

Part C - 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 2005 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 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.



A Oyetunji
Director, Financial Audit Services

SYDNEY
10 October 2005



Directors' Declaration for the year ended 30 June 2005

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

- (a) the financial statements as set out in pages 4c to 24c:
- (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.

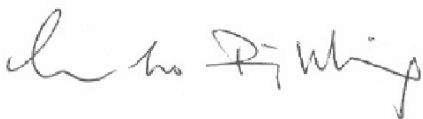
Signed in accordance with a resolution of the Board of Directors



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: 30 September 2005



Statement of Financial Performance for the year ended 30 June 2005

	NOTE	2005 \$'000	2004 \$'000
Revenue from ordinary activities	2	55,690	52,120
Depreciation and amortisation expense	2	(4,134)	(4,634)
Interest expenses	2	-	(7)
Employee related expenses	2	(36,384)	(34,686)
Occupancy expenses	2	(1,427)	(1,473)
Information technology expenses	2	(2,726)	(2,417)
Other expenses	2	(5,720)	(5,043)
Profit from ordinary activities before income tax expense		5,299	3,860
Income tax (expense)/benefit relating to ordinary activities	3	(1,753)	(1,151)
Net profit from ordinary activities after income tax attributable to members of the corporation	10	3,546	2,709
Net increase in asset revaluation reserve		2,900	-
Total reserves, expenses and valuation adjustments attributable to members of the corporation recognised directly in equity		2,900	-
Total changes in equity other than those arising from transactions with owners as owners		6,446	2,709



Statement of Financial Position as at 30 June 2005

	NOTE	2005 \$'000	2004 \$'000
Current Assets			
Cash assets	15	5,989	6,103
Receivables	4	5,734	5,324
Other assets	5	335	483
Total Current Assets		12,058	11,910
Non-Current Assets			
Property, plant and equipment	6	13,098	11,541
Deferred tax assets		1,797	2,471
Total Non-Current Assets		14,895	14,012
Total Assets		26,953	25,922
Current Liabilities			
Payables	7	2,691	2,244
Provisions	8	4,572	6,435
Total Current Liabilities		7,263	8,679
Non-Current Liabilities			
Deferred tax liabilities	9	1,257	22
Provisions	8	1,754	5,570
Total Non-Current Liabilities		3,011	5,592
Total Liabilities		10,274	14,271
Net Assets		16,679	11,651
Equity			
Contributed equity	10	6,000	6,000
Reserves	11	2,900	-
Retained profits	10	7,779	5,651
Total Equity		16,679	11,651



Statement of Cash Flows

for the year ended 30 June 2005

		2005 \$'000	2004 \$'000
	NOTE	INFLOWS/ (OUTFLOWS)	INFLOWS/ (OUTFLOWS)
Cash Flows From Operating Activities:			
Receipts from clients		60,767	55,874
Payments to suppliers and employees		(56,407)	(49,370)
Income tax paid		(2,101)	(704)
Interest received		259	249
Interest paid		-	(7)
Net cash provided by operating activities	15(c)	<u>2,518</u>	<u>6,042</u>
Cash Flows From Investing Activities:			
Proceeds from sale of property, plant and equipment		13	14
Payments for property, plant and equipment		(1,569)	(2,601)
Net cash used in investing activities		<u>(1,556)</u>	<u>(2,587)</u>
Cash Flows From Financing Activities:			
Repayment of borrowings		-	(3,000)
Dividends Paid		(1,076)	(365)
Net cash used in financing activities		<u>(1,076)</u>	<u>(3,365)</u>
Net Increase/(Decrease) In Cash Held		(114)	90
Cash at the beginning of the financial year		6,103	6,013
Cash At The End Of The Financial Year	15(a)	<u>5,989</u>	<u>6,103</u>



Notes to the Financial Statements for the year ended 30 June 2005

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.



Notes to the Financial Statements for the year ended 30 June 2005 (continued)

(c) Property, Plant and Equipment, and Software

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.

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, a 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 fair value.

