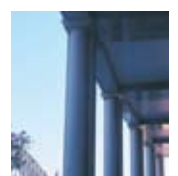


Superannuation Administration Corporation
trading as

Pillar Administration

Annual Report 2007/08



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 2008, 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 2008, and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations),
- 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*.

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

Directors' Responsibility for the Financial Report

The Directors 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 controls 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 controls relevant to the Corporation'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 Corporation's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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 it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its 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 requirements. 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.



A Oyetunji

Director, Financial Audit Services

SYDNEY

17 October 2008

Directors' Declaration for the Year ended 30 June 2008

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

- (a) the financial statements as set out in pages C4 to C23:
 - (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.

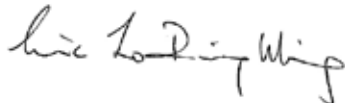
Signed in accordance with a resolution of the Board of Directors



Dr. Col Gellatly
Chairman
Superannuation Administration Corporation



Peter Beck
Chief Executive Officer
Superannuation Administration Corporation



Eric Lo
General Manager Finance and Administration
Superannuation Administration Corporation

Date: 17 October 2008

Income Statement for the Year ended 30 June 2008

| | NOTE | <u>2008</u> \$'000 | <u>2007</u> \$'000 |
|--|------|-----------------------|-----------------------|
| Continuing Operations | | | |
| Revenue | 2 | 65,383 | 57,687 |
| Depreciation and amortisation expense | 2 | (2,224) | (2,375) |
| Employee benefits expense | 2 | (44,000) | (38,499) |
| Occupancy expenses | | (2,298) | (1,822) |
| Information technology expenses | | (4,032) | (3,637) |
| Other expenses | 2 | (9,456) | (9,313) |
| Profit before income tax | | 3,373 | 2,041 |
| Income tax expense | 3(a) | (1,028) | (718) |
| Profit attributable to shareholders of the corporation | | 2,345 | 1,323 |

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

Balance Sheet as at 30 June 2008

| | NOTE | 2008 \$'000 | 2007 \$'000 |
|--------------------------------------|---------|----------------|----------------|
| Current Assets | | | |
| Cash and cash equivalents | 16(a) | 8,354 | 6,951 |
| Trade and other receivables | 4 | 7,442 | 8,199 |
| Other current assets | 5 | 825 | 830 |
| Total Current Assets | | 16,621 | 15,980 |
| Non-Current Assets | | | |
| Property, plant and equipment | 6(a) | 12,423 | 11,351 |
| Intangibles | 6(b) | 1,742 | 1,201 |
| Deferred tax assets | 3(b) | 2,493 | 1,888 |
| Total Non-Current Assets | | 16,658 | 14,440 |
| Total Assets | | 33,279 | 30,420 |
| Current Liabilities | | | |
| Trade and other payables | 7 | 2,286 | 3,825 |
| Provisions | 8 | 8,131 | 6,345 |
| Total Current Liabilities | | 10,417 | 10,170 |
| Non-Current Liabilities | | | |
| Deferred tax liabilities | 3(c), 9 | 1,941 | 1,261 |
| Provisions | 8 | 643 | 498 |
| Total Non-Current Liabilities | | 2,584 | 1,759 |
| Total Liabilities | | 13,001 | 11,929 |
| Net Assets | | 20,278 | 18,491 |
| Equity | | | |
| Issued capital | 10 | 6,000 | 6,000 |
| Reserves | 11 | 3,743 | 2,900 |
| Retained earnings | | 10,535 | 9,591 |
| Total Equity | | 20,278 | 18,491 |

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

Statement of Changes in Equity for the Year ended 30 June 2008

| | 2008 \$'000 | 2007 \$'000 |
|--|----------------|----------------|
| Total equity at the beginning of the financial year | 18,491 | 18,024 |
| Gain on revaluation of land and buildings net of tax | 842 | - |
| Net income recognised direct to equity | 842 | - |
| Profit for the year | 2,345 | 1,323 |
| Dividend * | (1,400) | (856) |
| Total equity at the end of the financial year | 20,278 | 18,491 |

