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Superannuation Administration Corporation trading as

Pillar Administration

Annual Report 2006/07

Part C – Audited Financial Statements

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Independent Auditor's Report

SUPERANNUATION ADMINISTRATION CORPORATION (TRADING AS PILLAR ADMINISTRATION)

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Superannuation Administration Corporation (the Corporation) which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- ❖ presents fairly, in all material aspects, the financial position of the Corporation as at 30 June 2007, and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), and
- ❖ is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the *Public Finance and Audit Regulation 2005*.

Board's Responsibility for the Financial Report

The Board of the Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud and error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements in relation to audit engagements and plan and perform the audit to obtain reasonable assurance 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 upon the auditor's judgement, including the assessment of 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 and fair presentation of the financial report 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 the Corporation, as well as evaluating the overall presentation of the financial report.

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 Corporation,
- that they have carried out its activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Independence

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

- providing that only Parliament, and not the executive government, can remove an Auditor-General, 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.

B Oyetunji

Director, Financial Audit Services

SYDNEY

19 October 2007

Directors' Declaration for the Year ended 30 June 2007

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

- (a) the financial statements as set out in pages 48 to 65:
 - (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 2005* 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

Philip Small
Director and Chairman of the Audit Committee
Superannuation Administration Corporation

Peter Cormack
Director and Chief Executive Officer
Superannuation Administration Corporation

Eric Lo
General Manager Finance and Administration
Superannuation Administration Corporation

12 October 2007

Income Statement for the Year ended 30 June 2007

	NOTE	2007 \$'000	2006 \$'000
Continuing Operations			
Revenue	2	57,687	54,936
Depreciation and amortisation expense	2	(2,375)	(2,097)
Employee benefits expense	2	(38,499)	(34,397)
Occupancy expenses		(1,822)	(1,657)
Information technology expenses		(3,637)	(2,696)
Other expenses	2	(9,313)	(9,818)
Profit before income tax		2,041	4,271
Income tax expense	3	(718)	(1,747)
Profit attributable to members of the corporation		1,323	2,524

The accompanying notes form an integral part of this Income Statement.

Balance Sheet as at 30 June 2007

	NOTE	2007 \$'000	2006 \$'000
Current Assets			
Cash and cash equivalents	15	6,951	6,256
Trade and other receivables	4	8,199	7,456
Other current assets	5	830	506
Total Current Assets		15,980	14,218
Non-Current Assets			
Property, plant and equipment	6	12,552	13,196
Deferred tax assets	3(b)	1,888	1,662
Total Non-Current Assets		14,440	14,858
Total Assets		30,420	29,076
Current Liabilities			
Trade and other payables	7	3,825	3,258
Short term provisions	8	6,345	5,736
Total Current Liabilities		10,170	8,994
Non-Current Liabilities			
Deferred tax liabilities	9	1,261	1,263
Long term provisions	8	498	795
Total Non-Current Liabilities		1,759	2,058
Total Liabilities		11,929	11,052
Net Assets		18,491	18,024
Equity			
Issued capital	10	6,000	6,000
Reserves		2,900	2,900
Retained earnings		9,591	9,124
Total Equity		18,491	18,024

The accompanying notes form an integral part of this Balance Sheet.

Statement of Changes in Equity for the Year ended 30 June 2007

	2007 \$'000	2006 \$'000
Total equity at the beginning of the financial year	18,024	16,705
Gain on revaluation of land and buildings net of tax	-	-
Net income recognised direct to equity	-	-
Profit for the year	1,323	2,524
Dividend *	(856)	(1,205)
Total equity at the end of the financial year	18,491	18,024

* Note: Dividend payable - NSW Treasury has set a target of 60% (40% 2006) of the net profit from ordinary activities after income tax.

The accompanying notes form an integral part of this Statement of Changes in Equity.