Property

Freehold land and buildings purchased in February 2004 were 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 is shown at fair value as at 30 June 2005 based on the valuation of a registered valuer, Valuers Illawarra. The net valuation increment is \$2.9 million after allowing for \$1.24 million of deferred tax liability.

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.

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



Notes to the Financial Statements for the year ended 30 June 2005 (continued)

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.

On 31 March 2005, the corporation transferred all its staff superannuation entitlements in the defined benefit plans to NSW Treasury, and no longer has unfunded superannuation liabilities.

Contributions are made by the economic entity to an employee superannuation fund and are charged as expenses when incurred.

(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.

(g) Cash

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

(h) 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).



Notes to the Financial Statements for the year ended 30 June 2005 (continued)

(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.

(l) Management of the implementation of A-IFRS

For reporting year commencing 1 July 2005, the Board of Superannuation Administration Corporation trading as Pillar Administration will be required to prepare its annual financial statements in accordance with Australian equivalents to International Financial Reporting Standards (A-IFRS).

The Board has overall responsibility for the implementation of A-IFRS and has formed a project team in 2004 to oversee the implementation in accordance with

directives and guidelines from the NSW Treasury. The implementation plan is in three phases as follows:

Phase 1 – Scoping and Impact Analysis. This includes assessment of the application of the A-IFRS framework to the corporation, business impact study, and analysis on impact of individual standards.

Phase 2 – Evaluation and Design. This includes evaluation of accounting policies and procedures, review of controls on business systems, and revise workflows for current and future transactions.

Phase 3 – Implementation and Review. This includes restating the 1 July 2004 opening balances under A-IFRS, review of revised reports, change management, and post implementation review.

As at the date of this financial report, the Board has completed Phase 1 and 2 of the plan, and is in the final stage of Phase 3. The plan completed to date includes the finalisation of the A-IFRS accounting policies that will be adopted from 1 July 2005, restatement of the 1 July 2004 opening balances, the establishment of revised procedures to support the new policies, and the assessment of the likely impact on the financial position and results of the corporation.

Based on the achievements to date, the Board is of the opinion that the corporation is in a position to comply with A-IFRS in the preparation of the financial statements for year ending 30 June 2006.



Notes to the Financial Statements for the year ended 30 June 2005 (continued)

The likely impact of A-IFRS on the results and financial position of the corporation.

AASB 1047 Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards requires disclosure of the likely impacts on the current year result and financial position of the corporation had the financial statements been prepared using A-IFRS, based on the directors' accounting policy decisions current at the date of this financial report.

The corporation's principal activity is to act as administrator for superannuation funds. The following reconciliations outline the likely impact of the relevant A-IFRS standards on the results and financial position of the Corporation. Additional comments are included for the relevant A-IFRS standards. The figures disclosed are management's best estimates of the quantitative impacts as at the date of preparing the 30 June 2005 financial statements. The actual financial effects of transition from Australian Generally Accepted Accounting Principles (AGAAP) to A-IFRS may differ from the estimates disclosed due to:

- ongoing work being undertaken by A-IFRS implementation staff
- changes to A-IFRS that occur after the date of preparation of this report and
- emerging practice and UIG interpretation.



Notes to the Financial Statements for the year ended 30 June 2005 (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(i) Management of the implementation of A-IFRS (continued)

	Note	30/06/05 \$'000	1/7/04 \$'000
Total equity under AGAAP		16,679	11,651
Adjustments to accumulated funds:			
- Liabilities in Defined Benefits Superannuation Scheme	a	-	(2,984)
- Non Current Employee Entitlements	b	33	32
- Income Tax Expenses	c	(7)	(7)
Total adjustments		26	(2,959)
Total Equity under AIFRS		16,705	8,692

ii) Reconciliation of net profit

Year Ended 30 June 2005	Note	\$'000
Net profit under AGAAP		3,546
- Non Current Employee Entitlements	b	1
Net profit under A-IFRS		3,547

iii) Reconciliation of net assets for Year

Year Ended 30 June 2005	Note	\$'000
Net assets under AGAAP		16,679
- Non Current Employee Entitlements	b	33
- Income Tax Expenses	c	(7)
Net assets under A-IFRS		16,705

Note

a) Defined benefit superannuation plans

AASB 119 Employee Benefits requires a reporting entity to recognise the surplus or deficit of defined benefit plans as an asset or liability in the statement of financial position, and all actuarial gains and losses be recognised as profit or loss. The revaluation of the defined benefit plans liabilities as at 1 July 2004 would have increased the liability by \$2,983,698.

