STATE SUPER
SAS Trustee Corporation

ANNUAL REPORT
2013–14

www.statesuper.nsw.gov.au

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.
- **PSS** means Police Superannuation Scheme.
- **SANCS** means State Authorities Non-contributory Scheme.
- **SASS** means State Authorities Superannuation Scheme.
- **SAS Trustee Corporation Pooled Fund** (also referred to as the STC Pooled Fund or Fund) means the Pooled Fund of the STC schemes referred to in section 81 of the *Superannuation Administration Act 1996*.
- **SSFS** means State Super Financial Services Australia, which is a wholly owned subsidiary of STC.
- **SSS** means State Superannuation Scheme.
- **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.

Highlights for 2013–14

- The STC Pooled Fund increased its assets to $40.25 billion at 30 June 2014 and remains one of the largest superannuation funds in Australia with an additional $12 billion managed by State Super Financial Services.
- The Pooled Fund's net investment revenue for 2013–14 exceeded $4.8 billion.
- The Growth Strategy of the Pooled Fund earned net investment revenue that is estimated to have resulted in an effective average rate of return to Crown employers of nearly 14% (after adjustment for exempt current pension income (ECPI) tax). In addition, the Trustee credited a 12.3% return to members in the Growth Strategy (after tax).
- At 30 June 2014, Fund assets covered 72% of accrued liabilities (actuarially measured using the assumed earning rate of the Fund).
- STC, in collaboration with the NSW Treasury Corporation (TCorp) and the Safety, Return to Work and Support Division (SRWSD) have embarked on the proposed NSW Funds Amalgamation project to assess how funds management activities of the state's financial assets might be consolidated within TCorp. For STC this relates to the assets underpinning the defined benefit component of the SASS, SSS, PSS and SANCS schemes (except those relating to universities).
- STC understands that formal arrangements regarding the funding of university superannuation are currently being settled between the Commonwealth and NSW Governments. STC is closely monitoring this.
- During the year STC continued to improve its website to provide members with more information and better accessibility.
- Member publications including SuperViews (scheme based twice yearly newsletters) and the annual Pension Newsletter were produced to inform and educate members of the STC schemes.
- SSFS conducted more than 22,000 financial planning appointments with STC members or their relatives.
- STC staff presented 72 retirement planning seminars and 7 understanding your super seminars across NSW.
- Improved engagement with NSW Government employers through the continued development of employer reference guides that aid the understanding of the legislative requirements of the STC schemes.
- Increased oversight and management of the member and employer administration and services activities conducted on behalf of STC by Pillar Administration.

Report to the Ministers

October 2014

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

The Hon Andrew Constance, 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 2013 to 30 June 2014.

The Annual Report contains the reports for:

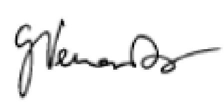
- SAS Trustee Corporation
- SAS Trustee Corporation Staff Agency
  (previously called: SAS Trustee Corporation Division of the Government Service of NSW)
- SAS Trustee Corporation Pooled Fund
- controlled entities[1] of the SAS Trustee Corporation Pooled Fund, being:
  - Alfred Unit Trust
  - Buroba Pty Limited
  - EG Core Plus Fund No.1
  - EG Core Plus Fund No.1 Holding Trust No.1
  - EG Core Plus Fund No.1 Ownership Trust No.1
  - IPG Unit Trust
  - Pisco STC Funds Unit Trust No.1
  - Pisco STC Funds Unit Trust No.2
  - Southern Way Unit Trust
  - State Infrastructure Trust
  - State Infrastructure Holdings 1 Pty Ltd
  - State Super Financial Services Australia Limited
  - Valley Commerce Pty Limited

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 of the Trustee Board and
Chairperson of the Investment Committee
SAS Trustee Corporation



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

[1] The financial statements of controlled entities of the STC Pooled Fund are included in Part H of the Annual Report. Further information on these entities can be provided on request.

Annual Report: 2013–14

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Part A
About the SAS Trustee Corporation

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Chairperson's report

The Fund

Positive domestic and international equity markets along with our enhanced internal capabilities, resulted in a pleasing investment performance for the year ending 30 June 2014. The Growth Strategy produced an annual after-tax return of 12.3% 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. Therefore, the estimated equivalent return on employer reserves, taking into account their tax exempt pension income, was 14% for the year ending 30 June 2014.

Over the last two years, the Fund has generated approximately $10.7 billion in investment revenue (after costs and taxes). These returns compare well with returns of other comparable funds but, more importantly, it has helped STC's main Growth Strategy perform 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 one or more of four strategies including the Growth Strategy. For 2013–14, the Balanced and Conservative Strategies returned 10.7% and 8.1% respectively and the Cash Strategy provided a return of 2.5%. During 2013–14, the assets of the STC Pooled Fund increased by just over $2 billion to $40.25 billion, once again placing STC in the top ten superannuation funds in Australia. The Fund's investment performance reflects positive investment market trends and the ongoing refinement of STC's investment strategies, processes and risk management practices.

Investment markets

The major global economies and the key investment markets improved steadily during this reporting period. 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. European economies saw some improvement over the past 12 months, however there is still a long way to go before stability fully returns, especially given the more recent political unrest that has occurred in the Ukraine. Overall, Australian share market returns were good, with the S&P/ASX 200 (Accumulation Index) increasing by 17.4% for the year.

Post 30 June 2014, investment markets have been more volatile and we expect a more subdued investment performance for 2014-15 relative to the last two years.

Funds amalgamation

STC is collaborating with TCorp and Safety, Return to Work & Support Division in regard to the NSW Government's proposed Funds Amalgamation project. STC's CEO John Livanas was appointed to the Amalgamation Steering Committee which is charged with ensuring the successful implementation of this initiative. This includes the development of an appropriate operating model in order to facilitate the smooth transition of funds management activities into TCorp.

University superannuation liabilities

The STC Board looks forward to the Federal and NSW Governments finalising the terms of their support to meet the funding of eligible university member pensions.

Board evaluation

In 2013, STC engaged Blackhall and Pearl to undertake a comprehensive board appraisal. The key elements of the board review model included;

- board governance and control
- board composition and renewal
- director skills and experience
- director characteristics
- board culture

The results of the appraisal were largely positive with some suggestions made for improvement. We have now implemented practically all of the suggested improvements made by Blackhall and Pearl. Their overall assessment of the STC Board and Committees was that "the STC Board scorecard demonstrates a level of robustness and effectiveness befitting an organisation in the Top 100 global pension funds".

Our members

A very important part of what we do as a Trustee is to support our members and their spouses throughout retirement. This year, we are proud to have paid pensions to nearly 63,000 members. 118 of these pension members are Centenarians and 7 are over 105 years old. Of these Centenarians, 84 of them are the spouses of our members that we have continued to support after the loss of their partner.

Board changes

In December 2013, after 18 years of service, Ron Davis retired from his position with STC as the full-time employee representative on the Board. During his time with STC, Ron showed great dedication and commitment in promoting the interests of scheme members and we wish him well in his retirement. I also welcome to the STC Board, Tony O'Grady, a manager with the NSW Nurses and Midwives' Association, who was appointed in June 2013.

Finally, I acknowledge the great work that the staff at STC undertakes every day to ensure that we continue to achieve our objectives.

Michael Carapiet
Chairperson
October 2014

Chief Executive Officer's report

Corporate governance and management

As mentioned in the Chairperson's report, the investment results for 2013–14 were strongly positive once again. The net investment income of the Fund exceeded $4.8 billion. STC achieved this result largely due to the combination of continuing strong performance of Australian and international share markets and the enhancements made in previous years to our investment processes and management.

The Growth Strategy of the Pooled Fund earned net investment revenue that is estimated to have resulted in an effective average rate of return to Crown employers of nearly 14% (after adjustment for exempt current pension income (ECPI) tax). In addition, the Trustee credited a 12.3% return to members in the Growth Strategy (after tax). The results experienced in 2013–14 are in line with our downside risk management philosophy.

In 2013–14, STC continued to build on staff skills and our technical infrastructure. STC created a COO office and recruited staff into senior operations roles which allowed STC to improve its capabilities across a range of areas, including project, finance and supplier management. STC also recruited staff into our member services area to enhance member experience and improve the oversight and management of administration and complaints. In light of these new resources, a review of STC's organisational structure was completed. In the coming 12 months, a comprehensive review will be undertaken into the resources required within STC assuming that the proposed NSW Funds Amalgamation project proceeds.

STC continues to strengthen its risk and compliance capabilities to better align with Australian Prudential Regulation Authority (APRA) prudential standards and guidance. As part of this, STC regularly reviews and monitors adherence to a wide range of policies and where beneficial, implements new processes to improve risk management and compliance.

STC engaged Brennan IT and BAE Systems to conduct IT systems and IT security audits respectively. The results of both audits were largely positive however, areas for improvement were identified. The results from the audits along with feedback from staff, have been used as inputs into a plan to improve STC's IT systems and security. Implementation of the initiative has commenced and is expected to be completed during the course of 2014–15.

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 is focused on the needs of members.

During the year, STC renewed its Administration Services Agreement with Pillar and also implemented more robust oversight and management practices to ensure the high level of service currently provided to members is sustained and continues to improve where required.

This year, STC and SSFS continued to work towards improving synergies between the two organisations. The revision of STC's Privacy Policy has facilitated improved data sharing and analytics that will enable the future delivery of joint initiatives resulting in the provision of enhanced advice, education and information services to members for years to come. To ensure the continuity of this service, STC recently renewed the access agreement with SSFS, which governs the provision of the financial planning services offered to STC members.

Funds amalgamation

In March 2014, the NSW Government announced its intent to amalgamate the funds management activities of the state's financial assets within NSW Treasury Corporation (TCorp).

State Super (STC), in collaboration with TCorp and the Safety, Return to Work and Support division (SRWSD) have embarked on the proposed Amalgamation Project to assess how funds management activities of the state's financial assets might be consolidated within TCorp. For STC, this relates to funds management of the assets underpinning the defined benefit component of the SASS, SSS, PSS and SANCS schemes (except those relating to universities).

The STC Board will assess a proposal by TCorp to provide certain investment related services in relation to the above mentioned assets. The assessment will be conducted using specific criteria to ensure that this is in the best interests of the beneficiaries of the schemes and that STC continues to comply with relevant legislation and is able to meet its statutory and general law obligations.

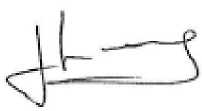
It is anticipated that in order to continue to meet its regulatory and fiduciary obligations, STC will retain responsibility for investment governance including setting investment objectives and strategy, risk management, asset allocation and the appointment, oversight and performance monitoring of third party investment managers.

Managing university superannuation assets

Defined benefit assets of the SASS, SSS and SANCS schemes relating to the universities will continue to be managed by STC so as to ensure that the investment strategies for each university meets the specific liabilities and funding arrangements required at an individual level.

STC understands that formal arrangements regarding the funding of university superannuation are currently being settled between the Commonwealth and NSW Governments. STC is closely monitoring this and will inform members via the website as further information becomes available.

In anticipation of funding arrangements being finalised, STC has transitioned university assets from the current long-term, growth focussed strategy into two newly formulated strategies that meet the specific needs of these reserves. Initially, the funds of each university will be invested in a diversified option with a three to five year return objective to ensure both the liquidity and return requirements of universities' reserves are addressed. Once the reserve for an individual university reaches an amount equivalent to one year of expected cash flow for that university, the related assets will be transitioned to the new cash option to ensure the assets are sufficiently liquid to facilitate benefit payments to members.



John Livanas
Chief Executive Officer
October 2014

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 $40.25 billion at 30 June 2014.

Membership

The STC schemes had 117,615 members at 30 June 2014. All schemes are closed to new members and a large portion of the membership has reached or is 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 2014	Contributing members: 31,548 Deferred benefit members: 10,478 Pension members: 4,037 Total members: 46,063
Financial position as at 30 June 2014	Net assets: $12,062.5 million Accrued benefits*: $14,232.2 million Unfunded liabilities: $2,169.7 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*.
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 2014	Contributing members: 8,902 Deferred benefit members: 2,274 Pension members: 52,317 Total members: 63,493

*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 2014	Net assets: $21,875.5 million Accrued benefits*: $32,176.8 million Unfunded liabilities: $10,301.3 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*.
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 2014	Contributing members: 1,388 Deferred benefit members: 120 Pension members: 6,551 Total members: 8,059
Financial position as at 30 June 2014	Net assets: $4,399.6 million Accrued benefits*: $7,009.8 million Unfunded liabilities: $2,610.5 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.

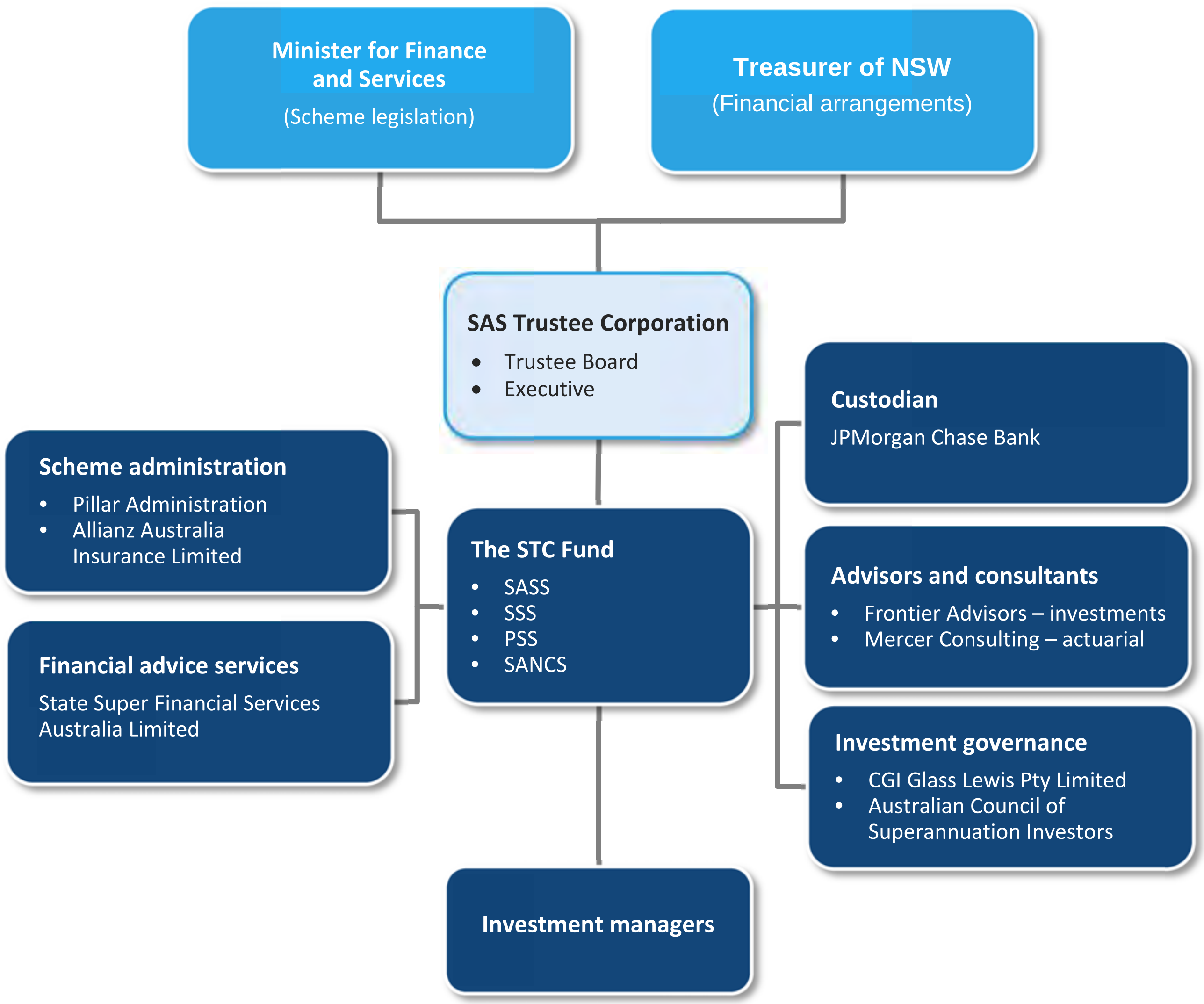
State Authorities Non-contributory Scheme (SANCS)	
Commencement	1 April 1988 under the *State Authorities Non-contributory Superannuation Act 1987*.
Scheme eligibility	Members of SASS, SSS and PSS.
Closed to new members	19 December 1992
Members as at 30 June 2014	Current active members: 41,831 Deferred benefit members: 12,052 Total members: 53,883
Financial position as at 30 June 2014	Net assets: $1,910.9 million Accrued benefits*: $2,485.3 million Unfunded liabilities: $574.4 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* (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 Act 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 2014 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 decisions 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
- the Board delegates its authority to appoint investment managers to the STC Executive.

Trustee Board member 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, Lifetime Care and Support and Motor Accidents Authority. He is the Chairperson of Smartgroup Corporation Limited & Adexum Capital Limited, 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 recently been appointed as a Board Member of Infrastructure Australia.

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 35 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. He has lectured at Macquarie University and is a member of the Actuaries Institute Retirement Incomes Working Group.

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 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 Sydney Dance Company in 2012, Origin Energy Limited in 2009, Australia Pacific LNG Pty Limited in 2005 and Contact Energy Limited in New Zealand in 2004.

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 Cuscal Limited and TIO, 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 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, Retired 31 December 2013

Mr Davis was the full-time employee representative on the Trustee Board, a position he 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 was 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.

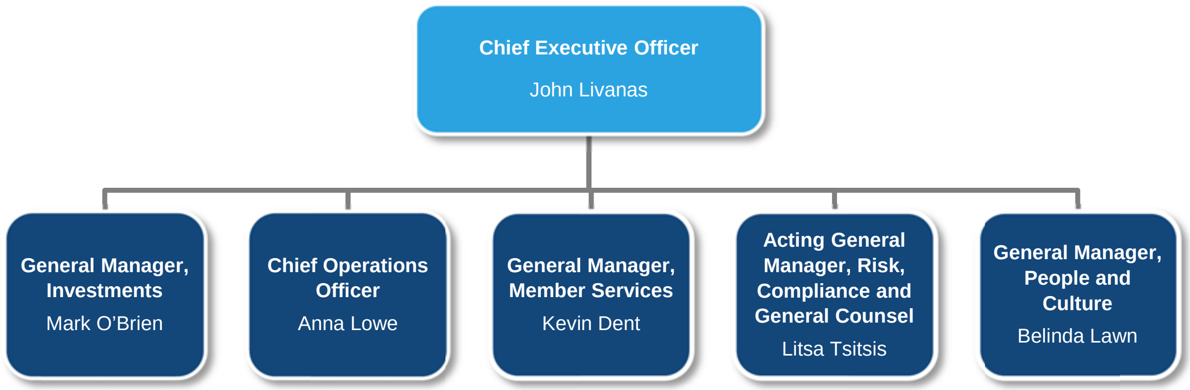
He served as a Director for Private Hospitals Superannuation Pty Limited – the Trustee for the Health Industry Plan (HIP) – between 2005 and 2010.

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. Mr O'Grady is also a Member of the Australian Institute of Company Directors.

STC Executive team

The STC Executive team consists of the Chief Executive Officer and five senior executives. 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 2014 is as follows:



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 $40.25 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 a MBA from the University of Melbourne.

Anna Lowe

Chief Operations Officer

Ms Lowe is responsible for directing and managing operational activities of the organisation and ensuring the implementation of the overall organisational strategy.

Ms Lowe has over 20 years' experience in the financial services industry, having held senior roles around the world in companies including American Express, CGU, Vero, Suncorp Metway, AMP, Legal & General Life and Commonwealth Department of Finance & Deregulation. More recently, Ms Lowe was Chief Operating Officer with the Moorebank Intermodal Company Limited.

Ms Lowe holds a Bachelor of Commerce and a MBA as well as having attended the Advance Management Program at Harvard Business School.

Kevin Dent

General Manager, Member Services

Mr Dent was 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.

Mr Dent retired from SAS Trustee Corporation in early July 2014.

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.

Ms Wooden has been on maternity leave since mid-June 2014. Ms Tsitsis has taken on the role of Acting General Manager, Risk, Compliance and General Counsel during her absence.

Litsa Tsitsis

Acting General Manager, Risk, Compliance and General Counsel

Ms Tsitsis 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.

Ms Tsitsis is also a deputy member of the Police Superannuation Association Committee. She has more than 11 years' experience in superannuation and financial services law. She was previously a partner at HWL Ebsworth, specialising in superannuation.

Ms Tsitsis holds a Bachelor of Laws and a Bachelor of Legal Studies.

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 prior to the appointment of the Chief Operations Officer, Anna Lowe.

Ms Lawn brings to STC over 20 years' experience in human resources and governance 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 and is a Graduate of the Australian Institute of Company Directors.

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.

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.

* As of June, 2014 Ms O'Rourke and Mr Grice report to Ms Lowe, COO. Ms O'Rourke and Mr Grice continue to fulfil the same roles within STC.

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Part B
Corporate performance

STC's performance against its objectives in the corporate plan

STC's 2013–14 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 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.

The 2013–14 annual return for the Growth Strategy was 12.3% providing additional value of 4.8% above the return objective of CPI + 4.5%. Over the last 10 years STC has achieved an average annual return for the Growth Strategy of 7.0% p.a. which is broadly in line with the benchmark return of 7.25% p.a. over this period.

STC implements its investment objectives through fund managers, and over the course of 2013–14, STC has been varying the apportionment between its active 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 administration services for STC schemes 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. STC's new administration contract with Pillar was signed in June 2014 and came into effect on 1 July 2014. STC has also increased its oversight and interaction with Pillar.

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 were last updated in 2013.

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 2014 is included on page 31.

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 Pension Newsletter, and the annual Report to Members
- Annual Benefit Statements
- targeted educational campaigns providing members with information that is relevant to their particular situation.

Member satisfaction

During 2013–14, STC received the results from its first member satisfaction survey which measured the satisfaction of members in relation to the services provided by Pillar Administration, SSFS and STC. The results showed that overall satisfaction levels were high across all schemes with a mean satisfaction score of 7.5 out of 10.This research initiative will be carried out on an annual basis to allow for tracking and is scheduled to be conducted again in late 2014.

Member education

The STC website features separate areas for each of STC's schemes – SASS, SSS and PSS, which can be accessed via the STC 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.

STC continues to develop its website to enhance usability and improve the services, functionality and accessibility of information available to members and other stakeholders.

STC provides members with segmented printed communications with tailored scheme information and articles of interest specific to each scheme. This includes producing a SASS and a SSS/PSS version of the annual Report to Members and three versions of the SuperViews newsletter.

In September 2013, STC also published the second edition of its annual Pension Newsletter. This newsletter helps pension members stay informed about their pension entitlements and scheme rules. It also includes information about administrative processes, information for partners or spouses and articles of general interest.

In 2013–14 approximately 2,587 members attended 79 seminars conducted by STC staff.

In May 2014, STC ran a campaign encouraging members to update their contact details in order to improve data quality and completeness and ensure members receive important information in a timely manner. As a result of the campaign, 2,844 members updated some or all of their contact details.

Member advice

SSFS provides advice services to STC members and during 2013–14, STC and SSFS collaborated on a number of joint communication initiatives. These initiatives included:

- a mail out to SASS active members about the benefits of increasing their contribution rate
- conducting research with SASS members that have recently or are about to exit the scheme in order to develop a better understanding of their needs leading up to retirement and how we can provide them with better service and advice
- working toward sharing member data to facilitate the provision of joint education, information and advice initiatives in the future.

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 financial decisions they face as they approach retirement.

One key initiative in 2014–15 will be the redevelopment of member education seminars. Where previously SSFS and STC ran separate seminars for members we will now be taking an integrated approach and creating a holistic seminar program. The new seminars will be conducted by SSFS with STC overseeing the provision of this service to members and will provide members with:

- better access to holistic financial advice alongside scheme information
- improved education and understanding of their scheme and entitlements
- information tailored to their needs at various stages of their lives.

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 2013–14, STC met regularly with senior staff of the Department of Finance and Services, and Treasury. STC also continued to meet with the senior management of the universities to discuss the individual circumstances and funding position of each university.

University funding

In December 2012, an actuarial review of the State Super schemes confirmed that without additional contributions, employer reserves in the State Super fund for each university would likely 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.

It is noted that the first instance of a university employer reserve being depleted is expected to occur before the effective date of the next actuarial triennial investigation in 2015. Legal advice obtained by STC states that STC cannot pay benefit once a university employer reserve is exhausted. That is, other State Super funds are not available for a university employer reserve in deficit.

Since that time, in the 2014–15 Budget, the Commonwealth Government has stated that it will resume making payments under the Higher Education Superannuation Programme to eligible universities, subject to agreement with the NSW Government, to meet the Commonwealth's share of university employer superannuation benefits. The resumption of payments for staff who are members of the State Superannuation Scheme, the State Authorities Superannuation Scheme and the State Authorities Non-contributory Superannuation Scheme, will align the arrangements for NSW with other participating states.

Additionally, in the 2014 NSW Government Budget Statements, the NSW Government announced it will shortly resume making payments to eligible universities, subject to agreement with the Commonwealth Government, to meet the NSW share of university superannuation benefits.

STC understands that formal arrangements regarding the funding of university superannuation are currently being settled between the Commonwealth and NSW Governments. STC is closely monitoring this and will inform members via the website as further information becomes available.

Given the anticipated run-down of universities' reserves over the next three years, the State Super Growth Strategy, which university employer reserves are currently invested in, is not considered to be an appropriate investment strategy for university funds into the future. As such, two new investment strategies with specifically tailored strategic asset allocations have been formulated to ensure both the liquidity and return time frame requirements of universities' reserves are addressed. These two new strategies are:

- **University Diversified Strategy** – with a return objective of CPI+2%p.a. over rolling three to five year periods, and
- **University Cash Strategy** – with a return objective of CPI+0.25%p.a. over a rolling three year period.

Universities where the employer reserves are greater than 12 months cash flow will be transferred into the University Diversified Strategy and universities with reserves that are likely to fall below 12 months cash flow during 2014–15 will be transferred into the University Cash Strategy.

Universities' reserves initially invested in the University Diversified Strategy will be transferred into the University Cash Strategy once an individual university's employer reserve is depleted and falls below the 12 month cash flow buffer. Future government contributions to sustain these reserves will be made on a 'Pay-as-you-go' basis and will be invested directly into the University Cash Strategy, as will any employer contributions. Member accounts will not be affected by these changes.

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 2014 Heads of Government Agreement governing the operation of exempt public sector superannuation schemes, the NSW Government undertakes, to use best endeavours to ensure that the STC schemes comply with the principles of the Commonwealth Government's retirement incomes policy, including preservation, vesting and reporting to the Australian Prudential Regulatory Authority, the Australian Taxation Office and the members. *The Superannuation Administration Act 1996* requires STC, in exercising its functions, to have regard to the Heads of Government Agreement.

During the year, STC and its administration services provider Pillar commenced work on a project that will provide NSW government employers with the option to contribute to STC schemes while complying with new SuperStream data requirements. It is expected that employers will be able to make contributions using the new solution by May 2015.

Part C
Operations overview

Investments

This section provides an overview of STC's investment performance and management activities during 2013–14. It also includes information about STC's member services and the trends in STC's membership.

Investments overview

The global economy

There has been steady improvement in the global economy this year, with economic activity strengthening, asset prices generally increasing and growth moving in a slow but more stable upward trajectory. The major developed economies have shown progressive improvement while for some emerging markets macro-economic challenges persisted as they were buffeted by volatile capital flows in the middle of the financial year.

The key challenge facing policy makers continues to be the sustaining of confidence levels to ensure the global recovery builds momentum.

US recovery continues

Off the back of strong performance in the June 2013 quarter, economic growth in the US has continued to improve, despite some patchy economic data and the impact of severe weather in March 2014. The 12 month period to 30 June 2014 finished strongly with 76% of S&P 500 companies exceeding analyst's profit expectations. The tapering of the quantitative easing program is well progressed and the Federal Reserve has indicated that rapid interest rate hikes will be unlikely. This, together with positive expectations in housing, employment and household wealth should build confidence and help support economic growth.

Consolidation in China

The spike in growth in the second half of 2013 has cooled slightly, due to policy measures put in place to slow credit growth and increase the cost of capital. The challenge now is to limit the negative impact this could have on growth, especially exports and the expansion of infrastructure while avoiding introducing additional risk in an already risky Chinese real estate market.

Europe struggles on

The troubled Eurozone has finally seen some improvement over the last 12 months. There is still a long way to go, with issues such as low inflation continuing to cause concern, but steps are being taken to improve the situation. The financial year ended with a slight increase in GDP in the June quarter and even the stressed Mediterranean economies have registered positive growth, albeit very modest. The challenge that now faces parts of Europe is that of deflationary pressures and political unrest, with the Ukraine economy expected to contract by 5% by the end of 2014 and the Russian economy expected to grow by just 0.5%.

Impacts on the Australian market

The predominantly positive global backdrop has been of some benefit to Australia, as we look to transition the economy away from resource investment to resource exports and toward other sectors, such as agriculture and services. When coupled with positive outcomes in advanced economies, our relationship with China has helped counter domestic weakness in business and consumer confidence resulting in a moderately healthy growth rate.

The Australian Dollar's persistently high exchange rate has not helped our terms of trade, but the Reserve Bank has sustained a low interest rate environment since the last reduction in August 2013 which has also helped support domestic activity and growth.

How have financial markets performed?

World share markets experienced another year of double-digit returns, with developed economies leading the race. The Australian share market followed this trend with the ASX 200 growing in value by 12.3% over the financial year.

Fixed income market returns also improved globally, with non-government bonds producing higher returns than government bonds. However, the Australian fixed interest market did not perform as strongly as those overseas.

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 throughout the year to being unhedged in the last quarter, through the active currency overlays program in place. This added to returns as the Dollar weakened against global currencies in the early part of 2013–14. The hedging level was progressively increased in the second half of the financial year.

Investment returns for defined benefit reserves

As a result of the varying rates of ECPI tax, each of the defined benefit reserves (including those relating to Crown and other Government enterprises that have pension members) is credited with an additional amount over and above that credited to other scheme participants. The effective average return for these reserves is estimated at nearly 14% for 2013–14.

Investment returns to members 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 are shown below.

The crediting rates shown below are credited to members' accounts and have been rounded to one decimal point and are 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 to Members (% p.a.)
30 June 2014	12.3
30 June 2013	17.1
30 June 2012	0.4
30 June 2011	8.7
30 June 2010	9.2
Average annual compound rate (% p.a.)	
Over 3 years	9.7
Over 5 years	9.4
Over 10 years	7.0

Balanced Strategy

Year ending	Crediting Rate to Members (% p.a.)
30 June 2014	10.7
30 June 2013	13.7
30 June 2012	2.6
30 June 2011	7.7
30 June 2010	8.4
Average annual compound rate (% p.a.)	
Over 3 years	8.9
Over 5 years	8.6
Over 10 years	6.9

Conservative Strategy

Year ending	Crediting Rate to Members (% p.a.)
30 June 2014	8.1
30 June 2013	9.2
30 June 2012	4.6
30 June 2011	6.7
30 June 2010	7.1
Average annual compound rate (% p.a.)	
Over 3 years	7.3
Over 5 years	7.1
Over 10 years	6.3

Cash Strategy

Year ending	Crediting Rate to Members (% p.a.)
30 June 2014	2.5
30 June 2013	3.2
30 June 2012	4.2
30 June 2011	4.5
30 June 2010	3.4
Average annual compound rate (% p.a.)	
Over 3 years	3.3
Over 5 years	3.6
Since Dec 2003	4.4

Investment returns against objectives

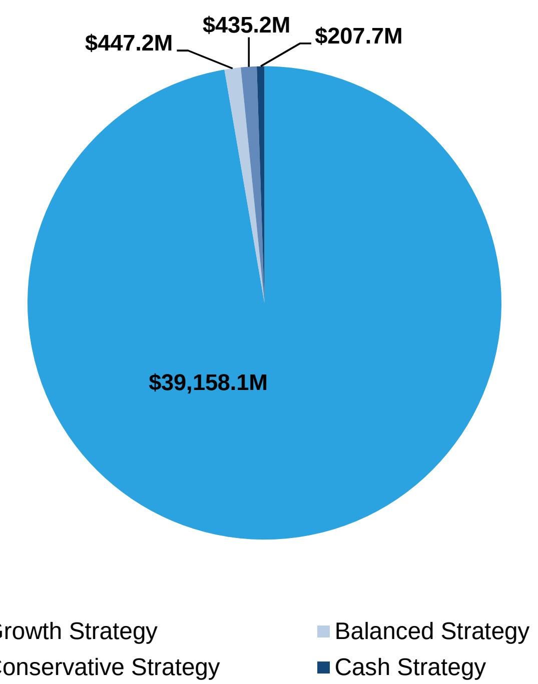
The table below shows the annual average returns for the investment strategies relative to their long-term investment objectives.

Declared returns for the period ending 30 June 2014 against the investment objectives

Strategy	Period	Declared return % p.a.	Objective % p.a.
Growth Objective: CPI + 4.5%	10 years	7.0	7.3
Balanced Objective: CPI + 3.0%	7 years	4.9	5.7
Conservative Objective: CPI + 2.0%	4 years	7.1	4.5
Cash Objective: CPI + 0.75%	3 years	3.3	3.0

Funds under management (FUM)

FUM per investment strategy as at 30 June 2014



Strategic asset allocation

The Trustee allocates asset classes into three categories — liquid growth, alternatives and liquid defensive — 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.

Downside protection

The Trustee may employ a series of investment strategies to manage downside risk, which could include a combination of: derivatives for hedging and exposure management; rotation of assets and managers; centralised risk managed currency framework, and manager benchmarking focussed on downside risk management.

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 (Standard Risk Measure (SRM) risk band 5: from 3 to less than 4 negative annual returns estimated over any 20-year period).

Net assets at 30 June 2014: $39,158.1 million

Asset allocation as at 30 June 2014:

	Strategic %	Actual %
Liquid growth	**54.0**	**53.7**
Australian equities	30.0	26.8
International equities	24.0	26.9
Alternatives	**32.5**	**25.0**
Property	9.0	8.3
Infrastructure	10.0	9.8
Other alternatives	13.5	6.9
Liquid defensive	**13.5**	**21.3**
Australian fixed interest	4.0	5.7
International fixed interest	2.0	2.2
Cash	7.5	13.4
TOTAL	**100.0**	**100.0**

During 2013–14 STC continued to increase strategic allocation to alternatives in order to close the gap between the strategic allocation target and the actual asset allocation. Identifying the right assets and building the targeted exposures across the relevant strategies takes time however, the process is well underway. In addition to the 25% actual allocation reported above, STC has further commitments to alternatives that would increase the allocation to approximately 27.5%. In the coming year STC will continue to identify the right opportunities to narrow the gap between the actual asset allocation and the strategic target. In the meantime, cash levels will be held at higher than long-term levels.

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

Net assets at 30 June 2014: $447.2 million

Asset allocation as at 30 June 2014:

	Strategic %	Actual %
Liquid growth	**38.0**	**37.4**
Australian equities	22.0	19.1
International equities	16.0	18.3
Alternatives	**30.6**	**31.0**
Property	10.0	10.0
Infrastructure	10.0	12.2
Other alternatives	10.6	8.8
Liquid defensive	**31.4**	**31.6**
Australian fixed interest	10.0	10.0
International fixed interest	4.3	4.2
Cash	17.1	17.4
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 (SRM risk band 2: from 0.5 to less than 1 negative annual returns estimated over any 20-year period).

Net assets at 30 June 2014: $435.2 million

Asset allocation as at 30 June 2014:

	Strategic %	Actual %
Liquid growth	**20.0**	**19.9**
Australian equities	12.0	10.0
International equities	8.0	9.9
Alternatives	**27.8**	**28.5**
Property	10.0	10.1
Infrastructure	10.0	10.7
Other alternatives	7.8	7.7
Liquid defensive	**52.2**	**51.6**
Australian fixed interest	8.0	8.1
International fixed interest	4.2	4.2
Cash	40.0	39.3
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 CPI+0.75% p.a. over rolling 3-year periods.

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

Net assets at 30 June 2014: $207.7 million

Asset allocation as at 30 June 2014:

	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	**100.0**	**100.0**
Australian fixed interest	0.0	0.0
International fixed interest	0.0	0.0
Cash	100.0	100.0
TOTAL	**100.0**	**100.0**

Changes to investment strategies

In June 2014, STC undertook its annual review of the investment strategy for the Pooled Fund and made the following changes effective 1 July 2014.

Change to the return objective for the Cash Strategy

STC revised the return objective for the Cash Strategy, from CPI+0.75% p.a. over rolling three-year periods to CPI+0.25% p.a. over rolling three-year periods. This change reflects official cash rates being in line with expected inflation levels, and STC's view that the expected return for the asset class and therefore the Cash Strategy is expected to be lower than historically experienced.

Strategic asset allocation changes

STC also marginally decreased the strategic asset allocation to Australian equities in favour of international equities and has shifted away from other alternatives and towards Australian fixed interest across the Growth, Balanced and Conservative strategies. These asset allocation changes do not adversely affect the risk and return profiles (Standard Risk Measures) of any of the strategies over their respective time horizons.

Strategic asset allocation of the Growth Strategy

Effective from 1 July 2014, the strategic asset allocation of the Growth Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	**54.0**	**38.0 – 70.0**
Australian equities	27.0	
International equities	27.0	
Alternatives	**31.5**	**23.5 – 39.5**
Property	9.0	
Infrastructure	10.0	
Other alternatives	12.5	
Liquid defensive	**14.5**	**10.0 – 29.5**
Australian fixed interest	5.0	
International fixed interest	2.0	
Cash	7.5	
TOTAL	**100.0**	**100.0**

Strategic asset allocation of the Balanced Strategy

Effective from 1 July 2014, the strategic asset allocation of the Balanced Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	**38.0**	**28.0 – 48.0**
Australian equities	19.0	
International equities	19.0	
Alternatives	**27.7**	**19.7 – 35.7**
Property	10.0	
Infrastructure	10.0	
Other alternatives	7.7	
Liquid defensive	**34.3**	**24.3 – 44.3**
Australian fixed interest	12.9	
International fixed interest	4.3	
Cash	17.1	
TOTAL	**100.0**	**100.0**

Strategic asset allocation of the Conservative Strategy

Effective from 1 July 2014, the strategic asset allocation of the Conservative Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	**20.0**	**12.5 – 27.5**
Australian equities	10.0	
International equities	10.0	
Alternatives	**24.8**	**16.8 – 32.8**
Property	10.0	
Infrastructure	10.0	
Other alternatives	4.8	
Liquid defensive	**55.2**	**45.2 – 65.2**
Australian fixed interest	11.0	
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 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 and controversial weapons 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.

The Trustee also made a decision to restrict investments in controversial weapons manufacturers during the year. This includes cluster munitions, chemical and biological weapon manufacturers.

STC has instructed its managers accordingly and STC's ESG policy has been updated to reflect the decision.

New investment strategies for universities

The Trustee Board formulated two new investment strategies with specifically tailored strategic asset allocations to ensure both the liquidity and return time frame requirements of universities' reserves are addressed. These two new strategies are:

- University Diversified Strategy, and
- University Cash Strategy.

The Universities' reserves were switched out of the current Growth Strategy into the University Strategies based on values as at 30 September 2014. For more information please refer to the University Funding section on page 22 of this report.

Notional reallocation of assets between member reserves and employer reserves (DC/DB split)

The Trustee Board intends to implement a reallocation of assets in the Pooled Fund between member reserves (DC) and employer reserves (DB). This reallocation is to introduce more contemporary portfolio management and is being contemplated as part of the assessment of the Amalgamation project.