*Note: Dividend payable - NSW Treasury has set a target of 60% (60% 2007) 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 2008

| | | 2008 \$'000 | 2007 \$'000 |
|---|-------|--------------------------------|--------------------------------|
| | NOTE | <u>INFLOWS/ (OUTFLOWS)</u> | <u>INFLOWS/ (OUTFLOWS)</u> |
| Cash Flows From Operating Activities: | | | |
| Receipts from customers | | 72,058 | 62,290 |
| Payments to suppliers and employees | | (67,024) | (58,126) |
| Income tax paid | | (1,088) | (784) |
| Income tax refunded | | 529 | - |
| Interest received | | 416 | 252 |
| Net cash provided by operating activities | 16(c) | <u>4,891</u> | <u>3,632</u> |
| Cash Flows From Investing Activities: | | | |
| Proceeds from sale of property, plant and equipment | | 3 | 5 |
| Purchase of property, plant and equipment | | (2,635) | (1,738) |
| Net cash used in investing activities | | <u>(2,632)</u> | <u>(1,733)</u> |
| Cash Flows From Financing Activities: | | | |
| Dividends Paid | | (856) | (1,204) |
| Net cash used in financing activities | | <u>(856)</u> | <u>(1,204)</u> |
| Net Increase In Cash Held | | 1,403 | 695 |
| Cash at the beginning of the financial year | | <u>6,951</u> | <u>6,256</u> |
| Cash at the end of the financial year | 16(a) | <u>8,354</u> | <u>6,951</u> |

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

Notes to the Financial Statements for the Year ended 30 June 2008

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.

Statement of Compliance

The financial statements form a general purpose financial report and are prepared in accordance with the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's Directions. They also comply with applicable Australian Accounting Standards, Australian equivalents to International Financial Reporting Standards (A-IFRS) and other authoritative announcements of the Australian Accounting Standards Board and Interpretations.

The financial statements of Superannuation Administration Corporation for the financial year ended 30 June 2008 were authorised for issue in accordance with a resolution of the Board of Directors on 17 October 2008.

(a) Basis of Preparation

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.

Use of Judgements and Estimates

In the application of Accounting Standards, including A-IFRS, management is required to make judgements, estimates and assumptions about net market values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting Standards Issued, But Not Yet Effective

At the date of authorisation of the financial statements, the following Standards which are expected to be relevant to SAC were in issue but not yet effective.

The directors anticipate the adoption of these Standards will have no material financial impact on the financial statements of SAC.

- AASB 8 Operating Segments replaces the requirements of segment disclosures in AASB 114 Segment Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009.
- AASB 101 Presentation of Financial Statements has been revised to update presentation in line with IAS 1. AASB 101 applies to annual reporting periods on or after 1 January 2009.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation (continued)

Accounting Standards Issued, But Not Yet Effective (continued)

- AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101. AASB 2007-8 applies to annual reporting periods beginning on or after 1 January 2009.

(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 charge 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 recognised as an expense or income in the income statement.

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

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) (i) 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 threshold value is determined and reviewed by the Audit & Risk Management Committee of the Board.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) (i) Property, Plant and Equipment (continued)

Acquisitions and Capitalisation (continued)

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 2008 based on the valuation of an independent registered valuer, Valuers Illawarra, dated 7 July 2008. The net valuation increment was \$0.84 million after allowing for \$0.36 million of deferred tax liability.

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.

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.

(c) (ii) Intangibles

Acquisitions and Capitalisation

All items 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) (ii) Intangibles (continued)

Acquisitions and Capitalisation (continued)

The materiality test also applies to the asset recognition criteria. In general the recognition threshold for software, considered to be an integral part of computer hardware, is \$100,000. The threshold value is determined and reviewed by the Audit & Risk Management 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.

Software

Software is measured at cost, less depreciation and impairment losses.

The carrying amount of intangibles 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.

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 are amortised on a straight-line basis over their estimated economic useful lives. The estimates of economic useful lives are reviewed annually, taking into account commercial and technical obsolescence. The expected economic useful life of software ranges from 2 to 4 years.

(d) Employee Benefits

Annual Leave

The provisions for employee benefits 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) Rounding

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 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.

(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% (60% 2007) of the net profit after income tax.

