

# Part H – Financial Statements of the Controlled Entities of the Pooled Fund

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**STATE SUPER FINANCIAL SERVICES AUSTRALIA LIMITED**

ABN 86 003 742 756

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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## DIRECTORS' REPORT

Your Directors have pleasure in presenting their report on the financial statements of the Company, State Super Financial Services Australia Limited for the year ended 30 June 2013.

### 1. Directors

The following persons held office as Directors of the Company during or since the end of the financial year:

P. K. Gupta (Chairman)  
M. Monaghan (Managing Director)  
M. Carapiet  
R. M. Davis  
R. N. Harty (Resigned 2 May 2013)  
M. G. Lambert  
P. F. Scully  
S. Walsh

### 2. Principal Activities

The principal activity of the Company is the provision of financial planning advice and investment management services for past and present public sector employees and their relatives.

During the year, there was no significant change in the nature of those activities.

### 3. Operating Results

The profit for the year was \$31,419,831 (2012: \$34,193,646).

### 4. Dividends

In respect of the financial year ended 30 June 2013, fully franked interim dividends were paid on 30 October 2012 of \$30,446,000 and 28 March of \$ 6,000,000 (2012: \$33,575,732). The Directors recommend the payment of a final dividend \$nil (2012: \$nil).

### 5. State of Affairs

There were no significant changes in the state of affairs of the Company during the financial year.

### 6. Matters Subsequent to the End of the Financial Year

Since the end of the financial year, the Directors are not aware of any matter or circumstance that has or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in financial years subsequent to 30 June 2013.

### 7. Future Developments

The disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations, due to their commercial sensitivity, could result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

## DIRECTORS' REPORT (Continued)

### 8. Information on Directors

**Peeyush Gupta (*Chairman of the Board, Member of the Human Resources Committee, Member of the Investment Committee*)**

Mr Gupta is Chairman of the Board. He was a co-founding Director and inaugural Chief Executive Officer of Ipac Securities Limited, a pioneering and leading Australian wealth management firm. Since 2009, Mr Gupta has pursued a portfolio career, including boards, consulting and investing activities. He is currently on the boards of NAB's Wealth Management Holdings including MLC, BNZ Life, Charter Hall Direct Property, SIRCA, Safety Return to Work and Support, and Quintessence Labs. Mr Gupta has a degree in Computer Science and a Master of Business Administration in finance. He is also an alumnus of Harvard University and London Business School.

**Michael Monaghan (*Managing Director, Member of the Enquiries and Complaints Committee, Member of the Investment Committee*)**

Mr Monaghan is the Managing Director of State Super Financial Services Australia Limited. He is an actuary and has over 30 years' experience in superannuation, banking, funds management and investment consulting. He has previously been a partner of Deloitte Touche Tohmatsu, Chief Executive Officer of Intech Investment Consultants and held senior executive positions with Deutsche Bank, IBM and Lend Lease Corporation.

**Michael Carapiet (*Chairman of the Human Resources Committee*)**

Mr Carapiet is Chairperson of the SAS Trustee Corporation, Safety, Return to Work and Support Board that comprises the WorkCover Authority of NSW, the Lifetime Care and Support and Motor Accidents Authority. He is a Director of Southern Cross Media Limited and Clean Energy Finance Corporation and is on the advisory Boards of Norton Rose Australia and Transfield Holdings. Mr Carapiet has more than 30 years' experience in the financial sector and has held a number of senior roles in the Macquarie Group, where he was a member of Macquarie's Executive Committee from 2005. Prior to his retirement in 2011 his roles included Global Head of Advisory and Specialised Funds and Executive Chairman of Macquarie Capital and Macquarie Securities. Mr has a Master of Business Administration from Macquarie University.

**Ron Davis (*Chairman of the Enquiries and Complaints Committee, Member of the Audit and Compliance Committee, Member of the Due Diligence Committee, Member of the Human Resources Committee*)**

Mr Davis is an executive Director of SAS Trustee Corporation, a position he has held since 1 January 2002. Mr Davis was previously a Valuation Manager with the State Valuation Office. He is the NSW Branch Assistant Secretary for the Professional Officers' Association Sub-Branch and past president of the Professional Officers' Association. He also represents members as a delegate to the Unions New South Wales Public Sector Employees' Superannuation Committee. Mr Davis is a Fellow of the Australian Institute of Superannuation Trustees, a Fellow of the Association of Superannuation Funds of Australia (ASFA) and a member of ASFA's New South Wales Division Executive Committee.

**Michael Lambert (*Chairman of the Audit and Compliance Committee, Member of the Due Diligence Committee, Member of the Investment Committee*)**

Mr Lambert is a consultant to the Asia Pacific investment bank, CIMB and prior to that was a Managing Director in investment banking with ABN AMRO followed by the Royal Bank of Scotland. Earlier in his career Mr Lambert was the Secretary of the New South Wales Treasury and held various other senior positions in the NSW public sector. He has extensive experience and expertise in financial analysis and advising governments and clients on financial and strategic issues. In addition, Mr Lambert is also a non-executive Director of SAS Trustee Corporation and of the Sax Institute. Mr Lambert has a Bachelor of Economics (Honours) and Master of Economics.

**DIRECTORS' REPORT (Continued)****8. Information on Directors (Continued)****Paul Scully (Chairman of the Investment Committee, Member of the Audit and Compliance Committee, Member of the Due Diligence Committee)**

Mr Scully is the Managing Director of Decision Horizons, a consulting enterprise through which he offers his services based on 30 years of experience in financial services and investment management. Mr Scully is an actuary and was, until July 2003, Chief Executive Officer for the Asia Pacific region of ING Investment Management and a member of its global board. He has also held executive positions in life insurance and retail funds management. Mr Scully is a non-executive Director of SAS Trustee Corporation and Vantage Private Equity Group and an independent member of APPF Retail and Commercial Investor Review Boards..

**Sue Walsh (Member of the Audit and Compliance Committee, Member of the Due Diligence Committee)**

Ms Walsh is the President of the Public Service Association of New South Wales, has been employed in the New South Wales public sector for over 20 years and also held a number of senior delegate positions in the Public Service Association of New South Wales over the years. She is also President of the New South Wales Branch of the Community and Public Sector Union and a vice president of that organisation's Federal Executive, Federal Council and a member of the Federal Education Industry Committee. Ms Walsh is on the Executive of Unions New South Wales, a delegate to the Australian Council of Trade Unions and is a non-executive Director of SAS Trustee Corporation.

**Rod Harty (Member of the Human Resources Committee, Member of the Enquiries and Complaints Committee, Resigned 2 May 2013)****9. Meetings of Directors**

The numbers of meetings of the Company's Directors (including meetings of Committees of Directors) held during the year ended 30 June 2013 and the number of meetings attended by each member Director was:

Director <sup>1</sup>	Board Meetings		Audit & Compliance Committee		Human Resources Committee		Investment Committee		Enquiries & Complaints Committee		Due Diligence Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
P. K. Gupta (Chairman)	11	11	-	-	6	6	9	9	-	-	-	-
M. Monaghan (Managing Director)	11	11	-	-	-	-	9	9	4	3	-	-
M. Carapiet	11	11	-	-	-	-	-	-	-	-	-	-
R. M. Davis	11	10	5	5	6	5	-	-	4	4	3	2
R. N. Harty <sup>2</sup>	9	8	-	-	4	4	-	-	3	3	-	-
M. G. Lambert	11	11	5	5	-	-	9	8	-	-	3	1
P. F. Scully	11	11	5	5	-	-	9	9	-	-	3	3
S. Walsh	11	8	5	3	-	-	-	-	-	-	3	2

**Notes**

- Any Director may attend any Committee meeting even though they may not formally be a member.
- Rodney Harty resigned 2 May 2013

## DIRECTORS' REPORT (Continued)

### 10. Company Secretary

**K. S. Hughes** BSc (Hons), ACA (ICAEW), GAICD  
Company Secretary, State Super Financial Services Australia Limited since 1999.  
Previously responsible for investment accounting, compliance and company secretarial functions within financial services organisations.

### 11. Directors' Interests in Contracts

No material contracts involving Directors' interests were entered into since the end of the previous financial year or existed at the end of the financial year other than the transactions detailed in the financial statements.

### 12. Indemnification and Insurance of Directors and Officers

With the approval of shareholders, the Company has entered into an agreement with each non-executive Director of the Company, indemnifying each of them against all liabilities to another person (other than the Company) that may arise from their positions as non-executive Directors of the Company, except where the liability arises out of a lack of good faith. Similar indemnity agreements have been executed by the Company in favour of the Company's executive officers.

During the year, the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company against certain liabilities that may be incurred in discharging their duties and responsibilities as a director or officer of the Company. Under the terms of the contract of insurance, details of the nature of the liabilities insured and the premium payable cannot be disclosed.

### 13. Auditor

The Audit Office of New South Wales continues in office in accordance with section 327 of the Corporations Act 2001 and the Public Finance and Audit Act 1983. Deloitte Touche Tohmatsu has been appointed as agent for the Audit Office of New South Wales as auditors of the Company. The auditor has declared his independence as set out in page 36.

### 14. Rounding Off of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100 (as amended), dated 10 July 1998, and in accordance with that Class Order, amounts in the Financial Report have been rounded to the nearest thousand dollars, where allowed.

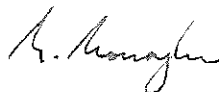
Signed in accordance with a resolution of the Board of Directors pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Board



**Peeyush Gupta**  
Chairman

27 August 2013



**Michael Monaghan**  
Managing Director

27 August 2013

## Directors' Declaration

In the opinion of Directors:

1. The attached financial statements and notes thereto give a true and fair view of the financial position as at 30 June 2013 and financial performance of the Company for the year then ended;
2. The attached financial statements and notes thereto of the Company have been prepared in accordance with the provisions of the Corporations Act 2001;
3. The attached financial statements and notes thereto comply with Australian Accounting Standards;
4. The attached financial statements comply with International Financial Reporting Standards, as stated in Note 1 to the financial statements;
5. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

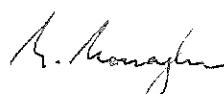
Signed in accordance with a resolution of the Board of Directors pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the Board



**Peeyush Gupta**  
Chairman

27 August 2013



**Michael Monaghan**  
Managing Director

27 August 2013



STATE SUPER FINANCIAL SERVICES AUSTRALIA LIMITED — ANNUAL REPORT

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	NOTE	2013 \$000	2012 \$000
<b>Continuing operations</b>			
Revenue	2	123,847	107,482
Expenses	3	<u>(78,844)</u>	<u>(58,572)</u>
<b>Profit before income tax expense</b>		<b>45,003</b>	<b>48,910</b>
Income tax expense	4	<b>(13,583)</b>	<b>(14,716)</b>
<b>Profit for the year</b>		<b><u>31,420</u></b>	<b><u>34,194</u></b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b><u>31,420</u></b>	<b><u>34,194</u></b>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATE SUPER FINANCIAL SERVICES AUSTRALIA LIMITED — ANNUAL REPORT

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	NOTE	2013 \$000	2012 \$000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	34,204	40,792
Trade and other receivables	6	12,353	10,321
Other current assets	7	3,590	648
<b>Total Current Assets</b>		<b>50,147</b>	<b>51,761</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	8,722	6,445
Intangible assets	9	3,334	4,148
Deferred tax assets	10	6,385	3,032
<b>Total Non-Current Assets</b>		<b>18,441</b>	<b>13,625</b>
<b>TOTAL ASSETS</b>		<b>68,588</b>	<b>65,386</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	7,001	4,687
Current tax liabilities		4,912	4,322
Provisions	12	14,070	9,057
<b>Total Current Liabilities</b>		<b>25,983</b>	<b>18,066</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	13	1,173	839
Deferred income		108	271
<b>Total Non-Current Liabilities</b>		<b>1,281</b>	<b>1,110</b>
<b>TOTAL LIABILITIES</b>		<b>27,264</b>	<b>19,176</b>
<b>NET ASSETS</b>		<b>41,324</b>	<b>46,210</b>
<b>EQUITY</b>			
<b>Capital and Reserves</b>			
Issued capital	15	10,000	10,000
Retained earnings		31,184	36,210
Reserves	16	140	-
<b>TOTAL EQUITY</b>		<b>41,324</b>	<b>46,210</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATE SUPER FINANCIAL SERVICES AUSTRALIA LIMITED — ANNUAL REPORT

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	NOTE	Share Capital \$000	Reserves \$000	Retained Earnings \$000	Total \$000
<b>Balance at 30 June 2011</b>		<b>10,000</b>	<b>-</b>	<b>35,592</b>	<b>45,592</b>
Payment of dividends	17	-	-	(33,576)	(33,576)
Total profit or loss and comprehensive income for the year		-	-	34,194	34,194
<b>Balance at 30 June 2012</b>		<b>10,000</b>	<b>-</b>	<b>36,210</b>	<b>46,210</b>
Payment of dividends	17	-	-	(36,446)	(36,446)
Total profit or loss and comprehensive income for the year		-	-	31,420	31,420
Operational Risk Financial Reserve		-	140	-	140
<b>Balance at 30 June 2013</b>		<b>10,000</b>	<b>140</b>	<b>31,184</b>	<b>41,324</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	NOTE	2013 \$000 Inflows (Outflows)	2012 \$000 Inflows (Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		1,619	1,969
Trustee, responsible entity, and reimbursable fees		132,392	115,440
Payments to suppliers and employees		(67,710)	(55,815)
Goods and Services Tax paid		(12,233)	(10,550)
Income tax paid		(16,347)	(14,332)
<b>Net cash generated by operating activities</b>	22(b)	<u>37,721</u>	<u>36,712</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(4,407)	(3,527)
Payments for intangible assets		(846)	(3,188)
Payment for purchase of units in unlisted trust		(2,750)	-
<b>Net cash (used in) investing activities</b>		<u>(8,003)</u>	<u>(6,715)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Transfer to reserve		140	-
Payment of dividends		(36,446)	(33,576)
<b>Net cash used in financing activities</b>		<u>(36,306)</u>	<u>(33,576)</u>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		(6,588)	(3,579)
Cash and cash equivalents at the beginning of the financial year		40,792	44,371
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	22(a)	<u>34,204</u>	<u>40,792</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

**1. SUMMARY OF ACCOUNTING POLICIES**

**General**

State Super Financial Services Australia Limited is an unlisted public company, incorporated and operating in Australia.

Registered office and principal place of business

Level 7  
83 Clarence Street  
Sydney New South Wales 2000  
Tel: (02) 9333 9555

**Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes thereto comply with International Financial Reporting Standards.

The financial statements were authorised for issue by the Directors on 27 August 2013.

**Basis of preparation**

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

The Company is a company of the kind referred to in ASIC Class Order 98/0100 (as amended), dated 10 July 1998, and in accordance with that Class Order, amounts in the Financial Report have been rounded to the nearest thousand dollars, unless otherwise indicated.

In the application of the Company's accounting policy, judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources are made. 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 these judgments. 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.

Judgments made that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

**Significant accounting policies**

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented in these financial statements for the year ended 30 June 2012.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

**1. SUMMARY OF ACCOUNTING POLICIES (Continued)**

**Significant accounting policies (Continued)**

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

**(a) Revenue**

The Company's predominant source of revenue is the receipt of fees charged for the administration of public offer superannuation funds and public offer managed investment schemes ('the trusts').

Fees are charged on the basis of the net asset values of each of the funds of each trust, and are accrued daily and paid monthly in arrears.

The rate at which fees are charged vary from trust to trust.

In its capacity as either Trustee or Responsible Entity, the Company is also entitled to receive a reimbursement from the trusts for operating expenses of the trusts paid by the Company. The reimbursement of these expenses is expressed as a rate per annum of the net asset values of each of the trusts, is accrued daily and paid monthly in arrears.

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and takes into account the effective interest rate applicable to the financial asset.

**(b) Income tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

**Current tax**

Current tax payable is calculated by reference to taxable profit or loss for the period. The taxable profit or loss differs from the profit as reported in the Statement of Comprehensive Income because of items of income and expense that are taxable or deductible in other years and items that are never taxable or deductible.

The liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

**Deferred tax**

Deferred tax is recognised on temporary differences that arise from differences between the tax base of an asset or liability and its carrying value in the financial statements. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable profits will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affects neither taxable income nor accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

**1. SUMMARY OF ACCOUNTING POLICIES (Continued)**

**Significant accounting policies (Continued)**

**(b) Income tax (Continued)**

**Deferred tax (Continued)**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying value of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**(c) Acquisition of assets**

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amount payable in the future to its present value as at the date of acquisition.