The STC Board will assess a proposal by TCorp to provide certain investment related services in relation to the assets underpinning the defined benefit component of the SASS, SSS, PSS and SANCS schemes (except those relating to universities). The assessment will be conducted using specific criteria to ensure that this is in the best interests of the beneficiaries of the schemes and that STC continues to comply with relevant legislation and is able to meet its statutory and general law obligations.

Investment governance

The Trustee Board established an Investment Committee in 2012 to support the Board in determining and affecting 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 2013–14.

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 finalised the review of its crediting rate processes. Implementation of the revised processes commenced, and will continue throughout 2014–15 to ensure improved governance and superior investment implementation and monitoring is achieved.

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 cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing the investment portfolio.

Currency hedging policy

The Trustee's policy for currency hedging at 30 June 2014 was:

- international equities are hedged from 0% to 80% 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 from 0% to 100% into Australian dollars.

The Trustee implemented an active overlay program in 2013–14 to assist with managing 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 2014 were:

Australian equities

Balanced Equity Management Pty Limited
BlackRock Asset Management Australia Limited
BT Investment Management (Institutional) Limited
Citigroup Global Markets Australia Pty Ltd
Cooper Investors Pty Limited
Ellerston Capital Limited
Hyperion Asset Management Limited
Lazard Asset Management Pacific Co
Macquarie Investment Management Limited
Maple-Brown Abbott Limited
Northcape Capital Pty Ltd
Perennial Value Management Limited
Platypus Asset Management Pty Ltd
State Street Bank & Trust Company
State Street Global Advisors, Australia, Limited

International equities

Altrinsic Global Advisors LLC
AQR Capital Management, LLC
Arrowstreet Emerging Markets Fund (via Macquarie Investment Management Ltd)
Artisan Partners Limited Partnership
AXA Investment Managers Asia (Singapore) Ltd
Citigroup Global Markets Australia Pty Ltd
Goldman Sachs Australia Pty Ltd
Harris Associates Limited Partnership
Hexavest Inc.
Investec Asset Management Limited
Lazard Asset Management Pacific Co
Morgan Stanley Investment Management Ltd
Pareto Investment Management Limited
Realindex Investments Pty Limited
State Street Bank & Trust Company
State Street Global Advisors, Australia, Limited
The Genesis Emerging Markets Investment Company C/O Genesis Asset Managers, LLP
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
Pareto Investment Management Limited

Australian fixed interest & cash

BT Investment Management (Institutional) Limited
Colonial First State Asset Management (Australia) Limited
Deutsche Australia Limited
State Street Global Advisors, Australia, Limited

Alternative assets

Access Capital Advisers Pty Ltd
AMP Capital Investors Limited
Challenger Management Services Limited
Deutsche Australia Limited
GMO Australia Limited
Hastings Investment Management Pty Limited
Kaplan Funds Management Pty Limited
Macquarie Investment Management Limited
Macquarie Specialised Asset Management Limited
Morgan Stanley Venture Partners III, L.P.
New South Wales Treasury Corporation
Pantheon Asia Fund Limited
Pantheon USA Fund II Limited
Pareto Investment Management Limited
RARE Infrastructure Limited
Schroder Investment Management Australia Limited
Siguler Guff Distressed Opportunities Fund III (F), LP
Siguler Guff Distressed Opportunities Fund IV (F), LP
State Street Global Advisors, Australia, Limited
Transpac Capital 1996 Investment Trust
The 1996 Brinson Partnership Fund Offshore Series Company Ltd
UBS Global Asset Management (Australia) Ltd

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.

Indirect cost percentage of average total assets

Strategy	Actual 2013–14	Estimated 2014–15
Growth	0.32	0.39
Balanced	0.31	0.35
Conservative	0.23	0.27
Cash	0.06	0.06

The actual indirect cost percentages for the Cash Strategy in 2013–14 was one basis point higher than the previous estimate due to changes in the Cash Strategy fund size affecting economy of scale.

The indirect cost percentages for 2014–15 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 than the previous financial year due to a restructure of the mix of strategies being used.

Member services

Overview of scheme membership

The membership of the STC schemes as at 30 June 2014 are set out below.

Scheme	As at 30 June 2009	As at 30 June 2014	% movement in 5 years
Active members			
SASS	46,914	31,548	-33%
SSS	19,938	8,902	-55%
PSS	2,357	1,388	-41%
Total	**69,209**	**41,838**	**-40%**
Deferred benefit members			
SASS	11,171	10,478	-6%
SSS	3,575	2,274	-36%
PSS	170	120	-29%
Total	**14,916**	**12,872**	**-14%**
Pension members			
SASS	4,062	4,037	-1%
SSS	44,501	52,317	18%
PSS	6,347	6,551	3%
Total	**54,910**	**62,905**	**15%**
Total	**139,035**	**117,615**	**-15%**

Please refer to page 54 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 27,371 while the number of pension members increased by 7,995.

Over the coming five year period to 30 June 2019 the membership of the STC schemes will continue to fall to a projected 95,078 members. During this period the contributory or active membership will halve to 21,083 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 2019, the deferred benefit membership is projected to fall to 8,070 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 62,905 to reach its peak number of 65,925 in 2019. 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.

Members' use of services

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

	2011–12	2012–13	2013–14
Telephone calls	111,242	109,050	104,711
Letters	8,486	7,109	7,375
Emails	10,373	13,916	10,506
Personal interviews	2,143	1,832	1,324
Seminar attendance	3,834	3,265	2,587

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

Retirement planning seminars

During 2013–14, STC staff conducted 72 retirement planning seminars which were attended by 2,433 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 154 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 2013–14, Pillar staff conducted 1,324 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 2013–14, SSFS made 22,281 financial planner appointments in respect of STC members or relatives of STC members. SSFS also provided 535 telephone advisory service calls (205 for general information and advice and 330 for limited personal advice).

Website

During 2013–14, STC continued to develop the website. The website structure was reviewed and changes were made to the menu and location of some pages to improve the ease of navigation for members. The forms and fact sheets section was redeveloped to improve search functionality. This section was also restructured so members are able to browse fact sheets and forms by topics related to their needs. Ongoing maintenance and content updates are conducted as required to ensure the website remains current and up to date.

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 member contributions received via salary sacrifice from 1 July 2011 to 30 June 2014, with a breakdown per scheme, is shown in the following table.

Percentage of member contributions received via salary sacrifice over the last three years

	2011–12	2012–13	2013–14
SASS	58%	61%	64%
SSS	78%	78%	80%
PSS	56%	58%	60%

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 2013 $ million	%	30 June 2014 $ million	%
Growth	5,627.7	85	6,018.8	85
Balanced	335.4	5	447.5	6
Conservative	386.5	5	435.4	6
Cash	300.2	5	207.7	3
Total	**6,649.8**	**100**	**7,109.4**	**100**

The large majority of account balances continue to be invested in the Growth Strategy (the default strategy). Over the course of 2013–14, the amount invested in each strategy increased other than in the Cash Strategy, where there was a small reduction.

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 outlines the processes that the Trustee Board has adopted to govern compliance with the legal and contractual obligations that apply to STC's day to day operations. The framework includes documented plans, policies, procedures and compliance obligations. 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 compliance obligations registers that identify STC's legislative and contractual obligations
- ongoing self-assessment by management of compliance with the obligations register and reporting of the results of the self-assessment to the Risk, Audit and Compliance Committee on a quarterly basis
- 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
- regular monitoring of compliance with obligations as outlined in the compliance obligations register
- periodic internal audits of compliance with relevant plans and policies
- regular board appraisals are conducted to assesses governance and control practices along with other key elements for board success.

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 to the best of their endeavours. The Commonwealth Government's retirement incomes policy includes trustee governance, risk management, 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 2013–14 period are listed in the table below.

	Appointed	Term end date	Meetings attended during 2013–14 (actual / possible)
Mr M Carapiet *(Chairperson)*	1 Aug 2011	31 July 2015	10 / 10
Employer representatives			
Mr P Scully	1 Feb 2004	9 Aug 2015	7 / 10
Mr M Lambert	1 Feb 2004	9 Feb 2015	10 / 10
Ms K Moses	19 Mar 2012	18 Mar 2016	8 / 10
Mr G Venardos	5 Nov 2012	4 Nov 2016	10 / 10
Employee representatives			
Mr R Davis*	1 Jul 1996	31 Dec 2013	5 / 5
Ms S Walsh	25 Mar 2011	24 Mar 2015	9 / 10
Mr A Claassens	5 Nov 2012	5 Nov 2016	10 / 10
Mr T O'Grady	24 Jun 2013	24 Jun 2017	7 / 8

** Mr Davis retired on 31 December 2013. The full-time board member position on the STC Board remains vacant.*

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
- monitor the appointment or termination of investment managers for the investments of the Pooled Fund
- 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.

Meetings attended during 2013–14

Member	Attendance actual / possible
Mr M Carapiet *(Chairperson)*	14 / 14
Mr M Lambert	14 / 14
Mr P Scully	13 / 14
Mr R Davis*	6 / 6

**Mr Davis retired part way through the reporting period*

Risk, Audit and Compliance Committee

Members:
Messrs Venardos (Chairperson), Davis* Lambert and Scully*. 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.

Purpose:
The purpose of the Risk, Audit and Compliance Committee is to provide independent assurance and advice to the Trustee Board on STC's:

- risk, control and compliance framework and approach
- financial reporting and accountability.

Meetings attended during 2013–14

Member	Attendance actual / possible
Mr G Venardos *(Chairperson)*	5 / 5
Mr R Davis*	3 / 3
Mr M Lambert	5 / 5
Mr P Scully*	2 / 2

**Mr Davis retired part way through the reporting period and Mr Scully was appointed part way through the reporting period.*

Member Services Committee

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

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.

Meetings attended during 2013–14

Member	Attendance actual / possible
Mr R Davis* *(Chairperson)*	2 / 2
Mr M Lambert	4 / 4
Mr P Scully	4 / 4
Ms S Walsh* *(Acting Chairperson)*	4 / 4
Mr T O'Grady*	0 / 1

**Mr Davis retired from this Committee part way through the reporting period. Ms Walsh was the Acting Chairperson following Mr Davis' retirement and Mr O'Grady was appointed to the Committee to fill the vacancy created by Mr Davis' retirement.*

Human Resources and Nominations Committee

Members:
Mr Carapiet (Chairperson)*, Ms Walsh (Chairperson)*, Ms Moses, Mr Claassens* and Mr Venardos (Alternate)*. The meeting is also attended by members of the Executive and invited visitors.

Purpose:
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 recommends the remuneration structure and levels for STC staff and; performance criteria for the CEO and direct reports to the CEO.

Meetings attended during 2013–14

Member	Attendance actual / possible
Mr M Carapiet* *(Chairperson)*	4 / 4
Ms K Moses	4 / 4
Ms S Walsh* *(Chairperson)*	4 / 4
Mr A Claassens*	4 / 4
Mr G Venardos* *(Alternate)*	1 / 1

**Mr Carapiet handed the position of Chairperson to Ms Walsh part way through the reporting period and Messrs Claassens and Venardos (Alternate) were appointed part way through the reporting period.*

Disputes Committee

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

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.

The Committee was dissolved by Board resolution in June 2014 with its functions consolidated within the Member Services Committee.

Meetings attended during 2013–14

Member	Attendance actual / possible
Mr A Claassens *(Chairperson)*	4 / 4
Mr R Davis*	2 / 2
Ms K Moses	3 / 4
Mr P Scully *(Alternate)*	2 / 2
Mr G Venardos	3 / 4

**Mr Davis retired part way through the reporting period.*

Actuarial Committee

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

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.

The Committee was dissolved by Board resolution in February 2014 with its functions consolidated within the Investment Committee and the Risk, Audit and Compliance Committee.

Meetings attended during 2013–14

Member	Attendance actual / possible
Mr P Scully *(Chairperson)*	1 / 1
Mr R Davis*	1 / 1
Mr M Lambert	1 / 1

**Mr Davis retired part way through the reporting period.*

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.

Meetings attended during 2013–14

Member	Attendance actual / possible
Mr R Davis *(Chairperson)**	6 / 6
Mr M Lambert (Chairperson)*	2 / 2

**Mr Davis retired part way through the reporting period and Mr Lambert was appointed as his replacement.*

Risk management

Risk management and insurance

The Trustee Board is responsible for having a Risk Management Framework that is appropriate to the size, business mix and complexity of the scheme and enables the Trustee to effectively manage the material risks presented by its environment and objectives.

The Trustee Board has established a Risk, Audit and Compliance Committee (RACC) to assist STC to monitor and review the Risk Management Framework. 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.

Risk Management Framework

The Risk Management Framework sets out the Trustee Board's approach to the identification, assessment, management, reporting and monitoring of risks.

STC's Risk Management Framework is the totality of the 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 the:

- Risk Appetite Statement (including Risk Tolerances)
- Risk Management Strategy
- Risk Register.

STC's Risk Appetite Statement articulates the acceptable risk limits within which staff at all levels of STC business operations and consultants, 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:

- risks that have been identified by the Trustee Board as material
- methods adopted to minimise and/or mitigate material risks
- methodology for monitoring material risks on an ongoing basis.

The Risk Register is reviewed by STC staff on an ongoing basis and reported to the RACC quarterly. A full review of the Risk Register is also performed on an annual basis, 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.

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 2013–14 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 2013–14 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 2013 – 2014 period are:

- 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 9 February 2015).
- Non-independent Member – Ron Davis (term of appointment: 1 July 2010 to 31 December 2013).
- Independent Member – Paul Scully (term of appointment: 21 March 2014 to 9 August 2015).

This ATTESTATION was executed on 29 AUGUST 2014......, following a resolution of the STC Board on 27 August 2014.

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

SAS TRUSTEE CORPORATION
Common Seal

Signature of John Livanas

Signature of Witness

JOHN LIVANAS.

Name of CEO

ALLAN PARAPURAM

Name of Witness

Public interest disclosures

There were no public interest disclosures (PIDs) 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

The below case related to the Police Superannuation Scheme has provided some useful guidance on certain notification requirements for incapacity benefit applications under the Police Superannuation Scheme.

STC V Woollard (1st Respondent) & Industrial Court of New South Wales (2nd Respondent)

On 28 March 2014, the Court of Appeal unanimously upheld STC's Application to Review the Decision of the Full Bench of the Industrial Court of New South Wales and quashed the orders of the Full Bench. By majority, the Court ordered Mr Woollard to pay STC's costs.

As a consequence, the matter has been remitted to the Industrial Court to be dealt with according to law. In view of the reasons of the Chief Justice with whom Acting Justice Tobias agreed, it is inevitable that the Industrial Court will dismiss Mr Woollard's Superannuation Appeal. Justice Basten in his separate Judgment would have dismissed Mr Woollard's appeal outright without the need for remittal.

In issue was whether Mr Woollard's notification of his symptoms which were misdiagnosed as Lyme's Disease was notified to the Commissioner of Police before discharge and within 6 months [s.10B (2) (a)] of a psychiatric injury.

On the central question of what constitutes 'notice' for the purposes of s.10B (2) (a) of the Act, the majority held that notice of a diagnosable disease must be given, not just symptoms.

Justice Basten was more expansive. He found that in a practical sense, what must be notified with respect to psychological injuries is, for example, a traumatic event in the course of police duties, followed by symptoms of psychological distress. That distress must be sufficient to render the officer incapable of discharging the duties of office at the time of resignation or retirement. Accordingly, the relevant incapacity cannot arise after resignation or retirement.

Consequences

The Court's reasoning seems to largely resurrect the requirements for statutory notice determined by the Full Bench of the Industrial Court in Hazlewood (which was overturned in an earlier decision of the Full Bench in Woollard). That is, there needs to be notice of the injurious consequences linked to an injurious event rendering incapacity for duty.

Justice Basten's reasoning emphasises that s.10B (2) does not apply to 'latent injuries' i.e. those causing symptoms well after resignation or retirement.

Conclusion

The decision is now binding and clarifies how s.10B (2) applications should be treated. It is extremely helpful in circumstances where retrospective medical discharge or the amendment of a certificate is applied for many years after resignation or retirement. STC has often been prejudiced because it has not had the opportunity to have the applicant medically examined at or shortly after resignation or retirement. The difficulty from STC's point of view is that medical practitioners have to rely largely on the history given to them by the applicant when many years have elapsed before a claim was notified.

Sequellae

As a consequence of this decision, five other appeals to the Industrial Court involving questions of 'notice' have been dismissed.

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 2013, a total of 21 disputes were current. During the year ending 30 June 2014, 35 new disputes were lodged and 31 disputes were concluded (including disputes carried over from the previous year).

Disputes on hand	21
Disputes lodged in 2013–14	35
Disputes determined in 2013–14	
Decided against the appellant	2
Decided in favour of the appellant	9
Settled	2
Disputes withdrawn or discontinued in 2013–14	18
Disputes on hand at 30 June 2014	25

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

Decided against the appellant	6
Decided in favour of the appellant	1
Withdrawn or discontinued	1
Settled	0
Outstanding at the end of the reporting year	4

**The Disputes Committee was dissolved by Board resolution and the functions of the committee have been consolidated within the Member Services Committee.*

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 the delegate of STC on entitlements to pension increases
- Allianz Insurance Australia Limited, as the delegate of STC on entitlements to lump sum payments for duty-related permanent impairments.

During the financial year 2013–14, these appeals resulted as follows:

	PSAC	Allianz
Decided against the appellant	1	0
Decided in favour of the appellant	3	0
Withdrawn or discontinued	3	0
Settled	27	5
Outstanding at the end of the reporting year	44	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 endeavours 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 2013–14, 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 2013–14, 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).

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 was 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

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

* 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	0
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 remuneration levels and number of staff by gender and by salary band as at 30 June 2014.

Salary range	2011			2012			2013			2014		
	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	2	1	3	1	0	1	0	0	0
$73,709 – $95,318	2	3	5	2	3	5	2	3	5	3	2	5
$95,319 – $119,149	0	3	3	0	2	2	1	4	5	3	6	9
> $119,149	9	4	13	8	7	15	12	10	22	16	16	32
Totals	**11**	**13**	**24**	**12**	**13**	**25**	**16**	**17**	**33**	**22**	**24**	**46**
	46%	**54%**		**48%**	**52%**		**48%**	**52%**		**48%**	**52%**	

The table below shows remuneration levels and number of senior executive staff by salary band and gender as at 30 June 2014. 18% of STC's employee related expenditure in 2014 was related to senior executives, compared with 26.6% in 2013.

Band* and salary range	2013				2014			
	Men	Women	Total	Average Remuneration	Men	Women	Total	Average Remuneration
Band 4 (Secretary) $422,501 – $488,100	0	0	0	N/A	0	0	0	N/A
Band 3 (Deputy Secretary) $299,751 – $422,500	1	0	1	$380,000	1	1	2	$397,500
Band 2 (Executive Director) $238,301 – $299,750	0	1	1	$265,000	0	0	0	N/A
Band 1 (Director) $167,100 – $238,300	2	2	4	$214,250	1	2	3	$218,083
	3	**3**	**6**		**2**	**3**	**5**	

* STC does not use senior executive bands and as such senior executives have been included in the band that includes their remuneration package.

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 2013–14 through industrial action.

The Government Sector Employment Act 2013 (GSE Act) applies to workforce management in the public sector and replaces the *Public Sector Employment and Management Act 2002* (PSEM Act). However, STC has been granted an exemption from the GSE Act until 30 June 2015 at which time a decision will be made as to whether it will apply. Until then the PSEM Act continues to apply to STC.

Training and development

STC 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 21 staff members accepted.

Expenditure disclosure information

Overseas visits

The below table outlines overseas visits made by employees and officers of STC during 2013–14. The purpose of these visits related to the achievement of STC's 2013–14 objectives including meeting investment return objectives and managing outsourced contracts.

Name	Date of travel	Destination
John Livanas	2 – 11 Sep 2013	US
Peter Laity	12 – 27 Sep 2013	Europe and US
Victoria Rati	18 Sep – 1 Oct 2013	Canada and US
James Murray	30 Sep – 11 Oct 2013	Europe and US
John Livanas	14 – 16 Oct 2013	China
Lisbeth Rasmussen	4 – 15 Nov 2013	US and Europe
John Livanas	11 – 14 Mar 2014	Sweden
Lianne Buck	11 – 21 Mar 2014	Europe
Mark O'Brien	24 – 28 Mar 2014	China
Lisbeth Rasmussen	24 – 28 Mar 2014	China
Alan Polley	31 Mar – 11 Apr 2014	US and Europe
James Murray	31 Mar – 11 Apr 2014	US and Europe
Lisbeth Rasmussen	31 Mar – 11 Apr 2014	Turkey and Europe
Peter Laity	1 – 16 May 2014	South Africa, Europe, Canada and US
Lianne Buck	10 – 13 Jun 2014	Chile

Land disposal

No land disposals were undertaken during the reporting period.

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			
CEO	Advice on strategic plan	KPMG Superannuation Services Pty Ltd	$147,136.00
Total			**$147,136.00**

Fees less than $50,000

Area	Project	Consultant	Total number of engagements	$ Total cost
STC				
Finance	Strategic tax advice	C A King & Associates	1	$16,500.00
Total				**$16,500.00**
Pooled Fund				
Investments	STC crediting rate advice	Russell Investments	1	$32,133.75
Total				**$32,133.75**

Account payment performance

Accounts paid on time within each quarter

Quarter	Total accounts paid on time			Total amount paid
	Target %	Actual %	$	$
Sep 2013	100%	100%	$10,069,370	$10,069,370
Dec 2013	100%	100%	$8,291,288	$8,291,288
Mar 2014	100%	100%	$9,268,035	$9,268,035
Jun 2014	100%	100%	$10,570,198	$10,570,198
Total				**$38,198,891**

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Part E

Five year membership and financial statistical tables

Five years at a glance – to 30 June 2014

Member statistics	2010	2011	2012	2013	2014
Active members – SASS	44,022	41,264	38,224	34,978	31,548
Active members – SSS	17,855	15,689	13,420	11,060	8,902
Active members – PSS	2,138	1,889	1,673	1,532	1,388
Total active members	**64,015**	**58,842**	**53,317**	**47,570**	**41,838**
Deferred benefit members – SASS	10,729	10,503	10,530	10,540	10,478
Deferred benefit members – SSS	3,322	3,022	2,749	2,490	2,274
Deferred benefit members – PSS	166	166	141	128	120
Total deferred benefit members	**14,217**	**13,691**	**13,420**	**13,158**	**12,872**
Pension members – SASS	4,438	3,953	3,869	3,894	4,037
Pension members – SSS	46,786	47,506	49,048	50,840	52,317
Pension members – PSS	6,566	6,434	6,521	6,517	6,551
Total pension members	**57,790**	**57,893**	**59,438**	**61,251**	**62,905**

Gender ratios – active members	2010	2011	2012	2013	2014
Females – SASS	52%	52%	51%	51%	51%
Males – SASS	48%	48%	49%	49%	49%
Females – SSS	34%	34%	34%	34%	35%
Males – SSS	66%	66%	66%	66%	65%
Females – PSS	12%	12%	12%	12%	12%
Males – PSS	88%	88%	88%	88%	88%

Contributions – $ million	2010	2011	2012	2013	2014
Employer contributions	166	165	139	155	165
Employee contributions	540	522	504	456	409
Crown contributions	1,567	1,330	6,005	1,280	1,236
Total contributions	**2,273**	**2,017**	**6,648**	**1,891**	**1,810**
Benefits paid – $ millions	3,258	3,384	3,689	4,051	4,456
Net contributions – $ millions	-985	-1,367	2,959	-3,840	-2,646
Investment revenue – $ millions	3,078	2,925	-37	6,166	4,822

Assets/liabilities	2010	2011	2012	2013	2014
Accrued benefits – SASS	12,580	13,090	13,184	13,653	14,232
Net assets to pay benefits	8,559	9,102	10,128	11,302	12,063
Over (under) funding – SASS	**-4,021**	**-3,988**	**-3,056**	**-2,351**	**-2,170**
Accrued benefits – SSS	29,003	29,905	30,843	31,652	32,177
Net assets to pay benefits	18,025	18,758	18,910	20,911	21,876
Over (under) funding – SSS	**-10,978**	**-11,147**	**-11,933**	**-10,741**	**-10,301**
Accrued benefits – PSS	6,350	6,483	6,661	6,852	7,010
Net assets to pay benefits	2,913	3,046	3,645	4,179	4,399
Over (under) funding – PSS	**-3,437**	**-3,437**	**-3,016**	**-2,673**	**-2,611**
Accrued benefits – SANCS	2,653	2,700	2,674	2,527	2,485
Net assets to pay benefits	1,246	1,274	1,669	1,818	1,911
Over (under) funding – SANCS	**-1,407**	**-1,426**	**-1,005**	**-709**	**-574**
Total accrued benefits	50,585	52,178	53,362	54,684	55,904
Total net assets to pay benefits	30,743	32,180	34,352	38,209	40,248
Over (under) funding – SANCS	**-19,842**	**-19,998**	**-19,010**	**-16,475**	**-15,656**

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) – death/disability reserves	5,578 1	346 –	3,000 –	296 –	9,220 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% for members	8.3% for pensioners 7.3% for 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 (–) $ billions
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 surplus.		-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

INDEPENDENT AUDITOR'S REPORT

SAS Trustee Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the SAS Trustee Corporation (STC), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended, notes comprising a summary of significant accounting policies and other explanatory information of 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 2014 and of their performance and 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 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, 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 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 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 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

A T Whitfield
Deputy Auditor-General

24 September 2014
SYDNEY

SAS TRUSTEE CORPORATION

ABN 29 239 066 746

Statement by Members of the Trustee Board
for the year ended 30 June 2014

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 2014 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 24th day of September 2014.

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

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2014

	NOTE	**Economic Entity 2014 $'000**	Restated Economic Entity 2013 $'000	**Statutory Corporation 2014 $'000**	Restated Statutory Corporation 2013 $'000
Continuing Operations					
Operating Revenue	3	**41,698**	37,052	**38,724**	34,841
Operating Expenses	3	**(42,137)**	(38,605)	**(38,724)**	(34,841)
Operating Result		**(439)**	(1,553)	-	-
Other Comprehensive Income					
Items that will not be reclassified into Operating Result:					
Superannuation actuarial remeasurements gains/(losses)	10	**439**	1,553	-	-
Total Comprehensive Income		-	-	-	-

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

Consolidated Statement of Financial Position
as at 30 June 2014

	NOTE	Economic Entity 2014 $'000	Restated Economic Entity 2013 $'000	Restated Economic Entity 1 July 2012 $'000	Statutory Corporation 2014 $'000	Restated Statutory Corporation 2013 $'000	Restated Statutory Corporation 1 July 2012 $'000
Current Assets							
Cash and cash equivalents	12(a)	**1,021**	1,740	950	**1,021**	1,740	950
Receivables	4	**7,780**	5,650	7,658	**7,518**	5,503	7,622
Other Current Assets		**515**	307	57	**515**	307	57
Total Current Assets		**9,316**	7,697	8,665	**9,054**	7,550	8,629
Total Assets		**9,316**	7,697	8,665	**9,054**	7,550	8,629
Current Liabilities							
Payables	5	**6,020**	4,266	4,043	**9,054**	7,550	8,629
Provisions	6	**3,162**	3,342	4,575	**-**	-	-
Total Current Liabilities		**9,182**	7,608	8,618	**9,054**	7,550	8,629
Non-Current Liabilities							
Provisions	6	**134**	89	47	**-**	-	-
Total Non-current Liabilities		**134**	89	47	**-**	-	-
Total Liabilities		**9,316**	7,697	8,665	**9,054**	7,550	8,629
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 2014

	NOTE	**Economic Entity 2014 $'000**	Restated Economic Entity 2013 $'000	**Statutory Corporation 2014 $'000**	Restated Statutory Corporation 2013 $'000
Cash Flows from Operating Activities					
Receipts from Pooled Fund Schemes		**40,008**	36,786	**36,217**	34,575
Interest Received		**48**	40	**48**	40
Payments to Suppliers and Employees		**(40,775)**	(36,036)	**(36,984)**	(33,825)
Net Operating Cash Flows	12(b)	**(719)**	790	**(719)**	790
Net Increase/(Decrease) in Cash & Cash Equivalents		**(719)**	790	**(719)**	790
Cash & Cash Equivalents at the Beginning of the Financial Year		**1,740**	950	**1,740**	950
Cash & Cash Equivalents at the End of the Financial Year	12(a)	**1,021**	1,740	**1,021**	1,740

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

SAS TRUSTEE CORPORATION

Consolidated Statement of Changes in Equity
for the year ended 30 June 2014

	Economic Entity	Restated Economic Entity	**Statutory Corporation**	Restated Statutory Corporation
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Balance at 1 July	**-**	-	**-**	-
Operating Result	**(439)**	(1,553)	**-**	-
Other Comprehensive Income				
Superannuation remeasurements actuarial gains/(losses)	**439**	1,553	**-**	-
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 2014

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

The STC Staff Agency 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 Staff Agency, including those transactions which were not with STC. The principles of consolidation of STC and STC Staff Agency 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 24th September 2014.

Notes to the financial statements
for the year ended 30 June 2014

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

a) Statement of Compliance and Basis of Preparation (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 2013. Other than AASB 119 *Employee Benefits*, no other new standards or amendments that took effect from 1 July 2013 are material.

The relevant change to AASB 119 is that in accounting for –

- interests in defined benefit superannuation funds, the previous calculation of interest cost and expected return on plan assets are replaced with a net-interest amount. This net-interest amount uses the discount rate applicable to the net defined benefit liability or asset at the start of each annual reporting period rather than expected plan earnings. The revised AASB 119 also requires more extensive disclosures. These have been provided in Note 10.
- Annual leave not expected to be settled wholly before 12 months of the end of the annual reporting period to which the service related is to be measured at present value. This requirement does not materially change any reported balances.

The revised AASB 119 has been applied retrospectively, with the permitted exceptions of sensitivity disclosures for the defined benefit obligation for the comparative period (year ended 30 June 2013).

First time application of the revised AASB 119 'Employee Benefits' with an application date of 1 July 2013. The amended AASB 119 'Employee Benefits' has changed accounting for defined benefit superannuation scheme obligations. The revised standard requires superannuation expense to include net interest (interest cost less interest income) measured at and reported as defined benefit costs. Note 5 details the Net Benefit Defined Fund Assets and obligation and other disclosures provided by the Scheme actuary. The standard also requires application of contribution taxes payable in estimating the defined benefit obligation. This changed the calculation of the defined benefits liability/asset presented in the statement of financial position. As a result, the defined benefit liability related to the defined benefit cost has increased. The amended accounting standard requires the amounts recorded in profit or loss to be limited to current and past service costs, gains or losses, settlements and net interest income (expense). All other changes in the net defined benefit asset (liability), including actuarial gains and losses, are recognised in other comprehensive income with no subsequent recycling to profit or loss. The expected return on plan assets is no longer recognised in profit or loss. Instead, interest income is now measured using the same discount rate used to measure the defined benefit obligation (market yields on 10 year Commonwealth government bonds). The 10 year Commonwealth government bond yield is generally lower than expected rate of return on assets that was used to determine the expected return on assets in the previous standard. As a result the service cost for members has increased. The impact on the statement of comprehensive income for the financial year is:

Notes to the financial statements
for the year ended 30 June 2014

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Statement of Compliance and Basis of Preparation (Continued)

Economic Entity	30/06/2013 previously reported $'000	AASB119 adjustments $'000	30/06/2013 as restated $'000
Statement of Comprehensive Income			
Operating Revenue	36,753	299	37,052
Operating Expenses	(37,783)	(822)	(38,605)
Operating Result	(1,030)	(523)	(1,553)
Superannuation actuarial remeasurements gains/(losses)	1,030	523	1,553
Statement of Financial Position			
Receivables	5,325	325	5,650
Provision	3,017	325	3,342
Statement of Cash Flows			
Receipts from Pooled Fund Schemes	36,487	299*	36,786
Payments to Suppliers and Employees	(35,737)	(299)*	(36,036)

* deemed cash flow

Statutory Corporation	30/06/2013 previously reported $'000	AASB119 adjustments $'000	30/06/2013 as restated $'000
Statement of Comprehensive Income			
Operating Revenue	34,542	299	34,841
Operating Expenses	(34,542)	(299)	(34,841)
Operating Result	-	-	-
Superannuation actuarial remeasurements gains/(losses)	-	-	-
Statement of Financial Position			
Receivables	5,204	299	5,503
Payables	7,251	299	7,550
Statement of Cash Flows			
Receipts from Pooled Fund Schemes	34,276	299*	34,575
Payments to Suppliers and Employees	(33,526)	(299)*	(33,825)

* deemed cash flow

Notes to the financial statements
for the year ended 30 June 2014

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

a) Statement of Compliance and Basis of Preparation (Continued)

Within the Economic Entity, had the revised standard applied in 2011-12, that year's total liabilities and total income would have changed by $502,000. This amount would have been charged to the entities to which the entity consolidated (the Staff Agency) provides personnel services. The Economic Entity's closing equity would have remained at zero. The Statutory Corporation's personnel services expense would have changed by the same amount.

In 2013-14, application of the revised standard –

- increased the Economic Entity's superannuation expenses by $39,000
- increased the Economic Entity's. revenue by $39,000
- increased the Economic Entity's net liability for defined benefit superannuation by $260,000.
- Increased the Statutory Corporation's personnel services expense by $39,000.

b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the Statutory Corporation and its controlled entity, the STC Staff Agency, 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 Staff Agency 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.

Notes to the financial statements
for the year ended 30 June 2014

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Staff Agency 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.

Notes to the financial statements
for the year ended 30 June 2014

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

h) Accounting standards applicable issued but not yet effective

At the date of authorisation of this financial report the following accounting standards which are expected to be relevant were issued but not yet effective. The impact of these standards and interpretations has been assessed and to the extent applicable are outlined below. Only relevant Standards and Interpretations have been included.

AASB 9 *Financial Instruments* –
The standard will be implemented for the year ended 30 June 2016. No material change to these financial statements is anticipated.

AASB 10 *Consolidated Financial Statements*, AASB2013 -8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, AASB 12 & AASB 1049]* –
The standard and guidance will be implemented for the year ended 30 June 2015. No material change to this financial report is anticipated.

AASB 12 *Disclosure of Interests in Other Entities* –
The standard will be implemented for the year ended 30 June 2015. No material change to this financial report is anticipated.

AASB 2012-3 – *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
The standard will be implemented for the year ended 30 June 2015. No material change to this financial report is anticipated.

AASB 1031 *Materiality* –
The standard will be implemented for the year ended 30 June 2015. No material change to this financial report is anticipated as STC already applies materiality considerations as currently contained in Accounting Standards.

AASB 2014-1 *Amendments to Australian Accounting Standards*
This standard contains several sections each with its own implementation date. No material change to these financial statements is expected.

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.

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

k) Materiality

Omissions or misstatements are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of these financial statements. Materiality depends on the size and nature of any omission or misstatement judged in the surrounding circumstances. The size and nature of the item, or a combination of both, could be the determining factor. To this end, the Trustee's general position is that all amounts and disclosures in these financial statements agree to the underlying source information. As stated at Note 2(j) some amounts contain judgements and estimates. In all cases the judgement or estimate has been confirmed to the best available information to ensure these financial statements present fairly all the information disclosed. If misstatements are discovered during the audit process the applicable balance has been updated unless the variation is clearly trivial.

Notes to the financial statements
for the year ended 30 June 2014

3. OPERATING RESULT

	Economic Entity 2014 $'000	Economic Entity 2013 $'000	Statutory Corporation 2014 $'000	Statutory Corporation 2013 $'000
The result includes the following items of revenue and expense:				
Management Fees	**41,279**	36,662	**38,305**	34,451
Interest Income	**48**	40	**48**	40
Other Income	**371**	350	**371**	350
Total Revenue	**41,698**	37,052	**38,724**	34,841
Trustee Expenses				
Board Member Fees	**622**	722	**622**	722
Other Trustee Administration Expenses	**86**	58	**86**	58
Total Trustee Expenses	**708**	780	**708**	780
Administration Expenses				
Employee Related Expenses	**7,448**	5,680	**-**	-
Superannuation	**1,149**	1,149	**-**	-
Personnel Services Expenses	**-**	-	**5,184**	3,065
Accommodation	**877**	880	**877**	880
Other Administration Expenses	**1,146**	853	**1,146**	853
Total Executive Expenses	**10,620**	8,562	**7,207**	4,798
Fund Expenses				
Fees for Services	**3,174**	3,100	**3,174**	3,100
Other Fund Administration Expenses	**3,652**	1,095	**3,652**	1,095
Pillar Administration Fees	**23,983**	25,068	**23,983**	25,068
Total Fund Expenses	**30,809**	29,263	**30,809**	29,263
Total Operating Expenses	**42,137**	38,605	**38,724**	34,841
Result	**(439)**	(1,553)	**-**	-

Contained within other Administration Expenses are fees paid to consultants of $163,636 (2013: $104,038) and audit fees of $16,500 (2013: $12,100) for the Statutory Corporation and $6,600 (2013: $3,300) for the STC Staff Agency (for both entities, audit of the financial statements and no other services).

Notes to the financial statements
for the year ended 30 June 2014

3. OPERATING RESULT (Continued)

Lease payments made during the year comprised –

	Economic Entity 2014 $'000	Economic Entity 2013 $'000	**Statutory Corporation 2014 $'000**	Statutory Corporation 2013 $'000
Minimum lease payments	**648**	663	**648**	663
Contingent rentals	**-**	-	**-**	-
	648	663	**648**	663

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 2014 $'000	Economic Entity 2013 $'000	**Statutory Corporation 2014 $'000**	Statutory Corporation 2013 $'000
Current				
Amounts Receivable – Pooled Fund	**6,776**	4,695	**6,776**	4,695
Other Receivables	**742**	808	**742**	808
Superannuation (refer Note 10)				
SASS	**75**	73	**-**	-
SANCS	**187**	74	**-**	-
	7,780	5,650	**7,518**	5,503

5. PAYABLES

	Economic Entity 2014 $'000	Economic Entity 2013 $'000	**Statutory Corporation 2014 $'000**	Statutory Corporation 2013 $'000
Current				
Amount Payable – Pillar (Administration Fees)	**2,077**	2,196	**2,077**	2,196
Other Payables	**3,943**	2,070	**3,943**	2,070
Amounts Payable – STC Staff Agency	**-**	-	**3,034**	3,284
	6,020	4,266	**9,054**	7,550

All payables are within agreed trading terms.

Notes to the financial statements
for the year ended 30 June 2014

6. PROVISIONS

	Economic Entity 2014 $'000	Economic Entity 2013 $'000	Statutory Corporation 2014 $'000	Statutory Corporation 2013 $'000
Current				
Employee Benefits	**1,077**	1,107	-	-
Superannuation (refer Note 10)				
SSS	**2,085**	2,235	-	-
	3,162	3,342	-	-
Non-current				
Employee Benefits	**134**	89	-	-
	134	89	-	-

7. FAIR VALUE

Unless subject to specific measurement requirements of relevant Accounting Standards, all assets and liabilities are measured and reported at fair value. All such receivables are short term and are expected to be settled at the value reported. No payables are past due and all are expected to be settled at the value reported.