2. PROFIT FOR THE YEAR

| | <u>2008</u> <u>\$'000</u> | <u>2007</u> <u>\$'000</u> |
|---|------------------------------|------------------------------|
| a) REVENUE | | |
| Operating activities | | |
| Administration Fees | 57,200 | 52,740 |
| Interest revenue – other corporations | 417 | 248 |
| Profit on disposal of fixed asset | 2 | - |
| Other income | <u>7,764</u> | <u>4,699</u> |
| Total Operating Activities | <u>65,383</u> | <u>57,687</u> |
| Total Revenues | <u>65,383</u> | <u>57,687</u> |
| b) EXPENSES | | |
| Depreciation and Amortisation Expense | | |
| Software | 389 | 251 |
| Hardware | 1,080 | 1,255 |
| Other non-current assets | <u>755</u> | <u>869</u> |
| Total Depreciation and Amortisation | <u>2,224</u> | <u>2,375</u> |
| Employee Benefit Expenses | | |
| Salaries and Wages | 36,999 | 32,772 |
| Redundancies | 164 | 11 |
| Provision for employee benefits | 3,290 | 2,709 |
| Superannuation contributions | <u>3,547</u> | <u>3,007</u> |
| Total employee benefit expenses | <u>44,000</u> | <u>38,499</u> |
| Other Expenses | | |
| Member communications | 4,280 | 3,573 |
| Contractors | 1,967 | 2,741 |
| Communications | 987 | 919 |
| Postage | 847 | 761 |
| Insurance | 408 | 428 |
| Printing | 235 | 158 |
| Operating lease – minimum lease payments | 95 | 122 |
| Loss on disposal of fixed asset | - | 2 |
| Fees paid to the Audit Office of NSW and their agent: | | |
| - auditing of financial reports | 80 | 91 |
| Sundry administration expenses | <u>557</u> | <u>518</u> |
| Total Other Expenses | <u>9,456</u> | <u>9,313</u> |

3. INCOME TAX

| | | |
|--|---------------|--------|
| | 2008 | 2007 |
| | \$'000 | \$'000 |
| | <hr/> | <hr/> |

(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% (2007: 30%) | <u>1,012</u> | <u>612</u> |
|--|--------------|------------|

Current:

| | | |
|---|--------------|------------|
| Non-deductible expenses | 12 | 34 |
| (Over)/Under provision of income tax in previous year | <u>(9)</u> | <u>72</u> |
| Total Current Tax | <u>1,015</u> | <u>718</u> |

Deferred:

Deferred tax expense/(income) related to the origination and reversal of temporary differences:

| | | |
|-------------------------------------|--------------|------------|
| Prepayments | (248) | - |
| Property, plant and equipment | <u>261</u> | <u>-</u> |
| Total Deferred Tax expense/(income) | <u>13</u> | <u>-</u> |
| Income tax expense/(benefit) | <u>1,028</u> | <u>718</u> |

(b) Deferred tax assets

The balance comprises temporary differences attributable to:

| | 1 July 2007 | Charged to income | 30 June 2008 |
|---------------------|----------------|----------------------|-----------------|
| Employee benefits | 1,685 | 246 | 1,931 |
| Accrued expenses | 23 | 162 | 185 |
| Other provisions | 180 | (50) | 130 |
| Prepaid expenditure | <u>-</u> | <u>247</u> | <u>247</u> |
| | <u>1,888</u> | <u>605</u> | <u>2,493</u> |

(c) Deferred Tax Liabilities

The balance comprises temporary differences attributable to:

Amounts recognised direct to income statement:

| | 1 July 2007 | Charged to income | 30 June 2008 |
|-------------------------|----------------|----------------------|-----------------|
| Fixed Assets | - | 309 | 309 |
| Accrued Interest Income | 19 | 10 | 29 |

Amounts recognised directly in equity:

| | 1 July 2007 | Charged to equity | 30 June 2008 |
|------------------------------|----------------|----------------------|-----------------|
| Revaluation of Property | <u>1,242</u> | <u>361</u> | <u>1,603</u> |
| Total Deferred Tax Liability | <u>1,261</u> | <u>680</u> | <u>1,941</u> |

4. TRADE AND OTHER RECEIVABLES

| | 2008 | 2007 |
|---|---------------|--------|
| | \$'000 | \$'000 |
| Current | | |
| Trade receivables | 7,413 | 8,161 |
| Provision for impairment of receivables | (75) | (205) |
| | 7,338 | 7,956 |
| Income tax receivable | - | 175 |
| Other receivables | 104 | 68 |
| | 7,442 | 8,199 |

5. OTHER ASSETS**Current**

| | | |
|-------------|------------|-----|
| Prepayments | 825 | 830 |
|-------------|------------|-----|

6.(a) PROPERTY, PLANT AND EQUIPMENT**Land and Buildings**

| | | | |
|--|-----------|--------------|-------|
| Freehold land and building at independent valuation 2008 | Note 1(c) | 8,700 | 7,800 |
| Less accumulated depreciation | | - | (202) |
| | | 8,700 | 7,598 |

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 | | (209) | (162) |
| | | 3,515 | 3,562 |

