



Superannuation Administration Corporation trading as Pillar Administration

Annual Report 2005/06

Part C - Audited Financial Statements

Part C - Audited Financial Statements

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Independent Audit Report



GPO BOX 12
Sydney NSW 2001

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 (the Corporation):

- presents the Corporation's financial position as at 30 June 2006 and its performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

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

Scope

The Financial Report and Board's Responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for the Superannuation Administration Corporation, for the year ended 30 June 2006.

The members of the Board of the Corporation are responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order 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 Standards and statutory requirements, and I:

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

Independent Audit 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 the Board had not fulfilled their reporting obligations.

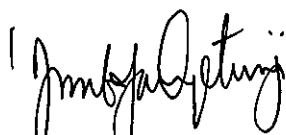
My opinion does *not* provide assurance:

- 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
20 October 2006

Directors' Declaration for the year ended 30 June 2006

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

- (a) the financial statements as set out in pages 47 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; and
- (b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due.

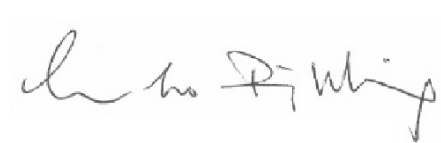
Signed in accordance with a resolution of the Board of Directors



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: 20 October 2006

Income Statement

for the year ended 30 June 2006

	NOTE	2006 \$'000	2005 \$'000
Continuing Operations			
Revenue	2	54,936	55,690
Depreciation and amortisation expense	2	(2,097)	(4,134)
Employee benefit expenses	2	(34,397)	(31,206)
Occupancy expenses		(1,657)	(1,427)
Information technology expenses		(2,696)	(2,726)
Other expenses	2	(9,818)	(10,897)
Profit before income tax		4,271	5,300
Income tax expense	3	(1,747)	(1,753)
Net Profit after income tax attributable to members of the Corporation		2,524	3,547

Balance Sheet

as at 30 June 2006

	NOTE	2006 \$'000	2005 \$'000
Current Assets			
Cash and cash equivalents	15	6,256	5,989
Trade and other receivables	4	7,456	5,734
Other current assets	5	506	335
Total Current Assets		14,218	12,058
Non-Current Assets			
Property, plant and equipment	6	13,196	13,098
Deferred tax assets	3(b)	1,662	1,797
Total Non-Current Assets		14,858	14,895
Total Assets		29,076	26,953
Current Liabilities			
Trade and other payables	7	3,258	2,691
Tax liabilities	9	-	20
Short term provisions	8	5,736	4,552
Total Current Liabilities		8,994	7,263
Non-Current Liabilities			
Deferred tax liabilities	9	1,263	1,264
Long term provisions	8	795	1,721
Total Non-Current Liabilities		2,058	2,985
Total Liabilities		11,052	10,248
Net Assets		18,024	16,705
Equity			
Issued capital	10	6,000	6,000
Reserves		2,900	2,900
Retained earnings		9,124	7,805
Total Equity		18,024	16,705

Statement of Changes in Equity

for the year ended 30 June 2006

NOTE	2006 \$'000	2005 \$'000
Total equity at the beginning of the financial year	16,705	11,676
Gain on revaluation of land and buildings net of tax	-	2,900
Net income recognised direct to equity	-	2,900
Profit for the year	2,524	3,547
	2,524	6,447
Dividend *	(1,205)	(1,418)
Total equity at the end of the financial year	18,024	16,705

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

Cash Flow Statement

for the year ended 30 June 2006

	2006 \$'000	2005 \$'000
NOTE	INFLWS/ (OUTFLOWS)	INFLWS/ (OUTFLOWS)
Cash Flows From Operating Activities:		
Receipts from customers	59,021	60,767
Payments to suppliers and employees	(53,338)	(56,407)
Income tax paid	(1,971)	(2,101)
Interest received	250	259
Net cash provided by operating activities	15(c) 3,962	2,518
Cash Flows From Investing Activities:		
Proceeds from sale of property, plant and equipment	6	13
Purchase of property, plant and equipment	(2,283)	(1,569)
Net cash used in investing activities	(2,227)	(1,556)
Cash Flows From Financing Activities:		
Dividends Paid	(1,418)	(1,076)
Net cash used in financing activities	(1,418)	(1,076)
Net Increase/(Decrease) In Cash Held	267	(114)
Cash at the beginning of the financial year	5,989	6,013
Cash At The End Of The Financial Year	15(a) 6,256	5,989

Notes to the Financial Statements

for the year ended 30 June 2006

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. 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 year ended 30 June 2006 were authorised for issue in accordance with a resolution of the Board of Directors on 20 October 2006.

(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 2005* 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 Interpretations.

