

Part B – Audited Financial Statements

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INDEPENDENT AUDIT REPORT

SUPERANNUATION ADMINISTRATION CORPORATION (TRADING AS PILLAR ADMINISTRATION)

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Superannuation Administration Corporation:

- (a) presents fairly the Corporation's financial position as at 30 June 2004 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

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

The Board's Role

The financial report is the responsibility of the members of the Board of the Superannuation Administration Corporation. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

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

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

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

My opinion does *not* provide assurance:

- about the future viability of the Corporation,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

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

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



G J Gibson FCA
Director of Audit

SYDNEY
7 October 2004

**SUPERANNUATION ADMINISTRATION CORPORATION
(TRADING AS PILLAR ADMINISTRATION)**

**DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2004**

In the opinion of the Directors of Superannuation Administration Corporation (trading as Pillar Administration):

- (a) the financial statements:
 - (i) exhibit a true and fair view of Superannuation Administration Corporation's financial position, financial performance and cashflows; and
 - (ii) have been prepared in accordance with the provisions of the Public Finance and Audit Act, 1983, the Public Finance and Audit Regulation, 2000 and the Treasurer's Directions.
- (b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of the Board of Directors



Peter Cormack
Chief Executive Officer
Superannuation Administration Corporation



Prof. Bob Walker
Chairman
Superannuation Administration Corporation



Eric Lo
General Manager Finance and Administration
Superannuation Administration Corporation

Date: 6th October 2004

**SUPERANNUATION ADMINISTRATION CORPORATION
(TRADING AS PILLAR ADMINISTRATION)**

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004**

	NOTE	2004 \$'000	2003 \$'000
Revenue from ordinary activities	2	52,120	51,545
Depreciation expense	2	(4,634)	(6,444)
Interest expenses	2	(7)	(5)
Employee related expenses	2	(34,686)	(33,934)
Occupancy expenses	2	(1,473)	(2,868)
Information technology expenses	2	(2,417)	(2,221)
Other expenses	2	(5,043)	(4,773)
Profit from ordinary activities before income tax expense		3,860	1,300
Income tax (expense)/benefit relating to ordinary activities	3	(1,151)	(387)
Net profit from ordinary activities after income tax	11	2,709	913

**SUPERANNUATION ADMINISTRATION CORPORATION
(TRADING AS PILLAR ADMINISTRATION)**

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004**

	NOTE	2004 \$'000	2003 \$'000
Current Assets			
Cash assets	15	6,103	6,013
Receivables	4	5,324	4,734
Other assets	5	483	325
Total Current Assets		11,910	11,072
Non-Current Assets			
Property, plant and equipment	6	11,541	13,321
Deferred tax assets		2,471	2,265
Total Non-Current Assets		14,012	15,586
Total Assets		25,922	26,658
Current Liabilities			
Payables	7	2,244	2,152
Interest-bearing liabilities	8	-	3,000
Provisions	9	6,435	4,623
Total Current Liabilities		8,679	9,775
Non-Current Liabilities			
Deferred tax liabilities	10	22	88
Provisions	9	5,570	6,412
Total Non-Current Liabilities		5,592	6,500
Total Liabilities		14,271	16,275
Net Assets		11,651	10,383
Equity			
Contributed equity	11	6,000	6,000
Retained profits	11	5,651	4,383
Total Equity		11,651	10,383

**SUPERANNUATION ADMINISTRATION CORPORATION
(TRADING AS PILLAR ADMINISTRATION)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004**

	NOTE	2004 \$'000 INFLOWS/ (OUTFLOWS)	2003 \$'000 INFLOWS/ (OUTFLOWS)
Cash Flows From Operating Activities:			
Receipts from clients		50,667	50,411
Payments to suppliers and employees		(44,163)	(47,433)
Income tax paid		(704)	-
Interest received		249	185
Interest paid		(7)	(5)
Net cash provided by operating activities	15(c)	6,042	3,158
Cash Flows From Investing Activities:			
Proceeds from sale of property, plant and equipment		14	44
Payments for property, plant and equipment		(2,601)	(6,175)
Net cash used in investing activities		(2,587)	(6,131)
Cash Flows From Financing Activities:			
Repayment of borrowings		(3,000)	(10,186)
Proceeds from borrowings		-	3,000
Dividends Paid		(365)	-
Net cash used in financing activities		(3,365)	(7,186)
Net Increase/(Decrease) In Cash Held		90	(10,159)
Cash at the beginning of the financial year		6,013	16,172
Cash At The End Of The Financial Year	15(a)	6,103	6,013