**(d) Financial assets**

The Company classifies its financial assets into the following specified categories: held-to-maturity investments; financial assets at fair value through profit and loss; or loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets at fair value through profit and loss are assets designated as fair value through profit and loss on initial recognition. Assets designated as fair value through profit and loss consist of units held as seed capital relating to the State Super Investment Fund Class B.

Trade receivables, loans, and other receivables are recorded at amortised cost less any impairment.

**(e) Impairment of assets**

At each reporting date, the Company reviews the carrying amounts of its financial and non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss.

**(i) Financial Assets**

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the financial asset is reduced and the amount of the loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

**1. SUMMARY OF ACCOUNTING POLICIES (Continued)**

**Significant accounting policies (Continued)**

**(e) Impairment of assets (Continued)**

**(ii) Non-Financial Assets**

If any indication exists that non-financial assets have suffered an impairment loss, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

**(iii) Reversal of Impairment Loss**

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(f) Cash and cash equivalents**

Cash and cash equivalents includes cash at bank and on hand, deposits held at call and other short term highly liquid investments with maturities of four months or less.

**(g) Receivables**

Trade and other accounts receivable are recorded at amortised cost less any impairment. Due to the short term nature of receivables, amortised cost is approximated by the amount due.

**(h) Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation and any impairment costs.

Depreciation on fixtures and fittings, furniture and equipment, computer hardware, file servers and communication equipment is calculated on a straight line basis, so as to write off the cost of each asset over their estimated useful life. Estimated useful lives, residual values and depreciation method are reviewed at the end of each financial year.

The following estimated useful lives are used in the calculation of depreciation.

	<b>Years</b>
Fixtures and Fittings	5 - 10
Office Equipment	5
Computer Hardware	4
File Servers	3
Communication Equipment	4



NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

**1. SUMMARY OF ACCOUNTING POLICIES (Continued)**

**Significant accounting policies (Continued)**

**(i) Intangible assets**

Computer software acquisition and development costs are recorded at cost less accumulated amortisation only if the software has a significant future economic benefit to the Company. The cost of computer software acquisition and development for software that does not provide the Company with a significant future economic benefit is expensed in the year in which the costs are incurred.

Costs associated with the acquisition and development of computer software are amortised on a straight line basis over 4 years.

**(j) Operating leases**

Leases where the lessor effectively retains all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense on a straight line basis over the lease term.

Provision has been made for Operating Leasehold Premises 'make good' costs. Estimates have been made of expected costs of 'make good' at the end of the current lease period and provision for expected costs has been recorded.

**(k) Trade and other payables**

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

**(l) Deferred income**

Deferred income is measured as the fair value of consideration received in relation to economic benefits which are expected to arise in future financial years. Deferred income is recognised as revenue in the Statement of Comprehensive Income over the period the economic benefit arises.

**(m) Employee entitlements**

**(i) Salaries and annual leave**

Provisions for salaries, annual leave and other current employee entitlements expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

**(ii) Long service leave**

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

**1. SUMMARY OF ACCOUNTING POLICIES (Continued)**

**Significant accounting policies (Continued)**

**(m) Employee entitlements (Continued)**

(iii) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(iv) Short Term Incentive Plan

The Short Term Incentive Plan is a cash-based incentive scheme for certain employees. The provision made is expected to be paid out within the next 12 months.

Employee entitlements under the Short Term Incentive Plan are recognised when the Company becomes obliged to make future payments.

(v) Long Term Incentive Plan

The Long Term Incentive Plan commenced on 1 July 2010 for key employees.

Under this plan no shares or rights to acquire shares are issued but employees receive a future cash benefit that is determined by the performance of the Company against key performance indicators. Entitlements are provided for on a straight line basis over 3 years.

**(n) Goods and Services Tax**

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

- (i) Where the amount of GST incurred is not recoverable from the Australian Taxation Office, it is recognised as part of the cost of acquisition of an asset or 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 Australian Taxation Office is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the Australian Taxation Office is classified as operating cash flows.

**(o) Comparatives**

Where necessary, comparative figures have been reclassified to conform to the changes in presentation made in this financial report.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

## 1. SUMMARY OF ACCOUNTING POLICIES (Continued)

## (p) Adoption of new and revised accounting standards

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

At the date of authorisation of the financial report, the following relevant Standards and Interpretations listed below were in issue but not yet effective:

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial instruments; and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2015	30 June 2016
AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Standards arising from AASB 13	1 January 2013	30 June 2014
AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	1 January 2013	30 June 2014
AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures	1 January 2013	30 June 2014
AASB 119 Employee Benefits (2011), AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	1 January 2013	30 June 2014
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013	30 June 2014
AASB 132 Amendments to the Offset of Financial Assets and Financial Liabilities Requirements	1 January 2014	30 June 2015
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 July 2015	30 June 2016

These Standards and Interpretations will be first applied in the financial report of the Company that relates to the annual reporting period beginning after the effective date of each pronouncement. The Directors anticipate that the adoption of these standards will not have a significant financial effect on the Company.

STATE SUPER FINANCIAL SERVICES AUSTRALIA LIMITED — ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	2013 \$000	2012 \$000
<b>2. REVENUE</b>		
Trustee fee	118,042	101,500
Responsible entity fee	4,290	4,005
Reimbursable fees received	-	7
Interest received or receivable on deposits at call and term deposits.	1,459	1,970
Distribution Income	56	-
<b>Total revenue</b>	<b>123,847</b>	<b>107,482</b>

During the year, the Company elected to either limit the amount of reimbursement received by it or to entirely waive its right of reimbursement from the Trusts.

	2013 \$000	2012 \$000
<b>3. EXPENSES</b>		
Employee expenses <sup>1</sup>	51,718	38,771
Investment management expenses <sup>2</sup>	2,024	2,078
Rental expense relating to operating leases - minimum lease payments	3,725	3,557
Property related expenses <sup>3</sup>	1,209	1,401
Depreciation of property, plant and equipment (Note 8)	2,118	1,591
Amortisation of intangible assets (Note 9)	1,117	872
Communications and Marketing <sup>4</sup>	2,790	2,128
Information Technology <sup>5</sup>	4,272	2,771
Professional Fees <sup>6</sup>	4,880	1,506
Finance and Administration <sup>7</sup>	2,587	2,149
Other Expenses <sup>8</sup>	2,404	1,748
<b>Total expenses</b>	<b>78,844</b>	<b>58,572</b>

1. Employee expenses include Long Term Incentive Plan classified separately in 2012.

2. Comparative for 2012 reclassified to disclose Professional Fees separately.

3. Property related expenses included in Other Expenses in 2012.

4. Renamed from Communications to Communications and Marketing. The comparative for 2012 has been reclassified to separately disclose Information Technology costs.

5. Information Technology included in Communications in 2012.

6. Professional fees included in in Other Expenses and Investment Management Expenses in 2012.

7. Finance and Administration included in Other Expenses in 2012.

8. Other Expenses includes loss on disposal of Property, Plant and Equipment. The comparative for 2012 has been reclassified to separately disclose Property related expenses, Professional fees, and Finance and Administration costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

4. INCOME TAX

	2013 \$000	2012 \$000
(a) Income tax expense		
Current tax	16,936	14,973
Deferred tax (Note 10)	(3,353)	(257)
<b>Income tax expense</b>	<b>13,583</b>	<b>14,716</b>

Deferred income tax expense included in income tax expense comprises:

(Decrease) / increase in gross deferred tax assets (Note 10)	3,115	335
Add decrease / (increase) in gross deferred tax liabilities (Note 10)	238	(78)
	<b>3,353</b>	<b>257</b>

(b) The prima facie tax payable on the accounting profit before income tax expense from operations is reconciled to the income tax expense in the financial statements as follows:

Profit before income tax expense from continuing operations	45,003	48,910
Income tax expense calculated at 30% (2012: 30%)	13,501	14,673
Non-deductible items	82	43
<b>Income tax expense due to continuing operations</b>	<b>13,583</b>	<b>14,716</b>

There has been no change to the corporate tax rate when compared to the previous reporting period.

5. CURRENT ASSETS - Cash and Cash Equivalents

Deposits at call	3,651	1,844
Term deposits	30,413	38,948
Operational Risk Financial Reserve	140	-
	<b>34,204</b>	<b>40,792</b>

6. CURRENT ASSETS - Trade and Other Receivables

Trustee and Responsible Entity fees receivable	12,139	9,966
Interest receivable	132	292
Other debtors	26	63
Distribution receivable	56	-
	<b>12,353</b>	<b>10,321</b>

No trade or other receivables are past due.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

## 7. CURRENT ASSETS - Other Current Assets

	2013 \$000	2012 \$000
Units in unlisted trust at fair value	2,716	-
Prepayments	874	648
	<u>3,590</u>	<u>648</u>

## 8. NON CURRENT ASSETS - Property, Plant and Equipment

	Fixtures and Fittings \$000	Office Equipment \$000	Computer Hardware \$000	File Servers \$000	Communi- cation Equipment \$000	Total \$000
<b>Gross Carrying Amount</b>						
<b>Balance at 30 June 2011</b>	8,198	3,361	2,130	1,892	1,046	16,627
Additions	2,262	674	281	232	107	3,556
Disposals	(420)	(6)	(107)	(2)	-	(535)
<b>Balance at 30 June 2012</b>	<u>10,040</u>	<u>4,029</u>	<u>2,304</u>	<u>2,122</u>	<u>1,153</u>	<u>19,648</u>
Additions	2,907	662	298	426	114	4,407
Disposals	(29)	(28)	(3)	(4)	-	(64)
<b>Balance at 30 June 2013</b>	<u>12,918</u>	<u>4,663</u>	<u>2,599</u>	<u>2,544</u>	<u>1,267</u>	<u>23,991</u>
<b>Accumulated Depreciation</b>						
<b>Balance at 30 June 2011</b>	5,217	2,611	1,619	1,726	922	12,095
Disposals	(372)	(4)	(106)	(1)	-	(483)
Depreciation expense	749	300	326	147	69	1,591
<b>Balance at 30 June 2012</b>	<u>5,594</u>	<u>2,907</u>	<u>1,839</u>	<u>1,872</u>	<u>991</u>	<u>13,203</u>
Disposals	(32)	(17)	(3)	-	-	(52)
Depreciation expense	1,117	419	322	191	69	2,118
<b>Balance at 30 June 2013</b>	<u>6,679</u>	<u>3,309</u>	<u>2,158</u>	<u>2,063</u>	<u>1,060</u>	<u>15,269</u>
<b>As at 30 June 2012</b>	<u>4,446</u>	<u>1,122</u>	<u>465</u>	<u>250</u>	<u>162</u>	<u>6,445</u>
<b>As at 30 June 2013</b>	<u>6,239</u>	<u>1,354</u>	<u>441</u>	<u>481</u>	<u>207</u>	<u>8,722</u>

\*Additions include \$289,473 of Fixture and Fittings work in progress as at 30 June 2012

\*\*Additions include \$747,611 of Fixture and Fittings work in progress as at 30 June 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

9. NON CURRENT ASSETS - Intangible Assets

<b>Computer Software</b>	<b>\$000</b>
<b>Gross Carrying Amount</b>	
<b>Balance at 30 June 2011</b>	<b>5,383</b>
Additions	3,188 *
Disposals	-
<b>Balance at 30 June 2012</b>	<b>8,571</b>
Additions	727 **
Disposals	(781)
<b>Balance at 30 June 2013</b>	<b>8,517</b>
<b>Accumulated Amortisation</b>	
<b>Balance at 1 July 2011</b>	<b>3,551</b>
Disposals	-
Amortisation expense	872
<b>Balance at 30 June 2012</b>	<b>4,423</b>
Disposals	(357)
Amortisation expense	1,117
<b>Balance at 30 June 2013</b>	<b>5,183</b>
<b>Net Carrying Value</b>	
<b>As at 30 June 2012</b>	<b>4,148</b>
<b>As at 30 June 2013</b>	<b>3,334</b>

\*Additions include \$1,320,928 of Computer Software work in progress as at 30 June 2012

\*\*Additions include \$590,545 of Computer Software work in progress as at 30 June 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

**10. NON CURRENT ASSETS - Deferred Tax Assets**

Gross deferred tax assets and liabilities comprise the estimated future benefit/cost at the applicable rate of 30% (2012: 30%) on the following items arising from temporary differences between accounting and taxation:

	2013 \$000	2012 \$000
<b>Gross deferred tax assets:</b>		
Accrued employee entitlements	4,573	1,789
Depreciation of property, plant and equipment	824	808
Accrued expenditure	1,018	713
Investment revaluation	10	-
	<u>6,425</u>	<u>3,310</u>
<b>Gross deferred tax liabilities:</b>		
Amortisation of intangible assets	-	190
Accrued revenue	40	88
	<u>40</u>	<u>278</u>
<b>Net Deferred Tax Asset</b>	<u>6,385</u>	<u>3,032</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

## 10. NON CURRENT ASSETS - Deferred Tax Assets (Continued)

The movement in gross deferred tax assets and liabilities is as follows:

2013	Opening Balance \$000	Charged to Income \$000	Closing Balance \$000
<b>Gross deferred tax assets:</b>			
Accrued employee entitlements	1,789	2,784	4,573
Depreciation of property, plant and equipment	808	16	824
Accrued expenditure	713	305	1,018
Investment revaluation	-	10	10
	<u>3,310</u>	<u>3,115</u>	<u>6,425</u>
<b>Less:</b>			
<b>Gross deferred tax liabilities:</b>			
Amortisation of intangible assets	190	(190)	-
Accrued revenue	88	(48)	40
	<u>278</u>	<u>(238)</u>	<u>40</u>
<b>Net Deferred Tax Asset</b>	<u>3,032</u>	<u>3,353</u>	<u>6,385</u>
<b>2012</b>	<b>Opening Balance \$000</b>	<b>Charged to Income \$000</b>	<b>Closing Balance \$000</b>
<b>Gross deferred tax assets:</b>			
Accrued employee entitlements	1,333	456	1,789
Depreciation of property, plant and equipment	809	(1)	808
Accrued expenditure	833	(120)	713
	<u>2,975</u>	<u>335</u>	<u>3,310</u>
<b>Less:</b>			
<b>Gross deferred tax liabilities:</b>			
Amortisation of intangible assets	113	77	190
Accrued revenue	87	1	88
	<u>200</u>	<u>78</u>	<u>278</u>
<b>Net Deferred Tax Asset</b>	<u>2,775</u>	<u>257</u>	<u>3,032</u>

STATE SUPER FINANCIAL SERVICES AUSTRALIA LIMITED — ANNUAL REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

		2013 \$000	2012 \$000
<b>11. CURRENT LIABILITIES - Trade and Other Payables</b>			
Other payables		<u>7,001</u>	<u>4,687</u>
<b>12. CURRENT LIABILITIES – Provisions</b>			
Employee entitlements	14	<u>14,070</u>	<u>9,057</u>
<b>13. NON-CURRENT LIABILITIES – Provisions</b>			
Employee entitlements	14	<u>1,173</u>	<u>839</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

## 14. EMPLOYEE ENTITLEMENTS

The aggregate employee entitlement liability recognised and included in the financial statements is as follows:

<b>Current</b>	<b>1 July 2012</b>	<b>Additional Provisions Recognised</b>	<b>Payments Made</b>	<b>30 June 2013</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Annual leave	1,626	2,660	2,212	2,074
Long service leave	1,719	327	32	2,014
Short Term Incentive Plan	5,604	12,269	8,530	9,343
Long Term Incentive Plan *	108	632	101	639
	<u>9,057</u>	<u>15,888</u>	<u>10,875</u>	<u>14,070</u>
<b>Non-current</b>				
Long service leave	485	(10)	-	475
Long Term Incentive Plan	354	344	-	698
	<u>839</u>	<u>334</u>	<u>-</u>	<u>1,173</u>
<b>Total Employee Entitlements</b>	<u>9,896</u>	<u>16,222</u>	<u>10,875</u>	<u>15,243</u>

\* While it is reasonable to estimate the Long Term Incentive will be paid over several financial periods, part of the incentive has been classified as a current liability to reflect the existing employee entitlement at 30 June subject to vesting conditions upon cessation of employment with the Company.

