions NSW). All Trustee Board members are appointed by the Minister on a part-time basis except for one employee representative who is full time.

Trustee Board membership and the current term of appointment for each member during the 2012–13 period are listed in the table below.

	Appointed	Term end date	Meetings attended during 2012–13 (actual / possible)
Mr M Carapiet (Chairperson)	1 Aug 2011	31 Jul 2015	11/11
Employer representatives			
Mr I Blair[1]	1 Sep 1998	31 Oct 2012	4/4
Mr P Scully	1 Feb 2004	31 Jan 2014	11/11
Mr M Lambert	1 Feb 2004	31 Jan 2014	11/11
Ms K Moses	19 Mar 2012	18 Mar 2016	11/11
Mr G Venardos	5 Nov 2012	4 Nov 2016	6/7
Employee representatives			
Mr R Davis	1 Jul 1996	31 Dec 2013	11/11
Ms S Walsh	25 Mar 2011	24 Mar 2015	9/11
Mr R Harty[2]	1 Jan 2002	2 May 2013	9/9
Mr N Lewocki[3]	1 Sep 1998	31 Aug 2012	1/2
Mr A Claassens	5 Nov 2012	5 Nov 2016	7/7
Mr T O'Grady	24 June 2013	24 June 2017	0/0

[1] Resigned 31 October 2012
[2] Resigned 2 May 2013
[3] Term expired 31 August 2012

Trustee Board and other Committees

Investment Committee

Members

Messrs Carapiet (Chairperson), Davis, Lambert and Scully. Members of the Executive and invited visitors attend committee meetings.

Purpose

The purpose of the Investment Committee is to:

- support the Trustee Board in determining and effecting the investment strategy
- conduct the process of appointing and replacing investment managers and other service providers
- receive other information as may be required in order to improve the investment management decisions of STC
- ensure that asset and liability matching is taken into account in investment management decisions.

Risk, Audit and Compliance Committee

Members

Messrs Venardos* (Chairperson), Blair*, Davis and Lambert. The meeting is also attended by members of the Executive, the Audit Office of New South Wales, the internal auditor (as appropriate), Pillar Administration, and other invited visitors.

**Mr Blair resigned part way through the reporting period and Mr Venardos was appointed part way through the reporting period.*

Purpose

The purpose of the Risk, Audit and Compliance Committee is to provide independent assistance to the Trustee Board by reviewing and monitoring STC's governance, risk and control frameworks and its external accountability requirements.

Member Services Committee

Members

Messrs Davis (Acting Chairperson), Harty*, Lambert, Scully and Ms Walsh. The meeting is also attended by members of the Executive, Pillar Administration and invited visitors.

**Mr Harty resigned from this Committee part way through the reporting period.*

Purpose

The purpose of the Member Services Committee is to make recommendations to the Trustee Board on matters affecting the administration of the STC schemes and policies affecting stakeholders.

Actuarial Committee

Members

Messrs Scully (Chairperson), Davis, Harty* and Lambert. The meeting is also attended by members of the Executive, the scheme actuary, and invited visitors.

**Mr Harty resigned part way through the reporting period.*

Purpose

The purpose of the Actuarial Committee is to exercise functions delegated to it in relation to actuaries providing services to the STC schemes and to advise and assist the Trustee Board on matters relating to the triennial actuarial review and other actuarial matters as directed by the Board.

Disputes Committee

Members

Messrs Claassens* (Chairperson), Blair*, Davis, Lewocki*, Scully (alternate) and Venardos, and Ms Moses*. The meeting is also attended by members of the Executive and invited visitors.

**Mr Lewocki's term ended part way through the reporting period; Mr Blair resigned part way through the reporting period and Ms Moses, Mr Claassens and Mr Venardos were appointed part way through the reporting period.*

Purpose

The purpose of the Disputes Committee is to exercise the discretions of the Trustee Board in relation to disputes involving the STC schemes and to advise and assist the Board on other matters or functions in relation to disputes.

Human Resources and Nominations Committee

Members

Mr Carapiet (Chairperson), Mr Blair*, Mr Harty*, Ms Walsh and Ms Moses*. The meeting is also attended by members of the Executive and invited visitors.

**Mr Harty and Mr Blair resigned part way through the reporting period and Ms Moses was appointed part way through the reporting period.*

The purpose of the Human Resources and Nominations Committee is to review, monitor and report to the Trustee Board on the management of the human resource governance frameworks and on human resource obligations under relevant policies including the *Code of Conduct and Ethics* and *Protected Disclosures Reporting Policy*. The committee determines the remuneration structure and levels of STC staff; performance criteria for the CEO and direct reports to the CEO.

Statutory Committee — Police Superannuation Advisory Committee

The committee is a statutory committee established under Part 2H of the *Police Regulation (Superannuation) Act 1906* to exercise certain powers delegated by the Trustee Board.

Members

This committee consists of a Chairperson appointed by the Minister, three nominees of the Police Association of New South Wales, a nominee of the Commissioned Officers' Branch of the Police Association of New South Wales, a nominee of WorkCover NSW, a nominee of the Minister for Police and a nominee of STC. The STC nominee is a member of the STC Executive.

Purpose

The purpose of the Police Superannuation Advisory Committee is to determine entitlement to medical discharge for members of the NSW Police Force, and entitlement to 'hurt on duty' pension increases and other benefits under the Police Superannuation Scheme and advise STC on matters relating to administration of the *Police Regulation (Superannuation) Act 1906* that are referred to it by the Trustee Board.

Trustee Board member attendance at STC Committee meetings

	Meetings attended during 2012–13 (actual / possible)
Investment Committee	
Mr M Carapiet *(Chairperson)*	14/14
Mr M Lambert	13/14
Mr P Scully	14/14
Mr R Davis	14/14
Risk, Audit and Compliance Committee	
Mr G Venardos *(Chairperson)*	4/4
Mr I Blair[1]	1/1
Mr R Davis	5/5
Mr M Lambert	5/5
Member Services Committee	
Mr R Davis *(Acting Chairperson)*	4/4
Mr R Harty[2]	3/3
Mr M Lambert	4/4
Mr P Scully	3/4
Ms S Walsh	4/4
Actuarial Committee	
Mr P Scully *(Chairperson)*	6/6
Mr R Davis	5/6
Mr M Lambert	5/6
Mr R Harty[2]	4/4

	Meetings attended during 2012–13 (actual / possible
Disputes Committee	
Mr A Claassens *(Chairperson)*	4/4
Mr I Blair[1]	2/2
Mr R Davis	7/7
Mr N Lewocki[3]	2/2
Ms K Moses	5/5
Mr P Scully (alternate)	4/4
Mr G Venardos	1/2
Human Resources and Nominations Committee	
Mr M Carapiet *(Chairperson)*	3/3
Mr I Blair[1]	2/2
Mr R Harty[2]	3/3
Ms K Moses	1/1
Ms S Walsh	1/3
Police Superannuation Advisory Committee	
Mr R Davis *(Chairperson)*	12/12

[1] Resigned 31 October 2012
[2] Resigned 2 May 2013
[3] Term expired 31 August 2012

Risk management and insurance

While the primary responsibility for risk management rests with STC, the Risk Management Framework is monitored and reviewed by the Risk Audit and Compliance Committee (RACC). The RACC meetings are held quarterly and are also attended by members of the Executive, and representatives of the NSW Audit Office and the scheme administrator, Pillar Administration.

The Trustee Board is responsible for ensuring that its Risk Management Framework is effective in managing the material risks presented by its environment and objectives. To enable STC to effectively manage these risks, the Trustee Board has identified the material risks, both financial and non-financial, to the Fund and to its business operations and the methods to assist in controlling those risks.

Risk Management Strategy

STC's Risk Management Framework is the totality of its systems, structures, policies, processes and people within STC's business operations that identify, assess, manage, mitigate and monitor all internal and external sources of inherent risk that could have a material impact on STC's business operations or the interests of beneficiaries.

STC's Risk Management Framework has been developed having regard to the APRA Prudential Standard SPS 220 *Risk Management* (SPS 220). The Risk Management Framework includes a Risk Appetite Statement (including Risk Tolerances), the Risk Management Strategy and a Risk Register.

STC's Risk Appetite Statement articulates the acceptable risk limits within which personnel at all levels of STC business operations, whether internal or external, must operate.

The material risks, methods to control these risks and the ongoing monitoring procedures are set out in STC's Risk Management Strategy.

STC's Risk Register details the following:

- the actual risks that have been identified by the Trustee Board as material
- the methods adopted to minimise these risks
- the way these risks are monitored on an ongoing basis.

The Risk Register is reviewed on an ongoing basis, however once a year, the Executive reports on this to the RACC, providing a detailed analysis and assessment of the material risks in relation to STC's objectives and the schemes activities and proposed activities, for review by the RACC and the Trustee Board.

The Executive also provides breach reports to the RACC which includes both internal and external breaches reported by the services providers.

In addition to the Risk Management Framework, STC also has procedures in relation to:

- the management and monitoring arrangements in respect of adequate human, technical and financial resources to enable STC to carry out its obligations effectively
- the management and control of fraud and corruption
- insurance cover in the event of an unexpected occurrence affecting its operations or resources.

Moreover, STC also has policies which deal with risk mitigation, including the *Code of Conduct and Ethics* and *Protected Disclosures Reporting Policy*, which encourage proactive risk management and compliance with regulatory obligations.

Insurance

During the 2012–13 financial year, insurance for STC was maintained with the NSW Self Insurance Corporation (SI Corp), which covers the NSW Government's insurable risks. SI Corp provides cover for the following classes of risk:

- workers compensation
- property (full replacement, new for old, including consequential loss)
- liability (including, but not limited to, professional indemnity, and directors' and officers' liability)
- miscellaneous (e.g. personal accident).

Internal Audit and Risk Management Statement for the 2012 – 2013 Financial Year for the SAS Trustee Corporation

The members of the Board of the SAS Trustee Corporation (**STC**) are of the opinion that STC has internal audit and risk management processes in operation that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*. These processes provide a level of assurance that enables the senior management of STC to understand, manage and satisfactorily control risk exposures.

The members of the STC Board are of the opinion that the Risk, Audit and Compliance Committee for STC is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Risk, Audit and Compliance Committee for the 2012 – 2013 period are:

- Independent Chair – Ian Blair (term of appointment: 1 June 2010 to 31 May 2014; resignation was effective from 31 October 2012).
- Independent Chair – George Venardos (term of appointment: 5 November 2012 to 4 November 2016).
- Independent Member - Michael Lambert (term of appointment: 1 February 2010 to 31 January 2014).
- Non-independent Member – Ron Davis (term of appointment: 1 July 2010 to 31 December 2013).

This ATTESTATION was executed on 29 AUGUST 2013, following a resolution of the STC Board on 28 August, 2013.

The COMMON SEAL of the)
SAS Trustee Corporation was)
hereto affixed in the presence of:)

....
Signature of John Livanas

JOHN LIVANAS
....
Name of CEO

....
Signature of Witness

BRENDA LAW
....
Name of Witness

Public interest disclosures

There was one public interest disclosure (PID) made to STC during the reporting period.

STC has established the *Protected Disclosures Reporting Policy* which governs STC's processes to comply with the *Public Interests Disclosures Act 1994 (NSW)*. STC facilitates staff awareness of the STC Policy and the relevant protections under the *Public Interests Disclosures Act 1994 (NSW)* in a number of ways including facilitating staff access to STC's Policy and conducting awareness training to staff.

Significant judicial decisions

Woollard V STC (IRC)

This case involved the decision of the Chief Executive Officer to decline to issue a certificate under s.10B(2) of the *Police Regulation (Superannuation) Act 1906* in respect of Mr Woollards' claim of post traumatic stress disorder and depression, on the basis that Mr Woollard failed to comply with the notification provisions of the s.10B(2)(a). This decision was confirmed by the Trustee Board's Disputes Committee and an appeal to the Industrial Court was filed.

The Full Bench of the Court delivered an interim judgment on 8 March 2013 and found that recorded complaints prior to resignation were consistent with the onset of PTSD.

However, the Court has in effect created an exceptional category of mental diseases of gradual onset. The Court found that a member who suffers a psychological illness in the form of a disease of gradual onset must be taken to be, as a matter of construction, 'hurt on duty' for the purposes of the PRS Act.

The problem with this is that the words 'hurt on duty' do not appear in s.10B(2)(a) but in s.10B(3)(a) which says the Commissioner of Police determines if an infirmity is 'hurt on duty'. An appeal from the Commissioner's decision lies to the District Court and not the Industrial Court. For STC to determine 'hurt on duty', it would be considering issues of causation and thereby trespassing on the statutory role of the Commissioner of Police.

For this reason, the CEO has authorised an appeal to the Court of Appeal of the Supreme Court. The appeal is listed for hearing on 1 October 2013 for the purpose of reviewing the Full Bench decision.

Picker V STC (IRC)

This case involved the Chief Executive Officer's decision not to accept Mr Picker's application for a s.10B(2) certificate on the basis that is was well outside the statutory time limit for making such applications. The Chief Executive Officer declined to accept the late application pursuant to the discretion in s.16A of the *Police Regulation (Superannuation) Act 1906*. That decision was confirmed by the Disputes Committee and an appeal was filed by Mr Picker in the Industrial Court.

On 4 July 2012, Walton J President, gave judgment in favour of Mr Picker. His Honour considered whether it was desirable that the late application be considered, the tests to be applied, the reasons for delay in making the application, prejudice to STC, and the merits of the substantive application.

His Honour expressed reservations about the desirability because of the delay and the difficulty he had in determining Mr Picker's degree of fault or lack of diligence in not pressing the claim earlier. He acknowledged that there was a degree of prejudice to STC. However, having in mind the need to strike a balance, he was of the opinion that it was desirable in all the circumstances for STC to entertain the late application.

Cox V STC (District Court)

This case involved an appeal from a decision of the Court of Appeal. The Court of Appeal upheld STC's appeal against the decision of Ashford DCJ on 20 December 2011 and referred it back to Ashford J for final determination 'according to law'.

On 3 July 2012, Mr Cox's claim for backdating the commencement of his pension was dismissed in the District Court.

Consumer response – disputes and appeals

The superannuation schemes administered by STC provide members with a two-stage system of review of any decision made by a delegate of STC that they wish to dispute. The first stage is the STC Disputes Committee and the second stage is an appeal to the Industrial Court of NSW.

At 30 June 2012, a total of 18 disputes were current. During the year ending 30 June 2013, 43 new disputes were lodged and 20 disputes were concluded (including disputes carried over from the previous year).

Disputes on hand	18
Disputes lodged in 2012–13	43
Disputes determined in 2012–13	
Decided against the appellant	9
Decided in favour of the appellant	11
Disputes withdrawn or discontinued	20
Disputes on hand at 30 June 2013	21

Appeals to the Industrial Court from the STC Disputes Committee determinations resulted as follows:

Decided against the appellant	2
Decided in favour of the appellant	1
Withdrawn or discontinued	1
Settled	1
Outstanding at the end of the reporting year	6

The **Police Superannuation Scheme** provides for appeals in respect to 'hurt on duty' related matters to the District Court of NSW from decisions of:

- the Police Superannuation Advisory Committee (PSAC), as delegate of STC on entitlements to pension increases
- Allianz Insurance Australia Limited, as delegate of STC on entitlements to lump-sum payments for duty-related permanent impairments.

During the financial year 2012–13, these **appeals** resulted as follows:

	PSAC	Allianz
Decided against the appellant	5	0
Decided in favour of the appellant	5	0
Withdrawn or discontinued	4	0
Settled	31	5
Outstanding at the end of the reporting year	40	7

Privacy and use of member information

As a NSW Government entity, STC complies with relevant legislation, including the *Privacy and Personal Information Protection Act 1998* (Privacy Act) and the *Health Records and Information Privacy Act 2002* (HRIP Act).

STC has developed a Privacy Management Plan (Plan) and implements the Plan with the assistance of Pillar Administration.

The Privacy Statement:

- details how STC complies with the requirements of the Privacy and HRIP Acts
- explains how STC deals with members' personal and health information that may be collected and used in the course of administering the Fund
- summarises the circumstances where STC may provide a members' personal and health information to third parties.

STC endeavors to ensure its records of members' personal details are up to date and accurate. Members may contact Pillar Administration to advise of changes to their personal and health details.

STC takes steps to ensure there is no unauthorised use or disclosure of members' information. The Privacy Statement is available on request and from the State Super website at **www.statesuper.nsw.gov.au**

Government Information (Public Access) Act 2009 NSW

Program for the release of information

Under the *Government Information (Public Access) Act 2009* (GIPA Act), STC must review, at least annually, its program for the release of information that should be made publicly available in the public interest without imposing unreasonable additional costs on STC. The information that has been released on the website at www.statesuper.nsw.gov.au/corporate-governance/access-to-information-gipa is reviewed and updated on a regular basis.

Total number of access applications received by STC

During 2012–13, STC did not receive any applications under the GIPA Act. Requests in regards to member records were handled on behalf of STC by the Fund administrator, Pillar Administration (Pillar). Statistical information in regards to member's records under the GIPA Act is contained in Pillar's *Annual Report*.

Applications refused under Schedule 1 of the GIPA Act

STC must report the total number of access applications it refused from those received during the reporting year. These refusals are either whole or partial, on the basis that the application related to the disclosure of information referred to in Schedule 1 of the GIPA Act (information for which there is conclusive presumption of overriding public interest against disclosure). During 2012–13, STC has not refused any applications as there were no applications received in the reporting period.

Table A: Number of applications by type of applicant and outcome

	Access granted in full	Access granted in part	Access refused	Information not held	Information already available	Refusal to deal with application	Refusal to confirm/ deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Member of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not-for-profit organisation or community group	0	0	0	0	0	0	0	0
Member of the public (application by legal representative)	0	0	0	0	0	0	0	0
Member of the public (other)	0	0	0	0	0	0	0	0

Table B: Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused	Information not held	Information already available	Refusal to deal with application	Refusal to confirm/ deny whether information is held	Application withdrawn
Personal information application*	0	0	0	0	0	0	0	0
Access application (other than personal information applications)	0	0	0	0	0	0	0	0
Access applications that are partly personal information and partly other	0	0	0	0	0	0	0	0

* A *personal information application* is an access application for personal information (as defined in clause 4 of Schedule 4 to the GIPA Act) about the applicant (the applicant being an individual).

Government Information (Public Access) Act 2009 NSW (continued)

Table C: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the GIPA Act)	0
Application is for excluded information of the agency (section 43 of the GIPA Act)	0
Application contravenes restraint order (section 110 of the GIPA Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

Table D: Conclusive presumption of overriding public interest against disclosure – matters listed in Schedule 1 of the GIPA Act

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table E: Other public interest considerations against disclosure – matters listed in table to section 14 of the GIPA Act

	Number of occasions when application not successful
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Government Information (Public Access) Act 2009 NSW (continued)

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	0
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0

Table G: Number of applications reviewed under Part 5 of the GIPA Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	0	1	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of the Act	0	0	0
Review by ADT	0	0	0
Total	0	0	0

* The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

Table H: Applications for review under Part 5 of the GIPA Act (by type of applicant)

	Number of applications for review
Applications by access applicants	1
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Human resource management

Following the proclamation of the *Public Sector Employment Legislation Amendment Act 2006* (NSW), all STC Executive staff, with the exception of the Chief Executive Officer, are employed by the SAS Trustee Corporation Division of the Government Service of NSW. The Chief Executive Officer's contract for employment is with STC; however, all salary administration is conducted through the STC Division.

The administration of payroll and human resource services is provided by Pillar Administration. The table below shows the STC Executive staff (male and female) and the total staff numbers by salary band as at 30 June.

Salary range	2010			2011			2012			2013		
	Men	Women	Total staff	Men	Women	Total staff	Men	Women	Total staff	Men	Women	Total staff
< $39,670	0	0	0	0	0	0	0	0	0	0	0	0
$39,670 – $52,103	0	0	0	0	0	0	0	0	0	0	0	0
$52,104 – $58,248	0	0	0	0	0	0	0	0	0	0	0	0
$58,249 – $73,708	0	3	3	0	3	3	2	1	3	1	0	1
$73,709 – $95,318	2	3	5	2	3	5	2	3	5	2	3	5
$95,319 – $119,149	0	3	3	0	3	3	0	2	2	1	4	5
> $119,149 (non-SES)	8	5	13	9	4	13	8	7	15	12	10	22
Totals	**10**	**14**	**24**	**11**	**13**	**24**	**12**	**13**	**25**	**16**	**17**	**33**
	42%	**58%**		**46%**	**54%**		**48%**	**52%**		**48%**	**52%**	

Salary movement

Salaries for contract staff are reviewed annually as part of a remuneration review process. Award staff salary movement during the year was consistent with the *Crown Employees (SAS Trustee Corporation) Award 2010*. Salary movement for all contract staff during the year was in line with NSW Government Wages Policy.

Industrial relations

The Public Service Association of New South Wales provided industrial coverage for staff of the Executive. No time was lost during 2012–13 through industrial action.

Training and development

The Trustee recognises the need for the ongoing development of staff and has in place an online continuing professional development program that is available to all staff. In addition, staff may attend training designed by external providers where appropriate; and can keep up to date with changes in the superannuation industry by attending seminars, short courses and conferences.

Occupational health and safety

During the reporting period, STC had no work-related injuries, illnesses or prosecutions under the *Occupational Health and Safety Act 2000* or the *Work Health and Safety Act 2011*.

During the year, STC staff were again offered the opportunity to have influenza immunisations and 23 staff members accepted.

Equal Employment Opportunity (EEO) Policy

STC is an equal opportunity employer that has integrated EEO practices into all areas of the workplace to create an environment where staff are valued and have the opportunity to contribute and develop. The merit principle is applied to all recruitment, selection, promotion, training and other employment-related opportunities. EEO data is requested from all STC staff on commencement of employment.

Table A: Trends in the representation of EEO groups[1]

EEO group		% of total staff[2]			
	Benchmark or target	2010	2011	2012	2013
Women	50%	58	54	54	52
Aboriginal people and Torres Strait Islanders	2.6%	0	0	0	0
People whose first language was not English	19%	21	17	12	27
People with a disability	N/A[3]	0	0	0	9
People with a disability requiring work-related adjustment	1.1% (2011) 1.3% (2012) 1.4% (2013)	0	0	0	0

Table B: Trends in the distribution of EEO groups

EEO group		Distribution Index[4]			
	Benchmark or target	2010	2011	2012	2013
Women	100%	n/a	n/a	n/a	n/a
Aboriginal people and Torres Strait Islanders	100%	n/a	n/a	n/a	n/a
People whose first language was not English	100%	21	17	12	27
People with a disability	100%	n/a	n/a	n/a	n/a
People with a disability requiring work-related adjustment	100%	n/a	n/a	n/a	n/a

Notes

1 Staff numbers as at 30 June 2013.

2 Excludes casual employees.

3 Per cent employment levels are reported but a benchmark level has not been set.

4 A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

Expenditure disclosure information

Overseas visits

Name	Date of travel	Destination	Comments
John Livanas	15 – 22 January 2013	London, United Kingdom	Meeting with bid consortium on potential investment
Ron Davis	4 – 5 March 2013	Milan, Italy	International Corporate Governance Network
Ron Davis	8 – 12 April 2013	Jakarta, Indonesia Hong Kong, China Singapore	Global research and Investment Program Asia for institutional investors
Lisbeth Rasmussen	12 – 17 May 2013	Copenhagen, Denmark Paris, France London, United Kingdom	Global research and Investment Program UK/ Europe for institutional investors
Peter Laity	19 – 24 May 2013	New York, Miami, United States	Global research and Investment Program USA for institutional investors
Lisbeth Rasmussen	22 – 23 May 2013	London, United Kingdom	Meeting with fund managers in London
John Livanas	3 – 5 June 2013	Beijing, China	JP Morgan China Summit

Land disposal

Address details	Purchaser	Settlement date	Contract price
112 – 118 Talavera Road, Macquarie Park	Goodman Industrial Funds Management Limited	12 December 2012	$50,500,000

Credit card certification

STC's policy for the use of corporate credit cards by Executive staff is in accordance with the Premier's memorandum 99–05 and the Treasurer's Directions 205.01 to 08. No irregularities in the use of corporate credit cards were recorded during the year.

Annual report production details

The production of this report including writing, editing, typesetting and printing was undertaken internally and as such no costs were incurred. This publication is available online at **www.statesuper.nsw.gov.au**

Payments to consultants

Fees equal to or exceeding $50,000

Area	Project	Consultant	$ Total cost
STC			
Legal	Risk management advice	Mercer Consulting (Australia) Pty Ltd	$50,000.00
			$50,000.00
Pooled Fund			
Investments	STC crediting rate advice	Russell Investments	$148,000.00
Investments	Advice on unlisted assets structures	KPMG Investment Consulting	$75,000.00
			$223,500.00

Fees less than $50,000

Area	Project	Consultant	Total number of engagements	$ Total cost
STC				
Member Services	Communications advice	P&L Corporate Communications	1	$15,125.00
Member Services	Ensure compliance with *NSW State Records Act 1998*	Record Keeping Innovation Pty Ltd	1	$38,912.50
				$54,037.50

Account payment performance

Accounts paid on time within each quarter

Quarter	Total accounts paid on time			Total amount paid
	Target %	Actual %	$	$
Sep 2012	100%	100%	$8,767,163	$8,767,163
Dec 2012	100%	100%	$8,578,944	$8,578,944
Mar 2013	100%	100%	$9,041,560	$9,041,560
Jun 2013	100%	100%	$10,168,426	$10,168,426
Total				**$36,556,093**

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Part E – Five year membership and financial statistical tables

Five years at a glance – to 30 June 2013

Member statistics	2009	2010	2011	2012	2013
Active members – SASS	46,914	44,022	41,264	38,224	34,978
Active members – SSS	19,938	17,855	15,689	13,420	11,060
Active members – PSS	2,357	2,138	1,889	1,673	1,532
Total active members	**69,209**	**64,015**	**58,842**	**53,317**	**47,570**
Deferred benefit members – SASS	11,171	10,729	10,503	10,530	10,540
Deferred benefit members – SSS	3,575	3,322	3,022	2,749	2,490
Deferred benefit members – PSS	170	166	166	141	128
Total deferred benefit members	**14,916**	**14,217**	**13,691**	**13,420**	**13,158**
Pension members – SASS	4,062	4,438	3,953	3,869	3,894
Pension members – SSS	44,501	46,786	47,506	49,048	50,840
Pension members – PSS	6,347	6,566	6,434	6,521	6,517
Total pension members	**54,910**	**57,790**	**57,893**	**59,438**	**61,251**
Gender ratios – active members					
Females – SASS	52%	52%	52%	51%	51%
Males – SASS	48%	48%	48%	49%	49%
Females – SSS	34%	34%	34%	34%	34%
Males – SSS	66%	66%	66%	66%	66%
Females – PSS	12%	12%	12%	12%	12%
Males – PSS	88%	88%	88%	88%	88%
Contributions – $ million					
Employer contributions	174	166	165	139	155
Employee contributions	546	540	522	504	456
Crown contributions	978	1,567	1,330	6,005	1,280
Total contributions	1,698	2,273	2,017	6,648	1,891
Benefits paid – $ million	3,021	3,258	3,384	3,689	4,051
Net contributions – $ million	-1,323	-985	-1,367	2,959	-3,840
Investment revenue – $ million	-4,129	3,078	2,925	-37	6,166

Five years at a glance – to 30 June 2013 (continued)

Assets/liabilities – $ million	2009	2010	2011	2012	2013
Accrued benefits – SASS	11,719	12,580	13,090	13,184	13,653
Net assets to pay benefits	7,854	8,559	9,102	10,128	11,302
Over (under) funding – SASS	**-3,865**	**-4,021**	**-3,988**	**-3,056**	**-2,351**
Accrued benefits – SSS	27,875	29,003	29,905	30,843	31,652
Net assets to pay benefits	17,214	18,025	18,758	18,910	20,911
Over (under) funding – SSS	**-10,661**	**-10,978**	**-11,147**	**-11,933**	**-10,741**
Accrued benefits – PSS	6,158	6,350	6,483	6,661	6,852
Net assets to pay benefits	2,750	2,913	3,046	3,645	4,179
Over (under) funding – PSS	**-3,408**	**-3,437**	**-3,437**	**-3,016**	**-2,673**
Accrued benefits – SANCS	2,483	2,653	2,700	2,674	2,527
Net assets to pay benefits	1,030	1,246	1,274	1,669	1,818
Over (under) funding – SANCS	**-1,453**	**-1,407**	**-1,426**	**-1,005**	**-710**
Total accrued benefits – $ million	48,235	50,585	52,178	53,362	54,684
Total net assets to pay benefits	28,848	30,743	32,180	34,352	38,209
Total over (under) funding	**-19,387**	**-19,842**	**-19,998**	**-19,010**	**-16,475**

Employers are required by AASB119 *Employee Benefits* to report accrued benefits using a risk-free discount rate. This rate differs from the assumed earning rate used by the Fund actuary to calculate the accrued benefits set out in the above table. The risk-free rate results in a higher estimate of accrued benefits.

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Part F – Triennial Actuarial Valuation Report

The triennial actuarial valuation of the Pooled Fund and each of the individual schemes at 30 June 2012 was carried out by Martin Stevenson, FIA, FIAA of Mercer (Australia) Pty Ltd. A summary of this valuation is provided. A full version of the Actuarial Valuation Report is available on the State Super website, **www.statesuper.nsw.gov.au**

Triennial Actuarial Valuation

Introduction

As requested by the SAS Trustee Corporation (the Corporation) I have carried out an actuarial valuation of the following schemes as at 30 June 2012 in accordance with the relevant legislation governing each of the schemes:

- the State Authorities Superannuation Scheme (SASS)
- the State Authorities Non-contributory Superannuation Scheme (SANCS)
- the State Superannuation Scheme (SSS)
- the Police Superannuation Scheme (PSS).

The previous actuarial investigation of SASS, SANCS, SSS and PSS was carried out by myself as at 30 June 2009 and the results were set out in a report dated December 2009.

This report conforms to the requirements of *Professional Standard 400* of the Institute of Actuaries of Australia (PS 400).

In accordance with legislation, distinctions are made between groups of employers as set out in the following table.

Scheme	Employers
SASS	Employers are separated into Parts 1 and 3 in accordance with legislation. Part 1 includes the Crown and other employers, Part 3 includes hospitals and other bodies. Refer Section 6 Volume II for a full listing of the employers.
SANCS	Employers are subdivided in the same manner as SASS above.
SSS	Employers under SSS are essentially equivalent to Part 1 employers under SASS.
PSS	No subdivision necessary.

The number of contributors and pensioners in each of the schemes at the current and previous investigation dates is set out below:

Contributors	SASS	SANCS	SSS	PSS	Total
30 June 2012	38,004	53,064	13,405	1,666	106,139
30 June 2009	46,741	68,979	19,903	2,352	137,975

Pensioners	SASS	SANCS	SSS	PSS	Total
30 June 2012	3,888	n/a	49,068	6,522	59,478
30 June 2009	4,099	n/a	44,516	6,190	54,805

The Pooled Fund assets at 30 June 2012 totalled $34,351.9 million compared to $28,847.7 million at the last valuation. The assets were allocated to each scheme as follows.

Assets ($ millions)	SASS	SANCS	SSS	PSS	Total
30 June 2012	10,128	1,669	18,910	3,645	34,352
30 June 2009	7,854	1,030	17,214	2,750	28,848

The asset levels of all schemes have increased significantly over the three years to 30 June 2012. This reflects large Crown Contributions received in 2011–2012.

The employer reserves as at 30 June 2012 in respect of each scheme are as follows.

$millions	SASS	SANCS	SSS	PSS	Total
Assets	10,128	1,669	18,910	3,645	34,352
Less,					
– member reserves (including co-contributions and SASS and SANCS deferreds)	5,578	346	3,000	296	9,220
– death/disability reserves	1	–	–	–	1
Adjustments	1	50	13	3	67
Employer reserve	4,550	1,373	15,923	3,352	25,198

The adjustments noted above represent differences between the employer records (which are required for subdivision by scheme, part and employer) and the accounts.

For all schemes the key long-term economic assumptions for the funding valuation are as follows.

Long-term assumptions	This valuation % per annum	Last valuation % per annum
Rate of investment return/discount rate	8.3% for pensioners 7.3% other members	8.3% for pensioners 7.3% other members
Rate of general salary escalation	4.0%	4.0%
Rate of increase in CPI	2.5%	2.5%

The rate of investment return assumption is higher for pensioners because no tax is payable in respect of assets backing current pension liabilities. Note that the higher investment return assumption applies for all pensioners, not just current pensioners.

The following special short-term assumptions have been adopted for the 6 years following 30 June 2012, with the long-term assumption applying thereafter:

SASS, SANCS and SSS : 2.7% per annum for 6 years

PSS : 3.5% per annum for 6 years

There were no short-term assumptions for the 2009 investigation.

Triennial Actuarial Valuation (continued)

A comprehensive analysis was carried out in respect of all demographic assumptions used in the investigations of the Pooled Fund schemes. The analysis related mainly to the three years, 1 July 2008 to 30 June 2011.

This analysis led to changes in relation to the rates of mortality (both contributor and pensioner), hurt on duty disability, retirement and early retirement, proportions married and proportions choosing lump sums or pensions on retirement.

Short term redundancies were also assumed to reflect retrenchments in the public sector foreshadowed by the NSW Government. The rates adopted for the 4 years following 30 June 2012 were as specified by NSW Treasury and used for the latest Crown Financial Statements.

Changes in contributor decrements and deferral of retirement in SASS and SANCS and reduced hurt on duty disability rates in respect of the PSS have provided only a small offset to the effect of improvements in pensioner mortality, the assumed rate of people taking pensions, proportions married and short term redundancies, with the result that the demographic basis changes have produced a strengthening of the basis and hence a source of deficiency to the schemes overall.

Results

The unfunded liability for the Pooled Fund has reduced from $19,871.2 million to $18,978.8 million over the three years to 30 June 2012.

The unfunded liabilities of each of the schemes or sub-divisions within schemes are as follows.

$millions	SASS	SANCS	SSS	PSS	Total
Employer-accrued benefits					
• contributors	6,893.6	2,202.5	4,711.4	1,314.9	15,122.4
• deferred members	–	–	503.0	17.9	520.9
• pensioners	665.9	–	22,802.1	5,065.4	28,533.4
Total employer-accrued liability	7,559.5	2,202.5	28,016.5	6,398.2	44,176.7
Less					
Employer reserve account	4,550.2	1,373.3	15,922.7	3,351.7	25,197.9.
Employer unfunded liability as at 30 June 2012	3,009.3	829.2	12,093.8	3,046.5	18,978.9
Employer unfunded liability as at 30 June 2009	4,020.1	1,531.7	10,742.7	3,576.6	19,871.2

The employer unfunded liabilities shown above have not been grossed up for contributions tax.

Employer contributions towards meeting unfunded liabilities must be grossed up to allow for tax on contributions. Wherever employer contribution rates have been calculated in this report, the contribution rates have been grossed up accordingly.

Sensitivity runs were carried out, and the results are set out in the following table.

Unfunded liability under varying assumptions ($ million)					
Basis	**SASS**	**SANCS**	**SSS**	**PSS**	**Total**
Standard	3,009.3	829.2	12,093.8	3,046.5	18,978.8
Investment return plus 1%	2,551.5	711.0	9,317.8	2,359.4	14,939.7
Investment return minus 1%	3,532.6	961.3	15,403.2	3,883.6	23,780.8
Salary increases plus 1%	3,404.0	961.6	12,260.2	3,120.1	19,745.9
Salary increases minus 1%	2,649.2	708.9	11,935.3	2,977.1	18,270.6
CPI increases plus 1%	3,137.8	829.2	15,405.1	3,849.1	23,221.2
CPI increases minus 1%	2,898.8	829.2	9,280.7	2,377.1	15,385.8
Pensioner mortality higher*	3,003.6	829.2	11,860.7	2,997.6	18,691.1
Pensioner mortality lower**	3,021.4	829.2	12,176.3	3,063.3	19,090.3

*Decreasing the rate of mortality improvements by applying the 100 year mortality improvement trend from the Australian Life Tables 2005-07 from 1 July 2011, rather than applying the 25 year mortality trend (faster) for seven years and the 100 year mortality trend (slower) thereafter results in higher pensioner mortality.