**SUPERANNUATION ADMINISTRATION CORPORATION
(TRADING AS PILLAR ADMINISTRATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

1. STATEMENT OF ACCOUNTING POLICIES

Superannuation Administration Corporation (SAC), trading as Pillar Administration is a Statutory State Owned Corporation established on 26 July 1999 under the Superannuation Administration Authority Corporatisation Act, 1999 ("the Act"). SAC's business is to provide superannuation scheme administration services and related services in both the public and private sectors.

(a) General System of Accounting Underlying the Financial Statements

The financial statements form a general purpose financial report and are prepared in accordance with the Public Finance and Audit Act, 1983, the Public Finance and Audit Regulation, 2000 and the Treasurer's Directions. They also comply with applicable Australian Accounting Standards, other authoritative announcements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views.

These financial statements have been prepared on an historical cost basis using the accrual method of accounting and do not reflect current values of assets except where noted.

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

(b) Income Tax

SAC is subject to notional taxation in accordance with the State Owned Corporations Act 1989. An "equivalent" or "notional income tax" is payable to the NSW Consolidated Fund through the Office of State Revenue. Taxation liability is assessed according to the National Tax Equivalent Regime (NTER) of the NSW Treasury (and any transitional provisions which apply). The NTER proposes as far as practicable the adoption of the Commonwealth Income Tax Assessment Acts 1936 and 1997 (as amended) as the basis for determining taxation liability and, therefore, the adoption of tax-effect accounting. The liability method of tax-effect accounting is adopted.

Income tax expense is calculated on the profit/(loss) from ordinary activities adjusted for permanent differences between taxable income and accounting profit. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the Statement of Financial Position as either a future income tax benefit or a provision for deferred income tax at a rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the assets is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of these benefits. Realisation shall depend upon:

- (a) the ability to derive future assessable income of a nature and of sufficient amount to enable the benefit to be realised; and
- (b) the ability to continue to comply with the conditions for deductibility imposed under the NTER; and
- (c) an expectation that legislation as applied under the NTER will not change in a manner which would adversely affect SAC's ability to realise the benefits.

**SUPERANNUATION ADMINISTRATION CORPORATION
(TRADING AS PILLAR ADMINISTRATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(c) Property, Plant and Equipment

Acquisitions and Capitalisation

All items of software, computers and other plant and equipment acquired are recorded at the cost of acquisition. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition. Acquisitions that do not meet the following asset recognition criteria will be expensed.

An asset will be recognised in the Statement of Financial Position when and only when:

- it is probable that the future economic benefits embodied in the asset will eventuate; and
- the asset possesses a cost or other value that can be measured reliably.

Intangible assets such as software may be capitalised in accordance with International Accounting Standard (IAS) 38 if the above criteria are satisfied and also the identifiable asset is controlled by the Corporation.

The materiality test also applies to the asset recognition criteria. The threshold value for physical assets follows the NSW Treasury Guidelines for Capitalisation of Expenditure in the NSW Public Sector. In general, physical asset costing less than \$5,000 is not capitalised unless it is part of a group of assets which exceed \$5,000 in total. The recognition threshold for software is \$100,000. These threshold values are determined and reviewed by the Audit Committee of the Board.

Expenditure incurred to restore or maintain the future economic benefits that were expected from the original standard of performance of an asset will not be capitalised.

Each class of plant and equipment is carried at fair value less, where applicable, any accumulated depreciation. For the 2003-04 year, the Corporation received specific exemption from NSW Treasury to show the land and building, purchased in February 2004, at cost. It is expected that land and building will be shown at fair value from 2004-05 onward.