Computer Equipment:*At fair value*

| | | | |
|--------------------------|--|-----------------|---------|
| Opening balance | | 12,054 | 11,787 |
| Accumulated depreciation | | (10,058) | (9,652) |
| | | 1,996 | 2,135 |

Plant and Equipment:*At fair value*

| | | | |
|--------------------------|--|----------------|---------|
| Opening balance | | 5,283 | 4,520 |
| Accumulated depreciation | | (3,556) | (2,902) |
| | | 1,727 | 1,618 |

| | | | |
|---|--|--------------|-------|
| Total Computers and Other Plant and Equipment | | 3,723 | 3,753 |
|---|--|--------------|-------|

| | | | |
|--|--|---------------|--------|
| Total Property, Plant and Equipment | | 12,423 | 11,351 |
|--|--|---------------|--------|

6.(a) PROPERTY, PLANT AND EQUIPMENT *(continued)*

| Movements in Carrying Amounts | 2008 | 2007 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Computer Equipment: | | |
| Opening balance | 2,135 | 2,580 |
| Additions | 942 | 811 |
| Disposals | (1) | (1) |
| Depreciation expense | <u>(1,080)</u> | <u>(1,255)</u> |
| Carrying amount at the end of the year | <u>1,996</u> | <u>2,135</u> |
| Land and Buildings: | | |
| Balance at beginning of the year | 7,598 | 7,699 |
| Revaluation increment | 1,203 | - |
| Depreciation expense | <u>(101)</u> | <u>(101)</u> |
| Carrying amount at the end of the year | <u>8,700</u> | <u>7,598</u> |
| Other Plant and Equipment: | | |
| Opening balance | 1,618 | 2,315 |
| Additions | 763 | 78 |
| Disposals | - | (7) |
| Depreciation expense | <u>(654)</u> | <u>(768)</u> |
| Carrying amount at the end of the year | <u>1,727</u> | <u>1,618</u> |

6. (b) INTANGIBLES

Software:

At fair value

| | | |
|--------------------------|-----------------|-----------------|
| Opening balance | 22,148 | 21,387 |
| Accumulated depreciation | <u>(20,406)</u> | <u>(20,186)</u> |
| Total Intangibles | <u>1,742</u> | <u>1,201</u> |

Movements in Carrying Amounts

Software:

| | | |
|--|--------------|--------------|
| Balance at beginning of the year | 1,201 | 602 |
| Additions | 930 | 850 |
| Depreciation expense | <u>(389)</u> | <u>(251)</u> |
| Carrying amount at the end of the year | <u>1,742</u> | <u>1,201</u> |

7. TRADE AND OTHER PAYABLES

Current unsecured liabilities

| | | |
|----------------|--------------|--------------|
| Trade payables | 1,551 | 2,945 |
| GST payable | <u>735</u> | <u>880</u> |
| | <u>2,286</u> | <u>3,825</u> |

8. PROVISIONS

| | 2008 | 2007 |
|--|----------------|---------|
| | \$'000 | \$'000 |
| Current | | |
| <i>Employee benefits</i> | | |
| Provision for employee benefits at beginning of year | 5,410 | 4,452 |
| Additional provisions raised during the year | 3,627 | 3,028 |
| Amounts used | (2,920) | (2,070) |
| Carrying amount at reporting date | 6,117 | 5,410 |
| <i>Declared dividend</i> | | |
| Provision at beginning of year | 856 | 1,205 |
| Additional provisions raised during the year | 1,400 | 856 |
| Amounts used | (856) | (1,205) |
| Carrying amount at reporting date | 1,400 | 856 |
| <i>Tax Provision</i> | | |
| Tax Provision at beginning of year (note 4) | (175) | - |
| Additional provisions raised during the year | 1,315 | - |
| Amounts used | (558) | - |
| Carrying amount at reporting date | 582 | - |
| <i>Lease Incentives</i> | | |
| Unamortised Incentives at beginning of year | 79 | 79 |
| Additional Incentives recognised during the year | 32 | - |
| Amounts amortised | (79) | - |
| Carrying amount at reporting date | 32 | 79 |
| Total Current Provisions | 8,131 | 6,345 |
| Non-Current | | |
| <i>Employee benefits</i> | | |
| Provision for employee benefits at beginning of year | 208 | 426 |
| Additional provisions raised during the year | 110 | - |
| Amounts used | - | (218) |
| Carrying amount at reporting date | 318 | 208 |