**Increasing the rate of mortality improvement by extending the application of the 25 year mortality trend (faster) to cover the period 1 July 2011 to 30 June 2021 (10 years), rather than over seven years. The 100 year mortality improvement trend (slower) is applied thereafter. This results in lower pensioner mortality.

The above table demonstrates that the rate of investment return has the major impact on the financial condition of the Pooled Fund. The table also shows that a worsening of an economic parameter by 1% per annum has a greater dollar effect than a favourable change of 1% per annum.

Triennial Actuarial Valuation (continued)

Major items contributing to current results

The major items of surplus and deficiency which have affected the schemes over the period since the last actuarial investigation are as follows.

Item	Comment		Amount of deficiency/surplus (-) $ billion
Unfunded liability as at 1 July 2009			19.9
Investment earnings	Investment earnings of the Pooled Fund were somewhat lower than assumed and this resulted in an item of deficiency.		1.0
Contributions	Contributions to the Crown funded employer reserves exceeded accruals over the period, resulting in an overall surplus.		-7.0
Change of actuarial basis	Pensioner assumptions	0.6	
	Lower commutation	0.3	
	PSS higher disability	-0.1	
	Short-term redundancies	0.2	
	Short-term salary increase rate	-0.7	
	Other net effects	-0.1	
	The overall impact of the changes in the valuation basis was an item of deficiency.		0.2
Impact of disability experience in PSS	The impact of the lower actual than expected disabilities in the PSS was an item of suplus.		-0.1
Other exits	Generally fewer other exits and lower commutation rates were compensating surpluses and deficiencies over the Fund.		-0.0
Salary increases	Higher than expected salary increases led to a deficiency.		0.1
CPI increases	Higher than anticipated CPI increases led to a deficiency.		0.1
Interest on the previous unfunded liability	Interest on the previous unfunded liability at 1 July 2009 resulted in a deficiency.		4.8
Other	(Less than $0.1 billion)		0.0
Unfunded liability as at 30 June 2012			19.0

The major items of surplus were higher contributions overall than benefit accruals and lower than expected PSS disability; while the change in the actuarial basis, investment earnings being lower than anticipated, interest on the opening unfunded liability and higher than anticipated salary and CPI increases were the major items of deficiency.

Funding plans

The financial positions as at 30 June 2012 of the main funding groups are set out below.

	Present value of employer financed past service benefits $ million	Value of assets $ million	Unfunded liability $ million
General government sector	36,703	20,670	16,033
Universities	3,514	1,142	2,372
PTEs and others	3,959	3,385	574
Total	**44,177**	**25,198**	**18,979**

This compares with the position as at 30 June 2009:

	Present value of employer financed past service benefits $ million	Value of assets $ million	Unfunded liability $ million
General government sector	32,460	14,688	17,772
Universities	3,285	1,434	1,851
PTEs and others	3,839	3,591	248
Total	**39,584**	**19,713**	**19,871**

General government sector

The 2012–13 Budget Statement included the comment "Funding arrangements are reviewed every three years following the release of the triennial actuarial review, and will be reviewed following completion of the current triennial review in December 2012."

The Non-Crown General Government sector employers are assumed to continue to contribute at recent levels of contributions as a percentage of salaries of members. The contributions for the Crown are determined to fully fund the General Government sector by 30 June 2030.

The current funding plan for the General Government sector is to determine the contributions which, when increased at 5% per annum, will fully fund the sector by 30 June 2030. This is an appropriate strategy. At the present time this funding strategy results in relatively stable contributions from year to year, but in the years close to 2030 there is the potential for significant variation in the contribution level unless the investment strategy has relatively low volatility.

It is recommended that the government's review of the funding arrangements incorporate the demographic assumptions adopted in this report.

Triennial Actuarial Valuation (continued)

Universities

The combined deficit of the sub-funds relating to universities on the funding basis is $2.4 billion. On the current level of contributions individual university sub-funds are expected to exhaust their employer reserves over the period 2014-15 to 2021-22. That is, the funding position of the Universities needs to be resolved by 2014-15; otherwise at least one of the University sub funds will not be able to meet benefit payments. It is noted that the first instance of sub fund depletion is expected to occur before the effective date of the next actuarial triennial investigation.

Legal advice obtained by the Trustee states that the Trustee cannot pay benefits once a university employer sub-fund is exhausted. That is, other Pooled Fund assets are not available for a university employer sub-fund in deficit.

Since March 2012, senior government officials from NSW and the Commonwealth have been actively considering the funding position of the NSW universities in the Pooled Fund. The Australian Government Actuary, and myself, are actively working with Government officials on this issue. The respective governments have made a commitment to resolve the matter as soon as possible.

It is expected that the university sub-funds will be jointly funded by the NSW Government, the Commonwealth and the universities themselves. Without knowledge of the details, it is not appropriate to comment on the possible outcome of the final funding arrangements.

However in principle, my contribution recommendations for the purposes of this report are:

- where funding is the responsibility of the universities, then contributions should be at least at the level required if the superannuation arrangements were regulated by the Australian Prudential Regulation Authority (APRA).
- where funding is the responsibility of the NSW Government / Commonwealth, the contribution strategy must be evidenced in writing to the Trustee, and must be at least of the level of “pay as you go” funding.

Public Trading Enterprises and other employers

As a group, Public Trading Enterprises (PTEs) and other employers have a deficiency on the funding basis of $0.6 billion. Recommended individual funding plans for each employer are set out in another section of my report.

It is further recommended that:

- those employers that are not State backed be identified
- the relevant legislation be altered so that contribution levels for non State backed employers be determined by the Trustee; that is, there is no involvement of NSW Treasury in setting the contributions.
- for non State backed entities the contribution recommendations should be adjusted (where necessary) to at least the level required if the superannuation arrangements were regulated by APRA.

MA Stevenson
Fellow of the Institute of Actuaries of Australia

Part G – Financial Statements of the SAS Trustee Corporation

AUDITOR-GENERAL
NEW SOUTH WALES

INDEPENDENT AUDITOR'S REPORT

SAS Trustee Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of SAS Trustee Corporation (STC), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for both STC and the consolidated entity. The consolidated entity comprises STC and the entities it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of STC and the consolidated entity as at 30 June 2013, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

The Board's Responsibility for the Financial Statements

The Board of STC is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the members of the Board determine is necessary to enable the preparation of the financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of STC, as well as evaluating the overall presentation of the financial statements.

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I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of STC or consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information, that may have been hyperlinked to/from the financial statements

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.

A T Whitfield
Acting Auditor-General

25 September 2013
SYDNEY

SAS TRUSTEE CORPORATION

ABN 29 239 066 746

Statement by Members of the Trustee Board
for the year ended 30 June 2013

Pursuant to 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 as at 30 June 2013 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 2010*, the Treasurer's Directions and applicable Accounting Standards in Australia.

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 25th day of September 2013.

Michael Carapiet
Chairperson
SAS Trustee Corporation

George Venardos
Board Member and Chairperson of the Risk, Audit and Compliance Committee
SAS Trustee Corporation

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2013

	NOTE	**Economic Entity 2013 $'000**	Economic Entity 2012 $'000	**Statutory Corporation 2013 $'000**	Statutory Corporation 2012 $'000
Continuing Operations					
Operating Revenue	3	**36,753**	36,404	**34,542**	35,235
Operating Expenses	3	**(37,783)**	(34,154)	**(34,542)**	(35,235)
Operating Result		**(1,030)**	2,250	**-**	-
Other Comprehensive Income					
Items that will not be reclassified into Operating Result:					
Superannuation actuarial gains/(losses)		**1,030**	(2,250)	**-**	-
Total Comprehensive Income		**-**	-	**-**	-

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

SAS TRUSTEE CORPORATION

Consolidated Statement of Financial Position
as at 30 June 2013

	NOTE	**Economic Entity 2013 $'000**	Economic Entity 2012 $'000	**Statutory Corporation 2013 $'000**	Statutory Corporation 2012 $'000
Current Assets					
Cash and cash equivalents	11(a)	**1,740**	950	**1,740**	950
Receivables	4	**5,325**	7,395	**5,204**	7,368
Other Current Assets		**307**	57	**307**	57
Total Current Assets		**7,372**	8,402	**7,251**	8,375
Total Assets		**7,372**	8,402	**7,251**	8,375
Current Liabilities					
Payables	5	**4,266**	4,291	**7,251**	8,375
Provisions	6	**3,017**	4,064	**-**	-
Total Current Liabilities		**7,283**	8,355	**7,251**	8,375
Non-Current Liabilities					
Provisions	6	**89**	47	**-**	-
Total Non-current Liabilities		**89**	47	**-**	-
Total Liabilities		**7,372**	8,402	**7,251**	8,375
Net Assets		**-**	-	**-**	-
Accumulated Funds		**-**	-	**-**	-

The accompanying notes form an integral part of the above Consolidated Statement of Financial Position

Consolidated Statement of Cash Flows
for the year ended 30 June 2013

	NOTE	**Economic Entity 2013 $'000**	Economic Entity 2012 $'000	**Statutory Corporation 2013 $'000**	Statutory Corporation 2012 $'000
Cash Flows from Operating Activities					
Receipts from Pooled Fund Schemes		**34,210**	33,697	**31,999**	32,528
Interest Received		**40**	70	**40**	70
Payments to Suppliers and Employees		**(33,460)**	(33,775)	**(31,249)**	(32,606)
Net Operating Cash Flows	11(b)	**790**	(8)	**790**	(8)
Net Increase/(Decrease) in Cash & Cash Equivalents		**790**	(8)	**790**	(8)
Cash & Cash Equivalents at the Beginning of the Financial Year		**950**	958	**950**	958
Cash & Cash Equivalents at the End of the Financial Year	11(a)	**1,740**	950	**1,740**	950

The accompanying notes form an integral part of the above Consolidated Statement of Cash Flows

Consolidated Statement of Changes in Equity
for the year ended 30 June 2013

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	**Statutory Corporation 2013 $'000**	Statutory Corporation 2012 $'000
Balance at 1 July	**-**	-	**-**	-
Operating Result	**(1,030)**	2,250	**-**	-
Other Comprehensive Income				
Superannuation actuarial gains/(losses)	**1,030**	(2,250)	**-**	-
Total Comprehensive income	**-**	-	**-**	-
Balance at 30 June	**-**	-	**-**	-

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

Notes to the financial statements
for the year ended 30 June 2013

1. OPERATIONS

Under the terms of the *Superannuation Administration Act 1996* (the Act), the SAS Trustee Corporation (STC) holds in trust all assets of the SAS Trustee Corporation Pooled Fund ("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 16, 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.

Investment custodial activities for the Pooled Fund are performed by JPMorgan Chase Bank NA.

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

The Economic Entity comprises –

- The SAS Trustee Corporation Division of the Government Service of NSW, as the controlled entity ("the STC Division"), and
- STC as the parent entity of the STC Division (referred to as the "Statutory Corporation" in the above statements).

The STC Division provides personnel services to STC and also the Pooled Fund. As it is a controlled entity of STC the STC Economic Entity includes all transactions of the STC Division, including those transactions which were not with STC. The principles of consolidation of STC and STC Division is described at note 2(b) below.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance and Basis of Preparation

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 2010*
- the Treasurer's Directions
- applicable Australian Accounting Standards including Australian Accounting Interpretations.

Both the Economic Entity and the Parent Entity are 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 the changing value 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.

The financial statements were authorised for issue by the Trustee Board on 25 September 2013.

Notes to the financial statements
for the year ended 30 June 2013

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

a) Statement of Compliance (continued)

The accounting policies adopted in preparing the financial statements are consistently applied, including considering new or amended accounting standards which became operational on 1 July 2012. The following standard resulted in a minor change to the Consolidated Statement of Comprehensive Income – AASB 2011-9, Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income. No other new or amended accounting standards were applicable.

b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the Statutory Corporation and its controlled entity, the STC Division, as at 30 June and the results of the Statutory Corporation and its controlled entity for the year then ended.

The Statutory Corporation and its controlled entity is referred to in these financial statements as the "Economic Entity". The effects of all transactions within the Economic Entity are eliminated in full. There are no outside equity interests.

The STC Division also prepares separate financial statements. These financial statements are 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 the Statutory Corporation and comprise the direct expenses of the 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. All amounts include the salary of STC's Chief Executive Officer, whose contract is direct with STC.

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.

Notes to the financial statements
for the year ended 30 June 2013

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

d) Employee Benefits (Continued)

Superannuation

Any unfunded superannuation liability is recognised as a liability in the Statement of Financial Position 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. Any actuarial gains and losses are recognised in comprehensive income in the year in which the gain or loss occurs.

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 STC Division are conducted through the Statutory Corporation's bank account.

g) Financial Instruments

Financial instruments give rise to positions that are financial assets or liabilities. The instruments include cash at bank, receivables and payables. All classes of instruments are initially recorded at cost and with receivables and payables being subsequently carried at amortised cost. As such, inputs for valuing the receivables and payables are not based on observable market data. Such measurement provides a reliable estimate of the instrument. Any impairment loss occurring on financial instruments is treated as an expense in the period in which it occurs.

h) Accounting standards applicable issued but not yet effective

At the date of authorisation of these financial statements the following accounting standards which are expected to be relevant were issued but not yet effective.

AASB 9 *Financial Instruments* as issued in December 2009 will be implemented for the year ended 30 June 2016. No material change to these financial statements is anticipated.

Notes to the financial statements
for the year ended 30 June 2013

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

h) Accounting standards applicable issued but not yet effective (Continued)

AASB 10 *Consolidated Financial Statements* as issued in August 2011 will be implemented for the year ended 30 June 2015. No material change to these financial statements is anticipated.

AASB 13 *Fair Value Measurement* as issued in September 2011 will be implemented for the year ended 30 June 2014. No material change to these financial statements is anticipated.

AASB 119 *Employer Benefits* as issued in September 2011 will be implemented for the year ended 30 June 2014. No material change to these financial statements is anticipated.

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.

j) Use of Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty implicit in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the affected asset or liability in the future.

Notes to the financial statements
for the year ended 30 June 2013

3. OPERATING RESULT

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	**Statutory Corporation 2013 $'000**	Statutory Corporation 2012 $'000
The result includes the following items of revenue and expense:				
Management Fees	**36,363**	35,989	**34,152**	34,820
Interest Income	**40**	70	**40**	70
Other Income	**350**	345	**350**	345
Total Revenue	**36,753**	36,404	**34,542**	35,235
Trustee Expenses				
Board Member Fees	**722**	592	**722**	592
Other Administration Expenses	**58**	32	**58**	32
Total Trustee Expenses	**780**	624	**780**	624
Executive Expenses				
Employee Related Expenses	**5,680**	3,914	**-**	-
Superannuation	**328**	465	**-**	-
Personnel Services Expenses	**-**	-	**2,767**	5,460
Accommodation	**879**	486	**879**	486
Other Administration Expenses	**853**	474	**853**	474
Total Executive Expenses	**7,740**	5,339	**4,499**	6,420
Fund Expenses				
Fees for Services	**3,100**	2,820	**3,100**	2,820
Other Administration Expenses	**1,095**	476	**1,095**	476
Pillar Administration Fees	**25,068**	24,895	**25,068**	24,895
Total Fund Expenses	**29,263**	28,191	**29,263**	28,191
Total Operating Expenses	**37,783**	34,154	**34,542**	35,235
Result	**(1,030)**	2,250	**-**	-

Contained within other Administration Expenses are fees paid to consultants of $104,038 (2012: $145,440) and audit fees of $12,100 (2012: $12,100) for the Statutory Corporation and $3,300 (2012: $3,300) for the STC Division (for both entities, audit of the financial statements and no other services).

Notes to the financial statements
for the year ended 30 June 2013

3. RESULT (Continued)

Lease payments made during the year comprised –

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	**Statutory Corporation 2013 $'000**	Statutory Corporation 2012 $'000
Minimum lease payments	**663**	374	**663**	374
Contingent rentals	**-**	-	**-**	-
	663	374	**663**	374

The Statutory Corporation uses an operating lease to provide its office space. The lease includes contingent rentals and renewal options and these have been included to the extent the amounts are calculable.

4. RECEIVABLES

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	**Statutory Corporation 2013 $'000**	Statutory Corporation 2012 $'000
Current				
Amounts Receivable – Pooled Fund	**4,396**	6,314	**4,396**	6,314
Other Receivables	**808**	1,054	**808**	1,054
Superannuation (refer Note 9)				
SASS	**59**	8	**-**	-
SANCS	**62**	19	**-**	-
	5,325	7,395	**5,204**	7,368

5. PAYABLES

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	**Statutory Corporation 2013 $'000**	Statutory Corporation 2012 $'000
Current				
Amount Payable – Pillar (Administration Fees)	**2,196**	2,214	**2,196**	2,214
Other Payables	**2,070**	2,077	**2,070**	2,077
Amounts Payable – STC Division	**-**	-	**2,985**	4,084
	4,266	4,291	**7,251**	8,375

All payables are within agreed trading terms.

Notes to the financial statements
for the year ended 30 June 2013

6. PROVISIONS

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	**Statutory Corporation 2013 $'000**	Statutory Corporation 2012 $'000
Current				
Employee Benefits	**1,107**	1,096	**-**	-
Superannuation (refer Note 9)				
SSS	**1,910**	2,968	**-**	-
	3,017	4,064	**-**	-
Non-current				
Employee Benefits	**89**	47	**-**	-
	89	47	**-**	-

Notes to the financial statements
for the year ended 30 June 2013

7. FINANCIAL RISKS

Market Risk

Market risk is the risk that changes in factors such as interest rates will affect revenue or the value of financial instruments. Market risk is accepted on financial instruments. As STC's governing legislation requires it to recover all its costs from the Pooled Fund, a change in market prices will have no effect on STC's result or net assets.

Credit Risk

Credit (or counterparty) risk is the risk that a counterparty will fail to perform contractual obligations to a financial instrument and cause STC to experience a financial loss. In respect of STC's cash holdings, all are lodged with one of Australia's largest trading banks. In respect of STC's receivables, its only counterparty is the Pooled Fund. The Pooled Fund is obliged by its governing legislation to fund STC. STC is exposed to minimal credit risk. STC's maximum credit risk exposure is the balance of the cash and receivables.

Liquidity Risk

Liquidity risk is the risk that financial obligations cannot be met as they fall due. As noted under the section *Credit Risk* above, the Pooled Fund is obliged by its governing legislation to fund STC. STC recovers its costs monthly from the Pooled Fund. Consequently STC is exposed to negligible liquidity risk.

Notes to the financial statements
for the year ended 30 June 2013

8. KEY MANAGEMENT PERSONNEL AND KEY MANAGEMENT PERSONNEL COMPENSATION

The following were key management personnel of the STC Economic Entity and STC Statutory Corporation during the year and the comparative period.

Non-executive Trustees
Mr I Blair (resigned 31 October 2012)
Mr M Carapiet
(term commenced 2 August 2011)
Mr A Claassens (term commenced 5 November 2012)
Mr R Davis
Ms A De Salis
(term completed 31 January 2012)
Mr R Harty (resigned 2 May 2013)
Mr M Lambert
Mr N Lewocki (term completed 31 August 2012)
Ms K Moses (term commenced 19 March 2012)
Mr Tony O'Grady (term commenced 24 June 2013)
Dr D Russell (resigned 31 July 2011)
Mr P Scully
Mr G Venardos (term commenced 5 November 2012)
Ms S Walsh

Executive Officers
Ms L Buck
(from 11 April 2012)
Ms L Collingridge
(until 16 December 2011)
Mr K Dent
Mr M Drew
(until 17 April 2012)
Mr C Durack
(until 7 October 2011)
Mr A Grice
Mr J Livanas
(from 24 October 2011)
Mr P Laity
(from 15 March 2013)
Mr M O'Brien
(from 30 January 2013)
Ms M O'Rourke
(from 6 February 2012)
Ms L Rasmussen
Ms L Tsitsis
(from 11 September 2012)
Ms N Wooden

The key management personnel compensation in relation to services to STC is as follows –

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	**Statutory Corporation 2013 $'000**	Statutory Corporation 2012 $'000
Short-term employee benefits	**2,620**	2,861	**-**	-
Post-employment benefits	**-**	-	**-**	-
Other long term employee benefits	**22**	10	**-**	-
	2,642	2,871	**-**	-

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Notes to the financial statements
for the year ended 30 June 2013

8. KEY MANAGEMENT PERSONNEL AND KEY MANAGEMENT PERSONNEL COMPENSATION (Continued)

Remuneration is shown in bands –

The number of executive officers are shown below in their relevant income bands:

	Economic Entity 2013	Economic Entity 2012	**Statutory Corporation 2013**	Statutory Corporation 2012
Base compensation (including superannuation contributions) of:				
\$40,000 - \$49,999	**1**	1	**-**	-
\$80,000 - \$89,999	**-**	2	**-**	-
\$120,000 - \$129,999	**2**	1	**-**	-
\$130,000 - \$139,999	**1**	-	**-**	-
\$170,000 - \$179,999	**-**	2	**-**	-
\$190,000 - \$199,999	**2**	1	**-**	-
\$200,000 - \$209,999	**1**	1	**-**	-
\$210,000 - \$219,999	**1**	-	**-**	-
\$220,000 - \$229,999	**-**	1	**-**	-
\$230,000 - \$239,999	**1**	-	**-**	-
\$310,000 - \$319,999	**-**	1	**-**	-
\$460,000 - \$469,999 (1)	**1**	-	**-**	-
	10	10	**-**	-

(1) In 2013 the Board determined that a performance bonus of \$75,000 was payable to the current Chief Executive Officer of STC. In 2012 in respect of the former Chief Executive Officer of STC, the Board determined that a performance bonus of \$117,000 was appropriate.

The number of Board members are shown below in their relevant income bands:

	Economic Entity 2013	Economic Entity 2012	**Statutory Corporation 2013**	Statutory Corporation 2012
Base compensation (including superannuation contributions) of:				
\$0 - \$39,999	**4**	9	**4**	9
\$40,000 - \$49,999	**2**	-	**2**	-
\$50,000 - \$59,999	**1**	-	**1**	-
\$60,000 - \$69,999	**-**	1	**-**	1
\$70,000 - \$79,999	**2**	-	**2**	-
\$80,000 - \$89,999	**1**	-	**1**	-
\$160,000- \$169,999	**-**	1	**-**	1
\$170,000- \$179,999	**1**	-	**1**	-
	11	11	**11**	11

Notes to the financial statements
for the year ended 30 June 2013

9. 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.

Reconciliation of the present value of the defined benefit obligation:

Economic Entity

As at 30 June 2013	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Present value of partly funded defined benefit obligation at beginning of year	**639**	**202**	**7,153**
Current service cost	**28**	**8**	**23**
Interest cost	**18**	**5**	**215**
Contributions by fund participants	**15**	**-**	**24**
Actuarial (gains)/losses	**38**	**(10)**	**(401)**
Benefits paid	**(29)**	**6**	**(401)**
Past service cost	**-**	**-**	**-**
Curtailments	**-**	**-**	**-**
Settlements	**-**	**-**	**-**
Exchange rate changes	**-**	**-**	**-**
Present value of partly funded defined benefit obligation at end of year	**709**	**211**	**6,613**

Notes to the financial statements
for the year ended 30 June 2013

9. SUPERANNUATION (Continued)

Reconciliation of the present value of the defined benefit obligation (Continued):

Economic Entity

As at 30 June 2012	SASS $'000	SANCS $'000	SSS $'000
Present value of partly funded defined benefit obligation at beginning of year	783	209	5,322
Current service cost	33	8	50
Interest cost	38	10	274
Contributions by fund participants	19	-	27
Actuarial (gains)/losses	(8)	15	2,014
Benefits paid	(226)	(40)	(534)
Past service cost	-	-	-
Curtailments	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
Present value of partly funded defined benefit obligation at end of year	639	202	7,153

Notes to the financial statements
for the year ended 30 June 2013

9. SUPERANNUATION (Continued)

Reconciliation of the fair value of fund assets:

Economic Entity

As at 30 June 2013	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Fair value of fund assets at beginning of the year	**647**	**221**	**4,185**
Expected return on fund assets	**53**	**17**	**349**
Actuarial gains/(losses)	**82**	**29**	**546**
Employer contributions	**-**	**-**	**-**
Contributions by fund participants	**15**	**-**	**24**
Benefits paid	**(29)**	**6**	**(401)**
Settlements	**-**	**-**	**-**
Business combinations	**-**	**-**	**-**
Exchange rate changes	**-**	**-**	**-**
Fair value of fund assets at end of the year	**768**	**273**	**4,703**

Economic Entity

As at 30 June 2012	SASS $'000	SANCS $'000	SSS $'000
Fair value of fund assets at beginning of the year	886	260	4,429
Expected return on fund assets	71	20	370
Actuarial gains/(losses)	(103)	(19)	(107)
Employer contributions	-	-	-
Contributions by fund participants	19	-	27
Benefits paid	(226)	(40)	(534)
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
Fair value of fund assets at end of the year	647	221	4,185

Notes to the financial statements
for the year ended 30 June 2013

9. SUPERANNUATION (Continued)

Reconciliation of the assets and liabilities recognised in the Statement of Financial Position:

Economic Entity

As at 30 June 2013	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Present value of funded defined benefit obligations at end of the year	**709**	**211**	**6,613**
Fair value of fund assets at end of the year	**(768)**	**(273)**	**(4,703)**
Subtotal	**(59)**	**(62)**	**1,910**
Unrecognised past service cost	-	-	-
Unrecognised gain/(loss)	-	-	-
Adjustment for limitation on net asset	-	-	-
Net liability/(asset) recognised in the Statement of Financial Position at end of the year	**(59)**	**(62)**	**1,910**

Economic Entity

As at 30 June 2012	SASS $'000	SANCS $'000	SSS $'000
Present value of funded defined benefit obligations at end of the year	639	202	7,153
Fair value of fund assets at end of the year	(647)	(221)	(4,185)
Subtotal	(8)	(19)	2,968
Unrecognised past service cost	-	-	-
Unrecognised gain/(loss)	-	-	-
Adjustment for limitation on net asset	-	-	-
Net liability/(asset) recognised in the Statement of Financial Position at end of the year	(8)	(19)	2,968

Notes to the financial statements
for the year ended 30 June 2013

9. SUPERANNUATION (Continued)

Components recognised in the operating result:

Economic Entity **As at 30 June 2013**	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Current Service Cost	**28**	**8**	**23**
Interest cost	**19**	**5**	**215**
Expected return on fund assets (net of expenses)	**(53)**	**(17)**	**(349)**
Past service cost	**-**	**-**	**-**
Curtailments or settlement (gain)/loss	**-**	**-**	**-**
Expense/(income) recognised	**(6)**	**(4)**	**(111)**

Economic Entity As at 30 June 2012	SASS $'000	SANCS $'000	SSS $'000
Current Service Cost	33	8	50
Interest cost	38	10	274
Expected return on fund assets (net of expenses)	(71)	(20)	(370)
Past service cost	-	-	-
Curtailments or settlement (gain)/loss	-	-	-
Expense/(income) recognised	-	(2)	(46)

Notes to the financial statements
for the year ended 30 June 2013

9. SUPERANNUATION (Continued)

Amounts recognised in other comprehensive income:

Economic Entity	**SASS $'000**	**SANCS $'000**	**SSS $'000**
As at 30 June 2013			
Actuarial (gains)/losses	**(45)**	**(38)**	**(947)**
Adjustment for limit on net asset	**-**	**-**	**-**

Economic Entity	SASS $'000	SANCS $'000	SSS $'000
As at 30 June 2012			
Actuarial (gains)/losses	95	34	2,121
Adjustment for limit on net asset	-	-	-

Cumulative amount of the actuarial gains and losses recognised in other comprehensive income:

Economic Entity	**SASS $'000**	**SANCS $'000**	**SSS $'000**
As at 30 June 2013	**215**	**57**	**1,127**
As at 30 June 2012	260	95	2,074
As at 30 June 2011	165	61	(47)
As at 30 June 2010	150	63	213
As at 30 June 2009	137	58	(59)

Statutory Corporation	**SASS $'000**	**SANCS $'000**	**SSS $'000**
As at 30 June 2013	**(47)**	**(17)**	**203**
As at 30 June 2012	(47)	(17)	203
As at 30 June 2011	(47)	(17)	203
As at 30 June 2010	(47)	(17)	203
As at 30 June 2009	(47)	(17)	203

Notes to the financial statements
for the year ended 30 June 2013

9. SUPERANNUATION (Continued)

The percentage of fund assets invested in each asset class at 30 June:

Economic Entity	**2013**	2012
Australian equities	**31%**	28%
Overseas equities	**26%**	24%
Australian fixed interest securities	**7%**	5%
Overseas fixed interest securities	**2%**	2%
Property	**8%**	9%
Cash	**13%**	19%
Other	**13%**	13%

Expected rate of return on assets:

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment taxes and investment fees.

Actual return on fund assets:

Economic Entity

As at 30 June 2013	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Actual return on fund assets	**109**	**46**	**683**

Economic Entity

As at 30 June 2012	SASS $'000	SANCS $'000	SSS $'000
Actual return on fund assets	5	1	(1)

Notes to the financial statements
for the year ended 30 June 2013

9. SUPERANNUATION (Continued)

Valuation method and principal actuarial assumptions at 30 June:

(a) Valuation Method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

(b) Economic Assumptions

	2013	2012
Salary increase rate	**2.25%**	2.5%
Rate of CPI increase	**2.5%**	2.5%
Expected rate of return on assets backing current pension liabilities	**8.3%**	8.3%
Expected rate of return on assets backing other liabilities	**7.3%**	7.3%
Discount rate	**3.8%**	3.1%

(c) Demographic Assumptions

Demographic assumptions reflect those adopted by the Scheme actuary in his 30 June 2012 triennial review of the schemes.

Notes to the financial statements
for the year ended 30 June 2013

9. SUPERANNUATION (Continued)

Historical Information:

Economic Entity

As at 30 June 2013	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Present value of defined benefit obligation	**709**	**211**	**6,613**
Fair value of fund assets	**(768)**	**(273)**	**(4,703)**
(Surplus)/Deficit in fund	**(59)**	**(62)**	**1,910**
Experience adjustments – fund liabilities	**38**	**(10)**	**(400)**
Experience adjustments – fund assets	**(82)**	**(29)**	**(547)**

As at 30 June 2012	SASS $'000	SANCS $'000	SSS $'000
Present value of defined benefit obligation	639	202	7,153
Fair value of fund assets	(647)	(221)	(4,185)
(Surplus)/Deficit in fund	(8)	(19)	2,968
Experience adjustments – fund liabilities	(8)	15	2,014
Experience adjustments – fund assets	103	19	107

As at 30 June 2011	SASS $'000	SANCS $'000	SSS $'000
Present value of defined benefit obligation	783	209	5,322
Fair value of fund assets	(886)	(260)	(4,429)
(Surplus)/Deficit in fund	(103)	(51)	893
Experience adjustments – fund liabilities	67	-	92
Experience adjustments – fund assets	(52)	(2)	(352)

As at 30 June 2010	SASS $'000	SANCS $'000	SSS $'000
Present value of defined benefit obligation	703	190	5,403
Fair value of fund assets	(809)	(296)	(4,259)
(Surplus)/Deficit in fund	(106)	(106)	1,144
Experience adjustments – fund liabilities	32	7	441
Experience adjustments – fund assets	(19)	(2)	(169)

As at 30 June 2009	SASS $'000	SANCS $'000	SSS $'000
Present value of defined benefit obligation	618	166	4,926
Fair value of fund assets	(736)	(271)	(4,031)
(Surplus)/Deficit in fund	(118)	(105)	895
Experience adjustments – fund liabilities	(105)	-	878
Experience adjustments – fund assets	243	56	771

Notes to the financial statements
for the year ended 30 June 2013

9. SUPERANNUATION (Continued)

Expected contributions:

Economic Entity

	SASS $'000	SANCS $'000	SSS $'000
Expected contributions for year to 30 June 2013	**-**	**-**	**-**
Expected contributions for year to 30 June 2012	-	-	-

Funding arrangements for employer contributions – surplus/deficit:

The following is a summary of the 30 June financial position of the schemes calculated in accordance with AAS25 – *Financial Reporting by Superannuation Plans.*

Economic Entity

30 June 2013	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Accrued benefits	**650**	**187**	**4,012**
Net market value of fund assets	**(768)**	**(273)**	**(4,703)**
Net (surplus)/deficit	**(118)**	**(86)**	**(691)**

Economic Entity

30 June 2012	SASS $'000	SANCS $'000	SSS $'000
Accrued benefits	580	182	3,920
Net market value of fund assets	(647)	(221)	(4,185)
Net (surplus)/deficit	(67)	(39)	(265)

Notes to the financial statements
for the year ended 30 June 2013

9. SUPERANNUATION (Continued)

Funding arrangements for employer contributions – Recommended contribution rates:

Economic Entity

As at 30 June 2013	**SASS**	**SANCS**	**SSS**
	Multiple of member contributions	**% member salaries**	**Multiple of member contributions**
	-	-	-

Economic Entity

As at 30 June 2012	SASS	SANCS	SSS
	Multiple of member contributions	% member salaries	Multiple of member contributions
	-	-	-

Funding arrangements for employer contributions – Funding Method:

The method used to determine employer contribution recommendations at the last actuarial review was the *Aggregate Funding* method. The method adopted affects the timing of the cost to the employer.

Under the *Aggregate Funding* method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

Notes to the financial statements
for the year ended 30 June 2013

9. SUPERANNUATION (Continued)

Funding arrangements for employer contributions – Economic Assumptions:

Weighted average assumptions –

	2012 and following
Expected rate of return on fund assets backing current pension liabilities	**8.3%**
Expected rate of return on fund assets backing other liabilities	**7.3%**
Expected salary increase rate	**4.0%**
Expected rate of CPI increase	**2.5%**

Funding arrangements for employer contributions – Nature of asset/liability:

If a surplus exists in the Economic Entity's interest in the fund, the Economic Entity may be able to take advantage of it in the form of a reduction in required contribution rate. The Statutory Corporation in its capacity as the schemes' 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.

10. RELATED PARTY INFORMATION

a) **Transactions entered into during the year with Key Management Personnel and their Related Entities:**

	2013 $'000	2012 $'000
Fees paid to the Statutory Corporation or relevant Trustee Board Member by State Super Financial Services Australia Limited (SSFSAL), a company in which Mr M Carapiet, Mr R Harty, Mr R Davis, Mr M Lambert, Mr P Scully and Ms S Walsh are directors, on normal commercial terms and conditions.	**357**	345
Rental payments and outgoings received by the Pooled Fund from SSFSAL on normal commercial terms and conditions.	**1,870**	1,540

b) 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.

Notes to the financial statements
for the year ended 30 June 2013

11. CASH FLOW INFORMATION

a) Reconciliation of Cash

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	**Statutory Corporation 2013 $'000**	Statutory Corporation 2012 $'000
Cash and Cash Equivalents	**1,740**	950	**1,740**	950

Cash flows reflect cash movements resulting from transactions with suppliers and employees including Pillar and the Pooled Fund. 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 attracts a floating interest rate which is subject to change at the discretion of the bank. At 30 June 2013 the rate was 2.25% (2012: 2.85%).

Notes to the financial statements
for the year ended 30 June 2013

11. CASH FLOW INFORMATION (Continued)

b) Reconciliation of Comprehensive Income to Net Cash Used in Operating Activities

	Economic Entity 2013 $'000 Inflows/ (Outflows)	Economic Entity 2012 $'000 Inflows/ (Outflows)	**Statutory Corporation 2013 $'000 Inflows/ (Outflows)**	Statutory Corporation 2012 $'000 Inflows/ (Outflows)
Comprehensive Income	**-**	-	**-**	-
Changes in Assets and Liabilities:				
(Increase)/Decrease in Assets				
Other Current Assets	**(250)**	49	**(250)**	49
Receivables -				
Pooled Fund Schemes	**1,918**	(2,366)	**1,918**	(2,366)
Other	**152**	(153)	**245**	(280)
Increase/(Decrease) in Liabilities				
Payables -				
Pillar	**(18)**	(51)	**(18)**	(51)
Other	**(7)**	460	**(1,105)**	2,640
Provisions	**(1,005)**	2,053	**-**	-
Net Cash From/(Used) in Operating Activities	**790**	(8)	**790**	(8)

Notes to the financial statements
for the year ended 30 June 2013

12. COMMITMENTS FOR EXPENDITURE

	Economic Entity 2013 $'000	Economic Entity 2012 $'000	**Statutory Corporation 2013 $'000**	Statutory Corporation 2012 $'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	**641**	367	**641**	367
Payable later than 1 year and not later than 5 years	**2,830**	963	**2,830**	963
Payable greater than 5 years	**1,043**	-	**1,043**	-
	4,514	1,330	**4,514**	1,330
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	**2,102**	2,102	**2,102**	2,102
Payable later than 1 year and not later than 5 years	**-**	-	**-**	-
	2,102	2,102	**2,102**	2,102

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.