On 31 March 2005, the corporation transferred all staff superannuation entitlements in the defined benefit plans to NSW Treasury and hence AASB 119 has no impact on the financial results covered in this financial report.



Notes to the Financial Statements for the year ended 30 June 2005 (continued)

b) Non Current Employee Entitlements

AASB 119 Employee Benefits also require employees entitlements not expected to be discharged within 12 months to be stated at discounted present value. The financial impact of this as at 1 July 2004 would be a credit adjustment of \$31,848.

The cumulative impact on the financial position at 30 June 2005 would be a decrease of non current leave entitlements by \$33,180 and a decrease in leave expenses of \$1,332.

c) Income Tax Accounting

The *AASB 112 Income Taxes* requires recognition and measurement of deferred tax assets and deferred tax liabilities be based on the tax bases and the carrying amounts of the items concerned. The financial impact of this as at 1 July 2004 would be a debit adjustment of \$7,474.

The cumulative impact on the financial position at 30 June 2005 would be to decrease tax assets by \$7,474 and to increase deferred tax liabilities by \$7,474.

d) Property, plant and equipment

Plant and equipment is already recorded and measured in accordance with *AASB 116 Property, Plant and Equipment* and therefore no material change is expected.

Property as at 30 June 2004 was recorded at cost as permitted under specific exemption from the NSW Treasury. The property has been restated at fair value as at 30 June 2005.

e) Intangible Assets

Intangible assets, mainly software, have

already been recorded in accordance with the relevant provisions of *AASB 138 Intangible Assets*, and therefore *AASB 138* has no effect on the 30 June 2005 accounts.

f) Revenue from ordinary activities

The corporation's major revenue is administration fee from the superannuation fund clients and its recognition and measurement will not change under *AASB 118 Revenue*.



Notes to the Financial Statements

for the year ended 30 June 2005 (continued)

2. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES	2005	2004
	\$'000	\$'000
Profit/(loss) from ordinary activities before income tax is stated after crediting the following revenues:		
Operating activities		
Management Fees	53,192	51,288
Interest	259	249
Other	2,239	576
Total Operating Activities	55,690	52,113
Non Operating Activities		
Profit from disposal of property, plant and equipment	-	7
Total Non Operating Activities	-	7
Total Revenues	55,690	52,120
Profit/(loss) from ordinary activities before income tax is stated after charging the following expenses:		
Depreciation and Amortisation Expense		
Software	2,059	2,506
Hardware	1,433	1,546
Other	642	582
Total Depreciation and Amortisation	4,134	4,634
Interest Expense		
Interest paid or payable to NSW Treasury Corporation	-	7
Total interest expense	-	7
Employee Related Expenses		
Salaries and Wages	26,478	24,916
Contractors	5,177	5,739
Redundancies	114	683
Provision for employee entitlements	2,345	2,093
Superannuation contributions	2,476	2,209
	36,590	35,640
Defined benefits funding (surplus)/shortfall		
- employees of predecessor employers	(175)	(810)
- present employees	(31)	(144)
Total employee related expenses	36,384	34,686
Occupancy expenses	1,427	1,473
Information technology maintenance costs	2,726	2,417



Notes to the Financial Statements

for the year ended 30 June 2005 (continued)

2. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES (cont)