These financial statements are the first SAC financial statements prepared to comply with Australian equivalents to International Financial Reporting Standards (AIFRS). AASB1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements. Financial statements of SAC until 30 June 2005 have been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing SAC 2006 financial statements, management has amended certain accounting and valuation methods applied in AGAAP financial statements to comply with AIFRS. The comparative figures in respect to 2005 were restated to reflect these adjustments. Reconciliations and descriptions of the effect of the transition from previous AGAAP to AIFRS on the company's equity and its net income are given in note 1(q).

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 income 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.

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.

Notes to the Financial Statements for the year ended 30 June 2006

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(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 2005 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 2006.

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.

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.

Notes to the Financial Statements for the year ended 30 June 2006

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment (continued)

Depreciation and Amortisation

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

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

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

(d) Employee Entitlements

Annual Leave and Redundancy

The provisions for employee entitlements to annual leave and redundancy represents the amount which SAC has a present obligation to pay resulting from employees' past services. These provisions are expected to be settled within 12 months and are measured at their nominal values using the remuneration rates expected to apply at the time of settlement plus related on costs.

Long Service Leave

The 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 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) 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 and Cash Equivalents

For the purpose of the Cash Flow Statement, 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).

(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.

Notes to the Financial Statements for the year ended 30 June 2006

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(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) Lease Expense

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.

(m) Impairment of Assets

Assets are reviewed for impairment 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.

(o) New Accounting Standards and UIG Interpretations

The company has not early adopted any new accounting standards or UIG 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 40% of the net profit after income tax.

Notes to the Financial Statements for the year ended 30 June 2006

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(q) Reconciliation of total equity and net profit as presented under AGAAP to that under AIFRS

	Note	30/06/05 \$'000	30/06/04 \$'000
Total equity under AGAAP		16,679	11,651
Adjustments to accumulated funds:			
- Liabilities in Defined Benefits Superannuation Scheme	(a)	-	-
- Non Current Employee Entitlements	(b)	33	32
- Income Tax Expenses	(c)	(7)	(7)
Total adjustments		26	25
Total Equity under AIFRS		16,705	11,676
Reconciliation of net profit			
Year Ended 30 June 2005		\$'000	
Net profit under AGAAP		3,546	
- Non-Current Employee Entitlements		1	
Net profit under A-IFRS		3,547	

Note

a) Defined benefit superannuation plans

AASB 119 Employee Benefits requires a reporting entity to calculate the surplus or deficit of defined benefit plans at the risk free discount rate and recognise the surplus or deficit as an asset or liability in the Balance Sheet, and all actuarial gains and losses as profit or loss in the Income Statement. 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 the financial results have not been adjusted as the overall effect is nil.

Notes to the Financial Statements for the year ended 30 June 2006

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(g) Reconciliation of total equity and net profit as presented under AGAAP to that under AIFRS (continued)

Note (continued)

b) Non-Current Employee Entitlements

AASB 119 Employee Benefits also requires 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 was a credit adjustment of \$31,848. The cumulative impact on the financial position at 30 June 2005 was 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 was a debit adjustment of \$7,474. The cumulative impact on the financial position at 30 June 2005 decreased tax assets by \$7,474 and increased deferred tax liabilities by \$7,474.

2. Profit for the Year

	2006 \$'000	2005 \$'000
a) Revenue		
Operating activities		
Administration Fees	51,794	53,192
Interest	315	259
Other	2,827	2,239
Total Operating Activities	54,936	55,690
Total Revenues	54,936	55,690
b) Expenses		
Depreciation and Amortisation Expense		
Software	108	2,059
Hardware	1,300	1,433
Other	689	642
Total Depreciation and Amortisation	2,097	4,134
Employee Related Expenses		
Salaries and Wages	29,235	26,478
Redundancies	2	114
Provision for employee entitlements	2,603	2,344
Superannuation contributions	2,557	2,476
	34,397	31,412
Defined benefits funding (surplus)/shortfall		
- employees of predecessor employers	-	(175)
- present employees	-	(31)
Total employee benefit expenses	34,397	31,206

Notes to the Financial Statements

for the year ended 30 June 2006

2. Profit for the Year (continued)

	2006 \$'000	2005 \$'000
Other Expenses		
Fees paid to the Audit Office of NSW and their agent:		
- auditing of financial reports	101	80
Member communications	3,341	2,769
Operating lease	126	123
Communications	830	726
Loss on Disposal of fixed asset	82	8
Sundry administration expenses	1,020	2,014
Contractors	4,318	5,177
Total Other Expenses	9,818	10,897