13. 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.

End of Audited Financial Statements

Part G – Financial Statements of the SAS Trustee Corporation Division of the Government Service of NSW

AUDITOR-GENERAL
NEW SOUTH WALES

INDEPENDENT AUDITOR'S REPORT

SAS Trustee Corporation Division of the Government Service of NSW

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of SAS Trustee Corporation Division of the Government Service of NSW (STC Division), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of STC Division as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

The Chief Executive Officer's Responsibility for the Financial Statements

The Chief Executive Officer of the STC Division is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the STC Division's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of STC Division's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer of the STC Division, as well as evaluating the overall presentation of the financial statements.

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I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their roles by the possibility of losing clients or income.

A T Whitfield
Deputy Auditor-General

18 September 2013
SYDNEY

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

ABN 31 683 571 255

Statement by Chief Executive Officer
for the year ended 30 June 2013

Pursuant to 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 as at 30 June 2013 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 2010*, the Treasurer's Directions and applicable Accounting standards in Australia.

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 16th day of September 2013.

John Livanas
Chief Executive Officer

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Statement of Comprehensive Income
for the year ended 30 June 2013

	NOTE	2013 $'000	2012 $'000
Continuing Operations			
Operating Revenue			
Personnel Services		**4,977**	6,629
Operating Expenses			
Salaries		**4,490**	3,169
Defined contribution superannuation		**449**	513
Defined benefit superannuation		**(121)**	(48)
Annual and long service leave		**470**	383
Other payroll related		**719**	362
		6,007	4,379
Operating Result	2	**(1,030)**	2,250
Other Comprehensive Income			
Items that will not be reclassified into Operating Result:			
Superannuation actuarial gains/(losses)		**1,030**	(2,250)
Total Comprehensive Income		-	-

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

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Statement of Financial Position
as at 30 June 2013

	NOTE	2013 $'000	2012 $'000
Current Assets			
Receivables	3	**3,106**	4,111
Total Current Assets		**3,106**	4,111
Total Assets		**3,106**	4,111
Current Liabilities			
Provisions	4	**3,017**	4,064
Total Current Liabilities		**3,017**	4,064
Non-Current Liabilities			
Provisions	4	**89**	47
Total Non-Current Liabilities		**89**	47
Total Liabilities		**3,106**	4,111
Net Assets		**-**	-
Total Equity		**-**	-

The accompanying notes form an integral part of the above Statement of Financial Position

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Statement of Cash Flows
for the year ended 30 June 2013

	NOTE	**2013 $'000 Inflows/ (Outflows)**	2012 $'000 Inflows/ (Outflows)
Cash Flows from Operating Activities			
Receipts		**4,977**	6,629
Interest Received		**-**	-
Payments to Suppliers and Employees		**(4,977)**	(6,629)
Net Operating Cash Flows	8(b)	**-**	-
Net Increase/(Decrease) in Cash & Cash Equivalents		**-**	-
Cash & Cash Equivalents at the Beginning of the Financial Year		**-**	-
Cash & Cash Equivalents at the End of the Financial Year	8(a)	**-**	-

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

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Statement of Changes in Equity
for the year ended 30 June 2013

	2013 **$'000**	2012 $'000
Balance at 1 July	-	-
Operating Result	**(1,030)**	2,250
Other Comprehensive income		
Superannuation actuarial gains/(losses)	**1,030**	(2,250)
Total Comprehensive income	-	-
Balance at 30 June	-	-

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 year ended 30 June 2013

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The SAS Trustee Corporation Division of the Government Service of NSW ("the STC Division") 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 16, 83 Clarence Street, Sydney.

The objective of the STC Division is to provide personnel services to the SAS Trustee Corporation (STC) and the SAS Trustee Corporation Pooled Fund. The expense and revenue amounts include the salary of STC's Chief Executive Officer whose contract for employment is with STC but whose salary administration is conducted through the STC Division.

These financial statements were authorised for issue by the Chief Executive Officer of STC on 16 September 2013. These financial statements will not be amended and reissued as it has been audited.

B. Basis for preparation and statement of compliance

These are general purpose financial statements in accordance with the requirements of Australian Accounting Standards including Australian Accounting Interpretations, the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010* and specific directions issued by the Treasurer.

Generally, the historical cost basis of accounting has been adopted and the financial statements do 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 statements, except for cash flow information.

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

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

The accounting policies adopted in preparing the financial statements are consistently applied, including considering new or amended accounting standards which became operational on 1 July 2012. The following standard resulted in a minor change to the Consolidated Statement of Comprehensive Income – AASB 2011-9, Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income. No other new or amended accounting standards were applicable.

C. Comparative information

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 DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2013

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

D. Revenue

Revenue 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.

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 operating result. 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 operating result.

F. Payables

Payables 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 as the effect of discounting is immaterial.

G. Employee benefit provisions 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.

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2013

1. **STATEMENT OF ACCOUNTING POLICIES (Continued)**

G. Employee benefit provision and expenses (Continued):

Superannuation and long service leave provisions are measured at their discounted value using a risk free rate mandated by NSW Treasury.

All other employee benefit liabilities (i.e. 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 operating result for superannuation and long service leave is the net total of current service cost, interest cost and the expected return on plan assets. Actuarial gains or losses are recognised in the Statement of Comprehensive Income in the year they occur.

H. Accounting standards applicable but not yet effective

At the date of authorisation of these financial statements the following accounting standards which are expected to be relevant were issued but not yet effective.

AASB 9 *Financial Instruments* as issued in December 2009 will be implemented for the year ended 30 June 2016. No material change to these financial statements is anticipated.

AASB 10 *Consolidated Financial Statements* as issued in August 2011 will be implemented for the year ended 30 June 2015. No material change to these financial statements is anticipated.

AASB 13 *Fair Value Measurement* as issued in September 2011 will be implemented for the year ended 30 June 2014. No material change to these financial statements is anticipated.

AASB 119 *Employer Benefits* as issued in September 2011 will be implemented for the year ended 30 June 2014. No material change to these financial statements is anticipated.

I. Use of Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty implicit in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the affected asset or liability in the future.

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2013

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

J. Financial instruments

Financial instruments give rise to positions that are financial assets or liabilities. The instruments include cash at bank, receivables and payables. All classes of instruments are initially recorded at cost and with receivables and payables being subsequently carried at amortised cost. As such, inputs for valuing the receivables and payables are not based on observable market data. Such measurement provides a reliable estimate of the instrument. Any impairment loss occurring on financial instruments is treated as an expense in the period in which it occurs.

2. RESULT

The STC Division did not make any payments to consultants in the year ended 30 June 2013 or the year ended 30 June 2012.

The audit fee for the entity of $3,300 (2012: $3,300) is met by STC. The auditor provided no other services other than the audit of these financial statements.

3. RECEIVABLES

	2013 $'000	2012 $'000
Current		
Amounts Receivable – STC	**2,985**	4,084
Superannuation (refer Note 7)	**-**	-
SASS	**59**	8
SANCS	**62**	19
	3,106	4,111

4. PROVISIONS

	2013 $'000	2012 $'000
Current		
Employee Benefits	**1,107**	1,096
Superannuation (refer Note 7)		
SSS	**1,910**	2,968
	3,017	4,064
Non-current		
Employee Benefits	**89**	47
	89	47

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2013

5. FINANCIAL RISKS

Market Risk

Market risk is the risk that changes in factors such as interest rates will affect revenue or the value of financial instruments. Market risk is accepted on financial instruments. As STC Division recovers all its costs from STC, a change in market prices will have no effect on STC Division's result or net assets.

Credit Risk

Credit (or counterparty) risk is the risk that a counterparty will fail to perform contractual obligations to a financial instrument and cause the STC Division to experience a financial loss. In respect of the STC Division's financial assets, its only counterparty is its parent entity, STC. As STC makes good its obligations to the STC Division on demand, the STC Division is exposed to minimal credit risk. The STC Division's maximum credit risk exposure is the balance of the receivable from STC.

Liquidity Risk

Liquidity risk is the risk that the STC Division will not be able to meet its financial obligations as they fall due. As stated at Note 8 the STC Division does not have a bank account. All transactions are transacted through the bank account of STC. STC has a legislative right to recover all costs from the SAS Trustee Corporation Pooled Fund and does so monthly. Consequently the STC Division is exposed to negligible liquidity risk.

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2013

6. KEY MANAGEMENT PERSONNEL AND KEY MANAGEMENT PERSONNEL COMPENSATION

The following were key management personnel of the STC Economic Entity and STC Statutory Corporation during the year.

Ms L Buck
(from 11 April 2012)
Ms L Collingridge
(until 16 December 2011)
Mr K Dent
Mr M Drew
(until 17 April 2012)
Mr C Durack
(until 7 October 2011)
Mr A Grice
Mr J Livanas
(from 24 October 2011)
Mr P Laity
(from 15 March 2013)
Mr M O'Brien
(from 30 January 2013)
Ms M O'Rourke
(from 6 February 2012)
Ms L Rasmussen
Ms L Tsitsis
(from 11 September 2012)
Ms N Wooden

The key management personnel compensation in relation to services to STC is as follows –

	2013 **$'000**	2012 $'000
Short-term employee benefits	**2,121**	2,469
Post-employment benefits	**-**	-
Other long term employee benefits	**22**	10
	2,143	2,479

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2013

7. SUPERANNUATION

The STC Division 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 present value of the defined benefit obligation:

As at 30 June 2013	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Present value of partly funded defined benefit obligation at beginning of year	**639**	**202**	**7,153**
Current service cost	**28**	**8**	**23**
Interest cost	**18**	**5**	**215**
Contributions by fund participants	**15**	**-**	**24**
Actuarial (gains)/losses	**38**	**(10)**	**(401)**
Benefits paid	**(29)**	**6**	**(401)**
Past service cost	**-**	**-**	**-**
Curtailments	**-**	**-**	**-**
Settlements	**-**	**-**	**-**
Exchange rate changes	**-**	**-**	**-**
Present value of partly funded defined benefit obligation at end of year	**709**	**211**	**6,613**

As at 30 June 2012	SASS $'000	SANCS $'000	SSS $'000
Present value of partly funded defined benefit obligation at beginning of year	783	209	5,322
Current service cost	33	8	50
Interest cost	38	10	274
Contributions by fund participants	19	-	27
Actuarial (gains)/losses	(8)	15	2,014
Benefits paid	(226)	(40)	(534)
Past service cost	-	-	-
Curtailments	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
Present value of partly funded defined benefit obligation at end of year	639	202	7,153

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2013

7. SUPERANNUATION (Continued)

Reconciliation of the fair value of fund assets:

As at 30 June 2013	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Fair value of fund assets at beginning of the year	**647**	**221**	**4,185**
Expected return on fund assets	**53**	**17**	**349**
Actuarial gains/(losses)	**82**	**29**	**546**
Employer contributions	**-**	**-**	**-**
Contributions by fund participants	**15**	**-**	**24**
Benefits paid	**(29)**	**6**	**(401)**
Settlements	**-**	**-**	**-**
Business combinations	**-**	**-**	**-**
Exchange rate changes	**-**	**-**	**-**
Fair value of fund assets at end of the year	**768**	**273**	**4,703**

As at 30 June 2012	SASS $'000	SANCS $'000	SSS $'000
Fair value of fund assets at beginning of the year	886	260	4,429
Expected return on fund assets	71	20	370
Actuarial gains/(losses)	(103)	(19)	(107)
Employer contributions	-	-	-
Contributions by fund participants	19	-	27
Benefits paid	(226)	(40)	(534)
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
Fair value of fund assets at end of the year	647	221	4,185

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2013

7. SUPERANNUATION (Continued)

Reconciliation of the assets and liabilities recognised in the Statement of Financial Position:

As at 30 June 2013	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Present value of funded defined benefit obligations at end of the year	**709**	**211**	**6,613**
Fair value of fund assets at end of the year	**(768)**	**(273)**	**(4,703)**
Subtotal	**(59)**	**(62)**	**1,910**
Unrecognised past service cost	-	-	-
Unrecognised gain/(loss)	-	-	-
Adjustment for limitation on net asset	-	-	-
Net liability/(asset) recognised in the Statement of Financial Position at end of the year	**(59)**	**(62)**	**1,910**

As at 30 June 2012	SASS $'000	SANCS $'000	SSS $'000
Present value of funded defined benefit obligations at end of the year	639	202	7,153
Fair value of fund assets at end of the year	(647)	(221)	(4,185)
Subtotal	(8)	(19)	2,968
Unrecognised past service cost	-	-	-
Unrecognised gain/(loss)	-	-	-
Adjustment for limitation on net asset	-	-	-
Net liability/(asset) recognised in the Statement of Financial Position at end of the year	(8)	(19)	2,968

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2013

7. SUPERANNUATION (Continued)

Components recognised in the operating result:

As at 30 June 2013	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Current Service Cost	**28**	**8**	**23**
Interest cost	**19**	**5**	**215**
Expected return on fund assets (net of expenses)	**(53)**	**(17)**	**(349)**
Past service cost	**-**	**-**	**-**
Curtailments or settlement (gain)/loss	**-**	**-**	**-**
Expense/(income) recognised	**(6)**	**(4)**	**(111)**

As at 30 June 2012	SASS $'000	SANCS $'000	SSS $'000
Current Service Cost	33	8	50
Interest cost	38	10	274
Expected return on fund assets (net of expenses)	(71)	(20)	(370)
Past service cost	-	-	-
Curtailments or settlement (gain)/loss	-	-	-
Expense/(income) recognised	-	(2)	(46)

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2013

7. SUPERANNUATION (Continued)

Amounts recognised in other comprehensive income:

As at 30 June 2013	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Actuarial (gains)/losses	**(45)**	**(38)**	**(947)**
Adjustment for limit on net asset	**-**	**-**	**-**

As at 30 June 2012	SASS $'000	SANCS $'000	SSS $'000
Actuarial (gains)/losses	95	34	2,121
Adjustment for limit on net asset	-	-	-

Cumulative amount of the actuarial gains and losses recognised in other comprehensive income:

	SASS $'000	**SANCS $'000**	**SSS $'000**
As at 30 June 2013	**264**	**73**	**1,348**
As at 30 June 2012	309	111	2,295
As at 30 June 2011	214	77	174
As at 30 June 2010	199	79	434
As at 30 June 2009	186	74	162

The percentage of fund assets invested in each asset class at 30 June:

	2013	2012
Australian equities	**31%**	28%
Overseas equities	**26%**	24%
Australian fixed interest securities	**7%**	5%
Overseas fixed interest securities	**2%**	2%
Property	**8%**	9%
Cash	**13%**	19%
Other	**13%**	13%

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2013

7. SUPERANNUATION (Continued)

Expected rate of return on assets:

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment taxes and investment fees.

Actual return on fund assets:

As at 30 June 2013	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Actual return on fund assets	**109**	**46**	**683**

As at 30 June 2012	SASS $'000	SANCS $'000	SSS $'000
Actual return on fund assets	5	1	(1)

Valuation method and principal actuarial assumptions at 30 June:

(a) Valuation Method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

(b) Economic Assumptions

	2013	2012
Salary increase rate	**2.25%**	2.5%
Rate of CPI increase	**2.5%**	2.5%
Expected rate of return on assets backing current pension liabilities	**8.3%**	8.3%
Expected rate of return on assets backing other liabilities	**7.3%**	7.3%
Discount rate	**3.8%**	3.1%

(c) Demographic Assumptions

Demographic assumptions reflect those adopted by the Scheme actuary in his 2012 triennial review of the schemes.

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2013

7. SUPERANNUATION (Continued)

Historical Information:

As at 30 June 2013	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Present value of defined benefit obligation	**709**	**211**	**6,613**
Fair value of fund assets	**(768)**	**(273)**	**(4,703)**
(Surplus)/Deficit in fund	**(59)**	**(62)**	**1,910**
Experience adjustments – fund liabilities	**38**	**(10)**	**(400)**
Experience adjustments – fund assets	**(82)**	**(29)**	**(547)**

As at 30 June 2012	SASS $'000	SANCS $'000	SSS $'000
Present value of defined benefit obligation	639	202	7,153
Fair value of fund assets	(647)	(221)	(4,185)
(Surplus)/Deficit in fund	(8)	(19)	2,968
Experience adjustments – fund liabilities	(8)	15	2,014
Experience adjustments – fund assets	103	19	107

As at 30 June 2011	SASS $'000	SANCS $'000	SSS $'000
Present value of defined benefit obligation	783	209	5,322
Fair value of fund assets	(886)	(260)	(4,429)
(Surplus)/Deficit in fund	(103)	(51)	893
Experience adjustments – fund liabilities	67	-	92
Experience adjustments – fund assets	(52)	(2)	(352)

As at 30 June 2010	SASS $'000	SANCS $'000	SSS $'000
Present value of defined benefit obligation	703	190	5,403
Fair value of fund assets	(809)	(296)	(4,259)
(Surplus)/Deficit in fund	(106)	(106)	1,144
Experience adjustments – fund liabilities	32	7	441
Experience adjustments – fund assets	(19)	(2)	(169)

As at 30 June 2009	SASS $'000	SANCS $'000	SSS $'000
Present value of defined benefit obligation	618	166	4,926
Fair value of fund assets	(736)	(271)	(4,031)
(Surplus)/Deficit in fund	(118)	(105)	895
Experience adjustments – fund liabilities	(105)	-	878
Experience adjustments – fund assets	243	56	771

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2013

7. SUPERANNUATION (Continued)

Expected contributions:

	SASS $'000	SANCS $'000	SSS $'000
Expected contributions for year to 30 June 2013	**-**	**-**	**-**
Expected contributions for year to 30 June 2012	-	-	-

Funding arrangements for employer contributions – surplus/deficit:

The following is a summary of the 30 June financial position of the schemes calculated in accordance with AAS25- *Financial Reporting by Superannuation Plans.*

30 June 2013	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Accrued benefits	**650**	**187**	**4,012**
Net market value of fund assets	**(768)**	**(273)**	**(4,703)**
Net (surplus)/deficit	**(118)**	**(86)**	**(691)**

30 June 2012	SASS $'000	SANCS $'000	SSS $'000
Accrued benefits	580	182	3,920
Net market value of fund assets	(647)	(221)	(4,185)
Net (surplus)/deficit	(67)	(39)	(265)

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2013

7. SUPERANNUATION (Continued)

Funding arrangements for employer contributions – Recommended contribution rates:

As at 30 June 2013	**SASS**	**SANCS**	**SSS**
	Multiple of member contributions	**% member salaries**	**Multiple of member contributions**
	-	-	-
As at 30 June 2012	SASS	SANCS	SSS
	Multiple of member contributions	% member salaries	Multiple of member contributions
	-	-	-

Funding arrangements for employer contributions – Funding Method:

The method used to determine employer contribution recommendations at the last actuarial review was the *Aggregate Funding* method. The method adopted affects the timing of the cost to the employer.

Under the *Aggregate Funding* method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

Funding arrangements for employer contributions – Economic Assumptions:

Weighted average assumptions –

	2012 and following
Expected rate of return on fund assets backing current pension liabilities	**8.3%**
Expected rate of return on fund assets backing other liabilities	**7.3%**
Expected salary increase rate	**4.0%**
Expected rate of CPI increase	**2.5%**

Funding arrangements for employer contributions – Nature of asset/liability:

If a surplus exists in the STC Division's interest in the fund, the STC Division may be able to take advantage of it in the form of a reduction in required contribution rate. STC in its capacity as the schemes' trustee and NSW Treasury must approve such a reduction.

If a deficiency exists the STC Division 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 year ended 30 June 2013

8. CASH FLOW INFORMATION

a) Reconciliation of Cash

	2013 $'000	2012 $'000
Cash at Bank	-	-

The STC Division does not have a bank account. All transactions are transacted through the bank account of STC.

The STC Division does not have any credit standby arrangements or loan facilities.

b) Reconciliation of Comprehensive Income to Net Cash Used in Operating Activities

	2013 $'000 Inflows/ (Outflows)	2012 $'000 Inflows/ (Outflows)
Comprehensive Income	-	-
Changes in Assets and Liabilities		
(Increase)/Decrease in Assets		
Receivables	**1,005**	(2,053)
Increase/(Decrease) in Liabilities		
Provisions	**(1,005)**	2,053
Net Cash From/(Used) in Operating Activities	-	-

Notes to the financial statements
for the year ended 30 June 2013

9. COMMITMENTS FOR EXPENDITURE

There are no commitments for expenditure at 30 June 2013 or at 30 June 2012.

10. CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2013 or at 30 June 2012.

End of Audited Financial Statements

Part G – Financial Statements of the Pooled Fund

INDEPENDENT AUDITOR'S REPORT

SAS Trustee Corporation Pooled Fund

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of SAS Trustee Corporation Pooled Fund (the Fund), which comprise the statement of net assets as at 30 June 2013, the statement of changes in net assets for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the net assets of the Fund as at 30 June 2013, and of its changes in net assets for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Trustee's Responsibility for the Financial Statements

The members of the Board of the SAS Trustee Corporation, as trustee of the Fund, are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustee, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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My opinion does *not* provide assurance:

- about the future viability of the Fund
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their roles by the possibility of losing clients or income.

A T Whitfield
Acting Auditor-General

25 September 2013
SYDNEY

SAS TRUSTEE CORPORATION POOLED FUND

ABN 29 239 066 746

Statement by Members of the Trustee Board
for the year ended 30 June 2013

Pursuant to 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 net assets of the Pooled Fund as at 30 June 2013 and changes in net assets 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 2010*, the Treasurer's directions and applicable Accounting Standards in Australia.

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 25th day of September 2013.

Michael Carapiet
Chairperson
SAS Trustee Corporation

George Venardos
Board Member and Chairperson of the Risk, Audit and Compliance Committee
SAS Trustee Corporation

SAS TRUSTEE CORPORATION POOLED FUND

Statement of Changes in Net Assets
for the year ended 30 June 2013

	Note	**2013 $'m**	2012 $'m
Net Assets Available to Pay Benefits at Beginning of Financial Year		**34,351.9**	32,179.4
Contribution Revenue			
Employer Contributions		**1,434.8**	6,144.9
Salary Sacrifice Member Contributions		**294.8**	317.2
Member Contributions		**161.0**	186.3
Total Contribution Revenue	3	**1,890.6**	6,648.4
Transfers			
Scheme Mobility Transfer	5	**0.5**	0.6
Other		**0.4**	0.5
Total Transfers		**0.9**	1.1
Investment Revenue			
Short Term Securities		**148.1**	36.5
Australian Fixed Interest		**99.4**	97.9
International Fixed Interest		**22.4**	24.9
Australian Equities		**539.6**	479.7
International Equities		**218.2**	213.2
Property		**187.3**	175.7
Alternatives		**270.4**	260.7
		1,485.4	1,288.6
Change in Net Market Value of Investments		**4,776.8**	(1,240.2)
	6	**6,262.2**	48.4
Direct Investment Expenses		**(95.8)**	(85.8)
Net Investment Revenue		**6,166.4**	(37.4)
Other Revenue		**2.2**	5.0
Superannuation Contributions Surcharge		**7.3**	6.9
Total Revenue		**8,067.4**	6,624.0
Benefits Paid	13(b)	**(4,050.7)**	(3,689.2)
Scheme Administration Expenses	7	**(34.2)**	(34.9)
Other Expenses		**(1.2)**	(0.4)
Total Expenses		**(4,086.1)**	(3,724.5)
Change in Net Assets Before Income Tax		**3,981.3**	2,899.5
Income Tax Expense	8(a)	**(124.2)**	(727.0)
Change in Net Assets Available to Pay Benefits After Income Tax		**3,857.1**	2,172.5
Net Assets Available to Pay Benefits at End of Financial Year	9	**38,209.0**	34,351.9

The accompanying notes form an integral part of the above Statement of Changes in Net Assets

SAS TRUSTEE CORPORATION POOLED FUND

Statement of Net Assets
as at 30 June 2013

	Note	**2013 $'m**	2012 $'m
INVESTMENTS			
Short Term Securities		**5,323.7**	7,106.6
Australian Fixed Interest		**2,576.2**	1,767.4
International Fixed Interest		**850.4**	839.8
Australian Equities		**11,193.6**	9,513.1
International Equities		**9,632.6**	7,992.3
Property		**3,134.7**	3,044.6
Alternatives		**5,130.2**	4,565.6
		37,841.4	34,829.4
OTHER ASSETS			
Cash and Cash Equivalents		**1.3**	2.1
Receivables	10	**670.3**	415.9
Plant and Equipment		**0.9**	0.4
Deferred Tax Asset	8(b)	**-**	64.7
		672.5	483.1
TOTAL ASSETS		**38,513.9**	35,312.5
LIABILITIES			
Reserve Units	11	**1.0**	1.5
Payables	12	**288.4**	271.6
Current Tax Liability	8(a)	**2.6**	687.5
Deferred Tax Liability	8(b)	**12.9**	-
TOTAL LIABILITIES		**304.9**	960.6
NET ASSETS AVAILABLE TO PAY BENEFITS	9	**38,209.0**	34,351.9

The accompanying notes form an integral part of the above Statement of Net Assets

Notes to and forming part of the financial statements
for the year ended 30 June 2013

1. OPERATION OF THE FUND

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 of 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 16, 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 investment custodial activities are performed by JP Morgan Chase Bank, NA. The Fund's administration custody activities (operation and management of the Fund's benefit and contribution bank accounts) are performed by Pillar. Independent actuarial services are provided by Richard Boyfield of Mercer (Australia) Pty Ltd.

Investment managers of the Fund during the year ended 30 June 2013 are:

- Access Capital Advisers Pty Ltd
- AllianceBernstein Investment Management Australia Ltd
- Altrinsic Global Advisors LLC
- AMP Capital Investors Limited
- AQR Capital Management, LLC
- Arrowstreet Capital LP (via Macquarie Investment Management Limited)
- AXA Rosenberg Investment Management Asia Pacific Ltd
- Axiom International Investors LLC
- Blackrock Investment Management (Australia) Limited
- BT Investment Management (RE) Limited
- Capital International, Inc
- Challenger Management Services Limited
- Citigroup Global Markets Australia Pty Ltd
- Colonial First State Asset Management (Australia) Limited
- DEXUS Funds Management Limited (formerly DB RREEF Funds Management Limited)
- Deutsche Asset Management (Australia) Limited
- Ellerston Capital Limited

Notes to and forming part of the financial statements
for the year ended 30 June 2013

1. OPERATION OF THE FUND (Continued)

- EG Funds Management Pty Ltd
- Fidelity International Limited
- Franklin Templeton Investments Australia Limited
- Genesis Asset Managers, LLP
- GMO Australia Limited
- Hastings Investment Management Pty Limited
- Hexavest Inc.
- Kaplan Funds Management Pty Limited
- LaSalle Investment Management (via Equity Trustees Limited)
- LaSalle Investment Management (Securities) LP
- Lazard Asset Management Pacific Co
- Macquarie Investment Management Limited
- Maple-Brown Abbott Limited
- New South Wales Treasury Corporation
- Northcape Capital
- Pareto Investment Management Limited
- Perennial Value Management Limited
- Platypus Asset Management Pty Ltd
- Propel Investments Pty Ltd
- RARE Infrastructure Limited
- Realindex Investments Pty Ltd
- Schroder Investment Management Australia Limited
- Siguler Guff DOF III GP LLC
- Siguler Guff DOF IV GP LLC
- SG Hiscock & Company Limited
- State Street Bank and Trust Company
- State Street Global Advisors, Australia, Limited
- Trilogy Global Advisors, LP (via Orion Asset Management Services Pty Limited)

Notes to and forming part of the financial statements
for the year ended 30 June 2013

1. OPERATION OF THE FUND (Continued)

- Trilogy Global Advisors, LLC
- Vanguard Investments Australia Ltd
- Wallara Asset Management Pty Limited

Each manager is required to invest the assets managed by it in accordance with the provisions set out in an Investment Management Agreement either directly with STC, or in the case of a trust, with the trustee of the trust. The investment managers and custodian charge fees for the services provided.

Notes to and forming part of the financial statements
for the year ended 30 June 2013

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

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 2010*
- the Treasurer's Directions
- applicable Australian Accounting Standards and other professional reporting requirements (for example, Australian Accounting Interpretations).

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

The Fund is a not-for-profit entity.

The financial statements were authorised for issue by the Trustee Board on 25 September 2013.

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 2(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 within the economic entity. Entities in the economic entity are shown in Note 15. 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.

The accounting policies adopted in preparing the financial statements are consistently applied.

More detailed information on accounting policies for financial instruments is contained at Note 19.

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 is determined as follows:

Short Term Securities:	Market rates (refer note 19 for more detail).
Fixed Interest:	Relevant fixed interest securities markets.
Equities, Unit Trusts: and Unlisted Assets	Relevant stock exchange official quotation or if unlisted, independent or manager valuation.

Notes to and forming part of the financial statements
for the year ended 30 June 2013

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Assets and Liabilities (Continued)

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 which approximates fair value. During the year the fair value of plant and equipment increased by $492,279 (2012: increased by $192,231).
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.

The 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. Particularly for unlisted assets, measurement amounts may be at variance from amounts realised should the assets be disposed of.

Assets and liabilities are recognised when STC 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 recognised in the Statement of Changes in Net Assets in the period in which they arise.

d) Use of Judgements and Estimates

The preparation of the Fund's financial statements require management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty implicit in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the affected asset or liability in the future. In valuing assets for which there is no observable market STC is guided on appropriate valuation techniques by its Valuation Policy. The valuation techniques generally involve the judgment of independent valuers. In valuing deferred tax balances, STC is guided by AASB 112 – *Income Taxes* (refer Note 2(e)).

Notes to and forming part of the financial statements
for the year ended 30 June 2013

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) 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 or recoverable 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 expected to apply when the benefit or liability is realised.

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.

f) Management Expenses

Management expenses charged to the Fund comprise:

Direct Investment Expenses: Investment expenses are recognised on an accruals basis.

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.

g) 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 accounts.

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 2013 from the ATO advising of surcharge accrued before abolition of the *Superannuation Contributions Tax (Assessment and Collections) Act 1997*, effective 1 July 2005, indexed annually in line with ATO requirements (presently the 10-year Treasury Bond rate).

h) 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.

Notes to and forming part of the financial statements
for the year ended 30 June 2013

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

j) 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 the right to the contribution has been attained and are recorded in the period to which they relate.

Interest Revenue

Interest is recognised when control of a right to receive consideration for the provision of, or investment in, assets has been attained. If interest is not received at 30 June the amount is recognised as a receivable in the Statement of Net Assets.

Dividend Revenue

Dividends are recognised on the ex-date. If the dividend is not received at 30 June the amount is recognised as a receivable in the Statement of Net Assets.

Changes in net market value of investments

Changes in the net market value of investments are recognised as revenue and are determined as the difference between the net market value at year end or consideration received (if sold during the year) and the net market value as at the prior year end or cost (if the investment was acquired during the period).

Distributions from unit trusts

Distributions from unit trusts are recognised as investment revenue on the date the unit value is quoted ex-distribution. If distributions from unit trusts are not received at the balance sheet date, the amount is reflected in the Statement of Net Assets as a receivable.

k) Benefit Payments

Benefit payments are recognised when the payment becomes due under scheme legislation and a benefit application has been received.

l) Standards Issued applicable but not yet effective

At the date of authorisation of these financial statements the following accounting standards which are expected to be relevant were issued but not yet effective.

AASB 9 *Financial Instruments* as issued in December 2009 will be implemented for the year ended 30 June 2016. No material change to these financial statements is anticipated.

Notes to and forming part of the financial statements
for the year ended 30 June 2013

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

AASB 10 *Consolidated Financial Statements* as issued in August 2011 will be implemented for the year ended 30 June 2015. No material change to these financial statements is anticipated.

AASB 12 *Disclosure of Interest in Other Entities* as issued in August 2011 will be implemented for the year ended 30 June 2014. No material change to these financial statements is anticipated.

AASB 13 *Fair Value Measurement* as issued in September 2011 will be implemented for the year ended 30 June 2014. No material change to these financial statements is anticipated.

Notes to and forming part of the financial statements
for the year ended 30 June 2013

3. EMPLOYER AND MEMBER CONTRIBUTIONS

	2013				
	SASS $'m	**SANCS $'m**	**SSS $'m**	**PSS $'m**	**Total $'m**
Employer Contributions	**456.7**	**182.9**	**503.2**	**292.0**	**1,434.8**
Salary Sacrifice Contributions	**143.0**	**-**	**144.2**	**7.6**	**294.8**
Member Contributions	**82.3**	**1.8**	**72.2**	**4.7**	**161.0**
Total Contributions	**682.0**	**184.7**	**719.6**	**304.3**	**1,890.6**

	2012				
	SASS $'m	SANCS $'m	SSS $'m	PSS $'m	Total $'m
Employer Contributions	1,860.3	791.0	2,368.3	1,125.3	6,144.9
Salary Sacrifice Contributions	143.5	-	166.2	7.5	317.2
Member Contributions	94.1	2.2	84.8	5.2	186.3
Total Contributions	2,097.9	793.2	2,619.3	1,138.0	6,648.4

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.

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

Contributions made by the Crown are in line with the funding plan developed by it to satisfy the requirements of the *Fiscal Responsibility Act 2006*.

The New South Wales 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. STC conducts this periodic reassessment at 30 June each year.

a) State Authorities Superannuation Schemes (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 and non-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.

Part 3 Hospitals and associated employers not part of the Crown's contribution, contribute at a multiple of 1.9 of employee contributions for SASS and 2.5% of employees' salaries for SANCS.

Contributions made by the Crown are in line with the funding plan developed by it to satisfy the requirements of the *Fiscal Responsibility Act 2012*.

Notes to and forming part of the financial statements
for the year ended 30 June 2013

3. 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. Any member contribution recognised represents co-contributions received from the Commonwealth Government in respect of a member.

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% to 3%. Some employers also contribute lump sum contributions to meet past service deficiencies. The lump sum contribution amount is set by STC with concurrence of the NSW Treasurer.

Contributions made by the Crown are in line with the funding plan developed by it to satisfy the requirements of the *Fiscal Responsibility Act 2012*.

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. Some employers also contribute lump sum contributions to meet past service deficiencies. The lump sum contribution amount is set by STC with concurrence of the NSW Treasurer.

Contributions made by the Crown are in line with the funding plan developed by it to satisfy the requirements of the *Fiscal Responsibility Act 2012*.

d) Police Superannuation Scheme (PSS)

Member Contributions

Members contribute 6% of their salary.

Employer Contributions

Contributions made by the Crown are in line with the funding plan developed by it to satisfy the requirements of the *Fiscal Responsibility Act 2012*.

4. SASS – MEMBER INVESTMENT CHOICE

SASS members have the option to choose the investment strategy for his or her member contributions. The option is also offered to SASS members who have deferred their benefits. Any election by a SASS deferred member applies to the member's contributor financed benefit and also to his or her employer financed benefit.

Notes to and forming part of the financial statements
for the year ended 30 June 2013

5. SCHEME MOBILITY TRANSFER

During the year some members of the Pooled Fund schemes elected to transfer to the Local Government Superannuation Scheme (LGSS) or to the Energy Industries Superannuation Scheme (EISS) following transfer of their employment to a relevant employer covered by either of those schemes. The total amount transferred out was $1.8 million (2012: $0.9 million).

Also, a number of LGSS and/or EISS members who had undergone a change in employment elected to transfer to a Fund scheme. The total amount transferred in was $2.3 million (2012: $1.5 million).

The net amount transferred was $0.5 million (2012: $0.6 million).