Property

Freehold land and buildings purchased in February 2004 are shown at cost, rather than fair value as at 30 June 2004 under the exemption from NSW Treasury. SAC's policy is to have an independent valuation of the land and building every three years, with annual appraisals being made by the directors. The land and building will be shown at fair value in year ending 30 June 2005.

Plant and equipment

Plant and equipment is measured on the fair value basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flow or future economic benefits which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

Disposals

The profit or loss on disposal of assets is calculated as the difference between the net book value of the asset at the time of disposal and the proceeds on disposal and is recorded in the Statement of Financial Performance in the period of disposal.

**SUPERANNUATION ADMINISTRATION CORPORATION
(TRADING AS PILLAR ADMINISTRATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(c) Property, Plant and Equipment (continued)

Depreciation and Amortisation

Items of software and computers are amortised/depreciated on a straight-line basis over their estimated economic useful lives, making allowances where appropriate for residual values. The estimates of economic useful lives are reviewed annually, taking into account commercial and technical obsolescence. The expected economic useful life of software and computers ranges from 2 to 4 years.

Other plant and equipment is depreciated over their estimated useful lives using the straight-line method, making allowances where appropriate for residual values. The expected economic useful life of other plant and equipment ranges from 3 to 8 years.

The depreciable amount of the building, excluding freehold land, is depreciated on a straight line basis over the estimated economic useful life to the economic entity commencing from the time the asset is held ready for use. The expected useful life of the building is depreciated at a rate of 2.5% over 40 years.

(d) Employee Entitlements

Annual Leave and Redundancy

The provisions for employee entitlements to annual leave and redundancy represents the amount which SAC has a present obligation to pay resulting from employees' past services. 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 plus related on costs.

Long Service Leave

The accrual for long service leave liability is based on remuneration rates expected to be applied in the next 12 months for all employees with five or more years of service at reporting date. This estimate of the long service leave liability is not materially different from an estimate determined by the present value of estimated future cash outflows required to pay for long service leave. Employee benefits payable later than one year have been measured at the present value of the estimated cash payments for those benefits.

Superannuation

Any unfunded superannuation liabilities are recognised in the Statement of Financial Position and amounts representing prepaid superannuation contributions are recognised as assets. SAC is meeting in full the total superannuation obligations arising from past service of its employees, and for the past service of employees of predecessor organisations.

(e) Roundings

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

(f) Interest-Bearing Liabilities

Loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

**SUPERANNUATION ADMINISTRATION CORPORATION
(TRADING AS PILLAR ADMINISTRATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(g) Cash Flows

For the purpose of the Statement of Cash Flows, cash includes cash on hand and cash equivalents.

(h) Recognition of Revenues

Management fees and other fees are recognised as revenues when services have been provided and it is probable that economic benefits will transfer to SAC.

Interest is recognised on an accrual basis.

All revenue is stated net of the amount of applicable goods and services tax (GST).

(i) Payables

Trade payables and other accounts payable are recognised when SAC becomes obliged to make future payments resulting from the receipt of goods and services.

(j) Receivables

Trade receivables and other receivables are recorded at amounts due, less any provision for doubtful debts.

(k) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of applicable goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an item or as 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 taxation authority is included as part of the receivables or payables.

Cash flows are included in the Statement of Cash Flows with applicable goods and services tax.

**SUPERANNUATION ADMINISTRATION CORPORATION
(TRADING AS PILLAR ADMINISTRATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(I) Recently Issued Accounting Pronouncements

SAC intends to apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) for the financial year commencing 1 July 2005. SAC is managing the transition to the new standards by allocating internal resources and engaging consultants to analyse the pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

As a result of this exercise, SAC has taken the following steps to manage the transition to the new standards:

- Review of SAC's accounting policies and procedures affected by AIFRS;
- Revise the chart of accounts to align the structure with the AIFRS requirements as prescribed by Treasury; and
- Finalise additional data needs and system requirements.

NSW Treasury is assisting agencies to manage the transition by developing policies, presenting training seminars to all agencies, providing a website with up-to-date information to keep agencies informed of any new developments; and establishing an IAS Agency Reference Panel to facilitate a collaborative approach to manage the change.