	<b>2013 Number</b>	<b>2012 Number</b>
Number of employees at the end of the financial year	<u>374</u>	<u>328</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

## 15. ISSUED CAPITAL

	2013 \$000	2012 \$000
<b>Fully paid ordinary shares (2012: 10,000,000)</b>	<b>10,000</b>	<b>10,000</b>
	<b>2013 Number '000</b>	<b>2012 Number '000</b>
<b>Fully paid ordinary shares</b>		
Balance at the beginning of the financial year	10,000	10,000
<b>Balance at the end of the financial year</b>	<b>10,000</b>	<b>10,000</b>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

## 16. RESERVES

	2013 \$000	2012 \$000
<b>Operational risk financial reserve</b>		
Balance at the beginning of the financial year	-	-
Charged to equity	140	-
<b>Balance at end of year</b>	<b>140</b>	<b>-</b>

The Operational Risk Financial Reserve (ORFR) has been established as an APRA requirement for registered superannuation entities to maintain adequate financial resources to address losses arising from operational risks that may affect registrable superannuation entities within its business operations. Our target ORFR has been determined at 0.25 per cent of total funds under management be held within this reserve. The minimum requirement must be met by 30 June 2015

As Trustee, SSFS has decided to hold an amount of ORFR for the State Super Fixed Term Pension Plan (which was closed to new investors in 2004) and the State Super Fixed Term Deposit, on the balance sheet to meet this regulatory requirement.

As at 30 June 2013 the ORFR held by SSFS is approximately 0.15 per cent of the of the funds under management for the State Super Fixed Term Pension Plan and State Super Fixed Term Deposit.

## 17. DIVIDENDS

	2013 \$000	2012 \$000
Fully franked interim dividend at tax rate of 30% (2012: 30%)	36,446	33,576
Adjusted franking account balance (tax paid basis)	16,489	15,762
Dividend per share - interim dividend	\$ 3.64	\$ 3.36

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

**18. KEY MANAGEMENT PERSONNEL COMPENSATION****(a) Key management personnel**

The key management personnel of the Company during the year were:

P. K. Gupta (Chairman)  
M. Monaghan (Managing Director)  
M. Carapiet  
R. M. Davis  
R. N. Harty (Resigned 2 May 2013)  
M. G. Lambert  
P. F. Scully  
S. Walsh  
J. T. Andriessen (General Manager, Marketing, Product & Advice)  
S. Bradley (General Manager, Financial Planning)  
T. Elliott (Chief Financial Officer) (Appointed 25 March 2013)  
D. Graham (Chief Investment Officer) (Appointed 31 July 2012)  
R. A. Dinham (Chief Investment Officer) (1 July 2012 - 30 July 2012)  
H. M. Harms (General Manager, Information Technology)  
K. S. Hughes (Company Secretary)  
T. A. Murphy (General Manager, Human Resources)  
T. Reid (General Manager, Corporate Development)  
J. Clark (Chief Financial Officer) (Resigned 12 October 2012)  
P. Brook (Chief Financial Officer) (15 October 2012 - 24 March 2013)

**(b) Key management personnel compensation**

Key management personnel compensation is set out below. The key management personnel comprise the directors of the company and the eight executives with the greatest authority for the strategic direction and management of the company.

	2013 \$	2012 \$
Short-term employee benefits	4,934,501	4,013,371
Post-employment benefits	216,936	301,843
Other long-term employee benefits	659,971	191,527
Termination benefits	180,000	-
	<u>5,991,408</u>	<u>4,506,741</u>

Fees of \$55,000 paid by the Company to Mr R. M. Davis were not directly received by him, but were paid directly to the SAS Trustee Corporation (2012: \$55,000).

**(c) Other transactions with key management personnel or entities related to them**

Transactions between related parties are disclosed in Note 21.

**19. REMUNERATION OF AUDITORS**

	2013 \$	2012 \$
Amounts paid or payable to the auditors for:		
Auditing the financial report - Auditor General of New South Wales	45,835	44,500
Audit of trusts administered by the Company - Auditor General of New South Wales	203,938	198,250
Other services in relation to the Company	64,790	-
	<u>314,563</u>	<u>242,750</u>

# STATE SUPER FINANCIAL SERVICES AUSTRALIA LIMITED — ANNUAL REPORT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

### 20. COMMITMENT FOR EXPENDITURE

#### (a) Lease commitments

Total lease expenditure contracted for at balance date but not provided for in the financial statements:

	2013 \$000	2012 \$000
Non-cancellable operating property leases payable:		
Not later than one year	5,078	4,093
Later than one, but not later than five years	16,066	13,703
Greater than five years	1,902	4,080
	<u>23,046</u>	<u>21,876</u>

Leases are subject to options exercisable at the discretion of the Company, which if exercised, would extend the period of these leases.

#### (b) Capital expenditure commitments

The Company has commitments of \$712,000 (2012: \$956,302) for capital expenditure on office fitouts.

### 21. RELATED PARTY TRANSACTIONS

	2013 \$	2012 \$
Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties.		

#### (a) Director related entities

Transactions entered into during the year with the SAS Trustee Corporation ('STC').	-	-
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Payment of costs associated with the provision of services under an Access Agreement between the Company and the STC	<u>162,467</u>	<u>163,154</u>
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Payment for rent, outgoings and cleaning services to STC on normal commercial terms	<u>1,191,400</u>	<u>1,108,517</u>
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#### (b) Balances with related parties

##### Aggregated amounts payable to Director related entities

##### Current liability:

STC	<u>16,500</u>	18,000
Total current liability to related parties	<u>16,500</u>	<u>18,000</u>

#### (c) Holding of units - State Super Retirement Fund

State Super Financial Services Australia Limited is the Trustee of the State Super Retirement Fund. The key management personnel of the company held units in the State Super Retirement Fund as follows:

	Number of Units
2013	55,807
2012	70,487

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

## 21. RELATED PARTY TRANSACTIONS (Continued)

## (d) Holding of units - State Super Investment Fund Class A

State Super Financial Services Australia Limited is the Responsible Entity of the State Super Investment Fund Class A. The key management personnel of the Company held units in the State Super Investment Fund Class A as follows:

	Cash Fund No. units	Growth Fund No. units	Australian Equities Fund No. units
2013	177	40,261	6,968
2012	173	33,376	-

The key management personnel hold zero units in the following funds:

- Capital Stable Fund
- Balanced Fund
- International Equities Fund
- Fixed Interest Fund
- Moderate Fund
- Growth Plus Fund

## (e) Holding of units - State Super Investment Fund Class B

State Super Financial Services Australia Limited is the Responsible Entity of the State Super Investment Fund Class B. At the end of the financial year the following units are held by the Company in the State Super Investment Fund Class B:

	Australian Equities No. units	Balanced No. units	Capital Stable No. units	Fixed Interest No. units	Growth No. units	International Equities No. units	Moderate No. units
2013	416,181	416,215	208,107	208,107	416,215	208,107	416,215
2012	-	-	-	-	-	-	-

The key management personnel hold zero units in the following funds:

- Cash Fund
- Growth Plus Fund

## (f) Remuneration of key management personnel

Information on key management personnel compensation is disclosed in Note 18.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

## 22. CASH FLOW INFORMATION

	2013 \$000	2012 \$000
<b>(a) RECONCILIATION OF CASH</b>		
Cash and cash equivalents (Note 5)	<u>34,204</u>	<u>40,792</u>
<b>(b) RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit	31,420	34,194
Depreciation of property, plant and equipment	2,118	1,591
Amortisation of intangible assets	1,117	872
Loss on disposal of fixed assets	94	25
<b>Changes in operating assets and liabilities</b>		
(Increase) in receivables	(2,032)	(663)
(Increase) in other current assets	(192)	(203)
(Increase) in deferred tax assets	(3,353)	(257)
Increase in current income tax liability	590	641
Increase in payables	2,775	322
(Decrease) in non-current deferred income	(163)	(162)
Increase in current employee entitlements	5,013	148
Increase in non-current employee entitlements	334	204
<b>Net cash generated by operating activities</b>	<u>37,721</u>	<u>36,712</u>

## 23. FINANCIAL INSTRUMENTS

## (a) General

Operating cash flows are used to make outflows for dividends, tax and expenses. The Company invests its surplus cash flow funds in short term liquid investments with Australian banks and financial institutions.

## (b) Capital risk management

The Company's capital structure comprises issued capital (Note 15) and retained earnings.

In its capacity as either Trustee or Responsible Entity the Company is required to maintain at least \$5,000,000 in liquid assets at all times. The Company has complied with its financial obligations throughout the financial year.

## (c) Categories of financial instruments

	2013 \$000	2012 \$000
<b>Financial Assets</b>		
Cash and cash equivalents	34,204	40,792
Trade and other receivables	12,353	10,321
Other financial assets	3,590	648
<b>Financial Liabilities</b>		
Amortised cost	7,001	4,687



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

**23. FINANCIAL INSTRUMENTS (Continued)****(d) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in a financial loss to the Company.

The maximum exposure to credit risk for each class of financial asset, excluding the value of any collateral or other security, at balance date in regard to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

The Company invests its surplus cash flow funds in short term liquid investments with Australian banks and financial institutions. As such the Company has a significant credit exposure to these banks and financial institutions. Each bank and financial institution has a high credit-ratings assigned by international credit-ratings agencies. The Company on a daily basis monitors its counterparty credit exposure. The Company does not have an exposure to derivative financial instruments.

**(e) Liquidity and cash flow risk**

The Company actively manages liquidity risk by forecasting cash flow requirements, continuously monitoring cash flows on a daily basis and investing surplus cash flow funds in short term liquid investments. The following table details the maturity analysis of the Company's financial liabilities.

	<b>3 months or less \$000</b>	<b>3-6 months \$000</b>	<b>6-12 months \$000</b>	<b>Total \$000</b>
<b>2013</b>				
Non-interest bearing	7,001	-	-	<b>7,001</b>
Current tax liabilities	4,912	-	-	<b>4,912</b>
Provisions	10,391	1,635	2,044	<b>14,070</b>
	<u>22,304</u>	<u>1,635</u>	<u>2,044</u>	<u><b>25,983</b></u>
<b>2012</b>				
Non-interest bearing	4,687	-	-	<b>4,687</b>
Current tax liabilities	4,322	-	-	<b>4,322</b>
Provisions	6,688	1,052	1,317	<b>9,057</b>
	<u>15,697</u>	<u>1,052</u>	<u>1,317</u>	<u><b>18,066</b></u>

**(f) Market risk**

Market risk arises from factors such as economic, technological, political or legal conditions which can adversely affect investment markets. In turn, this can cause market prices to fluctuate and affect the value of investment portfolios.

Market risk comprises three types of risk: foreign exchange (currency risk), market interest rates (interest rate risk) and market prices (price risk). The Company does not have exposure to currency or price risk.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

## 23. FINANCIAL INSTRUMENTS (Continued)

## (g) Interest rate risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the weighted average effective interest rates on those financial assets and financial liabilities, is as follows:

	Variable Interest Rate Less Than 1 Year to Maturity	Fixed Interest Rate Less Than 1 Year to Maturity	Non Interest Bearing	Total
2013	\$000	\$000	\$000	\$000
<b>Financial Assets</b>				
Deposits at call	3,791	-	-	3,791
Term deposits	-	30,413	-	30,413
Trade and other receivables	-	-	12,353	12,353
Units in related unit trust	-	-	2,716	2,716
Other current assets	-	-	874	874
<b>Total</b>	<b>3,791</b>	<b>30,413</b>	<b>15,943</b>	<b>50,147</b>
<b>Financial Liabilities</b>				
Trade and other payables	-	-	7,001	7,001
<b>Total</b>	<b>-</b>	<b>-</b>	<b>7,001</b>	<b>7,001</b>
	Variable Interest Rate Less Than 1 Year to Maturity	Fixed Interest Rate Less Than 1 Year to Maturity	Non Interest Bearing	Total
2012	\$000	\$000	\$000	\$000
<b>Financial Assets</b>				
Deposits at call	1,844	-	-	1,844
Term deposits	-	38,948	-	38,948
Trade and other receivables	-	-	10,321	10,321
Other current assets	-	-	648	648
<b>Total</b>	<b>1,844</b>	<b>38,948</b>	<b>10,969</b>	<b>51,761</b>
<b>Financial Liabilities</b>				
Trade and other payables	-	-	4,687	4,687
<b>Total</b>	<b>-</b>	<b>-</b>	<b>4,687</b>	<b>4,687</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

## 23. FINANCIAL INSTRUMENTS (Continued)

## (h) Sensitivity analysis

The following table summarises the sensitivity of the Company's Statement of Comprehensive Income and Statement of Financial Position to interest rate risk and price risk.

The sensitivity analyses have been determined based on the exposure to a change in the interest rates and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

The Company has sought and received advice from specialist asset consultants on possible changes in interest rates.

The following table demonstrates the sensitivity of the Company's income statement to a possible change in interest rates and the effect on financial assets subject to variable interest rates, with all variables being held constant. Management believes that using standard deviation as a risk measure is appropriate for measuring interest rate risk. The long term assumptions are intended to be forward looking, and have been set using a combination of actual historical returns, economic theory, current market conditions and judgement. This methodology is consistent with the approach adopted and used in the sensitivity analysis for 2013.

However, actual movements in interest rates may be less or greater than anticipated due to a number of factors, including unusually large changes in the performance of the economies. As a result, historic variations in risk variables are not a definitive indicator of future variations in interest rates.

Asset class	Change in variable	Profit/(loss) 2013 \$000	Change in equity 2013 \$000	Profit/(loss) 2012 \$000	Change in equity 2012 \$000
Cash	+1.3%	488	488	554	554
	-1.3%	(488)	(488)	(554)	(554)

The potential impact of movements in the market value of unlisted investments on the Company's income statement and statement of financial position is shown in the below sensitivity analysis. This sensitivity analysis has been performed to assess the direct risk of holding these instruments. It is assumed that the relevant change occurs as at the reporting date.

Asset class	Change in variable	Profit/(loss) 2013 \$000	Change in equity 2013 \$000	Profit/(loss) 2012 \$000	Change in equity 2012 \$000
Units in unlisted trust	+5.0%	136	136	-	-
	-5.0%	(136)	(136)	-	-

## (i) Fair values

The carrying amounts of financial assets and financial liabilities as disclosed in the Statement of Financial Position and in the notes to the financial statements approximate fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

**24. CONTINGENT LIABILITIES AND ASSETS**

**Third party guarantees**

Bank guarantees have been issued by a third party institution on behalf of the Company for items in the normal course of the business such as rental contracts. The amounts involved are not considered to be material to the Company.

There are no other liabilities or contingent assets (2012: \$nil).

**25. SUBSEQUENT EVENTS**

Since the end of the financial year, no matter or circumstance has arisen that may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in financial years subsequent to 30 June 2013.

**26. ULTIMATE CONTROLLING ENTITY**

As at 30 June 2013, the Company is owned 100% (2012: 100%) by the Pooled Funds of which the SAS Trustee Corporation is the Trustee.

The ultimate controlling entity of the Company is SAS Trustee Corporation.



To the Directors  
State Super Financial Services Australia Limited  
Level 7, 83 Clarence Street  
SYDNEY NSW 2000

22 August 2013

### Auditor's Independence Declaration

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of State Super Financial Services Australia Limited regarding the financial report for State Super Investment Fund.

As lead auditor for the audit of the financial statements of State Super Investment Fund, comprising the Class A and Class B schemes for the Cash Fund, Capital Stable Fund, Balanced Fund, Growth Fund, Fixed Interest Fund, Moderate Fund, Growth Plus Fund, Australian Equities Fund and International Equities Fund, for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

Yours sincerely

J Sugumar  
Director, Financial Audit Services



## INDEPENDENT AUDITOR'S REPORT

### State Super Financial Services Australia Limited

To members of the New South Wales Parliament and Members of State Super Financial Services Australia Limited

I have audited the accompanying financial statements of State Super Financial Services Australia Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company as set out on pages 7 to 35.

### Opinion

In my opinion:

- the financial statements of State Super Financial Services Australia Limited is in accordance with the *Corporations Act 2001*, including:
  - giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date
  - complying with Australian Accounting Standards and the Corporations Regulations 2001
- the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

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

### Directors' Responsibility for the Financial Statements

The directors of the company are responsible for the preparation of the financial statements that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial statements that gives a true and fair view, 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 directors, as well as evaluating the overall presentation of the financial statements.

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 Company
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.

## Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards, *Corporations Act 2001* 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
- 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 of New South Wales are not compromised in their roles by the possibility of losing clients or income.

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of State Super Financial Services Australia Limited on 22 August 2013, would be in the same terms if provided to the directors as at the date of this auditor's report.