Cash Flow Statement for the Year ended 30 June 2007

	2007 \$'000	2006 \$'000
NOTE	INFLOWS/ (OUTFLOWS)	INFLOWS/ (OUTFLOWS)
Cash Flows From Operating Activities:		
Receipts from customers	62,290	59,021
Payments to suppliers and employees	(58,126)	(53,338)
Income tax paid	(784)	(1,971)
Interest received	252	250
Net cash provided by operating activities	15(c) 3,632	3,962
Cash Flows From Investing Activities:		
Proceeds from sale of property, plant and equipment	5	6
Purchase of property, plant and equipment	(1,738)	(2,283)
Net cash used in investing activities	(1,733)	(2,277)
Cash Flows From Financing Activities:		
Dividends Paid	(1,204)	(1,418)
Net cash used in financing activities	(1,204)	(1,418)
Net Increase In Cash Held	695	267
Cash at the beginning of the financial year	6,256	5,989
Cash at the end of the financial year	15(a) 6,951	6,256

The accompanying notes form an integral part of this Cash Flow Statement.

Notes to the Financial Statements for the Year ended 30 June 2007

1. SIGNIFICANT 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. It is domiciled in NSW Australia and its registered office address is at Level 18, 83 Clarence Street, Sydney, NSW 2000.

The financial statements of Superannuation Administration Corporation for the financial year ended 30 June 2007 were authorised for issue in accordance with a resolution of the Board of Directors on 5 October 2007.

(a) 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 2005* and the Treasurer's Directions. They also comply with applicable Australian Accounting Standards, other authoritative announcements of the Australian Accounting Standards Board and Interpretations.

The 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.

All amounts are expressed in Australian Dollars which is the company's functional and presentation currency.

(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 adopts as far as practicable the Commonwealth Income Tax Assessment Acts 1936 and 1997 (as amended) as the basis for determining taxation liability and tax-effect accounting. The liability method of tax-effect accounting is adopted.

The change for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect to temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred tax is credited to the income statement.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary difference can be utilised.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Income Tax (continued)

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Property, Plant and Equipment

Acquisitions and Capitalisation

All items of 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 Balance Sheet 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, considered to be an integral part of computer hardware, 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 and/or impairment loss.

Property

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 2007 based on the valuation of an independent registered valuer, Valuers Illawarra, dated 5 July 2005. The net valuation increment was \$2.9 million after allowing for \$1.24 million of deferred tax liability. The directors reviewed the market value appraisal of the property as at 30 June 2007 and considered the last independent valuation continues to be the appropriate valuation. The appraisal was provided by Valuers Illawarra.

Plant and equipment

Plant and equipment is measured on the fair value basis, less depreciation and impairment losses.

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 been discounted to present values in determining recoverable amounts. Computer software that meets the asset recognition criteria has been included as plant and equipment as the directors consider that the software is an integral part of the computer systems.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment (continued)

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 Income Statement 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 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 liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds in accordance with NSW Treasury policy.

Superannuation

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) Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(g) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash includes cash on hand and deposits held at call with banks.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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).

(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 Cash Flow Statement with applicable goods and services tax.

(l) Leases

Lease payments for operating leases, where substantially all of the risk and benefit remain with the lessor, are charged as expenses in the period to which they are incurred. Lease incentives for leased property are accounted for as a liability and are amortised on a straight line basis over the lease term in accordance with AASB Interpretation 115 Operating Leases – Incentives.

Tenancy make good expenses are recognised as a liability. The amount is reviewed each year.

(m) Impairment of Assets

Assets are reviewed for impairment at each reporting date and whenever events or change in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely dependent on the cash flows from other assets of the groups of assets (cash generating units). Non financial assets that suffered an impairment are reviewed for possible reversal of previous impairment losses at each reporting date.

(n) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) New Accounting Standards and Interpretations

The company has not early adopted any new accounting standards or Interpretations, however after reviewing the new releases, it has been determined that should early adoption have been made there would be no material impact on the calculation of numbers reported and only minor impact to additional disclosures.

(p) Dividends

Dividends payable to the NSW Treasury is set at a target of 60% (40% 2006) of the net profit after income tax.