	2005 \$'000	2004 \$'000
Other Expenses		
Fees paid to the Audit Office of NSW and their agent:		
- auditing of financial reports	80	86
Member communications	2,769	1,978
Operating lease rentals	123	243
Communications	726	850
Loss on Disposal of fixed asset	8	-
Sundry administration expenses	2,014	1,274
Total Other Expenses	5,720	4,431
Surplus leased space expenses	-	612
Total Other Expense Items	5,720	5,043
Total Expenditure	50,391	48,260

3. INCOME TAX

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	5,299	3,860
Income tax expense calculated at 30% of operating profit	1,589	1,158
Tax Effect of Permanent Differences:		
Non-deductible expenses	99	14
Non-deductible superannuation shortfall	899	-
Prior year adjustments:		
Write back of provision for deferred income tax liability	-	(36)
Future income tax benefit not previously recognised now brought to account	(806)	(68)
	192	(90)
Under provision of income tax in previous year	(28)	83
Income tax expense/(benefit) relating to ordinary activities	1,753	1,151
Income tax expense attributable to operating profit from ordinary activities comprises:		
Provision attributable to current year	1,039	1,341
Decrease in provision for deferred income tax	(8)	(31)
(Increase)/decrease in future income tax benefit	674	(206)
Prior year adjustments:		
Under provision of income tax in previous year	47	83
Increase/(decrease) in provision for deferred income tax	1	(36)
	1,753	1,151



Notes to the Financial Statements

for the year ended 30 June 2005 (continued)

	2005 \$'000	2004 \$'000
4. RECEIVABLES		
Current		
Trade debtors	6,377	6,043
Provision for doubtful debts	(759)	(845)
	<u>5,618</u>	<u>5,198</u>
Other debtors	116	126
	<u>5,734</u>	<u>5,324</u>
5. OTHER ASSETS		
Current		
Prepayments	<u>335</u>	<u>483</u>
6. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings		
Freehold land and building at fair value	7,800	3,724
Less accumulated depreciation	-	19
	<u>7,800</u>	<u>3,705</u>
Software:		
<i>At fair value</i>		
Opening balance	20,164	20,022
Less accumulated depreciation	19,827	17,768
	<u>337</u>	<u>2,254</u>
Computers:		
<i>At fair value</i>		
Opening balance	12,158	12,451
Less accumulated depreciation	9,573	9,784
	<u>2,585</u>	<u>2,667</u>
Other Plant and Equipment:		
<i>At fair value</i>		
Opening balance	4,609	4,558
Less accumulated depreciation	2,233	1,643
	<u>2,376</u>	<u>2,915</u>
Total Software, Computers and Other Plant and Equipment	<u>5,298</u>	<u>7,836</u>
Total Property, Plant and Equipment	<u>13,098</u>	<u>11,541</u>



Notes to the Financial Statements

for the year ended 30 June 2005 (continued)

Movements in Carrying Amounts	2005 \$'000	2004 \$'000
Software:		
<i>At fair value</i>		
Balance at beginning of the year	2,254	4,470
Additions	142	290
Depreciation expense	(2,059)	(2,506)
Carrying amount at the end of the year	<u>337</u>	<u>2,254</u>
Computers:		
<i>At fair value</i>		
Opening balance	2,667	2,728
Additions	1,364	1,504
Disposals	(15)	(19)
Depreciation expense	(1,431)	(1,546)
Carrying amount at the end of the year	<u>2,585</u>	<u>2,667</u>
Land and Buildings:		
<i>At fair value</i>		
Balance at beginning of the year	3,705	3,186
Additions	-	538
Revaluation	4,143	-
Depreciation expense	(48)	(19)
Carrying amount at the end of the year	<u>7,800</u>	<u>3,705</u>
Other Plant and Equipment:		
<i>At fair value</i>		
Opening balance	2,915	2,937
Additions	61	540
Disposals	(5)	-
Depreciation expense	(595)	(562)
Carrying amount at the end of the year	<u>2,376</u>	<u>2,915</u>
7. PAYABLES		
Current		
Trade creditors	2,095	1,480
Other creditors	-	358
GST payable	596	406
	<u>2,691</u>	<u>2,244</u>



Notes to the Financial Statements

for the year ended 30 June 2005 (continued)