8. 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 2014

9. 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
Mr A Claassens (term commenced 5 November 2012)
Mr R Davis (term completed 31 December 2013)
Mr R Harty (resigned 2 May 2013)
Mr M Lambert
Mr N Lewocki (term completed 31 August 2012)
Ms K Moses
Mr Tony O'Grady (term commenced 24 June 2013)
Mr P Scully
Mr G Venardos (term commenced 5 November 2012)
Ms S Walsh

Executive Officers
Ms L Buck
(from 11 April 2012)
Mr K Dent
Mr A Grice
(until 10 June 2014)
Ms B Lawn
(from 11 July 2012)
Mr J Livanas
Ms A Lowe
(from 10 June 2014)
Mr P Laity
(from 15 March 2013)
Mr J Murray
(from 9 July 2013)
Mr M O'Brien
(from 30 January 2013)
Ms M O'Rourke
(until 10 June 2014)
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 2014 $'000	Economic Entity 2013 $'000	**Statutory Corporation 2014 $'000**	Statutory Corporation 2013 $'000
Short-term employee benefits	**3,872**	2,620	-	-
Post-employment benefits	-	-	-	-
Other long term employee benefits	**41**	22	-	-
	3,913	2,642	-	-

Notes to the financial statements
for the year ended 30 June 2014

9. 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 2014	Economic Entity 2013	**Statutory Corporation 2014**	Statutory Corporation 2013
Base compensation (including superannuation contributions) of:				
\$40,000 - \$49,999	-	1	-	-
\$120,000 - \$129,999	-	2	-	-
\$130,000 - \$139,999	-	1	-	-
\$160,000 - \$169,999	2	-	-	-
\$190,000 - \$199,999	-	2	-	-
\$200,000 - \$209,999	1	1	-	-
\$210,000 - \$219,999	2	1	-	-
\$230,000 - \$239,999	2	1	-	-
\$240,000 - \$249,999	1	-	-	-
\$250,000 - \$259,999(1)	2	-	-	-
\$450,000 - \$459,999(1)	1	-	-	-
\$460,000 - \$469,999(1)	-	1	-	-
\$620,000 - \$629,999(1)	1	-	-	-
	12	10	-	-

(1) In 2013 the Board determined that a performance bonus of \$77,225 (2013 \$75,000) was payable to the current Chief Executive Officer of STC, bonus of \$40,767 to the General Manager, Investments and bonus of \$7,732 to the Head of Equities.

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

	Economic Entity 2014	Economic Entity 2013	**Statutory Corporation 2014**	Statutory Corporation 2013
Base compensation (including superannuation contributions) of:				
\$0 - \$39,999	3	4	3	4
\$40,000 - \$49,999	2	2	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	1	1
\$90,000- \$99,999	2	-	2	-
\$100,000- \$109,999	1	-	1	-
\$170,000- \$179,999	-	1	-	1
	10	11	10	11

Notes to the financial statements
for the year ended 30 June 2014

10. 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 schemes are all defined benefit schemes because as least a component of the final benefit is derived from a multiple of member salary and years of scheme membership. Members receive a lump sum or pension benefit on retirement, death, disablement and withdrawal.

All the schemes are closed to new members.

Description of the schemes' regulatory framework
The schemes in the Pooled Fund are established and governed by the following NSW legislation and their associated regulations –

- *Superannuation Act 1916*
- *State Authorities Superannuation Act 1987*
- *State Authorities Non-Contributory Superannuation Scheme Act 1987.*

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act 1993* (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Statutory Corporation's (in its capacity as Trustee Board) adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2012.

Description of other entities' responsibilities for the governance of the fund
The Statutory Corporation (in its capacity as Trustee Board) is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Statutory Corporation (in its capacity as Trustee Board) has the following roles –

- administration of the Fund and payment to the beneficiaries from Fund assets when required in accordance with the Fund rules;
- management and investment of the Fund assets; and
- compliance with other applicable regulations.

Notes to the financial statements
for the year ended 30 June 2014

10. SUPERANNUATION (Continued)

Description of risks

There are a number of risks to which the Fund exposes the Statutory Corporation as a participating employer. The more significant risks relating to the defined benefits are –

- investment risk - The risk that investment returns will be lower than assumed and the participating employer will need to increase contributions to offset this shortfall
- longevity risk – The risk that pensioners live longer than assumed, increasing future pensions
- salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional contributions from the participating employer
- legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

Description of significant events

There were no fund amendments, curtailments or settlements during the year.

The following information has been prepared by the Scheme actuary.

Reconciliation of the Net Defined Benefit Liability/(Asset)

Economic Entity

As at 30 June 2014	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Net Defined Benefit Liability/(Asset) at start of year	(73)	(74)	2,235
Current service cost	29	10	55
Net interest on the net defined benefit liability/(asset)	(3)	(3)	85
Past service cost	-	-	-
(Gains)/losses arising from settlements	-	-	-
Actual returns on Fund assets less interest income	(104)	(26)	114
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	22	5	223
Actuarial (gains)/losses arising from liability experience	54	(99)	(627)
Adjustment for effect of asset ceiling	-	-	-
Employer contributions	-	-	-
Net Defined Benefit Liability/(Asset) at end of year	(75)	(187)	2,085

Notes to the financial statements
for the year ended 30 June 2014

10. SUPERANNUATION (Continued)

Reconciliation of the Net Defined Benefit Liability/(Asset) (Continued)

Economic Entity

As at 30 June 2013	SASS $'000	SANCS $'000	SSS $'000
Net Defined Benefit Liability/(Asset) at start of year	(12)	(24)	3,478
Current service cost	33	9	52
Net interest on the net defined benefit liability/(asset)	(1)	(1)	106
Past service cost	-	-	-
(Gains)/losses arising from settlements	-	-	-
Actual returns on Fund assets less interest income	(116)	(40)	(767)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	2	251
Actuarial (gains)/losses arising from changes in financial assumptions	(33)	(13)	(824)
Actuarial (gains)/losses arising from liability experience	56	(7)	(61)
Adjustment for effect of asset ceiling	-	-	-
Employer contributions	-	-	-
Net Defined Benefit Liability/(Asset) at end of year	(73)	(74)	2,235

Notes to the financial statements
for the year ended 30 June 2014

10. SUPERANNUATION (Continued)

Reconciliation of the fair value of fund assets

Economic Entity

As at 30 June 2014	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Fair value of fund assets at beginning of the year	**768**	**273**	**4,703**
Interest income	**28**	**10**	**174**
Actual return on Fund assets less interest income	**105**	**27**	**(114)**
Employer contributions	-	-	-
Contributions by participants	**14**	-	**22**
Benefits paid	**(27)**	**(41)**	**130**
Taxes, premiums and expenses paid	**(1)**	**8**	**23**
Transfers in	-	-	-
Contributions to accumulation section	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
Fair value of fund assets at end of the year	**887**	**277**	**4,938**

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
Interest income	19	6	124
Actual return on Fund assets less interest income	116	40	766
Employer contributions	-	-	-
Contributions by participants	15	-	24
Benefits paid	(28)	-	(444)
Taxes, premiums and expenses paid	(1)	6	48
Transfers in	-	-	-
Contributions to accumulation section	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
Fair value of fund assets at end of the year	768	273	4,703

Notes to the financial statements
for the year ended 30 June 2014

10. SUPERANNUATION (Continued)

Reconciliation of the Defined Benefit Obligation

Economic Entity

As at 30 June 2014	SASS $'000	SANCS $'000	SSS $'000
Present value of defined benefit obligation at beginning of the year	696	199	6,938
Current service cost	29	10	55
Interest cost	25	7	259
Contributions by participants	14	-	23
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	22	6	223
Actuarial (gains)/losses arising from liability experience	54	(99)	(627)
Benefits paid	(28)	(41)	130
Taxes, premiums and expenses paid	(1)	8	23
Transfers in	-	-	-
Contributions to accumulation section	-	-	-
Past service cost	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
Present value of defined benefit obligation at end of the year	811	90	7,024

SAS TRUSTEE CORPORATION

Notes to the financial statements
for the year ended 30 June 2014

10. SUPERANNUATION (Continued)

Reconciliation of the Defined Benefit Obligation (Continued)

Economic Entity

As at 30 June 2013	SASS $'000	SANCS $'000	SSS $'000
Present value of defined benefit obligation at beginning of the year	635	197	7,663
Current service cost	33	9	51
Interest cost	18	5	231
Contributions by participants	15	-	24
Actuarial (gains)/losses arising from changes in demographic assumptions	-	2	251
Actuarial (gains)/losses arising from changes in financial assumptions	(33)	(13)	(824)
Actuarial (gains)/losses arising from liability experience	56	(7)	(61)
Benefits paid	(27)	-	(445)
Taxes, premiums and expenses paid	(1)	6	48
Transfers in	-	-	-
Contributions to accumulation section	-	-	-
Past service cost	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
Present value of defined benefit obligation at end of the year	696	199	6,938

Notes to the financial statements
for the year ended 30 June 2014

10. SUPERANNUATION (Continued)

Reconciliation for the effect of the asset ceiling

Economic Entity

As at 30 June 2014	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Adjustment for effect of asset ceiling at beginning of the year	-	-	-
Change in the effect of asset ceiling	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-

Economic Entity

As at 30 June 2013	SASS $'000	SANCS $'000	SSS $'000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-
Change in the effect of asset ceiling	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-

Notes to the financial statements
for the year ended 30 June 2014

10. SUPERANNUATION (Continued)

Fair value of Fund assets

All the Fund's assets are invested by the Statutory Corporation (in its capacity as Trustee Board) at arm's length through independent fund managers and assets are not separately invested for each participating employer. As such, the following disclosures relate to the Pooled Fund's total assets.

2014

Asset category	**Total ($m)**	**Level 1 ($m)**	**Level 2 ($m)**	**Level 3 ($m)**
Short term securities	**2,452.7**	**1,572.6**	**880.1**	**-**
Australian fixed interest	**2,365.0**	**10.9**	**2,354.1**	**-**
International fixed interest	**880.5**	**-**	**880.5**	**-**
Australian equities	**11,738.5**	**11,494.6**	**241.4**	**2.5**
International equities	**10,943.6**	**8,172.7**	**2,770.8**	**0.1**
Property	**3,283.3**	**894.1**	**712.5**	**1,676.7**
Alternatives	**6,681.1**	**565.4**	**2,731.1**	**3,384.6**
Total	**38,344.7**	**22,710.3**	**10,570.5**	**5,063.9**

2013

Asset category	Total ($m)	Level 1 ($m)	Level 2 ($m)	Level 3 ($m)
Short term securities	2,785.1	1,773.3	1,011.8	-
Australian fixed interest	1,700.0	(5.6)	1,705.6	-
International fixed interest	848.5	-	848.5	-
Australian equities	12,416.2	11,759.5	656.5	0.2
International equities	10,293.7	7,990.0	2,298.9	4.8
Property	3,149.7	925.7	599.8	1,624.2
Alternatives	5,101.0	493.8	1,819.7	2,787.5
Total	36,294.2	22,936.7	8,940.8	4,416.7

Note –

- Level 1 refers to assets and liabilities for which there are quoted prices in active markets for identical assets and liabilities. The assets in this level are listed shares; listed unit trusts.
- Level 2 refers to assets and liabilities that have significant valuation inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets and liabilities 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 refers to assets and liabilities that are not based on observable market data. The assets and liabilities in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Notes to the financial statements
for the year ended 30 June 2014

10. SUPERANNUATION (Continued)

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

	2014	2013
Short term securities	**6%**	13%
Australian fixed interest	**6%**	7%
Overseas fixed interest	**2%**	2%
Australian equities	**31%**	31%
International equities	**29%**	26%
Property	**9%**	8%
Alternatives	**17%**	13%
	100%	100%

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 of the investment portfolio. As such managers make limited use of derivatives.

The Fund does not hold any financial instruments issued by STC.

Significant actuarial assumptions as at 30 June

	2014	2013
Discount rate	**3.57%**	3.80%
Salary increase rate (excluding promotional increases)	**2.27%**	2.25%
Rate of CPI increase	**2.50%**	2.50%
Pensioner mortality	**as per the 2012 Actuarial Investigation of the Pooled Fund**	as per the 2012 Actuarial Investigation of the Pooled Fund

Notes to the financial statements
for the year ended 30 June 2014

10. SUPERANNUATION (Continued)

Sensitivity analysis

The total defined benefit obligation as at 30 June 2014 under several scenarios is presented below. Scenarios A to F relate to the sensitivity of the total defined benefit obligation to economic assumptions. Scenarios G and H relate to sensitivity to demographic assumptions.

	Base Case	Scenario A -1.0% Discount rate	Scenario B +1.0% Discount rate
Discount rate	3.57%	2.57%	4.57%
Salary increase rate	2.27%	2.27%	2.27%
Rate of CPI increase	2.50%	2.50%	2.50%
Defined benefit obligation ($'000)	7,925	9,064	6,985

	Base Case	Scenario C -0.5% Salary increase rate	Scenario D +0.5% Salary increase rate
Discount rate	3.57%	3.57%	3.57%
Salary increase rate	2.27%	2.27%	2.27%
Rate of CPI increase	2.50%	3.00%	2.00%
Defined benefit obligation ($'000)	7,925	8,459	7,436

	Base Case	Scenario E -0.5% Rate of CPI increase	Scenario F +0.5% Rate of CPI increase
Discount rate	3.57%	3.57%	3.57%
Salary increase rate	2.27%	2.77%	1.77%
Rate of CPI increase	2.50%	2.50%	2.50%
Defined benefit obligation ($'000)	7,925	7,944	7,906

Notes to the financial statements
for the year ended 30 June 2014

10. SUPERANNUATION (Continued)

Sensitivity analysis (Continued)

	Base Case	Scenario G -5.0% Pensioner mortality rates	Scenario H +5.0% Pensioner mortality rates
Defined benefit obligation ($'000)	7,925	7,841	8,013

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Asset-liability matching strategies

The Statutory Corporation, in its capacity as trustee of the Fund, ensures it maintains an appropriate asset strategy to pay benefits as the benefits fall due.

Notes to the financial statements
for the year ended 30 June 2014

10. SUPERANNUATION (Continued)

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2012. Contribution rates are set after discussion between the Statutory Corporation in its capacity as trustee of the Schemes and NSW Treasury.

The Statutory Corporation in its capacity of trustee of the schemes reviews funding positions annually and contributions may be adjusted in response to the review.

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 2014	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Accrued benefits	**749**	**100**	**4,050**
Net market value of fund assets	**(886)**	**(277)**	**(4,939)**
Net (surplus)/deficit	**(137)**	**(177)**	**(889)**

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)

Notes to the financial statements
for the year ended 30 June 2014

10. SUPERANNUATION (Continued)

Funding arrangements for employer contributions – Recommended contribution rates

Economic Entity

As at 30 June 2014	**SASS**	**SANCS**	**SSS**
	Multiple of member contributions	**% member salaries**	**Multiple of member contributions**
	-	-	-

Economic Entity

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

Notes to the financial statements
for the year ended 30 June 2014

10. 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	**2.7% for six years then 4.0% per year**
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.

Expected contributions

Economic Entity

Year ended 30 June 2014	**SASS**	**SANCS**	**SSS**
	-	-	-

Economic Entity

Year ended 30 June 2013	SASS	SANCS	SSS
	-	-	-

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 12.4 years.

Notes to the financial statements
for the year ended 30 June 2014

11. RELATED PARTY INFORMATION

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

	2014 $'000	2013 $'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/were directors, on normal commercial terms and conditions.	**315**	357
Rental payments and outgoings received by the Pooled Fund from SSFSAL on normal commercial terms and conditions.	**2,190**	1,870

b) On 17 March 2006 the NSW Government created the SAS Trustee Corporation Division of the Government Service of NSW, now called the SAS Trustee Corporation Staff Agency. 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.

12. CASH FLOW INFORMATION

a) Reconciliation of Cash

	Economic Entity 2014 $'000	Economic Entity 2013 $'000	Statutory Corporation 2014 $'000	Statutory Corporation 2013 $'000
Cash and Cash Equivalents	**1,021**	1,740	**1,021**	1,740

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 the rate was 2.00% (2013: 2.25%).

Notes to the financial statements
for the year ended 30 June 2014

12. CASH FLOW INFORMATION (Continued)

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

	Economic Entity 2014 $'000 Inflows/ (Outflows)	Economic Entity 2013 $'000 Inflows/ (Outflows)	**Statutory Corporation 2014 $'000 Inflows/ (Outflows)**	Statutory Corporation 2013 $'000 Inflows/ (Outflows)
Comprehensive Income	**-**	-	**-**	-
Changes in Assets and Liabilities:				
(Increase)/Decrease in Assets				
Other Current Assets	**(209)**	(250)	**(209)**	(250)
Receivables -				
Pooled Fund Schemes	**(2,080)**	2,120	**(2,080)**	2,120
Other	**(50)**	(109)	**65**	2
Increase/(Decrease) in Liabilities				
Payables -				
Pillar	**(119)**	(18)	**(119)**	(18)
Other	**1,874**	238	**1,624**	(1,064)
Provisions	**(135)**	(1,191)	**-**	-
Net Cash From/(Used) in Operating Activities	**(719)**	790	**(719)**	790

Notes to the financial statements
for the year ended 30 June 2014

13. COMMITMENTS FOR EXPENDITURE

	Economic Entity 2014 $'000	Economic Entity 2013 $'000	**Statutory Corporation 2014 $'000**	Statutory Corporation 2013 $'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	**673**	641	**673**	641
Payable later than 1 year and not later than 5 years	**2,971**	2,830	**2,971**	2,830
Payable greater than 5 years	**266**	1,043	**266**	1,043
	3,910	4,514	**3,910**	4,514
Administration Expenses				
Commitments in relation to fixed administration fees for the Pooled Fund payable to Pillar included in the services contract dated 17 June 2014 but not provided for in the accounts, including goods and services tax:				
Payable not later than 1 year	**5,400**	2,102	**5,400**	2,102
Payable later than 1 year and not later than 5 years	**21,600**	-	**21,600**	-
	27,000	2,102	**27,000**	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.

14. 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.

Notes to the financial statements
for the year ended 30 June 2014

15. Significant Events After 30 June 2014

There have been no events between 30 June 2014 and the date of approval of this financial report that would significantly affect the financial report.

End of Audited Financial Statements

Part G
Financial Statements of the SAS Trustee Staff Agency

(Previously called: SAS Trustee Corporation Division of the Government Service of NSW)

INDEPENDENT AUDITOR'S REPORT

SAS Trustee Corporation Staff Agency

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of SAS Trustee Corporation Staff Agency (STC Staff Agency), which comprise the statement of financial position as at 30 June 2014, 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 and the directors' statement.

Opinion

In my opinion the financial statements:

- give a true and fair view of the financial position of the STC Staff Agency as at 30 June 2014, 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 Staff Agency 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 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 STC Staff Agency'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 STC Staff Agency'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 Staff Agency, 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 Staff Agency
- 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 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 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

A T Whitfield
Deputy Auditor-General

24 September 2014
SYDNEY

SAS TRUSTEE CORPORATION STAFF AGENCY

ABN 31 683 571 255

Statement by Chief Executive Officer
for the year ended 30 June 2014

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 Staff Agency as at 30 June 2014 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 23rd day of September 2014.

John Livanas
Chief Executive Officer

SAS TRUSTEE CORPORATION STAFF AGENCY

Statement of Comprehensive Income
for the year ended 30 June 2014

	NOTE	2014 $'000	Restated 2013 $'000
Continuing Operations			
Operating Revenue			
Personnel Services		**8,158**	5,277
Operating Expenses			
Salaries		**6,338**	4,490
Defined contribution superannuation		**976**	951
Defined benefit superannuation		**173**	199
Annual and long service leave		**601**	470
Other payroll related		**509**	720
		8,597	6,830
Operating Result	2	**(439)**	(1,553)
Other Comprehensive Income			
Items that will not be reclassified into Operating Result:			
Superannuation actuarial remeasurement gains/(losses)	8	**439**	1,553
Total Comprehensive Income		-	-

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

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SAS TRUSTEE CORPORATION STAFF AGENCY

Statement of Financial Position
as at 30 June 2014

	NOTE	2014 $'000	Restated 2013 $'000	Restated 1 July 2012 $'000
Current Assets				
Receivables	3	**3,296**	3,431	4,622
Total Current Assets		**3,296**	3,431	4,622
Total Assets		**3,296**	3,431	4,622
Current Liabilities				
Provisions	4	**3,162**	3,342	4,575
Total Current Liabilities		**3,162**	3,342	4,575
Non-Current Liabilities				
Provisions	4	**134**	89	47
Total Non-Current Liabilities		**134**	89	47
Total Liabilities		**3,296**	3,431	4,622
Net Assets		-	-	-
Total Equity		-	-	-

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

SAS TRUSTEE CORPORATION STAFF AGENCY

Statement of Cash Flows
for the year ended 30 June 2014

	NOTE	2014 $'000 Inflows/ (Outflows)	Restated 2013 $'000 Inflows/ (Outflows)
Cash Flows from Operating Activities			
Receipts		**8,975**	5,277
Interest Received		**-**	-
Payments to Suppliers and Employees		**(8,975)**	(5,277)
Net Operating Cash Flows	9(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	9(a)	**-**	-

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

SAS TRUSTEE CORPORATION STAFF AGENCY

Statement of Changes in Equity
for the year ended 30 June 2014

	NOTE	2014 $'000	Restated 2013 $'000
Balance at 1 July		-	-
Operating Result		**(439)**	(1,553)
Other Comprehensive income			
Superannuation actuarial remeasurment gains/(losses)	8	**439**	1,553
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 STAFF AGENCY

Notes to the financial statements
for the year ended 30 June 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The SAS Trustee Corporation Staff Agency (STC Staff Agency) (previously called the SAS Trustee Corporation Division of the Government Service of NSW and renamed on 24 February 2014 by the Administrative Arrangements Order 2014) is a Staff Agency 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 Staff Agency 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 Staff Agency.

These financial statements were authorised for issue by the Chief Executive Officer of STC on xx September 2014. 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 2013. Other than AASB 119 *Employee Benefits*, no other new standards or amendments that took effect from 1 July 2013 are material.

The relevant change to AASB 119 is that in accounting for –

- interests in defined benefit superannuation funds, the previous calculation of interest cost and expected return on plan assets are replaced with a net-interest amount. This net-interest amount uses the discount rate applicable to the net defined benefit liability or asset at the start of each annual reporting period rather than expected plan earnings. The revised AASB 119 also requires more extensive disclosures. These have been provided in note 8.

Notes to the financial statements
for the year ended 30 June 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis for preparation and statement of compliance (Continued)

- annual leave not expected to be settled wholly before 12 months of the end of the annual reporting period to which the service related is to be measured at present value. This requirement does not materially change any reported balances.

The revised AASB 119 has been applied retrospectively, with the permitted exceptions of sensitivity disclosures for the defined benefit obligation for the comparative period (year ended 30 June 2013).

First time application of the revised AASB 119 'Employee Benefits' with an application date of 1 July 2013. The amended AASB 119 'Employee Benefits' has changed accounting for defined benefit superannuation scheme obligations. The revised standard requires superannuation expense to include net interest (interest cost less interest income) measured at and reported as defined benefit costs. Note 5 details the Net Benefit Defined Fund Assets and obligation and other disclosures provided by the Scheme actuary. The standard also requires application of contribution taxes payable in estimating the defined benefit obligation. This changed the calculation of the defined benefits liability/asset presented in the statement of financial position. As a result, the defined benefit liability related to the defined benefit cost has increased. The amended accounting standard requires the amounts recorded in profit or loss to be limited to current and past service costs, gains or losses, settlements and net interest income (expense). All other changes in the net defined benefit asset (liability), including actuarial gains and losses, are recognised in other comprehensive income with no subsequent recycling to profit or loss. The expected return on plan assets is no longer recognised in profit or loss. Instead, interest income is now measured using the same discount rate used to measure the defined benefit obligation (market yields on 10 year Commonwealth government bonds). The 10 year Commonwealth government bond yield is generally lower than expected rate of return on assets that was used to determine the expected return on assets in the previous standard. As a result the service cost for members has increased. The impact on the statement of comprehensive income for the financial year is:

Notes to the financial statements
for the year ended 30 June 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	30/06/2013 previously reported $'000	AASB119 adjustments $'000	30/06/2013 as restated $'000
Statement of Comprehensive Income			
Operating Revenue	4,978	299	5,277
Operating Expenses	(6,008)	(822)	(6,830)
Operating Result	(1,030)	(523)	(1,553)
Superannuation actuarial remeasurements gains/(losses)	1,030	523	1,553
Statement of Financial Position			
Receivables	3,106	325	3,431
Provision	3,017	325	3,342
Statement of Cash Flows			
Receipts from Pooled Fund Schemes	4,978	299*	5,277
Payments to Suppliers and Employees	(4,978)	(299)*	(5,277)

* deemed cash flow

Had the revised standard applied in 2011-12, that year's total liabilities and total income would have changed by $502,000. This amount would have been charged to the entities to which the Staff Agency provides personnel services. The Staff Agency's closing equity would have remained at zero.

In 2013-14, application of the revised standard –

- increased the Staff Agency's defined benefit superannuation expense by $39,000
- increased the Staff Agency's revenue by $39,000
- increased the Staff Agency's net liability for defined benefit superannuation by $260,000.

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.

Notes to the financial statements
for the year ended 30 June 2014

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.

Notes to the financial statements
for the year ended 30 June 2014

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. The impact of these standards and interpretations has been assessed and to the extent applicable are outlined below. Only relevant Standards and Interpretations have been included.

AASB 9 *Financial Instruments* –
The standard will be implemented for the year ended 30 June 2016. No material change to these financial statements is anticipated.

AASB 2012-3 – *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
The standard will be implemented for the year ended 30 June 2015. No material change to this financial report is anticipated.

AASB 1031 *Materiality* –
The standard will be implemented for the year ended 30 June 2015. No material change to this financial report is anticipated as STC already applies materiality considerations as currently contained in Accounting Standards.

AASB 2014-1 *Amendments to Australian Accounting Standards*
This standard contains several sections each with its own implementation date. No material change to these financial statements is expected.

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.

Notes to the financial statements
for the year ended 30 June 2014

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. OPERATING RESULT

The STC Staff Agency did not make any payments to consultants in the year ended 30 June 2014 or the year ended 30 June 2013.

The audit fee for the entity of $6,600 (2013: $3,300) is met by STC. The auditor provided no other services other than the audit of these financial statements.

3. RECEIVABLES

	2014 $'000	2013 $'000
Current		
Amounts Receivable – STC	**3,034**	3,284
Superannuation (refer Note 8)		
SASS	**75**	73
SANCS	**187**	74
	3,296	3,431

4. PROVISIONS

	2014 $'000	2013 $'000
Current		
Employee Benefits	**1,077**	1,107
Superannuation (refer Note 8)		
SSS	**2,085**	2,235
	3,162	3,342
Non-current		
Employee Benefits	**134**	89
	134	89

Notes to the financial statements
for the year ended 30 June 2014

5. FAIR VALUE

Unless subject to specific measurement requirements of relevant Accounting Standards, all assets and liabilities are measured and reported at fair value. All such receivables are short term and are expected to be settled at the value reported. No payables are past due and all are expected to be settled at the value reported.

6. 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 Staff Agency recovers all its costs from STC, a change in market prices will have no effect on STC Staff Agency'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 Staff Agency to experience a financial loss. In respect of the STC Staff Agency's financial assets, its only counterparty is its parent entity, STC. As STC makes good its obligations to the STC Staff Agency on demand, the STC Staff Agency is exposed to minimal credit risk. The STC Staff Agency's maximum credit risk exposure is the balance of the receivable from STC.

Liquidity Risk

Liquidity risk is the risk that the STC Staff Agency will not be able to meet its financial obligations as they fall due. As stated at Note 9 the STC Staff Agency 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 Staff Agency is exposed to negligible liquidity risk.

Notes to the financial statements
for the year ended 30 June 2014

7. 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)
Mr K Dent
Mr A Grice
(until 10 June 2014)
Ms B Lawn
(from 11 July 2012)
Mr J Livanas
Ms A Lowe
(from 10 June 2014)
Mr P Laity
(from 15 March 2013)
Mr J Murray
(from 9 July 2013)
Mr M O'Brien
(from 30 January 2013)
Ms M O'Rourke
(until 10 June 2014)
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 –

	2014	2013
	$'000	$'000
Short-term employee benefits	**3,367**	2,121
Post-employment benefits	**-**	-
Other long term employee benefits	**41**	22
	3,408	2,143

Notes to the financial statements
for the year ended 30 June 2014

8. SUPERANNUATION

The STC Staff Agency 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 schemes are all defined benefit schemes because at least a component of the final benefit is derived from a multiple of member salary and years of scheme membership. Members receive a lump sum or pension benefit on retirement, death, disablement and withdrawal.

All the schemes are closed to new members.

Description of the schemes' regulatory framework
The schemes in the Pooled Fund are established and governed by the following NSW legislation and their associated regulations –

- *Superannuation Act 1916*
- *State Authorities Superannuation Act 1987*
- *State Authorities Non-Contributory Superannuation Scheme Act 1987.*

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act 1993* (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the STC's (in its capacity as Trustee Board) adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2012.

Description of other entities' responsibilities for the governance of the fund
STC (in its capacity as Trustee Board) is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. STC (in its capacity as Trustee Board) has the following roles –

- administration of the Fund and payment to the beneficiaries from Fund assets when required in accordance with the Fund rules;
- management and investment of the Fund assets; and
- compliance with other applicable regulations.

Notes to the financial statements
for the year ended 30 June 2014

8. SUPERANNUATION (Continued)

Description of risks

There are a number of risks to which the Fund exposes the STC Staff Agency as a participating employer. The more significant risks relating to the defined benefits are –

- investment risk - The risk that investment returns will be lower than assumed and the participating employer will need to increase contributions to offset this shortfall
- longevity risk – The risk that pensioners live longer than assumed, increasing future pensions
- salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional contributions from the participating employer
- legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

Description of significant events

There were no fund amendments, curtailments or settlements during the year.

The following information has been prepared by the Scheme actuary.

Reconciliation of the Net Defined Benefit Liability/(Asset)

As at 30 June 2014	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Net Defined Benefit Liability/(Asset) at start of year	**(73)**	**(74)**	**2,235**
Current service cost	**29**	**10**	**55**
Net interest on the net defined benefit liability/(asset)	**(3)**	**(3)**	**85**
Past service cost	**-**	**-**	**-**
(Gains)/losses arising from settlements	**-**	**-**	**-**
Actual returns on Fund assets less interest income	**(104)**	**(26)**	**114**
Actuarial (gains)/losses arising from changes in demographic assumptions	**-**	**-**	**-**
Actuarial (gains)/losses arising from changes in financial assumptions	**22**	**5**	**223**
Actuarial (gains)/losses arising from liability experience	**54**	**(99)**	**(627)**
Adjustment for effect of asset ceiling	**-**	**-**	**-**
Employer contributions	**-**	**-**	**-**
Net Defined Benefit Liability/(Asset) at end of year	**(75)**	**(187)**	**2,085**

Notes to the financial statements
for the year ended 30 June 2014

8. SUPERANNUATION (Continued)

Reconciliation of the Net Defined Benefit Liability/(Asset) (Continued)

As at 30 June 2013	SASS $'000	SANCS $'000	SSS $'000
Net Defined Benefit Liability/(Asset) at start of year	(12)	(24)	3,478
Current service cost	33	9	52
Net interest on the net defined benefit liability/(asset)	(1)	(1)	106
Past service cost	-	-	-
(Gains)/losses arising from settlements	-	-	-
Actual returns on Fund assets less interest income	(116)	(40)	(767)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	2	251
Actuarial (gains)/losses arising from changes in financial assumptions	(33)	(13)	(824)
Actuarial (gains)/losses arising from liability experience	56	(7)	(61)
Adjustment for effect of asset ceiling	-	-	-
Employer contributions	-	-	-
Net Defined Benefit Liability/(Asset) at end of year	(73)	(74)	2,235

Notes to the financial statements
for the year ended 30 June 2014

8. SUPERANNUATION (Continued)

Reconciliation of the fair value of fund assets

As at 30 June 2014	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Fair value of fund assets at beginning of the year	**768**	**273**	**4,703**
Interest income	**28**	**10**	**174**
Actual return on Fund assets less interest income	**105**	**27**	**(114)**
Employer contributions	**-**	**-**	**-**
Contributions by participants	**14**	**-**	**22**
Benefits paid	**(27)**	**(41)**	**130**
Taxes, premiums and expenses paid	**(1)**	**8**	**23**
Transfers in	**-**	**-**	**-**
Contributions to accumulation section	**-**	**-**	**-**
Settlements	**-**	**-**	**-**
Exchange rate changes	**-**	**-**	**-**
Fair value of fund assets at end of the year	**887**	**277**	**4,938**

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
Interest income	19	6	124
Actual return on Fund assets less interest income	116	40	766
Employer contributions	-	-	-
Contributions by participants	15	-	24
Benefits paid	(28)	-	(444)
Taxes, premiums and expenses paid	(1)	6	48
Transfers in	-	-	-
Contributions to accumulation section	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
Fair value of fund assets at end of the year	768	273	4,703

SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements
for the year ended 30 June 2014

8. SUPERANNUATION (Continued)

Reconciliation of the Defined Benefit Obligation

As at 30 June 2014	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Present value of defined benefit obligation at beginning of the year	**696**	**199**	**6,938**
Current service cost	**29**	**10**	**55**
Interest cost	**25**	**7**	**259**
Contributions by participants	**14**	**-**	**23**
Actuarial (gains)/losses arising from changes in demographic assumptions	**-**	**-**	**-**
Actuarial (gains)/losses arising from changes in financial assumptions	**22**	**6**	**223**
Actuarial (gains)/losses arising from liability experience	**54**	**(99)**	**(627)**
Benefits paid	**(28)**	**(41)**	**130**
Taxes, premiums and expenses paid	**(1)**	**8**	**23**
Transfers in	**-**	**-**	**-**
Contributions to accumulation section	**-**	**-**	**-**
Past service cost	**-**	**-**	**-**
Settlements	**-**	**-**	**-**
Exchange rate changes	**-**	**-**	**-**
Present value of defined benefit obligation at end of the year	**811**	**90**	**7,024**

SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements
for the year ended 30 June 2014

8. SUPERANNUATION (Continued)

Reconciliation of the Defined Benefit Obligation (Continued)

As at 30 June 2013	SASS $'000	SANCS $'000	SSS $'000
Present value of defined benefit obligation at beginning of the year	635	197	7,663
Current service cost	33	9	51
Interest cost	18	5	231
Contributions by participants	15	-	24
Actuarial (gains)/losses arising from changes in demographic assumptions	-	2	251
Actuarial (gains)/losses arising from changes in financial assumptions	(33)	(13)	(824)
Actuarial (gains)/losses arising from liability experience	56	(7)	(61)
Benefits paid	(27)	-	(445)
Taxes, premiums and expenses paid	(1)	6	48
Transfers in	-	-	-
Contributions to accumulation section	-	-	-
Past service cost	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
Present value of defined benefit obligation at end of the year	696	199	6,938

Notes to the financial statements
for the year ended 30 June 2014

8. SUPERANNUATION (Continued)

Reconciliation for the effect of the asset ceiling

As at 30 June 2014	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Adjustment for effect of asset ceiling at beginning of the year	-	-	-
Change in the effect of asset ceiling	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-

As at 30 June 2013	SASS $'000	SANCS $'000	SSS $'000
Adjustment for effect of asset ceiling at beginning of the year	-	-	-
Change in the effect of asset ceiling	-	-	-
Adjustment for effect of asset ceiling at end of the year	-	-	-

Notes to the financial statements
for the year ended 30 June 2014

8. SUPERANNUATION (Continued)

Fair value of Fund assets

All the Fund's assets are invested by STC (in its capacity as Trustee Board) at arm's length through independent fund managers and assets are not separately invested for each participating employer. As such, the following disclosures relate to the Pooled Fund's total assets.

2014

Asset category	**Total ($m)**	**Level 1 ($m)**	**Level 2 ($m)**	**Level 3 ($m)**
Short term securities	**2,452.7**	**1,572.6**	**880.1**	**-**
Australian fixed interest	**2,365.0**	**10.9**	**2,354.1**	**-**
International fixed interest	**880.5**	**-**	**880.5**	**-**
Australian equities	**11,738.5**	**11,494.6**	**241.4**	**2.5**
International equities	**10,943.6**	**8,172.7**	**2,770.8**	**0.1**
Property	**3,283.3**	**894.1**	**712.5**	**1,676.7**
Alternatives	**6,681.1**	**565.4**	**2,731.1**	**3,384.6**
Total	**38,344.7**	**22,710.3**	**10,570.5**	**5,063.9**

2013

Asset category	Total ($m)	Level 1 ($m)	Level 2 ($m)	Level 3 ($m)
Short term securities	2,785.1	1,773.3	1,011.8	-
Australian fixed interest	1,700.0	(5.6)	1,705.6	-
International fixed interest	848.5	-	848.5	-
Australian equities	12,416.2	11,759.5	656.5	0.2
International equities	10,293.7	7,990.0	2,298.9	4.8
Property	3,149.7	925.7	599.8	1,624.2
Alternatives	5,101.0	493.8	1,819.7	2,787.5
Total	36,294.2	22,936.7	8,940.8	4,416.7

Note –

- Level 1 refers to assets and liabilities for which there are quoted prices in active markets for identical assets and liabilities. The assets in this level are listed shares; listed unit trusts.
- Level 2 refers to assets and liabilities that have significant valuation inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets and liabilities 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 refers to assets and liabilities that are not based on observable market data. The assets and liabilities in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Notes to the financial statements
for the year ended 30 June 2014

8. SUPERANNUATION (Continued)

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

	2014	2013
Short term securities	**6%**	13%
Australian fixed interest	**6%**	7%
Overseas fixed interest	**2%**	2%
Australian equities	**31%**	31%
International equities	**29%**	26%
Property	**9%**	8%
Alternatives	**17%**	13%
	100%	100%

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 of the investment portfolio. As such managers make limited use of derivatives.

The Fund does not hold any financial instruments issued by the STC Staff Agency.

Significant actuarial assumptions as at 30 June

	2014	2013
Discount rate	**3.57%**	3.80%
Salary increase rate (excluding promotional increases)	**2.27%**	2.25%
Rate of CPI increase	**2.50%**	2.50%
Pensioner mortality	**as per the 2012 Actuarial Investigation of the Pooled Fund**	as per the 2012 Actuarial Investigation of the Pooled Fund

Notes to the financial statements
for the year ended 30 June 2014

8. SUPERANNUATION (Continued)

Sensitivity analysis

The total defined benefit obligation as at 30 June 2014 under several scenarios is presented below. Scenarios A to F relate to the sensitivity of the total defined benefit obligation to economic assumptions. Scenarios G and H relate to sensitivity to demographic assumptions.

	Base Case	Scenario A -1.0% Discount rate	Scenario B +1.0% Discount rate
Discount rate	3.57%	2.57%	4.57%
Salary increase rate	2.27%	2.27%	2.27%
Rate of CPI increase	2.50%	2.50%	2.50%
Defined benefit obligation ($'000)	7,925	9,064	6,985

	Base Case	Scenario C -0.5% Salary increase rate	Scenario D +0.5% Salary increase rate
Discount rate	3.57%	3.57%	3.57%
Salary increase rate	2.27%	2.27%	2.27%
Rate of CPI increase	2.50%	3.00%	2.00%
Defined benefit obligation ($'000)	7,925	8,459	7,436

	Base Case	Scenario E -0.5% Rate of CPI increase	Scenario F +0.5% Rate of CPI increase
Discount rate	3.57%	3.57%	3.57%
Salary increase rate	2.27%	2.77%	1.77%
Rate of CPI increase	2.50%	2.50%	2.50%
Defined benefit obligation ($'000)	7,925	7,944	7,906

Notes to the financial statements
for the year ended 30 June 2014

8. SUPERANNUATION (Continued)

Sensitivity analysis (Continued)

	Base Case	Scenario G -5.0% Pensioner mortality rates	Scenario H +5.0% Pensioner mortality rates
Defined benefit obligation ($'000)	7,925	7,841	8,013

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Asset-liability matching strategies

STC, in its capacity as trustee of the Fund, ensures it maintains an appropriate asset strategy to pay benefits as the benefits fall due.