James Sugumar  
Director, Financial Audit Services

28 August 2013  
SYDNEY



**Adrian Lucchese**  
**Legal Practitioner**

**I certify this to be a true copy of the document  
shown and reported to me as the original**

**Dated:** 18/9/2013

SOUTHERN WAY UNIT TRUST

ABN 32 018 309 219

FINANCIAL REPORT  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

AMP Capital Investors Limited  
Level 24, 33 Alfred Street,  
Sydney, NSW 2000  
ACN 001 777 591



## SOUTHERN WAY UNIT TRUST

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SOUTHERN WAY UNIT TRUST

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	30 June 2013	30 June 2012
	\$	\$
<b>INVESTMENT INCOME</b>		
Net changes in the fair value of financial instruments measured at fair value through profit or loss	<u>19,959,092</u>	<u>13,877,685</u>
<b>Total investment income</b>	<u>19,959,092</u>	<u>13,877,685</u>
<b>EXPENSES</b>		
<b>Total expenses</b>	<u>-</u>	<u>-</u>
<b>NET PROFIT ATTRIBUTABLE TO UNITHOLDERS BEFORE FINANCE COSTS</b>	19,959,092	13,877,685
Finance costs attributable to unitholders		
Increase in net assets attributable to unitholders	<u>(19,959,092)</u>	<u>(13,877,685)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>	<u><u>-</u></u>	<u><u>-</u></u>

SOUTHERN WAY UNIT TRUST

STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2013

	30 June 2013	30 June 2012	30 June 2011
	\$	\$	\$
<b>ASSETS</b>			
Financial assets measured at fair value through profit or loss			
Unlisted equity securities and managed investment funds	<u>83,735,873</u>	<u>63,776,781</u>	<u>49,899,096</u>
<b>TOTAL ASSETS</b>	<u>83,735,873</u>	<u>63,776,781</u>	<u>49,899,096</u>
<b>LIABILITIES</b>			
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS</b>			
<b>ATTRIBUTABLE TO UNITHOLDERS</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<u>83,735,873</u>	<u>63,776,781</u>	<u>49,899,096</u>

SOUTHERN WAY UNIT TRUST

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	30 June 2013	30 June 2012
	\$	\$
Balance at beginning of financial year (as previously reported)	62,501,345	49,699,599
Impact of transition to Australian Accounting Standards	<u>1,275,436</u>	<u>199,497</u>
Balance at beginning of financial year (restated)	<u>63,776,781</u>	<u>49,899,096</u>
	63,776,781	49,899,096
Increase in net assets attributable to unitholders	<u>19,959,092</u>	<u>13,877,685</u>
<b>Balance at the end of the financial year</b>	<u><b>83,735,873</b></u>	<u><b>63,776,781</b></u>

SOUTHERN WAY UNIT TRUST

STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Notes	30 June 2013	30 June 2012
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		-	-
Net cash inflow/(outflow) from operating activities	4(b)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
Net cash inflow/(outflow) from financing activities		-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	4(a)	-	-

## SOUTHERN WAY UNIT TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been reclassified to be consistent with current period disclosures.

##### (a) Trust Information

The Southern Way Unit Trust (the "Trust") is an unregistered unit trust. AMP Capital Investors Limited, was appointed the Trustee of the Trust on 14 June 2013, when STC Funds Nominee Pty Limited resigned as Trustee. STC Funds Nominee Pty Limited was trustee for the period before 14 June 2013. The Trustee is incorporated and domiciled in Australia. The registered office of the Trustee is located at Level 24, 33 Alfred Street, Sydney, NSW 2000.

The Manager of the Trust for the period from 14 June 2013 to 30 June 2013 is AMP Capital Investors Limited, a subsidiary of AMP Limited. The Manager of the Trust for the period before 14 June 2013 was Access Capital Advisers.

The Trust was established on 30 November 2009. The principal activity for the Trust during the financial year was the investment of unitholder funds in accordance with the Trust Deed. There has been no significant change in the nature of this activity during the financial year.

##### (b) Basis of Preparation

Prior to 14 June 2013, STC Funds Nominee Pty Limited as the Trustee of the Trust was responsible for the provision of services to the Trust including responsibility for the preparation and maintenance of the accounting records of the Trust. The former trustee prepared a special purpose Financial Report for the Trust for the year ended 30 June 2012. This is the Trust's first year of preparing a general purpose Financial Report and first time in accordance with all Australian Accounting Standards. The impact from adopting Australian Accounting Standards is described in Note 8 in accordance with AASB1. This Financial Report has been prepared in accordance with:

- the Trust Deed;
- Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board;
- the requirements of the Public Finance and Audit Act 1983; and
- the Public Finance and Audit Regulation 2010.

The Financial Report has been prepared on the basis of historic cost convention except for unlisted equity securities and unlisted managed investment funds. These are measured at fair value. The Statement of Financial Position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items.

##### (c) Statement of Compliance

The Financial Report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

##### *Changes in Australian Accounting Standards*

The Trust has adopted all mandatory Australian Accounting Standards and Interpretations for the financial year beginning on 1 July 2012. Adoption of these Standards and Interpretations has not had any effect on the financial position or performance of the Trust but may have impacted the Financial Report disclosures.

##### *Australian Accounting Standards issued but not yet effective*

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the financial year ended 30 June 2013. When applied in future periods, recently issued or amended standards are not expected to have an impact on the Trust's financial position or performance; however, it may impact presentation and disclosures in the Financial Report. Further details are outlined below.

##### **AASB 9 "Financial Instruments" (effective from 1 January 2015)**

This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities.

##### **AASB 10 "Consolidated Financial Statements" (effective from 1 January 2013)**

This standard and revised AASB 127 "Separate Financial Statements" has changed the criteria for determining control. Previously control was assessed based on when the Trust had the power to govern the operating and financing policies of an entity so as to obtain benefits from its activities. Since 1 January 2013 an entity is controlled when the Trust is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

##### **AASB 11 "Joint Arrangements" (effective from 1 January 2013)**

This standard uses the principle of control in AASB 10 to define joint control and removes the option to account for jointly controlled entities using the proportionate consolidation method. Joint ventures that give the venturers rights to the net assets are accounted for using the equity method. Joint operations that give the venturers rights to the underlying assets and obligations are accounted for by recognising the share of those assets and obligations.

##### **AASB 12 "Disclosure of Interests in Other Entities" (effective from 1 January 2013)**

This standard introduces new disclosures about the judgements made by management to determine whether control exists, and requires summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****AASB 13 "Fair Value Measurement" (effective from 1 January 2013)**

This Standard has centralised the definition and guidance for measuring fair values where required to be applied by various other accounting standards and removes some minor inconsistencies that previously existed between the guidance for determining fair value in these Standards. The new Standard requires quantitative and qualitative disclosures of all fair value measurement.

**AASB 2013-5 "Amendments to Australian Accounting Standards - Investment Entities" (effective from 1 January 2014)**

On 14 August 2013, the AASB issued AASB2013-5. The standard has provided an exception to the consolidation requirement for entities that meet the definition of an "investment entity". The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The exception is effective for financial years beginning on or after 1 January 2014.

**(d) Financial Instruments Held at Fair Value Through Profit or Loss**

Financial instruments of the Trust have been designated as financial instruments held at fair value through profit or loss as they are managed and their performance is evaluated on a fair value basis. The investments are initially recognised at fair value excluding their transaction costs and subsequently remeasured to their fair value through profit or loss on a periodic basis and at balance date. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Purchases and sales of financial instruments are recognised on the date that the Trust is contractually bound to purchase or sell the financial instrument.

*Unlisted equity securities and managed investment funds*

The fair value of unlisted equity securities and managed investment funds is determined by the Trustee using the discounted cash flow methodology. When the Trust invests in managed investment funds issued by a party whose unlisted equity securities are also held by the Trust, the fair value of such managed investment trusts and unlisted equity securities, in combination, is determined by the Manager using the discounted cash flow methodology. The fair values of these securities are based on their respective rights and rankings.

The valuation basis adopted for each investment is approved by the Trustee.

**(e) Significant Accounting Judgements, Estimates and Assumptions**

The making of judgements, estimates and assumptions is a necessary part of the financial reporting process and these judgements, estimates and assumptions can have a significant effect on the reported amounts in the Financial Report. Estimates and assumptions are determined based on information available at the time of preparing the Financial Report and actual results may differ from these estimates and assumptions. Had different estimates and assumptions been adopted, this may have had a significant impact on the Financial Report. Significant accounting judgements, estimates and assumptions are re-evaluated at each balance date in the light of historical experience and changes to reasonable expectations of future events. Significant accounting judgements, estimates and assumptions include but are not limited to:

*Fair value measurement of investments in financial instruments*

The Trust's investments are financial instruments measured at fair value through profit or loss by using a valuation technique. Judgement is applied in selecting valuation techniques and setting valuation assumptions and inputs. Further details on the determination of fair value of financial instruments is set out in Note 1(d).

**(f) Investment Income**

Income is recognised to the extent that it is probable that the economic benefits will flow to the Trust and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

*Net changes in the fair value of financial instruments measured at fair value through profit or loss*

Net changes in the fair value of financial instruments are recognised as income and are determined as the difference between the fair value at the balance date or consideration received (if sold during the financial year) and the fair value as at the prior balance date or initial fair value (if acquired during the financial year).

**(g) Expenses**

Expenses are recognised in the Statement of Comprehensive Income on an accrual basis.

**(h) Recognition and Derecognition of Financial Assets and Liabilities**

Financial assets and financial liabilities are recognised at the date the Trust becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to an unrelated third party.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

**(i) Cash and Cash Equivalents**

For the purposes of the Statement of Financial Position, cash and cash equivalents include deposits held at call with a bank or financial institution with an original maturity date of three months or less. Cash and cash equivalents also include highly liquid investments which are readily convertible to cash on hand at the Trustee's option and which the Trustee uses in its day to day management of the Trust's cash requirements.

## SOUTHERN WAY UNIT TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (j) Net Assets Attributable to Unitholders

Net assets attributable to unitholders are classified as financial liabilities and not as equity because the Trustee has a contractual obligation to pay distributable income of the Trust to unitholders and units are redeemable at the unitholders' option. As there are no equityholders, total comprehensive income attributable to unitholders and equity for the Trust is nil. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance date if unitholders exercised their right to redeem their units.

##### (k) Taxation

Under current legislation, the Trust is not liable to pay income tax since, under the terms of the Trust Deed, the unitholders are presently entitled to the income of the Trust.

##### (l) Distributable Income

In accordance with the Trust Deed, the Trust fully distributes its distributable income to unitholders each tax year. Such distributions are determined by reference to the taxable income of the Trust. Distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

Distributable income includes capital gains arising from the disposal of assets.

Distributable income does not include unrealised gains and losses on the net value of investments in financial instruments, accrued income not yet assessable, expenses provided for or accrued but not yet deductible, tax free or deferred income and realised capital losses which are retained to offset future realised capital gains.

##### (m) Functional and presentation currency

The Financial Report is presented in Australian dollars (the "presentation currency"). Items included in the Trust's Financial Report are measured using the currency of the primary economic environment in which it operates (the "functional currency") which is Australian dollars.

##### (n) Terms and Conditions of Units on Issue

Each unit confers upon the unitholder an equal interest in the Trust, and is of equal value. A unit does not confer an interest in any particular asset or investment of the Trust.

Unitholders have various rights under the Trust Deed, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Trust.

Applications received for units in the Trust are recognised in the Trust. Redemptions from the Trust are recognised after the cancellation of units redeemed. Unit exit prices are determined in accordance with the Trust Deed and are calculated on a forward pricing basis as the redemption price per unit.

##### (o) Goods and Services Tax ("GST")

All income, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or where the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the relevant expense.

Receivables and payables are recognised with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as either a receivable or payable in the Statement of Financial Position.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.



# SOUTHERN WAY UNIT TRUST

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

30 June 2013	30 June 2012
\$	\$

### NOTE 2: AUDITOR'S REMUNERATION

Amounts paid or payable to the Auditor General, the auditor of the Trust, for:

Audit of the Financial Statements of the Trust	17,000	-
--	--------	---

The auditor's remuneration paid or payable for the year ended 30 June 2013 includes an amount of \$6,500 for the audit of comparative information.

Auditor's remuneration for audit of the Financial Statements of the Trust shall be borne by SAS Trustee Corporation.

30 June 2013	30 June 2012
Units	Units

### NOTE 3: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The movement in the number of units on issue during the financial year was as follows:

#### Units on Issue

Opening balance	43,922,745	43,922,745
Closing balance	43,922,745	43,922,745

30 June 2013	30 June 2012
\$	\$

### NOTE 4: CASH AND CASH EQUIVALENTS

#### (a) Cash and Cash Equivalents

Cash and cash equivalents	-	-
---------------------------	---	---

#### (b) Reconciliation of Net Profit Attributable to Unitholders before Finance Costs to Net Cash Inflow/(Outflow) from Operating Activities

Net Profit Attributable to Unitholders before Finance Costs	19,959,092	13,877,685
Net changes in the fair value of financial instruments measured at fair value through profit or loss	(19,959,092)	(13,877,685)
Net cash inflow/(outflow) from operating activities	-	-

### NOTE 5: RELATED PARTY DISCLOSURES

#### (a) General Information

The Trustee of the Trust is AMP Capital Investors Limited, a subsidiary of AMP Limited. The Manager of the Trust is AMP Capital Investors Limited, a subsidiary of AMP Limited.

SAS Trustee Corporation Pooled Fund (Pooled Fund) is the ultimate parent of the trust. SAS Trustee Corporation acts as the Trustee of the Pooled Fund

## SOUTHERN WAY UNIT TRUST

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

#### NOTE 5: RELATED PARTY DISCLOSURES (Continued)

##### (b) Transactions with the Trustee and Manager

There have been no transaction between the Trust and related parties.

In accordance with the Investment Manager Agreement dated 5 February 2013, the Manager is entitled to receive fees of 47.5bp per annum of the gross asset value less realisation costs for the provision of management services and to be reimbursed for certain expenses incurred in the administration of the Trust. During the financial year, no management fees or expenses have been paid out of the Trust. However, a management fee amount of \$16,811 will be paid by SAS Trustee Corporation to AMP Capital Investors Limited directly for the period starting from 14 June 2013 to 30 June 2013.

##### (c) Key Management Personnel

AASB 124 "Related Party Disclosures" defines key management personnel (KMP) as including all Non-Executive Directors, Executive Directors and any other persons having authority or responsibility for planning, directing and controlling the activities of the Trust. The Trust has no direct employees, however the Executive Directors of the Trustee have been deemed to be Directors of the Trust. These individuals and the Trustee comprise the KMP of the Trust.

The names of each person holding the position of Director of the Trustee at any time since the Trustee was appointed on 14 June 2013 and until the date of this report are as follows:

Name	Position
Stephen J. P. Dunne	Chairman and Executive Director
Sharon B. Davis	Executive Director
Peter R. J. Sipek	Executive Director
P. Margaret Payn	Executive Director

No Director of the Trustee was paid any remuneration by the Trust during the financial year and their compensation paid by the Trustee or related entities of the Trustee is not related to services they render to the Trust.

The names of each person holding the position of Director during the period that STC Funds Nominee Pty Limited was trustee, from 1 July 2012 and 14 June 2013 are as follows:

Name	Position
D. Chessell	Director
A. Austin	Director
G. Matthews	Director

#### NOTE 6: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Prior to 14 June 2013, STC Funds Nominee Pty Limited, being the Trustee of the Trust, was responsible for managing the financial risk management objectives and policies of the Trust after which AMP Capital Investors Limited assumed this responsibility when appointed Trustee on 14 June 2013.

Risks arising from holding financial instruments are inherent in the Trust's activities, and are managed through a process of ongoing identification, measurement and monitoring.

Financial instruments of the Trust comprise investments in financial assets held at fair value through profit or loss and net assets attributable to unitholders, which arise directly from the Trust's operations.

The Trustee is responsible for identifying and controlling the risks that arise from these financial instruments. The Trust is exposed to credit risk, liquidity risk and market risk.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Trust from reasonably possible changes in the relevant risk variables. Information about these risk exposures for the financial year is provided below. Where the Trust has material risk exposures, risk sensitivity analysis is presented for illustrative purposes. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Trustee. These mandate limits reflect the investment strategy and market environment of the Trust, as well as the level of risk that the Trust is willing to accept.

This information is prepared and reported to relevant parties within the Trustee on a regular basis as deemed appropriate, including Risk and Investment Committees and other key management.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Trustee's objectives when managing capital are to safeguard the Trust's ability to continue as a going concern, so it can continue to provide returns to unitholders and to maintain an optimal capital structure.

# SOUTHERN WAY UNIT TRUST

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

### NOTE 6: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (a) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations under a contract.

The Trust's maximum credit risk exposure at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the maximum exposure at the balance date.

Credit risk is not considered to be significant to the Trust.

#### (b) Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with financial liabilities.

The Trust manages its liquidity risk by monitoring application and redemption requests to ensure sufficient liquidity is available.

Financial liabilities of the Trust comprise net assets attributable to unitholders. Net assets attributable to unitholders are payable on demand, however the Trustee has the power under the Trust Deed to do an in-specie redemption.