SAC has identified a number of significant differences in accounting policies that will arise from adopting AIFRS. Some differences arise because AIFRS requirements are different from existing AASB requirements. Other differences could arise from options in AIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised the agency of options it is likely to mandate, and will confirm these during 2004-05. This disclosure reflects these likely mandates.

SAC's accounting policies may also be affected by a proposed standard designed to harmonise accounting standards with Government Finance Statistics (GFS). This standard is likely to change the impact of AIFRS and significantly affect the presentation of the income statement. However, the impact is uncertain, because it depends on when this standard is finalised and whether it can be adopted in 2005-06.

**SUPERANNUATION ADMINISTRATION CORPORATION
(TRADING AS PILLAR ADMINISTRATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(I) Recently Issued Accounting Pronouncements (continued)

Based on current information, the following key differences in accounting policies are expected to arise from adopting AIFRS:

- AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* requires retrospective application of the new AIFRS from 1 July 2004, with limited exemption. Similarly, AASB 108 Accounting Policies, *Change in Accounting Estimates and Errors* requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance. This differs from current Australian requirements, because such changes must be recognised in the current period through Statement of Financial Performance, unless a new standard prescribes otherwise.
- AASB110 *Events after the balance sheet date* states that only dividends “declared” or appropriately “authorised” before the reporting date can be recognised. This is more restrictive than the current approach which is based on “valid expectations”. However, this change is not expected to impact on dividend recognition as the signing of Statement of Corporate Intent before the reporting date to which it relates, “authorises” the dividend and any change in the amount of the dividend after the reporting date constitutes an “adjusting event after the reporting date”.
However, the amount of dividends may be affected by other AIFRS, such as AASB 139 Financial Instrument Recognition and Measurement and AASB 119 Employee Benefits (refer below) as these standards may impact on retained earnings (on first adoption) and the amount and volatility of reported profits or losses.
- AASB 112 *Income Taxes* requires a balance sheet approach whereby the entity must identify differences between the accounting and tax value of assets and liabilities. The previous approach was to account for tax by adjusting accounting profits for temporary and permanent differences to derive taxable income. The AASB 112 approach may alter the quantum of tax assets and liabilities recognised. In addition, the income tax expense and deferred tax assets and liabilities may be affected by other AIFRS to the extent that they may impact on the balance sheet and profit or loss.
- AASB 116 Property, Plant and Equipment requires the cost and fair value of property, plant and equipment to be increased to include prospective restoration costs, where restoration provisions are recognised under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.
Major inspections costs must be capitalised and this will require the fair value and depreciation of the related asset to be re-allocated.
Asset revaluation increments and decrements must be accounted on an individual asset basis, rather than on a class basis. This change may decrease accumulated funds.
- AASB 117 *Leases* requires operating lease contingent rentals to be recognised as an expense on a straight-line basis over the lease term rather than expensing in the financial year incurred.
- AASB 119 *Employee Benefits* requires the defined benefit obligation to be discounted using the government bond rate as at each reporting date rather than the long-term expected rate of return on plan assets. This will increase the amount and future volatility of any unfunded superannuation liabilities and the volatility of employee benefit expenses.
- AASB 136 *Impairment of Assets* requires an entity to assess at each reporting date whether there is any indication that an asset (or cash generating unit) is impaired and if such indication exists, the entity must estimate the recoverable amount of those assets. However, the effect of this Standard should be minimal because all the substantive principles in AASB136 are already incorporated in Treasury’s Policy, *Valuation of Physical Non-Current Assets at Fair Value*.