8. PROVISIONS (continued)

| | 2008 \$'000 | 2007 \$'000 |
|--|----------------|----------------|
| <i>Lease Incentives</i> | | |
| Unamortised Incentives at beginning of year | - | 79 |
| Additional Incentives recognised during the year | 35 | - |
| Amounts amortised | - | (79) |
| Carrying amount at reporting date | <u>35</u> | <u>-</u> |
| <i>Provision for Tenancy Make-Good</i> | | |
| Tenancy make-good costs at beginning of year | 290 | 290 |
| Additional provisions recognised during the year | - | - |
| Payments during the year | - | - |
| Carrying amount at reporting date | <u>290</u> | <u>290</u> |
| Total Non – Current Provisions | <u>643</u> | <u>498</u> |
| Total employee benefits | <u>6,435</u> | <u>5,618</u> |
| Total employee numbers | <u>648</u> | <u>548</u> |

The current provision for employee benefits includes \$2,079,000 of vested long service leave accrued which is expected to be taken beyond 12 months.

9. TAX

Non Current

Deferred tax liability

The balance comprises temporary differences attributable to:

Amounts recognised direct in income statement:

| | | |
|--------------------------------------|--------------|--------------|
| Fixed Assets | 309 | - |
| Accrued Interest Income | 29 | 19 |
| Amounts recognised direct in equity: | | |
| Revaluation of Property | <u>1,603</u> | <u>1,242</u> |
| | <u>1,941</u> | <u>1,261</u> |

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 2008 and during 2007–2008 were held by the Hon. Michael Costa MLC, former Treasurer, and the Hon. John Della Bosca MLC, former Minister for Education and Training. The Hon. Eric Roozendaal MLC, Treasurer and the Hon. Carmel Tebbutt MP, Deputy Premier, Minister for the Environment and Climate Change and Minister for Commerce, now hold the shares.

| Equity | 2008 | 2007 |
|--|---------------------|---------------------|
| | \$'000 | \$'000 |
| Contributed equity | <u>6,000</u> | <u>6,000</u> |
| Total equity at the end of the financial year | <u>6,000</u> | <u>6,000</u> |
| Movement in contributed equity | | |
| Balance at beginning of the reporting period | 6,000 | 6,000 |
| Add/less movement | <u>-</u> | <u>-</u> |
| Balance at the end of the reporting date | <u>6,000</u> | <u>6,000</u> |

11. RESERVES

Asset Revaluation Reserve

| | | |
|--|---------------------|---------------------|
| Balance at beginning of the reporting period | 2,900 | 2,900 |
| Revaluation of Property (Note 1c) | <u>843</u> | <u>-</u> |
| Balance at end of reporting period | <u>3,743</u> | <u>2,900</u> |

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 | 1,819 | 1,357 |
| - greater than one year and less than five years | 3,609 | 1,164 |
| - greater than five years | <u>669</u> | <u>-</u> |
| | <u>6,097</u> | <u>2,521</u> |

Included in the lease commitments are non-cancellable leases with terms between one and a half years and six 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 2008 and up to the date of signing these financial statements are as follows:

Directors:

| | |
|-----------------|---|
| Dr. C. Gellatly | Ms E. Crestani |
| Mr N. Davis | Mr P. Cormack (CEO) (resigned 30 November 2007) |
| Ms G. Roper | Mr P. Beck (CEO) (appointed 2 April 2008) |
| Mr P. Small | |

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 2008 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 B. Morris | - Compliance Manager |
| Mr D. Allen | - Manager – Human Resources (appointed 31 March 2008) |
| Mr M. Luciano | - General Manager – Marketing & Business Development |
| Ms M. Varley-Mason | - General Manager – Human Resources (resigned 15 January 2008) |
| Mr J. Trent | - General Manager – Projects and Transition (resigned 4 December 2007) |
| Mr G. Sandstrom | - Chief Operating Officer (appointed 5 August 2008) |

| (b) Compensation of Directors and Key Management Personnel | 2008 | 2007 |
|---|------------------|-------------|
| | \$ | \$ |
| Short Term Benefits – (Salaries, Directors Fees, Bonuses) | 1,562,781 | 1,392,195 |
| Post Employments Benefits-Superannuation | 78,642 | 315,407 |
| Termination Benefits | 135,269 | 1,787 |
| | 1,776,692 | 1,709,389 |

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. FINANCIAL INSTRUMENTS

For the purposes of these financial statements, a financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments give rise to positions that are financial assets or liabilities. These include both primary instruments (such as receivables, payables and equity securities) and derivative instruments (such as financial options, foreign exchange transactions, forward rate agreements and interest rate and currency swaps).