#### (c) Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

Australian Accounting Standards require the disclosure of sensitivity to changes in market risk variables such as interest rates, foreign exchange rates and equity prices. This sensitivity is not intended to show the impact on the Trust's financial performance for the entire period, just an illustrative example of the direct impact of a change in the value of the financial instruments held at the balance date as a result of the change in market rate. The sensitivity is required to show the impact of a reasonably possible change in market rate over the period to the subsequent balance date. It is not intended to illustrate a remote, worst case or stress test scenario.

##### *Interest rate risk*

Interest rate risk is the risk that changes in interest rates will affect future cash flows or the fair values of financial instruments.

As the Trust has no directly held interest bearing securities at balance date, interest rate risk sensitivity has not been presented.

##### *Foreign exchange risk*

Foreign exchange risk is the risk that the value of monetary securities denominated in currencies other than the Australian dollar will fluctuate due to changes in exchange rates.

As the Trust has no direct exposure to monetary securities denominated in currencies other than the Australian dollar, foreign exchange risk sensitivity has not been presented.

##### *Price risk*

Price risk is the risk that the fair value of unlisted equity securities and unlisted managed investment funds decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. Price risk exposure arises from the Trust's investment portfolio.

Price risk is managed by monitoring compliance with established investment mandate limits.

The analysis below demonstrates the impact of a 10% movement in unlisted equity securities and unlisted managed investment funds. This sensitivity analysis has been performed to assess the direct risk of holding unlisted equity securities and unlisted managed investment funds with all other variables held constant. It is assumed that the relevant change occurs at the balance date.

	Price Risk	
	-10%	+10%
	\$	\$
30 June 2013	(8,373,587)	8,373,587
30 June 2012	(6,377,678)	6,377,678

SOUTHERN WAY UNIT TRUST

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

(d) Fair value measurement

Financial instruments measured at fair value are categorised under a three level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels are:

Level 1: Valued by reference to quoted prices in active markets for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arms length basis.

Level 2: Valued using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), including: quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities, and other inputs that are not quoted prices but are observable for the asset or liability.

Level 3: Valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Unobservable inputs are determined based on the best information available, which might include the Trust's own data, reflecting the Trust's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available.

The following table shows an analysis of financial instruments measured at fair value at the balance date, by level of the fair value hierarchy:

30 June 2013

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Unlisted equity securities and managed investment funds	-	-	83,735,873	83,735,873
Total	-	-	83,735,873	83,735,873

30 June 2012

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Unlisted equity securities and managed investment funds	-	-	63,776,781	63,776,781
Total	-	-	63,776,781	63,776,781

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the financial year:

	Opening balance	Purchases	Sales	Net transfers in/(out)	Net changes in the fair value of financial instruments measured at fair value through profit or loss	Closing balance	Total gain/(loss) for the period included in net changes in the fair value of financial instruments attributable to Level 3 instruments held at year end
	\$	\$	\$	\$	\$	\$	\$
Unlisted equity securities and managed investment funds	63,776,781	-	-	-	19,959,092	83,735,873	19,959,092
Total	63,776,781	-	-	-	19,959,092	83,735,873	19,959,092

	Opening balance	Purchases	Sales	Net transfers in/(out)	Net changes in the fair value of financial instruments measured at fair value through profit or loss	Closing balance	Total gain/(loss) for the period included in net changes in the fair value of financial instruments attributable to Level 3 instruments held at year end
	\$	\$	\$	\$	\$	\$	\$
Unlisted equity securities and managed investment funds	49,899,096	-	-	-	13,877,685	63,776,781	13,431,680
Total	49,899,096	-	-	-	13,877,685	63,776,781	13,431,680

Changes to one or more of the inputs to reasonably possible alternative assumptions would not result in significant changes to the fair value of the Level 3 assets.

SOUTHERN WAY UNIT TRUST

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

**NOTE 7: COMMITMENTS AND CONTINGENCIES**

The Trust had no commitments or contingencies at 30 June 2013 (30 June 2012: nil) other than those specified in the Financial Report.

**NOTE 8: TRANSITION TO AUSTRALIAN ACCOUNTING STANDARDS**

The Trust has identified a prior year adjustment in the measurement of its financial assets on transition to all Australian Accounting Standards. The financial assets had previously been valued at net market value (fair value less realisation costs). These financial assets have now been restated at fair value through profit or loss. The restatement occurred as a result of the financial statements being prepared in accordance with all Australian Accounting Standards. In previous periods, special purpose financial reports were prepared which did not comply with all recognition and measurement rules. The impact of the restatement to the prior year is to increase the value of the financial assets as at 30 June 2012 by \$1,275,436, increase the opening net asset value attributable to unitholders as at 1 July 2011 by \$199,497 and increase the net changes in the fair value of financial instruments measured at fair value through profit or loss in 2012 by \$1,075,939.

	As previously reported	Transition adjustment	Restated
<b>(a) Statement of Comprehensive Income</b>			
For the year ended 30 June 2012			
Net changes in the fair value of financial instruments measured at fair value through profit or loss	12,801,746	1,075,939	13,877,685
	As previously reported	Transition adjustment	Restated
<b>(b) Statement of Financial Position</b>			
For the year ended 30 June 2011			
Financial Assets			
Settlement sum	100	(100)	-
Unlisted equity securities and managed investment funds	49,699,499	199,597	49,899,096
	49,699,599	199,497	49,899,096
For the year ended 30 June 2012			
Financial Assets			
Settlement sum	100	(100)	-
Unlisted equity securities and managed investment funds	62,501,245	1,275,536	63,776,781
	62,501,345	1,275,436	63,776,781
<b>(c) Statement of Changes in Net Assets Attributable to Unitholders</b>			
For the year ended 30 June 2012			
Increase in net assets attributable to unitholders	12,801,746	1,075,939	13,877,685

**NOTE 9: EVENTS OCCURRING AFTER BALANCE DATE**

Since 30 June 2013 there have been no matters or circumstances not otherwise dealt with in the Financial Report that have significantly affected or may significantly affect the Trust.

**NOTE 10: AUTHORISATION OF FINANCIAL REPORT**

The Financial Report of the Southern Way Unit Trust for the financial year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors of AMP Capital Investors Limited on 11 September 2013.

SOUTHERN WAY UNIT TRUST

STATEMENT BY THE TRUSTEE

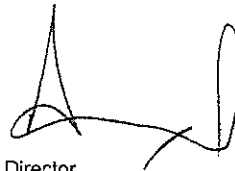
In accordance with a resolution of the Directors of AMP Capital Investors Limited, the Trustee, I state that in the opinion of the Directors of the Trustee:

- (a) The Financial Statements and notes are in accordance with the requirements of the Trust Deed, sections 41C(1B) and 41C(1C) of the Public Finance and Audit Act 1983, Clause 7 of the Public Finance and Audit Regulation 2010, and:
  - (i) are properly drawn up so as to present fairly the Trust's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) comply with the provisions of the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2010 and the Australian Accounting Standards, as set out in Note 1(b).
- (b) There are reasonable grounds to believe the Trust will be able to pay its debts as and when they become due and payable.



Director

11 September 2013, Sydney



Director

11 September 2013, Sydney



## INDEPENDENT AUDITOR'S REPORT

### Southern Way Unit Trust

To Members of the New South Wales Parliament and Unitholders of Southern Way Unit Trust

I have audited the accompanying financial statements of Southern Way Unit Trust (the Trust), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

### Opinion

In my opinion the financial statements:

- give a true and fair view of the Trust's financial positions as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

### Trustee's Responsibility for the Financial Statements

The Trustee is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act and for such internal control as the Trustee determines is necessary to enable the preparation of the financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 Trustee, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

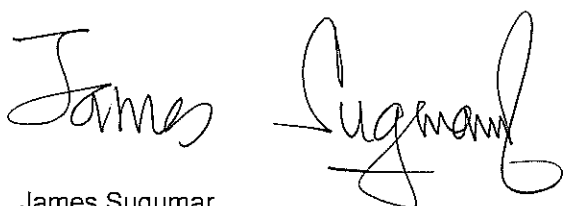
My opinion does *not* provide assurance:

- about the future viability of the Trust
- that the Trust carried out its activities effectively, efficiently and economically
- about the effectiveness of their internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

## Independence

In conducting my audit, I have 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
- 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 of New South Wales are not compromised in their roles by the possibility of losing clients or income.



James Sugumar  
Director, Financial Audit Services

12 September 2013  
SYDNEY



**Pisco STC Funds Unit Trust No. 1**  
**Annual report - 30 June 2013**

# **Pisco STC Funds Unit Trust No. 1**

## **Annual report - 30 June 2013**

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These financial statements cover Pisco STC Funds Unit Trust No. 1 as an individual entity.

The Trustee of Pisco STC Funds Unit Trust No. 1 is Fidante Partners Services Limited (ABN 44 119 605 373).  
The Trustee's registered office is:

Level 15, 255 Pitt Street  
SYDNEY NSW 2000

## **Directors' report**

The directors of Fidante Partners Services Limited, the Trustee of Pisco STC Funds Unit Trust No. 1, present their report together with the financial statements of Pisco STC Funds Unit Trust No. 1 ('the Trust') for the year ended 30 June 2013.

### **Directors**

The following persons held office as directors of STC Funds Nominee Pty Ltd during the year up to the date of transfer:

D Chessell  
A Austin  
G Matthews

On 17 June 2013, Fidante Partners Services Limited replaced STC Funds Nominee Pty Ltd as Trustee of the Trust. The following persons held office as directors of Fidante Partners Services Limited since the date of transfer and up to the date of this report:

R Willis (Chair)  
B J O'Connor  
P D Rogan  
A Tobin  
R J Woods

### **Principal activities**

The principal activity of the Trust during the year was to invest in accordance with the provisions of the Trust Deed, being a 29.2% interest in GasValpo Jersey Holding Company Limited (GasValpo).

There were no significant changes in the nature of the Trust's activities during the year.

The Asset Manager of the Trust at the beginning of the year and up to 17 June 2013 was Access Capital Advisors Pty Ltd. From 17 June 2013, the Asset Manager of the Trust is Challenger Management Services Limited.

### **Review and results of operations**

#### *Results*

The performance of the Trust, as represented by the results of its operations, was as follows:

	<b>30 June 2013 \$</b>	<b>30 June 2012 \$</b>
Net operating profit	<b>20,080,072</b>	16,610,543
Distribution paid and payable	<b>1,826,399</b>	2,466,273

During the year, the Trust was entitled to receive \$3,693,036 (2012: \$2,673,015) in return of capital from GasValpo which was subsequently paid or payable to its unitholder.

### **Significant changes in state of affairs**

On 17 June 2013, Fidante Partners Services Limited replaced STC Funds Nominee Pty Ltd as Trustee of the Trust.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Trust that occurred during the financial year.

## Directors' report (continued)

### Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect:

- (i) the operations of the Trust in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Trust in future financial years.

### Likely developments

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust Deed.

### Indemnity and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to the officers of Fidante Partners Services Limited. So long as the officers of Fidante Partners Services Limited act in accordance with the Trust Deed and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditors of the Trust are not indemnified out of the assets of the Trust.

### Fees paid to and interests held in the Trust by the Trustee or its related entities

Fees paid to the Trustee and its related entities by SAS Trustee Corporation ("SAS Trustee") on behalf of the Trust during the year are disclosed in note 12 to the financial statements.

No fees were paid out of Trust property to the directors of the Trustee during the year.

The number of interests in the Trust held by the Trustee or its related entities as at the end of the financial year are disclosed in note 12 to the financial statements.

### Interests in the Trust

The Trust is a closed fund with 44,238,125 units on issue.

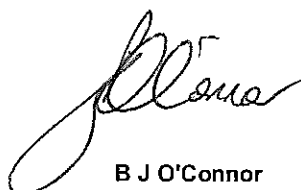
	30 June 2013 \$	30 June 2012 \$
<b>Value of assets</b>		
Value of Trust assets at 30 June	<b>88,714,353</b>	70,951,350

The value of the Trust's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in note 2 to the financial statements.

### Environmental regulation

The operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

This report is made in accordance with a resolution of directors.



B J O'Connor  
 Director

Sydney  
 13 September 2013

**Pisco STC Funds Unit Trust No. 1**  
**Statement of comprehensive income**  
**For the year ended 30 June 2013**

**Statement of comprehensive income**

	Notes	30 June 2013 \$	30 June 2012 \$
<b>Income</b>			
Dividend income		1,826,399	2,466,273
Net gains on financial instruments held at fair value through profit or loss	3	20,925,840	16,297,693
Net foreign exchange losses		<u>(2,672,167)</u>	<u>(2,153,423)</u>
<b>Total income</b>		<b>20,080,072</b>	<b>16,610,543</b>
<b>Expenses</b>			
<b>Total expenses</b>		<u>-</u>	<u>-</u>
<b>Net profit before finance costs</b>		<b>20,080,072</b>	<b>16,610,543</b>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	5	(1,826,399)	(2,466,273)
Increase in net assets attributable to unitholders	9	<b>(18,253,673)</b>	<b>(14,144,270)</b>
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>-</u>

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Pisco STC Funds Unit Trust No. 1**  
**Statement of financial position**  
**As at 30 June 2013**

**Statement of financial position**

		30 June 2013	30 June 2012
	Notes	\$	\$
<b>Current assets</b>			
Receivables	6	<u>3,202,366</u>	107
<b>Total current assets</b>		<u>3,202,366</u>	107
<b>Non-current assets</b>			
Financial assets held at fair value through profit or loss	7	<u>85,511,987</u>	70,951,243
<b>Total non-current assets</b>		<u>85,511,987</u>	70,951,243
<b>Total assets</b>		<u>88,714,353</u>	70,951,350
<b>Current liabilities</b>			
Distributions payable	5	902,175	-
Payables	8	<u>2,300,191</u>	-
<b>Total current liabilities</b>		<u>3,202,366</u>	-
<b>Non-current liabilities</b>			
<b>Total non-current liabilities</b>		<u>-</u>	-
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u>3,202,366</u>	-
<b>Net assets attributable to unitholders - liability</b>	9	<u>85,511,987</u>	70,951,350

*The above statement of financial position should be read in conjunction with the accompanying notes.*

**Pisco STC Funds Unit Trust No. 1**  
**Statement of changes in net assets attributable to unitholders**  
**For the year ended 30 June 2013**

**Statement of changes in net assets attributable to unitholders**

	<b>30 June 2013 \$</b>	<b>30 June 2012 \$</b>
<b>At 1 July - opening</b>	<b>70,951,350</b>	<b>48,460,397</b>
Change in net assets attributable to unitholders	<b>18,253,673</b>	<b>14,144,270</b>
Calls of capital	-	<b>11,019,698</b>
Return of capital	<b>(3,693,036)</b>	<b>(2,673,015)</b>
<b>At 30 June - closing</b>	<b><u>85,511,987</u></b>	<b><u>70,951,350</u></b>

Net assets attributable to unitholders represents the liability to unitholders in the event the unitholders exercises its option to redeem its units.

*The above statement of changes in net assets attributable to unitholders should be read in conjunction with the accompanying Note 9.*

**Pisco STC Funds Unit Trust No. 1**  
**Statement of cash flows**  
**For the year ended 30 June 2013**

**Statement of cash flows**

	30 June 2013	30 June 2012
Notes	\$	\$
<b><i>Cash flows from operating activities</i></b>		
Dividends received	924,224	2,466,273
<b><i>Net cash inflow from operating activities</i></b>	13 924,224	2,466,273
<b><i>Cash flows from investing activities</i></b>		
Return of capital from investments designated at fair value through profit or loss	1,392,845	2,673,015
Capital contributions to investments designated at fair value through profit or loss	-	(11,019,698)
<b><i>Net cash inflow/(outflow) from investing activities</i></b>	1,392,845	(8,346,683)
<b><i>Cash flows from financing activities</i></b>		
Proceeds from capital contributions by unitholders	-	11,019,698
Payments for capital returns to unitholders	(1,392,845)	(2,673,015)
Distributions paid	(924,224)	(2,466,273)
<b><i>Net cash inflow/(outflow) from financing activities</i></b>	(2,317,069)	5,880,410
<b><i>Net increase/(decrease) in cash and cash equivalents</i></b>	-	-
<b><i>Cash and cash equivalents at the end of the year</i></b>	-	-

*The above statement of cash flows should be read in conjunction with the accompanying notes.*



## 1 General information

These financial statements cover Pisco STC Funds Unit Trust No. 1 ('the Trust') as an individual entity. The Trust is an Australian unregistered scheme and was constituted on 19 March 2008. The Trust will terminate in accordance with the provisions of the Trust Deed.

SAS Trustee Corporation Pooled Fund is the only unitholder of the Trust. The Trust is a controlled entity of SAS Trustee Corporation Pooled Fund.

The financial statements were authorised for issue by the directors on 13 September 2013.