The mobility provisions governing these optional, employment-related scheme transfers are contained in the *Superannuation Administration (Local Government Superannuation Scheme Transitional Provisions) Regulations 1997* and the *Superannuation Administration (Electricity Superannuation Scheme) Regulations 1997.*

Notes to and forming part of the financial statements
for the year ended 30 June 2013

6. INVESTMENT REVENUE

2013

	Income	**Change in Net Market Value**		**Total**
		Held at Reporting Date	**Realised During the Year**	
		Unrealised Gain/(Loss)	**Gain/(Loss)**	
	$'m	**$'m**	**$'m**	**$'m**
Short Term Securities	**148.1**	**10.0**	**63.8**	**221.9**
Australian Fixed Interest	**99.4**	**(59.2)**	**(10.9)**	**29.3**
International Fixed Interest	**22.4**	**(51.2)**	**61.4**	**32.6**
Australian Equities	**539.6**	**1,606.2**	**306.1**	**2,451.9**
International Equities	**218.2**	**1,889.9**	**231.0**	**2,339.1**
Property	**187.3**	**149.5**	**62.9**	**399.7**
Alternatives	**270.4**	**434.3**	**83.0**	**787.7**
Total Investment Revenue	**1,485.4**	**3,979.5**	**797.3**	**6,262.2**

2012

	Income	Change in Net Market Value		Total
		Held at Reporting Date	Realised During the Year	
		Unrealised Gain/(Loss)	Gain/(Loss)	
	$'m	$'m	$'m	$'m
Short Term Securities	36.5	13.5	84.9	134.9
Australian Fixed Interest	97.9	122.4	13.9	234.2
International Fixed Interest	24.9	78.8	2.5	106.2
Australian Equities	479.7	(938.8)	(304.6)	(763.7)
International Equities	213.2	(393.8)	(121.7)	(302.3)
Property	175.7	117.8	(44.4)	249.1
Alternatives	260.7	148.0	(18.7)	390.0
Total Investment Revenue	1,288.6	(852.1)	(388.1)	48.4

Interest Revenue

Within Short Term Securities, Australian Fixed Interest and International Fixed Interest is interest revenue received of $256.5 million (2012: $153.4 million).

Royalty Revenue

Within Australian Equities is royalty revenue received of $10.6 million (2012: $23.8 million).

Dividend Revenue

Within Australian Equities and International Equities is dividend revenue of $648.1 million and trust distributions of $101.9 million (2012: $560.9 million and $85.8 million).

Notes to and forming part of the financial statements
for the year ended 30 June 2013

6. INVESTMENT REVENUE (Continued)

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 –

	2013 $'m	2012 $'m
Rental income derived	**156.0**	176.1
Direct property operating expenses	**(47.7)**	(52.0)
Contractual obligations to renovate properties	**(2.9)**	(5.7)
Contractual obligations for repairs, maintenance or enhancements to properties	**(0.2)**	-

The future minimum lease payments receivable by the Fund are –

	2013 $'m	2012 $'m
No later than one year	**115.6**	120.6
Later than one year but not later than five years	**250.8**	288.2
Later than five years	**79.3**	76.0
	445.7	484.8

7. SCHEME ADMINISTRATION EXPENSES

Included in Scheme Administration Expenses are the following items:

	2013 $'m	2012 $'m
Audit Fees – The Auditor-General of New South Wales (audit of the financial statements and no other services)	**0.4**	0.4
Scheme Administration Fees	**25.1**	24.9

The fund also incurred $223,500 expenditure on consultants (2012: $66,000).

Notes to and forming part of the financial statements
for the year ended 30 June 2013

8. INCOME TAX

Income tax expenses 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 recognised in the Statement of Changes in Net Assets**	**2013 $'m**	2012 $'m
Current tax expense		
Provision attributable to current year	**2.6**	687.5
PAYG instalments paid	**49.0**	78.7
Adjustments for prior year	**(5.0)**	(15.4)
	46.6	750.8
Deferred tax asset		
Decrease/(increase) in deferred tax asset/liability	**77.6**	(23.8)
Total income tax expense/(benefit) in Statement of Changes in Net Assets	**124.2**	727.0
Reconciliation between tax (benefit)/expense and pre-tax Change in Net Assets before Tax		
Change in Net Assets before income tax	**3,981.3**	2,899.5
Income tax expense/(benefit) using the superannuation fund tax rate of 15%	**597.2**	434.9
Increase in tax expense/Decrease in tax benefit due to:		
Non-deductible benefit payments, CGT concession and investment expense	**374.1**	630.8
Pension related investment (gains) losses	**(583.1)**	(87.5)
Decrease in tax expense/Increase in tax benefit due to:		
Tax credits	**(212.1)**	(182.8)
Notional death and disability insurance premium and anti-detriment	**(46.9)**	(52.6)
Over provision of tax benefit in prior year	**(5.0)**	(15.8)
Income Tax Expense/(Benefit) on Change in Net Assets Before Tax	**124.2**	727.0

b) **Deferred Tax Asset/(Liability)**	**2013 $'m**	2012 $'m
Unrealised Capital Losses/(Gains)	**(47.1)**	45.6
Dividends Receivable	**(7.6)**	(6.1)
Contributions Receivable	**(0.5)**	(0.5)
Unrealised Losses on Traditional Securities and Foreign Exchange	**6.4**	(2.7)
Unrealised Franking Credits	**34.3**	27.2
Revision of opening deferred tax due to CPLE rate adjustment	**1.6**	1.2
Deferred Tax Asset/(Liability)	**(12.9)**	64.7

Notes to and forming part of the financial statements
for the year ended 30 June 2013

9. NET ASSETS

2013	SASS $'m	SANCS $'m	SSS $'m	PSS $'m	Total $'m
Member Reserves (1)					
Balance at Beginning of Financial Year	4,235.0	-	3,000.7	295.6	7,531.3
Increase/(Decrease) in Net Assets	415.9	-	(84.1)	44.1	375.9
Balance at End of Financial Year	4,650.9	-	2,916.6	339.7	7,907.2
Employer Reserves (2)					
Balance at Beginning of Financial Year	4,549.2	1,368.4	15,909.5	3,349.1	25,176.2
Increase/(Decrease) in Net Assets	458.3	88.7	2,084.7	489.8	3,121.5
Balance at End of Financial Year	5,007.5	1,457.1	17,994.2	3,838.9	28,297.7
Death or Invalidity Reserves (3)					
Balance at Beginning of Financial Year	1.4	-	-	-	1.4
Increase/(Decrease) in Net Assets	3.8	-	-	-	3.8
Balance at End of Financial Year	5.2	-	-	-	5.2
Deferred Benefits Reserves (4)					
Balance at Beginning of Financial Year	1,342.1	300.9	-	-	1,643.0
Increase/(Decrease) in Net Assets	296	59.9	-	-	355.9
Balance at End of Financial Year	1,638.1	360.8	-	-	1,998.9
Net Assets Available to Pay Benefits	11,301.7	1,817.9	20,910.8	4,178.6	38,209.0

2012	SASS $'m	SANCS $'m	SSS $'m	PSS $'m	Total $'m
Member Reserves (1)					
Balance at Beginning of Financial Year	4,354.9	-	3,535.2	321.2	8,211.3
Increase/(Decrease) in Net Assets	(119.9)	-	(534.5)	(25.6)	(680.0)
Balance at End of Financial Year	4,235.0	-	3,000.7	295.6	7,531.3
Employer Reserves (2)					
Balance at Beginning of Financial Year	3,464.1	981.0	15,222.9	2,724.3	22,392.3
Increase/(Decrease) in Net Assets	1,085.1	387.4	686.6	624.8	2,783.9
Balance at End of Financial Year	4,549.2	1,368.4	15,909.5	3,349.1	25,176.2
Death or Invalidity Reserves (3)					
Balance at Beginning of Financial Year	1.2	-	-	-	1.2
Increase/(Decrease) in Net Assets	0.2	-	-	-	0.2
Balance at End of Financial Year	1.4	-	-	-	1.4
Deferred Benefits Reserves (4)					
Balance at Beginning of Financial Year	1,281.3	293.3	-	-	1,574.6
Increase/(Decrease) in Net Assets	60.8	7.6	-	-	68.4
Balance at End of Financial Year	1,342.1	300.9	-	-	1,643.0
Net Assets Available to Pay Benefits	10,127.7	1,669.3	18,910.2	3,644.7	34,351.9

Notes to and forming part of the financial statements
for the year ended 30 June 2013

9. NET ASSETS (Continued)

1. The Member Reserve represents members' accounts that comprise the balance of members' contributions and net investment income earned less benefits paid that are attributed 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 Invalidity 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.

As described at Note 4 SASS and SASS Deferred members are able to elect an investment strategy.

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

	2013				
	Growth $'m	**Conservative $'m**	**Balanced $'m**	**Cash $'m**	**Total $'m**
SASS Member	**4,009.2**	**227.3**	**211.5**	**202.9**	**4,650.9**
Deferred Benefit	**1,618.5**	**159.2**	**123.9**	**97.3**	**1,998.9**
	5,627.7	**386.5**	**335.4**	**300.2**	**6,649.8**

	2012				
	Growth $'m	Conservative $'m	Balanced $'m	Cash $'m	Total $'m
SASS Member	3,714.4	150.1	146.9	223.6	4,235.0
Deferred Benefit	1,419.5	69.3	64.8	89.4	1,643.0
	5,133.9	219.4	211.7	313.0	5,878.0

Notes to and forming part of the financial statements
for the year ended 30 June 2013

10. RECEIVABLES

	2013 $'m	2012 $'m
Contributions Receivable	**27.4**	31.3
Accrued Income	**279.4**	203.4
Margin Call Deposits	**182.0**	67.7
Investment Sales	**180.5**	112.3
Other Receivables	**1.0**	1.2
	670.3	415.9

Within receivables is an impairment allowance of $391,668 (2012: $60,418). This allowance relates to amounts due from members or the estates of members where it has been assessed that prospect of the Fund recovering the amount due is reduced.

11. RESERVE UNITS

Reserve Units are units held by certain SSS members. They represent units purchased in advance 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 a part of member reserves.

12. PAYABLES

	2013 $'m	2012 $'m
Superannuation Benefits	**29.9**	26.4
Investment Purchases	**155.8**	140.5
Investment – Other Creditors	**35.3**	27.9
Provision for Contribution Surcharge	**62.1**	69.7
Amount Payable – SAS Trustee Corporation	4.4	6.3
Other Payables	**0.9**	0.8
	288.4	271.6

All payables are within agreed trading terms.

Movements in the Provision for Contribution Surcharge were as follows –

	2013 $'m	2012 $'m
Opening Balance	**69.7**	76.8
Add -		
Assessment Received	**(0.8)**	-
Annual indexation	**2.5**	2.4
Less -		
Payments made to the Australian Taxation Office	**(9.3)**	(9.5)
Closing Balance	**62.1**	69.7

Notes to and forming part of the financial statements
for the year ended 30 June 2013

13. 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. The valuation of accrued benefits was undertaken by the independent Scheme actuary as part of the statutorily required triennial actuarial review undertaken as at 30 June 2012. The financial assumptions applied for the calculations were:

	Accrued Benefits 2012 & following years % p.a
Valuation Assumptions	
Investment Return Rate	
- asset backing current pension liabilities	**8.3**
- other	**7.3**
CPI Increase Rate	**2.5**
Salary Increase Rate	**4.0**

Special short-term assumptions have been adopted for the six years following 30 June 2012 with the long-term assumptions applying thereafter. These are :-

- SASS, SANCS & SSS : 2.7% salary increase per annum for 6 years.
- PSS : 3.5% salary increase per annum for 6 years.

The review as at 30 June 2012 indicated that the unfunded liability of the Fund was $18,978.8 million.

In addition to the triennial actuarial review referred to above, the actuary also provides yearly estimates at the reporting date.

	2013			2012		
	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	**13,652.8**	**11,301.7**	**(2,351.1)**	13,184.0	10,127.7	(3,056.3)
State Authorities Non-contributory Superannuation Scheme	**2,527.4**	**1,817.9**	**(709.5)**	2,674.3	1,669.3	(1,005.0)
State Superannuation Scheme	**31,651.5**	**20,910.8**	**(10,740.7)**	30,843.4	18,910.2	(11,933.2)
Police Superannuation Scheme	**6,852.0**	**4,178.6**	**(2,673.4)**	6,661.1	3,644.7	(3,016.4)
	54,683.7	**38,209.0**	**(16,474.7)**	53,362.8	34,351.9	(19,010.9)

Notes to and forming part of the financial statements
for the year ended 30 June 2013

13. ACCRUED BENEFITS (Continued)

a) Liability for Accrued Benefits (Continued)

The relevant statutes require that all benefits be paid in full as and when they fall due.

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 estimates, the value of Accrued Benefits will not start to decline until after 2021.

			2013		
	SASS $'m	**SANCS $'m**	**SSS $'m**	**PSS $'m**	**Total $'m**
Balance at Beginning of Financial Year	**13,184.0**	**2,674.3**	**30,843.4**	**6,661.1**	**53,362.8**
Benefits Paid (net of surcharge)	**(1,169.4)**	**(333.2)**	**(2,093.6)**	**(447.2)**	**(4,043.4)**
	12,014.6	**2,341.1**	**28,749.8**	**6,213.9**	**49,319.4**
Increase in Accrued Benefits	**1,638.2**	**186.3**	**2,901.7**	**638.1**	**5,364.3**
Balance at End of Financial Year	**13,652.8**	**2,527.4**	**31,651.5**	**6,852.0**	**54,683.7**

			2012		
	SASS $'m	SANCS $'m	SSS $'m	PSS $'m	Total $'m
Balance at Beginning of Financial Year	13,089.5	2,700.3	29,905.2	6,483.2	52,178.2
Benefits Paid (net of surcharge)	(990.0)	(294.6)	(1,966.0)	(431.7)	(3,682.3)
	12,099.5	2,405.7	27,939.2	6,051.5	48,495.9
Increase in Accrued Benefits	1,084.5	268.6	2,904.2	609.6	4,866.9
Balance at End of Financial Year	13,184.0	2,674.3	30,843.4	6,661.1	53,362.8

Notes to and forming part of the financial statements
for the year ended 30 June 2013

14. 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.

	2013			2012		
	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	**11,415.2**	**11,301.7**	**(113.5)**	10,541.8	10,127.7	(414.1)
State Authorities Non-contributory Superannuation Scheme	**3,087.7**	**1,817.9**	**(1,269.8)**	3,156.2	1,669.3	(1,486.9)
State Superannuation Scheme	**31,189.1**	**20,910.8**	**(10,278.3)**	29,890.9	18,910.2	(10,980.7)
Police Superannuation Scheme	**5,715.6**	**4,178.6**	**(1,537.0)**	5,368.2	3,644.7	(1,723.5)
	51,407.6	**38,209.0**	**(13,198.6)**	48,957.1	34,351.9	(14,605.2)

Vested benefits exceed net assets at 30 June 2013 and 30 June 2012. STC is working with the NSW Treasury and the Scheme actuary to facilitate the Government's stated objective to fully fund the schemes by 2030.

Notes to and forming part of the financial statements
for the year ended 30 June 2013

15. CONTROLLED ENTITIES

The entities that comprise the SAS Trustee Corporation Pooled Fund economic entity are the entities as detailed below:

Parent Entity
SAS Trustee Corporation Pooled Fund

	Activity	Ownership Interest 2013 %	2012 %
Controlled Entities			
State Super Financial Services Australia Limited (SSFSAL) [incorporated in Australia]	Financial planning and funds management	**100.0**	100.0
The following entities are managed by AMP Capital Investors Limited –			
Southern Way Unit Trust [established in Australia]	Investment entity	**100.0**	100.0
The following entities are managed by Challenger Management Services Limited –			
Pisco STC Funds Unit Trust No.1 [established in Australia]	Investment entity	**100.0**	100.0
Pisco STC Funds Unit Trust No.2 [established in Australia]	Investment entity	**100.0**	100.0
The following entities are managed by Deutsche Asset Management (Australia) Limited –			
Valley Commerce Pty Limited [incorporated in Australia]	Dormant	**100.0**	100.0
Buroba Pty Limited [incorporated in Australia]	Dormant	**100.0**	100.0
State Infrastructure Trust [established in Australia]	Dormant	**100.0**	100.0
State Infrastructure Holdings (Sea Gas) Pty Ltd [incorporated in Australia]	Dormant	**Wound up in 2012-13**	100.0

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 $38.8 million (2012: $33.6 million).

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

Notes to and forming part of the financial statements
for the year ended 30 June 2013

16. TRUSTEE BOARD INFORMATION

The Trustee of the Fund is STC. The names of the Board members of STC in office during the year ended 30 June 2013, the comparative period and up to the date of signing these accounts are as follows:

Mr I Blair (resigned 31 October 2012)
Mr M Carapiet (term commenced 2 August 2011)
Mr A Claassens (term commenced 5 November 2012)
Mr R Davis
Ms A De Salis (term completed 31 January 2012)
Mr R Harty (resigned 2 May 2013)
Mr M Lambert
Mr N Lewocki (term completed 31 August 2012)
Ms K Moses (term commenced 19 March 2012)
Mr Tony O'Grady (term commenced 24 June 2013)
Dr D Russell (resigned 31 July 2011)
Mr P Scully
Mr G Venardos (term commenced 5 November 2012)
Ms S Walsh

a) Board Members' Remuneration

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

b) Remuneration received or due and receivable by Board Members and Directors of the Economic Entity from Controlled Entities (refer Note 15 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 report of STC.

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 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.

Notes to and forming part of the financial statements
for the year ended 30 June 2013

18. SECURITIES LENDING PROGRAM

The Fund participates in a Securities Lending Program managed by the custodian. The Fund received $5.9 million (2012: $6.6 million) fee income from this program, which adds to the Fund's overall yearly return.

At 30 June 2013, the total value of the loaned securities was $1.9 billion (2012: $2.0 billion) while the total value of the collateral was $2.0 billion (2012: $2.0 billion). The lent securities represented about 7.9% of the Fund's total investments (2012 about 10.1%), which was within the allowable limit of 20% of the lendable assets.

The collateral comprised foreign sovereign securities of $0.0 million (2012: $0.0 million) and cash of $2.0 billion (2012: $2.0 billion). The collateral is invested in a fund managed by the custodian.

The collateral may only be accessed in the event of default by the borrower of lent securities.

19. FINANCIAL INSTRUMENTS

The Fund is exposed to a variety of financial risks as a result of its investment activities. These risks include –

(a) market risk, including –

1. currency risk
2. interest rate risk
3. price risk

(b) credit risk

(c) liquidity risk.

The Fund's risk management and investment policies are designed to minimise the potential adverse effects of these risks on the Fund's financial performance.

STC has developed, implemented and maintains a Risk Management Strategy (RMS), Risk Management Plan (RMP) and an anti money laundering and counter terrorism financing program (AML/CTF). The RMS, RMP and AML/CTF identify the policies, procedures, processes and controls that comprise the risk management and control systems. These systems address material risks, both financial and non-financial that could potentially be faced by the Fund.

The Fund's assets are invested in accordance with the Fund's investment strategy. STC regularly reviews the investment strategy to ensure the strategy's continued relevance to the Fund's objectives given prevailing investment markets. An objective of the investment strategy is to avoid undue concentrations of risk. STC ensures that the portfolio is diversified across and within asset classes, across investment managers, across countries and across individual asset types.

As required by its governing legislation, the investments of the Fund are managed by specialist fund managers. The activities of the fund managers are governed by investment instructions and investment constraints as set out in documented agreements with the fund managers or, in the case of a unit trust, a trust deed. STC constantly monitors its investment managers to ensure compliance with investment instructions and investment constraints.

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). Such derivative instruments are used for hedging purposes and to efficiently implement asset allocation changes and typically expose the Fund to credit risk and market risk.

Notes to and forming part of the financial statements
for the year ended 30 June 2013

19. FINANCIAL INSTRUMENTS (Continued)

Accounting policies in respect of the Fund's financial instruments are shown below.

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 equity 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. Unlisted Equity Interests	Unlisted Equity Interests are carried at net market value as determined by independent expert valuers.	The terms and conditions are set out in the applicable entity constitution.
5. Listed Shares and Trusts	Listed shares and trusts 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 and trust distributions are recognised on the ex-date.	N/A
6. Bills of exchange and other discount securities	Carried at net market value using market rates as at 30 June.	Average maturity of 49 days with effective interest rates in the range of 2.78% to 2.99%.
7. Promissory Notes	Carried at net market value as at 30 June.	Average maturity of 29 days with an effective interest rate of 2.96%.
8. Mortgages	Mortgages are stated at net market value. Interest income is recognised in the Statement of Changes in Net Assets when earned.	N/A
9. Bank Deposits	Stated at net market value. Interest income is recognised in the Statement of Changes in Net Assets when earned.	Bank deposits represent term deposits with an average maturity of 72 days. Deposits have effective interest rates in the range of 3.22% to 3.33%.
10. Government Bonds	Carried at net market value based on discounted cash flow.	Government bonds on average mature on the 17/01/2024 and have effective interest rates in the range of 0.20% to 9.00%.
11. Semi Government Bonds	Carried at net market value based on discounted cash flow.	Semi Government bonds on average mature on 29/07/2017 and have effective interest rates in the range of 2.75% to 8.00%.

Notes to and forming part of the financial statements
for the year ended 30 June 2013

19. FINANCIAL INSTRUMENTS (Continued)

Accounting Policies (Continued)

Recognised instruments	Accounting policies	Terms and conditions
12. Leasehold Property Investments	Carried at net market value based on discounted cash flow.	N/A
13. Floating Rate Notes	Carried at net market value based on discounted cash flow.	Floating Rate Notes on average mature on 29/10/2029 and have effective interest rates in the range of 0.91% to 4.85%.
14. Direct Property	Reported at net market value based on independent valuations.	N/A
15. Options	Options are stated at market value using the daily closing price.	The options are all Exchange Traded options.
16. 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.
17. 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 the end of the reporting period, the Fund had various foreign exchange forward contracts open in its international portfolios.
18. 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.

Notes to and forming part of the financial statements
for the year ended 30 June 2013

19. FINANCIAL INSTRUMENTS (Continued)

a) Market Risk

Market risk is the risk that changes in factors such as foreign currency exchange rates, interest rates and equity prices will affect the Fund's income or the value of its financial instruments. Market risk comprises currency risk, interest rate risk and price risk. Through its management of market risk STC seeks to manage and control its market risk exposures to within acceptable parameters while optimising risk adjusted returns.

In managing market risk, STC's fund managers trade in derivatives and securities. The fund managers also incur liabilities in the ordinary course of business. All such transactions are within the investment management mandates granted by STC to its managers.

a.1) Currency Risk

Currency risk is the risk that the net market value of offshore assets and future cash flows derived from existing offshore financial instruments will fluctuate because of changes in foreign exchange rates.

The Fund is exposed to currency risk on financial instruments, receivables and liabilities that are denominated in currencies other than Australian Dollars. The main currencies to which the Fund is exposed are –

- US Dollar (USD)
- Japanese Yen (JPY)
- Euro (EUR)
- Great Britain Pound (GBP)

The Fund's currency risk is managed in accordance with strict parameters as set out in its investment policy. Under the policy, investments are hedged as follows –

- listed international equities are hedged in the range of 0% to 64%
- listed international property is 100% hedged
- international bonds are 100% hedged
- international credit was unhedged from December 2010 until September 2011 and after this date is 100% hedged
- unlisted international property, listed and unlisted international infrastructure and international distressed debt are hedged in the range of 0% to 100%.

STC's two currency overlay managers use a range of counterparties. If a counterparty failed to satisfy its contractual obligation to deliver on a currency hedging contract the Fund would remain exposed to the currency risk being hedged.

The hedging policy has been kept under review during 2012.

The Fund's total net exposure to fluctuations in foreign currency exchange rates as at the financial year end is –

Notes to and forming part of the financial statements
for the year ended 30 June 2013

19. FINANCIAL INSTRUMENTS (Continued)

a) Market Risk (Continued)

a.1) Currency Risk (Continued)

YEAR ENDED 30 JUNE 2013
NET MARKET VALUE

	USD A$'m	JPY A$'m	EUR A$'m	GBP A$'m	AUD A$'m	Other A$'m	TOTAL A$'m
Financial assets and liabilities at net market value through profit and loss	6,449.0	1,128.0	1,369.0	912.0	26,643.7	1,341.0	37,842.7
Receivables	83.0	21.0	12.0	23.0	515.3	16.0	670.3
Payables	(43.0)	(20.0)	(11.0)	(8.0)	(193.4)	(14.0)	(289.4)
Plant & Equipment	-	-	-	-	0.9	-	0.9
Tax Assets	-	-	-	-	-	-	-
Tax Liabilities	-	-	-	-	(15.5)	-	(15.5)
Net Assets	6,489.0	1,129.0	1,370.0	927.0	26,951.0	1,343.0	38,209.0

YEAR ENDED 30 JUNE 2012
NET MARKET VALUE

	USD A$'m	JPY A$'m	EUR A$'m	GBP A$'m	AUD A$'m	Other A$'m	TOTAL A$'m
Financial assets and liabilities at net market value through profit and loss	5,274.0	848.0	1,326.0	868.0	25,485.5	1,030.0	34,831.5
Receivables	40.0	3.0	28.0	11.0	318.9	15.0	415.9
Payables	(42.0)	(3.0)	(24.0)	(9.0)	(181.1)	(14.0)	(273.1)
Plant & Equipment	-	-	-	-	0.4	-	0.4
Tax Assets	-	-	-	-	64.7	-	64.7
Tax Liabilities	-	-	-	-	(687.5)	-	(687.5)
Net Assets	5,272.0	848.0	1,330.0	870.0	25,000.9	1,031.0	34,351.9

Notes to and forming part of the financial statements
for the year ended 30 June 2013

19. FINANCIAL INSTRUMENTS (Continued)

a) Market Risk (Continued)

a.1) Currency Risk (Continued)

The currency risk disclosure reflects the Fund's assets that are subject to active currency management. These assets comprise both directly held investments and most of the assets held indirectly through unit trusts.

Assuming no hedging of international exposures, a 15 per cent strengthening of the Australian Dollar against the following currencies at financial year end would have decreased the monetary assets (ie assets that are units of currency or assets that are to be received in a fixed or determinable number of units of currency) within the Fund's Change in Net Assets by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In practice, STC partially hedges against the adverse effects of currency movements. The analysis is calculated on the same basis for 2013 and 2012 –

All amounts are in Australian Dollars	**Change in Net Assets 30-Jun-13. $'m.**
USD	**(86)**
JPY	**(37)**
EUR	**(36)**
GBP	**(11)**
Other	**(5)**
	(175)

	Change in Net Assets 30-Jun-12 $'m
USD	(80)
JPY	(39)
EUR	(63)
GBP	(9)
Other	(5)
	(196)

Assuming no hedging of international exposures, a 15 per cent weakening of the Australian Dollar against the above currencies at financial year end would have the equal but opposite effect on the above currencies to the amounts shown above, assuming that all other variables remain constant.

Notes to and forming part of the financial statements
for the year ended 30 June 2013

19. FINANCIAL INSTRUMENTS (Continued)

a) Market Risk (Continued)

a.2) Interest Rate Risk

The Fund's investments in debt and short term money market instruments are subject to interest rate risk 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) associated with these financial instruments as at 30 June, are shown in the tables below. All other financial assets and liabilities are non-interest bearing.

Notes to and forming part of the financial statements
for the year ended 30 June 2013

19. FINANCIAL INSTRUMENTS (Continued)

a) Market Risk (Continued)

a.2) Interest Rate Risk (Continued)

YEAR ENDED 30 JUNE 2013 – INTEREST RATE RISK DISCLOSURE

	Floating Interest A$'m	Fixed Interest A$'m	Non Interest Bearing A$'m	Total (per Statement of Net Assets) A$'m
Assets				
Short Term Securities	5,325.0	-	-	5,325.0
Australian Fixed Interest		2,576.2	-	2,576.2
International Fixed Interest	-	850.4	-	850.4
Australian Equities	-	-	11,193.6	11,193.6
International Equities	-	-	9,632.6	9,632.6
Property	-	-	3,134.7	3,134.7
Alternatives	-	77.8	5,052.4	5,130.2
Receivables	-	-	670.3	670.3
Plant and Equipment	-	-	0.9	0.9
Deferred Tax Asset	-	-	-	-
Total Assets	5,325.0	3,504.4	29,684.5	38,513.9
Liabilities				
Reserve Units	-	-	1.0	1.0
Payables	-	-	288.4	288.4
Current Tax Liability	-	-	2.6	2.6
Deferred Tax Liability	-	-	12.9	12.9
Total Liabilities	-	-	304.9	304.9
Net Assets	5,325.0	3,504.4	29,379.6	38,209.0

YEAR ENDED 30 JUNE 2012 – INTEREST RATE RISK DISCLOSURE

	Floating Interest A$'m	Fixed Interest A$'m	Non Interest Bearing A$'m	Total (per Statement of Net Assets) A$'m
Assets				
Short Term Securities	7,108.7	-	-	7,108.7
Australian Fixed Interest	-	1,767.4	-	1,767.4
International Fixed Interest	-	839.8	-	839.8
Australian Equities	-	-	9,513.1	9,513.1
International Equities	-	-	7,992.3	7,992.3
Property	-	-	3,044.6	3,044.6
Alternatives	-	99.7	4,465.9	4,565.6
Receivables	-	-	415.9	415.9
Plant and Equipment	-	-	0.4	0.4
Deferred Tax Asset	-	-	64.7	64.7
Total Assets	7,108.7	2,706.9	25,496.9	35,312.5
Liabilities				
Reserve Units	-	-	1.5	1.5
Payables	-	-	271.6	271.6
Deferred Tax Liability	-	-	687.5	687.5
Total Liabilities	-	-	960.6	960.6
	7,108.7	2,706.9	24,536.3	34,351.9

Notes to and forming part of the financial statements
for the year ended 30 June 2013

19. FINANCIAL INSTRUMENTS (Continued)

a) Market Risk (Continued)

a.2) Interest Rate Risk (Continued)

The effect of a 175 basis point increase in interest rates for variable rate financial assets and liabilities and a 175 basis point increase in interest rates for fixed interest securities is as follows. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is calculated on the same basis for 2013 and 2012 –

All amounts are in Australian Dollars	**Change in Net Assets 30-Jun-13 $'m**
Fixed Interest	**(56)**
Floating Interest	**80**
	24

	Change in Net Assets 30-Jun-12 $'m
Fixed Interest	(73)
Floating Interest	118
	45

A 175 Basis point decrease in interest rates at financial year end would have the equal but opposite effect on the above amounts shown above, assuming that all other variables remain constant.

Notes to and forming part of the financial statements
for the year ended 30 June 2013

19. FINANCIAL INSTRUMENTS (Continued)

a) Market Risk (Continued)

a.3) Price Risk

Price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment and/or its issuer or all factors affecting all instruments traded in the market.

As the majority of the Fund's financial instruments are carried at net market value in the Statement of Net Assets and all changes in net market value are recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect net assets and changes in net assets.

Price risk is mitigated by the Fund having a formal investment strategy which diversifies the Fund's investments across various asset classes and countries.

The following table illustrates the effect from possible changes in price risk that were reasonably possible based on the risk to which the Fund was exposed. The sensitivity factors were developed by the Fund asset consultant. The analysis is calculated on the same basis for 2013 and 2012 –

All amounts are in Australian Dollars	**Change in Price Risk Variable**	**Change in Net Assets**
		30-Jun-13
	+	**$'m**
Australia	**38.5%**	**7,806**
International	**39.0%**	**4,020**
Foreign exchange derivatives	**15.0%**	**(2,621)**
		9,205

All amounts are in Australian Dollars	**Change in Price Risk Variable**	**Change in Net Assets**
		30-Jun-13
	-	**$'m**
Australia	**21.5%**	**(4,359)**
International	**22.0%**	**(2,267)**
Foreign exchange derivatives	**15.0%**	**2,621**
		(4,005)

	Change in Price Risk Variable	Change in Net Assets
		30-Jun-12
	+	$'m
Australia	38.5%	6,097
International	39.0%	3,148
Foreign exchange derivatives	15.0%	(1,444)
		7,801

	Change in Price Risk Variable	Change in Net Assets
		30-Jun-12
	-	$'m
Australia	21.5%	(3,405)
International	22.0%	(1,774)
Foreign exchange derivatives	15.0%	1,444
		(3,735)

Notes to and forming part of the financial statements
for the year ended 30 June 2013

19. FINANCIAL INSTRUMENTS (Continued)

b) Credit Risk

Credit (or counterparty) risk is the risk that a counterparty will fail to perform contractual obligations to a financial instrument and cause the Fund to incur a financial loss.

The Fund is exposed to credit risk in the following areas –

- the holding of non-equity securities (i.e. short term securities, Australian fixed interest securities, international fixed interest securities and cash)
- contributions receivable
- accrued income
- margin call deposits
- investment sales.

The Fund's maximum exposure to credit risk at balance date in relation to each of the above listed items is the carrying amount of those assets as stated in the Statement of Net Assets.

For short term securities, Australian fixed interest securities, international fixed interest securities and cash, STC controls credit risk by explicitly setting out in its investment instructions the assets that fund managers may invest in. The restrictions are based around rating agency assessments and/or the securities that make up the relevant industry bench mark for the sector being invested in. For forward foreign exchange contracts, investment managers must deal only with counterparties that have greater than nominated rating agency assessment and are also limited to relative dollar limits with any particular counterparty to ensure that credit risk is well diversified.

Credit risk associated with contributions receivable, margin call deposits and investment sales is minimal as all have a short settlement period and –

- for contributions receivable, employer sponsors are compelled by legislation to make the payments with STC following up instances of non or late payment
- for margin call deposits STC transacts only with counterparties rated as credit worthy by credit rating agencies
- for investment sales, in line with market practice the Fund's custodian does not release the sold assets until full payment has been received from the purchaser.

STC accepts the credit risk for accrued income.

The Fund does not have significant concentrations of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. No individual investment exceeded five percent of the Fund's net assets during the years ended 30 June 2013 or 30 June 2012. Also, STC ensures that in its hedging activities it diversifies its exposure to individual counterparties.

Notes to and forming part of the financial statements
for the year ended 30 June 2013

19. FINANCIAL INSTRUMENTS (Continued)

c) Liquidity Risk

Liquidity risk is risk that the Fund will not be able to meet its financial obligations as they fall due.

The relevant statutes require that all benefits be paid in full when they fall due.

In managing liquidity risk STC continuously monitors forecast and actual cash flows, including amounts required to fund its scheme and investment transactions and amounts expected from the Crown. Forecast Fund cash flows are based around the triennial actuarial assessment of the Fund, adjusted for actual cash flows. STC is able to estimate benefit outflows because most members cannot roll out of the Fund at will, but rather must satisfy a condition of release. The Fund maintains banking facilities adequate to allow the payment of its obligations as they fall due.

The Fund's strategic asset allocations target the following allocations to cash –
- Growth Option 7.5%
- Balanced Option 22.0%
- Conservative Option 40.0%.

Actual allocations were generally greater than these amounts with cash held in the growth option averaging around 15.2% during the year. Further, with the exception of alternative investments, other unlisted assets and unlisted property (approximately 22% of the Fund) all other assets are readily convertible to cash.

With the exception of reserve units the Fund's financial liabilities will all be settled within 12 months of 30 June. The ability of the Fund to pay benefits that emerge in the future is part of the Trustee's ongoing discussions with employer sponsors.

d) 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 values at 30 June. All other assets and other liabilities are recorded at historical cost which, in the opinion of the Trustees, approximates their net market value.

Notes to and forming part of the financial statements
for the year ended 30 June 2013

19. FINANCIAL INSTRUMENTS (Continued)

e) Assets and Liabilities by Measurement Hierarchy

The valuation of assets and liabilities may be obtained from the following sources –

- Level 1 – quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.
- Level 2 – inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts containing where quoted prices are available in active markets for identical assets or liabilities.
- Level 3 – inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

All disclosures in the following tables use net market value as a materially correct estimate of fair value.

There were no assets transferred between the above levels, including levels one and two, during the year ended 30 June 2013 or the year ended 30 June 2012.

While alternative assets are subject to valuation assumptions, the values quoted are assessed by independent valuers as the most appropriate to the asset.

The following tables categorise the Scheme's assets and liabilities using the above valuation hierarchy (excluding the liquidity balances held by the custodian in individual asset classes).