8. PROVISIONS	2005 \$'000	2004 \$'000
Current		
Employee entitlements	3,018	3,711
Provision for Income Tax	20	1,036
Declared dividend (refer to Note 140)	1,418	1,076
	<u>4,456</u>	<u>5,823</u>
<i>Claims Provision</i>		
Provision for claims expenses at beginning of year	-	481
Additional provisions recognised during the year	116	-
Payments during the year	-	(481)
Carrying amount at reporting date	<u>116</u>	<u>-</u>
<i>Relocation Provision</i>		
Provision for relocation expenses at beginning of year	-	393
Payments during the year	-	(393)
Carrying amount at reporting date	<u>-</u>	<u>-</u>
<i>Surplus Lease Space Provision</i>		
Surplus leased space at beginning of year	612	489
Payment - write back of provision	(612)	-
Additional provisions recognised during the year	-	123
Carrying amount at reporting date	<u>-</u>	<u>612</u>
	<u>4,572</u>	<u>6,435</u>
Non-Current		
Employee entitlements	1,524	948
Superannuation (refer Note 9)	-	4,392
	<u>1,524</u>	<u>5,340</u>
<i>Provision for Tenancy Make-Good</i>		
Tenancy make-good costs at beginning of year	230	418
Additional provisions recognised during the year	-	-
Payments during the year	-	(188)
Carrying amount at reporting date	<u>230</u>	<u>230</u>
	<u>1,754</u>	<u>5,570</u>
Total employee entitlements	<u>4,542</u>	<u>4,659</u>
Total employee numbers	<u>439</u>	<u>441</u>



Notes to the Financial Statements for the year ended 30 June 2005 (continued)

8. PROVISIONS (CONTINUED)

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).

On 31 March 2005, the corporation fully funded all its staff superannuation entitlements in the defined benefit plans and transferred the entitlements to the NSW Treasury. As the funding shortfall at the transfer date was \$206,100 lower than the shortfall brought forward from 2004, the surplus resulted from the transfer was written back in this year's result.

The funding shortfall included as liability in the 30 June 2004 account was \$4,391,971.

9. DEFERRED INCOME TAX LIABILITY

	2005 \$'000	2004 \$'000
Non Current		
Deferred income tax liability	1,257	22

10. EQUITY

The State Owned Corporations Act 1989 requires the Corporation to have two voting shareholders; the Treasurer and another Minister.

Shares in the Corporation as at 30 June 2005 were held by the Hon. R.J. Carr MP, Premier and the Hon. Dr. A.J. Refshauge, MP Treasurer. Hon. R.J. Carr MP resigned from Parliament on the 3rd August 2005, and Hon. Dr A.J. Refshauge on the 10th August 2005. The Hon. Morris Iemma, MP, Premier and the Hon. Michael Costa MLC Minister of Finance now hold the shares.



Notes to the Financial Statements for the year ended 30 June 2005 (continued)

10. EQUITY (continued)

	2005 \$'000	2004 \$'000
Equity		
Contributed equity	6,000	6,000
Retained profits	7,779	5,651
Total equity at the end of the financial year	13,779	11,651
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	5,651	4,383
Add net profit	3,546	2,709
	9,197	7,092
Less dividends paid and declared	(a) (1,418)	(1,441)
Closing balance	7,779	5,651

(a) Note: Dividends payable NSW Treasury is set at a target of 40% of the net profit from ordinary activities after income tax.

11. RESERVES

Asset Revaluation Reserve	2,900	-
Balance at beginning of Financial year	-	-
Revaluation increment arising on revaluing freehold land and buildings to fair value	4,143	-
Deferred tax liability arising on revaluation	(1,243)	-
Balance at end of financial period	2,900	-

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):

Payable not later than one year	1,442	2,162
Payable later than one year and not later than five years	1,796	1,301
	3,238	3,463



Notes to the Financial Statements

for the year ended 30 June 2005 (continued)

Included in the lease commitments are non-cancellable leases with terms between two and a half years and four years. These leases also provide Pillar with option to renew for up to four years.