The nature of the operating and principal activities of the Trust are described in the directors' report. The Trust is a for profit entity.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### (a) Basis of preparation

The financial statements are presented in Australian dollars.

This is the Trust's first set of general purpose financial statements prepared in compliance with the Trust Deed, Australian Accounting Standards and *Public Finance and Audit Act 1983*. The comparatives represent the opening Australian Accounting Standards statement of financial position.

First time adoption of applicable Australian Accounting Standards resulted in a restatement of financial assets at fair value instead of net market value.

Prior to 17 June 2013, STC Funds Nominees Pty Limited as the Trustee was responsible for the preparation of financial statements. The previous Trustee prepared a special purpose financial statements for the year ended 30 June 2012.

### (b) Financial instruments

#### (i) Classification

The Trust's investments are classified as at fair value through profit or loss. They comprise:

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets that are not held for trading purposes and which may be sold. These are investments in unlisted investment vehicles.

#### (ii) Recognition/derecognition

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the Trust has transferred substantially all risks and rewards of ownership.

#### (iii) Measurement

##### *Financial assets and liabilities held at fair value through profit or loss*

Financial assets and liabilities held at fair value through profit and loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in the fair value recognised in the statement of comprehensive income.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

- *Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation methodology. These include the use of discounted cash flow models and recent comparable market transactions, or any other valuation methodology that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow methodology is used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date. For other pricing models, inputs are based on market data at the end of the reporting period. Where valuations are used to determine fair value, the valuation range is determined by an independent expert. The directors determine the fair value to adopt within this range.

#### (iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### (c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the reporting date if unitholder exercised their right to redeem units in the Trust.

### (d) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Payments and receipts relating to the purchase and sale of investment interests designated at fair value are classified as cash flows from investing activities, as movements in the fair value of these interests represent the Trust's investment activity.

### (e) Investment income

Dividend income is recognised on the ex-dividend date when the right to receive payment is established with any related foreign withholding tax recorded as an expense.

### (f) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

### (g) Income tax

Under current legislation, the Trust is not subject to income tax as unitholders are presently entitled to the income of the Trust.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Trust is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Trust to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

## 2 Summary of significant accounting policies (continued)

### (h) Distributions

In accordance with the Trust Deed, the Trust distributes income adjusted for amounts determined by the Trustee, to unitholders by cash. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

### (i) Change in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

### (j) Receivables

Receivables may include amounts for dividends, and are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

### (k) Payables

The distribution amount payable to unitholders as at the reporting date is recognised separately on the statement of financial position when unitholders are presently entitled to the distributable income under the Trust Deed.

### (l) Foreign currency

Transactions in foreign currencies are translated into presentation currency, Australian dollars, at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Australian dollars at the foreign exchange rate ruling at the reporting date.

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the transaction. Non monetary items measured at fair value in a foreign currency shall be translated to Australian dollars using the exchange rates ruling at the date when the fair value was determined.

The AUD/USD foreign exchange rate as at 30 June 2013 is 0.9154 (2012: 1.0251). The average AUD/USD foreign exchange rate for the year ended 30 June 2013 was 1.0267 (2012: 1.0328).

### (m) Use of estimates

The Trust holds financial assets which are determined based on estimates and assumptions of future events. Financial assets are fair valued every six months using valuation methodology as described in Note 7. Where valuation methodology (for example, discounted cash flow models) is used to determine fair values, the valuation range is determined by an independent expert. The directors determine the fair value to adopt within this range.

Models use observable data, to the extent practicable. Changes in assumptions could materially affect the reported fair value of financial assets. The GasValpo valuation is contingent on the likely successful outcome of the arbitration dispute with the gas supplier in respect of its "pass through contract". It is expected that the arbitration process will conclude by June 2015.

### (n) Terms and conditions on units

Each unit issued confers upon the unitholder an equal interest in the Trust, and is of equal value per class. A unit does not confer any interest in any particular asset or investment of the Trust. Unitholders have various rights under the Trust Deed, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding of the Trust.

The rights, obligations and restrictions attached to each unit are identical in all respects.

## 2 Summary of significant accounting policies (continued)

### (o) New accounting standards and interpretations

There were no new or revised accounts standards and interpretations adopted in the financial statements which had an effect on the Trust's financial position as at 30 June 2013 or its performance for the year then ended.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set out below:

- (i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2015. The current four categories of financial assets, stipulated in AASB 139 *Financial Instruments: Recognition and Measurement*, will be replaced with two measurement categories: fair value and amortised cost. AASB 9 only permits the recognition of fair value gains/(losses) in other comprehensive income if they relate to equity investments that are not held for trading. The Trust does not expect any significant impact on the financial statements arising from an adoption of the Standard.

- (ii) *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The new rules will have minimal impact on the amounts recognised in the financial statements, however, application of the new standard will impact the type of information disclosed in the notes to the financial statements in relation to fair value measurements. The Trust has not adopted the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

## 3 Net gains on financial instruments held at fair value through profit or loss

Net gains recognised in relation to financial assets held at fair value through profit or loss:

	30 June 2013 \$	30 June 2012 \$
Designated as at fair value	20,925,840	16,297,693
Net gains on financial instruments held at fair value through profit or loss	20,925,840	16,297,693

## 4 Auditor's remuneration

The cost incurred for auditing the financial report of the Trust is paid directly by SAS Trustee on behalf of the Trust. The audit fees paid/payable by SAS Trustee in respect of the Trust for the year were \$19,000 (2012: \$Nil).

## 5 Distributions to unitholders

### Timing of distributions

The distributions for the year were as follows:

	30 June 2013 \$	30 June 2012 \$
Distributions paid	924,224	2,466,273
Distributions payable	902,175	-
	<u>1,826,399</u>	<u>2,466,273</u>

The component of the final distribution for the year which was unpaid at the reporting date is shown in the statement of financial position. The distribution payable was paid on 2 July 2013.

## 6 Receivables

The following details the amounts receivable by the Trust:

	30 June 2013 \$	30 June 2012 \$
Dividends receivable	902,175	-
Capital returns receivable	2,300,191	-
Other receivables	-	107
	<u>3,202,366</u>	<u>107</u>

## 7 Financial assets held at fair value through profit or loss

	30 June 2013 \$	30 June 2012 \$
<b>Designated at fair value through profit or loss</b>		
Unlisted investment - GasValpo	85,511,987	70,951,243
<b>Total financial assets held at fair value through profit or loss</b>	<u>85,511,987</u>	<u>70,951,243</u>

The fair value of the investment in GasValpo has been determined by an independent expert, using a discounted cashflow model. The market discount rate calculated and used at 30 June 2013 is 12.75% (2012: 13.30%).

The independent expert as at 30 June 2013 was PwC and as at 30 June 2012 was Grant Thornton.

The net market value after transaction costs of 2% is \$83,835,283 (2012: \$69,532,218).

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in note 11.

## 8 Payables

The following details the amounts payable by the Trust:

	30 June 2013 \$	30 June 2012 \$
Return of capital payable to unitholders	2,300,191	-
	<u>2,300,191</u>	<u>-</u>

The return of capital payable was paid on 2 July 2013.

## 9 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

As stipulated within the Trust Deed, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights, preferences and restrictions attaching to it as all other units of the Trust.

	Units \$	Contributed Unit Capital \$	Retained Earnings \$	Total \$
<b>2013</b>				
Opening balance	107	37,388,420	33,562,823	70,951,350
Return of capital	-	(3,693,036)	-	(3,693,036)
Calls on capital	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders	-	-	18,253,673	18,253,673
Closing balance	<u>107</u>	<u>33,695,384</u>	<u>51,816,496</u>	<u>85,511,987</u>
	Units \$	Contributed Unit Capital \$	Retained Earnings \$	Total \$
<b>2012</b>				
Opening balance	107	29,041,737	19,418,553	48,460,397
Return of capital	-	(2,673,015)	-	(2,673,015)
Calls on capital	-	11,019,698	-	11,019,698
Increase/(decrease) in net assets attributable to unitholders	-	-	14,144,270	14,144,270
Closing balance	<u>107</u>	<u>37,388,420</u>	<u>33,562,823</u>	<u>70,951,350</u>

### Capital risk management

The Trust considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

The Trust receives dividends and pays distributions. All Trust expenses were paid by SAS Trustee on behalf of the Trust during the year.

## 10 Derivative financial instruments

The Trust held no derivative financial instruments at 30 June 2013 (2012: Nil).

## 11 Financial risk management

### (a) Overview

The Trust's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk.

The Trustee of the Trust is aware of the risks associated with the business of investment management. A financial risk management framework has been established to ensure that procedures and controls adequately manage the risks arising from current business activities. Central controls include (but are not limited to):

- clear policies and procedures covering operations;
- segregation of the dealing and investment management function from the administration and settlement function;
- an independent service provider for the valuation of securities; and
- a compliance function with a separate reporting line from the Funds Management team.

As part of the risk management framework, the Trustee is subject to regular reporting and committee meetings regarding risk and compliance issues. The purpose is to facilitate a flow of information between the Trust and the Trustee's Board. Any material matters identified are promptly investigated and reported.

### (b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Trust's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Trust is exposed to market risks influencing investment valuations. The Trust may utilise derivatives to manage this risk.

#### (i) Price risk

Price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. Investments are classified in the statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

As the majority of the Trust's investments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect net investment income.

#### (ii) Foreign exchange risk

Trusts that invest in international assets are exposed to foreign exchange risk. Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Trust holds an unlisted investment in assets in Chile denominated in US Dollars, hence foreign exchange movements impact the reported value in the statement of financial position.

#### (iii) Cash flow and fair value interest rate risk

The majority of the Trust's financial instruments are non interest bearing with only cash and cash equivalents being directly subject to interest rate risk.

## 11 Financial risk management (continued)

### (c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Trust's operating profit and net assets attributable to unitholders to discount rate (price) and foreign exchange risk for financial assets held at the balance date. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in fair values. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies and market specific risks in which the Trust invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Impact on operating profit/Net assets attributable to unitholders			
	Discount rate (price) risk		Foreign exchange risk	
	-0.89%	+0.89%	-10%	+10%
			USD	USD
	\$	\$	\$	\$
30 June 2013	4,811,323	(4,368,669)	(9,501,332)	7,773,817
30 June 2012	3,819,794	(3,819,794)	(7,883,471)	6,450,113

The market discount rate is considered to be the key assumption in the discounted cashflow valuation.

Discount rate sensitivity of 0.89% equates to comparable rate used reflecting the high and low valuation ranges in 2012 valuation report from Grant Thornton. The Trust's investment is denominated in US Dollars. Any gains or losses arising from changes in fair value are reflected in the statement of comprehensive income.

Changes to other assumptions including operational inputs (residential customer growth, Brent Crude, Henry Hub Oil, Fuel Oil 6), macro factors (foreign exchange: USD/CLP, purchase price index) and debt refinance multiples and margin may impact the fair value of GasValpo.

### (d) Credit risk

Credit risk is not considered to be significant to the Trust as the Trust does not hold any direct investments in debt securities or have significant receivables.

### (e) Liquidity risk

The Trust does not incur expenses as they are paid by SAS Trustee Corporation, Trustee of the ultimate parent entity, SAS Trustee Corporation Pooled Fund.

Under the terms of the Trust Deed, the Trust has the ability to manage liquidity risk by delaying redemptions to unitholders, if necessary, until the funds are available to pay them.

#### *Maturity analysis for financial liabilities*

Financial liabilities of the Trust comprise distributions payable. Distributions payable have no contractual maturities but are typically settled within 30 days.

### (f) Fair value estimation

All financial assets and financial liabilities included in the statement of financial position are carried at fair value.

The carrying amounts of the Trust's financial assets and financial liabilities at the end of each reporting period approximate their fair values.

The Trust values its investments in accordance with the accounting policies set out in note 2. For the majority of its investments, the Trust relies on information provided by an independent valuation expert for the valuation of its investments.



## 11 Financial risk management (continued)

### (g) Fair value hierarchy

The Trust classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Trustee. The Trustee considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The tables below set out the Trust's financial assets (by class) measured at fair value according to the fair value hierarchy.

30 June 2013

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
<b>Financial assets designated at fair value through profit or loss:</b>				
Unlisted investment - GasValpo	-	-	85,511,987	85,511,987
<b>Total</b>	-	-	85,511,987	85,511,987

30 June 2012

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
<b>Financial assets designated at fair value through profit or loss:</b>				
Unlisted investment - GasValpo	-	-	70,951,243	70,951,243
<b>Total</b>	-	-	70,951,243	70,951,243

The investment in GasValpo is classified as a level 3 investment.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. As observable prices are not available for this investment, the Trustee has used valuation methodology to derive fair value.

## 11 Financial risk management (continued)

### (g) Fair value hierarchy (continued)

#### (i) Movement in level 3 instruments

The following tables present the movements in level 3 instruments for the Trust by class of financial instrument.

#### Unlisted investment - GasValpo

	30 June 2013 \$	30 June 2012 \$
Opening balance	70,951,243	48,460,290
Capital returns	(3,693,036)	(2,673,015)
Capital contributions	-	11,019,698
Transfers into level 3	107	-
Income distributions paid	(1,826,399)	(2,466,273)
Gains and losses recognised in profit or loss	20,080,072	16,610,543
<b>Closing balance</b>	<b>85,511,987</b>	<b>70,951,243</b>
Total increase for the year included in the statement of comprehensive income for financial assets held at the end of the year	20,080,072	16,610,543

## 12 Related party transactions

### Trustee

The Trustee of Pisco STC Funds Unit Trust No. 1 at the beginning of the year and up to 17 June 2013 was STC Funds Nominee Pty Ltd (retiring Trustee), whose immediate parent company is Access Capital Advisors Pty Ltd. From 17 June 2013, Fidante Partners Services Limited was appointed Trustee, whose immediate parent company is Challenger Funds Management Holdings Pty Limited and ultimate parent company is Challenger Limited.

### Key management personnel

#### (a) Directors

Key management personnel includes persons who were directors of STC Funds Nominee Pty Ltd during the year up to the date of transfer:

D Chessell  
A Austin  
G Matthews

Key management personnel includes persons who were directors of Fidante Partners Services Limited since the date of transfer and up to the date of the report as follows:

R Willis (Chair)  
B J O'Connor  
P D Rogan  
A Tobin  
R J Woods

#### (b) Other key management personnel

The Trustee is considered to be the key management personnel with authority for the strategic direction and management of the Trust.

The Asset Manager, Challenger Management Services Limited, is a related party to the Trust by way of ultimate ownership by Challenger Limited.

## 12 Related party transactions (continued)

### Key management personnel unitholdings

At 30 June 2013 no key management personnel held units in the Trust (2012: Nil).

### Key management personnel compensation

No amount is paid by the Trust directly to the directors of the Trustee.

Compensation is paid to the Trustee in the form of fees and is disclosed below.

### Trustee's fees and other transactions

From 1 July 2012 to the effective transfer date of 17 June 2013, the retiring Trustee received a fee of approximately 50 basis points of fair value plus disbursements, paid by SAS Trustee Corporation on behalf of the Trust.

From the effective transfer date, in accordance with the Trust Deed, the Trustee received a management fee of \$22,802 (GST exclusive) (2012: \$Nil), paid by SAS Trustee Corporation on behalf of the Trust.

From the effective transfer date, in accordance with the Trust Deed, the Trustee received reimbursement for out of pocket expenses of \$15,000 (GST exclusive) (2012: \$Nil), paid by SAS Trustee Corporation on behalf of the Trust.

All related party transactions are conducted on normal commercial terms and conditions.

## 13 Reconciliation of profit to net cash inflow from operating activities

	30 June 2013 \$	30 June 2012 \$
Net profit attributable to unitholders	20,080,072	16,610,543
Change in the fair value of financial assets	(20,925,840)	(16,297,693)
Foreign exchange losses	2,672,167	2,153,423
Net change in receivables and other assets	(902,175)	-
<b>Net cash inflow from operating activities</b>	<b>924,224</b>	<b>2,466,273</b>

## 14 Events occurring after the reporting period

No significant events have occurred since the reporting date which would impact on the financial position of the Trust as at 30 June 2013 or on the results and cash flows of the Trust for the year ended on that date.

## 15 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2013 (2012: \$Nil).

### Directors' declaration

In accordance with the resolution of the Directors of Fidante Partners Services Limited, I state that:

In the opinion of the directors of the Trustee:

- (a) the financial statements and notes set out on pages 4 to 18 are in accordance with sections 41C(1B) and 41C(1C) of *Public Finance and Audit Act 1983*, Clause 7 of the *Public Finance and Audit Regulation 2010* including:
  - (i) complying with the provisions of the *Public Finance and Audit Act 1983*, *Public Finance and Audit Regulation 2010* and Australian Accounting Standards (including the Australian Accounting Interpretations) as disclosed in Note 2(a); and
  - (ii) giving a true and fair view of the Trust's financial position as at 30 June 2013 and of its performance for the financial year ended on that date.
- (b) the financial statements and notes are in accordance with the requirements of the Trust Deed, and;
- (c) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Board of Fidante Partners Services Limited.