YEAR ENDED 30 JUNE 2013

	Level 1 A$'m	Level 2 A$'m	Level 3 A$'m	Total A$'m
Assets				
Short Term Securities	1,773.3	1,011.8	-	2,785.1
Australian Fixed Interest	(5.6)	1,705.6	-	1,700.0
International Fixed Interest	-	848.5	-	848.5
Australian Equities	11,759.5	656.5	0.2	12,416.2
International Equities	7,990.0	2,298.9	4.8	10,293.7
Property	925.7	599.8	1,624.2	3,149.7
Alternatives	493.8	1,819.7	2,787.5	5,101.0
	22,936.7	8,940.8	4,416.7	36,294.2

YEAR ENDED 30 JUNE 2012

	Level 1 A$'m	Level 2 A$'m	Level 3 A$'m	Total A$'m
Assets				
Short Term Securities	4,687.9	1,923.3	-	6,611.2
Australian Fixed Interest	-	1,763.9	-	1,763.9
International Fixed Interest	-	838.1	-	838.1
Australian Equities	8,594.6	568.8	5.2	9,168.5
International Equities	6,100.5	2,033.7	4.7	8,138.9
Property	878.2	550.0	1,616.9	3,045.1
Alternatives	445.6	1,486.3	2,510.5	4,442.4
	20,706.7	9,164.1	4,137.3	34,008.1

Notes to and forming part of the financial statements
for the year ended 30 June 2013

19. FINANCIAL INSTRUMENTS (Continued)

e) Assets and Liabilities by Measurement Hierarchy (Continued)

The following tables present the changes in assets and liabilities classified as Level 3 instruments for the year ended 30 June.

	2013 A$'m	2012 A$'m
Balance at 1 July	4,137.3	5,453.6
Total gains and losses recognised in Statement of Changes in Net Assets	386.2	113.1
Purchases	2,347.2	5,810.8
Redemptions/Disposals	(2,454.0)	(7,240.2)
Balance at 30 June	4,416.7	4,137.3

The following table presents the gains and losses on assets and liabilities classified as Level 3 instruments for the year ended 30 June.

	2013 A$'m	2012 A$'m
Assets and liabilities realised during the year	(0.2)	(15.8)
Assets and liabilities still held during the year	386.4	128.9
Total	386.2	113.1

These items are reflected in the Statement of Changes in Net Assets under Investment Revenue.

20. COMMITMENTS

As at 30 June 2013 the Fund had commitments for uncalled additions to existing investments of $470.6 million (2012 $584.1 million). The amounts can be called at the discretion of the fund managers involved and will be funded from the cash holdings of the Fund's diversified investment options.

21. INVESTMENT PERFORMANCE AFTER REPORTING DATE

The Fund's custodian has advised that as at 31 August 2013 the net investment assets of the Fund were $38,442.0 million. Since 30 June 2013 the Fund's investments have made a return of approximately –

- Growth 3.7%
- Balanced 3.1%
- Conservative 2.1%
- Cash 0.4%

End of Audited Financial Statements

Part H – Financial Statements of the Controlled Entities of the Pooled Fund

STATE SUPER FINANCIAL SERVICES AUSTRALIA LIMITED

ABN 86 003 742 756

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

CONTENTS

DIRECTORS' REPORT

Your Directors have pleasure in presenting their report on the financial statements of the Company, State Super Financial Services Australia Limited for the year ended 30 June 2013.

1. Directors

The following persons held office as Directors of the Company during or since the end of the financial year:

P. K. Gupta (Chairman)
M. Monaghan (Managing Director)
M. Carapiet
R. M. Davis
R. N. Harty (Resigned 2 May 2013)
M. G. Lambert
P. F. Scully
S. Walsh

2. Principal Activities

The principal activity of the Company is the provision of financial planning advice and investment management services for past and present public sector employees and their relatives.

During the year, there was no significant change in the nature of those activities.

3. Operating Results

The profit for the year was $31,419,831 (2012: $34,193,646).

4. Dividends

In respect of the financial year ended 30 June 2013, fully franked interim dividends were paid on 30 October 2012 of $30,446,000 and 28 March of $ 6,000,000 (2012: $33,575,732).The Directors recommend the payment of a final dividend $nil (2012: $nil).

5. State of Affairs

There were no significant changes in the state of affairs of the Company during the financial year.

6. Matters Subsequent to the End of the Financial Year

Since the end of the financial year, the Directors are not aware of any matter or circumstance that has or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in financial years subsequent to 30 June 2013.

7. Future Developments

The disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations, due to their commercial sensitivity, could result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

DIRECTORS' REPORT (Continued)

8. Information on Directors

Peeyush Gupta ***(Chairman of the Board, Member of the Human Resources Committee, Member of the Investment Committee)***
Mr Gupta is Chairman of the Board. He was a co-founding Director and inaugural Chief Executive Officer of Ipac Securities Limited, a pioneering and leading Australian wealth management firm. Since 2009, Mr Gupta has pursued a portfolio career, including boards, consulting and investing activities. He is currently on the boards of NAB's Wealth Management Holdings including MLC, BNZ Life, Charter Hall Direct Property, SIRCA, Safety Return to Work and Support, and Quintessence Labs. Mr Gupta has a degree in Computer Science and a Master of Business Administration in finance. He is also an alumnus of Harvard University and London Business School.

Michael Monaghan ***(Managing Director, Member of the Enquiries and Complaints Committee, Member of the Investment Committee)***
Mr Monaghan is the Managing Director of State Super Financial Services Australia Limited. He is an actuary and has over 30 years' experience in superannuation, banking, funds management and investment consulting. He has previously been a partner of Deloitte Touche Tohmatsu, Chief Executive Officer of Intech Investment Consultants and held senior executive positions with Deutsche Bank, IBM and Lend Lease Corporation.

Michael Carapiet ***(Chairman of the Human Resources Committee)***
Mr Carapiet is Chairperson of the SAS Trustee Corporation, Safety, Return to Work and Support Board that comprises the WorkCover Authority of NSW, the Lifetime Care and Support and Motor Accidents Authority. He is a Director of Southern Cross Media Limited and Clean Energy Finance Corporation and is on the advisory Boards of Norton Rose Australia and Transfield Holdings. Mr Carapiet has more than 30 years' experience in the financial sector and has held a number of senior roles in the the Macquarie Group, where he was a member of Macquarie's Executive Committee from 2005. Prior to his retirement in 2011 his roles included Global Head of Advisory and Specialised Funds and Executive Chairman of Macquarie Capital and Macquarie Securities. Mr has a Master of Business Administration from Macquarie University.

Ron Davis ***(Chairman of the Enquiries and Complaints Committee, Member of the Audit and Compliance Committee, Member of the Due Diligence Committee, Member of the Human Resources Committee)***
Mr Davis is an executive Director of SAS Trustee Corporation, a position he has held since 1 January 2002. Mr Davis was previously a Valuation Manager with the State Valuation Office. He is the NSW Branch Assistant Secretary for the Professional Officers' Association Sub-Branch and past president of the Professional Officers' Association. He also represents members as a delegate to the Unions New South Wales Public Sector Employees' Superannuation Committee. Mr Davis is a Fellow of the Australian Institute of Superannuation Trustees, a Fellow of the Association of Superannuation Funds of Australia (ASFA) and a member of ASFA's New South Wales Division Executive Committee

Michael Lambert ***(Chairman of the Audit and Compliance Committee, Member of the Due Diligence Committee, Member of the Investment Committee)***
Mr Lambert is a consultant to the Asia Pacific investment bank, CIMB and prior to that was a Managing Director in investment banking with ABN AMRO followed by the Royal Bank of Scotland. Earlier in his career Mr Lambert was the Secretary of the New South Wales Treasury and held various other senior positions in the NSW public sector. He has extensive experience and expertise in financial analysis and advising governments and clients on financial and strategic issues. In addition, Mr Lambert is also a non-executive Director of SAS Trustee Corporation and of the Sax Institute. Mr Lambert has a Bachelor of Economics (Honours) and Master of Economics.

DIRECTORS' REPORT (Continued)

8. Information on Directors (Continued)

Paul Scully ***(Chairman of the Investment Committee, Member of the Audit and Compliance Committee, Member of the Due Diligence Committee)***
Mr Scully is the Managing Director of Decision Horizons, a consulting enterprise through which he offers his services based on 30 years of experience in financial services and investment management. Mr Scully is an actuary and was, until July 2003, Chief Executive Officer for the Asia Pacific region of ING Investment Management and a member of its global board. He has also held executive positions in life insurance and retail funds management. Mr Scully is a non-executive Director of SAS Trustee Corporation and Vantage Private Equity Group and an independent member of APPF Retail and Commercial Investor Review Boards..

Sue Walsh ***(Member of the Audit and Compliance Committee, Member of the Due Diligence Committee)***
Ms Walsh is the President of the Public Service Association of New South Wales, has been employed in the New South Wales public sector for over 20 years and also held a number of senior delegate positions in the Public Service Association of New South Wales over the years. She is also President of the New South Wales Branch of the Community and Public Sector Union and a vice president of that organisation's Federal Executive, Federal Council and a member of the Federal Education Industry Committee. Ms Walsh is on the Executive of Unions New South Wales, a delegate to the Australian Council of Trade Unions and is a non-executive Director of SAS Trustee Corporation.

Rod Harty ***(Member of the Human Resources Committee, Member of the Enquiries and Complaints Committee, Resigned 2 May 2013)***

9. Meetings of Directors

The numbers of meetings of the Company's Directors (including meetings of Committees of Directors) held during the year ended 30 June 2013 and the number of meetings attended by each member Director was:

Director[1]	Board Meetings		Audit & Compliance Committee		Human Resources Committee		Investment Committee		Enquiries & Complaints Committee		Due Diligence Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
P. K. Gupta (Chairman)	11	11	-	-	6	6	9	9	-	-	-	-
M. Monaghan (Managing Director)	11	11	-	-	-	-	9	9	4	3	-	-
M. Carapiet	11	11	-	-	-	-	-	-	-	-	-	-
R. M. Davis	11	10	5	5	6	5	-	-	4	4	3	2
R. N. Harty[2]	9	8	-	-	4	4	-	-	3	3	-	-
M. G. Lambert	11	11	5	5	-	-	9	8	-	-	3	1
P. F. Scully	11	11	5	5	-	-	9	9	-	-	3	3
S. Walsh	11	8	5	3	-	-	-	-	-	-	3	2

Notes
1. Any Director may attend any Committee meeting even though they may not formally be a member.
2. Rodney Harty resigned 2 May 2013

DIRECTORS' REPORT (Continued)

10. Company Secretary

K. S. Hughes BSc (Hons), ACA (ICAEW), GAICD
Company Secretary, State Super Financial Services Australia Limited since 1999. Previously responsible for investment accounting, compliance and company secretarial functions within financial services organisations.

11. Directors' Interests in Contracts

No material contracts involving Directors' interests were entered into since the end of the previous financial year or existed at the end of the financial year other than the transactions detailed in the financial statements.

12. Indemnification and Insurance of Directors and Officers

With the approval of shareholders, the Company has entered into an agreement with each non-executive Director of the Company, indemnifying each of them against all liabilities to another person (other than the Company) that may arise from their positions as non-executive Directors of the Company, except where the liability arises out of a lack of good faith. Similar indemnity agreements have been executed by the Company in favour of the Company's executive officers.

During the year, the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company against certain liabilities that may be incurred in discharging their duties and responsibilities as a director or officer of the Company. Under the terms of the contract of insurance, details of the nature of the liabilities insured and the premium payable cannot be disclosed.

13. Auditor

The Audit Office of New South Wales continues in office in accordance with section 327 of the Corporations Act 2001 and the Public Finance and Audit Act 1983. Deloitte Touche Tohmatsu has been appointed as agent for the Audit Office of New South Wales as auditors of the Company. The auditor has declared his independence as set out in page 36.

14. Rounding Off of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100 (as amended), dated 10 July 1998, and in accordance with that Class Order, amounts in the Financial Report have been rounded to the nearest thousand dollars, where allowed.

Signed in accordance with a resolution of the Board of Directors pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Board

Peeyush Gupta
Chairman

27 August 2013

Michael Monaghan
Managing Director

27 August 2013

Directors' Declaration

In the opinion of Directors:

1. The attached financial statements and notes thereto give a true and fair view of the financial position as at 30 June 2013 and financial performance of the Company for the year then ended;

2. The attached financial statements and notes thereto of the Company have been prepared in accordance with the provisions of the Corporations Act 2001;

3. The attached financial statements and notes thereto comply with Australian Accounting Standards;

4. The attached financial statements comply with International Financial Reporting Standards, as stated in Note 1 to the financial statements;

5. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the Board

Peeyush Gupta
Chairman

27 August 2013

M. Monaghan

Michael Monaghan
Managing Director

27 August 2013

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	NOTE	2013 $000	2012 $000
Continuing operations			
Revenue	2	**123,847**	107,482
Expenses	3	**(78,844)**	(58,572)
Profit before income tax expense		**45,003**	48,910
Income tax expense	4	**(13,583)**	(14,716)
Profit for the year		**31,420**	34,194
Other comprehensive income		**-**	-
Total comprehensive income for the year		**31,420**	34,194

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	NOTE	2013 $000	2012 $000
CURRENT ASSETS			
Cash and cash equivalents	5	**34,204**	40,792
Trade and other receivables	6	**12,353**	10,321
Other current assets	7	**3,590**	648
Total Current Assets		**50,147**	51,761
NON-CURRENT ASSETS			
Property, plant and equipment	8	**8,722**	6,445
Intangible assets	9	**3,334**	4,148
Deferred tax assets	10	**6,385**	3,032
Total Non-Current Assets		**18,441**	13,625
TOTAL ASSETS		**68,588**	65,386
CURRENT LIABILITIES			
Trade and other payables	11	**7,001**	4,687
Current tax liabilities		**4,912**	4,322
Provisions	12	**14,070**	9,057
Total Current Liabilities		**25,983**	18,066
NON-CURRENT LIABILITIES			
Provisions	13	**1,173**	839
Deferred income		**108**	271
Total Non-Current Liabilities		**1,281**	1,110
TOTAL LIABILITIES		**27,264**	19,176
NET ASSETS		**41,324**	46,210
EQUITY			
Capital and Reserves			
Issued capital	15	**10,000**	10,000
Retained earnings		**31,184**	36,210
Reserves	16	**140**	-
TOTAL EQUITY		**41,324**	46,210

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	NOTE	Share Capital $000	Reserves $000	Retained Earnings $000	Total $000
Balance at 30 June 2011		**10,000**	**-**	**35,592**	**45,592**
Payment of dividends	17	-	-	(33,576)	(33,576)
Total profit or loss and comprehensive income for the year		-	-	34,194	34,194
Balance at 30 June 2012		**10,000**	**-**	**36,210**	**46,210**
Payment of dividends	17	-	-	(36,446)	(36,446)
Total profit or loss and comprehensive income for the year		-	-	31,420	31,420
Operational Risk Financial Reserve		-	140	-	140
Balance at 30 June 2013		**10,000**	**140**	**31,184**	**41,324**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	NOTE	2013 $000 Inflows (Outflows)	2012 $000 Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**1,619**	1,969
Trustee, responsible entity, and reimbursable fees		**132,392**	115,440
Payments to suppliers and employees		**(67,710)**	(55,815)
Goods and Services Tax paid		**(12,233)**	(10,550)
Income tax paid		**(16,347)**	(14,332)
Net cash generated by operating activities	22(b)	37,721	36,712
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(4,407)**	(3,527)
Payments for intangible assets		**(846)**	(3,188)
Payment for purchase of units in unlisted trust		**(2,750)**	-
Net cash (used in) investing activities		**(8,003)**	(6,715)
CASH FLOWS FROM FINANCING ACTIVITIES			
Transfer to reserve		**140**	-
Payment of dividends		**(36,446)**	(33,576)
Net cash used in financing activities		**(36,306)**	(33,576)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		**(6,588)**	(3,579)
Cash and cash equivalents at the beginning of the financial year		**40,792**	44,371
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	22(a)	**34,204**	40,792

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

1. SUMMARY OF ACCOUNTING POLICIES

General

State Super Financial Services Australia Limited is an unlisted public company, incorporated and operating in Australia.

Registered office and principal place of business

Level 7
83 Clarence Street
Sydney New South Wales 2000
Tel: (02) 9333 9555

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes thereto comply with International Financial Reporting Standards.

The financial statements were authorised for issue by the Directors on 27 August 2013.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

The Company is a company of the kind referred to in ASIC Class Order 98/0100 (as amended), dated 10 July 1998, and in accordance with that Class Order, amounts in the Financial Report have been rounded to the nearest thousand dollars, unless otherwise indicated.

In the application of the Company's accounting policy, judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources are made. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making these judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Significant accounting policies

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented in these financial statements for the year ended 30 June 2012.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Revenue

The Company's predominant source of revenue is the receipt of fees charged for the administration of public offer superannuation funds and public offer managed investment schemes ('the trusts').

Fees are charged on the basis of the net asset values of each of the funds of each trust, and are accrued daily and paid monthly in arrears.

The rate at which fees are charged vary from trust to trust.

In its capacity as either Trustee or Responsible Entity, the Company is also entitled to receive a reimbursement from the trusts for operating expenses of the trusts paid by the Company. The reimbursement of these expenses is expressed as a rate per annum of the net asset values of each of the trusts, is accrued daily and paid monthly in arrears.

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and takes into account the effective interest rate applicable to the financial asset.

(b) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax payable is calculated by reference to taxable profit or loss for the period. The taxable profit or loss differs from the profit as reported in the Statement of Comprehensive Income because of items of income and expense that are taxable or deductible in other years and items that are never taxable or deductible.

The liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is recognised on temporary differences that arise from differences between the tax base of an asset or liability and its carrying value in the financial statements. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable profits will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affects neither taxable income nor accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(b) Income tax (Continued)

Deferred tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying value of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(c) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amount payable in the future to its present value as at the date of acquisition.

(d) Financial assets

The Company classifies its financial assets into the following specified categories: held-to-maturity investments; financial assets at fair value through profit and loss; or loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets at fair value through profit and loss are assets designated as fair value through profit and loss on initial recognition. Assets designated as fair value through profit and loss consist of units held as seed capital relating to the State Super Investment Fund Class B.

Trade receivables, loans, and other receivables are recorded at amortised cost less any impairment.

(e) Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its financial and non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss.

(i) Financial Assets

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the financial asset is reduced and the amount of the loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(e) Impairment of assets (Continued)

(ii) Non-Financial Assets

If any indication exists that non-financial assets have suffered an impairment loss, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

(iii) Reversal of Impairment Loss

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash at bank and on hand, deposits held at call and other short term highly liquid investments with maturities of four months or less.

(g) Receivables

Trade and other accounts receivable are recorded at amortised cost less any impairment. Due to the short term nature of receivables, amortised cost is approximated by the amount due.

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment costs.

Depreciation on fixtures and fittings, furniture and equipment, computer hardware, file servers and communication equipment is calculated on a straight line basis, so as to write off the cost of each asset over their estimated useful life. Estimated useful lives, residual values and depreciation method are reviewed at the end of each financial year.

The following estimated useful lives are used in the calculation of depreciation.

	Years
Fixtures and Fittings	5 - 10
Office Equipment	5
Computer Hardware	4
File Servers	3
Communication Equipment	4

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(i) Intangible assets

Computer software acquisition and development costs are recorded at cost less accumulated amortisation only if the software has a significant future economic benefit to the Company. The cost of computer software acquisition and development for software that does not provide the Company with a significant future economic benefit is expensed in the year in which the costs are incurred.

Costs associated with the acquisition and development of computer software are amortised on a straight line basis over 4 years.

(j) Operating leases

Leases where the lessor effectively retains all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense on a straight line basis over the lease term.

Provision has been made for Operating Leasehold Premises 'make good' costs. Estimates have been made of expected costs of 'make good' at the end of the current lease period and provision for expected costs has been recorded.

(k) Trade and other payables

Trade and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

(l) Deferred income

Deferred income is measured as the fair value of consideration received in relation to economic benefits which are expected to arise in future financial years. Deferred income is recognised as revenue in the Statement of Comprehensive Income over the period the economic benefit arises.

(m) Employee entitlements

(i) Salaries and annual leave

Provisions for salaries, annual leave and other current employee entitlements expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(m) Employee entitlements (Continued)

(iii) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(iv) Short Term Incentive Plan

The Short Term Incentive Plan is a cash-based incentive scheme for certain employees. The provision made is expected to be paid out within the next 12 months.

Employee entitlements under the Short Term Incentive Plan are recognised when the Company becomes obliged to make future payments.

(v) Long Term Incentive Plan

The Long Term Incentive Plan commenced on 1 July 2010 for key employees.

Under this plan no shares or rights to acquire shares are issued but employees receive a future cash benefit that is determined by the performance of the Company against key performance indicators. Entitlements are provided for on a straight line basis over 3 years.

(n) Goods and Services Tax

Revenues, expenses and assets are recognised net of goods and services tax (GST), except:

(i) Where the amount of GST incurred is not recoverable from the Australian Taxation Office, it is recognised as part of the cost of acquisition of an asset or part of an item of expense; or

(ii) For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the Australian Taxation Office is classified as operating cash flows.

(o) Comparatives

Where necessary, comparative figures have been reclassified to conform to the changes in presentation made in this financial report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(p) Adoption of new and revised accounting standards

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

At the date of authorisation of the financial report, the following relevant Standards and Interpretations listed below were in issue but not yet effective:

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial instruments; and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2015	30 June 2016
AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Standards arising from AASB 13	1 January 2013	30 June 2014
AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	1 January 2013	30 June 2014
AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures	1 January 2013	30 June 2014
AASB 119 Employee Benefits (2011), AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	1 January 2013	30 June 2014
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013	30 June 2014
AASB 132 Amendments to the Offset of Financial Assets and Financial Liabilities Requirements	1 January 2014	30 June 2015
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 July 2015	30 June 2016

These Standards and Interpretations will be first applied in the financial report of the Company that relates to the annual reporting period beginning after the effective date of each pronouncement. The Directors anticipate that the adoption of these standards will not have a significant financial effect on the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

2. REVENUE

	2013 $000	2012 $000
Trustee fee	**118,042**	101,500
Responsible entity fee	**4,290**	4,005
Reimbursable fees received	**-**	7
Interest received or receivable on deposits at call and term deposits.	**1,459**	1,970
Distribution Income	**56**	-
Total revenue	**123,847**	107,482

During the year, the Company elected to either limit the amount of reimbursement received by it or to entirely waive its right of reimbursement from the Trusts.

3. EXPENSES

	2013 $000	2012 $000
Employee expenses[1]	**51,718**	38,771
Investment management expenses[2]	**2,024**	2,078
Rental expense relating to operating leases - minimum lease payments	**3,725**	3,557
Property related expenses[3]	**1,209**	1,401
Depreciation of property, plant and equipment (Note 8)	**2,118**	1,591
Amortisation of intangible assets (Note 9)	**1,117**	872
Communications and Marketing[4]	**2,790**	2,128
Information Technology[5]	**4,272**	2,771
Professional Fees[6]	**4,880**	1,506
Finance and Administration[7]	**2,587**	2,149
Other Expenses[8]	**2,404**	1,748
Total expenses	**78,844**	58,572

1. Employee expenses include Long Term Incentive Plan classified separately in 2012.
2. Comparative for 2012 reclassified to disclose Professional Fees separately.
3. Property related expenses included in Other Expenses in 2012.
4. Renamed from Communications to Communications and Marketing. The comparative for 2012 has been reclassified to separately disclose Information Technology costs.
5. Information Technology included in Communications in 2012.
6. Professional fees included in in Other Expenses and Investment Management Expenses in 2012.
7. Finance and Administration included in Other Expenses in 2012.
8. Other Expenses includes loss on disposal of Property, Plant and Equipment. The comparative for 2012 has been reclassified to separately disclose Property related expenses, Professional fees, and Finance and Administration costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

4. INCOME TAX

(a) Income tax expense

	2013 $000	2012 $000
Current tax	**16,936**	14,973
Deferred tax (Note 10)	**(3,353)**	(257)
Income tax expense	**13,583**	14,716

Deferred income tax expense included in income tax expense comprises:

	2013 $000	2012 $000
(Decrease) / increase in gross deferred tax assets (Note 10)	**3,115**	335
Add decrease / (increase) in gross deferred tax liabilities (Note 10)	**238**	(78)
	3,353	257

(b) The prima facie tax payable on the accounting profit before income tax expense from operations is reconciled to the income tax expense in the financial statements as follows:

	2013 $000	2012 $000
Profit before income tax expense from continuing operations	**45,003**	48,910
Income tax expense calculated at 30% (2012: 30%)	**13,501**	14,673
Non-deductible items	**82**	43
Income tax expense due to continuing operations	**13,583**	14,716

There has been no change to the corporate tax rate when compared to the previous reporting period.

5. CURRENT ASSETS - Cash and Cash Equivalents

	2013 $000	2012 $000
Deposits at call	**3,651**	1,844
Term deposits	**30,413**	38,948
Operational Risk Financial Reserve	**140**	-
	34,204	40,792

6. CURRENT ASSETS - Trade and Other Receivables

	2013 $000	2012 $000
Trustee and Responsible Entity fees receivable	**12,139**	9,966
Interest receivable	**132**	292
Other debtors	**26**	63
Distribution receivable	**56**	-
	12,353	10,321

No trade or other receivables are past due.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

7. CURRENT ASSETS - Other Current Assets

	2013 $000	2012 $000
Units in unlisted trust at fair value	**2,716**	-
Prepayments	**874**	648
	3,590	648

8. NON CURRENT ASSETS - Property, Plant and Equipment

	Fixtures and Fittings $000	Office Equipment $000	Computer Hardware $000	File Servers $000	Communication Equipment $000	Total $000
Gross Carrying Amount						
Balance at 30 June 2011	**8,198**	**3,361**	**2,130**	**1,892**	**1,046**	**16,627**
Additions	2,262 *	674	281	232	107	3,556
Disposals	(420)	(6)	(107)	(2)	-	(535)
Balance at 30 June 2012	**10,040**	**4,029**	**2,304**	**2,122**	**1,153**	**19,648**
Additions	2,907 **	662	298	426	114	4,407
Disposals	(29)	(28)	(3)	(4)	-	(64)
Balance at 30 June 2013	**12,918**	**4,663**	**2,599**	**2,544**	**1,267**	**23,991**
Accumulated Depreciation						
Balance at 30 June 2011	**5,217**	**2,611**	**1,619**	**1,726**	**922**	**12,095**
Disposals	(372)	(4)	(106)	(1)	-	(483)
Depreciation expense	749	300	326	147	69	1,591
Balance at 30 June 2012	**5,594**	**2,907**	**1,839**	**1,872**	**991**	**13,203**
Disposals	(32)	(17)	(3)	-	-	(52)
Depreciation expense	1,117	419	322	191	69	2,118
Balance at 30 June 2013	**6,679**	**3,309**	**2,158**	**2,063**	**1,060**	**15,269**
As at 30 June 2012	4,446	1,122	465	250	162	6,445
As at 30 June 2013	**6,239**	**1,354**	**441**	**481**	**207**	**8,722**

*Additions include $289,473 of Fixture and Fittings work in progress as at 30 June 2012
**Additions include $747,611 of Fixture and Fittings work in progress as at 30 June 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

9. NON CURRENT ASSETS - Intangible Assets

Computer Software	**$000**	
Gross Carrying Amount		
Balance at 30 June 2011	**5,383**	
Additions	3,188	*
Disposals	-	
Balance at 30 June 2012	**8,571**	
Additions	727	**
Disposals	(781)	
Balance at 30 June 2013	**8,517**	
Accumulated Amortisation		
Balance at 1 July 2011	**3,551**	
Disposals	-	
Amortisation expense	872	
Balance at 30 June 2012	**4,423**	
Disposals	(357)	
Amortisation expense	1,117	
Balance at 30 June 2013	**5,183**	
Net Carrying Value		
As at 30 June 2012	**4,148**	
As at 30 June 2013	**3,334**	

*Additions include $1,320,928 of Computer Software work in progress as at 30 June 2012
**Additions include $590,545 of Computer Software work in progress as at 30 June 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

10. NON CURRENT ASSETS - Deferred Tax Assets

Gross deferred tax assets and liabilities comprise the estimated future benefit/cost at the applicable rate of 30% (2012: 30%) on the following items arising from temporary differences between accounting and taxation:

	2013 $000	2012 $000
Gross deferred tax assets:		
Accrued employee entitlements	**4,573**	1,789
Depreciation of property, plant and equipment	**824**	808
Accrued expenditure	**1,018**	713
Investment revaluation	**10**	-
	6,425	3,310
Gross deferred tax liabilities:		
Amortisation of intangible assets	**-**	190
Accrued revenue	**40**	88
	40	278
Net Deferred Tax Asset	**6,385**	3,032

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

10. NON CURRENT ASSETS - Deferred Tax Assets (Continued)

The movement in gross deferred tax assets and liabilities is as follows:

2013	**Opening Balance $000**	**Charged to Income $000**	**Closing Balance $000**
Gross deferred tax assets:			
Accrued employee entitlements	1,789	2,784	4,573
Depreciation of property, plant and equipment	808	16	824
Accrued expenditure	713	305	1,018
Investment revaluation	-	10	10
	3,310	**3,115**	**6,425**
Less:			
Gross deferred tax liabilities:			
Amortisation of intangible assets	190	(190)	-
Accrued revenue	88	(48)	40
	278	**(238)**	40
Net Deferred Tax Asset	**3,032**	**3,353**	**6,385**

2012	**Opening Balance $000**	**Charged to Income $000**	**Closing Balance $000**
Gross deferred tax assets:			
Accrued employee entitlements	1,333	456	1,789
Depreciation of property, plant and equipment	809	(1)	808
Accrued expenditure	833	(120)	713
	2,975	**335**	**3,310**
Less:			
Gross deferred tax liabilities:			
Amortisation of intangible assets	113	77	190
Accrued revenue	87	1	88
	200	**78**	**278**
Net Deferred Tax Asset	**2,775**	**257**	**3,032**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

		2013 $000	2012 $000
11. CURRENT LIABILITIES - Trade and Other Payables			
Other payables		**7,001**	4,687
12. CURRENT LIABILITIES – Provisions			
Employee entitlements	14	**14,070**	9,057
13. NON-CURRENT LIABILITIES – Provisions			
Employee entitlements	14	**1,173**	839

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

14. EMPLOYEE ENTITLEMENTS

The aggregate employee entitlement liability recognised and included in the financial statements is as follows:

Current	**1 July 2012**	**Additional Provisions Recognised**	**Payments Made**	**30 June 2013**
	$000	**$000**	**$000**	**$000**
Annual leave	1,626	2,660	2,212	**2,074**
Long service leave	1,719	327	32	**2,014**
Short Term Incentive Plan	5,604	12,269	8,530	**9,343**
Long Term Incentive Plan *	108	632	101	**639**
	9,057	15,888	10,875	**14,070**
Non-current				
Long service leave	485	(10)	-	**475**
Long Term Incentive Plan	354	344	-	**698**
	839	334	-	**1,173**
Total Employee Entitlements	9,896	16,222	10,875	**15,243**

* While it is reasonable to estimate the Long Term Incentive will be paid over several financial periods, part of the incentive has been classified as a current liability to reflect the existing employee entitlement at 30 June subject to vesting conditions upon cessation of employment with the Company.

	2013 Number	2012 Number
Number of employees at the end of the financial year	**374**	328

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

15. ISSUED CAPITAL

	2013 $000	2012 $000
Fully paid ordinary shares (2012: 10,000,000)	**10,000**	10,000

	2013 Number '000	2012 Number '000
Fully paid ordinary shares		
Balance at the beginning of the financial year	**10,000**	10,000
Balance at the end of the financial year	**10,000**	10,000

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

16. RESERVES

	2013 $000	2012 $000
Operational risk financial reserve		
Balance at the beginning of the financial year	-	-
Charged to equity	140	-
Balance at end of year	140	-

The Operational Risk Financial Reserve (ORFR) has been established as an APRA requirement for registered superannuation entities to maintain adequate financial resources to address losses arising from operational risks that may affect registrable superannuation entities within its business operations. Our target ORFR has been determined at 0.25 per cent of total funds under management be held within this reserve. The minimum requirement must be met by 30 June 2015

As Trustee, SSFS has decided to hold an amount of ORFR for the State Super Fixed Term Pension Plan (which was closed to new investors in 2004) and the State Super Fixed Term Deposit, on the balance sheet to meet this regulatory requirement.

As at 30 June 2013 the ORFR held by SSFS is approximately 0.15 per cent of the of the funds under management for the State Super Fixed Term Pension Plan and State Super Fixed Term Deposit.

17. DIVIDENDS

	2013 $000	2012 $000
Fully franked interim dividend at tax rate of 30% (2012: 30%)	36,446	33,576
Adjusted franking account balance (tax paid basis)	16,489	15,762
Dividend per share - interim dividend	$ 3.64	$ 3.36

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

18. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Key management personnel

The key management personnel of the Company during the year were:

P. K. Gupta (Chairman)
M. Monaghan (Managing Director)
M. Carapiet
R. M. Davis
R. N. Harty (Resigned 2 May 2013)
M. G. Lambert
P. F. Scully
S. Walsh
J. T. Andriessen (General Manager, Marketing, Product & Advice)
S. Bradley (General Manager, Financial Planning)
T. Elliott (Chief Financial Officer) (Appointed 25 March 2013)
D. Graham (Chief Investment Officer) (Appointed 31 July 2012)
R. A. Dinham (Chief Investment Officer) (1 July 2012 - 30 July 2012)
H. M. Harms (General Manager, Information Technology)
K. S. Hughes (Company Secretary)
T. A. Murphy (General Manager, Human Resources)
T. Reid (General Manager, Corporate Development)
J. Clark (Chief Financial Officer) (Resigned 12 October 2012)
P. Brook (Chief Financial Officer) (15 October 2012 - 24 March 2013)

(b) Key management personnel compensation

Key management personnel compensation is set out below. The key management personnel comprise the directors of the company and the eight executives with the greatest authority for the strategic direction and management of the company.

	2013 $	2012 $
Short-term employee benefits	**4,934,501**	4,013,371
Post-employment benefits	**216,936**	301,843
Other long-term employee benefits	**659,971**	191,527
Termination benefits	**180,000**	-
	5,991,408	4,506,741

Fees of $55,000 paid by the Company to Mr R. M. Davis were not directly received by him, but were paid directly to the SAS Trustee Corporation (2012: $55,000).

(c) Other transactions with key management personnel or entities related to them

Transactions between related parties are disclosed in Note 21.

19. REMUNERATION OF AUDITORS

	2013 $	2012 $
Amounts paid or payable to the auditors for:		
Auditing the financial report - Auditor General of New South Wales	**45,835**	44,500
Audit of trusts administered by the Company - Auditor General of New South Wales	**203,938**	198,250
Other services in relation to the Company	**64,790**	-
	314,563	242,750

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

20. COMMITMENT FOR EXPENDITURE

(a) Lease commitments

Total lease expenditure contracted for at balance date but not provided for in the financial statements:

	2013 $000	2012 $000
Non-cancellable operating property leases payable:		
Not later than one year	**5,078**	4,093
Later than one, but not later than five years	**16,066**	13,703
Greater than five years	**1,902**	4,080
	23,046	21,876

Leases are subject to options exercisable at the discretion of the Company, which if exercised, would extend the period of these leases.

(b) Capital expenditure commitments

The Company has commitments of $712,000 (2012: $956,302) for capital expenditure on office fitouts.