**SUPERANNUATION ADMINISTRATION CORPORATION
(TRADING AS PILLAR ADMINISTRATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

2. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES	2004	2003
	\$'000	\$'000
Profit/(loss) from ordinary activities before income tax is stated after crediting the following revenues:		
Management Fees	51,288	50,596
Interest	249	185
Other Revenue		
Other	576	735
Profit from disposal of property, plant and equipment	7	29
Total Other Revenues	583	764
Revenues from ordinary activities	52,120	51,545
Profit/(loss) from ordinary activities before income tax is stated after charging the following expenses:		
Depreciation Expense	4,634	6,444
Interest Expenses		
Interest paid or payable to:		
NSW Treasury Corporation	7	5
Total interest expenses	7	5
Employee Related Expenses		
Salaries and Wages	24,916	23,012
Contractors	5,739	4,214
Redundancies	683	(106)
Provision for employee entitlements	2,093	1,853
Superannuation contributions	2,209	1,621
	35,640	30,594
Defined benefits funding (surplus)/shortfall		
- employees of predecessor employers	(810)	2,839
- present employees	(144)	501
Total employee related expenses	34,686	33,934
Occupancy expenses	1,473	2,868
Information technology maintenance costs	2,417	2,221
Other Expenses		
Fees paid to the Audit Office of NSW and their agent:		
- auditing of financial reports	86	72
- other services	-	4
Member communications	1,978	1,878
Operating lease rentals	243	173
Communications	850	820
Sundry administration expenses	1,274	1,337
Total Other Expenses	4,431	4,284
Surplus leased space expenses	612	489
Total Other Expense Items	5,043	4,773
Total Expenditure	48,260	50,245

**SUPERANNUATION ADMINISTRATION CORPORATION
(TRADING AS PILLAR ADMINISTRATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

3. INCOME TAX

	2004	2003
	\$'000	\$'000

The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense/benefit as follows:

(a) Profit from Ordinary Activities before Income Tax	3,860	1,300
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Income tax expense calculated at 30% of operating profit	1,158	390
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Tax Effect of Permanent Differences:

Non-deductible expenses	14	5
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Prior year adjustments:

Write back of provision for deferred income tax liability	(36)	-
Future income tax benefit not previously recognised now brought to account	(68)	(8)

Under provision of income tax in previous year	83	-
Income tax expense/(benefit) relating to ordinary activities	1,151	387

Income tax expense attributable to operating profit from ordinary activities comprises:

Provision attributable to current year	1,341	315
Decrease in provision for deferred income tax	(31)	(8)
(Increase)/decrease in future income tax benefit	(138)	89

Prior year adjustments:

Under provision of income tax in previous year	83	-
Increase/(decrease) in provision for deferred income tax	(36)	-
Increase in future income tax benefit	(68)	(9)

	1,151	387
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4. RECEIVABLES

	2004	2003
	\$'000	\$'000

Trade debtors	6,043	5,140
Provision for doubtful debts	(845)	(502)

	5,198	4,638
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Other debtors	126	96
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	5,324	4,734
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5. OTHER ASSETS

	2004	2003
	\$'000	\$'000

Prepayments	483	325
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**SUPERANNUATION ADMINISTRATION CORPORATION
(TRADING AS PILLAR ADMINISTRATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

6. PROPERTY, PLANT AND EQUIPMENT	2004	2003
	\$'000	\$'000
Land and Buildings		
Deposit on property *	-	3,186
Freehold land and building at cost	3,724	-
Less accumulated depreciation	19	-
	3,705	3,186
*The deposit was paid on exchange of contract for purchase of a property in Coniston in June 2003. Settlement occurred in February 2004.		
Software:		
<i>At fair value</i>		
Opening balance	20,022	19,732
Less accumulated depreciation	17,768	15,262
	2,254	4,470
Computers:		
<i>At fair value</i>		
Opening balance	12,451	11,231
Less accumulated depreciation	9,784	8,503
	2,667	2,728
Other Plant and Equipment:		
<i>At fair value</i>		
Opening balance	4,558	4,018
Less accumulated depreciation	1,643	1,081
	2,915	2,937
Total Net Book Value Of Software, Computers and Other Plant and Equipment	7,836	10,135
Total Property, Plant and Equipment	11,541	13,321
Movements in Carrying Amounts		
Software:		
<i>At fair value</i>		
Balance at beginning of the year	4,470	8,683
Additions	290	315
Depreciation expense	(2,506)	(4,528)
Carrying amount at the end of the year	2,254	4,470
Computers:		
<i>At fair value</i>		
Opening balance	2,728	3,649
Additions	1,504	1,457
Disposals	(19)	(903)
Depreciation expense	(1,546)	(1,475)
Carrying amount at the end of the year	2,667	2,728
Land and Buildings:		
<i>At cost</i>		
Balance at beginning of the year	3,186	-
Additions	538	3,186
Depreciation expense	(19)	-
Carrying amount at the end of the year	3,705	3,186
Other Plant and Equipment:		
<i>At fair value</i>		
Opening balance	2,937	2,051
Additions	540	1,328
Disposals	-	(1)
Depreciation expense	(562)	(441)
Carrying amount at the end of the year	2,915	2,937