(q) Use of estimate and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimate and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 6 Property, Plant and Equipment

2. PROFIT FOR THE YEAR	2007	2006
	<u>\$'000</u>	<u>\$'000</u>
(a) REVENUE		
Operating activities		
Administration Fees	52,740	51,794
Interest revenue - other corporations	248	315
Other income	4,699	2,827
Total Operating Activities	<u>57,687</u>	<u>54,936</u>
Total Revenues	<u>57,687</u>	<u>54,936</u>
(b) EXPENSES		
Depreciation and Amortisation Expense		
Software	251	108
Hardware	1,255	1,300
Other non-current assets	869	689
Total Depreciation and Amortisation	<u>2,375</u>	<u>2,097</u>
Employee Benefit Expenses		
Salaries and Wages	32,772	29,235
Redundancies	11	2
Provision for employee entitlements	2,709	2,603
Superannuation contributions	3,007	2,557
Total employee benefit expenses	<u>38,499</u>	<u>34,397</u>
Other Expenses		
Fees paid to the Audit Office of NSW and their agent:		
- auditing of financial reports	91	101
Member communications	3,573	3,341
Operating lease – minimum lease payments	1,083	1,107
Communications	919	830
Loss on Disposal of fixed asset	2	82
Sundry administration expenses	905	39
Contractors	2,740	4,318
Total Other Expenses	<u>9,313</u>	<u>9,818</u>

	2007	2006
	\$'000	\$'000
3. INCOME TAX		
(a) The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie tax payable on profit before income tax at 30% (2006: 30%)	<u>612</u>	<u>1,281</u>
Tax effect of:		
Non-deductible expenses	34	53
Under provision of income tax in previous year	<u>72</u>	<u>413</u>
Income tax expense	<u>718</u>	<u>1,747</u>
 The components of tax expense comprise:		
Current tax	873	1,200
Deferred tax	<u>(227)</u>	<u>134</u>
Under provision of income tax in previous year	<u>72</u>	<u>413</u>
	<u>718</u>	<u>1,747</u>
 (b) Deferred tax assets		
The balance comprises temporary difference attributable to:		
Employee benefits	1,553	1,481
Tenancy make good	86	68
Lease incentives	24	48
Doubtful debts	61	-
Other Provisions	<u>164</u>	<u>65</u>
	<u>1,888</u>	<u>1,662</u>
 4. TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables	8,161	6,863
Provision for impairment of receivables	<u>(205)</u>	<u>(231)</u>
	<u>7,956</u>	<u>6,632</u>
Income tax receivable	175	337
Other receivables	<u>68</u>	<u>487</u>
	<u>8,199</u>	<u>7,456</u>
 5. OTHER ASSETS		
Current		
Prepayments	<u>830</u>	<u>506</u>

6. PROPERTY, PLANT AND EQUIPMENT

	2007 \$'000	2006 \$'000
Land and Buildings		
Freehold land and building at independent valuation 2005 Note 1(c)	7,800	7,800
Less accumulated depreciation	(202)	(101)
	7,598	7,699
 If freehold land and buildings were stated at historical cost basis, the amounts would be as follows:		
At Cost	3,724	3,724
Accumulated Depreciation	(162)	(114)
	3,562	3,610
 Software:		
<i>At fair value</i>		
Opening balance	21,387	20,537
Accumulated depreciation	(20,186)	(19,935)
	1,201	602
 Computer Equipment:		
<i>At fair value</i>		
Opening balance	11,787	13,438
Accumulated depreciation	(9,652)	(10,858)
	2,135	2,580
 Plant and Equipment:		
<i>At fair value</i>		
Opening balance	4,520	4,578
Accumulated depreciation	(2,902)	(2,263)
	1,618	2,315
Total Software, Computers and Other Plant and Equipment	4,954	5,497
Total Property, Plant and Equipment	12,552	13,196
 Movements in Carrying Amounts		
Software:		
Balance at beginning of the year	602	337
Additions	850	373
Depreciation expense	(251)	(108)
Carrying amount at the end of the year	1,201	602
 Computer Equipment:		
Opening balance	2,580	2,585
Additions	811	1,296
Disposals	(1)	(1)
Depreciation expense	(1,255)	(1,300)
Carrying amount at the end of the year	2,135	2,580
 Land and Buildings:		
Balance at beginning of the year	7,699	7,800
Revaluation increment	-	-
Depreciation expense	(101)	(101)
Carrying amount at the end of the year	7,598	7,699