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% (2005 30%)	1,281	1,590
Tax effect of:		
Non-deductible expenses	53	98
Non-deductible superannuation shortfall	-	899
Recoupment of prior year tax losses not previously brought to account		(806)
Under provision of income tax in previous year	413	(28)
Income tax expense	1,747	1,753
The components of tax expense comprise:		
Current tax	1,200	1,039
Deferred tax	134	667
Under provision of income tax in previous year	413	47
	1,747	1,753
(b) Deferred tax assets		
The balance comprises temporary difference attributable to:		
Employee benefits	1,481	1,256
Tenancy make good	68	68
Lease incentives	48	-
Doubtful debts	-	262
Other provisions	65	211
	1,662	1,797

Notes to the Financial Statements

for the year ended 30 June 2006

2. Profit for the Year (continued)

	2006 \$'000	2005 \$'000
4. TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables	6,863	6,377
Provision for impairment of receivables	(231)	(759)
	6,632	5,618
Income tax receivable	337	-
Other receivables	487	116
	7,456	5,734
5. OTHER ASSETS		
Current		
Prepayments	506	335
6. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings		
Freehold land and building at independent valuation 2005 Note 1 (c)	7,800	7,800
Less accumulated depreciation	(101)	-
	7,699	7,800
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	(114)	(67)
	3,610	3,657
Software:		
<i>At fair value</i>		
Opening balance	20,537	20,164
Accumulated depreciation	(19,935)	(19,827)
	602	337
Computer Equipment:		
<i>At fair value</i>		
Opening balance	13,438	12,158
Accumulated depreciation	(10,858)	(9,573)
	2,580	2,585
Plant and Equipment:		
<i>At fair value</i>		
Opening balance	4,578	4,609
Accumulated depreciation	(2,263)	(2,233)
	2,315	2,376
Total Software, Computers and Other Plant and Equipment	5,497	5,298
Total Property, Plant and Equipment	13,196	13,098

Notes to the Financial Statements for the year ended 30 June 2006

6. Property, Plant and Equipment (continued)

	2006	2005
	\$'000	\$'000
Movements in carrying amounts		
Software:		
Balance at beginning of the year	337	2,254
Additions	373	142
Depreciation expense	(108)	(2,059)
Carrying amount at the end of the year	602	337
Computer Equipment:		
Opening balance	2,585	2,667
Additions	1,296	1,364
Disposals	(1)	(15)
Depreciation expense	(1,300)	(1,431)
Carrying amount at the end of the year	2,580	2,585
Land and Buildings:		
Balance at beginning of the year	7,800	3,705
Revaluation increment	-	4,143
Depreciation expense	(101)	(48)
Carrying amount at the end of the year	7,699	7,800
Other Plant and Equipment:		
Opening balance	2,376	2,915
Additions	614	61
Disposals	(87)	(5)
Depreciation expense	(588)	(595)
Carrying amount at the end of the year	2,315	2,376
7. TRADE AND OTHER PAYABLES		
Current unsecured liabilities		
Trade payables	2,663	2,095
GST Payable	595	596
	3,258	2,691

Notes to the Financial Statements

for the year ended 30 June 2006

8. PROVISIONS

Current

Employee entitlements

	2006 \$'000	2005 \$'000
Provision for Employee entitlements at beginning of year	3,018	3,711
Additional provisions raised during the year	4,005	439
Amounts used	(2,571)	(1,132)
Carrying amount at reporting date	<u>4,452</u>	<u>3,018</u>

Declared dividend

Provisions at beginning of year	1,418	1,076
Additional provisions raised during the year	1,205	1,418
Amounts used	(1,418)	(1,076)
Carrying amount at reporting date	<u>1,205</u>	<u>1,418</u>

Claims provision

Provision for claims expenses at beginning of year	116	-
Additional provisions raised during the year	-	116
Amounts used	(116)	-
Carrying amount at reporting date	<u>-</u>	<u>116</u>

Lease incentives

Provision for claims expenses at beginning of year	-	-
Additional provisions raised during the year	79	-
Amounts used	-	-
Carrying amount at reporting date	<u>79</u>	<u>-</u>

Surplus Lease Space Provision

Surplus leases space at beginning of year	-	612
Payment - write back of provision	-	(612)
Additional provisions recognised during the year	-	-
Carrying amount at reporting date	<u>-</u>	<u>-</u>
Total Current Provisions	<u>5,736</u>	<u>4,552</u>

Non-Current

Employee entitlements

Provision for employee entitlements at beginning of year	1,491	916
Additional provisions raised during the year	-	575
Amounts used	(1,065)	-
Carrying amount at reporting date	<u>426</u>	<u>1,491</u>

Lease incentives

Provision for claims expenses at beginning of year	-	-
Additional provisions raised during the year	79	-
Amounts used	-	-
Carrying amount at reporting date	<u>79</u>	<u>-</u>