**SUPERANNUATION ADMINISTRATION CORPORATION
(TRADING AS PILLAR ADMINISTRATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

7. PAYABLES	2004	2003
	\$'000	\$'000
Trade creditors	1,480	1,461
Other creditors	358	-
GST payable	406	691
	2,244	2,152
8. INTEREST-BEARING LIABILITIES	2004	2003
	\$'000	\$'000
Current		
Loans from NSW Treasury Corporation (T-Corp)	-	3,000
Interest rates on loans from T-Corp are fixed monthly. The loan was unsecured and repaid in July 2003.		
9. PROVISIONS	2004	2003
	\$'000	\$'000
Current		
Employee entitlements	3,711	2,945
Provision for Income Tax	1,036	315
Declared dividend (refer to Note 11)	1,076	-
	5,823	3,260
<i>Claims Provision</i>		
Provision for claims expenses at beginning of year	481	945
Additional provisions recognised during the year	-	38
Payments of provisions during the year	(481)	(502)
Carrying amount at reporting date	-	481
<i>Relocation Provision</i>		
Provision for relocation expenses at beginning of year	393	6,158
Payments of provisions during the year	(393)	(5,765)
Carrying amount at reporting date	-	393
<i>Surplus Lease Space Provision</i>		
Surplus leased space at beginning of year	489	-
Additional provisions recognised during the year	123	489
Carrying amount at reporting date	612	489
	6,435	4,623
Non-Current		
Employee entitlements	948	648
Superannuation (refer Note 9a)	4,392	5,346
	5,340	5,994
<i>Provision for Tenancy Make-Good</i>		
Tenancy make-good costs at beginning of year	418	315
Additional provisions recognised during the year	-	103
Payments during the year	(188)	-
Carrying amount at reporting date	230	418
	5,570	6,412
Total employee entitlements	4,659	3,593
Total employee numbers	441	378

**SUPERANNUATION ADMINISTRATION CORPORATION
(TRADING AS PILLAR ADMINISTRATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

9. PROVISIONS (CONTINUED)

(a) Superannuation Commitments

Superannuation commitments arise in respect of the following defined benefit superannuation funds: State Superannuation Scheme (SSS), State Authorities Superannuation Scheme (SASS) and State Authorities Non-contributory Superannuation Scheme (SANCS). William M Mercer undertook an actuarial valuation of accrued benefits of the membership of each scheme as at 30 June 2004, consistent with the requirements of AAS 25 "Financial Reporting by Superannuation Plans".

AAS 25 requires that a "market-determined risk-adjusted discount rate" be applied in the calculation of the value of the accrued benefits. The following assumptions have been used for these calculations.

30 June 2004	2001/02	2002/03	2003/04	2004/05	2005/06 thereafter
Valuation Assumptions	%pa	%pa	%pa	%pa	%pa
Rate of Investment Return	7.0	7.0	7.0	7.0	7.0
Rate of Salary Increase	3.0	6.5	4.0	4.0	4.0
Rate of Increase in CPI	2.5	2.5	2.5	2.5	2.5

The superannuation funding position at 30 June 2004 for present and past employees of SAC and its predecessor organisations was a deficit of \$1,891,227 (2003: \$3,027,220) for SSS, a deficit of \$1,937,536 (2003: \$1,702,018) for SASS and a deficit of \$563,208 (2003: \$616,422) for SANCS.