Notes to the financial statements
for the year ended 30 June 2014

8. SUPERANNUATION (Continued)

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2012. Contribution rates are set after discussion between the STC in its capacity as trustee of the Schemes and NSW Treasury.

STC in its capacity of trustee of the schemes reviews funding positions annually and contributions may be adjusted in response to the review.

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 2014	**SASS $'000**	**SANCS $'000**	**SSS $'000**
Accrued benefits	**749**	**100**	**4,050**
Net market value of fund assets	**(886)**	**(277)**	**(4,939)**
Net (surplus)/deficit	**(137)**	**(177)**	**(889)**

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)

SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements
for the year ended 30 June 2014

8. SUPERANNUATION (Continued)

Funding arrangements for employer contributions – Recommended contribution rates

As at 30 June 2014	**SASS**	**SANCS**	**SSS**
	Multiple of member contributions	**% member salaries**	**Multiple of member contributions**
	-	-	-

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

Notes to the financial statements
for the year ended 30 June 2014

8. 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	2.7% for six years then 4.0% per year
Expected rate of CPI increase	2.5%

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

If a surplus exists in the STC Staff Agency's interest in the fund, the STC Staff Agency 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 Staff Agency is responsible for any difference between its share of scheme assets and the defined benefit obligation.

Expected contributions

Year ended 30 June 2014	**SASS**	**SANCS**	**SSS**
	-	-	-

Year ended 30 June 2013	SASS	SANCS	SSS
	-	-	-

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 12.4 years.

Notes to the financial statements
for the year ended 30 June 2014

9. CASH FLOW INFORMATION

a) Reconciliation of Cash

	2014 $'000	2013 $'000
Cash at Bank	-	-

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

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

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

	2014 $'000 Inflows/ (Outflows)	2013 $'000 Inflows/ (Outflows)
Comprehensive Income	-	-
Changes in Assets and Liabilities		
(Increase)/Decrease in Assets		
Receivables	**135**	1,191
Increase/(Decrease) in Liabilities		
Provisions	**(135)**	(1,191)
Net Cash From/(Used) in Operating Activities	-	-

Notes to the financial statements
for the year ended 30 June 2014

10. COMMITMENTS FOR EXPENDITURE

There are no commitments for expenditure at 30 June 2014 or at 30 June 2013.

11. CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2014 or at 30 June 2013.

End of Audited Financial Statements

Part G
Financial Statements of the SAS Trustee Corporation 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 the SAS Trustee Corporation Pooled Fund (the Fund), which comprise the statement of net assets as at 30 June 2014, 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:

- giving a true and fair view of the net assets of the fund as at 30 June 2014, 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 Trustee 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 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 Fund'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 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.

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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 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 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 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

24 September 2014
SYDNEY

SAS TRUSTEE CORPORATION POOLED FUND

ABN 29 239 066 746

Statement by Members of the Trustee Board
for the year ended 30 June 2014

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 2014 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 24th day of September 2014.

Michael Carapiet
Chairperson
SAS Trustee Corporation

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

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SAS TRUSTEE CORPORATION POOLED FUND

Statement of Changes in Net Assets
for the year ended 30 June 2014

	Note	2014 $'m	2013 $'m
Net Assets Available to Pay Benefits at Beginning of Financial Year		**38,209.0**	34,351.9
Contribution Revenue			
Employer Contributions		**1,401.1**	1,434.8
Salary Sacrifice Member Contributions		**274.5**	294.8
Member Contributions		**134.6**	161.0
Total Contribution Revenue	3	**1,810.2**	1,890.6
Transfers			
Scheme Mobility Transfer	5	**(1.0)**	0.5
Other		**-**	0.4
Total Transfers		**(1.0)**	0.9
Investment Revenue			
Short Term Securities		**111.4**	148.1
Australian Fixed Interest		**108.9**	99.4
International Fixed Interest		**21.8**	22.4
Australian Equities		**534.9**	539.6
International Equities		**351.6**	218.2
Property		**208.3**	187.3
Alternatives		**442.1**	270.4
		1,779.0	1,485.4
Change in Net Market Value of Investments		**3,145.8**	4,776.8
	6	**4,924.8**	6,262.2
Direct Investment Expenses		**(102.6)**	(95.8)
Net Investment Revenue		**4,822.2**	6,166.4
Other Revenue		**2.4**	2.2
Superannuation Contributions Surcharge		**7.9**	7.3
Total Revenue		**6,641.7**	8,067.4
Expenses			
Benefits Paid and Payable	13(b)	**(4,456.1)**	(4,050.7)
Scheme Administration Expenses	7	**(38.0)**	(34.2)
Other Expenses		**(2.0)**	(1.2)
Total Expenses		**(4,496.1)**	(4,086.1)
Change in Net Assets Before Income Tax		**2,145.6**	3,981.3
Income Tax Expense	8(a)	**(106.4)**	(124.2)
Change in Net Assets Available to Pay Benefits After Income Tax		**2,039.2**	3,857.1
Net Assets Available to Pay Benefits at End of Financial Year	9	**40,248.2**	38,209.0

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 2014

	Note	**2014 $'m**	2013 $'m
INVESTMENTS			
Short Term Securities		**5,722.7**	5,323.7
Australian Fixed Interest		**2,278.5**	2,576.2
International Fixed Interest		**881.3**	850.4
Australian Equities		**10,468.9**	11,193.6
International Equities		**10,548.1**	9,632.6
Property		**3,261.4**	3,134.7
Alternatives		**6,615.0**	5,130.2
		39,775.9	37,841.4
OTHER ASSETS			
Cash and Cash Equivalents		**0.8**	1.3
Receivables	10	**820.8**	670.3
Plant and Equipment		**1.0**	0.9
Current Tax Asset	8(a)	**3.4**	-
Deferred Tax Asset	8(b)	**73.7**	-
		899.7	672.5
TOTAL ASSETS		**40,675.6**	38,513.9
LESS			
LIABILITIES			
Reserve Units	11	**0.8**	1.0
Payables	12	**250.4**	288.4
Current Tax Liability	8(a)	**-**	2.6
Deferred Tax Liability	8(b)	**176.2**	12.9
TOTAL LIABILITIES		**427.4**	304.9
NET ASSETS AVAILABLE TO PAY BENEFITS	9	**40,248.2**	38,209.0

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 2014

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 2014 are:

- Access Capital Advisers Pty Limited (called Whitehelm Capital from 1 July 2014)
- Altrinsic Global Advisors LLC
- AMP Capital Investors Limited
- AQR Capital Management, LLC
- Arrowstreet Capital LP (via Macquarie Investment Management Ltd)
- AXA Investment Management (Singapore) Ltd
- Axiom International Investors LLC
- Balanced Equity Management Pty Limited
- Blackrock Investment Management Australia Limited
- BT Investment Management (Institutional) Limited
- Challenger Management Services Limited (called Whitehelm Capital from 1 July 2014)
- Citigroup Global Markets Australia Limited
- Cooper Investors Pty Limited
- Colonial First State Asset Management (Australia) Limited
- DEXUS Funds Management Limited
- Deutsche Australia Limited
- Ellerston Capital Limited

Notes to and forming part of the financial statements
for the year ended 30 June 2014

1. OPERATION OF THE FUND (Continued)

- EG Funds Management Pty Ltd
- Franklin Templeton Investments Australia Limited
- Genesis Asset Managers, LLP
- GMO Australia Limited
- Hastings Investment Management Pty Limited
- Hexavest Inc.
- Hyperion Asset Management Limited
- 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 Ltd
- Macquarie Specialised Asset Management Limited
- Maple-Brown Abbott Ltd
- Morgan Stanley Investment Management Limited
- New South Wales Treasury Corporation
- Northcape Capital Pty Ltd
- Pareto Investment Management Limited
- Perennial Value Management Limited
- Platypus Asset Management Pty Ltd
- RARE Infrastructure Limited
- Realindex Investments Pty Limited
- 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 2014

1. OPERATION OF THE FUND (Continued)

- Trilogy Global Advisors, LLC
- UBS Global Asset Management (Australia) Ltd
- Vanguard Investments Australia Ltd

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.

The NSW Treasury is undertaking a project to centralise investment management of the STC Pooled Fund with two other NSW Government investment entities. The change in expected to occur during 2014-15.

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*
- applicable Treasurer's Directions
- the requirements of Australian Accounting Standard AAS 25 – *Financial Reporting by Superannuation Plans* (AAS 25) which provides specific measurement requirements for assets, liabilities and for accrued benefits.
- the requirements of other Australian Accounting Standards, to the extent these standards are not overridden by AAS 25
- relevant legislative requirements.

The Fund is a not-for-profit entity.

The financial statements were authorised for issue by the Trustee Board on 24 September 2014.

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.

Notes to and forming part of the financial statements
for the year ended 30 June 2014

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Statement of Compliance (Continued)

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.
Property:	Valued initially at cost and subsequently at net 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 as at valuation date.
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 $0.1 million (2013: increased by $0.5 million).
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.

Notes to and forming part of the financial statements
for the year ended 30 June 2014

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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)). The amount of accrued and vested benefits has been actuarially determined. The key assumptions are disclosed at note 13.

Notes to and forming part of the financial statements
for the year ended 30 June 2014

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) Goods and services tax (GST)

Revenues are recognised net of the amount of GST where applicable. Expenses and assets are also recognised net of the amount of GST where applicable to the extent that the GST is recoverable from the Australian Taxation Office. Where GST is not recoverable, it is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from the Australian Taxation Office is included as part of receivables in the Statement of Net Assets.

h) 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 2014 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).

Notes to and forming part of the financial statements
for the year ended 30 June 2014

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) 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.

j) 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.

k) Revenue Recognition and Measurement

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. Revenue is measured at the fair value of the consideration received.

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.

Rental Revenue

Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of total rental income.

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 30 June date, the amount is recognised as revenue and is also reflected in the Statement of Net Assets as a receivable.

l) Benefit Payments

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

Notes to and forming part of the financial statements
for the year ended 30 June 2014

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Net Assets if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle or realise the assets and liabilities simultaneously.

n) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that became effective for the first time for the Pooled Fund for the annual reporting period ended 30 June 2014 and their impact on the financial report are outlined below. Standards and Interpretations that are not applicable to the Fund have not been included: –

AASB 13 – *Fair Value Measurement* –
For assets and liabilities where valuation is not based on observable market data, additional disclosure has been made on sources of valuation uncertainty (refer note 20).

AASB 2012-2 – *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*
Where offsetting has occurred or offsetting is legally available but has not occurred, additional disclosure has been made (refer note 19).

o) Standards Issued applicable but not yet effective

At the date of authorisation of this financial report the following accounting standards which are expected to be relevant were issued but not yet effective. The impact of these standards and interpretations has been assessed and to the extent applicable to the Fund are outlined below. Standards and Interpretations that are not applicable to the Fund have not been included.

AASB 9 *Financial Instruments* –
The standard will be implemented for the year ended 30 June 2016. No material change to these financial statements is anticipated.

AASB 10 *Consolidated Financial Statements,* AASB2013 -8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, AASB 12 & AASB 1049]* –
The standard and guidance will be implemented for the year ended 30 June 2015. Application of the Standard will result in additional disclosure of the Fund's interest in special purpose vehicles.

AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]* –
The standard will be implemented for the year ended 30 June 2015. Application of the standard will confirm STC's accounting policy of recording special purpose vehicles used to hold unlisted assets at net market value in the Fund's Statement of Net Assets. It will also result in additional disclosure of the Fund's interest in special purpose vehicles.

AASB 12 *Disclosure of Interests in Other Entities* –
The standard will be implemented for the year ended 30 June 2015. No material change to this financial report is anticipated.

AASB 2012-3 – *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
The standard will be implemented for the year ended 30 June 2015. No material change to this financial report is anticipated.

Notes to and forming part of the financial statements
for the year ended 30 June 2014

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Standards Issued applicable but not yet effective (Continued)

AASB 1031 *Materiality* –
The standard will be implemented for the year ended 30 June 2015. No material change to this financial report is anticipated as STC already applies materiality considerations as currently contained in Accounting Standards.

AASB 1056 *Superannuation Entities* –
The standard will be implemented for the year ended 30 June 2017. The standard is a fundamental change to financial reporting for superannuation funds. It will substantially alter the presentation of the Fund's financial statements. It will also change measurement of assets and liabilities. Areas affected include –

- different primary financial statements –
  - Statement of financial position
  - Income statement
  - Statement of changes in equity/reserves
  - Statement of cash flows
  - Statement of changes in member benefits.
- disclosure in the Statement of financial position of the Fund's accrued benefits
- measurement of assets and liabilities at fair value
- the ability to treat controlled investment special purpose vehicles as investments at fair value.

AASB 2014-1 *Amendments to Australian Accounting Standards*
This standard contains several sections each with its own implementation date. No material change to these financial statements is expected.

p) Materiality

Omissions or misstatements are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of these financial statements. Materiality depends on the size and nature of any omission or misstatement judged in the surrounding circumstances. The size and nature of the item, or a combination of both, could be the determining factor. To this end, the Trustee's general position is that all amounts and disclosures in these financial statements are to agree to the underlying source information. As stated at Note 2(d) some amounts contain judgements and estimates. In all cases the judgement or estimate has been confirmed to the best available information to ensure these financial statements present fairly all the information disclosed. If misstatements are discovered during the audit process the applicable balance has been updated unless the variation is clearly trivial.

Notes to and forming part of the financial statements
for the year ended 30 June 2014

3. EMPLOYER AND MEMBER CONTRIBUTIONS

	2014				
	SASS $'m	**SANCS $'m**	**SSS $'m**	**PSS $'m**	**Total $'m**
Employer Contributions	**758.5**	**253.0**	**309.5**	**80.1**	**1,401.1**
Salary Sacrifice Contributions	**146.0**	**-**	**121.1**	**7.4**	**274.5**
Member Contributions	**75.3**	**0.4**	**54.7**	**4.2**	**134.6**
Total Contributions	**979.8**	**253.4**	**485.3**	**91.7**	**1,810.2**

	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

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 financed benefits are fully funded by underlying member reserves held within the Fund (Note 9 gives more detail).

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 2012.*

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 Part 3 employers 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 2014

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.*

Notes to and forming part of the financial statements
for the year ended 30 June 2014

3. EMPLOYER AND MEMBER CONTRIBUTIONS (Continued)

University funding

In December 2012, an actuarial review of the State Super schemes confirmed that without additional contributions, employer reserves in the State Super fund for each university would likely become exhausted over the period from 2014-15 to 2021-22. It is noted that the first instance of a university employer reserve being depleted is expected to occur before the effective date of the next actuarial triennial investigation in 2015. Legal advice obtained by STC states that STC cannot pay benefits once a university employer reserve is exhausted. That is, other State Super funds are not available for a university employer reserve in deficit.

Since that time, in the 2014-15 Budget, the Commonwealth Government has stated that it will resume making payments under the Higher Education Superannuation Programme to eligible universities, subject to agreement with the NSW Government, to meet the Commonwealth's share of university employer superannuation benefits. The resumption of payments for staff who are members of the State Superannuation Scheme, the State Authorities Superannuation Scheme and the State Authorities Non Contributory Superannuation Scheme, will align the arrangements for NSW with other participating states.

Additionally, in the recent NSW Government Budget Statements, the NSW Government announced it will shortly resume making payments to eligible universities, subject to agreement with the Commonwealth Government, to meet the NSW share of university superannuation benefits.

In July 2014, the Federal and NSW State Governments indicated to STC that they had reached in principle agreement to fund the university employer liabilities. STC have been advised that a Memorandum of Understanding (MOU) is likely to be signed by the two Governments that sets out protocols for this funding. STC is not party to this agreement, but has provided input and has also requested that the universities forward all such monies according to the principles in the MOU. At the date of signing these financial statements the MOU had not yet been signed. However, STC was advised that this would occur shortly. The funding arrangements in the MOU are critical to ensuring that universities reserves remain solvent.

STC is closely monitoring this issue and will inform members as further information becomes available. As at the date of these financial statements, the NSW and Commonwealth governments have stated that as the funding arrangements are in their final stages and will be communicated in the short term, no further assurance is necessary.

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 2014

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 $1.5 million (2013: $1.8 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 $0.5 million (2013: $2.3 million).

The net amount transferred was $1.0 million (2013: $0.5 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 Transitional Provisions) Regulations 1997.*

Notes to and forming part of the financial statements
for the year ended 30 June 2014

6. INVESTMENT REVENUE

2014

	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	111.4	4.6	48.7	164.7
Australian Fixed Interest	108.9	22.7	13.1	144.7
International Fixed Interest	21.8	40.7	(8.7)	53.8
Australian Equities	534.9	931.4	487.5	1,953.8
International Equities	351.6	1,013.5	257.0	1,622.1
Property	208.3	207.8	(29.3)	386.8
Alternatives	442.1	393.4	(236.6)	598.9
Total Investment Revenue	1,779.0	2,614.1	531.7	4,924.8

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

Interest Revenue

Within Short Term Securities, Australian Fixed Interest and International Fixed Interest is interest revenue of $237.0 million (2013: $256.5 million).

Royalty Revenue

Within Australian Equities is royalty revenue of $14.9 million (2013: $10.6 million).

Dividend Revenue

Within Australian Equities and International Equities is dividend revenue of $687.6 million and trust distributions of $119.5 million (2013: $648.1 million and $101.9 million).

Notes to and forming part of the financial statements
for the year ended 30 June 2014

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 –

	2014 $'m	2013 $'m
Rental income derived	**156.3**	156.0
Direct property operating expenses	**(49.3)**	(47.7)
Contractual obligations to renovate properties	**(5.6)**	(2.9)
Contractual obligations for repairs, maintenance or enhancements to properties	**(0.1)**	(0.2)

The future minimum lease payments receivable by the Fund are –

	2014 $'m	2013 $'m
No later than one year	**110.5**	115.6
Later than one year but not later than five years	**231.6**	250.8
Later than five years	**85.8**	79.3
	427.9	445.7

7. SCHEME ADMINISTRATION EXPENSES

The Superannuation Administration Act 1996 requires that STC recover its administration expenses from the Pooled Fund. Recoveries totalled $38 million (2013 $34 million).

Included in Scheme Administration Expenses are the following items:

	2014 $'m	2013 $'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	**24.1**	25.1

The fund also incurred $98,478 expenditure on consultants (2013: $223,500).

Notes to and forming part of the financial statements
for the year ended 30 June 2014

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**	**2014 $'m**	2013 $'m
Current tax expense		
Provision attributable to current year	**(3.4)**	2.6
PAYG instalments paid	**35.4**	49.0
Adjustments for prior year	**(15.2)**	(5.0)
	16.8	46.6
Deferred tax asset		
Decrease/(increase) in deferred tax asset/liability	**89.6**	77.6
Total income tax expense/(benefit) in Statement of Changes in Net Assets	**106.4**	124.2
Reconciliation between tax (benefit)/expense and pre-tax Change in Net Assets before Tax		
Change in Net Assets before income tax	**2,145.6**	3,981.3
Income tax expense/(benefit) using the superannuation fund tax rate of 15%	**321.8**	597.2
Increase in tax expense/Decrease in tax benefit due to:		
Non-deductible benefit payments, CGT concession and investment expense	**280.4**	374.1
Pension related investment (gains) losses [the Fund is exempt from income tax on investment income generated by assets backing current pension liabilities]	**(217.7)**	(583.1)
Decrease in tax expense/Increase in tax benefit due to:		
Tax credits	**(216.6)**	(212.1)
Notional death and disability insurance premium and anti-detriment	**(50.2)**	(46.9)
Over provision of tax benefit in prior year	**(11.3)**	(5.0)
Income Tax Expense/(Benefit) on Change in Net Assets Before Tax	**106.4**	124.2

b) **Deferred Tax Asset/(Liability)**	**2014 $'m**	2013 $'m
Unrealised Capital Losses/(Gains)	**(123.7)**	(47.1)
Income Receivable	**(3.7)**	(7.6)
Contributions Receivable	**(0.3)**	(0.5)
Unrealised Losses/(Gains) on Traditional Securities and Foreign Exchange	**(4.9)**	6.4
Unrealised Franking Credits	**30.1**	34.3
Revision of opening deferred tax due to CPLE rate adjustment	**-**	1.6
Deferred Tax Asset/(Liability)	**(102.5)**	(12.9)

Notes to and forming part of the financial statements
for the year ended 30 June 2014

9. NET ASSETS

	2014				
	SASS $'m	SANCS $'m	SSS $'m	PSS $'m	Total $'m
Member Reserves (1)					
Balance at Beginning of Financial Year	4,650.9	-	2,916.6	339.7	7,907.2
Increase/(Decrease) in Net Assets	155.9	-	(287.1)	11.0	(120.2)
Balance at End of Financial Year	4,806.8	-	2,629.5	350.7	7,787.0
Employer Reserves (2)					
Balance at Beginning of Financial Year	5,007.5	1,457.1	17,994.2	3,838.9	28,297.7
Increase/(Decrease) in Net Assets	352.2	41.8	1,251.8	209.7	1,855.0
Balance at End of Financial Year	5,359.7	1,498.9	19,246.0	4,048.6	30,153.2
Death or Invalidity Reserves (3)					
Balance at Beginning of Financial Year	5.2	-	-	-	5.2
Increase/(Decrease) in Net Assets	0.3	-	-	-	0.3
Balance at End of Financial Year	5.5	-	-	-	5.5
Deferred Benefits Reserves (4)					
Balance at Beginning of Financial Year	1,638.1	360.8	-	-	1,998.9
Increase/(Decrease) in Net Assets	252.4	51.2	-	-	303.6
Balance at End of Financial Year	1,890.5	412.0	-	-	2,302.5
Net Assets Available to Pay Benefits	12,062.5	1,910.9	21,875.5	4,399.3	40,248.2

	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

Notes to and forming part of the financial statements
for the year ended 30 June 2014

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:

	2014				
	Growth $'m	**Conservative $'m**	**Balanced $'m**	**Cash $'m**	**Total $'m**
SASS Member	**4,198.9**	**224.2**	**253.9**	**129.8**	**4,806.8**
Deferred Benefit	**1,819.9**	**211.2**	**193.6**	**77.9**	**2,302.6**
	6,018.8	**435.4**	**447.5**	**207.7**	**7,109.4**

	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

Notes to and forming part of the financial statements
for the year ended 30 June 2014

10. RECEIVABLES

	2014 $'m	2013 $'m
Contributions Receivable	**21.0**	27.4
Accrued Income	**555.7**	279.4
Margin Call Deposits	**172.5**	182.0
Investment Sales	**71.3**	180.5
Other Receivables	**0.3**	1.0
	820.8	670.3

Within receivables is an impairment allowance of $907,197 (2013: $391,668). 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

	2014 $'m	2013 $'m
Superannuation Benefits	**41.5**	29.9
Investment Purchases	**110.0**	155.8
Investment – Other Creditors	**37.5**	35.3
Provision for Contribution Surcharge	**54.0**	62.1
Amount Payable – SAS Trustee Corporation	**6.5**	4.4
Other Payables	**0.9**	0.9
	250.4	288.4

All payables are within agreed trading terms.

Movements in the Provision for Contribution Surcharge were as follows –

	2014 $'m	2013 $'m
Opening Balance	**62.1**	69.7
Add -		
Assessment Received	**(0.3)**	(0.8)
Annual indexation	**2.2**	2.5
Less -		
Payments made to the Australian Taxation Office	**(10.0)**	(9.3)
Closing Balance	**54.0**	62.1

Notes to and forming part of the financial statements
for the year ended 30 June 2014

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.

	2014			2013		
	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	**14,232.2**	**12,062.5**	**(2,169.7)**	13,652.8	11,301.7	(2,351.1)
State Authorities Non-contributory Superannuation Scheme	**2,485.3**	**1,910.9**	**(574.4)**	2,527.4	1,817.9	(709.5)
State Superannuation Scheme	**32,176.8**	**21,875.5**	**(10,301.3)**	31,651.5	20,910.8	(10,740.7)
Police Superannuation Scheme	**7,009.8**	**4,399.3**	**(2,610.5)**	6,852.0	4,178.6	(2,673.4)
	55,904.1	**40,248.2**	**(15,655.9)**	54,683.7	38,209.0	(16,474.7)

Notes to and forming part of the financial statements
for the year ended 30 June 2014

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.

	2014				
	SASS $'m	**SANCS $'m**	**SSS $'m**	**PSS $'m**	**Total $'m**
Balance at Beginning of Financial Year	**13,652.8**	**2,527.4**	**31,651.5**	**6,852.0**	**54,683.7**
Benefits Paid (net of surcharge)	**(1,398.7)**	**(356.5)**	**(2,239.2)**	**(453.8)**	**(4,448.2)**
Increase in Accrued Benefits	**1,978.1**	**314.4**	**2,764.5**	**611.6**	**5,668.6**
Balance at End of Financial Year	**14,232.2**	**2,485.3**	**32,176.8**	**7,009.8**	**55,904.1**

	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

Notes to and forming part of the financial statements
for the year ended 30 June 2014

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.

	2014			2013		
	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	**15,066.1**	**12,062.5**	**(3,003.6)**	14,506.2	11,301.7	(3,204.5)
State Authorities Non-contributory Superannuation Scheme	**2,994.9**	**1,910.9**	**(1,084.0)**	3,087.7	1,817.9	(1,269.8)
State Superannuation Scheme	**32,159.4**	**21,875.5**	**(10,283.9)**	31,586.9	20,910.8	(10,676.1)
Police Superannuation Scheme	**6,058.4**	**4,399.3**	**(1,659.1)**	5,803.1	4,178.6	(1,624.5)
	56,278.8	**40,248.2**	**(16,030.6)**	54,983.9	38,209.0	(16,774.9)

The vested benefits have been updated to reflect the APRA definition of vested benefits. This definition assumes that a portion of deferred members will take the deferred benefit rather than the cash resignation benefit. This change increases deferred vested benefits.

Vested benefits exceed net assets at 30 June 2014 and 30 June 2013. 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 2014

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 2014 %	Ownership Interest 2013 %
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
IPG Unit Trust [incorporated in Australia]	Investment entity	**100.0**	100.0
Alfred Unit Trust [established in Australia]	Investment entity	**100.0**	100.0
The following entities are managed by EG Funds Management Pty Ltd –			
EG Core Plus Fund No. 1 [established in Australia in 2013-14]	Investment entity	**79.0%**	n/a
EG Core Plus Fund No. 1 Holding Trust No. 1 [established in Australia in 2013-14]	Investment entity	**79.0%**	n/a
EG Core Plus Fund No. 1 Ownership Trust No. 1 [established in Australia in 2013-14]	Investment entity	**79.0%**	n/a

Notes to and forming part of the financial statements
for the year ended 30 June 2014

15. CONTROLLED ENTITIES (Continued)

	Activity	Ownership Interest 2014 %	Ownership Interest 2013 %
Controlled Entities			
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]	Investment entity	**100.0**	100.0
State Infrastructure Holdings 1 Pty Ltd [established in Australia in 2013-14]]	Investment entity	**100.0**	n/a

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 $62.4 million (2013: $37.9 million).

Notes to and forming part of the financial statements
for the year ended 30 June 2014

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 2014, 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
Mr A Claassens (term commenced 5 November 2012)
Mr R Davis (term completed 31 December 2013)
Mr R Harty (resigned 2 May 2013)
Mr M Lambert
Mr N Lewocki (term completed 31 August 2012)
Ms K Moses
Mr Tony O'Grady (term commenced 24 June 2013)
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 20.

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 2014

18. SECURITIES LENDING PROGRAM

The Fund participates in a Securities Lending Program managed by the custodian. The Fund received $4.5 million (2013: $5.9 million) fee income from this program, which adds to the Fund's overall yearly return.

At 30 June, the total value of the loaned securities was $2.1 billion (2013: $1.9 billion) while the total value of the collateral was $2.2 billion (2013: $2.0 billion). The lent securities represented about 8.7% of the Fund's total investments (2013 about 7.9%), which was within the allowable limit of 20% of the lendable assets.

The collateral comprised foreign sovereign securities of $137.3 million (2013: $0.0 million) and cash of $2.0 billion (2013: $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 risk factors 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 Framework (RMF) and an anti money laundering and counter terrorism financing program (AML/CTF). The RMF 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, countries, individual asset types and risk factors.

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 expose the Fund to credit risk and market risk.

Notes to and forming part of the financial statements
for the year ended 30 June 2014

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 2.50% to 3.04%.
7. Promissory Notes	Carried at net market value as at 30 June.	Average maturity of 92 days with an effective interest rate of 2.71%.
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.	N/A
10. Government Bonds	Carried at net market value based on discounted cash flow.	Government bonds on average mature on 15/10/2023 and have effective interest rates in the range of 0.00% to 8.75%.
11. Semi Government Bonds	Carried at net market value based on discounted cash flow.	Semi Government bonds on average mature on 17/01/2020 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 2014

19. FINANCIAL INSTRUMENTS (Continued)

Accounting Policies (Continued)

Recognised instruments	Accounting policies	Terms and conditions
12. Domestic Bonds	Carried at net market value based on discounted cash flow.	Domestic bonds on average mature on 19/09/2025 and have effective interest rates in the range of 10.00% to 11.00%.
13. Leasehold Property Investments	Carried at net market value based on discounted cash flow.	N/A
14. Direct Property	Reported at net market value based on independent valuations.	N/A
15. Options	Exchange traded options are stated at market value using the daily closing price. Over the counter options are valued using recognised valuation models.	The options are Exchange Traded options and over the counter 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 2014

19. FINANCIAL INSTRUMENTS (Continued)

a) Market Risk

Market risk is the risk that changes in factors such as foreign currency exchange rates (currency risk), interest rates (interest rate risk) and equity prices (price risk) will affect the Fund's income or the value of its financial instruments. 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 as part of its strategic assets allocation. Investments are hedged as follows –

- listed international equities are hedged in the range of 0% to 80%
- listed international property is 100% hedged
- international bonds are hedged in the range of 0% to 100%
- 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 reviewed during the financial year to refine management of risk factors faced by the Fund through currency risk.

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 2014

19. FINANCIAL INSTRUMENTS (Continued)

a) Market Risk (Continued)

a.1) Currency Risk (Continued)

YEAR ENDED 30 JUNE 2014
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	6,811.0	817.0	1,612.0	1,493.0	27,481.9	1,561.0	39,775.9
Receivables	47.0	5.0	14.0	13.0	733.8	8.0	820.8
Payables	(33.0)	-	(7.0)	(12.0)	(179.4)	(19.0)	(250.4)
Plant & Equipment	-	-	-	-	1.0	-	1.0
Tax Assets	-	-	-	-	77.1	-	77.1
Tax Liabilities	-	-	-	-	(176.2)	-	(176.2)
Net Assets	6,825.0	822.0	1,619.0	1,494.0	27,938.2	1,550.0	40,248.2

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

Notes to and forming part of the financial statements
for the year ended 30 June 2014

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 2014 and 2013 –

All amounts are in Australian Dollars	**Change in Net Assets 30-Jun-14 $'m.**
USD	**(121)**
JPY	**(1)**
EUR	**(44)**
GBP	**(21)**
Other	**(8)**
	(195)

	Change in Net Assets 30-Jun-13 $'m
USD	(86)
JPY	(37)
EUR	(36)
GBP	(11)
Other	(5)
	(175)

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 2014

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 2014

19. FINANCIAL INSTRUMENTS (Continued)

a) Market Risk (Continued)

a.2) Interest Rate Risk (Continued)

YEAR ENDED 30 JUNE 2014 – 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	5,723.5	-	-	5,723.5
Australian Fixed Interest	-	2,278.5	-	2,278.5
International Fixed Interest	-	881.3	-	881.3
Australian Equities	-	17.9	10,451.0	10,468.9
International Equities	-	-	10,548.1	10,548.1
Property	-	-	3,261.4	3,261.4
Alternatives	149.6	263.5	6,201.9	6,615.0
Receivables	-	-	820.8	820.8
Plant and Equipment	-	-	1.0	1.0
Tax Assets	-	-	77.1	77.1
Total Assets	5,873.1	3,441.2	31,361.3	40,675.6
Liabilities				
Reserve Units	-	-	0.8	0.8
Payables	-	-	250.4	250.4
Current Tax Liabilities	-	-	176.2	176.2
Total Liabilities	-	-	427.4	427.4
Net Assets	5,873.1	3,441.2	30,933.9	40,248.2

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
Tax Assets	-	-	-	-
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

Notes to and forming part of the financial statements
for the year ended 30 June 2014

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 2014 and 2013 –

All amounts are in Australian Dollars	**Change in Net Assets 30-Jun-14 $'m**
Fixed Interest	**60**
Floating Interest	**102**
	162

	Change in Net Assets 30-Jun-13 $'m
Fixed Interest	61
Floating Interest	93
	154

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 2014

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 sectors, managers, risk factors, 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 2014 and 2013 –

All amounts are in Australian Dollars	**Change in Price Risk Variable**	**Change in Net Assets**
		30-Jun-14
	+	**$'m**
Australia	**38.5%**	**8,313**
International	**39.0%**	**4,307**
Foreign exchange derivatives	**15.0%**	**(2,000)**
		10,620

All amounts are in Australian Dollars	**Change in Price Risk Variable**	**Change in Net Assets**
		30-Jun-14
	-	**$'m**
Australia	**21.5%**	**(4,642)**
International	**21.0%**	**(2,319)**
Foreign exchange derivatives	**15.0%**	**2000**
		(4,961)

	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

	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)

Notes to and forming part of the financial statements
for the year ended 30 June 2014

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 currency hedging contracts, derivatives, 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 2014 or 30 June 2013. 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 2014

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 17.1%
- Conservative Option 40.0%.

Actual allocations were generally greater than these amounts with cash held in the Growth option averaging around 13.3% during the year. Further, with the exception of alternative investments, other unlisted assets and unlisted property (approximately 25 % 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.

20. 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 2014

20. FAIR VALUE DISCLOSURES (Continued)

a) Assets and Liabilities by Measurement Hierarchy

For financial reporting net market value measurements are categorised into Level 1, 2 or 3 based on whether inputs to determining net market value are observable and the significance to the measurement. The levels are described as follows –

- 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.

STC has a valuation policy that sets out how all the Fund's assets are to be valued. The Policy reflects the requirements of APRA Prudential Practice Guide SPG 531 – *Valuation*. Under the policy the value of level 3 assets is –

- for unlisted property; unlisted shares and unlisted infrastructure, determined by manager or STC appointed industry expert valuers using recognised valuation techniques. The most frequently used technique is discounted cash flow. The key inputs to discounted cash flow are –
  - discount rate
  - cash flows.

  STC uses industry comparisons to assess the validity of discount rates and assesses advice from the responsible external fund manager to ensure the validity of cash flow information.

  STC also uses the value of comparable assets to confirm valuation assets to confirm the valuation result.

  While changing valuation assumptions would affect the valuation result, such changes are unlikely to be material to the financial report of the Fund.

- for distressed debt and hedge funds, determined by independently audited financial statements of the asset holding vehicle.

There were no assets transferred between the above levels, including levels one and two, during the year ended 30 June 2014 or the year ended 30 June 2013.

All disclosures in the following tables use net market value as a materially correct estimate of fair value.

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).

Notes to and forming part of the financial statements
for the year ended 30 June 2014

20. FAIR VALUE DISCLOSURES (Continued)

a) Assets and Liabilities by Measurement Hierarchy (Continued)

YEAR ENDED 30 JUNE 2014

	Level 1 A$'m	Level 2 A$'m	Level 3 A$'m	Total A$'m
Assets				
Short Term Securities	1,572.6	880.1	-	2,452.7
Australian Fixed Interest	10.9	2,354.1	-	2,365.0
International Fixed Interest	-	880.5	-	880.5
Australian Equities	11,494.6	241.4	2.5	11,738.5
International Equities	8,172.7	2,770.8	0.1	10,943.6
Property	894.1	712.5	1,676.7	3,283.3
Alternatives	565.4	2,731.1	3,384.6	6,681.1
	22,710.3	10,570.5	5,063.9	38,344.7

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

The following tables present the changes in assets and liabilities classified as Level 3 instruments for the year ended 30 June.

	2014 A$'m	2013 A$'m
Balance at 1 July	4,416.7	4,137.3
Total gains and losses recognised in Statement of Changes in Net Assets	217.5	386.2
Purchases	5,349.0	2,347.2
Redemptions/Disposals	(4,919.3)	(2,454.0)
Balance at 30 June	5,063.9	4,416.7

Notes to and forming part of the financial statements
for the year ended 30 June 2014

20. FAIR VALUE DISCLOSURES (Continued)

a) Assets and Liabilities by Measurement Hierarchy (Continued)

The following table presents the gains and losses on assets and liabilities classified as Level 3 instruments for the year ended 30 June.

	2014 A$'m	2013 A$'m
Assets and liabilities realised during the year	**(208.4)**	(0.2)
Assets and liabilities still held during the year	**425.9**	386.4
Total	**217.5**	386.2

These items are reflected in the Statement of Changes in Net Assets under Investment Revenue.

21. COMMITMENTS

As at 30 June 2014 the Fund had commitments for uncalled additions to existing investments of $517.4 million (2013 $470.6 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.

22. INVESTMENT PERFORMANCE AFTER REPORTING DATE

The Fund's custodian has advised that as at 31 August 2014 the net investment assets of the Fund were $39,799.0 million. Since 30 June 2014 the Fund's investments have made a return of approximately –

- Growth 2.4%
- Balanced 2.0%
- Conservative 1.5%
- Cash 0.4%

Notes to and forming part of the financial statements
for the year ended 30 June 2014

23. Significant Events After 30 June 2014

On 1 July 2014 the Fund acquired STC Funds Nominee Pty Limited. This company is the responsible entity for the following investment trusts and its acquisition means the Fund also controls these entities –

- Duquesne Utilities Trust
- Gabriel Unit Trust
- LBC Unit Trust
- Project Cricket State Super Unit Trust
- SW Unit Trust.

There have been no other events between 30 June 2014 and the date of approval of this financial report that would significantly affect the financial report.

End of Audited Financial Statements

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Part H

Financial Statements of the Controlled Entities of the Pooled Fund

ALFRED UNIT TRUST

SPECIAL PURPOSE FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

AMP Capital Investors Limited
33 Alfred Street,
Sydney, NSW 2000
ACN 001 777 591

ALFRED UNIT TRUST

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ALFRED UNIT TRUST

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	30 June 2014 $	30 June 2013 $ restated
INVESTMENT INCOME		
Dividends	3,850,000	2,110,000
Interest income	830,782	546,616
Net changes in the fair value of financial instruments measured at fair value through profit or loss	29,701,625	10,527,347
Total investment income/(loss)	34,382,407	13,183,963
EXPENSES		
Other expenses	(100)	-
Total expenses	(100)	-
NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS BEFORE FINANCE COSTS	34,382,307	13,183,963
Finance costs attributable to unitholders		
Distributions to unitholders	(4,680,494)	(2,656,615)
(Increase)/decrease in net assets attributable to unitholders (restated)	(29,701,813)	(10,527,348)
NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS AFTER FINANCE COSTS	-	-
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	-	-

ALFRED UNIT TRUST

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	30 June 2014 $	30 June 2013 $ restated
ASSETS			
Cash and cash equivalents	4(a)	1,566,873	-
Receivables	2	346	100
Loans and advances		7,356,548	7,356,548
Financial assets measured at fair value through profit or loss			
Unlisted equity securities and managed investment funds		135,338,416	105,636,791
TOTAL ASSETS		144,262,183	112,993,439
LIABILITIES			
Distribution payable		1,566,931	-
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		1,566,931	-
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		142,695,252	112,993,439

ALFRED UNIT TRUST

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Notes	30 June 2014 $	30 June 2013 $ restated
Balance at the beginning of the financial year (as previously stated)		112,654,459	82,798,809
Impact of transition to Australian Accounting Standards	6	338,980	-
Balance at the beginning of the financial year (restated)		112,993,439	82,798,809
Applications		-	21,073,688
Return of capital		-	(1,406,406)
		112,993,439	102,466,091
Increase/(decrease) in net assets attributable to unitholders (restated)		29,701,813	10,527,348
Balance at the end of the financial year		142,695,252	112,993,439

ALFRED UNIT TRUST

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Notes	30 June 2014 $	30 June 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		3,850,000	2,110,000
Interest received		830,436	546,616
Net cash inflow/(outflow) from operating activities	4(b)	4,680,436	2,656,616
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of financial instruments measured at fair value through profit or loss		-	1,406,406
Payments for purchases of financial instruments measured at fair value through profit or loss		-	(21,073,688)
Net cash inflow/(outflow) from investing activities		-	(19,667,282)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from applications by unitholders		-	21,073,688
Distributions paid		(3,113,563)	(2,656,616)
Return of capital paid		-	(1,406,406)
Net cash inflow/(outflow) from financing activities		(3,113,563)	17,010,666
Net increase/(decrease) in cash and cash equivalents held		1,566,873	-
Cash and cash equivalents at the beginning of the financial year		-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	4(a)	1,566,873	-

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 re-presented to be consistent with current period disclosures.