Notes to the Financial Statements for the year ended 30 June 2006

8. PROVISIONS Non-Current (continued)

Provision for Tenancy Make-Good

Tenancy make-good costs at beginning of year
Additional provisions recognised during the year
Payments during the year
Carrying amount at reporting date

Total Non-Current provisions

Total employee entitlements

Total employee numbers

9. TAX

Current

Income Tax

Note 4

Non-Current

Deferred tax liability

The balance comprises temporary differences attributable to:

Amounts recognised direct in income statement:

Accrued interest income

Amounts recognised direct in equity:

Revaluation of Property

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 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 3 August 2005, and Hon. Dr A J Refshauge on 10 August 2005. The Hon. Robert Debus MP, Attorney General and the Hon. Michael Costa MLC, Treasurer now hold the shares.

Equity

Contributed equity

Total equity at the end of the financial year

Movement in contributed equity

Balance at beginning of the reporting period

Add/less movement

Balance at the end of the reporting date

	2006 \$'000	2005 \$'000
	230	230
	60	-
	-	-
	290	230
	795	1,721
	4,878	4,509
	501	439
	-	20
	21	22
	1,242	1,242
	1,263	1,264
	6,000	6,000
	6,000	6,000
	6,000	6,000
	-	-
	6,000	6,000

Notes to the Financial Statements for the year ended 30 June 2006

11. RESERVES

Asset Revaluation Reserve

Balance at beginning of the reporting period
Revaluation of Property (Note 1c)

Balance at end of reporting period

2006 \$'000	2005 \$'000
2,900	-
-	2,900
2,900	2,900

The asset revaluation reserve records revaluation 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

- greater than one year and less than five years

1,114	1,442
904	1,796
2,018	3,238

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 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 2006 and up to the date of signing these financial statements are as follows:

Directors:

Prof. R Walker (Chairman)

Ms E Crestani

Mr N Davis

Mrs G Roper

Mr D Snow

Mr P Cormack (CEO)

Mr P Small

Notes to the Financial Statements for the year ended 30 June 2006

13. RELATED PARTIES (continued)

(a) Directors and Key Management Personnel (continued)

In addition to Directors and CEO disclosed on previous page, the names of the Key Management Personnel of SAC in office during the year ended 30 June 2006 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 August 2006)
Mr M Luciano,	General Manager, Marketing & Business Development (appointed 16 January 2006)
Mr M Turner,	General Manager, Marketing & Business Development (resigned 27 January 2006)
Ms M V-Mason,	General Manager, Human Resources (appointed 7 August 2006)

(b) Compensation of Directors and Key Management Personnel

	2006	2005
	\$	\$
Short Term Benefits - (Salaries, Directors Fees, Bonuses)	1,355,896	1,459,707
Post Employment Benefits-Superannuation	252,261	173,831
Termination Benefits	25,744	12,361
	<u>1,633,901</u>	<u>1,645,899</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 its two major public sector clients.

Notes to the Financial Statements for the year ended 30 June 2006

15. CASH FLOW INFORMATION

(a) Reconciliation of Cash

Cash at bank

2006	2005
\$'000	\$'000

6,256	5,989
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Call deposits with banks are earning interest at current bank deposit rates. The effective interest rate earned for the year was 4.29% (2005: 4.68%).

(b) Financing Facilities

SAC has a \$10.6 million loan facility from NSW T-Corp as at 30 June 2006. The loan facility was not utilised as at 30 June 2006.

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

Profit after Income Tax

Non-cash flow adjustments:

Depreciation expense

Loss on disposal of plant and equipment

INFLOWS/ (OUTFLOWS)	INFLOWS/ (OUTFLOWS)
------------------------	------------------------

2,524	3,547
-------	-------

2,097	4,134
-------	-------

82	8
----	---

4,703	7,689
--------------	-------

Changes in Assets and Liabilities:

(Increase)/decrease in assets:

Receivables

Other assets

Deferred tax assets

(858)	(325)
-------	-------

(171)	148
-------	-----

135	674
-----	-----

Increase/(decrease) in liabilities:

Trade creditors

GST payable

Provision for employee entitlements

Provision for lease incentives

Provision for superannuation

Provision for surplus lease property

Provision for tenancy make-good costs

Provision for claims

Provisions for doubtful debts

Provision for income tax

Deferred tax liabilities

571	257
-----	-----

	190
--	-----

368	(118)
-----	-------

160	-
-----	---

-	(4,392)
---	---------

	(612)
--	-------

(60)	-
------	---

-	116
---	-----

(528)	(86)
-------	------

(357)	(1,016)
-------	---------

(1)	(7)
-----	-----

(741)	(5,171)
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Net cash flow from Operations

3,962	2,518
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Notes to the Financial Statements for the year ended 30 June 2006

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'.

- End of Financial Statements -

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