Future Retirement Benefits under the State Superannuation Scheme, the State Authorities Superannuation Scheme and State Authorities Non-contributory Scheme have been provided as under:

	Accrued benefits	Net market value of scheme assets	Deficiency 30 June 2004	Deficiency 30 June 2003
	\$	\$	\$	\$
State Superannuation Scheme	(20,632,345)	18,741,118	(1,891,227)	(3,027,220)
State Authorities Superannuation Scheme	(874,946)	(1,062,590)	(1,937,536)	(1,702,018)
State Authorities Non-contributory Superannuation Scheme	(426,418)	(136,790)	(563,208)	(616,422)
Total	(21,822,709)	17,541,738	(4,391,971)	(5,345,660)

10. Deferred Income Tax Liability

	2004 \$'000	2003 \$'000
Deferred income tax liability	22	88
	22	88

**SUPERANNUATION ADMINISTRATION CORPORATION
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

11. EQUITY

The State Owned Corporations Act 1989 requires the Corporation to have two voting shareholders; the Treasurer and another Minister. Each shareholder must at all times have an equal number of shares in the Corporation.

Shares in the Corporation are held by Hon. R.J. Carr MP, Premier and the Hon. M R Egan MLC, Treasurer.

	2004 \$'000	2003 \$'000
Equity		
Contributed equity	6,000	6,000
Retained profits	5,651	4,383
Total equity at the end of the financial year	11,651	10,383
Movement in contributed equity		
Opening balance	6,000	6,000
Add/less movement	-	-
Closing balance	6,000	6,000
Movement in retained profits		
Opening balance	4,383	3,470
Add net profit	2,709	913
	7,092	4,383
Less dividends paid and declared	(1,441)	-
Closing balance	5,651	4,383

12. COMMITMENTS FOR EXPENDITURE

Lease Commitments

Commitments in relation to operating leases contracted for at balance date but not provided for in the financial statements (including GST):

	2004 \$'000	2003 \$'000
Payable not later than one year	2,162	1,779
Payable later than one year and not later than five years	1,301	2,223
	3,463	4,002

Capital Commitments

Commitments in relation to capital expenditure contracted for at balance date but not provided for in the financial statements

Payable not later than one year	-	783
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**SUPERANNUATION ADMINISTRATION CORPORATION
(TRADING AS PILLAR ADMINISTRATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

13. DIRECTORS AND EXECUTIVES REMUNERATION

(a) Board Members and Remuneration Received or Due and Receivable

The names of the Board Members of SAC in office during the year ended 30 June 2004 and up to the date of signing these financial statements, are as follows:

Prof. R Walker
Ms E Crestani
Mr N Davis
Mr S Droder (CEO) (term completed on 16/7/2004)
Mr P Franzen
Ms G Roper
Mr D Snow
Mr P Cormack (CEO) (term commenced 17/7/2004)

(b) Remuneration to Directors	2004	2003
	\$'000	\$'000
Income paid or payable to the directors of the corporation	<u>760</u>	<u>559</u>

**(c) Numbers of Board Members Included in These
Figures are Shown in Their Relevant Income Bands**

	2004	2003
	NUMBERS	NUMBERS
Remuneration (including superannuation contributions) of:		
\$10,000 - \$19,999	-	-
\$20,000 - \$29,999	-	-
\$30,000 - \$39,999	-	-
\$40,000 - \$49,999	5	5
\$60,000 - \$69,999	-	-
\$70,000 - \$79,999	1	1
\$220,000 - \$229,999	-	-
\$260,000 - \$269,999	-	1
\$450,000 - \$459,999	1	-
	<u>7</u>	<u>7</u>

The CEO is a Board Member and does not receive a separate fee for serving as a Director.