21. RELATED PARTY TRANSACTIONS

	2013 $	2012 $
Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties.		
(a) Director related entities		
Transactions entered into during the year with the SAS Trustee Corporation ('STC').	-	-
Payment of costs associated with the provision of services under an Access Agreement between the Company and the STC	**162,467**	163,154
Payment for rent, outgoings and cleaning services to STC on normal commercial terms	**1,191,400**	1,108,517
(b) Balances with related parties		
Aggregated amounts payable to Director related entities		
Current liability:		
STC	**16,500**	18,000
Total current liability to related parties	**16,500**	18,000

(c) Holding of units - State Super Retirement Fund

State Super Financial Services Australia Limited is the Trustee of the State Super Retirement Fund. The key management personnel of the company held units in the State Super Retirement Fund as follows:

	Number of Units
2013	**55,807**
2012	70,487

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

21. RELATED PARTY TRANSACTIONS (Continued)

(d) Holding of units - State Super Investment Fund Class A

State Super Financial Services Australia Limited is the Responsible Entity of the State Super Investment Fund Class A. The key management personnel of the Company held units in the State Super Investment Fund Class A as follows:

	Cash Fund No. units	Growth Fund No. units	Australian Equities Fund No. units
2013	**177**	**40,261**	**6,968**
2012	173	33,376	-

The key management personnel hold zero units in the following funds:

- Capital Stable Fund
- Balanced Fund
- International Equities Fund
- Fixed Interest Fund
- Moderate Fund
- Growth Plus Fund

(e) Holding of units - State Super Investment Fund Class B

State Super Financial Services Australia Limited is the Responsible Entity of the State Super Investment Fund Class B. At the end of the financial year the following units are held by the Company in the State Super Investment Fund Class B:

	Australian Equities No. units	Balanced No. units	Capital Stable No. units	Fixed Interest No. units	Growth No. units	International Equities No. units	Moderate No. units
2013	**416,181**	**416,215**	**208,107**	**208,107**	**416,215**	**208,107**	**416,215**
2012	-	-	-	-	-	-	-

The key management personnel hold zero units in the following funds:

- Cash Fund
- Growth Plus Fund

(f) Remuneration of key management personnel

Information on key management personnel compensation is disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

22. CASH FLOW INFORMATION

(a) RECONCILIATION OF CASH	2013 $000	2012 $000
Cash and cash equivalents (Note 5)	**34,204**	40,792

(b) RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2013 $000	2012 $000
Net Profit	**31,420**	34,194
Depreciation of property, plant and equipment	**2,118**	1,591
Amortisation of intangible assets	**1,117**	872
Loss on disposal of fixed assets	**94**	25
Changes in operating assets and liabilities		
(Increase) in receivables	**(2,032)**	(663)
(Increase) in other current assets	**(192)**	(203)
(Increase) in deferred tax assets	**(3,353)**	(257)
Increase in current income tax liability	**590**	641
Increase in payables	**2,775**	322
(Decrease) in non-current deferred income	**(163)**	(162)
Increase in current employee entitlements	**5,013**	148
Increase in non-current employee entitlements	**334**	204
Net cash generated by operating activities	**37,721**	36,712

23. FINANCIAL INSTRUMENTS

(a) General

Operating cash flows are used to make outflows for dividends, tax and expenses. The Company invests its surplus cash flow funds in short term liquid investments with Australian banks and financial institutions.

(b) Capital risk management

The Company's capital structure comprises issued capital (Note 15) and retained earnings.

In its capacity as either Trustee or Responsible Entity the Company is required to maintain at least $5,000,000 in liquid assets at all times. The Company has complied with its financial obligations throughout the financial year.

(c) Categories of financial instruments

	2013 $000	2012 $000
Financial Assets		
Cash and cash equivalents	**34,204**	40,792
Trade and other receivables	**12,353**	10,321
Other financial assets	**3,590**	648
Financial Liabilities		
Amortised cost	**7,001**	4,687

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

23. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in a financial loss to the Company.

The maximum exposure to credit risk for each class of financial asset, excluding the value of any collateral or other security, at balance date in regard to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

The Company invests its surplus cash flow funds in short term liquid investments with Australian banks and financial institutions. As such the Company has a significant credit exposure to these banks and financial institutions. Each bank and financial institution has a high credit-ratings assigned by international credit-ratings agencies. The Company on a daily basis monitors its counterparty credit exposure. The Company does not have an exposure to derivative financial instruments.

(e) Liquidity and cash flow risk

The Company actively manages liquidity risk by forecasting cash flow requirements, continuously monitoring cash flows on a daily basis and investing surplus cash flow funds in short term liquid investments. The following table details the maturity analysis of the Company's financial liabilities.

	3 months or less $000	3-6 months $000	6-12 months $000	Total $000
2013				
Non-interest bearing	7,001	-	-	**7,001**
Current tax liabilities	4,912	-	-	**4,912**
Provisions	10,391	1,635	2,044	**14,070**
	22,304	1,635	2,044	**25,983**
2012				
Non-interest bearing	4,687	-	-	**4,687**
Current tax liabilities	4,322	-	-	**4,322**
Provisions	6,688	1,052	1,317	**9,057**
	15,697	1,052	1,317	**18,066**

(f) Market risk

Market risk arises from factors such as economic, technological, political or legal conditions which can adversely affect investment markets. In turn, this can cause market prices to fluctuate and affect the value of investment portfolios.

Market risk comprises three types of risk: foreign exchange (currency risk), market interest rates (interest rate risk) and market prices (price risk). The Company does not have exposure to currency or price risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

23. FINANCIAL INSTRUMENTS (Continued)

(g) Interest rate risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the weighted average effective interest rates on those financial assets and financial liabilities, is as follows:

	Variable Interest Rate Less Than 1 Year to Maturity	Fixed Interest Rate Less Than 1 Year to Maturity	Non Interest Bearing	Total
2013	**$000**	**$000**	**$000**	**$000**
Financial Assets				
Deposits at call	3,791	-	-	3,791
Term deposits	-	30,413	-	30,413
Trade and other receivables	-	-	12,353	12,353
Units in related unit trust	-	-	2,716	2,716
Other current assets	-	-	874	874
Total	**3,791**	**30,413**	**15,943**	**50,147**
Financial Liabilities				
Trade and other payables	-	-	7,001	7,001
Total	**-**	**-**	**7,001**	**7,001**

	Variable Interest Rate Less Than 1 Year to Maturity	Fixed Interest Rate Less Than 1 Year to Maturity	Non Interest Bearing	Total
2012	**$000**	**$000**	**$000**	**$000**
Financial Assets				
Deposits at call	1,844	-	-	1,844
Term deposits	-	38,948	-	38,948
Trade and other receivables	-	-	10,321	10,321
Other current assets	-	-	648	648
Total	1,844	38,948	10,969	51,761
Financial Liabilities				
Trade and other payables	-	-	4,687	4,687
Total	-	-	4,687	4,687

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

23. FINANCIAL INSTRUMENTS (Continued)

(h) Sensitivity analysis

The following table summarises the sensitivity of the Company's Statement of Comprehensive Income and Statement of Financial Position to interest rate risk and price risk.

The sensitivity analyses have been determined based on the exposure to a change in the interest rates and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

The Company has sought and received advice from specialist asset consultants on possible changes in interest rates.

The following table demonstrates the sensitivity of the Company's income statement to a possible change in interest rates and the effect on financial assets subject to variable interest rates, with all variables being held constant. Management believes that using standard deviation as a risk measure is appropriate for measuring interest rate risk. The long term assumptions are intended to be forward looking, and have been set using a combination of actual historical returns, economic theory, current market conditions and judgement. This methodology is consistent with the approach adopted and used in the sensitivity analysis for 2013.

However, actual movements in interest rates may be less or greater than anticipated due to a number of factors, including unusually large changes in the performance of the economies. As a result, historic variations in risk variables are not a definitive indicator of future variations in interest rates.

Asset class	**Change in variable**	**Profit/(loss) 2013 $000**	**Change in equity 2013 $000**	**Profit/(loss) 2012 $000**	**Change in equity 2012 $000**
Cash	+1.3%	488	488	554	554
	-1.3%	(488)	(488)	(554)	(554)

The potential impact of movements in the market value of unlisted investments on the Company's income statement and statement of financial position is shown in the below sensitivity analysis. This sensitivity analysis has been performed to assess the direct risk of holding these instruments. It is assumed that the relevant change occurs as at the reporting date.

Asset class	**Change in variable**	**Profit/(loss) 2013 $000**	**Change in equity 2013 $000**	**Profit/(loss) 2012 $000**	**Change in equity 2012 $000**
Units in unlisted trust	+5.0%	136	136	-	-
	-5.0%	(136)	(136)	-	-

(i) Fair values

The carrying amounts of financial assets and financial liabilities as disclosed in the Statement of Financial Position and in the notes to the financial statements approximate fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

24. CONTINGENT LIABILITIES AND ASSETS

Third party guarantees

Bank guarantees have been issued by a third party institution on behalf of the Company for items in the normal course of the business such as rental contracts. The amounts involved are not considered to be material to the Company.

There are no other liabilities or contingent assets (2012: $nil).

25. SUBSEQUENT EVENTS

Since the end of the financial year, no matter or circumstance has arisen that may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in financial years subsequent to 30 June 2013.

26. ULTIMATE CONTROLLING ENTITY

As at 30 June 2013, the Company is owned 100% (2012: 100%) by the Pooled Funds of which the SAS Trustee Corporation is the Trustee.

The ultimate controlling entity of the Company is SAS Trustee Corporation.

AUDITOR-GENERAL
NEW SOUTH WALES

To the Directors
State Super Financial Services Australia Limited
Level 7, 83 Clarence Street
SYDNEY NSW 2000

22 August 2013

Auditor's Independence Declaration

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of State Super Financial Services Australia Limited regarding the financial report for State Super Investment Fund.

As lead auditor for the audit of the financial statements of State Super Investment Fund, comprising the Class A and Class B schemes for the Cash Fund, Capital Stable Fund, Balanced Fund, Growth Fund, Fixed Interest Fund, Moderate Fund, Growth Plus Fund, Australian Equities Fund and International Equities Fund, for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

Yours sincerely

J Sugumar
Director, Financial Audit Services

INDEPENDENT AUDITOR'S REPORT

State Super Financial Services Australia Limited

To members of the New South Wales Parliament and Members of State Super Financial Services Australia Limited

I have audited the accompanying financial statements of State Super Financial Services Australia Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company as set out on pages 7 to 35.

Opinion

In my opinion:

- the financial statements of State Super Financial Services Australia Limited is in accordance with the *Corporations Act 2001*, including:
  - giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date
  - complying with Australian Accounting Standards and the Corporations Regulations 2001
- the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

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

Directors' Responsibility for the Financial Statements

The directors of the company are responsible for the preparation of the financial statements that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial statements that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does not provide assurance:

- about the future viability of the Company
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards, *Corporations Act 2001* and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their roles by the possibility of losing clients or income.

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of State Super Financial Services Australia Limited on 22 August 2013, would be in the same terms if provided to the directors as at the date of this auditor's report.

James Sugumar

James Sugumar
Director, Financial Audit Services

28 August 2013
SYDNEY

Adrian Lucchese
Legal Practitioner
I certify this to be a true copy of the document shown and reported to me as the original

Dated: 18/9/2013

SOUTHERN WAY UNIT TRUST

ABN 32 018 309 219

FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

AMP Capital Investors Limited
Level 24, 33 Alfred Street,
Sydney, NSW 2000
ACN 001 777 591

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SOUTHERN WAY UNIT TRUST

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	30 June 2013	30 June 2012
	$	$
INVESTMENT INCOME		
Net changes in the fair value of financial instruments measured at fair value through profit or loss	19,959,092	13,877,685
Total investment income	19,959,092	13,877,685
EXPENSES		
Total expenses	-	-
NET PROFIT ATTRIBUTABLE TO UNITHOLDERS BEFORE FINANCE COSTS	19,959,092	13,877,685
Finance costs attributable to unitholders		
Increase in net assets attributable to unitholders	(19,959,092)	(13,877,685)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	-	-

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	30 June 2013	30 June 2012	30 June 2011
	$	$	$
ASSETS			
Financial assets measured at fair value through profit or loss			
Unlisted equity securities and managed investment funds	83,735,873	63,776,781	49,899,096
TOTAL ASSETS	83,735,873	63,776,781	49,899,096
LIABILITIES			
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	-	-	-
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	83,735,873	63,776,781	49,899,096

SOUTHERN WAY UNIT TRUST

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	30 June 2013	30 June 2012
	$	$
Balance at beginning of financial year (as previously reported)	62,501,345	49,699,599
Impact of transition to Australian Accounting Standards	1,275,436	199,497
Balance at beginning of financial year (restated)	63,776,781	49,899,096
	63,776,781	49,899,096
Increase in net assets attributable to unitholders	19,959,092	13,877,685
Balance at the end of the financial year	83,735,873	63,776,781

SOUTHERN WAY UNIT TRUST

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Notes	30 June 2013 $	30 June 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES		-	-
Net cash inflow/(outflow) from operating activities	4(b)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
Net cash inflow/(outflow) from financing activities		-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	4(a)	-	-

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been reclassified to be consistent with current period disclosures.

(a) Trust Information

The Southern Way Unit Trust (the "Trust") is an unregistered unit trust. AMP Capital Investors Limited, was appointed the Trustee of the Trust on 14 June 2013, when STC Funds Nominee Pty Limited resigned as Trustee. STC Funds Nominee Pty Limited was trustee for the period before 14 June 2013. The Trustee is incorporated and domiciled in Australia. The registered office of the Trustee is located at Level 24, 33 Alfred Street, Sydney, NSW 2000.

The Manager of the Trust for the period from 14 June 2013 to 30 June 2013 is AMP Capital Investors Limited, a subsidiary of AMP Limited. The Manager of the Trust for the period before 14 June 2013 was Access Capital Advisers.

The Trust was established on 30 November 2009. The principal activity for the Trust during the financial year was the investment of unitholder funds in accordance with the Trust Deed. There has been no significant change in the nature of this activity during the financial year.

(b) Basis of Preparation

Prior to 14 June 2013, STC Funds Nominee Pty Limited as the Trustee of the Trust was responsible for the provision of services to the Trust including responsibility for the preparation and maintenance of the accounting records of the Trust. The former trustee prepared a special purpose Financial Report for the Trust for the year ended 30 June 2012. This is the Trust's first year of preparing a general purpose Financial Report and first time in accordance with all Australian Accounting Standards. The impact from adopting Australian Accounting Standards is described in Note 8 in accordance with AASB1. This Financial Report has been prepared in accordance with:

- the Trust Deed;
- Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board;
- the requirements of the Public Finance and Audit Act 1983; and
- the Public Finance and Audit Regulation 2010.

The Financial Report has been prepared on the basis of historic cost convention except for unlisted equity securities and unlisted managed investment funds. These are measured at fair value. The Statement of Financial Position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items.

(c) Statement of Compliance

The Financial Report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Changes in Australian Accounting Standards

The Trust has adopted all mandatory Australian Accounting Standards and Interpretations for the financial year beginning on 1 July 2012. Adoption of these Standards and Interpretations has not had any effect on the financial position or performance of the Trust but may have impacted the Financial Report disclosures.

Australian Accounting Standards issued but not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the financial year ended 30 June 2013. When applied in future periods, recently issued or amended standards are not expected to have an impact on the Trust's financial position or performance; however, it may impact presentation and disclosures in the Financial Report. Further details are outlined below:

AASB 9 "Financial Instruments" (effective from 1 January 2015)

This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities.

AASB 10 "Consolidated Financial Statements" (effective from 1 January 2013)

This standard and revised AASB 127 "Separate Financial Statements" has changed the criteria for determining control. Previously control was assessed based on when the Trust had the power to govern the operating and financing policies of an entity so as to obtain benefits from its activities. Since 1 January 2013 an entity is controlled when the Trust is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

AASB 11 "Joint Arrangements" (effective from 1 January 2013)

This standard uses the principle of control in AASB 10 to define joint control and removes the option to account for jointly controlled entities using the proportionate consolidation method. Joint ventures that give the venturers rights to the net assets are accounted for using the equity method. Joint operations that give the venturers rights to the underlying assets and obligations are accounted for by recognising the share of those assets and obligations.

AASB 12 "Disclosure of Interests in Other Entities" (effective from 1 January 2013)

This standard introduces new disclosures about the judgements made by management to determine whether control exists, and requires summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

AASB 13 "Fair Value Measurement" (effective from 1 January 2013)

This Standard has centralised the definition and guidance for measuring fair values where required to be applied by various other accounting standards and removes some minor inconsistencies that previously existed between the guidance for determining fair value in these Standards. The new Standard requires quantitative and qualitative disclosures of all fair value measurement.

AASB 2013-5 "Amendments to Australian Accounting Standards - Investment Entities" (effective from 1 January 2014)

On 14 August 2013, the AASB issued AASB2013-5. The standard has provided an exception to the consolidation requirement for entities that meet the definition of an "investment entity". The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The exception is effective for financial years beginning on or after 1 January 2014.

(d) Financial Instruments Held at Fair Value Through Profit or Loss

Financial instruments of the Trust have been designated as financial instruments held at fair value through profit or loss as they are managed and their performance is evaluated on a fair value basis. The investments are initially recognised at fair value excluding their transaction costs and subsequently remeasured to their fair value through profit or loss on a periodic basis and at balance date. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Purchases and sales of financial instruments are recognised on the date that the Trust is contractually bound to purchase or sell the financial instrument.

Unlisted equity securities and managed investment funds

The fair value of unlisted equity securities and managed investment funds is determined by the Trustee using the discounted cash flow methodology. When the Trust invests in managed investment funds issued by a party whose unlisted equity securities are also held by the Trust, the fair value of such managed investment trusts and unlisted equity securities, in combination, is determined by the Manager using the discounted cash flow methodology. The fair values of these securities are based on their respective rights and rankings.

The valuation basis adopted for each investment is approved by the Trustee.

(e) Significant Accounting Judgements, Estimates and Assumptions

The making of judgements, estimates and assumptions is a necessary part of the financial reporting process and these judgements, estimates and assumptions can have a significant effect on the reported amounts in the Financial Report. Estimates and assumptions are determined based on information available at the time of preparing the Financial Report and actual results may differ from these estimates and assumptions. Had different estimates and assumptions been adopted, this may have had a significant impact on the Financial Report. Significant accounting judgements, estimates and assumptions are re-evaluated at each balance date in the light of historical experience and changes to reasonable expectations of future events. Significant accounting judgements, estimates and assumptions include but are not limited to:

Fair value measurement of investments in financial instruments

The Trust's investments are financial instruments measured at fair value through profit or loss by using a valuation technique. Judgement is applied in selecting valuation techniques and setting valuation assumptions and inputs. Further details on the determination of fair value of financial instruments is set out in Note 1(d).

(f) Investment Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Trust and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

Net changes in the fair value of financial instruments measured at fair value through profit or loss

Net changes in the fair value of financial instruments are recognised as income and are determined as the difference between the fair value at the balance date or consideration received (if sold during the financial year) and the fair value as at the prior balance date or initial fair value (if acquired during the financial year).

(g) Expenses

Expenses are recognised in the Statement of Comprehensive Income on an accrual basis.

(h) Recognition and Derecognition of Financial Assets and Liabilities

Financial assets and financial liabilities are recognised at the date the Trust becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to an unrelated third party.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(i) Cash and Cash Equivalents

For the purposes of the Statement of Financial Position, cash and cash equivalents include deposits held at call with a bank or financial institution with an original maturity date of three months or less. Cash and cash equivalents also include highly liquid investments which are readily convertible to cash on hand at the Trustee's option and which the Trustee uses in its day to day management of the Trust's cash requirements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Net Assets Attributable to Unitholders

Net assets attributable to unitholders are classified as financial liabilities and not as equity because the Trustee has a contractual obligation to pay distributable income of the Trust to unitholders and units are redeemable at the unitholders' option. As there are no equityholders, total comprehensive income attributable to unitholders and equity for the Trust is nil. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance date if unitholders exercised their right to redeem their units.

(k) Taxation

Under current legislation, the Trust is not liable to pay income tax since, under the terms of the Trust Deed, the unitholders are presently entitled to the income of the Trust.

(l) Distributable Income

In accordance with the Trust Deed, the Trust fully distributes its distributable income to unitholders each tax year. Such distributions are determined by reference to the taxable income of the Trust. Distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

Distributable income includes capital gains arising from the disposal of assets.

Distributable income does not include unrealised gains and losses on the net value of investments in financial instruments, accrued income not yet assessable, expenses provided for or accrued but not yet deductible, tax free or deferred income and realised capital losses which are retained to offset future realised capital gains.

(m) Functional and presentation currency

The Financial Report is presented in Australian dollars (the "presentation currency"). Items included in the Trust's Financial Report are measured using the currency of the primary economic environment in which it operates (the "functional currency") which is Australian dollars.

(n) Terms and Conditions of Units on Issue

Each unit confers upon the unitholder an equal interest in the Trust, and is of equal value. A unit does not confer an interest in any particular asset or investment of the Trust.

Unitholders have various rights under the Trust Deed, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Trust.

Applications received for units in the Trust are recognised in the Trust. Redemptions from the Trust are recognised after the cancellation of units redeemed. Unit exit prices are determined in accordance with the Trust Deed and are calculated on a forward pricing basis as the redemption price per unit.

(o) Goods and Services Tax ("GST")

All income, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or where the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the relevant expense.

Receivables and payables are recognised with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as either a receivable or payable in the Statement of Financial Position.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

	30 June 2013 $	30 June 2012 $
NOTE 2: AUDITOR'S REMUNERATION		
Amounts paid or payable to the Auditor General, the auditor of the Trust, for:		
Audit of the Financial Statements of the Trust	17,000	-

The auditor's remuneration paid or payable for the year ended 30 June 2013 includes an amount of $6,500 for the audit of comparative information.

Auditor's remuneration for audit of the Financial Statements of the Trust shall be borne by SAS Trustee Corporation.

	30 June 2013 Units	30 June 2012 Units
NOTE 3: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		
The movement in the number of units on issue during the financial year was as follows:		
Units on Issue		
Opening balance	43,922,745	43,922,745
Closing balance	43,922,745	43,922,745

	30 June 2013 $	30 June 2012 $
NOTE 4: CASH AND CASH EQUIVALENTS		
(a) Cash and Cash Equivalents		
Cash and cash equivalents	-	-
(b) Reconciliation of Net Profit Attributable to Unitholders before Finance Costs to Net Cash Inflow/(Outflow) from Operating Activities		
Net Profit Attributable to Unitholders before Finance Costs	19,959,092	13,877,685
Net changes in the fair value of financial instruments measured at fair value through profit or loss	(19,959,092)	(13,877,685)
Net cash inflow/(outflow) from operating activities	-	-

NOTE 5: RELATED PARTY DISCLOSURES

(a) General Information

The Trustee of the Trust is AMP Capital Investors Limited, a subsidiary of AMP Limited. The Manager of the Trust is AMP Capital Investors Limited, a subsidiary of AMP Limited.

SAS Trustee Corporation Pooled Fund (Pooled Fund) is the ultimate parent of the trust. SAS Trustee Corporation acts as the Trustee of the Pooled Fund

NOTE 5: RELATED PARTY DISCLOSURES (Continued)

(b) Transactions with the Trustee and Manager

There have been no transaction between the Trust and related parties.

In accordance with the Investment Manager Agreement dated 5 February 2013, the Manager is entitled to receive fees of 47.5bp per annum of the gross asset value less realisation costs for the provision of management services and to be reimbursed for certain expenses incurred in the administration of the Trust. During the financial year, no management fees or expenses have been paid out of the Trust. However, a management fee amount of $16,811 will be paid by SAS Trustee Corporation to AMP Capital Investors Limited directly for the period starting from 14 June 2013 to 30 June 2013.

(c) Key Management Personnel

AASB 124 "Related Party Disclosures" defines key management personnel (KMP) as including all Non-Executive Directors, Executive Directors and any other persons having authority or responsibility for planning, directing and controlling the activities of the Trust. The Trust has no direct employees, however the Executive Directors of the Trustee have been deemed to be Directors of the Trust. These individuals and the Trustee comprise the KMP of the Trust.

The names of each person holding the position of Director of the Trustee at any time since the Trustee was appointed on 14 June 2013 and until the date of this report are as follows:

Name	Position
Stephen J. P. Dunne	Chairman and Executive Director
Sharon B. Davis	Executive Director
Peter R. J. Sipek	Executive Director
P. Margaret Payn	Executive Director

No Director of the Trustee was paid any remuneration by the Trust during the financial year and their compensation paid by the Trustee or related entities of the Trustee is not related to services they render to the Trust.

The names of each person holding the position of Director during the period that STC Funds Nominee Pty Limited was trustee, from 1July 2012 and 14 June 2013 are as follows:

Name	Position
D. Chessell	Director
A. Austin	Director
G. Matthews	Director

NOTE 6: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Prior to 14 June 2013, STC Funds Nominee Pty Limited, being the Trustee of the Trust, was responsible for managing the financial risk management objectives and policies of the Trust after which AMP Capital Investors Limited assumed this responsibility when appointed Trustee on 14 June 2013.

Risks arising from holding financial instruments are inherent in the Trust's activities, and are managed through a process of ongoing identification, measurement and monitoring.

Financial instruments of the Trust comprise investments in financial assets held at fair value through profit or loss and net assets attributable to unitholders, which arise directly from the Trust's operations.

The Trustee is responsible for identifying and controlling the risks that arise from these financial instruments. The Trust is exposed to credit risk, liquidity risk and market risk.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Trust from reasonably possible changes in the relevant risk variables. Information about these risk exposures for the financial year is provided below. Where the Trust has material risk exposures, risk sensitivity analysis is presented for illustrative purposes. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Trustee. These mandate limits reflect the investment strategy and market environment of the Trust, as well as the level of risk that the Trust is willing to accept.

This information is prepared and reported to relevant parties within the Trustee on a regular basis as deemed appropriate, including Risk and Investment Committees and other key management.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Trustee's objectives when managing capital are to safeguard the Trust's ability to continue as a going concern, so it can continue to provide returns to unitholders and to maintain an optimal capital structure.

NOTE 6: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations under a contract.

The Trust's maximum credit risk exposure at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the maximum exposure at the balance date.

Credit risk is not considered to be significant to the Trust.

(b) Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with financial liabilities.

The Trust manages its liquidity risk by monitoring application and redemption requests to ensure sufficient liquidity is available.

Financial liabilities of the Trust comprise net assets attributable to unitholders. Net assets attributable to unitholders are payable on demand, however the Trustee has the power under the Trust Deed to do an in-specie redemption.

(c) Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

Australian Accounting Standards require the disclosure of sensitivity to changes in market risk variables such as interest rates, foreign exchange rates and equity prices. This sensitivity is not intended to show the impact on the Trust's financial performance for the entire period, just an illustrative example of the direct impact of a change in the value of the financial instruments held at the balance date as a result of the change in market rate. The sensitivity is required to show the impact of a reasonably possible change in market rate over the period to the subsequent balance date. It is not intended to illustrate a remote, worst case or stress test scenario.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect future cash flows or the fair values of financial instruments.

As the Trust has no directly held interest bearing securities at balance date, interest rate risk sensitivity has not been presented.

Foreign exchange risk

Foreign exchange risk is the risk that the value of monetary securities denominated in currencies other than the Australian dollar will fluctuate due to changes in exchange rates.

As the Trust has no direct exposure to monetary securities denominated in currencies other than the Australian dollar, foreign exchange risk sensitivity has not been presented.

Price risk

Price risk is the risk that the fair value of unlisted equity securities and unlisted managed investment funds decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. Price risk exposure arises from the Trust's investment portfolio.

Price risk is managed by monitoring compliance with established investment mandate limits.

The analysis below demonstrates the impact of a 10% movement in unlisted equity securities and unlisted managed investment funds. This sensitivity analysis has been performed to assess the direct risk of holding unlisted equity securities and unlisted managed investment funds with all other variables held constant. It is assumed that the relevant change occurs at the balance date.

	Price Risk	
	-10%	+10%
	$	$
30 June 2013	(8,373,587)	8,373,587
30 June 2012	(6,377,678)	6,377,678

(d) Fair value measurement

Financial instruments measured at fair value are categorised under a three level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels are:

Level 1: Valued by reference to quoted prices in active markets for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arms length basis.

Level 2: Valued using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), including: quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities, and other inputs that are not quoted prices but are observable for the asset or liability.

Level 3: Valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Unobservable inputs are determined based on the best information available, which might include the Trust's own data, reflecting the Trust's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available.

The following table shows an analysis of financial instruments measured at fair value at the balance date, by level of the fair value hierarchy:

30 June 2013

	Level 1 $	Level 2 $	Level 3 $	Total $
Unlisted equity securities and managed investment funds	-	-	83,735,873	83,735,873
Total	-	-	83,735,873	83,735,873

30 June 2012

	Level 1 $	Level 2 $	Level 3 $	Total $
Unlisted equity securities and managed investment funds	-	-	63,776,781	63,776,781
Total	-	-	63,776,781	63,776,781

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the financial year:

30 June 2013	Opening balance $	Purchases $	Sales $	Net transfers in/(out) $	Net changes in the fair value of financial instruments measured at fair value through profit or loss $	Closing balance $	Total gain/(loss) for the period included in net changes in the fair value of financial instruments attributable to Level 3 instruments held at year end $
Unlisted equity securities and managed investment funds	63,776,781	-	-	-	19,959,092	83,735,873	19,959,092
Total	63,776,781	-	-	-	19,959,092	83,735,873	19,959,092

30 June 2012	Opening balance $	Purchases $	Sales $	Net transfers in/(out) $	Net changes in the fair value of financial instruments measured at fair value through profit or loss $	Closing balance $	Total gain/(loss) for the period included in net changes in the fair value of financial instruments attributable to Level 3 instruments held at year end $
Unlisted equity securities and managed investment funds	49,899,096	-	-	-	13,877,685	63,776,781	13,431,680
Total	49,899,096	-	-	-	13,877,685	63,776,781	13,431,680

Changes to one or more of the inputs to reasonably possible alternative assumptions would not result in significant changes to the fair value of the Level 3 assets.

NOTE 7: COMMITMENTS AND CONTINGENCIES

The Trust had no commitments or contingencies at 30 June 2013 (30 June 2012: nil) other than those specified in the Financial Report.

NOTE 8: TRANSITION TO AUSTRALIAN ACCOUNTING STANDARDS

The Trust has identified a prior year adjustment in the measurement of its financial assets on transition to all Australian Accounting Standards. The financial assets had previously been valued at net market value (fair value less realisation costs). These financial assets have now been restated at fair value through profit or loss. The restatement occurred as a result of the financial statements being prepared in accordance with all Australian Accounting Standards. In previous periods, special purpose financial reports were prepared which did not comply with all recognition and measurement rules. The impact of the restatement to the prior year is to increase the value of the financial assets as at 30 June 2012 by $1,275,436, increase the opening net asset value attributable to unitholders as at 1 July 2011 by $199,497 and increase the net changes in the fair value of financial instruments measured at fair value through profit or loss in 2012 by $1,075,939.

(a) Statement of Comprehensive Income	As previously reported	Transition adjustment	Restated
For the year ended 30 June 2012			
Net changes in the fair value of financial instruments measured at fair value through profit or loss	12,801,746	1,075,939	13,877,685

	As previously reported	Transition adjustment	Restated
(b) Statement of Financial Position			
For the year ended 30 June 2011	$	$	$
Financial Assets			
Settlement sum	100	(100)	-
Unlisted equity securities and managed investment funds	49,699,499	199,597	49,899,096
	49,699,599	199,497	49,899,096
For the year ended 30 June 2012			
Financial Assets			
Settlement sum	100	(100)	-
Unlisted equity securities and managed investment funds	62,501,245	1,275,536	63,776,781
	62,501,345	1,275,436	63,776,781

(c) Statement of Changes in Net Assets Attributable to Unitholders			
For the year ended 30 June 2012			
Increase in net assets attributable to unitholders	12,801,746	1,075,939	13,877,685

NOTE 9: EVENTS OCCURRING AFTER BALANCE DATE

Since 30 June 2013 there have been no matters or circumstances not otherwise dealt with in the Financial Report that have significantly affected or may significantly affect the Trust.

NOTE 10: AUTHORISATION OF FINANCIAL REPORT

The Financial Report of the Southern Way Unit Trust for the financial year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors of AMP Capital Investors Limited on 11 September 2013.

SOUTHERN WAY UNIT TRUST

STATEMENT BY THE TRUSTEE

In accordance with a resolution of the Directors of AMP Capital Investors Limited, the Trustee, I state that in the opinion of the Directors of the Trustee:

(a) The Financial Statements and notes are in accordance with the requirements of the Trust Deed, sections 41C(1B) and 41C(1C) of the Public Finance and Audit Act 1983, Clause 7 of the Public Finance and Audit Regulation 2010, and:

  (i) are properly drawn up so as to present fairly the Trust's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

  (ii) comply with the provisions of the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2010 and the Australian Accounting Standards, as set out in Note 1(b).

(b) There are reasonable grounds to believe the Trust will be able to pay its debts as and when they become due and payable.

Director

11 September 2013, Sydney

Director

11 September 2013, Sydney

INDEPENDENT AUDITOR'S REPORT

Southern Way Unit Trust

To Members of the New South Wales Parliament and Unitholders of Southern Way Unit Trust

I have audited the accompanying financial statements of Southern Way Unit Trust (the Trust), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion the financial statements:

- give a true and fair view of the Trust's financial positions as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

Trustee's Responsibility for the Financial Statements

The Trustee is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act and for such internal control as the Trustee determines is necessary to enable the preparation of the financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustee, as well as evaluating the overall presentation of the financial statements.

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I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Trust
- that the Trust carried out its activities effectively, efficiently and economically
- about the effectiveness of their internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their roles by the possibility of losing clients or income.

James Sugumar

James Sugumar
Director, Financial Audit Services

12 September 2013
SYDNEY

Pisco STC Funds Unit Trust No. 1

Annual report - 30 June 2013

Pisco STC Funds Unit Trust No. 1

Annual report - 30 June 2013

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These financial statements cover Pisco STC Funds Unit Trust No. 1 as an individual entity.

The Trustee of Pisco STC Funds Unit Trust No. 1 is Fidante Partners Services Limited (ABN 44 119 605 373).
The Trustee's registered office is:

Level 15, 255 Pitt Street
SYDNEY NSW 2000

Directors' report

The directors of Fidante Partners Services Limited, the Trustee of Pisco STC Funds Unit Trust No. 1, present their report together with the financial statements of Pisco STC Funds Unit Trust No. 1 ('the Trust') for the year ended 30 June 2013.

Directors

The following persons held office as directors of STC Funds Nominee Pty Ltd during the year up to the date of transfer:

D Chessell
A Austin
G Matthews

On 17 June 2013, Fidante Partners Services Limited replaced STC Funds Nominee Pty Ltd as Trustee of the Trust. The following persons held office as directors of Fidante Partners Services Limited since the date of transfer and up to the date of this report:

R Willis (Chair)
B J O'Connor
P D Rogan
A Tobin
R J Woods

Principal activities

The principal activity of the Trust during the year was to invest in accordance with the provisions of the Trust Deed, being a 29.2% interest in GasValpo Jersey Holding Company Limited (GasValpo).

There were no significant changes in the nature of the Trust's activities during the year.

The Asset Manager of the Trust at the beginning of the year and up to 17 June 2013 was Access Capital Advisors Pty Ltd. From 17 June 2013, the Asset Manager of the Trust is Challenger Management Services Limited.

Review and results of operations

Results

The performance of the Trust, as represented by the results of its operations, was as follows:

	30 June 2013 $	30 June 2012 $
Net operating profit	**20,080,072**	16,610,543
Distribution paid and payable	**1,826,399**	2,466,273

During the year, the Trust was entitled to receive $3,693,036 (2012: $2,673,015) in return of capital from GasValpo which was subsequently paid or payable to its unitholder.

Significant changes in state of affairs

On 17 June 2013, Fidante Partners Services Limited replaced STC Funds Nominee Pty Ltd as Trustee of the Trust.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Trust that occurred during the financial year.

Directors' report (continued)

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect:

(i) the operations of the Trust in future financial years, or
(ii) the results of those operations in future financial years, or
(iii) the state of affairs of the Trust in future financial years.

Likely developments

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust Deed.

Indemnity and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to the officers of Fidante Partners Services Limited. So long as the officers of Fidante Partners Services Limited act in accordance with the Trust Deed and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditors of the Trust are not indemnified out of the assets of the Trust.

Fees paid to and interests held in the Trust by the Trustee or its related entities

Fees paid to the Trustee and its related entities by SAS Trustee Corporation ("SAS Trustee") on behalf of the Trust during the year are disclosed in note 12 to the financial statements.

No fees were paid out of Trust property to the directors of the Trustee during the year.

The number of interests in the Trust held by the Trustee or its related entities as at the end of the financial year are disclosed in note 12 to the financial statements.

Interests in the Trust

The Trust is a closed fund with 44,238,125 units on issue.

Value of assets	30 June 2013 $	30 June 2012 $
Value of Trust assets at 30 June	**88,714,353**	70,951,350

The value of the Trust's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in note 2 to the financial statements.

Environmental regulation

The operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

This report is made in accordance with a resolution of directors.