All classes of instruments are initially recorded at cost and are subsequently carried at amortised cost. Such measurement provides a reliable estimate of asset or liability. Any impairment loss occurring on financial instruments is treated as an expense in the period in which it occurs.

Capital Risk Management

SAC manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders through optimal use of the capital. SAC did not have any debt for the years ended 30 June 2008 and 30 June 2007.

Financial Instruments Risk Management

Credit Risk (Counterparty Risk)

Credit (or Counterparty) risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause SAC to incur a financial loss.

The Board approved Treasury Management Policy prescribes surplus cash to be invested with major Australian banks. The other material financial asset is receivables from superannuation fund trustee clients. There is no material risk that the receivables may be impaired as the trustees are either licensed by the Australian Prudential Regulation Authority (APRA) or appointed by the NSW Government.

Liquidity Risk

Liquidity risk refers to the situation where SAC may not be able to meet its financial obligations when they fall due. SAC has steady cash inflow from contracted services with trustees and manages its liquidity by annual budgeting and rolling 3 months cashflow forecast. In accordance with Board policy SAC invests its surplus cash in bank deposit to ensure adequate liquidity.

The following tables summarise the maturity profile of the SAC's financial liabilities.

| Year ended 30 June 2008 | Less than 3 months (\$000) | 3 months to 1 year (\$000) | 1-5 years (\$000) | Total (\$000) |
|-------------------------|----------------------------|----------------------------|-------------------|---------------|
| Accounts payable | 1,551 | - | - | 1,551 |
| | <u>1,551</u> | <u>-</u> | <u>-</u> | <u>1,551</u> |
| Year ended 30 June 2007 | Less than 3 months (\$000) | 3 months to 1 year (\$000) | 1-5 years (\$000) | Total (\$000) |
| Accounts payable | 2,945 | - | - | 2,945 |
| | <u>2,945</u> | <u>-</u> | <u>-</u> | <u>2,945</u> |

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 60 basis point increase or decrease represents SAC's assessment of the possible change in interest rates. The analysis is performed on the same basis for 2007 and is not guaranteed.

15. FINANCIAL INSTRUMENTS (continued)

| Floating Rate | Change in variable + / - | Effect on | | | |
|--------------------|-----------------------------|------------------|----------------|----------------|----------------|
| | | Profit after tax | | Net assets | |
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Interest rate risk | +60bps | 35 | 24 | 35 | 24 |
| Interest rate risk | -60bps | -35 | -24 | -35 | -24 |

Other Market Risks

SAC does not have material exposure to foreign currency risk or other price risks.

16. CASH FLOW INFORMATION

| | 2008 \$'000 | 2007 \$'000 |
|-----------------------------------|----------------|----------------|
| (a) Reconciliation of Cash | | |
| Cash at bank | 8,354 | 6,951 |

Call deposits with banks are earning interest at current bank deposit rates. The effective interest rate earned for the year was 6.02% (2007: 5.17%).

(b) Financing Facilities

SAC did not have credit facility as at 30 June 2008.

| (c) Reconciliation of Cash Flows from Operations with Profit after Income Tax: | INFLOWS/ (OUTFLOWS) | INFLOWS/ (OUTFLOWS) |
|---|------------------------|------------------------|
| Profit after Income Tax | 2,345 | 1,323 |
| <u>Non-cash flow adjustments:</u> | | |
| Depreciation expense | 2,224 | 2,375 |
| (Gain)/Loss on disposal of plant and equipment | (2) | 2 |
| | <u>4,567</u> | <u>3,700</u> |
| Changes in Assets and Liabilities: | | |
| <u>(Increase)/decrease in assets:</u> | | |
| Receivables | 887 | (879) |
| Other assets | 5 | (324) |
| Deferred tax assets | (605) | (227) |
| <u>Increase/(decrease) in liabilities:</u> | | |
| Trade creditors | (1,394) | 568 |
| GST payable | (145) | - |
| Provision for employee benefits | 817 | 738 |
| Provision for lease incentives | (12) | (80) |
| Provision for doubtful debts | (130) | (26) |
| Provision for income tax | 582 | 163 |
| Deferred tax liabilities | 319 | (1) |
| | <u>324</u> | <u>(68)</u> |
| Net Cash Flow from Operations | <u>4,891</u> | <u>3,632</u> |

17. SEGMENT REPORTING

SAC operates in the financial services industry in Australia.

18. 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'.

19. 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 —

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