6. PROPERTY, PLANT & EQUIPMENT (continued)	2007 \$'000	2006 \$'000
Other Plant and Equipment:		
Opening balance	2,315	2,376
Additions	78	614
Disposals	(7)	(87)
Depreciation expense	(768)	(588)
Carrying amount at the end of the year	<u>1,618</u>	<u>2,315</u>
7. TRADE AND OTHER PAYABLES		
Current unsecured liabilities		
Trade payables	1,839	2,663
GST payable	880	595
Unearned revenue	895	
Sundry payables	211	
	<u>3,825</u>	<u>3,258</u>
8. PROVISIONS		
Current		
<i>Employee entitlements</i>		
Provision for Employee entitlements at beginning of year	4,452	3,018
Additional provisions raised during the year	3,028	4,005
Amounts used	(2,070)	(2,571)
Carrying amount at reporting date	<u>5,410</u>	<u>4,452</u>
<i>Declared dividend</i>		
Provision at beginning of year	1,205	1,418
Additional provisions raised during the year	856	1,205
Amounts used	(1,205)	(1,418)
Carrying amount at reporting date	<u>856</u>	<u>1,205</u>
<i>Claims Provision</i>		
Provision for claims expenses at beginning of year	-	116
Additional provisions raised during the year	-	-
Amounts used	-	(116)
Carrying amount at reporting date	<u>-</u>	<u>-</u>
<i>Lease Incentives</i>		
Unamortised Incentives at beginning of year	79	-
Additional Incentives recognised during the year	-	79
Amounts amortised	-	-
Carrying amount at reporting date	<u>79</u>	<u>79</u>
Total Current Provisions	<u>6,345</u>	<u>5,736</u>
Non-Current		
<i>Employee entitlements</i>		
Provision for Employee entitlements at beginning of year	426	1,491
Additional provisions raised during the year	-	-
Amounts used	(218)	(1,065)
Carrying amount at reporting date	<u>208</u>	<u>426</u>

8. PROVISIONS (continued)	2007	2006
Non-Current (continued)	\$'000	\$'000
<i>Lease Incentives</i>		
Unamortised Incentives at beginning of year	79	-
Additional Incentives recognised during the year	-	79
Amounts amortised	(79)	-
Carrying amount at reporting date	<u>-</u>	<u>79</u>
<i>Provision for Tenancy Make-Good</i>		
Tenancy make-good costs at beginning of year	290	230
Additional provisions recognised during the year	-	60
Payments during the year	-	-
Carrying amount at reporting date	290	290
Total Non – Current Provisions	498	795
Total employee entitlements	5,618	4,878
Total employee numbers	548	501

9. TAX
Non Current

Deferred tax liability

The balance comprises temporary differences attributable to:

Amounts recognised direct in income statement:

Accrued Interest Income	19	21
Amounts recognised direct in equity:		
Revaluation of Property	1,242	1,242
	1,261	1,263

10. ISSUED CAPITAL

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 2006 were held by the Hon. Michael Costa MLC, Treasurer, and the Hon. Robert Debus MP, Attorney General. At the general election in March 2007 Mr Debus retired. The shares in the Corporation are now held by the Hon Michael Costa MLC, Treasurer and Mr John Della Bosca MLC, Minister for Education and Training.

Equity

Contributed equity	<u>6,000</u>	6,000
Total equity at the end of the financial year	6,000	6,000

Movement in contributed equity

Balance at beginning of the financial year	6,000	6,000
Add/less movement	-	-
Balance at the end of the financial year	6,000	6,000

	2007 \$000	2006 \$000
11. RESERVES		
Asset Revaluation Reserve		
Balance at beginning of the reporting period	2,900	2,900
Revaluation of Property (Note 1c)	-	-
	2,900	2,900
Balance at end of reporting period	2,900	2,900

The asset revaluation reserve records revaluations of non current assets.