(a) Trust Information

The Alfred Unit Trust (the "Trust") is an unregistered unit trust. AMP Capital Investors Limited was appointed the Trustee of the Trust on 29 November 2013, when STC Funds Nominee Pty Ltd resigned as Trustee. STC Funds Nominee Pty Ltd was trustee for the period before 29 November 2013. The Trustee is incorporated and domiciled in Australia. The registered office of the Trustee is located at 33 Alfred Street, Sydney, NSW 2000.

The Investment Manager of the Trust for the period from 29 November 2013 to 30 June 2014 is AMP Capital Investors Limited, a subsidiary of AMP Limited. The Investment Manager of the Trust for the period before 29 November 2013 was STC Funds Nominee Pty Ltd.

The Trust was established on 12 December 2011. The principal activity of the Trust during the financial year was the investment of unitholders' 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 29 November 2013, STC Funds Nominee Pty Ltd 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 2013. This is the Trust's first year of preparing special purpose Financial Report in accordance with all Australian Accounting Standards. The impact from adopting Australian Accounting Standards is described in Note 6 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 special purpose Financial Report has been prepared for distribution to the unitholders to fulfill the financial reporting requirements under the Trust Deed. In the opinion of the Trustee, the Trust is not deemed to be a "reporting entity" because there are no users dependent on a general purpose Financial Report.

The Financial Report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and other mandatory professional requirements in Australia. It contains only those disclosures considered necessary by the Trustee to meet the needs of users of the Financial Report. The Financial Report has been prepared on an accrual basis of accounting including the historical cost convention and the going concern assumption.

The Statement of Financial Position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. All of the Trust's assets and liabilities are expected to be realised within 12 months, except for net assets attributable to unitholders, unlisted equity securities and managed investment funds which may not be settled within 12 months. Given the nature of the Trust, a reasonable estimate cannot be made of the amount of the balances, if any, that are unlikely to be settled within 12 months.

(c) Financial Assets Measured at Fair Value Through Profit or Loss

Financial assets of the Trust have been designated as financial assets measured at fair value through profit or loss as they are managed and their performance is evaluated on a fair value basis. Financial assets are initially recognised at fair value determined as the purchase cost of the financial asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Any realised and unrealised gains and losses arising from subsequent measurement to fair value are recognised in the Statement of Comprehensive Income as 'Net changes in the fair value of financial instruments measured at fair value through profit or loss' in the period in which they arise.

Subsequent to initial recognition, the fair value of financial assets measured at fair value through profit or loss is determined as follows:

Unlisted equity securities and managed investment funds

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 funds and unlisted equity securities, in combination is determined by the Investment Manager using the discounted cash flow methodology.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Loans and Advances

Loans and advances to customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and advances are initially recognised at fair value and are subsequently remeasured to amortised cost using the effective interest method, less any allowances for impairment. Amortised cost is determined by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest method. Ongoing reviews of asset values are conducted to assess for any indicators of impairment during the financial year. Where the carrying value exceeds the recoverable amount an impairment loss is recognised in the Statement of Comprehensive Income.

(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. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant accounting judgements, estimates and assumptions include but are not limited to:

Fair value measurement of investments in financial instruments

The majority of the Trust's investments are measured at fair value through profit or loss. Where available, quoted market prices for the same or similar instrument are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Judgement is applied in selecting valuation techniques and setting valuation assumptions and inputs. Further details on the determination of fair value of financial assets is set out in Note 1(c).

(a) Impairment of financial assets

The Scheme assesses at each balance date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(b) Fair value measurement of investments in financial instruments

The majority of the Scheme's investments are financial instruments held for trading and are measured at fair value through profit or loss. Where available, quoted market prices for the same or similar instrument are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Judgement is applied in selecting valuation techniques and setting valuation assumptions and inputs. Further details on the determination of fair value of financial assets and derivative financial instruments is set out in Note 1(b) and 1(c) respectively.

(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:

Dividend income

Dividends from unlisted companies are recognised when the dividend is received.

Interest income

Interest income earned on cash and cash equivalents is recognised on an accruals basis.

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 accruals 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 a third party.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, 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.

(j) Receivables

Receivables are recognised for amounts where settlement has not yet occurred. Receivables are measured at their nominal amounts. An allowance for doubtful debts is made when there is objective evidence that the Trust will not be able to collect the debts. Bad debts are written off when identified less any allowance for doubtful debts. Amounts are generally received within 30 days of being recognised as receivables. Given the short-term nature of most receivables, their nominal amounts approximate their fair value.

(k) 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. Non-distributable income is transferred directly to net assets attributable to unitholders and may consist of unrealised changes in the fair value of financial assets and derivative financial instruments. 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. The Trust's redemption unit price is based on different valuation principles to that applied in financial reporting, resulting in a valuation difference which is treated as a component of net assets attributable to unitholders.

(l) 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.

(m) 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 arising from changes in the fair value of financial assets and derivative 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.

(n) Foreign Currency Transactions

(i) Functional and presentation currency

Items included in the Financial Report are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The Financial Report is presented in Australian dollars (the "presentation currency").

(ii) Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. All monetary items denominated in foreign currencies are translated to Australian dollars using the exchange rate at the balance date, with exchange gains and losses recognised in the Statement of Comprehensive Income.

Non-monetary items measured at fair value in foreign currencies are translated using the exchange rate at the date when the fair value was determined.

(o) Terms and Conditions of Units on Issue

Each unit confers upon the unitholder an equal interest in the Trust (subject to income entitlements), and is of equal value. A unit does not confer an interest in any particular asset 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
- participate in the termination and winding up of the Trust

Applications received for units in the Trust are recognised net of any transaction costs arising on the issue of units in the Trust. Redemptions from the Trust are recognised gross of any transaction costs payable 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 less any estimated transaction costs.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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 disclosed on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financial activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	30 June 2014 $	30 June 2013 $
NOTE 2: RECEIVABLES		
Interest receivable	346	-
Other receivables	-	100
	346	100

	30 June 2014 Units	30 June 2013 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

	30 June 2014 $	30 June 2013 $
NOTE 4: CASH AND CASH EQUIVALENTS		
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flows is linked to the related items in the Statement of Financial Position as follows:		
Cash and cash equivalents	1,566,873	-
	1,566,873	-

(b) Reconciliation of net profit/(loss) attributable to unitholders before finance costs to net cash inflow/(outflow) from operating activities	30 June 2014 $	30 June 2013 $ (restated)
Net profit attributable to unitholders before finance costs	34,382,307	13,183,963
Net changes in the fair value of financial instruments measured at fair value through profit or loss (restated)	(29,701,625)	(10,527,347)
(Increase)/decrease in receivables	(246)	-
Net cash inflow/(outflow) from operating activities	4,680,436	2,656,616

NOTE 5: COMMITMENTS AND CONTINGENCIES

The Trust had no commitments or contingencies at 30 June 2014 (30 June 2013: nil) other than those specified in the Financial Report.

NOTE 6: 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 2013 by $338,980 and increase the net changes in the fair value of financial instruments measured at fair value through profit or loss in 2013 by $338,980 .

(a) Statement of Comprehensive Income	As previously reported	Transition adjustment	Restated
For the year ended 30 June 2013			
Net changes in the fair value of financial instruments measured at fair value through profit or loss	10,188,368	338,980	10,527,348

	As previously reported	Transition adjustment	Restated
(b) Statement of Financial Position			
For the year ended 30 June 2013			
Financial assets measured at fair value through profit or loss			
Unlisted equity securities and managed investment funds	105,297,811	338,980	105,636,791
Net assets attributable to unitholders	112,654,459	338,980	112,993,439
(c) Statement of Changes in Net Assets Attributable to Unitholders			
For the year ended 30 June 2013			
Increase in net assets attributable to unitholders	10,188,368	338,980	10,527,348

NOTE 7: EVENTS OCCURRING AFTER THE BALANCE DATE

Since 30 June 2014 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 8: AUTHORISATION OF THE FINANCIAL REPORT

The Financial Report of the Alfred Unit Trust for the financial year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors of AMP Capital Investors Limited on 9 September 2014.

ALFRED UNIT TRUST

STATEMENT BY THE TRUSTEE

As stated in Note 1(b) to the Financial Statements, in the Trustee's opinion, the Trust is not a reporting entity.

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, and:

  (i) are properly drawn up so as to present fairly the Trust's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

  (ii) comply with Australian Accounting Standards, as set out in Note 1(b) to the Financial Statements.

(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

9 September 2014, Sydney

BUROBA PTY LTD

A.C.N. 065 388 150

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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INDEPENDENT AUDITOR'S REPORT

Buroba Pty Ltd

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Buroba Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2014, 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 2014, 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.

Directors' Responsibility for the Financial Statements

The Director of the Company 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 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 Company'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 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 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 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

25 August 2014
SYDNEY

BUROBA PTY LTD

A.C.N. 065 388 150

DIRECTOR'S STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

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 2014.

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 20th day of August, 2014 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 2014

	Note	2014 $	2013 $
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 2014

	Note	2014 $	2013 $
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 2014

	Note	2014 $	2013 $
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 2014

	2014 Inflow/ (Outflow) $	2013 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 2014**

1. Principal Activity

The Company has been dormant during the twelve months ended 30 June 2014 and twelve months ended 30 June 2013.

The financial statements were authorised by the Director on 20 August 2014.

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 2014**

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 2014**

Notes to the Financial Statements (continued)

Budgeted amounts

The Company has no budget.

3. Auditor's Remuneration

	30 June 2014 $	30 June 2013 $
Total amount receivable by the auditors of the company for:		
(a) Audit of the Company's Accounts (GST Inclusive)	2,640	2,310
(b) Other services	-	-
	2,640	2,310

Audit Fees of the Company are paid by the Parent Entity of the Company – SAS Trustee Corporation (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 2013.

BUROBA PTY LTD

A.C.N. 065 388 150

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2014

Notes to the Financial Statements (continued)

5. Contingent Liabilities

There are no contingent liabilities as at 30 June 2014 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 2014

Notes to the Financial Statements (continued)

8. Key Management Personnel Compensation

	30 June 2014 $	30 June 2013 $
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 2014 $	30 June 2013 $
• Lodgement fees (GST exempt)	230	227
• Audit fees (GST inclusive)	2,640	2,310
	2,870	2,537

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.

EG Core Plus Fund No.1

Annual report –
For the period 17 February 2014 to 30 June 2014

EG Core Plus Fund No.1
30 June 2014

Contents

The Directors present their report, together with the financial statements, on EG Core Plus Fund No.1 (referred to hereafter as 'the Fund') for the period 17 February 2014 to 30 June 2014. The Fund consists of the aggregated financial statements of EG Core Plus Fund No.1 ('Head Trust') and EG Core Plus Fund No.1 Ownership Trust No.1 ('Ownership Trust'), which were established by Constitutions dated 17 February 2014. The Head Trust has 100% ownership of the Ownership Trust.

Directors
The following persons were directors of the Fund Manager during the whole of the financial period and up to the date of this report:

Michael Easson
Adam Geha
Shane Geha

Principal activities
The principal activity of the Fund is to invest in acquiring Australian commercial real estate with a focus on core-plus opportunities which exhibit downside risk protection and potential for value add upside. The Investment Policies of the Fund are outlined in Schedule 1 of the Asset Management Agreement.

Distributions
There were no distributions made to the unit holders for the period 17 February 2014 to 30 June 2014.

Review of operations
During the period, the fund purchased one property valued at $17,500,000. The loss of the Fund for the period 17 February 2014 to 30 June 2014 was $1,441,603.

Significant changes in the state of affairs
The Fund was established on 17 February 2014 with a capital call on unit holders of the Fund made on 18 February 2014 for 13,887,500 units at $1,00 per unit. There were no other significant changes in the state of affairs of the Fund during the financial period.

Matters subsequent to the end of the financial period
On 27 August 2014, the Fund made a capital call to unit holders to raise $3,787,500. No other matter or circumstance has arisen since 30 June 2014 that has significantly affected the Fund, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

Likely developments and expected results of operations
The Fund will be managed in accordance with the Investment Policies of the Fund as outlined in Schedule 1 of the Asset Management Agreement. Likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the directors of the Fund Manager believe it would be likely to result in unreasonable prejudice to the Fund.

Environmental regulation
The Fund is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Units under option
No options over units in the Fund were granted during or since the end of the financial period and there were no options outstanding at the date of this report.

Insurance of officers and auditor
No indemnities have been given or insurance premiums paid, during or since the period ended 30 June 2014, for any person who is or has been an officer or auditor of the Trust.

Proceedings on behalf of the Fund

No person has applied to the Court for leave to bring proceedings on behalf of the Fund, or to intervene in any proceedings to which the Fund is a party, for the purpose of taking responsibility on behalf of the Fund for all or part of those proceedings. The Fund was not party to any such proceedings during the financial period.

This report is made in accordance with a resolution of the directors of the Fund Manager.

Michael Easson
Director

Adam Geha
Director

Sydney
8 September 2014

EG Core Plus Fund No.1
Statement of profit or loss and other comprehensive income
For the period 17 February 2014 to 30 June 2014

	Notes	**2014** **$**
Revenue	4	579,330
Property expenses		(104,620)
Administration expenses		(327,916)
Finance costs		(140,933)
Management fees		(514,932)
Net fair value loss on investment properties	8	(932,532)
Loss before income tax	5	(1,441,603)
Income tax expense	2(d)	-
Loss after income tax for the period attributable to the unit holders		(1,441,603)
Other comprehensive income for the period		-
Total comprehensive income for the period attributable to the unit holders		**(1,441,603)**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1
Statement of financial position
As at 30 June 2014

	Notes	**2014** **$**
Assets		
Current assets		
Cash and cash equivalents	6	3,046,305
Trade and other receivables	7	100,049
Total current assets		3,146,354
Non-current assets		
Investment properties	8	17,500,000
Total non-current assets		17,500,000
Total assets		20,646,354
Liabilities		
Current liabilities		
Trade and other payables	9	48,040
Total current liabilities		48,040
Non-current liabilities		
Borrowings	10	8,152,417
Total non-current liabilities		8,152,417
Total liabilities		8,200,457
Net assets		**12,445,897**
Equity		
Unit capital	11	13,887,500
Accumulated losses	12	(1,441,603)
Total equity		**12,445,897**

The above statement of financial position should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1
Statement of changes in equity
For the period 17 February 2014 to 30 June 2014

	Unit capital	Accumulated losses	Total
	$	$	$
Balance at 17 February 2014	-	-	-
Loss after income tax expense for the period	-	(1,441,603)	(1,441,603)
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period	-	(1,441,603)	(1,441,603)
Transactions with unit holders in their capacity as owners:			
Contributions of equity, net of transaction costs	13,887,500	-	13,887,500
Distributions paid or declared	-	-	-
Balance at 30 June 2014	13,887,500	(1,441,603)	12,445,897

The above statement of changes in equity should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1
Statement of cash flows
For the period 17 February 2014 to 30 June 2014

	Notes	2014 $
Cash flows from operating activities		
Receipts from customers (inclusive of GST)		533,367
Payments to suppliers and employees (inclusive of GST)		(1,029,320)
		(495,953)
Interest received		28,223
Interest and other costs of finance paid		(140,933)
Net cash used in operating activities		(608,663)
Cash flows from investing activities		
Payments for purchase of investment properties		(18,432,532)
Net cash used in investing activities		(18,432,532)
Cash flows from financing activities		
Proceeds from borrowings		8,200,000
Proceeds from issue of units		13,887,500
Net cash inflow from financing activities		22,087,500
Net increase in cash and cash equivalents		3,046,305
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	6	3,046,305

The above statement of cash flows should be read in conjunction with the accompanying notes.

Note 1. Corporate information

The financial statements cover EG Core Plus Fund No.1 (referred to hereafter as 'the Fund') for the period 17 February 2014 to 30 June 2014. The Fund consists of the aggregated financial statements of EG Core Plus Fund No.1 (Head Trust) and EG Core Plus Fund No.1 Ownership Trust No.1 (Ownership Trust), which were established by Constitutions dated 17 February 2014. The Head Trust has 100% ownership of the Ownership Trust.

The financial statements are presented in Australian dollars, which is the Fund's functional and presentation currency.

EG Core Plus Fund No.1 is a fund domiciled in Australia. Its principal place of business is:

Suite 1402, Level 14
345 George Street
Sydney NSW 2000

A description of the nature of the Fund's principal activities and review of operations is included within the directors' report.

The financial statements were authorised for issue by the directors of the Fund Manager on 8 September 2014. The directors of the Fund Manager have the power to amend and reissue the financial statements.

Note 2. Summary of significant accounting policies

The principle accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements has been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), as appropriate for-profit orientated entities.

Historical cost convention
These financial statements have been prepared under the historical cost convention, except for the revaluation of investment properties.

Critical accounting estimates
The preparation of the financial report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement and complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2(j).

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of business.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

Rental income
Rental income for operating leases is recognised on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises.

Note 2. Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

Interest
Interest income is recognised on a time proportion basis using the effective interest method.

(d) Income tax

Under current tax legislation EG Core Plus Fund No.1 is not liable for income tax, provided the taxable income and taxable capital gains are fully distributed to unit holders each year. EG Core Plus Fund No.1 fully distributes its taxable income in accordance with the Constitution. Tax losses and realised capital losses are not distributed to unit holders but are carried forward in EG Core Plus Fund No.1 to be offset against taxable income and future capital gains of EG Core Plus Fund No.1.

Under current tax legislation EG Core Plus Fund No.1 Ownership Trust No.1 is not liable for income tax, provided the taxable income and taxable capital gains are fully distributed to unit holders each year. EG Core Plus Fund No.1 Ownership No. 1 fully distributes its taxable income in accordance with the Constitution. Tax losses and realised capital losses are not distributed to unit holders but are carried forward in EG Core Plus Fund No.1 Ownership Trust No. 1 to be offset against taxable income and future capital gains of EG Core Plus Fund No.1 Ownership Trust No. 1. Tax allowances for building and plant equipment are distributed to unit holders in the form of a tax deferred component of distributions.

(e) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of exchange. The discount rate used is the Fund’s incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

(f) Cash and cash equivalents

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 cash and which are subject to an insignificant risk of changes in value.

(g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

Note 2. Summary of significant accounting policies (continued)

(h) Financial instruments

Financial instruments incorporating financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument.

The Fund classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivable are included in receivables in the statement of financial position.

Held-to-maturity investments
Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund’s management has the positive intention and ability to hold to maturity.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Regular purchases and sales of investments are recognised on trade-date – the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category, including interest and dividend income, are presented in the profit or loss within other income or expenses in the period in which they arise. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Note 2. Summary of significant accounting policies (continued)

(i) Investment property

Investment properties are defined under Schedule 1 of the Asset Management Agreement and are held for the purpose, or primarily for the purpose, of deriving rent (as defined in section 102M of the Income Tax Assessment Act 1936). Investment properties may also be held for capital appreciation and/or refurbishment, repositioning, strata titling, rezoning or obtaining development approvals.
All investment properties are considered one class of asset.

Valuations
Investment properties are measured at fair value and assessed each reporting date to ensure that the carrying amount of each property does not differ materially from its fair value at the reporting date. Changes in fair values are recognised in profit or loss.

In accordance with the Constitutions, independent valuations of investment properties are made at every financial year. These valuations are considered by the Review Committee when determining fair value.

Fair value is based on the price which a property might reasonably be expected to be sold at the date of the valuation assuming:

(i) a willing, but not anxious, buyer and seller on an arm's length basis;
(ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
(iii) that the property will be reasonably exposed to that market; and
(iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.

Disposals
The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in profit or loss in the period of disposal.

(j) Trade and other payables

These amounts represent liabilities for goods and services provided to the Fund prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

(k) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

(l) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

Note 2. Summary of significant accounting policies (continued)

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(n) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

(o) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 2. Summary of significant accounting policies (continued)

(p) New, revised or amended Accounting Standards and Interpretations adopted

The Fund has adopted all of the new, revised or amending accounting standards and interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Fund from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these accounting standards and interpretations did not have any impact on the financial performance or position of the Fund. The following Accounting Standards and Interpretations are most relevant to the Fund:

AASB 1053 Application of Tiers of Australian Accounting Standards
The Fund has applied AASB 1053 from 17 February 2014. This standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements, being Tier 1 Australian Accounting Standards and Tier 2 Australian Accounting Standards - Reduced Disclosure Requirements. The Fund being classed as Tier 2 continues to apply the full recognition and measurements requirements of Australian Accounting Standards with substantially reduced disclosure in accordance with AASB 2010-2 and later amending Standards, as relevant.

AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements
The Fund has applied AASB 2010-2 from 17 February 2014. These amendments make numerous modifications to a range of Australian Accounting Standards and Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities in preparing general purpose financial statements. The adoption of these amendments has significantly reduced the Fund's disclosure requirements.

AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements, AASB 2012-7 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements and AASB 2012-11 Amendments to Australian Accounting Standards - Reduced Disclosure Requirements and Other Amendments
The Fund has applied AASB 2011-2, AASB 2012-7 and 2012-11 amendments from 17 February 2014, to the extent that they related to other standards already adopted by the Fund. These amendments make numerous modifications to a range of Australian Accounting Standards and Interpretations to significantly reduce the Fund's disclosure requirements.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
The Fund has applied AASB 13 and its consequential amendments from 17 February 2014. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

(q) Comparatives

The Fund was established on 17 February 2014 and as such, there are no comparative figures included in these financial statements.

Note 3. Financial risk management

The Fund's activities expose it to a variety of financial risks such as interest rate risk, credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Fund.

The Fund holds the following financial instruments:

	2014 $
Financial assets	
Cash and cash equivalents (refer to note 6)	3,046,305
Trade and other receivables (refer to note 7)	34,408
	3,080,713
Financial liabilities	
Trade and other payables (refer to note 9)	48,040
Borrowings (refer to note 10)	8,152,417
	8,200,457

Note 4. Revenue

	2014 $
Rental revenue	441,772
Tenant recoveries	109,335
Interest revenue	28,223
	579,330

Note 5. Expenses

	2014 $
Loss before income tax includes the following specific expenses:	
Auditors remuneration:	
Audit of the financial report	13,000
Other services	9,500
	22,500

Note 6. Current assets - Cash and cash equivalents

	2014 $
Cash at bank and on hand	3,046,305

Reconciliation to the statement of cash flows
The above figures are reconciled to cash and cash equivalents at the end of the period as shown in the statement of cash flows.

Interest rate risk
Cash at bank currently bears an average floating interest rate of 2.5% per annum. Cash on hand is non-interest bearing.

Note 7. Current assets – Trade and other receivables

	2014 $
Trade receivables	17,739
Other receivables	16,670
Prepayments	65,640
	100,049

There are no balances within trade and other receivables that are considered impaired.

Interest rate risk
The Fund has no exposure to interest rate risk in respect of current receivables as they are all non-interest bearing.

Credit risk
There is no concentration of credit risk with respect to current receivables. Refer to note 3 for further information on the risk management policy of the Fund.

Note 8. Non-current assets – Investment properties

	2014 $
Investment properties – at fair value	17,500,000

(a) Reconciliation of the fair values of investment properties at the beginning and end of the financial period are set out below

Opening balance at 17 February 2014	-
Acquisition	18,432,532
Revaluation decrements	(932,532)
Closing fair value	17,500,000

Note 8. Non-current assets – Investment properties (continued)

(b) Valuation basis

The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment. The investment properties are revalued annually based on independent assessments by a member of the Australian Property Institute.

(c) Lessor commitments

	2014 $
Minimum lease commitments receivable but not recognised in financial statements:	
Within one year	1,066,970
Later than 1 year but not later than 5 years	624,067
	1,691,037

(d) Amounts recognised in profit or loss for investment properties

	2014 $
Rental income	441,772
Tenant recoveries	109,335
Direct operating expenses from properties that generated rental income	(104,620)
Direct operating expenses from properties that did not generate rental income	(31,204)

Note 9. Current liabilities – Trade and other payables

	2014 $
Trade payables	14,540
Other payables	33,500
	48,040

Note 10. Non-current liabilities – Borrowings

	2014 $
Bank loans	8,152,417

Interest rate risk
The bank loan is currently bearing an all-in fixed interest rate of 4.8% per annum.

Assets pledged as security
The bank loan is secured by first ranking mortgage over the Fund's investment property related to the borrowings. The fair value of the investment property secured is $17,500,000.

Covenant conditions
The bank loan includes covenant conditions that require the maintenance of certain financial ratios.

Financing arrangements
The Fund's bank loan facility limit at the reporting date was $8,750,000 of which $8,200,000 was utilised. Unrestricted access was available at the reporting date for the unused bank loan facility of $550,000.

Note 11. Unit capital

	2014 Number	2014 $
Ordinary units	13,887,500	13,887,500

Movements in ordinary units

	No of units	Issue price	$
Balance at 17 February 2014	-	-	-
Issue of units – 18 February 2014	13,887,500	$1.00	13,887,500
Balance at 30 June 2014	13,887,500		13,887,500

Each fully paid ordinary unit is priced at $1.00 and at 30 June 2014 is paid up to $1.00.

Ordinary units entitle the holder to participate in distributions and the proceeds on winding up of the Fund in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

Note 12. Accumulated losses

Movements in accumulated losses during the financial period are as follows:

	2014 $
Accumulated losses at the beginning of the period	-
Loss after income tax expense for the period	(1,441,603)
Accumulated losses at the end of the period	(1,441,603)

Note 13. Fair value measurement

Fair value hierarchy
The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

30 June 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investment properties	-	-	17,500,000	17,500,000
Total assets	-	-	17,500,000	117,500,000

There were no transfers between levels during the financial period.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 14. Contingencies

The Trustee on behalf of the unit holders of the Fund had negotiated a loan facility with National Australia Bank. The loan facility was secured by first registered third party mortgage over the investment property of the Fund. Refer to note 10 for further details.

Note 15. Commitments

The Fund had no commitments as at the period ended 30 June 2014.

Note 16. Related party transactions

The details of the Fund are outlined in note 16.

(a) Directors of the Manager

The names of each person holding the position of director of the Fund Manager during the period were:

Michael Easson
Adam Geha
Shane Geha

(b) Remuneration of the Manager's directors

Directors of the Manager are not remunerated in connection with the management affairs of the Fund.

(c) Other transactions with directors of the Manager and related entities

Michael Easson, Adam Geha and Shane Geha are directors and shareholders (through their respective entities) of the Fund Manager. In accordance with schedule 2 of the Asset Management Agreement, the Manager manages the business, property and affairs of the Fund, and is responsible for the execution of the Investment Policy of the Fund. Management fees paid to the Fund Manager during the period 17 February 2014 to 30 June 2014 totalled $514,932.

In accordance with clause 2.3 of the Investors Deed, the Manager is required to make an investment in the Fund of 1.0% of committed capital. As such, the Manager has made an investment of 137,500 fully paid units in the Fund.

Other than outlined above, the terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

In accordance with clause 11.1 of the Constitution, the Trustee is entitled to be paid trustee fees out of the Trust Property. Trustee fees paid to the Trustee during the period 17 February 2014 to 30 June 2014 totalled $20,680. The amount payable by the Fund at 30 June 2014 is $13,750.

Note 17. Fund details

(a) The Fund

The Fund was officially established on 17 February 2014 when the Constitutions were executed and adopted. The expected termination date as per the Investors Deed is 17 February 2022, unless otherwise extended under Schedule 5 of the Investors Deed.

(b) The Trustee

The Fund is administered by an external trustee company, The Trust Company (Australia) Limited.

The registered office and principal place of business of the Trustee Company is:

Level 15
20 Bond Street
Sydney NSW 2000

Note 17. Fund details (continued)

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Fund pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

Suite 1402, Level 14
345 George Street
Sydney NSW 2000

EG Core Plus Fund No.1
Directors' declaration
For the period 17 February 2014 to 30 June 2014

The directors of the Fund Manager declare that:

(a) the attached financial statements and notes thereto comply with Australian Accounting Standards (including Australian Accounting Interpretations) as described in note 2 to the financial statements;

(b) the attached financial statements and notes thereto give a true and fair view of the Fund's financial position as at 30 June 2014 and of its performance for the period ended on that date; and

(c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

(d) the attached financial statements and notes thereto are in accordance with the Constitution.

This declaration is made in accordance with a resolution of the directors of the Fund Manager.

Michael Easson
Director

Adam Geha
Director

Sydney
8 September 2014

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the unit holders of EG Core Plus Fund No.1

Report on the Financial Report

We have audited the accompanying financial report of EG Core Plus Fund No.1, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period 17 February 2014 to 30 June 2014, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Fund Manager, EG Funds Management Pty Limited, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Trust Deeds, and for such internal control as the directors of the manager determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, 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 report 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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion the financial report of EG Core Plus Fund No.1 is in accordance with the Trust Deeds, including:

(a) giving a true and fair view of the Fund's financial position as at 30 June 2014 and of its performance for the period 17 February 2014 to 30 June 2014; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements.

BDO East Coast Partnership

BDO

Ian Hooper

Partner

Sydney, 8 September 2014

EG Core Plus Fund No.1 Holding Trust No.1

Annual Report -
For the period 17 February 2014 to 30 June 2014

Contents

EG Core Plus Fund No.1 Holding Trust No.1
Statement of profit or loss and other comprehensive income
For the period 17 February 2014 to 30 June 2014

	Notes	2014 $
Revenue	3	0
Administration expenses		0
Finance costs		0
Loss before income tax		0
Income tax expense		-
Loss after income tax for the period attributable to the unit holders		0
Other comprehensive income for the period		-
Total comprehensive income for the period attributable to the unit holders		**0**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Holding Trust No.1
Statement of financial position
As at 30 June 2014

	Note	2014 $
Assets		
Current assets		
Cash and cash equivalents	4	0
Trade and other receivables	5	0
Total current assets		0
Non-current assets		
Investment in EG Core Plus Fund No. 1 Ownership Trust No. 1	6	10,445,000
Total non-current assets		10,445,000
Total assets		10,445,000
Liabilities		
Non-current liabilities		
Trade and other payables	7	0
Borrowings	8	0
Total non-current liabilities		0
Total liabilities		0
Net assets		**0**
Equity		
Unit capital	9	10,445,000
Accumulated losses	10	0
Total equity		**10,445,000**

The above statement of financial position should be read in conjunction with the accompanying notes.

Note 1. Corporate Information

The financial statements cover EG Core Plus Fund No.1 Holding Trust No.1 (referred to hereafter as ‘the Trust’) for the period 17 February to 30 June 2014. The Trust was established by Trust Deed dated 17 February 2014.

The financial statements are presented in Australian dollars, which is the Trust’s functional and presentational currency.

EG Core Plus Fund No.1 Holding Trust No.1 is a trust domiciled in Australia. Its principal place of business is:

Suite 1402, Level 14
345 George Street
Sydney NSW 2000

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

In the Fund Manager’s opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

Historical Cost Convention
These financial statements have been prepared under the historical cost convention.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

Rental Income
Not applicable.

Interest
Interest income is recognised on a time proportion basis using the effective interest method.

(d) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of exchange. The discount rate used is the Trust’s incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

(e) Cash and cash equivalents

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 cash and which are subject to an insignificant risk of changes in value.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

(g) Trade and other payables

These amounts represent liabilities for goods and services provided to the Trust prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

(h) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

(i) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(k) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

(l) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(m) Comparatives

The Trust was established on 17 February 2014 and as such, there are no comparative figures included in these financial statements.

Note 3. Revenue

	2014 $
Rental revenue	0
Interest revenue	0
	0

Note 4. Cash and cash equivalents

	2014 $
Cash at bank and on hand	0

Note 5. Trade and other receivables

	2014 $
Trade receivables	0
Prepayments	0
	0

EG Core Plus Fund No.1 Holding Trust No.1
Notes to the financial statements
For the period 17 February 2014 to 30 June 2014

Note 6. Non-current assets – Investments

	2014 $
Investment in EG Core Plus Fund No. 1 Ownership Trust No. 1	10,445,000

(a) Reconciliation of the investment in EG Core Plus Fund No. 1 Ownership Trust No. 1 at the beginning and end of the financial period are set out below

Opening balance at 17 February 2014	0
Investment during the year	10,445,000
Return of investment during the year	0
Closing fair value	10,445,000

Note 7. Trade and payables

	2014 $
Other payables	0

Note 8. Non-current liabilities – Borrowings

	2014 $
Bank loans	0

Note 9. Unit capital

	2014 Number	2014 $
Ordinary units	10,445,000	10,445,000

Movements in ordinary units

	No of units	Issue price	$
Balance at 17 February 2014	-	-	-
Issue of units – 19 February 2014	1,745,000	$1.00	1,745,000
Issue of units – 27 February 2014	8,700,000	$1.00	8,700,000
Balance at 30 June 2014	10,445,000		10,445,000

Each fully paid ordinary unit is priced at $1.00 and at 30 June 2014 is paid up to $1.00.

Ordinary units entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

Note 10. Accumulated losses

Movements in accumulated losses during the financial period are as follows:

	2014 $
Accumulated losses at the beginning of the period	-
Loss after income tax expense for the period	-
Accumulated losses at the end of the period	-

Note 11. Trust details

(a) The Trust

The Trust was officially established on 17 February 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Investors Deed is 17 February 2022, unless otherwise extended under Schedule 5 of the Investors Deed.

(b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (PTAL) Limited.

The registered office and principal place of business of the Trustee Company is:

Level 15
20 Bond Street
Sydney NSW 2000

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

Suite 1402, Level 14
345 George Street
Sydney NSW 2000

EG Core Plus Fund No. 1 Holding Trust No. 1
Fund Manager's declaration

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

(a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and

(b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2014 and of its performance for the year ended on that date.

(c) the financial statements and notes are in accordance with the Constitution; and

(d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.

Michael Easson
Director

Adam Geha
Director

Sydney
10 October 2014

EG Core Plus Fund No.1 Ownership Trust No.1

Annual Report -
For the period 17 February 2014 to 30 June 2014

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EG Core Plus Fund No.1 Ownership Trust No.1
Statement of profit or loss and other comprehensive income
For the period 17 February 2014 to 30 June 2014

	Notes	2014 $
Revenue	3	552,173
Property expenses		(104,620)
Administration expenses		(31,204)
Finance costs		(141,007)
Net fair value loss on investment properties	6	(932,532)
Loss before income tax		(657,190)
Income tax expense		-
Loss after income tax for the period attributable to the unit holders		(657,190)
Other comprehensive income for the period		-
Total comprehensive income for the period attributable to the unit holders		**(657,190)**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Ownership Trust No.1
Statement of financial position
As at 30 June 2014

	Note	2014 $
Assets		
Current assets		
Cash and cash equivalents	4	406,783
Trade and other receivables	5	81,797
Total current assets		488,580
Non-current assets		
Investment properties	6	17,500,000
Total non-current assets		17,500,000
Total assets		17,988,580
Liabilities		
Non-current liabilities		
Trade and other payables	7	48,353
Borrowings	8	8,152,417
Total non-current liabilities		8,200,770
Total liabilities		8,200,770
Net assets		**9,787,810**
Equity		
Unit capital	9	10,445,000
Accumulated losses	10	(657,190)
Total equity		**9,787,810**

The above statement of financial position should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Ownership Trust No.1
Notes to the financial statements
For the period 17 February 2014 to 30 June 2014

Note 1. Corporate Information

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.1 (referred to hereafter as 'the Trust') for the period 17 February to 30 June 2014. The Trust was established by Trust Deed dated 17 February 2014.

The financial statements are presented in Australian dollars, which is the Trust's' functional and presentational currency.

EG Core Plus Fund No.1 Ownership Trust No.1 is a trust domiciled in Australia. Its principal place of business is:

Suite 1402, Level 14
345 George Street
Sydney NSW 2000

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

Historical Cost Convention
These financial statements have been prepared under the historical cost convention.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

Rental Income
Rental income for operating leases is recognised on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises.

Interest
Interest income is recognised on a time proportion basis using the effective interest method.

(d) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of exchange. The discount rate used is the Trust's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

(e) Cash and cash equivalents

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 cash and which are subject to an insignificant risk of changes in value.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

(g) Investment property

Investment properties may be held for rental yields, capital appreciation and/or development.

All investment properties are considered one class of asset.

Valuations

Investment properties are measured at fair value and assessed each reporting date to ensure that the carrying amount of each property does not differ materially from its fair value at the reporting date. Changes in fair values are recognised in profit or loss.

In accordance with the Trust Deeds, independent valuations of investment properties are made at every financial year. These valuations are considered by the Review Committee when determining fair value.

Fair value is based on the price which a property might reasonably be expected to be sold at the date of the valuation assuming:

(i) a willing, but not anxious, buyer and seller on an arm's length basis;
(ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
(iii) that the property will be reasonably exposed to that market; and
(iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.

Disposals

The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in profit or loss in the period of disposal.

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Trust prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

(j) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(l) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

(m) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(n) Comparatives

The Trust was established on 17 February 2014 and as such, there are no comparative figures included in these financial statements.

EG Core Plus Fund No.1 Ownership Trust No.1
Notes to the financial statements
For the period 17 February 2014 to 30 June 2014

Note 3. Revenue

	2014 $
Rental revenue	441,772
Tenant recoveries	109,335
Interest revenue	1,066
	552,173

Note 4. Cash and cash equivalents

	2014 $
Cash at bank and on hand	406,783

Note 5. Trade and other receivables

	2014 $
Trade receivables	17,739
Prepayments	64,058
	81,797

Note 6. Non-current assets – Investment properties

	2014 $
Investment properties – at fair value	17,500,000

(a) Reconciliation of the fair values of investment properties at the beginning and end of the financial period are set out below

Opening balance at 17 February 2014	
Acquisition	18,432,532
Revaluation decrements	(932,532)
Closing fair value	17,500,000

Note 7. Trade and payables

	2014 $
Other payables	48,353

Note 8. Non-current liabilities – Borrowings

	2014 $
Bank loans	8,152,417

Interest rate risk
The bank loans are currently bearing all-in variable interest rates of between 4.8% per annum.

Assets pledged as security
The bank loans are secured by first ranking mortgage over the Trust's investment property related to the borrowings. The fair value of the investment property secured is $17,500,000.

Covenant conditions
The bank loans include covenant conditions that require the maintenance of certain financial ratios.

Financing arrangements
The Trust's bank loan facility limit at the reporting date was $8,750,000 of which $8,200,000 was utilised. Unrestricted access was available at the reporting date for the unused bank loan facility of $550,000.

Note 9. Unit capital

	2014 Number	2014 $
Ordinary units	10,445,000	10,445,000

Movements in ordinary units

	No of units	Issue price	$
Balance at 17 February 2014	-	-	-
Issue of units – 18 February 2014	10,445,000	$1.00	10,445,000
Balance at 30 June 2014	10,445,000		10,445,000

Each fully paid ordinary unit is priced at $1.00 and at 30 June 2014 is paid up to $1.00.