B J O'Connor  
Director

Sydney  
13 September 2013



## INDEPENDENT AUDITOR'S REPORT

### Pisco STC Funds Unit Trust No.1

To Members of the New South Wales Parliament and Unitholders of Pisco STC Funds Unit Trust No.1

I have audited the accompanying financial statements of Pisco STC Funds Unit Trust No.1 (the Trust), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

### Opinion

In my opinion the financial statements:

- give a true and fair view of the Trust's financial positions as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

### Trustee's Responsibility for the Financial Statements

The Trustee is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act and for such internal control as the Trustee determines is necessary to enable the preparation of the financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 Trustee, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

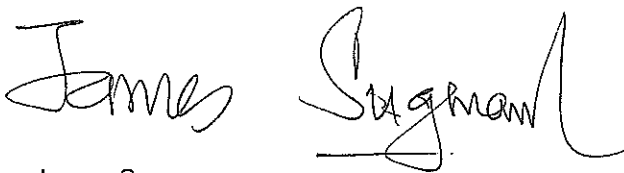
My opinion does *not* provide assurance:

- about the future viability of the Trust
- that the Trust carried out its activities effectively, efficiently and economically
- about the effectiveness of their internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

## Independence

In conducting my audit, I have 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
- 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 of New South Wales are not compromised in their roles by the possibility of losing clients or income.

A handwritten signature in black ink, appearing to read 'James Sugumar', with a horizontal line underneath the name.

James Sugumar  
Director, Financial Audit Services

13 September 2013  
SYDNEY

## **Directory**

### **Trustee**

Fidante Partners Services Limited  
ABN 44 119 605 373  
AFSL 320505

### **Registered office and principal place of business**

Level 15  
255 Pitt Street  
SYDNEY NSW 2000

### **Custodian**

JP Morgan  
85 Castlereagh Street  
SYDNEY NSW 2000

### **Auditor**

For the Trust  
The Audit Office of New South Wales  
Level 15  
1 Margaret Street  
SYDNEY NSW 2000

## **Pisco STC Funds Unit Trust No. 2**

**Annual report - 30 June 2013**



# **Pisco STC Funds Unit Trust No. 2**

## **Annual report - 30 June 2013**

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These financial statements cover Pisco STC Funds Unit Trust No. 2 as an individual entity.

The Trustee of Pisco STC Funds Unit Trust No. 2 is Fidante Partners Services Limited (ABN 44 119 605 373).  
The Trustee's registered office is:

Level 15, 255 Pitt Street  
SYDNEY NSW 2000

## **Directors' report**

The directors of Fidante Partners Services Limited, the Trustee of Pisco STC Funds Unit Trust No. 2, present their report together with the financial statements of Pisco STC Funds Unit Trust No. 2 ('the Trust') for the year ended 30 June 2013.

### **Directors**

The following persons held office as directors of STC Funds Nominee Pty Ltd during the year up to the date of transfer:

D Chessell  
A Austin  
G Matthews

On 22 April 2013, Fidante Partners Services Limited replaced STC Funds Nominee Pty Ltd as Trustee of the Trust. The following persons held office as directors of Fidante Partners Services Limited since the date of transfer and up to the date of this report:

R Willis (Chair)  
B J O'Connor  
P D Rogan  
A Tobin  
R J Woods

### **Principal activities**

The principal activity of the Trust during the year was to invest in accordance with the provisions of the Trust Deed, being a 6.2% interest in the Challenger Limited and Mitsui Emerging Markets Infrastructure Fund (EMIF).

There were no significant changes in the nature of the Trust's activities during the year.

The Asset Manager of the Trust at the beginning of the year and up to 22 April 2013 was Access Capital Advisors Pty Ltd. From 22 April 2013, the Asset Manager of the Trust is Challenger Management Services Limited.

### **Review and results of operations**

#### *Results*

The performance of the Trust, as represented by the results of its operations, was as follows:

	<b>30 June 2013 \$</b>	<b>30 June 2012 \$</b>
Net operating profit	<u><b>1,561,140</b></u>	<u><b>2,080,325</b></u>
Distribution paid and payable	<u><b>552,102</b></u>	<u><b>247,920</b></u>

### **Significant changes in state of affairs**

On 22 April 2013, Fidante Partners Services Limited replaced STC Funds Nominee Pty Ltd as Trustee of the Trust.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Trust that occurred during the financial year.

## Directors' report (continued)

### Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect:

- (i) the operations of the Trust in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Trust in future financial years.

### Likely developments

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust Deed.

### Indemnity and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to the officers of Fidante Partners Services Limited. So long as the officers of Fidante Partners Services Limited act in accordance with the Trust Deed and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditors of the Trust are not indemnified out of the assets of the Trust.

### Fees paid to and interests held in the Trust by the Trustee or its related entities

Fees paid to the Trustee and its related entities by SAS Trustee Corporation ("SAS Trustee") on behalf of the Trust during the year are disclosed in note 12 to the financial statements.

No fees were paid out of Trust property to the directors of the Trustee during the year.

The number of interests in the Trust held by the Trustee or its related entities as at the end of the financial year are disclosed in note 12 to the financial statements.

### Interests in the Trust

The Trust is a closed fund with 7,803,435 units on issue.

	30 June 2013	30 June 2012
Value of assets	\$	\$
Value of Trust assets at 30 June	<u>10,018,302</u>	<u>8,732,079</u>

The value of the Trust's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in note 2 to the financial statements.

### Environmental regulation

The operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

This report is made in accordance with a resolution of directors.



B J O'Connor  
 Director

Sydney  
 13 September 2013

**Pisco STC Funds Unit Trust No. 2**  
**Statement of comprehensive income**  
**For the year ended 30 June 2013**

**Statement of comprehensive income**

	Notes	30 June 2013 \$	30 June 2012 \$
<b>Income</b>			
Dividend income		552,102	247,920
Net gains on financial instruments held at fair value through profit or loss	3	1,476,771	2,076,432
Net foreign exchange losses		(467,733)	(244,027)
<b>Total income</b>		<b>1,561,140</b>	<b>2,080,325</b>
<b>Expenses</b>			
<b>Total expenses</b>		<b>-</b>	<b>-</b>
<b>Net profit before finance costs</b>		<b>1,561,140</b>	<b>2,080,325</b>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	5	(552,102)	(247,920)
Increase in net assets attributable to unitholders	8	(1,009,038)	(1,832,405)
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Pisco STC Funds Unit Trust No. 2**  
**Statement of financial position**  
**As at 30 June 2013**

**Statement of financial position**

		<b>30 June 2013</b>	<b>30 June 2012</b>
	Notes	\$	\$
<b>Current assets</b>			
Receivables	6	-	106
<b>Total current assets</b>		<u>-</u>	<u>106</u>
<b>Non-current assets</b>			
Financial assets held at fair value through profit or loss	7	<u>10,018,302</u>	<u>8,731,973</u>
<b>Total non-current assets</b>		<u>10,018,302</u>	<u>8,731,973</u>
<b>Total assets</b>		<u>10,018,302</u>	<u>8,732,079</u>
<b>Current liabilities</b>			
<b>Total current liabilities</b>		<u>-</u>	<u>-</u>
<b>Non-current liabilities</b>			
<b>Total non-current liabilities</b>		<u>-</u>	<u>-</u>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u>-</u>	<u>-</u>
<b>Net assets attributable to unitholders - liability</b>	8	<u>10,018,302</u>	<u>8,732,079</u>

*The above statement of financial position should be read in conjunction with the accompanying notes.*

**Pisco STC Funds Unit Trust No. 2**  
**Statement of changes in net assets attributable to unitholders**  
**For the year ended 30 June 2013**

**Statement of changes in net assets attributable to unitholders**

	<b>30 June 2013 \$</b>	<b>30 June 2012 \$</b>
<b>At 1 July - opening</b>	<b>8,732,079</b>	<b>5,491,672</b>
Change in net assets attributable to unitholders	<b>1,009,038</b>	<b>1,832,405</b>
Calls of capital	<b>277,185</b>	<b>1,408,002</b>
Return of capital	<b>-</b>	<b>-</b>
<b>At 30 June - closing</b>	<b>10,018,302</b>	<b>8,732,079</b>

Net assets attributable to unitholders represents the liability to unitholders in the event the unitholders exercises its option to redeem its units.

*The above statement of changes in net assets attributable to unitholders should be read in conjunction with the accompanying Note 8.*

**Pisco STC Funds Unit Trust No. 2**  
**Statement of cash flows**  
**For the year ended 30 June 2013**

**Statement of cash flows**

	30 June 2013	30 June 2012
Notes	\$	\$
<b><i>Cash flows from operating activities</i></b>		
Dividends received	552,102	247,920
<b><i>Net cash inflow from operating activities</i></b>	13 552,102	247,920
<b><i>Cash flows from investing activities</i></b>		
Capital contributions to investments designated at fair value through profit or loss	(277,185)	(1,408,002)
<b><i>Net cash outflow from investing activities</i></b>	(277,185)	(1,408,002)
<b><i>Cash flows from financing activities</i></b>		
Proceeds from capital contributions by unitholders	277,185	1,408,002
Distributions paid	(552,102)	(247,920)
<b><i>Net cash inflow/(outflow) from financing activities</i></b>	(274,917)	1,160,082
<b><i>Net increase/(decrease) in cash and cash equivalents</i></b>	-	-
<b><i>Cash and cash equivalents at the end of the year</i></b>	-	-

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

## 1 General information

These financial statements cover Pisco STC Funds Unit Trust No. 2 ('the Trust') as an individual entity. The Trust is an Australian unregistered scheme and was constituted on 21 April 2008. The Trust will terminate in accordance with the provisions of the Trust Deed.

SAS Trustee Corporation Pooled Fund is the only unitholder of the Trust. The Trust is a controlled entity of SAS Trustee Corporation Pooled Fund.

The financial statements were authorised for issue by the directors on 13 September 2013.

The nature of the operating and principal activities of the Trust are described in the directors' report. The Trust is a for profit entity.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### (a) Basis of preparation

The financial statements are presented in Australian dollars.

This is the Trust's first set of general purpose financial statements prepared in compliance with the Trust Deed, Australian Accounting Standards and *Public Finance and Audit Act 1983*. The requirements of AASB 1 have been considered and the comparatives represent the opening Australian Accounting Standards statement of financial position.

Prior to 22 April 2013, STC Funds Nominees Pty Limited as the Trustee was responsible for the preparation of financial statements. The previous Trustee prepared a special purpose financial statements for the year ended 30 June 2012.

### (b) Financial instruments

#### (i) Classification

The Trust's investments are classified as at fair value through profit or loss. They comprise:

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets that are not held for trading purposes and which may be sold. These are investments in unlisted investment vehicles.

#### (ii) Recognition/derecognition

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the Trust has transferred substantially all risks and rewards of ownership.

#### (iii) Measurement

##### *Financial assets and liabilities held at fair value through profit or loss*

Financial assets and liabilities held at fair value through profit and loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in the fair value recognised in the statement of comprehensive income.



## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

- *Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation methodology. These include the use of discounted cash flow models and recent comparable market transactions, or any other valuation methodology that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow methodology is used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date. For other pricing models, inputs are based on market data at the end of the reporting period. Where valuations are used to determine fair value, they are determined by an independent expert.

#### (iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### (c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the reporting date if unitholders exercised their right to redeem units in the Trust.

### (d) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of investment interests designated at fair value are classified as cash flows from investing activities, as movements in the fair value of these interests represent the Trust's investment activity.

### (e) Investment income

Dividend income is recognised on the ex-dividend date when the right to receive payment is established with any related foreign withholding tax recorded as an expense.

### (f) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

### (g) Income tax

Under current legislation, the Trust is not subject to income tax as unitholders are presently entitled to the income of the Trust.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Trust is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Trust to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

## 2 Summary of significant accounting policies (continued)

### (h) Distributions

In accordance with the Trust Deed, the Trust distributes income adjusted for amounts determined by the Trustee, to unitholders by cash. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

### (i) Change in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

### (j) Receivables

Receivables may include amounts for dividends, and are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

### (k) Payables

The distribution amount payable to unitholders as at the reporting date is recognised separately on the statement of financial position when unitholders are presently entitled to the distributable income under the Trust Deed.

### (l) Foreign currency

Transactions in foreign currencies are translated into presentation currency, Australian dollars, at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Australian dollars at the foreign exchange rate ruling at the reporting date.

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the transaction. Non monetary items measured at fair value in a foreign currency shall be translated to Australian dollars using the exchange rates ruling at the date when the fair value was determined.

The AUD/USD foreign exchange rate as at 30 June 2013 is 0.9154 (2012: 1.0251). The average AUD/USD foreign exchange rate for the year ended 30 June 2013 was 1.0267 (2012: 1.0328).

### (m) Use of estimates

The Trust holds financial assets which are determined based on estimates and assumptions of future events. Financial assets are fair valued every six months using valuation methodology as described in Note 7. Where valuation methodology (for example, discounted cash flow models) is used to determine fair values, the valuation range is determined by an independent expert.

Models use observable data, to the extent practicable. Changes in assumptions could materially affect the reported fair value of financial instruments.

### (n) Terms and conditions on units

Each unit issued confers upon the unitholder an equal interest in the Trust, and is of equal value per class. A unit does not confer any interest in any particular asset or investment of the Trust. Unitholders have various rights under the Trust Deed, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding of the Trust.

The rights, obligations and restrictions attached to each unit are identical in all respects.

## 2 Summary of significant accounting policies (continued)

### (o) New accounting standards and interpretations

There were no new or revised accounts standards and interpretations adopted in the financial statements which had an effect on the Trust's financial position as at 30 June 2013 or its performance for the year then ended.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set out below:

- (i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2015. The current four categories of financial assets, stipulated in AASB 139 *Financial Instruments: Recognition and Measurement*, will be replaced with two measurement categories: fair value and amortised cost. AASB 9 only permits the recognition of fair value gains/(losses) in other comprehensive income if they relate to equity investments that are not held for trading. The Trust does not expect any significant impact on the financial statements arising from an adoption of the Standard.

- (ii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The new rules will have minimal impact on the amounts recognised in the financial statements, however, application of the new standard will impact the type of information disclosed in the notes to the financial statements in relation to fair value measurements. The Trust has not adopted the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

## 3 Net gains on financial instruments held at fair value through profit or loss

Net gains recognised in relation to financial assets held at fair value through profit or loss:

	30 June 2013 \$	30 June 2012 \$
Designated as at fair value	1,476,771	2,076,432
Net gains/(losses) on financial instruments held at fair value through profit or loss	1,476,771	2,076,432

## 4 Auditor's remuneration

The cost incurred for auditing the financial report of the Trust is paid directly by SAS Trustee on behalf of the Trust. The audit fees paid/payable by SAS Trustee in respect of the Trust for the year were \$10,000 (2012: \$Nil).

## 5 Distributions to unitholders

### Timing of distributions

The distributions for the year were as follows:

	30 June 2013 \$	30 June 2012 \$
Distributions paid	552,102	247,920
	<u>552,102</u>	<u>247,920</u>

The component of the final distribution for the year which was unpaid at the reporting date is shown in the statement of financial position.

## 6 Receivables

The following details the amounts receivable by the Trust:

	30 June 2013 \$	30 June 2012 \$
Other receivables	-	106
	<u>-</u>	<u>106</u>

## 7 Financial assets held at fair value through profit or loss

	30 June 2013 \$	30 June 2012 \$
<b>Designated at fair value through profit or loss</b>		
Unlisted investment - EMIF	10,018,302	8,731,973
<b>Total financial assets held at fair value through profit or loss</b>	<u>10,018,302</u>	<u>8,731,973</u>

The fair value has been determined using the Manager's valuation of EMIF's underlying assets.

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in note 11.

## 8 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

As stipulated within the Trust's Constitution, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights, preferences and restrictions attaching to it as all other units of the Trust.