Rent is payable monthly in advance.

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 2005 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 (term completed on 19/10/2004)
 Ms G Roper
 Mr D Snow
 Mr P Cormack (CEO) (term commenced 17/7/2004)
 Mr P Small (term commenced 25/02/2005)

(b) Remuneration to Directors

	2005 \$'000	2004 \$'000
Income paid or payable to the directors of the corporation	<u>547</u>	<u>760</u>

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

	2005 NUMBERS	2004 NUMBERS
Remuneration (including superannuation contributions) of:		
\$10,000 - \$19,999	3	-
\$30,000 - \$39,999	1	-
\$40,000 - \$49,999	3	5
\$70,000 - \$79,999	1	1
\$250,000 - \$259,999	1	-
\$450,000 - \$459,999	-	1
	<u>9</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

	2005 \$'000	2004 \$'000
Remuneration paid to SAC executive officers and technical specialists the equivalent of SES level 1 or above	<u>1,357</u>	<u>2,374</u>



Notes to the Financial Statements

for the year ended 30 June 2005 (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) :

	2005 NUMBERS	2004 NUMBERS
\$120,000 - \$129,999	-	1
\$130,000 - \$139,999	1	2
\$140,000 - \$149,999	-	1
\$150,000 - \$159,999	1	2
\$160,000 - \$169,999	-	1
\$170,000 - \$179,999	1	1
\$180,000 - \$189,999	1	-
\$190,000 - \$199,999	-	1
\$200,000 - \$209,999	1	-
\$210,000 - \$219,999	-	1
\$220,000 - \$229,999	-	1
\$240,000 - \$249,999	1	-
\$250,000 - \$259,999	1	-
\$450,000 - \$459,999 *	-	1
	<u>7</u>	<u>12</u>

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

14. ECONOMIC DEPENDENCY

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

15. CASH FLOW INFORMATION

(a) Reconciliation of Cash

	2005 \$'000	2004 \$'000
Cash at bank	<u>5,989</u>	<u>6,103</u>

Call deposits with banks are earning interest at current bank deposit rates. The effective interest rate earned for the year was 4.68% (2004: 4.75%).

(b) Financing Facilities

SAC has a \$10.6 million loan facility from NSW T-Corp as at 30 June 2005. The loan facility was not utilised as at 30 June 2005.



Notes to the Financial Statements

for the year ended 30 June 2005 (continued)

(c) Reconciliation of Cash Flows from Operations with Profit from ordinary activities after Income Tax:	2005 \$'000 INFLOWS/ (OUTFLOWS)	2004 \$'000 INFLOWS/ (OUTFLOWS)
Net Profit from ordinary activities after related Income Tax (Expense)/Benefit	3,546	2,709
<u>Non-cash flows in profit from ordinary activities:</u>		
Depreciation expense	4,134	4,634
(Profit)/ Loss on disposal of plant and equipment	8	(7)
	<u>7,688</u>	<u>7,336</u>
Changes in Assets and Liabilities:		
<u>(Increase)/decrease in assets:</u>		
Receivables	(325)	(933)
Other assets	148	(158)
Deferred tax assets	674	(206)
<u>Increase/(decrease) in liabilities:</u>		
Trade creditors	257	117
GST payable	190	(285)
Provision for employee entitlements	(117)	1,067
Provision for relocation	-	(393)
Provision for superannuation	(4,392)	(954)
Provision for surplus lease property	(612)	123
Provision for tenancy make-good costs	-	(189)
Provisions for claims	116	(481)
Provision for doubtful debts	(86)	343
Provision for Income Tax	(1,016)	721
Deferred tax liabilities	(7)	(66)
	<u>(5,170)</u>	<u>(1,294)</u>
Net Cash Provided by Operating Activities	<u>2,518</u>	<u>6,042</u>



Notes to the Financial Statements for the year ended 30 June 2005 (continued)

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

Registered office and principal place of business:

Level 18
83 Clarence Street
Sydney NSW 2000

— End of Financial Statements —



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