B J O'Connor
Director

Sydney
13 September 2013

Statement of comprehensive income

	Notes	30 June 2013 $	30 June 2012 $
Income			
Dividend income		**1,826,399**	2,466,273
Net gains on financial instruments held at fair value through profit or loss	3	**20,925,840**	16,297,693
Net foreign exchange losses		**(2,672,167)**	(2,153,423)
Total income		**20,080,072**	16,610,543
Expenses			
Total expenses		**-**	-
Net profit before finance costs		**20,080,072**	16,610,543
Finance costs attributable to unitholders			
Distributions to unitholders	5	**(1,826,399)**	(2,466,273)
Increase in net assets attributable to unitholders	9	**(18,253,673)**	(14,144,270)
Other comprehensive income		**-**	-
Total comprehensive income for the year		**-**	-

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	30 June 2013 $	30 June 2012 $
Current assets			
Receivables	6	**3,202,366**	107
Total current assets		**3,202,366**	107
Non-current assets			
Financial assets held at fair value through profit or loss	7	**85,511,987**	70,951,243
Total non-current assets		**85,511,987**	70,951,243
Total assets		**88,714,353**	70,951,350
Current liabilities			
Distributions payable	5	**902,175**	-
Payables	8	**2,300,191**	-
Total current liabilities		**3,202,366**	-
Non-current liabilities			
Total non-current liabilities		-	-
Total liabilities (excluding net assets attributable to unitholders)		**3,202,366**	-
Net assets attributable to unitholders - liability	9	**85,511,987**	70,951,350

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in net assets attributable to unitholders

	30 June 2013 $	30 June 2012 $
At 1 July - opening	**70,951,350**	48,460,397
Change in net assets attributable to unitholders	**18,253,673**	14,144,270
Calls of capital	**-**	11,019,698
Return of capital	**(3,693,036)**	(2,673,015)
At 30 June - closing	**85,511,987**	70,951,350

Net assets attributable to unitholders represents the liability to unitholders in the event the unitholders exercises its option to redeem its units.

The above statement of changes in net assets attributable to unitholders should be read in conjunction with the accompanying Note 9.

Statement of cash flows

	Notes	30 June 2013 $	30 June 2012 $
Cash flows from operating activities			
Dividends received		**924,224**	2,466,273
Net cash inflow from operating activities	13	**924,224**	2,466,273
Cash flows from investing activities			
Return of capital from investments designated at fair value through profit or loss		**1,392,845**	2,673,015
Capital contributions to investments designated at fair value through profit or loss		**-**	(11,019,698)
Net cash inflow/(outflow) from investing activities		**1,392,845**	(8,346,683)
Cash flows from financing activities			
Proceeds from capital contributions by unitholders		**-**	11,019,698
Payments for capital returns to unitholders		**(1,392,845)**	(2,673,015)
Distributions paid		**(924,224)**	(2,466,273)
Net cash inflow/(outflow) from financing activities		**(2,317,069)**	5,880,410
Net increase/(decrease) in cash and cash equivalents		**-**	-
Cash and cash equivalents at the end of the year		**-**	-

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 General information

These financial statements cover Pisco STC Funds Unit Trust No. 1 ('the Trust') as an individual entity. The Trust is an Australian unregistered scheme and was constituted on 19 March 2008. The Trust will terminate in accordance with the provisions of the Trust Deed.

SAS Trustee Corporation Pooled Fund is the only unitholder of the Trust. The Trust is a controlled entity of SAS Trustee Corporation Pooled Fund.

The financial statements were authorised for issue by the directors on 13 September 2013.

The nature of the operating and principal activities of the Trust are described in the directors' report. The Trust is a for profit entity.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are presented in Australian dollars.

This is the Trust's first set of general purpose financial statements prepared in compliance with the Trust Deed, Australian Accounting Standards and *Public Finance and Audit Act 1983.* The comparatives represent the opening Australian Accounting Standards statement of financial position.

First time adoption of applicable Australian Accounting Standards resulted in a restatement of financial assets at fair value instead of net market value.

Prior to 17 June 2013, STC Funds Nominees Pty Limited as the Trustee was responsible for the preparation of financial statements. The previous Trustee prepared a special purpose financial statements for the year ended 30 June 2012.

(b) Financial instruments

(i) Classification

The Trust's investments are classified as at fair value through profit or loss. They comprise:

- Financial instruments designated at fair value through profit or loss upon initial recognition

  These include financial assets that are not held for trading purposes and which may be sold. These are investments in unlisted investment vehicles.

(ii) Recognition/derecognition

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the Trust has transferred substantially all risks and rewards of ownership.

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities held at fair value through profit and loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in the fair value recognised in the statement of comprehensive income.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

- *Fair value in an inactive or unquoted market*

  The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation methodology. These include the use of discounted cash flow models and recent comparable market transactions, or any other valuation methodology that provides a reliable estimate of prices obtained in actual market transactions.

  Where discounted cash flow methodology is used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date. For other pricing models, inputs are based on market data at the end of the reporting period. Where valuations are used to determine fair value, the valuation range is determined by an independent expert. The directors determine the fair value to adopt within this range.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the reporting date if unitholder exercised their right to redeem units in the Trust.

(d) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Payments and receipts relating to the purchase and sale of investment interests designated at fair value are classified as cash flows from investing activities, as movements in the fair value of these interests represent the Trust's investment activity.

(e) Investment income

Dividend income is recognised on the ex-dividend date when the right to receive payment is established with any related foreign withholding tax recorded as an expense.

(f) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

(g) Income tax

Under current legislation, the Trust is not subject to income tax as unitholders are presently entitled to the income of the Trust.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Trust is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Trust to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

2 Summary of significant accounting policies (continued)

(h) Distributions

In accordance with the Trust Deed, the Trust distributes income adjusted for amounts determined by the Trustee, to unitholders by cash. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(i) Change in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

(j) Receivables

Receivables may include amounts for dividends, and are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

(k) Payables

The distribution amount payable to unitholders as at the reporting date is recognised separately on the statement of financial position when unitholders are presently entitled to the distributable income under the Trust Deed.

(l) Foreign currency

Transactions in foreign currencies are translated into presentation currency, Australian dollars, at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Australian dollars at the foreign exchange rate ruling at the reporting date.

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the transaction. Non monetary items measured at fair value in a foreign currency shall be translated to Australian dollars using the exchange rates ruling at the date when the fair value was determined.

The AUD/USD foreign exchange rate as at 30 June 2013 is 0.9154 (2012: 1.0251). The average AUD/USD foreign exchange rate for the year ended 30 June 2013 was 1.0267 (2012: 1.0328).

(m) Use of estimates

The Trust holds financial assets which are determined based on estimates and assumptions of future events. Financial assets are fair valued every six months using valuation methodology as described in Note 7. Where valuation methodology (for example, discounted cash flow models) is used to determine fair values, the valuation range is determined by an independent expert. The directors determine the fair value to adopt within this range.

Models use observable data, to the extent practicable. Changes in assumptions could materially affect the reported fair value of financial assets. The GasValpo valuation is contingent on the likely successful outcome of the arbitration dispute with the gas supplier in respect of its "pass through contract". It is expected that the arbitration process will conclude by June 2015.

(n) Terms and conditions on units

Each unit issued confers upon the unitholder an equal interest in the Trust, and is of equal value per class. A unit does not confer any interest in any particular asset or investment of the Trust. Unitholders have various rights under the Trust Deed, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding of the Trust.

The rights, obligations and restrictions attached to each unit are identical in all respects.

2 Summary of significant accounting policies (continued)

(o) New accounting standards and interpretations

There were no new or revised accounts standards and interpretations adopted in the financial statements which had an effect on the Trust's financial position as at 30 June 2013 or its performance for the year then ended.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set out below:

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2015. The current four categories of financial assets, stipulated in AASB 139 *Financial Instruments: Recognition and Measurement*, will be replaced with two measurement categories: fair value and amortised cost. AASB 9 only permits the recognition of fair value gains/(losses) in other comprehensive income if they relate to equity investments that are not held for trading. The Trust does not expect any significant impact on the financial statements arising from an adoption of the Standard.

(ii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The new rules will have minimal impact on the amounts recognised in the financial statements, however, application of the new standard will impact the type of information disclosed in the notes to the financial statements in relation to fair value measurements. The Trust has not adopted the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

3 Net gains on financial instruments held at fair value through profit or loss

Net gains recognised in relation to financial assets held at fair value through profit or loss:

	30 June 2013 $	30 June 2012 $
Designated as at fair value	**20,925,840**	16,297,693
Net gains on financial instruments held at fair value through profit or loss	**20,925,840**	16,297,693

4 Auditor's remuneration

The cost incurred for auditing the financial report of the Trust is paid directly by SAS Trustee on behalf of the Trust. The audit fees paid/payable by SAS Trustee in respect of the Trust for the year were $19,000 (2012: $Nil).

5 Distributions to unitholders

Timing of distributions

The distributions for the year were as follows:

	30 June 2013 $	30 June 2012 $
Distributions paid	**924,224**	2,466,273
Distributions payable	**902,175**	-
	1,826,399	2,466,273

The component of the final distribution for the year which was unpaid at the reporting date is shown in the statement of financial position. The distribution payable was paid on 2 July 2013.

6 Receivables

The following details the amounts receivable by the Trust:

	30 June 2013 $	30 June 2012 $
Dividends receivable	**902,175**	-
Capital returns receivable	**2,300,191**	-
Other receivables	**-**	107
	3,202,366	107

7 Financial assets held at fair value through profit or loss

	30 June 2013 $	30 June 2012 $
Designated at fair value through profit or loss		
Unlisted investment - GasValpo	**85,511,987**	70,951,243
Total financial assets held at fair value through profit or loss	**85,511,987**	70,951,243

The fair value of the investment in GasValpo has been determined by an independent expert, using a discounted cashflow model. The market discount rate calculated and used at 30 June 2013 is 12.75% (2012: 13.30%).

The independent expert as at 30 June 2013 was PwC and as at 30 June 2012 was Grant Thornton.

The net market value after transaction costs of 2% is $83,835,283 (2012: $69,532,218).

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in note 11.

8 Payables

The following details the amounts payable by the Trust:

	30 June 2013 $	30 June 2012 $
Return of capital payable to unitholders	2,300,191	-
	2,300,191	-

The return of capital payable was paid on 2 July 2013.

9 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

As stipulated within the Trust Deed, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights, preferences and restrictions attaching to it as all other units of the Trust.

	Units $	Contributed Unit Capital $	Retained Earnings $	Total $
2013				
Opening balance	107	37,388,420	33,562,823	70,951,350
Return of capital	-	(3,693,036)	-	(3,693,036)
Calls on capital	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders	-	-	18,253,673	18,253,673
Closing balance	107	33,695,384	51,816,496	85,511,987

	Units $	Contributed Unit Capital $	Retained Earnings $	Total $
2012				
Opening balance	107	29,041,737	19,418,553	48,460,397
Return of capital	-	(2,673,015)	-	(2,673,015)
Calls on capital	-	11,019,698	-	11,019,698
Increase/(decrease) in net assets attributable to unitholders	-	-	14,144,270	14,144,270
Closing balance	107	37,388,420	33,562,823	70,951,350

Capital risk management

The Trust considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

The Trust receives dividends and pays distributions. All Trust expenses were paid by SAS Trustee on behalf of the Trust during the year.

10 Derivative financial instruments

The Trust held no derivative financial instruments at 30 June 2013 (2012: Nil).

11 Financial risk management

(a) Overview

The Trust's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk.

The Trustee of the Trust is aware of the risks associated with the business of investment management. A financial risk management framework has been established to ensure that procedures and controls adequately manage the risks arising from current business activities. Central controls include (but are not limited to):

- clear policies and procedures covering operations;
- segregation of the dealing and investment management function from the administration and settlement function;
- an independent service provider for the valuation of securities; and
- a compliance function with a separate reporting line from the Funds Management team.

As part of the risk management framework, the Trustee is subject to regular reporting and committee meetings regarding risk and compliance issues. The purpose is to facilitate a flow of information between the Trust and the Trustee's Board. Any material matters identified are promptly investigated and reported.

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Trust's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Trust is exposed to market risks influencing investment valuations. The Trust may utilise derivatives to manage this risk.

(i) Price risk

Price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. Investments are classified in the statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

As the majority of the Trust's investments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect net investment income.

(ii) Foreign exchange risk

Trusts that invest in international assets are exposed to foreign exchange risk. Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Trust holds an unlisted investment in assets in Chile denominated in US Dollars, hence foreign exchange movements impact the reported value in the statement of financial position.

(iii) Cash flow and fair value interest rate risk

The majority of the Trust's financial instruments are non interest bearing with only cash and cash equivalents being directly subject to interest rate risk.

11 Financial risk management (continued)

(c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Trust's operating profit and net assets attributable to unitholders to discount rate (price) and foreign exchange risk for financial assets held at the balance date. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in fair values. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies and market specific risks in which the Trust invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Impact on operating profit/Net assets attributable to unitholders			
	Discount rate (price) risk		Foreign exchange risk	
	-0.89%	+0.89%	-10% USD	+10% USD
	$	$	$	$
30 June 2013	**4,811,323**	**(4,368,669)**	**(9,501,332)**	**7,773,817**
30 June 2012	3,819,794	(3,819,794)	(7,883,471)	6,450,113

The market discount rate is considered to be the key assumption in the discounted cashflow valuation.

Discount rate sensitivity of 0.89% equates to comparable rate used reflecting the high and low valuation ranges in 2012 valuation report from Grant Thornton. The Trust's investment is denominated in US Dollars. Any gains or losses arising from changes in fair value are reflected in the statement of comprehensive income.

Changes to other assumptions including operational inputs (residential customer growth, Brent Crude, Henry Hub Oil, Fuel Oil 6), macro factors (foreign exchange: USD/CLP, purchase price index) and debt refinance multiples and margin may impact the fair value of GasValpo.

(d) Credit risk

Credit risk is not considered to be significant to the Trust as the Trust does not hold any direct investments in debt securities or have significant receivables.

(e) Liquidity risk

The Trust does not incur expenses as they are paid by SAS Trustee Corporation, Trustee of the ultimate parent entity, SAS Trustee Corporation Pooled Fund.

Under the terms of the Trust Deed, the Trust has the ability to manage liquidity risk by delaying redemptions to unitholders, if necessary, until the funds are available to pay them.

Maturity analysis for financial liabilities

Financial liabilities of the Trust comprise distributions payable. Distributions payable have no contractual maturities but are typically settled within 30 days.

(f) Fair value estimation

All financial assets and financial liabilities included in the statement of financial position are carried at fair value.

The carrying amounts of the Trust's financial assets and financial liabilities at the end of each reporting period approximate their fair values.

The Trust values its investments in accordance with the accounting policies set out in note 2 . For the majority of its investments, the Trust relies on information provided by an independent valuation expert for the valuation of its investments.

11 Financial risk management (continued)

(g) Fair value hierarchy

The Trust classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Trustee. The Trustee considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The tables below set out the Trust's financial assets (by class) measured at fair value according to the fair value hierarchy.

30 June 2013

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted investment - GasValpo	-	-	85,511,987	85,511,987
Total	-	-	85,511,987	85,511,987

30 June 2012

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted investment - GasValpo	-	-	70,951,243	70,951,243
Total	-	-	70,951,243	70,951,243

The investment in GasValpo is classified as a level 3 investment.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. As observable prices are not available for this investment, the Trustee has used valuation methodology to derive fair value.

11 Financial risk management (continued)

(g) Fair value hierarchy (continued)

(i) Movement in level 3 instruments

The following tables present the movements in level 3 instruments for the Trust by class of financial instrument.

Unlisted investment - GasValpo

	30 June 2013 $	30 June 2012 $
Opening balance	**70,951,243**	48,460,290
Capital returns	**(3,693,036)**	(2,673,015)
Capital contributions	**-**	11,019,698
Transfers into level 3	**107**	-
Income distributions paid	**(1,826,399)**	(2,466,273)
Gains and losses recognised in profit or loss	**20,080,072**	16,610,543
Closing balance	**85,511,987**	70,951,243
Total increase for the year included in the statement of comprehensive income for financial assets held at the end of the year	**20,080,072**	16,610,543

12 Related party transactions

Trustee

The Trustee of Pisco STC Funds Unit Trust No. 1 at the beginning of the year and up to 17 June 2013 was STC Funds Nominee Pty Ltd (retiring Trustee), whose immediate parent company is Access Capital Advisors Pty Ltd. From 17 June 2013, Fidante Partners Services Limited was appointed Trustee, whose immediate parent company is Challenger Funds Management Holdings Pty Limited and ultimate parent company is Challenger Limited.

Key management personnel

(a) Directors

Key management personnel includes persons who were directors of STC Funds Nominee Pty Ltd during the year up to the date of transfer:

D Chessell
A Austin
G Matthews

Key management personnel includes persons who were directors of Fidante Partners Services Limited since the date of transfer and up to the date of the report as follows:

R Willis (Chair)
B J O'Connor
P D Rogan
A Tobin
R J Woods

(b) Other key management personnel

The Trustee is considered to be the key management personnel with authority for the strategic direction and management of the Trust.

The Asset Manager, Challenger Management Services Limited, is a related party to the Trust by way of ultimate ownership by Challenger Limited.

12 Related party transactions (continued)

Key management personnel unitholdings

At 30 June 2013 no key management personnel held units in the Trust (2012: Nil).

Key management personnel compensation

No amount is paid by the Trust directly to the directors of the Trustee.

Compensation is paid to the Trustee in the form of fees and is disclosed below.

Trustee's fees and other transactions

From 1 July 2012 to the effective transfer date of 17 June 2013, the retiring Trustee received a fee of approximately 50 basis points of fair value plus disbursements, paid by SAS Trustee Corporation on behalf of the Trust.

From the effective transfer date, in accordance with the Trust Deed, the Trustee received a management fee of $22,802 (GST exclusive) (2012: $Nil), paid by SAS Trustee Corporation on behalf of the Trust.

From the effective transfer date, in accordance with the Trust Deed, the Trustee received reimbursement for out of pocket expenses of $15,000 (GST exclusive) (2012: $Nil), paid by SAS Trustee Corporation on behalf of the Trust.

All related party transactions are conducted on normal commercial terms and conditions.

13 Reconciliation of profit to net cash inflow from operating activities

	30 June 2013 $	30 June 2012 $
Net profit attributable to unitholders	**20,080,072**	16,610,543
Change in the fair value of financial assets	**(20,925,840)**	(16,297,693)
Foreign exchange losses	**2,672,167**	2,153,423
Net change in receivables and other assets	**(902,175)**	-
Net cash inflow from operating activities	**924,224**	2,466,273

14 Events occurring after the reporting period

No significant events have occurred since the reporting date which would impact on the financial position of the Trust as at 30 June 2013 or on the results and cash flows of the Trust for the year ended on that date.

15 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2013 (2012: $Nil).

Directors' declaration

In accordance with the resolution of the Directors of Fidante Partners Services Limited, I state that:

In the opinion of the directors of the Trustee:

(a) the financial statements and notes set out on pages 4 to 18 are in accordance with sections 41C(1B) and 41C(1C) of *Public Finance and Audit Act 1983*, Clause 7 of the *Public Finance and Audit Regulation 2010* including:

   (i) complying with the provisions of the *Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2010* and Australian Accounting Standards (including the Australian Accounting Intrepretations) as disclosed in Note 2(a); and

   (ii) giving a true and fair view of the Trust's financial position as at 30 June 2013 and of its performance for the financial year ended on that date.

(b) the financial statements and notes are in accordance with the requirements of the Trust Deed, and:

(c) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Board of Fidante Partners Services Limited.

B J O'Connor
Director

Sydney
13 September 2013

AUDITOR-GENERAL NEW SOUTH WALES

INDEPENDENT AUDITOR'S REPORT

Pisco STC Funds Unit Trust No.1

To Members of the New South Wales Parliament and Unitholders of Pisco STC Funds Unit Trust No.1

I have audited the accompanying financial statements of Pisco STC Funds Unit Trust No.1 (the Trust), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion the financial statements:

- give a true and fair view of the Trust's financial positions as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

Trustee's Responsibility for the Financial Statements

The Trustee is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act and for such internal control as the Trustee determines is necessary to enable the preparation of the financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustee, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Level 15, 1 Margaret Street, Sydney NSW 2000 | GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | e mail@audit.nsw.gov.au | audit.nsw.gov.au

My opinion does *not* provide assurance:

- about the future viability of the Trust
- that the Trust carried out its activities effectively, efficiently and economically
- about the effectiveness of their internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their roles by the possibility of losing clients or income.

James Sugumar

James Sugumar
Director, Financial Audit Services

13 September 2013
SYDNEY

Directory

Trustee
Fidante Partners Services Limited
ABN 44 119 605 373
AFSL 320505

Registered office and principal place of business
Level 15
255 Pitt Street
SYDNEY NSW 2000

Custodian
JP Morgan
85 Castlereagh Street
SYDNEY NSW 2000

Auditor
For the Trust
The Audit Office of New South Wales
Level 15
1 Margaret Street
SYDNEY NSW 2000

Pisco STC Funds Unit Trust No. 2

Annual report - 30 June 2013

Pisco STC Funds Unit Trust No. 2

Annual report - 30 June 2013

Contents **Page**

These financial statements cover Pisco STC Funds Unit Trust No. 2 as an individual entity.

The Trustee of Pisco STC Funds Unit Trust No. 2 is Fidante Partners Services Limited (ABN 44 119 605 373).
The Trustee's registered office is:

Level 15, 255 Pitt Street
SYDNEY NSW 2000

Directors' report

The directors of Fidante Partners Services Limited, the Trustee of Pisco STC Funds Unit Trust No. 2, present their report together with the financial statements of Pisco STC Funds Unit Trust No. 2 ('the Trust') for the year ended 30 June 2013.

Directors

The following persons held office as directors of STC Funds Nominee Pty Ltd during the year up to the date of transfer:

D Chessell
A Austin
G Matthews

On 22 April 2013, Fidante Partners Services Limited replaced STC Funds Nominee Pty Ltd as Trustee of the Trust. The following persons held office as directors of Fidante Partners Services Limited since the date of transfer and up to the date of this report:

R Willis (Chair)
B J O'Connor
P D Rogan
A Tobin
R J Woods

Principal activities

The principal activity of the Trust during the year was to invest in accordance with the provisions of the Trust Deed, being a 6.2% interest in the Challenger Limited and Mitsui Emerging Markets Infrastructure Fund (EMIF).

There were no significant changes in the nature of the Trust's activities during the year.

The Asset Manager of the Trust at the beginning of the year and up to 22 April 2013 was Access Capital Advisors Pty Ltd. From 22 April 2013, the Asset Manager of the Trust is Challenger Management Services Limited.

Review and results of operations

Results

The performance of the Trust, as represented by the results of its operations, was as follows:

	30 June 2013 $	30 June 2012 $
Net operating profit	**1,561,140**	2,080,325
Distribution paid and payable	**552,102**	247,920

Significant changes in state of affairs

On 22 April 2013, Fidante Partners Services Limited replaced STC Funds Nominee Pty Ltd as Trustee of the Trust.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Trust that occurred during the financial year.

Directors' report (continued)

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect:

(i) the operations of the Trust in future financial years, or
(ii) the results of those operations in future financial years, or
(iii) the state of affairs of the Trust in future financial years.

Likely developments

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust Deed.

Indemnity and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to the officers of Fidante Partners Services Limited. So long as the officers of Fidante Partners Services Limited act in accordance with the Trust Deed and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditors of the Trust are not indemnified out of the assets of the Trust.

Fees paid to and interests held in the Trust by the Trustee or its related entities

Fees paid to the Trustee and its related entities by SAS Trustee Corporation ("SAS Trustee") on behalf of the Trust during the year are disclosed in note 12 to the financial statements.

No fees were paid out of Trust property to the directors of the Trustee during the year.

The number of interests in the Trust held by the Trustee or its related entities as at the end of the financial year are disclosed in note 12 to the financial statements.

Interests in the Trust

The Trust is a closed fund with 7,803,435 units on issue.

Value of assets	**30 June 2013 $**	30 June 2012 $
Value of Trust assets at 30 June	**10,018,302**	8,732,079

The value of the Trust's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in note 2 to the financial statements.

Environmental regulation

The operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

This report is made in accordance with a resolution of directors.

B J O'Connor
Director

Sydney
13 September 2013

Statement of comprehensive income

	Notes	30 June 2013 $	30 June 2012 $
Income			
Dividend income		**552,102**	247,920
Net gains on financial instruments held at fair value through profit or loss	3	**1,476,771**	2,076,432
Net foreign exchange losses		**(467,733)**	(244,027)
Total income		**1,561,140**	2,080,325
Expenses			
Total expenses		**-**	-
Net profit before finance costs		**1,561,140**	2,080,325
Finance costs attributable to unitholders			
Distributions to unitholders	5	**(552,102)**	(247,920)
Increase in net assets attributable to unitholders	8	**(1,009,038)**	(1,832,405)
Other comprehensive income		**-**	-
Total comprehensive income for the year		**-**	-

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	**30 June 2013 $**	30 June 2012 $
Current assets			
Receivables	6	-	106
Total current assets		-	106
Non-current assets			
Financial assets held at fair value through profit or loss	7	**10,018,302**	8,731,973
Total non-current assets		**10,018,302**	8,731,973
Total assets		**10,018,302**	8,732,079
Current liabilities			
Total current liabilities		-	-
Non-current liabilities			
Total non-current liabilities		-	-
Total liabilities (excluding net assets attributable to unitholders)		-	-
Net assets attributable to unitholders - liability	8	**10,018,302**	8,732,079

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in net assets attributable to unitholders

	30 June 2013 $	30 June 2012 $
At 1 July - opening	**8,732,079**	5,491,672
Change in net assets attributable to unitholders	**1,009,038**	1,832,405
Calls of capital	**277,185**	1,408,002
Return of capital	**-**	-
At 30 June - closing	**10,018,302**	8,732,079

Net assets attributable to unitholders represents the liability to unitholders in the event the unitholders exercises its option to redeem its units.

The above statement of changes in net assets attributable to unitholders should be read in conjunction with the accompanying Note 8.

Statement of cash flows

	Notes	30 June 2013 $	30 June 2012 $
Cash flows from operating activities			
Dividends received		**552,102**	247,920
Net cash inflow from operating activities	13	**552,102**	247,920
Cash flows from investing activities			
Capital contributions to investments designated at fair value through profit or loss		**(277,185)**	(1,408,002)
Net cash outflow from investing activities		**(277,185)**	(1,408,002)
Cash flows from financing activities			
Proceeds from capital contributions by unitholders		**277,185**	1,408,002
Distributions paid		**(552,102)**	(247,920)
Net cash inflow/(outflow) from financing activities		**(274,917)**	1,160,082
Net increase/(decrease) in cash and cash equivalents		**-**	-
Cash and cash equivalents at the end of the year		**-**	-

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 General information

These financial statements cover Pisco STC Funds Unit Trust No. 2 ('the Trust') as an individual entity. The Trust is an Australian unregistered scheme and was constituted on 21 April 2008. The Trust will terminate in accordance with the provisions of the Trust Deed.

SAS Trustee Corporation Pooled Fund is the only unitholder of the Trust. The Trust is a controlled entity of SAS Trustee Corporation Pooled Fund.

The financial statements were authorised for issue by the directors on 13 September 2013.

The nature of the operating and principal activities of the Trust are described in the directors' report. The Trust is a for profit entity.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are presented in Australian dollars.

This is the Trust's first set of general purpose financial statements prepared in compliance with the Trust Deed, Australian Accounting Standards and *Public Finance and Audit Act 1983*. The requirements of AASB 1 have been considered and the comparatives represent the opening Australian Accounting Standards statement of financial position.

Prior to 22 April 2013, STC Funds Nominees Pty Limited as the Trustee was responsible for the preparation of financial statements. The previous Trustee prepared a special purpose financial statements for the year ended 30 June 2012.

(b) Financial instruments

(i) Classification

The Trust's investments are classified as at fair value through profit or loss. They comprise:

- Financial instruments designated at fair value through profit or loss upon initial recognition

  These include financial assets that are not held for trading purposes and which may be sold. These are investments in unlisted investment vehicles.

(ii) Recognition/derecognition

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the Trust has transferred substantially all risks and rewards of ownership.

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities held at fair value through profit and loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in the fair value recognised in the statement of comprehensive income.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

- *Fair value in an inactive or unquoted market*

  The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation methodology. These include the use of discounted cash flow models and recent comparable market transactions, or any other valuation methodology that provides a reliable estimate of prices obtained in actual market transactions.

  Where discounted cash flow methodology is used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date. For other pricing models, inputs are based on market data at the end of the reporting period. Where valuations are used to determine fair value, they are determined by an independent expert.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the reporting date if unitholders exercised their right to redeem units in the Trust.

(d) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of investment interests designated at fair value are classified as cash flows from investing activities, as movements in the fair value of these interests represent the Trust's investment activity.

(e) Investment income

Dividend income is recognised on the ex-dividend date when the right to receive payment is established with any related foreign withholding tax recorded as an expense.

(f) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

(g) Income tax

Under current legislation, the Trust is not subject to income tax as unitholders are presently entitled to the income of the Trust.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Trust is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Trust to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

2 Summary of significant accounting policies (continued)

(h) Distributions

In accordance with the Trust Deed, the Trust distributes income adjusted for amounts determined by the Trustee, to unitholders by cash. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(i) Change in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

(j) Receivables

Receivables may include amounts for dividends, and are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

(k) Payables

The distribution amount payable to unitholders as at the reporting date is recognised separately on the statement of financial position when unitholders are presently entitled to the distributable income under the Trust Deed.

(l) Foreign currency

Transactions in foreign currencies are translated into presentation currency, Australian dollars, at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Australian dollars at the foreign exchange rate ruling at the reporting date.

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the transaction. Non monetary items measured at fair value in a foreign currency shall be translated to Australian dollars using the exchange rates ruling at the date when the fair value was determined.

The AUD/USD foreign exchange rate as at 30 June 2013 is 0.9154 (2012: 1.0251). The average AUD/USD foreign exchange rate for the year ended 30 June 2013 was 1.0267 (2012: 1.0328).

(m) Use of estimates

The Trust holds financial assets which are determined based on estimates and assumptions of future events. Financial assets are fair valued every six months using valuation methodology as described in Note 7. Where valuation methodology (for example, discounted cash flow models) is used to determine fair values, the valuation range is determined by an independent expert.

Models use observable data, to the extent practicable. Changes in assumptions could materially affect the reported fair value of financial instruments.

(n) Terms and conditions on units

Each unit issued confers upon the unitholder an equal interest in the Trust, and is of equal value per class. A unit does not confer any interest in any particular asset or investment of the Trust. Unitholders have various rights under the Trust Deed, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding of the Trust.

The rights, obligations and restrictions attached to each unit are identical in all respects.

2 Summary of significant accounting policies (continued)

(o) New accounting standards and interpretations

There were no new or revised accounts standards and interpretations adopted in the financial statements which had an effect on the Trust's financial position as at 30 June 2013 or its performance for the year then ended.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set out below:

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2015. The current four categories of financial assets, stipulated in AASB 139 *Financial Instruments: Recognition and Measurement*, will be replaced with two measurement categories: fair value and amortised cost. AASB 9 only permits the recognition of fair value gains/(losses) in other comprehensive income if they relate to equity investments that are not held for trading. The Trust does not expect any significant impact on the financial statements arising from an adoption of the Standard.

(ii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The new rules will have minimal impact on the amounts recognised in the financial statements, however, application of the new standard will impact the type of information disclosed in the notes to the financial statements in relation to fair value measurements. The Trust has not adopted the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

3 Net gains on financial instruments held at fair value through profit or loss

Net gains recognised in relation to financial assets held at fair value through profit or loss:

	30 June 2013 $	30 June 2012 $
Designated as at fair value	**1,476,771**	2,076,432
Net gains/(losses) on financial instruments held at fair value through profit or loss	**1,476,771**	2,076,432

4 Auditor's remuneration

The cost incurred for auditing the financial report of the Trust is paid directly by SAS Trustee on behalf of the Trust. The audit fees paid/payable by SAS Trustee in respect of the Trust for the year were $10,000 (2012: $Nil).

5 Distributions to unitholders

Timing of distributions

The distributions for the year were as follows:

	30 June 2013 $	30 June 2012 $
Distributions paid	**552,102**	247,920
	552,102	247,920

The component of the final distribution for the year which was unpaid at the reporting date is shown in the statement of financial position.

6 Receivables

The following details the amounts receivable by the Trust:

	30 June 2013 $	30 June 2012 $
Other receivables	-	106
	-	106

7 Financial assets held at fair value through profit or loss

	30 June 2013 $	30 June 2012 $
Designated at fair value through profit or loss		
Unlisted investment - EMIF	**10,018,302**	8,731,973
Total financial assets held at fair value through profit or loss	**10,018,302**	8,731,973

The fair value has been determined using the Manager's valuation of EMIF's underlying assets.

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in note 11.

8 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

As stipulated within the Trust's Constitution, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights, preferences and restrictions attaching to it as all other units of the Trust.

	Units $	**Contributed Unit Capital** $	**Retained Earnings** $	**Total** $
2013				
Opening balance	**106**	**7,443,818**	**1,288,155**	**8,732,079**
Return of capital	**-**	**-**	**-**	**-**
Calls on capital	**-**	**277,185**	**-**	**277,185**
Increase/(decrease) in net assets attributable to unitholders	**-**	**-**	**1,009,038**	**1,009,038**
Closing balance	**106**	**7,721,003**	**2,297,193**	**10,018,302**

	Units $	Contributed Unit Capital $	Retained Earnings $	Total $
2012				
Opening balance	106	6,035,816	(544,250)	5,491,672
Return of capital	-	-	-	-
Calls on capital	-	1,408,002	-	1,408,002
Increase/(decrease) in net assets attributable to unitholders	-	-	1,832,405	1,832,405
Closing balance	106	7,443,818	1,288,155	8,732,079

Capital risk management

The Trust considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

The Trust receives dividends and pays distributions. All Trust expenses were paid by SAS Trustee on behalf of the Trust during the year.

9 Capital commitments

The total unpaid capital commitment for the Trust as at 30 June 2013 is $13,179,359. This can be called on by EMIF until 30 June 2014, otherwise this commitment lapses.

10 Derivative financial instruments

The Trust held no derivative financial instruments at 30 June 2013 (2012: Nil).

11 Financial risk management

(a) Overview

The Trust's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk.

The Trustee of the Trust is aware of the risks associated with the business of investment management. A financial risk management framework has been established to ensure that procedures and controls adequately manage the risks arising from current business activities. Central controls include (but are not limited to):

- clear policies and procedures covering operations;
- segregation of the dealing and investment management function from the administration and settlement function;
- an independent service provider for the valuation of securities; and
- a compliance function with a separate reporting line from the Funds Management team.

As part of the risk management framework, the Trustee is subject to regular reporting and committee meetings regarding risk and compliance issues. The purpose is to facilitate a flow of information between the Trust and the Trustee's Board. Any material matters identified are promptly investigated and reported.

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Trust's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Trust is exposed to market risks influencing investment valuations. The Trust may utilise derivatives to manage this risk.

(i) Price risk

Price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. Investments are classified in the statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

As the majority of the Trust's investments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect net investment income.

(ii) Foreign exchange risk

Trusts that invest in international assets are exposed to foreign exchange risk. Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Trust holds an unlisted investment in assets in Chile denominated in US Dollars, hence foreign exchange movements impact the reported value in the statement of financial position.

(iii) Cash flow and fair value interest rate risk

The majority of the Trust's financial instruments are non interest bearing with only cash and cash equivalents being directly subject to interest rate risk.

11 Financial risk management (continued)

(c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Trust's operating profit and net assets attributable to unitholders to price and foreign exchange risk for financial assets held at the balance date. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in fair values. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies and market specific risks in which the Trust invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Impact on operating profit/Net assets attributable to unitholders			
	Price risk		Foreign exchange risk	
	-10%	+10%	-10% USD	+10% USD
	$	$	$	$
30 June 2013	**(1,001,830)**	**1,001,830**	**(1,113,145)**	**910,755**
30 June 2012	(873,197)	873,197	(970,219)	793,816

(d) Credit risk

Credit risk is not considered to be significant to the Trust as the Trust does not hold any direct investments in debt securities or have significant receivables.