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

Note 10. Accumulated losses

Movements in accumulated losses during the financial period are as follows:

	2014 $
Accumulated losses at the beginning of the period	-
Loss after income tax expense for the period	(657,190)
Accumulated losses at the end of the period	(657,190)

Note 11. Trust details

(a) The Trust

The Trust was officially established on 17 February 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Investors Deed is 17 February 2022, unless otherwise extended under Schedule 5 of the Investors Deed.

(b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (Australia) Limited.

The registered office and principal place of business of the Trustee Company is:

Level 15
20 Bond Street
Sydney NSW 2000

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

Suite 1402, Level 14
345 George Street
Sydney NSW 2000

EG Core Plus Fund No. 1 Ownership Trust No. 1
Fund Manager's declaration

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

(a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and

(b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2014 and of its performance for the year ended on that date.

(c) the financial statements and notes are in accordance with the Constitution; and

(d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.

Michael Easson
Director

Adam Geha
Director

Sydney
10 October 2014

IPG UNIT TRUST

SPECIAL PURPOSE FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

AMP Capital Investors Limited
33 Alfred Street,
Sydney, NSW 2000
ACN 001 777 591

IPG UNIT TRUST

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IPG UNIT TRUST

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	30 June 2014 $	30 June 2013 $ restated
INVESTMENT INCOME		
Dividends	2,166,716	2,744,450
Interest income	836,292	98,050
Net changes in the fair value of financial instruments measured at fair value through profit or loss	(979,948)	(1,480,763)
Total investment income/(loss)	2,023,060	1,361,737
EXPENSES		
Other expenses	(100)	-
Total expenses	(100)	-
NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS BEFORE FINANCE COSTS	2,022,960	1,361,737
Finance costs attributable to unitholders		
Distributions to unitholders	(3,002,953)	(2,842,500)
(Increase)/decrease in net assets attributable to unitholders	979,993	1,480,763
NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS AFTER FINANCE COSTS	-	-
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	-	-

IPG UNIT TRUST

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

		30 June 2014 $	30 June 2013 $ restated
ASSETS			
Cash and cash equivalents	4(a)	1,071,589	-
Receivables	2	168	100
Loans and advances		5,729,753	5,729,753
Financial assets measured at fair value through profit or loss			
Unlisted equity securities and managed investment funds		19,373,649	20,353,597
TOTAL ASSETS		26,175,159	26,083,450
LIABILITIES			
Distribution payable		1,071,702	-
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		1,071,702	-
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		25,103,457	26,083,450

IPG UNIT TRUST

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	30 June 2014 $	30 June 2013 $ restated
Balance at the beginning of the financial year (as previously stated)		25,561,772	27,564,213
Impact of transition to Australian Accounting Standards	6	521,678	-
Balance at the beginning of the financial year (restated)		26,083,450	27,564,213
		26,083,450	27,564,213
Increase/(decrease) in net assets attributable to unitholders		(979,993)	(1,480,763)
Balance at the end of the financial year		25,103,457	26,083,450

IPG UNIT TRUST

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Notes	30 June 2014 $	30 June 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		2,166,716	2,744,450
Interest received		836,124	98,050
Net cash inflow/(outflow) from operating activities	4(b)	3,002,840	2,842,500
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions paid		(1,931,251)	(2,842,500)
Net cash inflow/(outflow) from financing activities		(1,931,251)	(2,842,500)
Net increase/(decrease) in cash and cash equivalents held		1,071,589	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	4(a)	1,071,589	-

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 re-presented to be consistent with current period disclosures.

(a) Trust Information

The IPG Unit Trust (the "Trust") is an unregistered unit trust. AMP Capital Investors Limited was appointed the Trustee of the Trust on 9 September 2013, when STC Funds Nominee Pty Ltd resigned as Trustee. STC Funds Nominee Pty Ltd was trustee for the period before 9 September 2013. The Trustee is incorporated and domiciled in Australia. The registered office of the Trustee is located at 33 Alfred Street, Sydney, NSW 2000.

The Investment Manager of the Trust for the period from 9 September 2013 to 30 June 2014 is AMP Capital Investors Limited, a subsidiary of AMP Limited. The Investment Manager of the Trust for the period before 9 September 2013 was STC Funds Nominee Pty Ltd.

The Trust was established on 12 October 2011. The principal activity of the Trust during the financial year was the investment of unitholders' 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 9 September 2013, STC Funds Nominee Pty Ltd 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 2013. This is the Trust's first year of preparing special purpose Financial Report in accordance with all Australian Accounting Standards. The impact from adopting Australian Accounting Standards is described in Note 6 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 special purpose Financial Report has been prepared for distribution to the unitholders to fulfill the financial reporting requirements under the Trust Deed. In the opinion of the Trustee, the Trust is not deemed to be a "reporting entity" because there are no users dependent on a general purpose Financial Report.

The Financial Report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and other mandatory professional requirements in Australia. It contains only those disclosures considered necessary by the Trustee to meet the needs of users of the Financial Report. The Financial Report has been prepared on an accrual basis of accounting including the historical cost convention and the going concern assumption.

The Statement of Financial Position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. All of the Trust's assets and liabilities are expected to be realised within 12 months, except for net assets attributable to unitholders, unlisted equity securities and managed investment funds which may not be settled within 12 months. Given the nature of the Trust, a reasonable estimate cannot be made of the amount of the balances, if any, that are unlikely to be settled within 12 months.

(c) Financial Assets Measured at Fair Value Through Profit or Loss

Financial assets of the Trust have been designated as financial assets measured at fair value through profit or loss as they are managed and their performance is evaluated on a fair value basis. Financial assets are initially recognised at fair value determined as the purchase cost of the financial asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Any realised and unrealised gains and losses arising from subsequent measurement to fair value are recognised in the Statement of Comprehensive Income as 'Net changes in the fair value of financial instruments measured at fair value through profit or loss' in the period in which they arise.

Subsequent to initial recognition, the fair value of financial assets measured at fair value through profit or loss is determined as follows:

Unlisted equity securities and managed investment funds

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 funds and unlisted equity securities, in combination is determined by the Investment Manager using the discounted cash flow methodology.

(d) Loans and Advances

Loans and advances to customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and advances are initially recognised at fair value and are subsequently remeasured to amortised cost using the effective interest method, less any allowances for impairment. Amortised cost is determined by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest method. Ongoing reviews of asset values are conducted to assess for any indicators of impairment during the financial year. Where the carrying value exceeds the recoverable amount an impairment loss is recognised in the Statement of Comprehensive Income.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant accounting judgements, estimates and assumptions include but are not limited to:

Fair value measurement of investments in financial instruments

The majority of the Trust's investments are measured at fair value through profit or loss. Where available, quoted market prices for the same or similar instrument are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Judgement is applied in selecting valuation techniques and setting valuation assumptions and inputs. Further details on the determination of fair value of financial assets is set out in Note 1(c).

(a) Impairment of financial assets

The Scheme assesses at each balance date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(b) Fair value measurement of investments in financial instruments

The majority of the Scheme's investments are financial instruments held for trading and are measured at fair value through profit or loss. Where available, quoted market prices for the same or similar instrument are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Judgement is applied in selecting valuation techniques and setting valuation assumptions and inputs. Further details on the determination of fair value of financial assets and derivative financial instruments is set out in Note 1(b) and 1(c) respectively.

(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:

Dividend income

Dividends from unlisted companies are recognised when the dividend is received.

Interest income

Interest income earned on cash and cash equivalents is recognised on an accruals basis.

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 accruals 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 a 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 Cash Flows, 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) Receivables

Receivables are recognised for amounts where settlement has not yet occurred. Receivables are measured at their nominal amounts. An allowance for doubtful debts is made when there is objective evidence that the Trust will not be able to collect the debts. Bad debts are written off when identified less any allowance for doubtful debts. Amounts are generally received within 30 days of being recognised as receivables. Given the short-term nature of most receivables, their nominal amounts approximate their fair value.

(k) 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. Non-distributable income is transferred directly to net assets attributable to unitholders and may consist of unrealised changes in the fair value of financial assets and derivative financial instruments. 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. The Trust's redemption unit price is based on different valuation principles to that applied in financial reporting, resulting in a valuation difference which is treated as a component of net assets attributable to unitholders.

(l) 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.

(m) 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 arising from changes in the fair value of financial assets and derivative 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.

(n) Foreign Currency Transactions

(i) Functional and presentation currency

Items included in the Financial Report are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The Financial Report is presented in Australian dollars (the "presentation currency").

(ii) Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. All monetary items denominated in foreign currencies are translated to Australian dollars using the exchange rate at the balance date, with exchange gains and losses recognised in the Statement of Comprehensive Income.

Non-monetary items measured at fair value in foreign currencies are translated using the exchange rate at the date when the fair value was determined.

(o) Terms and Conditions of Units on Issue

Each unit confers upon the unitholder an equal interest in the Trust (subject to income entitlements), and is of equal value. A unit does not confer an interest in any particular asset 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
- participate in the termination and winding up of the Trust

Applications received for units in the Trust are recognised net of any transaction costs arising on the issue of units in the Trust. Redemptions from the Trust are recognised gross of any transaction costs payable 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 less any estimated transaction costs.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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 disclosed on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financial activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	30 June 2014	30 June 2013
	$	$
NOTE 2: RECEIVABLES		
Interest receivable	168	-
Other receivables	-	100
	168	100

	30 June 2014	30 June 2013
	Units	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	28,632,412	28,632,412
Closing balance	28,632,412	28,632,412

	30 June 2014	30 June 2013
	$	$
NOTE 4: CASH AND CASH EQUIVALENTS		
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flows is linked to the related items in the Statement of Financial Position as follows:		
Cash and cash equivalents	1,071,589	-
	1,071,589	-
(b) Reconciliation of net profit/(loss) attributable to unitholders before finance costs to net cash inflow/(outflow) from operating activities		
Net profit attributable to unitholders before finance costs	2,022,960	1,361,737
Net changes in the fair value of financial instruments measured at fair value through profit or loss	979,948	1,480,763
(Increase)/decrease in receivables	(68)	-
Net cash inflow/(outflow) from operating activities	3,002,840	2,842,500

NOTE 5: COMMITMENTS AND CONTINGENCIES

The Trust had no commitments or contingencies at 30 June 2014 (30 June 2013: nil) other than those specified in the Financial Report.

NOTE 6: 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 2013 by $521,678 and increase the net changes in the fair value of financial instruments measured at fair value through profit or loss in 2013 by $521,678 .

(a) Statement of Comprehensive Income	As previously reported	Transition adjustment	Restated
For the year ended 30 June 2013			
Net changes in the fair value of financial instruments measured at fair value through profit or loss	(2,002,441)	521,678	(1,480,763)

(b) Statement of Financial Position	As previously reported	Transition adjustment	Restated
For the year ended 30 June 2013			
Financial Assets			
Settlement sum	100	-	100
Loans	5,729,753	-	5,729,753
Unlisted equity securities	19,831,919	521,678	20,353,597
	25,561,772	521,678	26,083,450

(c) Statement of Changes in Net Assets Attributable to Unitholders			
For the year ended 30 June 2013			
Increase in net assets attributable to unitholders	(2,002,439)	521,678	(1,480,763)

NOTE 7: EVENTS OCCURRING AFTER THE BALANCE DATE

Since 30 June 2014 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 8: AUTHORISATION OF THE FINANCIAL REPORT

The Financial Report of the IPG Unit Trust for the financial year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors of AMP Capital Investors Limited on 9 September 2014.

IPG UNIT TRUST

STATEMENT BY THE TRUSTEE

As stated in Note 1(b) to the Financial Statements, in the Trustee's opinion, the Trust is not a reporting entity.

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, and:

- (i) are properly drawn up so as to present fairly the Trust's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- (ii) comply with Australian Accounting Standards, as set out in Note 1(b) to the Financial Statements.

(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

9 September 2014, Sydney

Pisco STC Funds Unit Trust No. 1

Special purpose financial report - 30 June 2014

Pisco STC Funds Unit Trust No. 1

Special purpose financial report - 30 June 2014

Contents **Page**

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 2014.

Directors

The following persons held office as directors of Fidante Partners Services Limited during the year or since the end of the year and up to the date of this report:

B J O'Connor
P D Rogan
A Tobin
R Willis
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 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 2014 $'000	30 June 2013 $'000
Net operating profit/(loss)	**(12,823,194)**	20,080,072
Distribution paid and payable	**667,350**	1,826,399

During the year, the Trust was entitled to receive $969,263 (2013: $3,693,036) in return of capital from GasValpo which was subsequently paid or payable to its unitholder.

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Trust that occurred during the financial year.

Matters subsequent to the end of the financial year

On 1 July 2014, the management of the Trust was delegated to Whitehelm Capital Pty Ltd (formerly named Access Capital Advisers Pty Ltd), following the merger of Access Capital Advisers Pty Ltd’s business and Challenger Limited’s infrastructure business.

No other matter or circumstance has arisen since 30 June 2014 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

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.

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 9 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 9 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 2014 $**	30 June 2013 $
Value of Trust assets at 30 June	**71,666,269**	88,714,353

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
27 August 2014

Statement of comprehensive income

	Notes	30 June 2014 $	30 June 2013 $
Income			
Interest income		**538**	-
Dividend income		**667,495**	1,826,399
Net gains/(losses) on financial instruments held at fair value through profit or loss	3	**(12,594,401)**	20,925,840
Net foreign exchange losses		**(896,826)**	(2,672,167)
Total income/(loss)		**(12,823,194)**	20,080,072
Expenses			
Total expenses		**-**	-
Net profit/(loss) before finance costs		**(12,823,194)**	20,080,072
Finance costs attributable to unitholders			
Distributions to unitholders	4	**(667,350)**	(1,826,399)
Increase in net assets attributable to unitholders	8	**13,490,544**	(18,253,673)
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 2014 $**	30 June 2013 $
Current assets			
Cash and cash equivalents		**614,919**	-
Receivables	5	**-**	3,202,366
Total current assets		**614,919**	3,202,366
Non-current assets			
Financial assets held at fair value through profit or loss	6	**71,051,350**	85,511,987
Total non-current assets		**71,051,350**	85,511,987
Total assets		**71,666,269**	88,714,353
Current liabilities			
Distributions payable	4	**304,412**	902,175
Payables	7	**309,677**	2,300,191
Total current liabilities		**614,089**	3,202,366
Non-current liabilities			
Total non-current liabilities		**-**	-
Total liabilities (excluding net assets attributable to unitholders)		**614,089**	3,202,366
Net assets attributable to unitholders - liability	8	**71,052,180**	85,511,987

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 2014 $	30 June 2013 $
At 1 July - opening	**85,511,987**	70,951,350
Change in net assets attributable to unitholders	**(13,490,544)**	18,253,673
Calls of capital	**-**	-
Return of capital	**(969,263)**	(3,693,036)
At 30 June - closing	**71,052,180**	85,511,987

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 notes.

Statement of cash flows

	Notes	**30 June 2014 $**	30 June 2013 $
Cash flows from operating activities			
Dividends received		**1,569,670**	924,224
Interest received		**538**	-
Net cash inflow from operating activities	10	**1,570,208**	924,224
Cash flows from investing activities			
Return of capital from investments designated at fair value through profit or loss		**3,269,602**	1,392,845
Net cash inflow/(outflow) from investing activities		**3,269,602**	1,392,845
Cash flows from financing activities			
Payments for capital returns to unitholders		**(2,959,778)**	(1,392,845)
Distributions paid		**(1,265,113)**	(924,224)
Net cash inflow/(outflow) from financing activities		**(4,224,891)**	(2,317,069)
Net increase/(decrease) in cash and cash equivalents		**614,919**	-
Cash and cash equivalents at the beginning of the year		**-**	-
Cash and cash equivalents at the end of the year		**614,919**	-

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 General information

These special purpose 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 27 August 2014.

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 directors have determined that the Trust is not a reporting entity and accordingly these financial statements are special purpose financial statements prepared for the sole purpose of distributing financial statements to members and must not be used for any other purpose. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the members.

(a) Basis of preparation

The financial statements are presented in Australian dollars.

In the opinion of the directors, the Trust is not a reporting entity. The financial statements of the Trust have been prepared as special purpose financial statements for distribution to the members.

The financial statements have been prepared in accordance with the measurement requirements of all Australian Accounting standards as issued by the Australian Accounting Standards Board, and the disclosure requirements of the following Australian Accounting Standards.

- AASB 101 - Presentation of Financial Statements
- AASB 107 - Cash Flow Statements
- AASB 108 - Accounting Policies, changes in Accounting Estimates and Errors

(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)

(iii) Measurement (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 are determined using valuation techniques. 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 the 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 2014 is 0.9439 (2013: 0.9154).

(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 6. 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 January 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 up of the Trust.

The rights, obligations and restrictions attached to each unit are identical in all respects.

3 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial instruments held at fair value through profit or loss:

	30 June 2014 $	30 June 2013 $
Designated at fair value	**(12,594,401)**	20,925,840
Net gain/(loss) on financial instruments held at fair value through profit or loss	**(12,594,401)**	20,925,840

4 Distributions to unitholders

The distributions for the year were as follows:

	30 June 2014 $	30 June 2013 $
Distributions paid	**362,938**	924,224
Distributions payable	**304,412**	902,175
	667,350	1,826,399

The component of the final distribution for the year which was unpaid at the reporting date is shown in the statement of financial position.

5 Receivables

The following details the amounts receivable by the Trust:

	30 June 2014 $	30 June 2013 $
Dividends receivable	**-**	902,175
Capital returns receivable	**-**	2,300,191
	-	3,202,366

6 Financial assets held at fair value through profit or loss

	30 June 2014 $	30 June 2013 $
Designated at fair value through profit or loss		
Unlisted investment - GasValpo	**71,051,350**	85,511,987
Total financial assets held at fair value through profit or loss	**71,051,350**	85,511,987

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 2014 is 12.0% (2013: 12.75%).

The independent expert as at 30 June 2014 was PwC (2013: PwC).

The net market value after transaction costs of 2% is $69,630,323 (2013: $83,835,283).

7 Payables

The following details the amounts payable by the Trust:

	30 June 2014	30 June 2013
	$	$
Return of capital payable to unitholders	**309,677**	2,300,191
	309,677	2,300,191

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 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**
	$	**$**	**$**	**$**
2014				
Opening balance	**107**	**33,695,384**	**51,816,496**	**85,511,987**
Return of capital	**-**	**(969,263)**	**-**	**(969,263)**
Calls on capital	**-**	**-**	**-**	**-**
Increase/(decrease) in net assets attributable to unitholders	**-**	**-**	**(13,490,544)**	**(13,490,544)**
Closing balance	**107**	**32,726,121**	**38,325,952**	**71,052,180**

	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

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 Related party transactions

Trustee

The Trustee of Pisco STC Funds Unit Trust No. 1 is Fidante Partners Services Limited whose immediate parent company is Challenger Funds Management Holdings Pty Limited and ultimate parent company is Challenger Limited.

Key management personnel

(i) Directors

Key management personnel includes persons who were directors of Fidante Partners Services Limited at any time during the financial year and up to the date of the report as follows:

B J O'Connor
P D Rogan
A Tobin
R Willis
R J Woods

(ii) 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.

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.

Key management personnel unitholdings

At 30 June 2014 no key management personnel held units in the Trust (2013: Nil).

Trustee's fees and other transactions

In accordance with the Trust Deed, the Trustee received a management fee of $627,302 (GST exclusive) (2013: $22,802), paid by SAS Trustee Corporation on behalf of the Trust.

In accordance with the Trust Deed, the Trustee received reimbursement for out of pocket expenses of $40,750 (GST exclusive) (2013: $15,000), paid by SAS Trustee Corporation on behalf of the Trust.

All related party transactions are conducted on normal commercial terms and conditions.

10 Reconciliation of profit to net cash inflow from operating activities

	30 June 2014 $	30 June 2013 $
Net profit attributable to unitholders	**(12,823,194)**	20,080,072
Change in the fair value of financial assets	**12,594,401**	(20,925,840)
Foreign exchange losses	**896,826**	2,672,167
Net change in receivables and other assets	**902,175**	(902,175)
Net cash inflow from operating activities	**1,570,208**	924,224

11 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 2014 or on the results and cash flows of the Trust for the year ended on that date.

12 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2014 (2013: $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:

(a) the Trust is not a reporting entity as defined in the Australian Accounting Standards;

(b) the financial statements and notes set out on pages 4 to 14:

   (i) give a true and fair view of the Trust's financial position as at 30 June 2014 and of its performance for the financial year ended on that date;

   (ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 2 to the financial statements; 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
27 August 2014

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

Pisco STC Funds Unit Trust No. 2

Special purpose financial report - 30 June 2014

Pisco STC Funds Unit Trust No. 2

Special purpose financial report - 30 June 2014

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 2014.

Directors

The following persons held office as directors of Fidante Partners Services Limited during the year or since the end of the year and up to the date of this report:

B J O'Connor
P D Rogan
A Tobin
R Willis
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 13.9% 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 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 2014 $	30 June 2013 $
Net operating profit/(loss)	**(1,320,176)**	1,561,140
Distribution paid and payable	**1,486,379**	552,102

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Trust that occurred during the financial year.

Matters subsequent to the end of the financial year

On 1 July 2014, the management of the Trust was delegated to Whitehelm Capital Pty Ltd (formerly named Access Capital Advisers Pty Ltd), following the merger of Access Capital Advisers Pty Ltd’s business and Challenger Limited’s infrastructure business.

No other matter or circumstance has arisen since 30 June 2014 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

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.

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 8 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 8 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 2014 $	30 June 2013 $
Value of Trust assets at 30 June	**22,159,510**	10,018,302

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
27 August 2014

Statement of comprehensive income

	Notes	**30 June 2014 $**	30 June 2013 $
Income			
Interest income		**98**	-
Dividend income		**1,268,703**	552,102
Other operating income		**218,822**	-
Net gains/(losses) on financial instruments held at fair value through profit or loss	3	**(2,185,061)**	1,476,771
Net foreign exchange losses		**(622,738)**	(467,733)
Total income/(loss)		**(1,320,176)**	1,561,140
Expenses			
Total expenses		**-**	-
Net profit/(loss) before finance costs		**(1,320,176)**	1,561,140
Finance costs attributable to unitholders			
Distributions to unitholders	4	**(1,486,379)**	(552,102)
Increase in net assets attributable to unitholders	6	**2,806,555**	(1,009,038)
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 2014 $	30 June 2013 $
Current assets			
Cash and cash equivalents		**98**	-
Total current assets		**98**	-
Non-current assets			
Financial assets held at fair value through profit or loss	5	**22,159,412**	10,018,302
Total non-current assets		**22,159,412**	10,018,302
Total assets		**22,159,510**	10,018,302
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	6	**22,159,510**	10,018,302

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 2014 **$**	30 June 2013 $
At 1 July - opening	**10,018,302**	8,732,079
Change in net assets attributable to unitholders	**(2,806,555)**	1,009,038
Calls of capital	**14,947,763**	277,185
Return of capital	**-**	-
At 30 June - closing	**22,159,510**	10,018,302

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 notes.

Statement of cash flows

	Notes	30 June 2014 $	30 June 2013 $
Cash flows from operating activities			
Dividends received (net of reinvestments)		**909,355**	274,917
Interest received		**98**	-
Management fee rebate		**218,822**	-
Net cash inflow from operating activities	9	**1,128,275**	274,917
Cash flows from investing activities			
Capital contributions to investments designated at fair value through profit or loss		**(14,588,415)**	-
Net cash outflow from investing activities		**(14,588,415)**	-
Cash flows from financing activities			
Proceeds from capital contributions by unitholders		**14,588,415**	-
Distributions paid		**(1,127,031)**	(274,917)
Net cash inflow/(outflow) from financing activities		**13,461,384**	(274,917)
Net increase/(decrease) in cash and cash equivalents		**1,244**	-
Cash and cash equivalents at the beginning of the year		**-**	-
Effects of exchange rate changes on cash and cash equivalents		**(1,146)**	-
Cash and cash equivalents at the end of the year		**98**	-

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 27 August 2014.

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 directors have determined that the Trust is not a reporting entity and accordingly these financial statements are special purpose financial statements prepared for the sole purpose of distributing financial statements to members and must not be used for any other purpose. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the members.

(a) Basis of preparation

The financial statements are presented in Australian dollars.

In the opinion of the directors, the Trust is not a reporting entity. The financial statements of the Trust have been prepared as special purpose financial statements for distribution to the members.

The financial statements have been prepared in accordance with the measurement requirements of all Australian Accounting standards as issued by the Australian Accounting Standards Board, and the disclosure requirements of the following Australian Accounting Standards.

- AASB 101 - Presentation of Financial Statements
- AASB 107 - Cash Flow Statements
- AASB 108 - Accounting Policies, changes in Accounting Estimates and Errors

(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 or issue 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)

(iii) Measurement (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 are 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 techniques are 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 2014 is 0.9439 (2013: 0.9154).

(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 5. 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 about these factors could 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 up of the Trust.

The rights, obligations and restrictions attached to each unit are identical in all respects.

3 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial instruments held at fair value through profit or loss:

	30 June 2014 $	30 June 2013 $
Designated at fair value	**(2,185,061)**	1,476,771
Net gain/(loss) on financial instruments held at fair value through profit or loss	**(2,185,061)**	1,476,771

4 Distributions to unitholders

The distributions for the year were as follows:

	30 June 2014 $	30 June 2013 $
Distributions paid	**1,486,379**	552,102
	1,486,379	552,102

The component of the final distribution for the year which was unpaid at the reporting date is shown in the statement of financial position.

5 Financial assets held at fair value through profit or loss

	30 June 2014 $	30 June 2013 $
Designated at fair value through profit or loss		
Unlisted investment - EMIF	**22,159,412**	10,018,302
Total financial assets held at fair value through profit or loss	**22,159,412**	10,018,302

The fair value has been determined using the Manager's valuation of EMIF's underlying assets.

6 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.

6 Net assets attributable to unitholders (continued)

	Units	**Contributed Unit Capital**	**Retained Earnings**	**Total**
	$	**$**	**$**	**$**
2014				
Opening balance	**106**	**7,721,003**	**2,297,193**	**10,018,302**
Return of capital	**-**	**-**	**-**	**-**
Calls on capital	**-**	**14,947,763**	**-**	**14,947,763**
Increase/(decrease) in net assets attributable to unitholders	**-**	**-**	**(2,806,555)**	**(2,806,555)**
Closing balance	**106**	**22,668,766**	**(509,362)**	**22,159,510**

	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

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.

7 Capital commitments

The total capital commitments to EMIF by the Trust as at 30 June 2014 are US$38.0m (2013: US$17.0m), of which US$24.7m is unpaid as at 30 June 2014 (2013: US$12.1m). The Trust acquired a further US$11m of capital commitments in December 2013 and US$10m capital commitments in May 2014.

8 Related party transactions

Trustee

The Trustee of Pisco STC Funds Unit Trust No. 2 is Fidante Partners Services Limited whose immediate parent company is Challenger Funds Management Holdings Pty Limited and ultimate parent company is Challenger Limited.

Key management personnel

(i) Directors

Key management personnel includes persons who were directors of Fidante Partners Services Limited at any time during the financial year and up to the date of the report as follows:

B J O'Connor
P D Rogan
A Tobin
R Willis
R J Woods

8 Related party transactions (continued)

Key management personnel (continued)

(ii) 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.

Key management personnel unitholdings

At 30 June 2014 no key management personnel held units in the Trust (2013: 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 the effective transfer date, in accordance with the Trust Deed, the Trustee received a total fee of $Nil (2013: $Nil), paid by SAS Trustee Corporation on behalf of the Trust.

All related party transactions are conducted on normal commercial terms and conditions.

9 Reconciliation of profit to net cash inflow from operating activities

	30 June 2014 $	30 June 2013 $
Net profit attributable to unitholders	**(1,320,176)**	1,561,140
Change in the fair value of financial assets	**2,185,061**	(1,476,771)
Foreign exchange losses	**622,738**	467,733
Participation in dividend reinvestment plans	**(359,348)**	(277,185)
Net cash inflow from operating activities	**1,128,275**	274,917

10 Events occurring after the reporting period

The Investment committee approved the acquisition of Tawa Solar Fund LP on 6 June 2014 and the Manager executed the share purchase agreement on 11 June 2014. Capital contributions from Limited Partners were completed on 14 July 2014 with financial close occurring on 16 July 2014. The total capital contribution required from Limited Partners was US$32.6m with the Trust's contribution being US$4,837,762.77. The acquisition consists of a 68.3% direct equity stake in two solar photovoltaic power projects, Tacna Solar and Panamericana Solar projects, located in southern Peru with a combined 42.4MW installed capacity.

No other significant events have occurred since the reporting date which would impact on the financial position of the Trust as at 30 June 2014 or on the results and cash flows of the Trust for the year ended on that date.

11 Contingent assets and liabilities and other commitments

There are no outstanding contingent assets, liabilities or other commitments as at 30 June 2014 (2013: $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:

(a) the Trust is not a reporting entity as defined in the Australian Accounting Standards;

(b) the financial statements and notes set out on pages 4 to 13:

(i) give a true and fair view of the Trust's financial position as at 30 June 2014 and of its performance for the financial year ended on that date;

(ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 2 to the financial statements; 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
27 August 2014

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

SOUTHERN WAY UNIT TRUST

SPECIAL PURPOSE FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

AMP Capital Investors Limited
33 Alfred Street,
Sydney, NSW 2000
ACN 001 777 591

SOUTHERN WAY UNIT TRUST

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SOUTHERN WAY UNIT TRUST

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	30 June 2014 $	30 June 2013 $
INVESTMENT INCOME		
Dividends	1,185,951	-
Distributions	5,150,612	-
Interest income	26,294	-
Net changes in the fair value of financial instruments measured at fair value through profit or loss	34,842,888	19,959,092
Total investment income/(loss)	41,205,745	19,959,092
EXPENSES		
Total expenses	-	-
NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS BEFORE FINANCE COSTS	41,205,745	19,959,092
Finance costs attributable to unitholders		
Distributions to unitholders	(6,357,861)	-
(Increase)/decrease in net assets attributable to unitholders	(34,847,884)	(19,959,092)
NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS AFTER FINANCE COSTS	-	-
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	-	-

SOUTHERN WAY UNIT TRUST

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

		30 June 2014	30 June 2013
		$	$
ASSETS			
Cash and cash equivalents	5(a)	4,952	-
Receivables	3	8	-
Financial assets measured at fair value through profit or loss			
Unlisted equity securities and managed investment funds		4,465,043	2,691,131
Unlisted managed investment funds		134,466,959	81,044,742
TOTAL ASSETS		138,936,962	83,735,873
LIABILITIES			
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		-	-
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		138,936,962	83,735,873

SOUTHERN WAY UNIT TRUST

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	30 June 2014	30 June 2013
	$	$
Balance at the beginning of the financial year	83,735,873	63,776,781
Applications	35,744,781	-
Return of capital	(15,391,576)	-
	104,089,078	63,776,781
Increase/(decrease) in net assets attributable to unitholders	34,847,884	19,959,092
Balance at the end of the financial year	138,936,962	83,735,873

SOUTHERN WAY UNIT TRUST

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Notes	30 June 2014 $	30 June 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		1,185,951	-
Distributions received		5,150,612	-
Interest received		26,286	-
Net cash inflow/(outflow) from operating activities	5(b)	6,362,849	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Return of Capital Received		15,391,540	-
Payments for purchases of financial instruments measured at fair value through profit or loss		(35,744,781)	-
Net cash inflow/(outflow) from investing activities		(20,353,241)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from applications by unitholders		35,744,781	-
Distributions paid		(6,357,861)	-
Return of capital paid		(15,391,576)	-
Net cash inflow/(outflow) from financing activities		13,995,344	-
Net increase/(decrease) in cash and cash equivalents held		4,952	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	5(a)	4,952	-

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 re-presented 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, the Trustee of the Trust, is incorporated and domiciled in Australia. The registered office of the Trustee is located at 33 Alfred Street, Sydney, NSW 2000.

The Investment Manager of the Trust is AMP Capital Investors Limited, a subsidiary of AMP Limited.

The principal activity of the Trust during the financial year was the investment of unitholders' 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

The special purpose Financial Report has been prepared for distribution to the unitholders to fulfill the financial reporting requirements under the Trust Deed. In the opinion of the Trustee, the Trust is not deemed to be a "reporting entity" because there are no users dependent on a general purpose Financial Report.

The Financial Report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and other mandatory professional requirements in Australia. It contains only those disclosures considered necessary by the Trustee to meet the needs of users of the Financial Report. The Financial Report has been prepared on an accrual basis of accounting including the historical cost convention and the going concern assumption.

The Statement of Financial Position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. All of the Trust's assets and liabilities are expected to be realised within 12 months, except for net assets attributable to unitholders, unlisted equity securities and managed investment funds which may not be settled within 12 months. Given the nature of the Trust, a reasonable estimate cannot be made of the amount of the balances, if any, that are unlikely to be settled within 12 months.

(c) Financial Assets Measured at Fair Value Through Profit or Loss

Financial assets of the Trust have been designated as financial assets measured at fair value through profit or loss as they are managed and their performance is evaluated on a fair value basis. Financial assets are initially recognised at fair value determined as the purchase cost of the financial asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Any realised and unrealised gains and losses arising from subsequent measurement to fair value are recognised in the Statement of Comprehensive Income as 'Net changes in the fair value of financial instruments measured at fair value through profit or loss' in the period in which they arise.

Subsequent to initial recognition, the fair value of financial assets measured at fair value through profit or loss is determined as follows:

Unlisted equity securities and managed investment funds

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 funds and unlisted equity securities, in combination is determined by the Investment Manager using the discounted cash flow methodology.

Unlisted managed investment funds

The fair value of unlisted managed investment funds is determined on the basis of the redemption prices of those unlisted managed investment funds at the balance date.

(d) 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant accounting judgements, estimates and assumptions include but are not limited to:

Fair value measurement of investments in financial instruments

The majority of the Trust's investments are measured at fair value through profit or loss. Where available, quoted market prices for the same or similar instrument are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Judgement is applied in selecting valuation techniques and setting valuation assumptions and inputs. Further details on the determination of fair value of financial assets is set out in Note 1(c).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) 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:

Dividend income

Dividends from unlisted companies are recognised when the dividend is received.

Distribution income

Distributions from unlisted managed investment funds are recognised as income when declared.

Interest income

Interest income earned on cash and cash equivalents is recognised on an accruals basis.

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).

(f) Expenses

Expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

(g) 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 a third party.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(h) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, 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.

(i) Receivables

Receivables are recognised for amounts where settlement has not yet occurred. Receivables are measured at their nominal amounts. An allowance for doubtful debts is made when there is objective evidence that the Trust will not be able to collect the debts. Bad debts are written off when identified less any allowance for doubtful debts. Amounts are generally received within 30 days of being recognised as receivables. Given the short-term nature of most receivables, their nominal amounts approximate their fair value.

(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. Non-distributable income is transferred directly to net assets attributable to unitholders and may consist of unrealised changes in the fair value of financial assets and derivative financial instruments. 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. The Trust's redemption unit price is based on different valuation principles to that applied in financial reporting, resulting in a valuation difference which is treated as a component of net assets attributable to unitholders.

(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 arising from changes in the fair value of financial assets and derivative 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Foreign Currency Transactions

(i) Functional and presentation currency

Items included in the Financial Report are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The Financial Report is presented in Australian dollars (the "presentation currency").

(ii) Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. All monetary items denominated in foreign currencies are translated to Australian dollars using the exchange rate at the balance date, with exchange gains and losses recognised in the Statement of Comprehensive Income.

Non-monetary items measured at fair value in foreign currencies are translated using the exchange rate at the date when the fair value was determined.

(n) Terms and Conditions of Units on Issue

Each unit confers upon the unitholder an equal interest in the Trust (subject to income entitlements), and is of equal value. A unit does not confer an interest in any particular asset 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

– participate in the termination and winding up of the Trust

Applications received for units in the Trust are recognised net of any transaction costs arising on the issue of units in the Trust. Redemptions from the Trust are recognised gross of any transaction costs payable 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 less any estimated transaction costs.

(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 disclosed on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financial activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

	30 June 2014 $	30 June 2013 $
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
	-	17,000

The Financial Statements of the Trust for the year ended 30 June 2014 are unaudited.

Auditor's remuneration for the audit of the Financial Statements of the Trust for the year ended 30 June 2013 was borne by STC Funds Nominee Pty Ltd..

NOTE 3: RECEIVABLES		
Interest receivable	8	-
	8	-

	30 June 2014 Units	30 June 2013 Units

NOTE 4: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The movement in the number of units on issue during the financial year was as follows:

Units on Issue

	30 June 2014 Units	30 June 2013 Units
Opening balance	43,922,745	43,922,745
Applications	18,748,509	-
Closing balance	62,671,254	43,922,745

	30 June 2014 $	30 June 2013 $

NOTE 5: CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flows is linked to the related items in the Statement of Financial Position as follows:

	30 June 2014 $	30 June 2013 $
Cash and cash equivalents	4,952	-
	4,952	-

(b) Reconciliation of net profit/(loss) attributable to unitholders before finance costs to net cash inflow/(outflow) from operating activities

	30 June 2014 $	30 June 2013 $
Net profit attributable to unitholders before finance costs	41,205,745	19,959,092
Net changes in the fair value of financial instruments measured at fair value through profit or loss	(34,842,888)	(19,959,092)
(Increase)/decrease in receivables	(8)	-
Net cash inflow/(outflow) from operating activities	6,362,849	-

NOTE 6: COMMITMENTS AND CONTINGENCIES

The Trust had no commitments or contingencies at 30 June 2014 (30 June 2013: nil) other than those specified in the Financial Report.

NOTE 7: EVENTS OCCURRING AFTER THE BALANCE DATE

Since 30 June 2014 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 8: AUTHORISATION OF THE FINANCIAL REPORT

The Financial Report of the Southern Way Unit Trust for the financial year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors of AMP Capital Investors Limited on 9 September 2014.

SOUTHERN WAY UNIT TRUST

STATEMENT BY THE TRUSTEE

As stated in Note 1(b) to the Financial Statements, in the Trustee's opinion, the Trust is not a reporting entity.

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, and:

- (i) are properly drawn up so as to present fairly the Trust's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- (ii) comply with Australian Accounting Standards, as set out in Note 1(b) to the Financial Statements.