(d) Executives Remuneration	2004	2003
	\$'000	\$'000

Remuneration paid to SAC executive officers and technical specialists the equivalent of SES level 1 or above	<u>3.558</u>	<u>5.407</u>
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**SUPERANNUATION ADMINISTRATION CORPORATION
(TRADING AS PILLAR ADMINISTRATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

13. DIRECTORS AND EXECUTIVES' REMUNERATION (CONTINUED)

(e) Numbers of Executive Officers in Their Relevant Income Bands:

The number of executive officers and technical specialists whose remuneration was paid an equivalent of SES level 1 or more are shown below in their relevant income bands:

Total remuneration (including where appropriate retention, redundancy and termination payments):

	2004 NUMBERS	2003 NUMBERS
\$100,000 - \$109,999	9	7
\$110,000 - \$119,999	3	4
\$120,000 - \$129,999	1	1
\$130,000 - \$139,999	2	5
\$140,000 - \$149,999	1	1
\$150,000 - \$159,999	2	3
\$160,000 - \$169,999	1	-
\$170,000 - \$179,999	1	3
\$180,000 - \$189,999	-	-
\$190,000 - \$199,999	1	4
\$200,000 - \$209,999	-	1
\$210,000 - \$219,999	1	1
\$220,000 - \$229,999	1	-
\$240,000 - \$249,999	-	1
\$250,000 - \$259,999	-	1
\$260,000 - \$269,999	-	1
\$300,000 - \$309,999	-	1
\$450,000 - \$459,999 *	1	-
	24	34

* this includes deferred pay and performance based bonus for previous years.

The Corporation completed the relocation in 30 June 2003 and a number of technical specialists left the corporation under voluntary redundancy. The redundancy payments were included in the 2003 figures.

14. ECONOMIC DEPENDENCY

The majority of SAC's business revenue comes from its two major public sector clients.

**SUPERANNUATION ADMINISTRATION CORPORATION
(TRADING AS PILLAR ADMINISTRATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

15. CASH FLOW INFORMATION

(a) Reconciliation of Cash

	2004	2003
	\$'000	\$'000
Cash at bank	6,103	6,013

Call deposits with banks are earning interest at current bank deposit rates. The effective interest rate earned for the year was 4.75% (2003: 4.25%).

(b) Financing Facilities

Details of loan facilities are included in Note 8.
SAC has no credit standby arrangements as at 30 June 2004.

**(c) Reconciliation of Cash Flows from Operations with
Profit from ordinary activities after Income Tax:**

	2004	2003
	\$'000	\$'000
	INFLOWS/ (OUTFLOWS)	INFLOWS/ (OUTFLOWS)
Net Profit from ordinary activities after related Income Tax (Expense)/Benefit	2,709	913
<u>Adjusted for the following:</u>		
Depreciation expense	4,634	6,444
Profit on disposal of plant and equipment	(7)	(28)
	7,336	7,329
Changes in Assets and Liabilities:		
<u>(Increase)/decrease in assets:</u>		
Receivables	(933)	(1,006)
Other assets	(158)	(121)
Deferred tax assets	(206)	79
<u>Increase/(decrease) in liabilities:</u>		
Trade creditors	117	(649)
GST payable	(285)	110
Provision for employee entitlements	1,067	(1,095)
Provision for relocation	(393)	(5,765)
Provision for superannuation	(954)	3,340
Provision for surplus lease property	123	489
Provision for tenancy make-good costs	(189)	103
Provisions for claims	(481)	38
Provision for doubtful debts	343	-
Provision for Income Tax	721	315
Deferred tax liabilities	(66)	(9)
	(1,294)	(4,171)
Net Cash Provided by Operating Activities	6,042	3,158

**SUPERANNUATION ADMINISTRATION CORPORATION
(TRADING AS PILLAR ADMINISTRATION)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

16. SEGMENT REPORTING

SAC operates in the financial services industry in Australia.

17. CONTINGENT LIABILITIES/ASSETS

The directors are not aware of the existence of any contingent liabilities or assets.

18. SUBSEQUENT EVENT

The directors are not aware of any of the following events that have occurred prior to the signing of the financial report:

- (a) events providing additional evidence of conditions that existed at the reporting date, or events that reveal for the first time conditions that existed at the reporting date, or
- (b) other events occurring after the reporting date that are to be disclosed in compliance with Australian Accounting Standard AASB 1002 'Events Occurring After the Reporting Date'.

19. COMPANY DETAILS

Address : Level 18
83 Clarence Street
Sydney NSW 2000

— End of Financial Statements —