(e) Liquidity risk

The Trust does not incur expenses as they are paid by SAS Trustee Corporation, Trustee of the ultimate parent entity, SAS Trustee Corporation Pooled Fund.

Under the terms of the Trust Deed, the Trust has the ability to manage liquidity risk by delaying redemptions to unitholders, if necessary, until the funds are available to pay them.

Maturity analysis for financial liabilities

There are no financial liabilities.

(f) Fair value estimation

All financial assets and financial liabilities included in the statement of financial position are carried at fair value.

The carrying amounts of the Trust's financial assets and financial liabilities at the end of each reporting period approximate their fair values.

The Trust values its investments in accordance with the accounting policies set out in note 2 . For the majority of its investments, the Trust relies on information provided by an independent valuation expert for the valuation of its investments.

(g) Fair value hierarchy

The Trust classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

11 Financial risk management (continued)

(g) Fair value hierarchy (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Trustee. The Trustee considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The tables below set out the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy.

30 June 2013

	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted investment - EMIF	**-**	**-**	**10,018,302**	**10,018,302**
Total	**-**	**-**	**10,018,302**	**10,018,302**

30 June 2012

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted investment - EMIF	-	-	8,731,973	8,731,973
Total	-	-	8,731,973	8,731,973

The investment in EMIF is classified as a level 3 investment.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. As observable prices are not available for this investment, the Trustee has used valuation methodology to derive fair value.

The fair value has been determined using the Manager's valuation of EMIF's underlying assets.

11 Financial risk management (continued)

(g) Fair value hierarchy (continued)

(i) Movement in level 3 instruments

The following tables present the movements in level 3 instruments for the Trust by class of financial instrument.

Unlisted investment - EMIF

	30 June 2013 $	30 June 2012 $
Opening balance	**8,731,973**	5,491,566
Capital returns	**-**	-
Capital contributions	**277,185**	1,408,002
Transfers into level 3	**106**	-
Income distributions paid	**(552,102)**	(247,920)
Gains and losses recognised in profit or loss	**1,561,140**	2,080,325
Closing balance	**10,018,302**	8,731,973
Total increase for the year included in the statement of comprehensive income for financial assets held at the end of the year	**1,561,140**	2,080,325

12 Related party transactions

Responsible entity

The Trustee of Pisco STC Funds Unit Trust No. 2 at the beginning of the year and up to 22 April 2013 was STC Funds Nominee Pty Ltd (retiring Trustee), whose immediate parent company is Access Capital Advisors Pty Ltd. From 22 April 2013, Fidante Partners Services Limited was appointed Trustee, whose immediate parent company is Challenger Funds Management Holdings Pty Limited and ultimate parent company is Challenger Limited.

Key management personnel

(a) Directors

Key management personnel includes persons who were directors of STC Funds Nominee Pty Ltd during the year up to the date of transfer:

D Chessell
A Austin
G Matthews

Key management personnel includes persons who were directors of Fidante Partners Services Limited since the date of transfer and up to the date of the report as follows:

R Willis (Chair)
B J O'Connor
P D Rogan
A Tobin
R J Woods

(b) Other key management personnel

The Trustee is considered to be the key management personnel with authority for the strategic direction and management of the Trust.

The Asset Manager, Challenger Management Services Limited, is a related party to the Trust by way of ultimate ownership by Challenger Limited.

12 Related party transactions (continued)

Key management personnel unitholdings

At 30 June 2013 no key management personnel held units in the Trust (2012: Nil).

Key management personnel compensation

No amount is paid by the Trust directly to the directors of the Trustee.

Compensation is paid to the Trustee in the form of fees and is disclosed below.

Trustee's fees and other transactions

From 1 July 2012 to the effective transfer date of 22 April 2013, the retiring Trustee received a fee of approximately 50 basis points of fair value plus disbursements, paid by SAS Trustee Corporation on behalf of the Trust.

From the effective transfer date, in accordance with the Trust Deed, the Trustee received a total fee of $Nil (2012: $Nil), paid by SAS Trustee Corporation on behalf of the Trust.

All related party transactions are conducted on normal commercial terms and conditions.

13 Reconciliation of profit to net cash inflow from operating activities

	30 June 2013 $	30 June 2012 $
Net profit attributable to unitholders	**1,561,140**	2,080,325
Change in the fair value of financial assets	**(1,476,771)**	(2,076,432)
Foreign exchange losses	**467,733**	244,027
Net cash inflow from operating activities	**552,102**	247,920

14 Events occurring after the reporting period

No significant events have occurred since the reporting date which would impact on the financial position of the Trust as at 30 June 2013 or on the results and cash flows of the Trust for the year ended on that date.

15 Contingent assets and liabilities and other commitments

There are no outstanding contingent assets, liabilities or other commitments as at 30 June 2013 (2012: $Nil).

Directors' declaration

In accordance with the resolution of the Directors of Fidante Partners Services Limited, I state that:

In the opinion of the directors of the Trustee:

(a) the financial statements and notes set out on pages 4 to 18 are in accordance with sections 41C(1B) and 41C(1C) of *Public Finance and Audit Act 1983*, Clause 7 of the *Public Finance and Audit Regulation 2010* including:

  (i) complying with the provisions of the *Public Finance and Audit Act 1983*, *Public Finance and Audit Regulation 2010* and Australian Accounting Standards (including the Australian Accounting Intrepretations) as disclosed in Note 2(a); and

  (ii) giving a true and fair view of the Trust's financial position as at 30 June 2013 and of its performance for the financial year ended on that date.

(b) the financial statements and notes are in accordance with with the requirements of the Trust Deed, and:

(c) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Board of Fidante Partners Services Limited.

B J O'Connor
Director

Sydney
13 September 2013

INDEPENDENT AUDITOR'S REPORT

Pisco STC Funds Unit Trust No.2

To Members of the New South Wales Parliament and Unitholders of Pisco STC Funds Unit Trust No.2

I have audited the accompanying financial statements of Pisco STC Funds Unit Trust No.2 (the Trust), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion the financial statements:

- give a true and fair view of the Trust's financial positions as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

Trustee's Responsibility for the Financial Statements

The Trustee is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act and for such internal control as the Trustee determines is necessary to enable the preparation of the financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustee, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Level 15, 1 Margaret Street, Sydney NSW 2000 | GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | e mail@audit.nsw.gov.au | audit.nsw.gov.au

My opinion does *not* provide assurance:

- about the future viability of the Trust
- that the Trust carried out its activities effectively, efficiently and economically
- about the effectiveness of their internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their roles by the possibility of losing clients or income.

James Sugumar
Director, Financial Audit Services

13 September 2013
SYDNEY

Directory

Trustee
Fidante Partners Services Limited
ABN 44 119 605 373
AFSL 320505

Registered office and principal place of business
Level 15
255 Pitt Street
SYDNEY NSW 2000

Custodian
JP Morgan
85 Castlereagh Street
SYDNEY NSW 2000

Auditor
For the Trust
The Audit Office of New South Wales
Level 15
1 Margaret Street
SYDNEY NSW 2000

t: 9275 7100
ref: D1320653/1092

Mr Jeremy A Don
Director
Valley Commerce Pty Ltd
C/-Deutsche Australia Limited
GPO Box 7033
SYDNEY NSW 2000

31 July 2013

Dear Mr Don

STATUTORY AUDIT REPORT

for the Year Ended 30 June 2013

Valley Commerce Pty Limited

I have audited the financial statements of Valley Commerce Pty Limited as required by the *Public Finance and Audit Act 1983* (the Act. This Statutory Audit Report outlines the results of my audit for the year ended 30 June 2013, and details matters I found during my audit **that are relevant to you in your role as one of those charged with the governance of Valley Commerce Pty Limited**. The Act requires that I send this report to the Company, the Minister and the Treasurer.

This report is not the Independent Auditor's Report, which expresses my opinion on Valley Commerce Pty Limited's financial statements **I have enclosed the Independent Auditor's Report, together with Valley Commerce Pty Limited's financial statements.**

My audit is designed to obtain reasonable assurance the financial statements are free from material misstatement. It is not designed to identify and report all matters you may find of governance interest. Therefore, other governance matters may exist, which have not been reported to you.

My audit is continuous. If I identify further significant matters, I will report these to you immediately.

Audit Result

I expressed an unmodified opinion on Valley Commerce Pty Limited's financial statements and I have not identified any significant matters since my previous Statutory Audit Report.

Misstatements in the Financial Statements

The financial statements did not contain any misstatements.

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Compliance with Legislative Requirements

My audit procedures are targeted specifically towards forming an opinion on Valley Commerce Pty Limited's financial statements. This includes testing whether Valley Commerce Pty Limited has complied with legislative requirements that may materially impact on the financial statements. The results of the audit are reported in this context. My testing did not identify any instances of non-compliance with legislative requirements.

Management Letter

As no matters have come to my attention, I will not issue a Management Letter.

Acknowledgment

I thank the staff of Deutsche Australia Limited for their courtesy and assistance.

Yours sincerely

James Sugumar
Director, Financial Audit Services

VALLEY COMMERCE PTY LIMITED

A.C.N. 004 530 787

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Contents:

AUDITOR-GENERAL
NEW SOUTH WALES

INDEPENDENT AUDITOR'S REPORT

Valley Commerce Pty Limited

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Valley Commerce Pty Limited (the Company), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Director's Responsibility for the Financial Statements

The Director is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Director determines is necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Company
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their roles by the possibility of losing clients or income.

James Sugumar
Director, Financial Audit Services

31 July 2013
SYDNEY

VALLEY COMMERCE PTY LIMITED

A.C.N. 004 530 787

DIRECTOR'S STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013

Pursuant to the *Public Finance and Audit Act 1983*, I declare on behalf of the Company that in my opinion:

1. The accompanying financial statements exhibit a true and fair view of the financial position of Valley Commerce Pty Limited as at 30 June 2013.

2. The financial statements have been prepared in accordance with the Australian Accounting Standards, the provisions of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010*.

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 31st day ofJuly, 2013 in accordance with a resolution of the Director.

Director ....

VALLEY COMMERCE PTY LIMITED

A.C.N. 004 530 787

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 June 2013

	Note	2013 $	2012 $
Revenues from Continuing Operations		-	-
Expenses from Continuing Operations		-	-
Profit from Continuing Operations before Income Tax		-	-
Income tax expense		-	-
Profit for the year		-	-
Other Comprehensive Income		-	-
Income tax expense on other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		-	-

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

VALLEY COMMERCE PTY LIMITED

A.C.N. 004 530 787

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	2013 $	2012 $
Total assets		-	-
Total liabilities		-	-
Net assets		-	-
Equity			
Contributed Equity	4	8	8
Reserves		21,354,145	21,354,145
Accumulated Losses		(21,354,153)	(21,354,153)
Total equity		-	-

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

VALLEY COMMERCE PTY LIMITED

A.C.N. 004 530 787

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
Total equity at the beginning of the financial year		-	-
Other comprehensive income		-	-
Profit for the year		-	-
Total comprehensive income for the year		-	-
Transactions with equity holders in their capacity as equity holders		-	-
Total transactions with equity holders		-	-
Total equity at the end of the financial year		-	-

The above Statement of Changes In Equity should be read in conjunction with the accompanying notes.

VALLEY COMMERCE PTY LIMITED

A.C.N. 004 530 787

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	2013 Inflow/ (Outflow) $	2012 Inflow/ (Outflow) $
Cash flows from operating activities		
Net cash flows from operating activities	-	-
Cash flows from investing activities		
Net cash flows from investing activities	-	-
Cash flows from financing activities		
Net cash flows from financing activities	-	-
Net cash flows from activities	-	-
Cash and cash equivalents at the beginning of the financial year	-	-
Cash and cash equivalents at the end of the financial year	-	-

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

VALLEY COMMERCE PTY LIMITED

A.C.N. 004 530 787

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2013

1. Principal Activity

The Company has been dormant during the twelve months ended 30 June 2013 and twelve months ended 30 June 2012.

The financial statements were authorised by the Directors on 31 July 2013.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Company's financial statements are general purpose financial statements, which have been prepared on an accrual basis and in accordance with:

- the *Public Finance and Audit Act 1983*
- the *Public Finance and Audit Regulation 2010*
- applicable Australian Accounting Standards and Australian Accounting Interpretations

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

The financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest dollar and are expressed in Australian currency.

Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

Revenue Recognition

Revenue is recognised when the entity has control of the good or right to receive, it is probable that the economic benefits will flow to the entity and the amount of revenue can be measured reliably.

Employee Benefits

The Company has no employees.

VALLEY COMMERCE PTY LIMITED

A.C.N. 004 530 787

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2013

Notes to the Financial Statements (continued)

Insurance

The Company has no insurance activities.

Accounting for the Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- the amount of GST incurred as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- Receivables and payables are stated with the amount of GST included.

Acquisition of Assets

The Company has not acquired any assets.

Plant and Equipment

The Company has no plant and equipment.

Depreciation of Non-Current Property, Plant and Equipment

The Company has no non-current Property, plant and equipment.

Maintenance and Repairs

No maintenance and repairs were undertaken during the financial year.

Receivables

Receivables are recognised at amortised cost less impairment. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Payables

These amounts represent liabilities for goods and services provided to the Company and other amounts, including interest. Interest is accrued over the period it becomes due.

VALLEY COMMERCE PTY LIMITED

A.C.N. 004 530 787

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2013

Notes to the Financial Statements (continued)

Budgeted amounts

The Company has no budget.

3. Auditor's Remuneration

	30 June 2013 $	30 June 2012 $
Total amount receivable by the auditors of the company for:		
(a) Audit of the Company's Accounts (GST Inclusive)	2,310	2,200
(b) Other services	-	-
	2,310	2,200

Audit Fees of the Company are paid by the Parent Entity of the Company - STC.
The Auditor of the Company is The Audit Office of NSW.

4. Contributed Equity

Contributed equity includes issued capital comprising 8 shares at $1.00 each, the same in 2012.

5. Contingent Liabilities

The Company has no contingent liabilities as at the date of this report.

6. Commitments for Expenditure

The Company has no commitment for expenditure as at the date of this report.

7. Financial Reporting by Segments

The Company operates in one geographical area being NSW, Australia.

VALLEY COMMERCE PTY LIMITED

A.C.N. 004 530 787

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2013

Notes to the Financial Statements (continued)

8. Key Management Personnel Compensation

	30 June 2013 $	30 June 2012 $
Total due and payable by the Company during the year	-	-

9. Related Party Information

(a) From 15 July 1997 the Parent Entity is SAS Trustee Corporation (STC).

(b) Director of the Company is Jeremy A. Don.

10. Material Assistance Provided at no cost to the Company

	30 June 2013 $	30 June 2012 $
• Lodgement fees (GST exempt)	288.50	226.50
• Audit fees (GST inclusive)	2,310.00	2,200.00
	2,598.50	2,426.50

It is not possible to quantify the value of specific assistance provided by staff of Deutsche Australia Limited in relation to administrative, accounting and legal support.

End of Audited Financial Statements.

t: 9275 7100
ref: D1320648/1083

Mr Jeremy Don
Director
Buroba Pty Ltd
c/- Deutsche Australia Limited
GPO Box 7033
SYDNEY NSW 2000

31 July 2013

Dear Mr Don

STATUTORY AUDIT REPORT

for the Year Ended 30 June 2013

Buroba Pty Limited

I have audited the financial statements of Buroba Pty Limited as required by the *Public Finance and Audit Act 1983* (the Act). This Statutory Audit Report outlines the results of my audit for the year ended 30 June 2013, and details matters I found during my audit that are relevant to you in your role as one of those charged with the governance of Buroba Pty Limited. The Act requires that I send this report to the Company, the Minister and the Treasurer.

This report is not the Independent Auditor's Report, which expresses my opinion on Buroba Pty Limited's financial statements I have enclosed the Independent Auditor's Report, together with Buroba Pty Limited's financial statements.

My audit is designed to obtain reasonable assurance the financial statements are free from material misstatement. It is not designed to identify and report all matters you may find of governance interest. Therefore, other governance matters may exist, which have not been reported to you.

My audit is continuous. If I identify further significant matters, I will report these to you immediately.

Audit Result

I expressed an unmodified opinion on Buroba Pty Limited's financial statements and I have not identified any significant matters since my previous Statutory Audit Report.

Misstatements in the Financial Statements

The financial statements did not contain any material misstatements.

Compliance with Legislative Requirements

My audit procedures are targeted specifically towards forming an opinion on Buroba Pty Limited's financial statements. This includes testing whether Buroba Pty Limited has complied with legislative requirements that may materially impact on the financial statements. The results of the audit are reported in this context. My testing did not identify any instances of non-compliance with legislative requirements.

Acknowledgment

I thank the staff of Deutsche Australia Limited for their courtesy and assistance.

Yours sincerely

James Sugumar

James Sugumar
Director, Financial Audit Services

BUROBA PTY LTD

A.C.N. 065 388 150

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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INDEPENDENT AUDITOR'S REPORT

Buroba Pty Limited

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Buroba Pty Limited (the Company), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Director's Responsibility for the Financial Statements

The Director is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Director determines is necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director, as well as evaluating the overall presentation of the financial statements.

Level 15, 1 Margaret Street, Sydney NSW 2000 | GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | e mail@audit.nsw.gov.au | audit.nsw.gov.au

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Company
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their roles by the possibility of losing clients or income.

James Sugumar
Director, Financial Audit Services

31 July 2013
SYDNEY

BUROBA PTY LTD

A.C.N. 065 388 150

DIRECTOR'S STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013

Pursuant to the *Public Finance and Audit Act 1983*, I declare on behalf of the Company that in my opinion:

1. The accompanying financial statements exhibit a true and fair view of the financial position of Buroba Pty Ltd as at 30 June 2013.

2. The financial statements have been prepared in accordance with the Australian Accounting standards, the provisions of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010*.

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 31st day of July, 2013 in accordance with a resolution of the Director.

Director ....

BUROBA PTY LTD

A.C.N. 065 388 150

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
Revenues from Continuing Operations		-	-
Expenses from Continuing Operations		-	-
Profit from Continuing Operations before Income Tax		-	-
Income tax expense		-	-
Profit for the year		-	-
Other comprehensive income		-	-
Income tax expense on other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		-	-

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

BUROBA PTY LTD

A.C.N. 065 388 150

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	2013 $	2012 $
Current Assets			
Cash and Cash Equivalents		2	2
Total assets		2	2
Total liabilities		-	-
Net assets		2	2
Equity			
Contributed Equity	4	2	2
Total equity		2	2

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

BUROBA PTY LTD

A.C.N. 065 388 150

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
Total equity at the beginning of the financial year		2	2
Other comprehensive income		-	-
Profit for the year		-	-
Total comprehensive income for the year		-	-
Transactions with equity holders in their capacity as equity holders		-	-
Total transactions with equity holders		-	-
Total equity at the end of the financial year		2	2

The above Statement of Changes In Equity should be read in conjunction with the accompanying notes.

BUROBA PTY LIMITED

A.C.N. 065 388 150

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	2013 Inflow/ (Outflow) $	2012 Inflow/ (Outflow) $
Cash flows from operating activities		
Net cash flows from operating activities	-	
Cash flows from investing activities		
Net cash flows from investing activities	-	-
Cash flows from financing activities		
Net cash flows from financing activities		-
Net cash flows from activities	-	-
Cash and cash equivalents at the beginning of the financial year	2	2
Cash and cash equivalents at the end of the financial year	2	2

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

BUROBA PTY LTD

A.C.N. 065 388 150

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2013

1. Principal Activity

The Company has been dormant during the twelve months ended 30 June 2013 and twelve months ended 30 June 2012.

The financial statements were authorised by the Directors on 31 July 2013.

2. Significant Accounting Policies

Basis of Accounting

The Company's financial statements are general purpose financial statements, which have been prepared on an accrual basis and in accordance with:

- *the Public Finance and Audit Act 1983*
- *the Public Finance and Audit Regulation 2010*
- applicable Australian Accounting Standards and Australian Accounting Interpretations

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

The financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest dollar and are expressed in Australian currency.

Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

Revenue Recognition

Revenue is recognised when the entity has control of the good or right to receive, it is probable that the economic benefits will flow to the entity and the amount of revenue can be measured reliably.

Employee Benefits

The Company has no employees.

BUROBA PTY LTD

A.C.N. 065 388 150

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2013

Notes to the Financial Statements (continued)

Insurance

The Company has no insurance activities.

Accounting for the Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- The amount of GST incurred as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables and payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Acquisition of Assets

The Company has not acquired any assets.

Plant and Equipment

The Company has no plant and equipment.

Depreciation of Non-Current Property, Plant and Equipment

The Company has no non-current Property, plant and equipment.

Maintenance and Repairs

No maintenance and repairs were undertaken during the financial year.

Receivables

Receivables are recognised at amortised cost less impairment. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Payables

These amounts represent liabilities for goods and services provided to the Company and other amounts, including interest. Interest is accrued over the period it becomes due.

BUROBA PTY LTD

A.C.N. 065 388 150

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2013

Notes to the Financial Statements (continued)

Budgeted amounts

The Company has no budget.

3. Auditor's Remuneration

	30 June 2013 $	30 June 2012 $
Total amount receivable by the auditors of the company for:		
(a) Audit of the Company's Accounts (GST Inclusive)	2,310	2,200
(b) Other services	-	-
	2,310	2,200

Audit Fees of the Company are paid by the Parent Entity of the Company - STC.
The Auditor of the Company is The Audit Office of NSW.

4. Contributed Equity

Contributed equity comprises issued capital of 2 shares at $1.00 each, the same in 2012.

BUROBA PTY LTD

A.C.N. 065 388 150

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2013

Notes to the Financial Statements (continued)

5. Contingent Liabilities

There are no contingent liabilities as at 30 June 2013 for Buroba Pty Ltd.

6. Commitments for Expenditure

The Company has no commitment for expenditure as at the date of this report.

7. Financial Reporting by Segments

The Company operates in one geographical area being NSW, Australia.

BUROBA PTY LTD

A.C.N. 065 388 150

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2013

Notes to the Financial Statements (continued)

8. Key Management Personnel Compensation

	30 June 2013 $	30 June 2012 $
Total due and payable by the Company during the year	-	-

9. Related Party Information

(a) From 15 July 1997 the Parent Entity is SAS Trustee Corporation (STC).

(b) Director of the Company is Jeremy A. Don.

10. Material Assistance Provided at no cost to the Company

	30 June 2013 $	30 June 2012 $
• Lodgement fees (GST exempt)	227	505
• Audit fees (GST inclusive)	2,310	2,200
	2,537	2,705

It is not possible to quantify the value of specific assistance provided by staff of Deutsche Australia Limited in relation to administrative, accounting and legal support.

End of Audited Financial Statements.

State Infrastructure Trust

ABN 50 580 647 086

Annual Financial Report for

Year ended 30 June 2013

State Infrastructure Trust

ABN 50 580 647 086

Annual Financial Report
For year ended 30 June 2013

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Statement of comprehensive income

	Notes	Consolidated For year ended 30 June 2013 $	Consolidated For year ended 30 June 2012 $	SIT For year ended 30 June 2013 $	SIT For year ended 30 June 2012 $
Revenue					
Interest income	3	3,136	8,402	3,136	8,402
Other income	4	-	-	2	-
Total revenue		3,136	8,402	3,138	8,402
Expenses					
Loss on receivable from Subsidiary		-	-	-	17,146
Trustee fees		18,747	26,527	18,747	26,527
Registry fees		2,704	5,305	2,704	5,305
Legal fees		4,344	1,238	4,344	(614)
Accounting service fees		4,703	9,550	4,703	9,550
Tax agent fees		13,943	9,350	13,943	9,350
Audit fees	10	4,703	10,450	4,703	10,450
Bank charges		264	255	264	255
ASIC fee		-	227	-	-
Total expenses		49,407	62,902	49,407	77,969
Income / (Loss) before transactions with unitholder		(46,271)	(54,500)	(46,269)	(69,567)
Net loss attributable to unitholder					
Distributions to unitholder during the year		-	-	-	-
Decrease (increase) in net assets attributable to unitholder		46,271	54,500	46,269	69,567
Net profit / (loss)		-	-	-	-
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	-	-

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	Consolidated 30 June 2013 $	Consolidated 30 June 2012 $	SIT 30 June 2013 $	SIT 30 June 2012 $
Assets					
Cash and cash equivalents	5	74,319	131,821	74,319	131,821
GST receivable		1,238	1,614	1,238	1,614
Interest receivable		152	385	152	385
Total assets		75,709	133,820	75,709	133,820
Liabilities					
Fees payable	6	24,750	36,590	24,750	36,590
Payable to Subsidiary		-	-	-	2
Total liabilities (excluding net assets attributable to unitholder)		24,750	36,590	24,750	36,592
Net assets attributable to unitholder - liability	7(b)	50,959	97,230	50,959	97,228

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

	Notes	Consolidated 2013 $	Consolidated 2012 $	SIT 2013 $	SIT 2012 $
Net assets attributable to unitholder at the beginning of the financial year	7(b)	97,230	151,730	97,228	166,795
Units issued during the financial year		-	-	-	-
Units redeemed or otherwise cancelled during the financial year		-	-	-	-
Changes in net assets attributable to unitholder		(46,271)	(54,500)	(46,269)	(69,567)
Closing net assets attributable to unitholder		50,959	97,230	50,959	97,228

The above statement of changes in equity should be read in conjunction with the accompanying notes

Statement of cash flows

	Notes	Consolidated For year ended 30 June 2013 $	Consolidated For year ended 30 June 2012 $	SIT For year ended 30 June 2013 $	SIT For year ended 30 June 2012 $
Cash flows from operating activities					
Interest & other income received		6,415	12,737	6,415	12,737
Expenses paid		(63,917)	(141,130)	(63,917)	(141,130)
Net cash (used in) / provided by operating activities	8	(57,502)	(128,393)	(57,502)	(128,393)
Cash flows from investing activities					
Net cash provided used in investing activities		-	-	-	-
Cash flows from financing activities					
Net cash provided by financing activities		-	-	-	-
Net increase/(decrease) in cash and cash equivalents held		(57,502)	(128,393)	(57,502)	(128,393)
Cash and cash equivalents at the beginning of the period		131,821	260,214	131,821	260,214
Cash and cash equivalents at the end of the period		**74,319**	**131,821**	**74,319**	**131,821**

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

1 General Information

State Infrastructure Trust (SIT) was created under the Trust Deed dated 23 August 2010. Perpetual Corporate Trust Limited was appointed as Trustee and Deutsche Asset Management (Australia) Limited was appointed as Manager of the Trust up to 13 June 2013. Subsequently, Deutsche Australia Limited was appointed as the new Manager of the Trust. The trustee has assessed the consolidated entity as a for-profit entity for financial reporting purposes.

The financial statements were authorised for issue by the Manager on 17 July 2013.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with the Constitution, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the Public Finance and Audit Act 1983.

The financial statements are presented in Australian dollars. The financial statements are prepared in accordance with the historical cost convention, except for bond assets which are carried at fair value.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months.

(b) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(c) Interest income

Interest Revenue is recognised as interest accrues using the effective interest method.

(d) Net assets attributable to Unitholder

Units issued by the Trust provide the unitholder with the right to put them back to the Trust at the prevailing redemption price. As such, AIFRS ('Australian International Financial Reporting Standards') requires net assets attributable to unitholders to be classified and disclosed as a liability in the Statement of Financial Position with changes in the amount of this balance being reflected in the Statement of Comprehensive Income (AASB 139 Financial instruments: Recognition and Measurement requires changes in the value of a financial liability to be taken through the Statement of Comprehensive Income).

(e) Expenses

Expenses are brought to account in the Statement of Comprehensive Income on an accruals basis.

(f) Distributions to Unitholder

In accordance with the Trust Deed, the Trust fully distributes its distributable income to unitholders. Such distributions are determined by reference to the taxable income of the Trust.

(g) Cash and cash equivalents

Cash comprises current deposits with banks.

(h) Receivables

Receivables represent GST receivable from ATO.

(i) Payables

Payables include liabilities and accrued expenses owing by the Trust which are unpaid as at the end of the reporting period.
The distribution amount payable to unitholders as at the reporting date is recognised separately in the statement of financial position when unitholders are presently entitled to the distributable income under the Trust Deed.

(j) New Australian Accounting standards issued but not yet effective

A number of Australian Accounting standards are not yet effective and have not been applied. None of these are expected to have a significant effect on the financial statements of the Trust.

(k) Loan and Advances

Loans and advances are recorded at amortised cost using effective yield method less impairment. Loans and advances comprise of loans to dealers. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period to the financial instrument's net carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

(l) Taxation

Under current legislation the Trust is not subject to income tax provided the unitholders are presently entitled to the income of the Trust and the Trust fully distributes its taxable income.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except;

a) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense in the income statement; or
b) For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(n) Applications and Redemptions

Applications and Redemptions do not incur any entry or exit fees.

(o) Subsidiaries

The State Infrastructure Trust and its subsidiary, State Infrastructure (SEA Gas) Pty Ltd, are together referred to in this financial report as the group or the consolidated entity. The Directors of State Infrastructure (SEA Gas) Pty Ltd resolved to voluntarily wind up and de-register the entity on 28 October 2012. The consolidated financial statements incorporate the results of the subsidiary until the date of de-registration.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

	Consolidated		SIT	
	2013	2012	2013	2012
3. Interest income				
Bank interest	3,136	8,402	3,136	8,402
	3,136	**8,402**	**3,136**	**8,402**
4. Other income				
Write-off of payable to SIH	-	-	2	-
	-	**-**	**2**	**-**
5. Cash and cash equivalents				
Cash at bank	74,319	131,821	74,319	131,821
	74,319	**131,821**	**74,319**	**131,821**
6. Fees payable				
Tax agent fees	12,100	9,350	12,100	9,350
Accounting fees	4,950	10,450	4,950	10,450
Audit fees	4,950	8,250	4,950	8,250
Registry fees	1,375	1,423	1,375	1,423
Trustee fees	1,375	7,117	1,375	7,117
	24,750	**36,590**	**24,750**	**36,590**

7(a) Net assets attributable to unitholder

	SIT			
	2013		2012	
	No of units	$	No of units	$
Units on issue at the beginning of the financial year	323,406	323,406	323,406	323,406
Units issued during the financial year	-	-	-	-
Units redeemed or otherwise cancelled during the financial year	-	-	-	-
Units on issue at the end of the financial year	**323,406**	**323,406**	**323,406**	**323,406**

	Consolidated		SIT	
	2013	2012	2013	2012
	$	$	$	$
(b) Changes in net assets attributable to unitholder				
Net assets attributable to unitholder at the beginning of the financial year	97,230	151,730	97,228	166,795
Units issued during the financial year	-	-	-	-
Units redeemed or otherwise cancelled during the financial year	-	-	-	-
Changes in net assets attributable to unitholder	(46,271)	(54,500)	(46,269)	(69,567)
Closing net assets attributable to unitholder	**50,959**	**97,230**	**50,959**	**97,228**

8. Reconciliation of Profit/(loss) to net cash inflow/(outflow) from operating activities

(a) Cash and cash equivalent as at the end of the reporting period	74,319	131,836	74,319	131,836
(b) Reconciliation of net profit / (loss) for the period to net cash flows from operating activities				
Net loss for the period	(46,271)	(54,500)	(46,269)	(69,567)
Add / (deduct) non-cash / non-operational items:				
(Increase) / Decrease in GST receivable	376	(1,614)	376	876
(Decrease) / increase in fees payable	(11,840)	1,390	(11,840)	12,940
(Decrease) in GST payable	-	(1,027)	-	-
(Increase) / Decrease in interest receivable	233	(385)	233	(385)
(Decrease) in distribution payable		(72,257)		(72,257)
(Decrease) payable to SIH	-	-	(2)	-
Net cash from operating activities	**(57,502)**	**(128,393)**	**(57,502)**	**(128,393)**

9. Related party transactions

Trustee

The Trustee of the State Infrastructure Trust is Perpetual Corporate Trust Limited (ABN 99 000 341 533). The Manager is Deutsche Australia Limited.

Key management personnel

The Trust does not employ personnel in its own rights. The Manager has managed the affairs of the Trust for the period reported on.

Key management personnel unit holding

As at 30 June 2013 no key management personnel held units in the Trust.

Key management personnel compensation

Payments made from the Trust to the Trustee do not include any amounts directly attributable to key management personnel remuneration.

Key management personnel loan disclosures

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Other transactions within the Trust

No key management personnel of the manager have entered into a material contract with the Trust during the period and there were no material contracts involving directors' interests subsisting at period end.

10. Auditor's remuneration

	Consolidated		SIT	
	2013 $	2012 $	2013 $	2012 $
Audit and review of financial statements	4,703	10,450	4,703	10,450
	4,703	**10,450**	**4,703**	**10,450**

The fees for the 2012 audit for the Parent and for the Subsidiary were paid by the Trust.

11. Contingent liabilities and commitments

The Trust has not entered into any commitments for future expenditure and has no material contingent liabilities as at the end of the reporting period.

12. Subsequent event

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Trust disclosed in the Statement of Financial Position as at 30 June 2013 or on the results and cash flows of the Trust for the period ended on that date.

End of Audited Financial Report.

Manager declaration

In the opinion of the Manager:

a. the financial statements and notes set out on pages 3 to 13 are in accordance with the below:

   i. comply with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010, applicable Treasurer's Directions, Australian Accounting Standards and relevant other mandatory professional reporting requirements; and

   ii. giving a true and fair view of the Trust's financial position as at 30 June 2013 and of its performance for the period, ended on that date.

b. there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

For and on behalf of Deutsche Australia Limited
in its capacity as Manager for State Infrastructure Trust

Attorney
Michael Thomas

Attorney
Jeremy Don

Sydney
17 July 2013

Trustee declaration

In the opinion of the Trustee:

(a) the financial statements and notes set out on pages 3 to 13

i. comply with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010, applicable Treasurer's Directions, Australian Accounting Standards and relevant other mandatory professional reporting requirements; and
ii. give a true view of the Trust's financial position as at 30 June 2013 and of its performance as represented by the results of its operations and cash flows for the reporting period ended on that date.

(b) the financial statements are in accordance with the Trust Deed.

For and on behalf of the Trustee

Sydney
17 July 2013

VINCENT TOUCHARD
Business Unit Manager

Independent audit report to the Unitholder of State Infrastructure Trust (SIT)

INDEPENDENT AUDITOR'S REPORT

State Infrastructure Trust

To Members of the New South Wales Parliament and Unitholders of State Infrastructure Trust

I have audited the accompanying financial statements of State Infrastructure Trust (the Trust), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information. The consolidated entity comprises the Trust and the entities it controlled at year's end or from time to time during the financial year.

Opinion

In my opinion the financial statements:

- give a true and fair view of the Trust's and consolidated entity's financial positions as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

Trustee's Responsibility for the Financial Statements

The Trustee is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act and for such internal control as the Trustee determines is necessary to enable the preparation of the financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustee, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Trust and the consolidated entity
- that they have carried out its activities effectively, efficiently and economically
- about the effectiveness of their internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their roles by the possibility of losing clients or income.

James Sugumar

James Sugumar
Director, Financial Audit Services

17 July 2013
SYDNEY

Compliance index for disclosure requirements

In accordance with the *Annual Reports (Statutory Bodies) Regulation 2010*, this index has been prepared to facilitate identification of compliance with statutory disclosure requirements.

STATE SUPER
SAS Trustee Corporation
ABN: 29 239 066 746

pillar administration
ABN: 80 976 223 967

Contact Details

Customer service

8.30am to 5.30pm, Monday to Friday for the cost of a local call (except from a mobile or pay phone)

State Authorities Superannuation Scheme (SASS)	1300 130 095
State Superannuation Scheme (SSS)	1300 130 096
Police Superannuation Scheme (PSS)	1300 130 097
Deferred benefit members	1300 130 094
Pension members	1300 652 113

Personal interview service

For an interview appointment in Sydney, call (02) 9238 5540. You can also arrange interviews at:

Newcastle	1800 807 855
Parramatta	1800 626 000
Port Macquarie	1800 676 839
Wollongong	1800 060 166

Fax

(02) 4253 1688

Email

enquiries@stc.nsw.gov.au

Mailing address

For Customer Service and Pillar Administration:
PO Box 1229 Wollongong NSW 2500

For SAS Trustee Corporation (the Trustee Board):
PO Box N259, Grosvenor Place NSW 1220

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