(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

9 September 2014, Sydney

State Infrastructure Trust

ABN: 50 580 647 086

Unaudited Special Purpose Consolidated Financial Statements

For the Year Ended 30 June 2014

State Infrastructure Trust

ABN: 50 580 647 086

Contents

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $	State Infrastructure Trust 2014 $	State Infrastructure Trust 2013 $
Revenue					
Interest Income	3	**11,428,760**	3,136	**11,637,949**	3,136
Other income	4	**-**	-	**-**	2
Total Revenue		**11,428,760**	3,136	**11,637,949**	3,138
Expenses					
Administrative expenses	5	**(103,504)**	(49,407)	**(54,466)**	(49,407)
Loss on investments held at fair value through profit or loss		**(10,331,388)**	-	**-**	-
Net loss in foreign exchange translation	7	**(7,118,147)**	-	**(7,118,369)**	-
Total Expenses		**(17,553,039)**	(49,407)	**(7,172,835)**	(49,407)
Income / (loss) before income tax		**(6,124,279)**	(46,271)	**4,465,114**	(46,269)
Income tax benefits	6	**3,114,061**	-	**-**	-
Operating income / (loss) before transactions with unitholder		**(3,010,218)**	(46,271)	**4,465,114**	(46,269)
Finance costs attributable to unitholders					
Distributions to unitholders		**(11,424,111)**	-	**(11,424,111)**	-
Reclassification of other comprehensive income - exchange differences on foreign currency translation		**(10,815,519)**	-	**-**	-
Decrease / (increase) in net assets attributable to unitholders		**25,249,848**	46,271	**6,958,997**	46,269
Net profit / (loss)		**-**	-	**-**	-
Other comprehensive income					
Exchange differences on foreign currency translation		**(10,815,519)**	-	**-**	-
Reclassification of other comprehensive income to profit or loss		**10,815,519**	-	**-**	-
Other comprehensive income for the year, net of tax		**-**	-	**-**	-
Total comprehensive income for the year		**-**	-	**-**	-

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

30 June 2014

		Consolidated		State Infrastructure Trust	
		2014	2013	2014	2013
	Note	$	$	$	$
Assets					
Current assets					
Cash and cash equivalents	8	**236,556**	74,319	**183,908**	74,319
Trade and other receivables	9	**5,335**	1,390	**2,867**	1,390
Deferred tax assets	11	**3,102,937**	-	**-**	-
Total current assets		**3,344,828**	75,709	**186,775**	75,709
Non-current assets					
Intercompany loan	10	**-**	-	**183,341,147**	-
Investment in equity securities	12	**265,101,538**	-	**286,526,638**	-
Investment in variable interest securities	12	**183,341,149**	-	**-**	-
Total non-current assets		**448,442,687**	-	**469,867,785**	-
Total assets		**451,787,515**	75,709	**470,054,560**	75,709
Liabilities					
Current liabilities					
Trade and other payables	13	**60,279**	24,750	**36,479**	24,750
Deferred tax liabilities	11	**6**	-	**-**	-
Distribution payable		**11,424,111**	-	**11,424,111**	-
Total current liabilities		**11,484,396**	24,750	**11,460,590**	24,750
Total liabilities (excluding net assets attributable to unitholder)		**11,484,396**	24,750	**11,460,590**	24,750
Net assets attributable to unitholder - liability		**440,303,119**	50,959	**458,593,970**	50,959

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Net Assets Attributable to Unitholder

For the Year Ended 30 June 2014

	Note	Consolidated		State Infrastructure Trust	
		2014	2013	2014	2013
		$	$	$	$
Net assets attributable to unitholder at the beginning of the financial year		**50,959**	97,230	**50,959**	97,228
Units issued during the financial year	14	**466,584,482**	-	**466,584,482**	-
Units redeemed or otherwise cancelled during the financial year		**-**	-	**-**	-
Return of capital	14	**(1,082,474)**	-	(1,082,474)	-
Changes in net assets attributable to unitholder		**(25,249,848)**	(46,271)	**(6,958,997)**	(46,269)
Closing net assets attributable to unitholder		**440,303,119**	50,959	**458,593,970**	50,959

The accompanying notes form part of these financial statements.

State Infrastructure Trust

ABN: 50 580 647 086

Consolidated Statement of Cash Flows

For the Period from 30 June 2014

		Consolidated		State Infrastructure Trust	
		2014	2013	2014	2013
	Note	$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES:					
Interest received		**3,408**	6,415	**3,408**	6,415
Payment to suppliers		**(71,183)**	(63,917)	**(43,816)**	(63,917)
Net cash provided by (used in) operating activities	17	**(67,775)**	(57,502)	**(40,408)**	(57,502)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments		**(466,354,483)**	-	**(286,526,638)**	-
Issuance of loan		**-**	-	**(178,825,373)**	-
Net cash used by investing activities		**(466,354,483)**	-	**(465,352,011)**	-
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issuance of units		**466,584,483**	-	**465,502,008**	-
Net cash used by financing activities		**466,584,483**	-	**465,502,008**	-
Net increase (decrease) in cash and cash equivalents held		**162,225**	(57,502)	**109,589**	(57,502)
Cash and cash equivalents at beginning of year		**74,319**	131,821	**74,319**	131,821
Net foreign exchange difference		**12**	-	**-**	-
Cash and cash equivalents at end of financial year	8	**236,556**	74,319	**183,908**	74,319

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 General Information

State Infrastructure Trust (the "Trust") was created under the Trust Deed dated 23 August 2010. Perpetual Corporate Trust Limited was appointed as Trustee of the Trust. 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 (the "Manager") of the Trust.

The financial statements have been prepared for State Infrastructure Trust and for the consolidated group, consisting of State Infrastructure Trust and its wholly owned subsidiary State Infrastructure Holdings 1 Pty Limited (the "SIH1"), and former wholly owned subsidiary State Infrastructure (SEA Gas) Pty Limited (the "SISEAG", together referred as the "Group" or "Consolidated Group") for the year ended 30 June 2014.

In 2013 financial year, the Directors of the SISEAG resolved to voluntarily de-register SISEAG, which was de-registered on 28 October 2012. Hence the consolidated financial statements in the 2013 financial year include financial results of the SISEAG for the period from 1 July 2012 to 28 October 2012.

In 2014 financial year, State Infrastructure Holdings 1 Pty Limited, the subsidiary of the Trust was incorporated on 17 December 2013. Hence the consolidated financial statements include financial results of the SIH1 for the period from 17 December 2013 to 30 June 2014.

The financial statements were authorised for issue by the Manager on 29 August 2014.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of financial statements are set out below.

(a) Basis of Preparation

The Consolidated Group is a non-disclosing entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the purpose of complying with the requirements of the Trust Constitution, to prepare and distribute financial statements to the owner of the Group. The Trustee has determined that the accounting policies adopted are appropriate to meet the needs of the Consolidated Group.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") and the disclosure requirements of the following, except for the recognition and measurement of Loans and Receivables financial instrument, as required by AASB 139 'Recognition and Measurement of Financial Instruments'.

AASB 13	Fair Value Measurement
AASB 101	Presentation of Financial Statements
AASB 107	Cash Flow Statement
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 124	Related Party Disclosures
AASB 139	Financial Instruments: Recognition and Measurement
AASB 1031	Materiality
AASB 1048	Interpretation and Application of Standards
AASB 1054	Australian Additional Disclosures

Notes to the Financial Statements

For the Year Ended 30 June 2014

2 **Summary of Significant Accounting Policies continued**

(a) **Basis of Preparation continued**

The Group is a for-profit entity for the purpose of preparing the financial statements.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below.

The financial statements are presented in Australian Dollars. The financial statements are based on historical costs, except for the financial assets held at fair value, which have been measured at fair value.

(b) **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of the Trust and its subsidiaries. For the 2014 financial year, the consolidated results include financial results for the Trust and SIH1, of which the results for SIH1 was from 17 December 2013 to 30 June 2014. The comparative consolidated results in the 2013 financial year include the financial results for the Trust and SISEAG, of which the results for SISEAG was from 1 July 2012 to 28 October 2012.

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 the 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 entities in the Group 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.

(c) **Financial Instruments**

(i) ***Classification***

The Group's investments are classified at fair value through profit or loss. These are investments in equity and debt instruments, collectively known as investments that are not held for trading purposes.

(ii) ***Recognition / derecognition***

The Group recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement and recognises changes in the fair value of the financial assets or liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

2 **Summary of Significant Accounting Policies continued**

(c) **Financial Instruments continued**

(iii) ***Measurement***

Financial assets at fair value through profit and loss

At initial recognition, the Group measures a financial asset at its fair value plus transaction cost.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes recognised in the statement of profit and loss.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price, and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of discounted cashflow analysis, quoted comparable companies and market based transaction and other valuation techniques commonly used by market participants.

The ultimate holding entity of the Group is required to report the net market value of its assets in accordance to AAS25 (Financial Reporting for Superannuation Plans). Therefore the Group fair values its assets in accordance to AAS25. Under AAS25, the net market value is defined as the fair amount which could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal.

Loans

Loan assets are measured initially at fair value and subsequently measured using the actual interest rate method, less any impairment losses. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in profit or loss as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at fair value decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

(iv) ***Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount is reported in the balance sheet 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.

2 **Summary of Significant Accounting Policies continued**

(d) **Investment income**

Interest income is recognised on an accrual basis. The Group uses actual interest rate in calculating interest income from Eurobonds because the actual interest rate approximates the effective interest rate method, provided there are no transaction costs.

(e) **Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(f) **Trade and other receivables**

Receivables represent Goods and Services Tax receivable from the Australian Taxation Office and interest on cash held at the bank accounts of the Group.

(g) **Expenses**

All expenses are recognised in profit or loss on an accrual basis.

(h) **Trade and other payables**

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not invoiced to the Group. Amounts are generally paid within 30 days of being recorded as payables.

The distribution amount payable to the unitholder as at the reporting date is recognised separately in the statement of financial position when the unitholder becomes presently entitled to the distributable income as per the Trust Deed.

(i) **Distributions to Unitholders**

In accordance with the Trust Deed, the Trust fully distributes its distributable income to its unitholder. Such distributions are determined by reference to the taxable income of the Trust.

(j) **Net assets attributable to unitholders**

Under the Trust Deed, units issued by the Trust provide the unitholder with the right to put them back to the Trust at the prevailing redemption price. Although the Trustee may suspend any applications and redemptions if it is in the best interests of the unitholder, the Trust has a contractual obligation to distribute its distributable income, in accordance with the Trust's constitution. As such, the net assets attributable to the unitholder is classified as a financial liability in the Statement of Financial Position.

Applications and redemptions do not incur any entry or exit fees.

(k) **Income tax**

Under the current legislation the Trust is not subject to income tax provided the unitholder is presently entitled to the income of the Trust and the Trust fully distributes its taxable income. Even though the Trust is exempt from income tax, the subsidiaries of the Consolidated Group, SIH1 and SISEAG are not and their effect of income tax and deferred taxes are accounted as per the following:

2 **Summary of Significant Accounting Policies continued**

(k) **Income tax continued**

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the period and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the financial statements.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(l) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(m) **Foreign currency transactions and balances**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. Accordingly, the consolidated financial statements are being presented in Australian Dollars.

The SIH1 maintains its accounting books and records in Pound Sterlings (GBP) on the basis that SIH1's primary activity is investment in UK based infrastructure assets. The initial fund provided by the ultimate investor to the SIH1 and investments to the underlying UK assets have all been in GBP.

2 **Summary of Significant Accounting Policies continued**

(m) **Foreign currency transactions and balances continued**

For the statutory compliance and financial reporting purpose, SIH1 translates its financial records from the Pound Sterlings to the Australian Dollars at the end of the reporting period. Balance sheet items are translated using the closing rate and profit and loss items are translated using the average rate for the reporting period. The rates used in translation are London 4pm rates, provided by JP Morgan as the Custodian of SAS Trustee Corporation, the ultimate holding entity of the Trust.

Exchange differences arising on translation are recognised in other comprehensive income as foreign currency translation reserve.

(n) **Use of estimates and judgments**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group's financial instruments are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the independent valuer.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumption about these factors could affect the reported fair value of financial instruments.

(o) **New accounting standards and interpretations**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Trustee have decided against the early adoption of these standards, but do not expect the adoption of these standards to have any significant impact on the reported position or performance of the Group. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to financial statements for period beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139 'Financial Instruments: Recognition and Measurement').

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to financial statements for periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation'.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of an impaired asset is based on fair value less costs of disposals.

Notes to the Financial Statements

For the Year Ended 30 June 2014

3 Interest Income

	Consolidated		State Infrastructure Trust	
	2014	2013	2014	2013
	$	$	$	$
Intercompany Interest Income (from SIH1)	-	-	11,634,143	-
Interest Income Bank	3,806	3,136	3,806	3,136
Interest Income - Euro Bond	11,424,954	-	-	-
	11,428,760	3,136	11,637,949	3,136

The interest income from Eurobonds was calculated and recognised as per the terms of the Eurobonds.

The intercompany interest income was calculated and recognised as per the terms of the intercompany agreement with the Trust and the SIH1.

4 Other Income

	Consolidated		State Infrastructure Trust	
	2014	2013	2014	2013
	$	$	$	$
Write-off of payable to SISEAG	-	-	-	2
	-	-	-	2

5 Expenses

	Consolidated		State Infrastructure Trust	
	2014	2013	2014	2013
	$	$	$	$
Audit fees	-	4,703	-	4,703
Tax agent fees	12,129	13,943	4,601	13,943
Registry fees	-	2,704	-	2,704
Bank charges	938	264	324	264
Accounting fees	31,217	4,703	13,855	4,703
Other services fees	23,235	-	-	-
Trustee fees	35,686	18,747	35,686	18,747
Legal fee	-	4,343	-	4,343
ASIC fee	299	-	-	-
	103,504	49,407	54,466	49,407

Notes to the Financial Statements
For the Year Ended 30 June 2014

6 Income Tax Benefits

The income tax benefits recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income relates to the subsidiary company of the Group, State Infrastructure Holding 1 Pty Ltd (SIH1).

The Trust fully distributes its taxable income to the unitholder and is not subject to income tax.

Reconciliation of income tax to State Infrastructure Holding 1 Pty Ltd's accounting profit below:

	SIH1
	2014
	$
Numerical reconciliation of income tax expense and tax at statutory rate:	
Profit / (loss) before income tax expense	(10,380,204)
Tax at the statutory rate of 30%	3,114,061
Income tax benefits	3,114,061

7 Foreign Exchange Translation Reserves

	Consolidated		State Infrastructure Trust	
	2014	2013	2014	2013
	$	$	$	$
Unrealised loss on foreign currency translation	7,057,168	-	7,057,188	-
Realised loss on foreign currency translation	60,979	-	61,181	-
	7,118,147	-	7,118,369	-

8 Cash and Cash Equivalents

	Consolidated		State Infrastructure Trust	
	2014	2013	2014	2013
	$	$	$	$
Cash at bank	236,556	74,319	183,908	74,319
	236,556	74,319	183,908	74,319

9 Trade and Other Receivables

	Consolidated		State Infrastructure Trust	
	2014	2013	2014	2013
	$	$	$	$
Bank Interest Receivable	550	152	550	152
GST receivable	4,785	1,238	2,317	1,238
	5,335	1,390	2,867	1,390

Notes to the Financial Statements
For the Year Ended 30 June 2014

10 **Intercompany loan**

	Consolidated		State Infrastructure Trust	
	2014	2013	2014	2013
	$	$	$	$
Loan to subsidiary	-	-	178,539,034	-
Loan interest receivable	-	-	4,802,113	-
	-	-	183,341,147	-

	Consolidated		State Infrastructure Trust	
	2014	2013	2014	2013
	$	$	$	$
Loan to subsidiary				
Opening balance	-	-	-	-
Loan principal	-	-	171,957,028	-
Capitalised interest	-	-	6,582,006	-
Closing balance	-	-	178,539,034	-

State Infrastructure Trust provided a loan of GBP 94,921,655 ($171,957,028 @ 1.811568) to State Infrastructure Holding 1 Pty Ltd to fund the acquisition of the Eurobonds investment. The loan was drawn down on 29 January 2014.

The terms of the loan mirrors the terms of the Eurobonds issued by Kelda Group. Repayment of the loan principal and accrued interest is due on the date of redemption of the Eurobonds. Refer to note 12 (c) for further details of the Eurobonds.

Notes to the Financial Statements
For the Year Ended 30 June 2014

11 Deferred Tax

The deferred tax recognised in the Consolidated Statement of Financial Position relates to the subsidiary company of the Group, State Infrastructure Holding 1 Pty Ltd (SIH1).

The Trust fully distributes its taxable income to the unitholder and as a result is not subject to income tax.

(a) Deferred Tax Asset

	SIH1 2014 $
Deferred tax asset comprises temporary differences attributable to:	
Amounts recognised in the income statement	
Unrealised loss on investment	**3,088,338**
Accrued expense	**1,200**
Current year tax loss	**13,399**
	3,102,937
Movements	
Opening balance	**-**
Credited to the income statement	**3,102,937**
Closing balance	**3,102,937**

(b) Deferred Tax Liability

	SIH1 2014 $
The movement in deferred tax liability for each temporary difference during the year is as follows:	
Amounts recognised in the income statement	
Unrealised foreign exchange gain	**6**
	6
Movements	
Opening balance	**-**
Credited to the income statement	**6**
Closing balance	**6**

12 Investments

On 31 January 2014, State Infrastructure Holdings 1 Pty Limited, subsidiary of the Trust, acquired 10% interest in Kelda Group. The Kelda Group comprises of Yorkshire Water Services Limited, a regulated water and sewerage services provider and certain non-regulated businesses that provide a wide range of associated services.

For the purpose of these financial statements, the Kelda Group investment comprises 10% interest in the ordinary and the preference shares of Kelda Holdings Limited and 10% of the Eurobonds issued by Kelda Eurobond Co Limited.

The consideration paid to acquire the 10% interest in the Kelda Group was GBP 247,543,951. The breakdown of the consideration paid was as follows:

Ordinary shares	GBP 92,509,687
Preference shares	GBP 60,112,608
Eurobonds	GBP 94,921,656
	GBP 247,543,951

(a) Fair value of investment as of 30 June 2014

	Consolidated	
	2014	2013
	$	$
Investments in Kelda Group	448,442,687	-
	448,442,687	-

For the purpose of managing and evaluating the performance of the investments in Kelda Group, which comprise ordinary shares, preference shares and Eurobonds, the Trustee consider them as a group of assets.

Deutsche Australia Limited is the investment manager ("Manager") to SAS Trustee Corporation ("STC") for its investments in State Infrastructure Holdings 1 Pty Ltd. KPMG is the independent valuer ("Valuer") engaged by STC for its investment in Kelda Group.

The fair value of the Kelda Group as at 30 June 2014 has been held constant at the acquisition price in GBP terms which is in line with the Manager's policy is to hold equity values constant for six months post acquisition, particularly in the absence of material changes to the business outlook and/or key valuation assumptions. The value held at constant is within the valuation range determined by KPMG.

Given the status of prevailing business conditions and the performance of the Kelda Group and the recommendation by the Manager, the Trustee, considers it prudent to hold the value of the Kelda Group of assets constant in GBP terms, i.e. GBP 247,543,951 ($448,442,687 @ 1.811568).

Notes to the Financial Statements
For the Year Ended 30 June 2014

12 **Investments continued**

(b) **Reconciliation of investments carrying value**

	Consolidated 2014 $	Consolidated 2013 $
Equity shares		
Ordinary shares		
Opening balance	-	-
Costs of acquisition (GBP 92,509,687 @ 1.811568)	167,587,584	-
Closing balance	167,587,584	-
Preference shares		
Opening balance	-	-
Costs of acquisition (GBP 60,112,608 @ 1.811568)	108,898,074	-
Redemption of shares	(1,089,658)	-
Closing balance	107,808,416	-
Net gain / (loss) from valuation of investments	(10,331,388)	-
Net gain / (loss) as a result of foreign exchange translation	36,926	-
Total Equity securities	265,101,538	-
Variable interest securities		
Eurobond		
Opening balance	-	-
Cost of acquisition (GBP 94,921,656 @ 1.811568)	171,957,030	-
Additions (capitalised interest GBP 3,633,320 @ 1.811568)	6,582,006	-
Accrued interest	4,802,113	-
Closing balance	183,341,149	-
Total Variable interest securities	183,341,149	-
Carry value at the end of the period	448,442,687	-

12 **Investments continued**

(c) **Investment in equity and debt securities**

The Group's 10% interest in Kelda Group does not give it significant influence over Kelda Group. Therefore, the investment in not accounted for as an associate with the required equity method of accounting.

Ordinary shares and Preference shares

The ordinary shares and preference shares are accounted for under the fair value option with the fair value movement accounted in the profit and loss. They are initially measured at fair value and any subsequent realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of profit or loss in the period in which they arise.

Eurobonds

The Eurobonds carry a floating rate of interest, i.e., LIBOR + 7% per annum and are repriced twice a year on 21 February and on 21 August. The interest payments are fixed and determinable based on the terms of the Eurobonds. As a result of that, the Eurobonds has been classified and accounted for as Loan financial assets (variable interest securities) in the balance sheet.

The interest is payable on 21 February and on 21 August, in the form of additional Eurobonds issued to the Group at GBP 1.00 per Eurobond.

As at 31 January 2014, approximately five months of interest had been accrued upon the Eurobonds on issue. When the Group received the first interest which was due on 21 February 2014, it received GBP 3,633,320 in newly issued Eurobonds.

The Eurobonds are to be redeemed in full at the end of their 10 year term, which is expected to be in 2018.

Notes to the Financial Statements

For the Year Ended 30 June 2014

13 Trade and Other Payables

	Consolidated		State Infrastructure Trust	
	2014	2013	2014	2013
	$	$	$	$
Accrued taxation expense	**11,101**	12,100	**4,601**	12,100
Accrued accounting expense	**31,154**	4,950	**13,854**	4,950
Accrued audit expense	-	4,950	-	4,950
Accrued trustee expense	**18,024**	2,750	**18,024**	2,750
	60,279	24,750	**36,479**	24,750

14 Net Assets Attributable to Unitholder

(a) Units on issue

	State Infrastructure Trust			
	2014		2013	
	No of units	$	No of units	$
Units on issue at the beginning of the year	323,406	323,406	323,406	323,406
Units issued during the year	3,259,056,704	466,584,482	-	-
Return of capital	-	(1,082,474)	-	-
Units on issue at the end of the year	**3,259,380,110**	**465,825,414**	**323,406**	**323,406**

During the financial year, the Trust made a capital return of $1,082,474 to its unitholder from the proceeds of the redemption of preference shares in Kelda Group.

(b) Change in net assets attributed to unitholder

	Consolidated		State Infrastructure Trust	
	2014	2013	2014	2013
	$	$	$	$
Net assets attributable to unitholder at the beginning of the year	**50,959**	97,230	**50,959**	97,228
Units issued during the year	**466,584,482**	-	**466,584,482**	-
Return of capital	**(1,082,474)**	-	**(1,082,474)**	-
Changes in net assets attributable to unitholder	**(25,249,848)**	(46,271)	**(6,958,997)**	(46,269)
Closing net assets attributed to unitholder	**440,303,119**	50,959	**458,593,970**	50,959

15 Fair Value Measurement

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Investments in equity securities

(a) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the Group:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
2014				
Recurring fair value measurements				
Financial assets				
Investment	-	-	448,442,687	448,442,687
Total	**-**	**-**	**448,442,687**	**448,442,687**

(b) Valuation techniques used to derive level 2 and level 3 fair values

The Group obtains independent valuations at least annually for its investment in Kelda Group. At the end of each reporting period, the Trustee in consultation with the Manager will update their assessment of the fair value of investments, taking in account the most recent independent valuations.

The valuation methodologies used by the independent value include discounted cash flow and quoted comparable entities and market-based transactions.

All resulting fair value estimates for the investments are included in level 3.

Notes to the Financial Statements
For the Year Ended 30 June 2014

16 **Related Parties**

(a) **General information**

Perpetual Corporate Trust Limited is the trustee of State Infrastructure Trust.

The unitholder is SAS Trustee Corporation, a defined benefit superannuation fund.

Deutsche Australia Limited is the Investment Manager to SAS Trustee Corporation for its investments in the Group.

(b) **Unitholders**

Details of the unitholder and unitholding are as follows:

	No. of units	%
2014		
SAS Trustee Corporation	3,529,380,110	100.00
Total	**3,529,380,110**	**100.00**
2013		
SAS Trustee Corporation	323,406	100.00
Total	**323,406**	**100.00**

(c) **Subsidiaries**

The consolidated financial statements include the financial statements of State Infrastructure Trust and the following subsidiaries:

	% of ownership interest 2014	% of ownership interest 2013
State Infrastructure Holding 1 Pty Limited	100.00	-
State Infrastructure (SEA Gas) Pty Limited	-	100.00

State Infrastructure Holding 1 Pty Limited was incorporated on 17 December 2013.

State Infrastructure (SEA Gas) Pty Limited was deregistered on 28 October 2012.

(d) **Transactions with related parties**

All transactions between the Group and related parties have been at market value on normal commercial terms and conditions. This includes purchases and sales of investments as well as applications and redemptions of units

Notes to the Financial Statements

For the Year Ended 30 June 2014

16 **Related Parties continued**

(d) **Transactions with related parties continued**

Loans to related parties

The Trust provided a loan of GBP 94,921,655 ($171,957,028 @ 1.811568) to State Infrastructure Holding 1 Pty Ltd to fund the acquisition of the Eurobonds. The loan was drawn down on 29 January 2014.

The terms of the loan mirrors the terms of the Eurobonds issued by Kelda Group. Repayment of the loan principal and accrued interest is due on the date of redemption of the Eurobonds.

(e) **Key management personnel**

The Trust does not employ personnel in its own right. The Manager has managed the affairs of the Trust for the period reported on.

As at 30 June 2014 no key management personnel held units in the Trust.

Payments made from the Trust to the Trustee do not include any amounts directly attributable to key management personnel remuneration.

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.

No key management personnel of the Manager have entered into a material contract with the Trust during the period.

Notes to the Financial Statements

For the Year Ended 30 June 2014

17 Reconciliation of profit / (loss) to net cash inflow / (outflow) from operating activities

	Consolidated		State Infrastructure Trust	
	2014	2013	2014	2013
	$	$	$	$
a) Cash and cash equivalents as at the end of the reporting period	**236,556**	74,319	**183,908**	74,319

	Consolidated		State Infrastructure Trust	
	2014	2013	2014	2013
b) Reconciliation of net profit / (loss) for the period to net cash flows from operating activities				
Profit / (loss) for the year	**(3,010,218)**	(46,271)	**4,465,114**	(46,269)
Cash flows excluded from profit attributable to operating activities				
Unrealised FX (gain) / loss	**7,057,168**	-	**7,057,188**	-
Realised FX (gain) / loss	**60,979**	-	**61,181**	-
Interest revenue not received	**(11,424,954)**	-	**(11,634,143)**	-
Income tax benefits	**(3,114,061)**	-	-	-
Unrealised loss on investment fair value adjustments	**10,331,388**	-	-	-
(Increase) / decrease in GST receivable	**(3,548)**	376	**(1,079)**	376
(Increase) / decrease in interest receivable	**(398)**	233	**(398)**	233
Increase / (decrease) in fees payable	**35,530**	(11,840)	**11,729**	(11,840)
Net foreign exchange difference	**339**	-	-	-
Increase / (decrease) payable to SIH	-	-	-	(2)
Cashflow from operations	**(67,775)**	(57,502)	**(40,408)**	(57,502)

18 Commitments and Contingencies

In the opinion of the Trustee, the Group did not have any commitments or contingencies at 30 June 2014.

19 Events Occurring After the Reporting Date

On 18 August 2014, the Trust made the distribution payment of $11,424,118 in relation to 2014 financial year to the unitholder. The unitholder has invested the distribution amount on the same day into the Trust.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

State Infrastructure Trust
ABN: 50 080 647 086

Manager Declaration

In the opinion of the Manager:

a. the financial statements and notes set out on page 1 to 22 are:

   i. comply with the provisions of the Trust Deed and Australian Accounting Standards to the extent disclosed in Note 2 of the financial statements; and

   ii. give a true and fair view of the Trust's financial position as at 30 June 2014 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

Attorney

Sydney
29 August 2014

Trustee Declaration

In the opinion of the Trustee:

a. the financial statements and notes set out on page 1 to 22 are:

   i. comply with the provisions of the Trust Deed and Australian Accounting Standards to the extent disclosed in Note 2 of the financial statements; and

   ii. give a true and fair view of the Trust's financial position as at 30 June 2014 and of its performance for the period, ended on that date.

b. the financial statements are in accordance with the Trust Deed.

For and on behalf of the Trustee

....
Vincent Touchard
Business Unit Manager

Sydney
29 August 2014

State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

Unaudited Special Purpose Financial Statements

For the Period from 17 December 2013 to 30 June 2014

State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

Contents

For the Period from 17 December 2013 to 30 June 2014

State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

Directors' Report

30 June 2014

The Directors present their report on State Infrastructure Holdings 1 Pty Ltd (the "Company") for the financial period from 17 December 2013 to 30 June 2014.

The Company was constituted on 17 December 2013.

Information on directors

The names of each person who has been a director during the period and to the date of this report are:

Jeremy Andrew Don	Appointed: 17 December 2013
Michael Charles Robinson	Appointed: 17 December 2013
Sara Mei Lee Leong	Appointed: 5 March 2014
Andrew David Barlass	Appointed: 19 December 2013 (alternate for Jeremy
Richard William Hedley	Appointed: 19 December 2013 (alternate for Michael
	Resigned: 5 March 2014

Principal activities

The principal activity of State Infrastructure Holdings 1 Pty Ltd during the financial period was investment in a UK based water and waste water treatment company.

The registered office of the Company is Level 16, 126 -130 Phillip street, Sydney NSW 2000.

Operating results

The loss of the Company after providing for income tax for the financial period ended 30 June 2014 was $7,266,143 .

Dividends

There were no dividends paid or declared during the current financial period.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the period.

Events after the reporting date

No matters or circumstances have arisen since the end of the financial period that have significantly affected or may significantly affect:

a) the operations of the Company in future financial years, or
b) the results of those operations in future financial years, or
c) the state of affairs of the Company in future financial years.

Future developments and results

Currently, there are no significant developments expected in respect of the Company. The performance of the Company in the future will be subject to the fair value of its infrastructure investments.

Directors' Report
30 June 2014

Environmental regulation and performance

The Company's operations are not subject to any significant environmental regulations under Commonwealth, State or Territory law.

However, its investment in the UK based regulated water and waste water treatment company is subject to the Ofwat regulation, which is the Water Services Regulation Authority for the water and sewerage sectors in England and Wales.

Insurance of Directors

No insurance premiums were paid for out of assets of the Company in regards to insurance cover provided to the Directors.

Audit

The Company is a non-disclosing entity and is regarded as a "small proprietary company" pursuant to 45A of the Corporations Act 2001 (Cth), hence no audit of financial statements is mandated.

Signed in accordance with a resolution of the Board of Directors:

Director: ....
Jeremy Andrew Don

Director: ....
Sara Mei Lee Leong

Dated 28 August 2014

Sydney

State Infrastructure Holdings 1 Pty Ltd
ABN: 69 167 280 471

Statement of Profit or Loss and Other Comprehensive Income
For the Period from 17 December 2013 to 30 June 2014

	Note	2014 $
Investment Income		
Interest income	3	11,424,955
Other income	4	221
		11,425,176
Expenses		
Administrative expenses	5	(49,038)
Losses on investments held at fair value through profit or loss	10(b)	(10,331,388)
		(10,380,426)
Finance Costs		
Interest expenses		(11,424,954)
		(11,424,954)
Loss before income tax		**(10,380,204)**
Income tax benefits	6	3,114,061
Loss for the period		**(7,266,143)**
Other comprehensive income, net of income tax		
Items that will not be reclassified subsequently to profit or loss		
Exchange differences on foreign currency translation		(11,024,708)
Other comprehensive income for the year, net of tax		**(11,024,708)**
Total comprehensive income for the year		**(18,290,851)**

The accompanying notes form part of these financial statements.

State Infrastructure Holdings 1 Pty Ltd
ABN: 69 167 280 471

Statement of Financial Position
30 June 2014

	Note	2014 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	7	52,648
Trade and other receivables	8	2,468
Deferred tax assets	9	3,102,937
TOTAL CURRENT ASSETS		**3,158,053**
NON-CURRENT ASSETS		
Investment in equity securities	10	265,101,538
Investment in variable interest securities	10	183,341,149
TOTAL NON-CURRENT ASSETS		**448,442,687**
TOTAL ASSETS		**451,600,740**
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	11	23,800
Deferred tax liabilities	9	6
TOTAL CURRENT LIABILITIES		**23,806**
NON-CURRENT LIABILITIES		
Trade and other payable	11	4,802,113
Interest bearing loan	12	178,539,034
TOTAL NON-CURRENT LIABILITIES		**183,341,147**
TOTAL LIABILITIES		**183,364,953**
NET ASSETS		**268,235,787**
EQUITY		
Issued capital	13	286,526,638
Reserves	14	(11,024,708)
Retained earnings		(7,266,143)
TOTAL EQUITY		**268,235,787**

The accompanying notes form part of these financial statements.

State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

Statement of Changes in Equity

For the Period from 17 December 2013 to 30 June 2014

2014

	Note	Ordinary Shares $	Retained Earnings $	Foreign Currency Translation Reserve $	Total $
Balance at 17 December 2013		-	-	-	-
Contributed equity	13	287,609,112	-	-	287,609,112
Return of capital	13	(1,082,474)	-	-	(1,082,474)
Loss for the period		-	(7,266,143)	-	(7,266,143)
Other comprehensive income / (loss)	14	-	-	(11,024,708)	(11,024,708)
Balance at 30 June 2014		**286,526,638**	**(7,266,143)**	**(11,024,708)**	**268,235,787**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Period from17 December 2013 to 30 June 2014

	Note	2014 $
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments to suppliers		(27,367)
Net cash provided by (used in) operating activities	17	**(27,367)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from redemption of preference shares		1,082,284
Purchase of investments		(466,354,483)
Net cash used by investing activities		**(465,272,199)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares		287,609,112
Proceeds from borrowings		178,826,373
Return of share capital		(1,082,474)
Repayment of advances		(1,000)
Net cash used by financing activities		**465,352,011**
Net increase (decrease) in cash and cash equivalents held		52,445
Net foreign exchange difference		203
Cash and cash equivalents at end of the period	7	**52,648**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Period from 17 December 2013 to 30 June 2014

1 General Information

State Infrastructure Holdings 1 Pty Limited (the "Company") is a company limited by shares, incorporated and domiciled in Australia. A description of the nature of the Company's operations and its principal activities are included in the Directors' report.

The financial statements was authorised for issue, in accordance with a resolution of Directors, on 28 August 2014. The Directors have the power to amend and reissue the financial report.

2 Summary of Significant Accounting Policies

(a) Basis of Preparation

In the Directors' opinion, State Infrastructure Holdings 1 Pty Limited is a non-disclosing entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of the Company. The Directors have determined that the accounting policies adopted are appropriate to meet the needs of the Company.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") and the disclosure requirements of the following, except for the recognition and measurement of Loans and Receivables financial instrument, as required by AASB 139 'Recognition and Measurement of Financial Instruments'.

AASB 13 Fair Value Measurement

AASB 101 Presentations of Financial Statements

AASB 107 Cash Flow Statements

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors

AASB 139 Recognition and measurement of Financial Instruments

AASB 1031 Materiality

AASB 1048 Interpretation and Application of Standards

AASB 1054 Australian Additional Disclosures

State Infrastructure Holdings 1 Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below.

The financial statements are based on historical costs, except for investment, which has been measured at fair value.

(b) Financial instruments

Classification

The Company's investments are classified as at fair value through profit or loss. These are investments in equity and debt instruments, collectively known as investments, which are not held for trading purposes.

Notes to the Financial Statements
For the Period from 17 December 2013 to 30 June 2014

2 Summary of Significant Accounting Policies continued

(b) Financial instruments continued

Recognition / derecognition

The Company 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 have expired or the Company has transferred substantially all risks and rewards of ownership.

Measurement

Financial assets at fair value through profit and loss

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes recognised in the statement of profit and loss.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price, and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used includes discounted cashflow analysis, quoted comparable companies and market based transactions and other valuation techniques commonly used by market participants.

The ultimate holding entity of the Company is required to report the net market value of its assets in accordance to AAS25 (Financial Reporting for Superannuation Plans). Therefore the Company fair values its assets in accordance to AAS25. Under AAS25, the net market value is defined as the fair amount which could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal.

Loans and receivables

Loans and Receivables financial assets are initially recognised at cost and are subsequently measured using the actual interest rate method, less impairment losses if any. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at fair value decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

Notes to the Financial Statements

For the Period from 17 December 2013 to 30 June 2014

2 Summary of Significant Accounting Policies continued

(b) Financial instruments continued

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet 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) Investment income

Interest income is recognised on an accrual basis. The company uses actual interest rate in calculating interest income from Eurobonds because the actual interest rate approximates the effective interest rate method, provided there are no transaction costs.

(d) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(e) Expenses

All expenses are recognised in profit or loss on an accruals basis.

(f) Trade and other payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company. Amounts are generally paid within 30 days of being recorded as payables.

(g) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(h) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the period).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the period and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the financial statements.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Financial Statements

For the Period from 17 December 2013 to 30 June 2014

2 Summary of Significant Accounting Policies continued

(h) Income Tax continued

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(j) Foreign currency transactions and balances

The Company maintains its accounting books and records in Pound Sterlings (GBP) on the basis that the Company's only activity is investment in UK based infrastructure assets. The equity funding provided by the shareholder of the Company and the investments in the underlying UK assets have all been in GBP.

For the statutory compliance and financial reporting purposes, the Company translates its financial records from Pound Sterlings to Australian Dollars at the end of the reporting period. Balance sheet items are translated using the closing spot rate on the reporting date and profit and loss items are translated using the average rate for the reporting period. The rates used for translation are London 4 pm rates, provided by JP Morgan as the Custodian of SAS Trustee Corporation, the ultimate holding entity of the Company.

Exchange differences arising on translation are recognised in other comprehensive income as foreign currency translation reserve.

(k) Use of estimates and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the Financial Statements

For the Period from 17 December 2013 to 30 June 2014

2 Summary of Significant Accounting Policies continued

(k) Use of estimates and judgments continued

The Company's financial instruments are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the independent valuer.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(l) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that are not mandatory for 30 June 2014 reporting period. Therefore, the new Standards have not been early adopted by the Company. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations that are most relevant to the Company, are set out below:

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to financial statements periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139 'Financial Instruments: Recognition and Measurement'.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to financial statements periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation'.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals.

Notes to the Financial Statements

For the Period from 17 December 2013 to 30 June 2014

3 Interest income

Interest income from Eurobonds

	Eurobond amount GBP	Interest rate	Interest amount GBP	Interest amount AUD
22 August 2013 to 21 February 2014	94,921,656	7.5930%	3,633,320	6,605,616
22 February 2014 to 30 June 2014	98,554,976	7.6103%	2,650,805	4,819,339
			6,284,125	**11,424,955**

The interest was calculated in GBP as per the terms of the Eurobonds and translated to AUD using the average exchange rate for the period. The rate used in translation was 1.818066.

The interest is receivable on 21 February and on 21 August, in the form of additional Eurobonds issued to the Company at GBP 1.00 per Eurobond.

As at 31 January 2014, approximately five months of interest had been accrued upon the Eurobonds on issue. The Company received the first interest payment GBP 3,633,320 in newly issued Eurobonds on 21 February 2014. The average rate of interest during the reporting period was 7.6080% per annum.

4 Other Income

	2014 $
Net gain on foreign currency translation	221
	221

5 Expenses

	2014 $
Accounting fees	17,362
Taxation services fees	7,527
Other services fees	23,235
Administrative expenses	914
	49,038

Notes to the Financial Statements

For the Period from 17 December 2013 to 30 June 2014

6 Income Tax Benefits

Reconciliation of income tax to accounting profit:

	2014
	$
Numerical reconciliation of income tax expense and tax at statutory rate:	
Profit / (loss) before income tax expense	(10,380,204)
Tax at the statutory rate of 30%	3,114,061
Income tax benefit	**3,114,061**

7 Cash and Cash Equivalents

	2014
	$
Cash at bank	52,648
	52,648

8 Trade and Other Receivables

	2014
	$
GST receivable	2,468
	2,468

Notes to the Financial Statements

For the Period from 17 December 2013 to 30 June 2014

9 **Deferred Tax**

(i) Deferred Tax Assets

	2014
	$
Deferred tax asset comprises temporary differences attributable to:	
Amounts recognised in the income statement	
Unrealised loss on investment	3,088,338
Accrued expenses	1,200
Current year tax loss	13,399
	3,102,937
Movements:	
Opening balance	-
Credited to the income statement	3,102,937
Closing balance	**3,102,937**

(ii) Deferred Tax Liabilities

	2014
	$
The movement in deferred tax assets for each temporary difference during the period is as follows:	
Amounts recognised in the income statement	
Unrealised foreign exchange gain	6
	6
Movements:	
Opening balance	-
Credited to the income statement	6
Closing balance	**6**

10 **Investments**

On 31 January 2014, State Infrastructure Holdings 1 Pty Limited acquired 10% interest in Kelda Group. The Kelda Group comprises of Yorkshire Water Services Limited, a regulated water and sewerage services provider and certain non-regulated businesses that provide a wide range of associated services.