12. CAPITAL AND LEASE COMMITMENTS

Operating Lease Commitments

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

Payable - minimum lease payments		
- not later than one year	1,357	1,114
- greater than one year and less than five years	1,164	904
	2,521	2,018
	2,521	2,018

Included in the lease commitments are non-cancellable leases with terms between one and a half years and four years.

These leases also provide Pillar with an option to renew for up to four years.

Rent is payable monthly in advance.

13. RELATED PARTIES

(a) Directors and Key Management Personnel

The names of the Board Members of SAC in office during the year ended 30 June 2007 and up to the date of signing these financial statements are as follows:

Directors:

Prof. R Walker (Chairman) (resigned on 15 June 07)

Dr. Col Gellatly (appointed as Chairman on 18 June 2007)

Mr N Davis

Ms E Crestani

Ms G Roper

Mr P Cormack (CEO)

Mr D Snow (term expired 28 February 2007)

Mr P Small

13. RELATED PARTIES (continued)

(a) Directors and Key Management Personnel (continued)

In addition to Directors and CEO disclosed above, the names of the Key Management Personnel of SAC in office during the year ended 30 June 2007 and up to the date of signing these financial statements are as follows:

Ms F. Abercrombie	General Manager – Information Technology
Ms J. Byrne	Company Secretary
Mr E. Lo	General Manager – Finance & Administration
Mr M. Saunders	General Manager – Human Resources (retired 4 Aug 2006)
Mr M. Luciano	General Manager – Marketing & Business Development
Ms M. V – Mason	General Manager – Human Resources (appointed 8 Aug 2006)
Mr John Trent	General Manager – Projects and Transition (appointed 11 December 2006)

(b) Compensation of Directors and Key Management Personnel	2007	2006
	\$	\$
Short Term Benefits – (Salaries, Directors Fees, Bonuses)	1,392,195	1,355,896
Post Employments Benefits-Superannuation	315,407	252,261
Termination Benefits	1,787	25,744
	<u>1,709,389</u>	<u>1,633,901</u>

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

14. ECONOMIC DEPENDENCY

The majority of SAC's business revenue comes from two clients.

15. CASH FLOW INFORMATION

	2007	2006
	\$'000	\$'000
(a) Reconciliation of Cash		
Cash at bank	6,951	6,256

Call deposits with banks are earning interest at current bank deposit rates. The effective interest rate earned for the year was 5.17% (2006: 4.29%).

(b) Financing Facilities

SAC did not have credit facility as at 30 June 2007.

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

	INFLOWS/ (OUTFLOWS)	INFLOWS/ (OUTFLOWS)
Profit after Income Tax	1,323	2,524
<u>Non –cash flows adjustments:</u>		
Depreciation expense	2,375	2,097
Loss on disposal of plant and equipment	2	82
	3,700	4,703
Changes in Assets and Liabilities:		
<u>(Increase)/decrease in assets:</u>		
Receivables	(879)	(858)
Other assets	(324)	(171)
Deferred tax assets	(227)	135
<u>Increase/(decrease) in liabilities:</u>		
Trade creditors	568	571
GST payable		-
Provision for employee entitlements	738	368
Provision for lease Incentives	(80)	160
Provision for tenancy make-good costs	-	(60)
Provision for doubtful debts	(26)	(528)
Provision for income Tax	163	(357)
Deferred tax liabilities	(1)	(1)
	(68)	(741)
Net Cash Flow from Operations	3,632	3,962

16. SEGMENT REPORTING

SAC operates in the financial services industry in Australia.

17. SUBSEQUENT EVENTS

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 110 'Events After the Balance Sheet Date'.

18. CONTINGENT ASSETS AND LIABILITIES

At balance date and up to the signing of these financial statements there are no known contingent assets or contingent liabilities.

— End of Financial Statements —