For the purpose of these financial statements, the Kelda Group investment comprises 10% interest in the ordinary and preference shares of Kelda Holdings Limited and 10% of the Eurobonds issued by Kelda Eurobond Co Limited.

The consideration paid to acquire the 10% interest in the Kelda Group was GBP 247,543,951. The breakdown of the consideration paid was as follows:

Ordinary shares	GBP 92,509,687
Preference shares	GBP 60,112,608
Eurobonds	GBP 94,921,656
	GBP 247,543,951

Notes to the Financial Statements

For the Period from 17 December 2013 to 30 June 2014

10 **Investments continued**

(a) Fair value of investments as of 30 June 2014

		2014
Investments in Kelda Group	(b)	448,442,687
		448,442,687

For the purpose of managing and evaluating the performance of the investments in Kelda Group, which comprises of ordinary shares, preference shares and Eurobonds, the Directors of the Company consider them as a group of assets.

Deutsche Australia Limited is the investment manager ("Manager") to SAS Trustee Corporation ("STC") for its investments in State Infrastructure Holdings 1 Pty Ltd. KPMG is the independent valuer ("Valuer") engaged by STC for its investment in Kelda Group.

The fair value of the Kelda Group as at 30 June 2014 has been held constant at the acquisition price in GBP terms which is in line with the Manager's policy to hold equity values constant for six months post acquisition, particularly in the absence of material changes to the business outlook and/or key valuation assumptions. The value held at constant is within the valuation range determined by KPMG.

Given the status of prevailing business conditions and the performance of the Kelda Group and the recommendation by the Manager, the Directors, consider it prudent to hold the value of the investments in Kelda Group of assets constant at the acquisition price of GBP 247,543,951 ($448,442,687 @ 1.811568).

(b) Reconciliation of investments carrying value

	2014 $
Equity securities	
Ordinary shares	
Opening balance	-
Cost of acquisition (GBP 92,509,687 @ 1.811568)	167,587,584
Closing balance	**167,587,584**
Preference shares	
Opening balance	-
Cost of acquisition (GBP 60,112,608 @ 1.811568)	108,898,074
Redemption of shares	(1,089,658)
Closing balance	**107,808,416**
Net gain / (loss) from valuation of investments	(10,331,388)
Net gain / (loss) as a result of foreign exchange translation	36,926
Total Equity securities	**265,101,538**

10 **Investments continued**

(b) Reconciliation of investments carrying value continued

	2014 $
Variable interest securities	
Eurobond	
Opening balance	-
Cost of acquisition (GBP 94,921,656 @ 1.811568)	171,957,030
Additions (capitalised interest GBP 3,633,320 @ 1.811568)	6,582,006
Accrued interest	4,802,113
Closing balance	**183,341,149**
Total variable interest securities	**183,341,149**
Carrying value at the end of the period	**448,442,687**

(c) Investment in equity and debt securities

The Company's 10% interest in the Kelda Group does not give significant influence over the Kelda Group. Therefore the investment is not accounted for as an associate with the required equity method of accounting.

Ordinary shares and Preference shares

The ordinary shares and preference shares are accounted for under the fair value option with the fair value movement accounted in the profit and loss. They are initially measured at fair value and any subsequent realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of profit or loss in the period in which they arise.

Eurobonds

The Eurobonds carry a floating rate of interest, i.e. LIBOR + 7% per annum and the rates are repriced twice a year on 21 February and on 21 August. The interest payments are fixed and determinable based on the terms of the Eurobonds. As a result of that, the Eurobonds has been classified and accounted for as Loan and Receivable financial assets (variable interest securities) in the balance sheet.

The interest is payable on 21 February and on 21 August, in the form of additional Eurobonds issued to the Company at GBP 1.00 per Eurobond.

As at 31 January 2014, approximately five months of interest had been accrued upon the Eurobonds on issue. The Company received the first interest payment of GBP 3,633,320 in newly issued Eurobonds on 21 February 2014.

The Eurobonds are to be redeemed in full at the end of their 10 year term, which is expected to be in 2018.

Notes to the Financial Statements

For the Period from 17 December 2013 to 30 June 2014

11 Trade and Other Payables

	2014
	$
CURRENT	
Accrued accounting fees	17,300
Accrued taxation fees	6,500
	23,800

	2014
	$
NON-CURRENT	
Interest payable on shareholder loan	4,802,113
	4,802,113

12 Interest Bearing Loan

	2014
	$
Loan from shareholder	178,539,034
	178,539,034

	2014
	$
Loan principal	171,957,028
Capitalised interest	6,582,006
	178,539,034

Shareholder Loan

The Company borrowed GBP 94,921,655 ($171,957,028 @ 1.811568) from its shareholder State Infrastructure Trust to fund the acquisition of the Eurobonds investment. The loan was drawn down on 29 January 2014.

The terms of the loan mirrors the terms of the Eurobonds issued by the Kelda Eurobond Co Limited. Repayment of the loan principal and accrued interest is due on the date of the redemption of the Eurobonds.

Notes to the Financial Statements

For the Period from 17 December 2013 to 30 June 2014

13 Issued Capital

	2014
	$
Opening balance	-
Ordinary share issued during the period	287,609,112
Return of capital	(1,082,474)
Closing balance	**286,526,638**

Ordinary shares participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

During the financial period, the Company made a capital return of $1,082,474 from the proceeds of redemption of preference shares in Kelda Group.

14 Reserves

	2014
	$
Foreign currency translation reserve	
Transfers in	(11,024,708)
Total reserves	**(11,024,708)**

Foreign currency translation reserve

The Company maintains its books and records in Pound Sterlings (GBP) on the basis that the Company's only activity is investment in UK based infrastructure assets. For the financial reporting and compliance purposes, the Company translates its financial records from Pound Sterlings to Australian Dollars.

Balance sheet items are translated using the closing spot rate on the reporting date and Profit and Loss items are translated using the average rate for the reporting period. Exchange differences arising on translation are recognised in other comprehensive income as foreign currency translation reserve.

Notes to the Financial Statements
For the Period from 17 December 2013 to 30 June 2014

15 **Fair Value Measurement**

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Investments

(a) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value.

2014	Level 1 $	Level 2 $	Level3 $	Total $
Recurring fair value measurements				
Financial assets				
Investments	-	-	448,442,687	448,442,687
Total	**-**	**-**	**448,442,687**	**448,442,687**

(b) Valuation techniques used to derive level 2 and level 3 fair values

For its investments, the Company obtains independent valuations at least annually. At the end of each reporting period, the Directors in consultation with the Manager will update their assessment of the fair value of investments, taking into account the most recent independent valuations.

The independent valuer considers a number of valuation methods including DCF and quoted comparable companies and market-based transactions.

All resulting fair value estimate for investments is included in level 3.

16 **Related Parties**

(a) Immediate and ultimate parent entity

The Company's immediate parent entity is State Infrastructure Trust, and the ultimate holding entity is SAS Trustee Corporation, a defined benefit superannuation fund.

Notes to the Financial Statements

For the Period from 17 December 2013 to 30 June 2014

16 **Related Parties continued**

(b) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

The following persons were directors of State Infrastructure Holdings 1 Pty Ltd during the financial period and up to the date of this report:

Jeremy Andrew Don	Appointed: 17 December 2013
Michael Charles Robinson	Appointed: 17 December 2013
Sara Mei Lee Leong	Appointed: 5 March 2014
Andrew David Barlass	Appointed: 19 December 2013 (alternate for Jeremy Andrew Don)
Richard William Hedley	Appointed: 19 December 2013 (alternate for Michael Charles Robinson) Resigned: 5 March 2014

There were no interests held by any of the key management person in State Infrastructure Holdings 1 Pty Ltd during the financial period ended 30 June 2014.

(c) Shares holders

2014	**No. of shares**	**%**
Ordinary shares		
State Infrastructure Trust	287,609,111	100.00
Total	**287,609,111**	**100.00**

(d) Investment Manager

Deutsche Australia Limited is the Investment Manager ("Manager") to SAS Trustee Corporation ("STC") for its investments in State Infrastructure Holdings 1 Pty Ltd.

(e) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Loans from related parties

The Company has borrowed GBP 94,921,655 ($171,957,028 @ 1.811568) from its shareholder State Infrastructure Trust to fund acquisition of the Eurobonds. The loan was drawn on 29 January 2014.

The terms of the loan mirrors the terms of the Eurobonds issued by the Kelda Eurobond Co Limited. Repayment of the loan principal and accrued interest is due on the date of the redemption of the Eurobonds.

Notes to the Financial Statements

For the Period from 17 December 2013 to 30 June 2014

17 Cash Flow Information

Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2014
	$
Profit for the year	(7,266,143)
- Interest revenue not received	(11,424,955)
- Interest expenses not paid	11,424,954
- Loss of investment fair value adjustment	10,331,388
- Income tax benefits	(3,114,061)
- Increase/(decrease) in trade and other payables	23,800
- Net foreign exchange differences	(2,350)
Cashflow from operations	**(27,367)**

18 Commitments and Contingencies

In the opinion of the Directors, the Company did not have any commitments or contingencies at 30 June 2014.

19 Events Occurring After the Reporting Date

As at the date of this report, the Directors of the Company are not aware of any matter or circumstance that has arisen since the end of the financial period that has significantly affected or may significantly affect the operations of the Company, the results of its operations or its state of affairs, which is not already reflected in this report.

State Infrastructure Holdings 1 Pty Ltd
ABN: 69 167 280 471

Directors' Declaration

The Directors have determined that the Company is a non-disclosing entity and is regarded as a "small proprietary company" pursuant to 45A of the Corporations Act 2001 (Cth) and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 2 to the financial statements.

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 21, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards as stated in Note 2; and

   (b) give a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the period ended on that date in accordance with the accounting policies described in Note 2 to the financial statements.

2. In the Directors' opinion, there are reasonable grounds to believe that the Company 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 Board of Directors.

Director ....
Jeremy Andrew Don

Director ....
Sara Mei Lee Leong

Dated 28 August 2014

Sydney

STATE SUPER FINANCIAL SERVICES AUSTRALIA LIMITED

ABN 86 003 742 756

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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 2014.

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 (Resigned 30 June 2014)
A. Claassens (Appointed 25 February 2014)
R. M. Davis (Retired effective 31 December 2013)
M. G. Lambert
P. F. Scully
S. Walsh
G. Venardos (Appointed 1 July 2014)

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. Review of Operations

The net profit for the year ended 30 June 2014 was $37,638,124 (2013: $31,419,831), an increase of 19.8% or $6,218,893 compared to the year ended 30 June 2013.

Key performance indicators for the year ended 30 June 2014 include:

- Funds under management increased by $2.1 billion or 17.4% to $13.9 billion at 30 June 2014
- Gross inflows of $2.1 billion, up $335.2 million from the prior year
- Investment growth of 9.0% or $1.0 billion
- Net profit before tax of $53.9 million, an increase of $8.8 million or 19.7% from 30 June 2013
- Cost to income ratio of 62.4% for the period, compared to 63.7% for the prior period

On 1 October 2013 the Company commenced work on designing a new operating model aimed towards addressing existing complexities and improving efficiency and performance throughout the business. The project is based on new technology which will replace the customer relationship management (CRM) and advice systems. The replacement of these systems will enable the introduction of new capabilities and enhance services provided to clients and business operations. It is expected that the change in technology will transition the functions, services and employees to new ways of working in a timely manner which will prepare the business for future growth.

4. Dividends

During the year fully franked dividends of $25.0 million were paid, consisting of $20.0 million on 30 October 2013 and $5.0 million on 20 March 2014 (2013: $36.4 million).The Directors recommend the payment of a final dividend $5.0 million in respect of the year ended 30 June 2014.

5. Changes in 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 2014.

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.

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 and a Director of HammondCare and HammondCare Health and Hospitals 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) (Resigned 30/06/14)*
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 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 Carapiet has a Master of Business Administration from Macquarie University.

Alex Claassens (*Chairman of the Enquiries and Complaints Committee, Member of the Audit Risk and Compliance Committee, Member of the Due Diligence Committee) (Appointed 25/02/14)*
Mr Claassens is passionate about the transport industry and he has worked at the heart of public sector transport for all his working life. He began his career as a train driver on the NSW rail network and remains a qualified passenger train and steam locomotive driver to this day. He is the NSW state secretary of the NSW Rail, Tram and Bus Union. He has long been a committed advocate for the rights of transport workers and joined the union as a delegate in 1992. He moved on to a number of leadership positions within the union before being elected to the top job in 2010. He is an executive member of the National Rail, Tram and Bus Union and has been a director of Encompass Credit Union since 2009. He has been a non-executive director of SAS Trustee Corporation since 2012 and is on the Executive of Unions NSW.

DIRECTORS' REPORT (continued)

8. Information on Directors (continued)

Ron Davis ***(Chairman of the Enquiries and Complaints Committee, Member of the Audit Risk and Compliance Committee, Member of the Due Diligence Committee, Member of the Human Resources Committee) (Retired 31/12/2013)***
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 Risk 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.

Paul Scully (***Chairman of the Investment Committee, Member of the Audit Risk 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 35 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 Growth Limited and an independent member of APPF Retail, Commercial and Industrial Investor Committee. He lectured at Macquarie University and is a member of the Actuaries Institute Retirement Incomes Working Group.

Sue Walsh ***(Member of the Audit Risk 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.

George Venardos ***(Chairman of the Human Resources Committee) (Appointed 01/07/14)***
Mr Venardos is a Director of IOOF Holdings Ltd, Perennial Investment Partners Ltd, Ardent Leisure Ltd and Territory Insurance Office, and he is the non-executive Chairman of BlueGlass Ltd and Guild Group Holdings Ltd. His former positions include Group Chief Financial Officer of Insurance Australia Group, Chairman of the Finance and Accounting Committee of the Insurance Council of Australia and he was Finance Director of Legal and General Group in Australia. He has been a non-executive director of SAS Trustee Corporation since 2012 and a trustee of Guild Trustee Services since 2009. He has a Bachelor of Commerce from the University of New South Wales and is a Chartered Accountant.

DIRECTORS' REPORT (continued)

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 2014 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)	12	11	-	-	5	5	6	5	-	-	-	-
M. Monaghan (Managing Director)	12	12	-	-	-	-	6	5	3	3	-	-
M.Carapiet[2]	12	12	-	-	5	5	-	-	-	-	-	-
A. Claassens[3]	5	4	1	1	-	-	-	-	1	1	1	1
R. M. Davis[4]	6	6	3	3	2	1	-	-	2	2	-	-
M. G. Lambert	12	11	5	5	-	-	6	6	-	-	1	1
P. F. Scully	12	10	5	5	-	-	6	6	-	-	1	1
S. Walsh	12	10	5	3	2	1	-	-	-	-	1	-
G. Venardos[5]	-	-	-	-	-	-	-	-	-	-	-	-

A – Number of meetings eligible to attend; B – Actual number of meetings attended

Notes

1. Any Director may attend any Committee meeting even though they may not formally be a member.
2. Michael Carapiet resigned 30 June 2014)
3. Alex Claassens appointed on 25 February 2014.
4. Ron Davis retired on 31 December 2013.
5. George Venardos appointed 1 July 2014.

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 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's independence declaration is included on page 39.

14. Rounding Off of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100 (as amended), dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

This Directors' report is signed in accordance with a resolution of the Directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Directors

Peeyush Gupta	**Michael Monaghan**
Chairman	Managing Director
26 August 2014	26 August 2014

Directors' Declaration

The Directors declare that:

(a) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) In the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in the note 1 to the financial statements; and

(c) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Peeyush Gupta
Chairman

26 August 2014

Michael Monaghan
Managing Director

26 August 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	NOTE	2014 $000	2013 $000
Continuing operations			
Revenue	2	**143,137**	123,847
Expenses	3	**(89,285)**	(78,844)
Profit before income tax expense		**53,852**	45,003
Income tax expense	4	**(16,214)**	(13,583)
Profit for the year		**37,638**	31,420
Other comprehensive income		**-**	-
Total comprehensive income for the year		**37,638**	31,420

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	NOTES	2014 $000	2013 $000
CURRENT ASSETS			
Cash and cash equivalents	5	**39,204**	34,746
Trade and other receivables	6	**13,780**	12,353
Other current assets	7	**4,057**	3,590
Total current assets		**57,041**	50,689
NON-CURRENT ASSETS			
Property, plant and equipment	8	**10,334**	8,722
Intangible assets	9	**10,041**	3,334
Deferred tax assets	10	**6,628**	6,385
Total non-current assets		**27,003**	18,441
TOTAL ASSETS		**84,044**	69,130
CURRENT LIABILITIES			
Trade and other payables	11	**9,557**	7,543
Current tax payable		**2,172**	4,912
Provisions	12	**17,046**	14,070
Dividends payable		**5,000**	-
Total current liabilities		**33,775**	26,525
NON-CURRENT LIABILITIES			
Provisions	13	**1,393**	1,173
Deferred income		**-**	108
Total non-current liabilities		**1,393**	1,281
TOTAL LIABILITIES		**35,168**	27,806
NET ASSETS		**48,876**	41,324
EQUITY			
Capital and reserves			
Issued capital	15	**10,000**	10,000
Reserves	16	**54**	140
Retained earnings		**38,822**	31,184
TOTAL EQUITY		**48,876**	41,324

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 2014

	NOTE	Share Capital	Reserves	Retained Earnings	Total
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	16	-	140	-	140
Balance at 30 June 2013		**10,000**	**140**	**31,184**	**41,324**
Payment of dividends	17	-	-	(25,000)	(25,000)
Dividends declared but not paid	17	-	-	(5,000)	(5,000)
Reduction of Operational Risk Financial Reserve	16	-	(86)	-	(86)
Total profit or loss and comprehensive income for the year		-	-	37,638	37,638
Balance at 30 June 2014		**10,000**	**54**	**38,822**	**48,876**

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 2014

	NOTES	2014 $000 Inflows / (Outflows)	2013 $000 Inflows / (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**1,093**	1,619
Trustee, responsible entity, and reimbursable fees		**140,323**	120,159
Payments to suppliers and employees		**(81,550)**	(67,710)
Income tax paid		**(19,224)**	(16,347)
Unclaimed monies		**1,176**	542
Net cash generated by operating activities	22(b)	**41,818**	38,263
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(4,289)**	(4,407)
Payments for intangible assets		**(7,985)**	(846)
Payment for investment in unlisted unit trust		**-**	(2,750)
Net cash used in investing activities		**(12,274)**	(8,003)
CASH FLOWS FROM FINANCING ACTIVITIES			
Transfer (from) / to reserve		**(86)**	140
Payment of dividends		**(25,000)**	(36,446)
Net cash used in financing activities		**(25,086)**	(36,306)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**4,458**	(6,046)
Cash and cash equivalents at the beginning of the financial year		**34,746**	40,792
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	22(a)	**39,204**	34,746

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 2014

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

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 26 August 2014.

Basis of preparation

These financial statements have 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 statements 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 2014 and the comparative information presented in these financial statements for the year ended 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

1. SUMMARY OF ACCOUNTING POLICIES (continued)

The following significant accounting policies have been adopted in the preparation and presentation of these financial statements:

(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 rates 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 2014

1. SUMMARY OF ACCOUNTING POLICIES (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 2014

1. SUMMARY OF 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) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(i) 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

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(n) Employee entitlements (continued)

(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.

(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 and is applicable to key management personnel.

Under this plan no shares or rights to acquire shares are issued but eligible employees receive future cash payments depending on the performance of the Company against key performance indicators. Entitlements are provided for on a straight line basis over 3 years.

(o) 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.

(p) Comparatives

Where necessary, comparative figures have been reclassified to conform to the changes in presentation made in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(q) Adoption of new and revised accounting standards

In the current year, the Company has applied a number of new and revised accounting standards issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2013.

Standard / Interpretation	Application of method
AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Standards arising from AASB 13	AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. The application of AASB 13 does not have any material impact on the amounts recognised in the financial statements.
AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	The Annual Improvements to AASBs 2009 - 2011 have made a number of amendments to AASBs. The amendments that are relevant to the Company are the amendments to AASB 101 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position. The application of this amendment does not have any material impact in the financial statements.
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result the Company only discloses the key management personnel compensation in total and for each of the categories required in AASB 124 in the note 18(b).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(q) Adoption of new and revised accounting standards (continued)

At the date of authorisation of the financial statements, 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 July 2017	30 June 2018
AASB 2012-3 Amendments to the Australian Accounting Standards - Offset of Financial Assets and Financial Liabilities Requirements	1 July 2014	30 June 2015
AASB 1031 'Materiality' (2013)	1 July 2014	30 June 2015

These Standards and Interpretations will be first applied in the financial statements 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 2014

	2014	2013
	$000	$000
2. REVENUE		
Trustee fee	**136,794**	118,042
Responsible Entity fee	**4,891**	4,290
Interest received or receivable on deposits at call and term deposits	**1,114**	1,459
Distribution income	**42**	56
Net unrealised gain on investment in unit trust	**296**	-
Total revenue	**143,137**	123,847

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

Staff costs	**59,061**	51,718
Investment management expenses	**2,272**	2,024
Rental expense relating to operating leases - minimum lease payments	**4,760**	3,725
Property related expenses	**1,734**	1,209
Depreciation of property, plant and equipment	**2,672**	2,118
Amortisation of intangible assets	**1,278**	1,117
Communications and marketing	**3,352**	2,790
Information technology	**3,339**	4,272
Professional fees	**5,414**	4,880
Finance and administration	**2,864**	2,587
Other expenses	**2,539**	2,404
Total expenses	**89,285**	**78,844**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014	2013
	$000	$000
4. INCOME TAX		
(a) Income tax expense		
Current tax	**16,457**	16,936
Deferred tax (Note 10)	**(243)**	(3,353)
Total tax expense	**16,214**	13,583
Deferred income tax expense included in income tax expense comprises:		
Increase in deferred tax assets (note 10)	**327**	3,115
Less (increase) / decrease in deferred tax liabilities (note 10)	**(84)**	238
	243	3,353

(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:

	2014	2013
Profit before income tax expense from continuing operations	**53,852**	45,003
Income tax expense calculated at 30% (2013: 30%)	**16,156**	13,501
Non-deductible items	**58**	82
Income tax expense due to continuing operations	**16,214**	13,583

There has been no change to the corporate tax rate when compared to the previous reporting period.

5. CURRENT ASSETS - Cash and cash equivalents

	2014	2013
Deposits at call	**14,580**	3,651
Term deposit	**22,852**	30,413
Operational Risk Financial Reserve	**54**	140
	37,486	34,204
Unclaimed monies	**1,718**	542
	39,204	34,746

6. CURRENT ASSETS - Trade and other receivables

	2014	2013
Trustee, Responsible Entity, commitment and reimbursable fees	**13,614**	12,139
Interest	**152**	132
Other debtors	**14**	26
Distribution receivable	**-**	56
	13,780	12,353

No trade or other receivables are past due.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

7. CURRENT ASSETS – Other current assets

	2014 $000	2013 $000
Prepayments	**1,044**	874
Investment in unlisted unit trust at fair value	**3,013**	2,716
	4,057	3,590

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 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**
Additions**	3,407	305	370	171	37	**4,290**
Disposals	-	(44)	(135)	(68)	(6)	**(253)**
Balance at 30 June 2014	**16,325**	**4,924**	**2,834**	**2,647**	**1,298**	**28,028**
Accumulated depreciation						
Balance at 30 June 2012	**5,594**	**2,907**	**1,839**	**1,872**	**992**	**13,203**
Disposals	(32)	(17)	(3)	(1)	-	**(53)**
Depreciation expense	1,117	419	322	191	69	**2,118**
Balance at 30 June 2013	**6,679**	**3,309**	**2,158**	**2,062**	**1,061**	**15,268**
Disposals	-	(41)	(133)	(68)	(5)	**(247)**
Depreciation expense	1,627	462	238	258	87	**2,672**
Balance at 30 June 2014	**8,306**	**3,730**	**2,263**	**2,252**	**1,143**	**17,693**
Net carrying value						
As at 30 June 2013	6,239	1,354	441	482	206	8,722
As at 30 June 2014	**8,019**	**1,194**	**571**	**395**	**155**	**10,334**

*Additions include $747,611 of fixture and fittings work in progress as at 30 June 2013
**Additions include $2,844,017 of fixture and fittings work in progress as at 30 June 2014

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

9. NON CURRENT ASSETS - Intangible assets

	$000
Computer software	
Gross carrying amount	
Balance at 30 June 2012	**8,571**
Additions*	727
Disposals	(781)
Balance at 30 June 2013	**8,517**
Additions**	7,985
Disposals	(420)
Balance at 30 June 2014	**16,082**
Accumulated amortisation	
Balance at 30 June 2012	**4,423**
Disposals	(357)
Amortisation expense	1,117
Balance at 30 June 2013	**5,183**
Disposals	(420)
Amortisation expense	1,278
Balance at 30 June 2014	**6,041**
Net carrying value	
As at 30 June 2013	**3,334**
As at 30 June 2014	**10,041**

*Additions include $590,545 of computer software work in progress as at 30 June 2013
**Additions include $7,865,741 of computer software work in progress as at 30 June 2014

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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% (2013: 30%) on the following items arising from temporary differences between accounting and taxation:

	2014	2013
	$000	$000
Gross deferred tax assets:		
Accrued employee entitlements	**5,531**	4,573
Depreciation of property, plant and equipment	**700**	824
Accrued expenditure	**521**	1,018
Investment revaluation	**-**	10
Total deferred tax asset	**6,752**	6,425
Gross deferred tax liabilities:		
Accrued revenue	**46**	40
Investment revaluation	**78**	-
Total deferred tax liabilities	**124**	40
Net deferred tax asset	**6,628**	6,385

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

10. NON CURRENT ASSETS - Deferred tax assets (continued)

The movement in gross deferred tax assets and liabilities is as follows:

	Opening balance $000	Charged to income $000	Closing balance $000
2014			
Gross deferred tax assets:			
Accrued employee entitlements	4,573	958	5,531
Depreciation of property, plant and equipment	824	(124)	700
Accrued expenditure	1,018	(497)	521
Investment revaluation	10	(10)	-
	6,425	**327**	**6,752**
Less:			
Gross deferred tax liabilities:			
Investment revaluation	-	78	78
Accrued revenue	40	6	46
	40	**84**	**124**
Net deferred tax asset	**6,385**	**243**	**6,628**
2013			
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**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014	2013
	$000	$000
11. CURRENT LIABILITIES - Trade and other payables		
Other payables	**7,839**	7,001
Unclaimed monies (see note 5)	**1,718**	542
	9,557	7,543
12. CURRENT LIABILITIES – Provisions		
Annual leave	**2,277**	2,074
Long service leave	**1,885**	2,014
Short term incentive plan	**11,276**	9,343
Long term incentive plan	**743**	639
Provision for termination payment	**865**	-
	17,046	14,070
13. NON-CURRENT LIABILITIES – Provisions		
Long service leave	**695**	475
Long term incentive plan	**698**	698
	1,393	1,173

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

14. EMPLOYEE ENTITLEMENTS

The aggregate employee entitlement liability recognised and included in the financial statements are as follows:

	1 July 2013	Additional provisions recognised	Payments made	30 June 2014
	$000	$000	$000	$000
Current				
Annual leave	2,074	2,968	(2,765)	**2,277**
Long service leave	2,014	66	(195)	**1,885**
Short term incentive plan	9,343	14,774	(12,841)	**11,276**
Long term incentive plan*	639	744	(640)	**743**
Provision termination pay	-	865	-	**865**
	14,070	**19,417**	**(16,441)**	**17,046**
Non-current				
Long service leave	475	220	-	**695**
Long term incentive plan	698	-	-	**698**
	1,173	**220**	**-**	**1,393**
Total employee entitlements	**15,243**	**19,637**	**(16,441)**	**18,439**

*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.

	2014	2013
Number of employees at the end of the financial year	**393**	374

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 $000	2013 $000
15. ISSUED CAPITAL		
Fully paid ordinary shares (2013: 10,000,000)	**10,000**	10,000

	2014 Units '000	2013 Units '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

From 1 July 1998, the authorised capital and par value concept in relation to share capital was abolished. In accordance with the Corporations Act, the Company does not have authorised capital and all ordinary shares issued have no par value.

16. RESERVES	2014 $000	2013 $000
Operational Risk Financial Reserve		
Balance at the beginning of the financial year	**140**	-
(Released) / charge to equity	**(86)**	140
Balance at the end of the financial year	**54**	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 to be held within this reserve. The minimum requirement must be met by 30 June 2015.

As Trustee, SSFS elected to hold an amount of ORFR for the State Super Fixed Term Pension Plan (which was closed to new investors in 2004) on the balance sheet to meet this regulatory requirement.

As at 30 June 2014 SSFS holds 0.25 per cent of the funds under management for the State Super Fixed Term Pension Plan as ORFR.

17. DIVIDENDS	2014 $000	2013 $000
Fully franked dividends paid and payable at tax rate 30% (2013: 30%)	**30,000**	36,446
Adjusted franking account balance (tax paid basis)	**25,128**	16,489
Dividend per share	**$3.00**	$3.64

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

18. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Key management personnel

The key management personnel of the Company at any time during the financial year were as follows:

Directors
P. K. Gupta (Chairman)
M. Carapiet (resigned 30 June 2014)
A. Claassens (appointed 25 February 2014)
R. M. Davis (retired 31 December 2013)
M. G. Lambert
P. F. Scully
G. Vernados (appointed 1 July 2014)
S. Walsh

Executive Director
M. Monaghan (Managing Director)

Key Executives
J. T. Andriessen (General Manager, Marketing, Product & Advice)
S. Bradley (General Manager, Financial Planning)
T. Elliott (Chief Financial Officer)
D. Graham (Chief Investment Officer)
H. M. Harms (General Manager, Information Technology)
K. S. Hughes (Company Secretary)
T. A. Murphy (General Manager, Human Resources)
J. Panaretos (General Manager, Business Development - appointed 28 April 2014)
T. Reid (General Manager, Corporate Development - resigned 31 January 2014; Non-Executive Member, Enquiries and Complaints Committee – appointed 1 February 2014)
S. Woods (General Manager, Transformation - appointed 16 December 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 ten executives with the greatest authority for the strategic direction and management of the company.

	2014	2013
	$	$
Short-term employee benefits	**5,209,738**	4,934,501
Post-employment benefits	**238,097**	216,936
Other long-term employee benefits	**672,848**	659,971
Termination benefits	**-**	180,000
	6,120,683	5,991,408

Fees of $38,500 paid by the Company to Mr R. M. Davis were not directly received by him, but were paid directly to the SAS Trustee Corporation (2013: $55,000).

(c) Other transactions with key management personnel or entities related to them

Transactions between related parties are disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

19. REMUNERATION OF AUDITORS

	2014	2013
	$	$
Amounts paid or payable to the auditors for:		
Auditing the financial statements - Auditor General of New South Wales	**51,380**	45,835
Audit of trusts administered by the Company - Auditor General of New South Wales	**217,320**	203,938
Other services in relation to the Company	**73,500**	64,790
	342,200	314,563

20. COMMITMENT FOR EXPENDITURE

(a) Lease commitments

Total lease expenditure contracted for at balance date but not provided for in the financial statements:

	2014	2013
	$000	$000
Non-Cancellable operating property leases payable:		
Not later than one year	**5,975**	5,078
Later than one, but not later than five years	**17,137**	16,066
Greater than five years	**285**	1,902
	23,397	23,046

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 value of capital expenditure commitments including GST outstanding as at 30 June 2014 totalled $20.1 million (2013: $712,000). This includes $17.3 million in relation to the development of the new operating model and $2.8 million in respect of office fit-outs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

21. RELATED PARTY TRANSACTIONS

	2014	2013
	$	$
(a) Director related entities		
Payment of costs associated with provision of services under an Access Agreement between the Company and the SAS Trustee Corporation (STC)	**140,365**	162,467
Payment for rent, outgoings and cleaning services to STC on normal commercial terms.	**1,448,650**	1,191,400
(b) Balances with related parties		
Aggregated amounts payable to Director related entities		
Current liability:		
STC	-	16,500
Total current liability to related parties	-	16,500

(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
2014	**94,368**
2013	55,807

(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 number of units held by key management personnel in the State Super Investment Fund Class A is as follows:

Fund: (No. units)	**Cash**	**Growth**	**Aust'n Equities**	**Capital Stable**	**Balanced**	**Inter-national**	**Fixed Interest**	**Moderate**	**Growth Plus**
2014	**181**	**46,524**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2013	177	40,263	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

21. RELATED PARTY TRANSACTIONS (continued)

(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.

The number of units held by key management personnel in the State Super Investment Fund Class B is as follows:

Fund: (No. units)	**Cash**	**Growth**	**Aust'n Equities**	**Capital Stable**	**Balanced**	**Inter-national**	**Fixed Interest**	**Moderate**	**Growth Plus**
2014	**-**	**-**	**108,935**	**-**	**-**	**-**	**-**	**-**	**-**
2013	-	-	6,968	-	-	-	-	-	-

At the end of the financial year the Company holds the following number of units in the State Super Investment Fund Class B:

Fund: (No. units)	**Cash**	**Growth**	**Aust'n Equities**	**Capital Stable**	**Balanced**	**Inter-national**	**Fixed Interest**	**Moderate**	**Growth Plus**
2014	**-**	**416,215**	**416,181**	**208,107**	**416,215**	**208,107**	**208,107**	**416,215**	**-**
2013	-	416,215	416,181	208,107	416,215	208,107	208,107	416,215	-

(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 2014

22. CASH FLOW INFORMATION

(a) RECONCILIATION OF CASH	2014 $000	2013 $000
Cash and cash equivalents (see Note 5)	**39,204**	34,746

(b) RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2014 $000	2013 $000
Net Profit	**37,638**	31,420
Depreciation of property, plant and equipment	**2,672**	2,118
Amortisation of intangible assets	**1,278**	1,117
Loss on disposal of fixed assets	**6**	94
Changes in operating assets and liabilities		
(Increase) in receivables	**(1,427)**	(2,032)
(Increase) in other current assets	**(468)**	(192)
(Increase) in deferred tax assets	**(243)**	(3,353)
(Decrease)/increase in current income tax liability	**(2,740)**	590
Increase in payables	**2,014**	3,317
(Decrease) in non-current unearned income	**(108)**	(163)
Increase in current employee entitlements	**2,976**	5,013
Increase in non-current employee entitlements	**220**	334
Net cash generated by operating activities	**41,818**	38,263

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

23. FINANCIAL INSTRUMENTS (continued)

(c) Categories of financial instruments

	2014 $000	2013 $000
Financial Assets		
Cash and cash equivalents	**39,204**	34,746
Trade and other receivables	**13,780**	12,353
Other financial assets	**4,057**	3,590
Financial Liabilities		
Amortised cost	**9,557**	7,543

(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.

	0-3 months $000	3-6 months $000	6-12 months $000	Total $000
2014				
Non-interest bearing	9,557	-	-	**9,557**
Current tax liabilities	2,172	-	-	**2,172**
Provisions	12,734	1,916	2,396	**17,046**
Other current liabilities	5,000	-	-	**5,000**
	29,463	1,916	2,396	**33,775**
2013				
Non-interest bearing	7,543	-	-	7,543
Current tax liabilities	4,912	-	-	4,912
Provisions	10,391	1,635	2,044	14,070
Other current liabilities	-	-	-	-
	22,846	1,635	2,044	26,525

(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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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 <1 year to maturity	Fixed interest rate <1 year to maturity	Non-interest bearing	Total
2014	**$000**	**$000**	**$000**	**$000**
Financial assets				
Deposits at call	14,580	-	-	**14,580**
Operational Risk Financial Reserve	54	-	-	**54**
Unclaimed monies	-	-	1,718	**1,718**
Term deposits	-	22,852	-	**22,852**
Trade and other receivables	-	-	13,780	**13,780**
Units in related unit trust	-	-	3,013	**3,013**
Other current assets	-	-	1,044	**1,044**
Total	**14,634**	**22,852**	**19,555**	**57,041**
Financial liabilities				
Trade and other payables	-	-	7,839	**7,839**
Unclaimed monies	-	-	1,718	**1,718**
Total	**-**	**-**	**9,557**	**9,557**
2013				
Financial assets				
Deposits at call	3,651	-	-	3,651
Operational Risk Financial Reserve	140	-	-	140
Unclaimed monies	-	-	542	542
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**	**16,485**	**50,689**
Financial liabilities				
Trade and other payables	-	-	7,001	7,001
Unclaimed monies	-	-	542	542
Total	**-**	**-**	**7,543**	**7,543**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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 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 2014.

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) 2014 $000**	**Change in equity 2014 $000**	**Profit/(loss) 2013 $000**	**Change in equity 2013 $000**
Cash	+5.0%	1,960	1,960	1,737	1,737
	-5.0%	(1,960)	(1,960)	(1,737)	(1,737)

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) 2014 $000**	**Change in equity 2014 $000**	**Profit/(loss) 2013 $000**	**Change in equity 2013 $000**
Units in unlisted unit trust	+10.0%	301	301	272	272
	-10.0%	(301)	(301)	(272)	(272)

(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 2014

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 (2013: $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 2014.

26. ULTIMATE CONTROLLING ENTITY

As at 30 June 2014, the Company is owned 100% (2013: 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.

To the Directors
State Super Financial Services Australia Limited
Level 7, 83 Clarence Street
SYDNEY NSW 2000

22 August 2014

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.

As lead auditor for the audit of the financial statements of State Super Financial Services Australia Limited for the financial year ended 30 June 2014, 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

James Sugumar

J Sugumar
Director, Financial Audit Services

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

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 2014, 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 9 to 40.

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 2014 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.

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

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 2014, 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

27 August 2014
SYDNEY

VALLEY COMMERCE PTY LIMITED

A.C.N. 004 530 787

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Contents:

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 2014, 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 2014, 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.

Directors' Responsibility for the Financial Statements

The Director of the Company 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 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 Company'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 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.

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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 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 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 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

25 August 2014
SYDNEY

VALLEY COMMERCE PTY LIMITED

A.C.N. 004 530 787

DIRECTOR'S STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

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 2014.

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 20th day of August, 2014 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 2014

	Note	2014 $	2013 $
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 2014

	Note	2014 $	2013 $
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 2014

	Note	2014 $	2013 $
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 2014

	2014 Inflow/ (Outflow) $	2013 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 2014**

1. Principal Activity

The Company has been dormant during the twelve months ended 30 June 2014 and twelve months ended 30 June 2013.

The financial statements were authorised by the Director on 20 August 2014.

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 2014

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 2014

Notes to the Financial Statements (continued)

Budgeted amounts

The Company has no budget.

3. Auditor's Remuneration

	30 June 2014 $	30 June 2013 $
Total amount receivable by the auditors of the company for:		
(a) Audit of the Company's Accounts (GST Inclusive)	2,640	2,310
(b) Other services	-	-
	2,640	2,310

Audit Fees of the Company are paid by the Parent Entity of the Company – SAS Trustee Corporation (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 2013.

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 2014

Notes to the Financial Statements (continued)

8. Key Management Personnel Compensation

	30 June 2014 $	30 June 2013 $
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 2014 $	30 June 2013 $
• Lodgement fees (GST exempt)	236.00	288.50
• Audit fees (GST inclusive)	2,640.00	2,310.00
	2,876.00	2,598.50

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.

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.

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