	Units \$	Contributed Unit Capital \$	Retained Earnings \$	Total \$
<b>2013</b>				
Opening balance	106	7,443,818	1,288,155	8,732,079
Return of capital	-	-	-	-
Calls on capital	-	277,185	-	277,185
Increase/(decrease) in net assets attributable to unitholders	-	-	1,009,038	1,009,038
Closing balance	106	7,721,003	2,297,193	10,018,302
	Units \$	Contributed Unit Capital \$	Retained Earnings \$	Total \$
<b>2012</b>				
Opening balance	106	6,035,816	(544,250)	5,491,672
Return of capital	-	-	-	-
Calls on capital	-	1,408,002	-	1,408,002
Increase/(decrease) in net assets attributable to unitholders	-	-	1,832,405	1,832,405
Closing balance	106	7,443,818	1,288,155	8,732,079

### Capital risk management

The Trust considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

The Trust receives dividends and pays distributions. All Trust expenses were paid by SAS Trustee on behalf of the Trust during the year.

## 9 Capital commitments

The total unpaid capital commitment for the Trust as at 30 June 2013 is \$13,179,359. This can be called on by EMIF until 30 June 2014, otherwise this commitment lapses.

## 10 Derivative financial instruments

The Trust held no derivative financial instruments at 30 June 2013 (2012: Nil).

## 11 Financial risk management

### (a) Overview

The Trust's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk.

The Trustee of the Trust is aware of the risks associated with the business of investment management. A financial risk management framework has been established to ensure that procedures and controls adequately manage the risks arising from current business activities. Central controls include (but are not limited to):

- clear policies and procedures covering operations;
- segregation of the dealing and investment management function from the administration and settlement function;
- an independent service provider for the valuation of securities; and
- a compliance function with a separate reporting line from the Funds Management team.

As part of the risk management framework, the Trustee is subject to regular reporting and committee meetings regarding risk and compliance issues. The purpose is to facilitate a flow of information between the Trust and the Trustee's Board. Any material matters identified are promptly investigated and reported.

### (b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Trust's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Trust is exposed to market risks influencing investment valuations. The Trust may utilise derivatives to manage this risk.

#### (i) Price risk

Price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. Investments are classified in the statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

As the majority of the Trust's investments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect net investment income.

#### (ii) Foreign exchange risk

Trusts that invest in international assets are exposed to foreign exchange risk. Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Trust holds an unlisted investment in assets in Chile denominated in US Dollars, hence foreign exchange movements impact the reported value in the statement of financial position.

#### (iii) Cash flow and fair value interest rate risk

The majority of the Trust's financial instruments are non interest bearing with only cash and cash equivalents being directly subject to interest rate risk.

## 11 Financial risk management (continued)

### (c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Trust's operating profit and net assets attributable to unitholders to price and foreign exchange risk for financial assets held at the balance date. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in fair values. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies and market specific risks in which the Trust invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Impact on operating profit/Net assets attributable to unitholders			
	Price risk		Foreign exchange risk	
	-10%	+10%	-10%	+10%
	\$	\$	USD	USD
30 June 2013	(1,001,830)	1,001,830	(1,113,145)	910,755
30 June 2012	(873,197)	873,197	(970,219)	793,816

### (d) Credit risk

Credit risk is not considered to be significant to the Trust as the Trust does not hold any direct investments in debt securities or have significant receivables.

### (e) Liquidity risk

The Trust does not incur expenses as they are paid by SAS Trustee Corporation, Trustee of the ultimate parent entity, SAS Trustee Corporation Pooled Fund.

Under the terms of the Trust Deed, the Trust has the ability to manage liquidity risk by delaying redemptions to unitholders, if necessary, until the funds are available to pay them.

#### *Maturity analysis for financial liabilities*

There are no financial liabilities.

### (f) Fair value estimation

All financial assets and financial liabilities included in the statement of financial position are carried at fair value.

The carrying amounts of the Trust's financial assets and financial liabilities at the end of each reporting period approximate their fair values.

The Trust values its investments in accordance with the accounting policies set out in note 2. For the majority of its investments, the Trust relies on information provided by an independent valuation expert for the valuation of its investments.

### (g) Fair value hierarchy

The Trust classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

## 11 Financial risk management (continued)

### (g) Fair value hierarchy (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Trustee. The Trustee considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The tables below set out the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy.

#### 30 June 2013

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
<b>Financial assets designated at fair value through profit or loss:</b>				
Unlisted investment - EMIF	-	-	10,018,302	10,018,302
<b>Total</b>	-	-	10,018,302	10,018,302

#### 30 June 2012

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
<b>Financial assets designated at fair value through profit or loss:</b>				
Unlisted investment - EMIF	-	-	8,731,973	8,731,973
<b>Total</b>	-	-	8,731,973	8,731,973

The investment in EMIF is classified as a level 3 investment.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. As observable prices are not available for this investment, the Trustee has used valuation methodology to derive fair value.

The fair value has been determined using the Manager's valuation of EMIF's underlying assets.



## 11 Financial risk management (continued)

### (g) Fair value hierarchy (continued)

#### (i) Movement in level 3 instruments

The following tables present the movements in level 3 instruments for the Trust by class of financial instrument.

#### Unlisted investment - EMIF

	30 June 2013 \$	30 June 2012 \$
Opening balance	8,731,973	5,491,566
Capital returns	-	-
Capital contributions	277,185	1,408,002
Transfers into level 3	106	-
Income distributions paid	(552,102)	(247,920)
Gains and losses recognised in profit or loss	1,561,140	2,080,325
<b>Closing balance</b>	<b>10,018,302</b>	<b>8,731,973</b>
Total increase for the year included in the statement of comprehensive income for financial assets held at the end of the year	1,561,140	2,080,325

## 12 Related party transactions

### Responsible entity

The Trustee of Pisco STC Funds Unit Trust No. 2 at the beginning of the year and up to 22 April 2013 was STC Funds Nominee Pty Ltd (retiring Trustee), whose immediate parent company is Access Capital Advisors Pty Ltd. From 22 April 2013, Fidante Partners Services Limited was appointed Trustee, whose immediate parent company is Challenger Funds Management Holdings Pty Limited and ultimate parent company is Challenger Limited.

### Key management personnel

#### (a) Directors

Key management personnel includes persons who were directors of STC Funds Nominee Pty Ltd during the year up to the date of transfer:

D Chessell  
A Austin  
G Matthews

Key management personnel includes persons who were directors of Fidante Partners Services Limited since the date of transfer and up to the date of the report as follows:

R Willis (Chair)  
B J O'Connor  
P D Rogan  
A Tobin  
R J Woods

#### (b) Other key management personnel

The Trustee is considered to be the key management personnel with authority for the strategic direction and management of the Trust.

The Asset Manager, Challenger Management Services Limited, is a related party to the Trust by way of ultimate ownership by Challenger Limited.

## 12 Related party transactions (continued)

### Key management personnel unitholdings

At 30 June 2013 no key management personnel held units in the Trust (2012: Nil).

### Key management personnel compensation

No amount is paid by the Trust directly to the directors of the Trustee.

Compensation is paid to the Trustee in the form of fees and is disclosed below.

### Trustee's fees and other transactions

From 1 July 2012 to the effective transfer date of 22 April 2013, the retiring Trustee received a fee of approximately 50 basis points of fair value plus disbursements, paid by SAS Trustee Corporation on behalf of the Trust.

From the effective transfer date, in accordance with the Trust Deed, the Trustee received a total fee of \$Nil (2012: \$Nil), paid by SAS Trustee Corporation on behalf of the Trust.

All related party transactions are conducted on normal commercial terms and conditions.

## 13 Reconciliation of profit to net cash inflow from operating activities

	30 June 2013	30 June 2012
	\$	\$
Net profit attributable to unitholders	1,561,140	2,080,325
Change in the fair value of financial assets	(1,476,771)	(2,076,432)
Foreign exchange losses	467,733	244,027
<b>Net cash inflow from operating activities</b>	<b>552,102</b>	<b>247,920</b>

## 14 Events occurring after the reporting period

No significant events have occurred since the reporting date which would impact on the financial position of the Trust as at 30 June 2013 or on the results and cash flows of the Trust for the year ended on that date.

## 15 Contingent assets and liabilities and other commitments

There are no outstanding contingent assets, liabilities or other commitments as at 30 June 2013 (2012: \$Nil).

### Directors' declaration

In accordance with the resolution of the Directors of Fidante Partners Services Limited, I state that:

In the opinion of the directors of the Trustee:

- (a) the financial statements and notes set out on pages 4 to 18 are in accordance with sections 41C(1B) and 41C(1C) of *Public Finance and Audit Act 1983*, Clause 7 of the *Public Finance and Audit Regulation 2010* including:
  - (i) complying with the provisions of the *Public Finance and Audit Act 1983*, *Public Finance and Audit Regulation 2010* and Australian Accounting Standards (including the Australian Accounting Interpretations) as disclosed in Note 2(a); and
  - (ii) giving a true and fair view of the Trust's financial position as at 30 June 2013 and of its performance for the financial year ended on that date.
- (b) the financial statements and notes are in accordance with with the requirements of the Trust Deed, and:
- (c) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Board of Fidante Partners Services Limited.



B J O'Connor  
Director

Sydney  
13 September 2013



## INDEPENDENT AUDITOR'S REPORT

### Pisco STC Funds Unit Trust No.2

To Members of the New South Wales Parliament and Unitholders of Pisco STC Funds Unit Trust No.2

I have audited the accompanying financial statements of Pisco STC Funds Unit Trust No.2 (the Trust), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

#### Opinion

In my opinion the financial statements:

- give a true and fair view of the Trust's financial positions as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

#### Trustee's Responsibility for the Financial Statements

The Trustee is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act and for such internal control as the Trustee determines is necessary to enable the preparation of the financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 Trustee, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

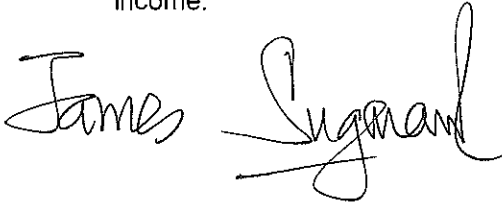
My opinion does *not* provide assurance:

- about the future viability of the Trust
- that the Trust carried out its activities effectively, efficiently and economically
- about the effectiveness of their internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

## Independence

In conducting my audit, I have 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
- 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 of New South Wales are not compromised in their roles by the possibility of losing clients or income.

A handwritten signature in black ink, reading "James Sugumar". The signature is fluid and cursive, with the first name "James" and the last name "Sugumar" clearly distinguishable.

James Sugumar  
Director, Financial Audit Services

13 September 2013  
SYDNEY

## **Directory**

### **Trustee**

Fidante Partners Services Limited  
ABN 44 119 605 373  
AFSL 320505

### **Registered office and principal place of business**

Level 15  
255 Pitt Street  
SYDNEY NSW 2000

### **Custodian**

JP Morgan  
85 Castlereagh Street  
SYDNEY NSW 2000

### **Auditor**

For the Trust  
The Audit Office of New South Wales  
Level 15  
1 Margaret Street  
SYDNEY NSW 2000



t: 9275 7100  
ref: D1320653/1092

Mr Jeremy A Don  
Director  
Valley Commerce Pty Ltd  
C/-Deutsche Australia Limited  
GPO Box 7033  
SYDNEY NSW 2000

31 July 2013

Dear Mr Don

## STATUTORY AUDIT REPORT

for the Year Ended 30 June 2013

Valley Commerce Pty Limited

I have audited the financial statements of Valley Commerce Pty Limited as required by the *Public Finance and Audit Act 1983* (the Act). This Statutory Audit Report outlines the results of my audit for the year ended 30 June 2013, and details matters I found during my audit **that are relevant to you in your role as one of those charged with the governance of Valley Commerce Pty Limited**. The Act requires that I send this report to the Company, the Minister and the Treasurer.

This report is not the Independent Auditor's Report, which expresses my opinion on Valley Commerce Pty Limited's financial statements. **I have enclosed the Independent Auditor's Report, together with Valley Commerce Pty Limited's financial statements.**

My audit is designed to obtain reasonable assurance the financial statements are free from material misstatement. It is not designed to identify and report all matters you may find of governance interest. Therefore, other governance matters may exist, which have not been reported to you.

My audit is continuous. If I identify further significant matters, I will report these to you immediately.

### Audit Result

I expressed an unmodified opinion on Valley Commerce Pty Limited's financial statements and I have not identified any significant matters since my previous Statutory Audit Report.

### Misstatements in the Financial Statements

The financial statements did not contain any misstatements.

### **Compliance with Legislative Requirements**

My audit procedures are targeted specifically towards forming an opinion on Valley Commerce Pty Limited's financial statements. This includes testing whether Valley Commerce Pty Limited has complied with legislative requirements that may materially impact on the financial statements. The results of the audit are reported in this context. My testing did not identify any instances of non-compliance with legislative requirements.

### **Management Letter**

As no matters have come to my attention, I will not issue a Management Letter.

### **Acknowledgment**

I thank the staff of Deutsche Australia Limited for their courtesy and assistance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'James Sugumar', with a stylized flourish at the end.

James Sugumar  
Director, Financial Audit Services



VALLEY COMMERCE PTY LIMITED

A.C.N. 004 530 787

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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## INDEPENDENT AUDITOR'S REPORT

### Valley Commerce Pty Limited

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Valley Commerce Pty Limited (the Company), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

### The Director's Responsibility for the Financial Statements

The Director is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Director determines is necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director, as well as evaluating the overall presentation of the financial statements.

I believe 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 Company
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

## Independence

In conducting my audit, I have 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
- 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 of New South Wales are not compromised in their roles by the possibility of losing clients or income.



James Sugumar  
Director, Financial Audit Services

31 July 2013  
SYDNEY

**VALLEY COMMERCE PTY LIMITED****A.C.N. 004 530 787****DIRECTOR'S STATEMENT****FOR THE YEAR ENDED 30 JUNE 2013**

Pursuant to the *Public Finance and Audit Act 1983*, I declare on behalf of the Company that in my opinion:

1. The accompanying financial statements exhibit a true and fair view of the financial position of Valley Commerce Pty Limited as at 30 June 2013.
2. The financial statements have been prepared in accordance with the Australian Accounting Standards, the provisions of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010*.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 31<sup>st</sup> day of July, 2013 in accordance with a resolution of the Director.

Director .....



VALLEY COMMERCE PTY LIMITED  
A.C.N. 004 530 787  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 June 2013

	Note	2013 \$	2012 \$
Revenues from Continuing Operations		-	-
Expenses from Continuing Operations		-	-
<b>Profit from Continuing Operations before Income Tax</b>		-	-
Income tax expense		-	-
<b>Profit for the year</b>		-	-
Other Comprehensive Income		-	-
Income tax expense on other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		-	-

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**VALLEY COMMERCE PTY LIMITED**  
**A.C.N. 004 530 787**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2013**

	Note	2013 \$	2012 \$
<b>Total assets</b>		—	—
<b>Total liabilities</b>		—	—
<b>Net assets</b>		—	—
<b>Equity</b>			
Contributed Equity	4	8	8
Reserves		21,354,145	21,354,145
Accumulated Losses		(21,354,153)	(21,354,153)
<b>Total equity</b>		—	—

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

VALLEY COMMERCE PTY LIMITED  
A.C.N. 004 530 787  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
Total equity at the beginning of the financial year		-	-
Other comprehensive income		-	-
Profit for the year		-	-
<b>Total comprehensive income for the year</b>		-	-
Transactions with equity holders in their capacity as equity holders		-	-
<b>Total transactions with equity holders</b>		-	-
<b>Total equity at the end of the financial year</b>		-	-

The above Statement of Changes In Equity should be read in conjunction with the accompanying notes.

## VALLEY COMMERCE PTY LIMITED

A.C.N. 004 530 787

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	2013 Inflow/ (Outflow) \$	2012 Inflow/ (Outflow) \$
<b>Cash flows from operating activities</b>		
Net cash flows from operating activities	-	-
<b>Cash flows from investing activities</b>		
Net cash flows from investing activities	-	-
<b>Cash flows from financing activities</b>		
Net cash flows from financing activities	-	-
<b>Net cash flows from activities</b>	-	-
<b>Cash and cash equivalents at the beginning of the financial year</b>	-	-
<b>Cash and cash equivalents at the end of the financial year</b>	-	-

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.



**VALLEY COMMERCE PTY LIMITED**

**A.C.N. 004 530 787**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2013**

**1. Principal Activity**

The Company has been dormant during the twelve months ended 30 June 2013 and twelve months ended 30 June 2012.

The financial statements were authorised by the Directors on 31 July 2013.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The Company's financial statements are general purpose financial statements, which have been prepared on an accrual basis and in accordance with:

- the *Public Finance and Audit Act 1983*
- the *Public Finance and Audit Regulation 2010*
- applicable Australian Accounting Standards and Australian Accounting Interpretations

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

The financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest dollar and are expressed in Australian currency.

**Statement of Compliance**

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

**Revenue Recognition**

Revenue is recognised when the entity has control of the good or right to receive, it is probable that the economic benefits will flow to the entity and the amount of revenue can be measured reliably.

**Employee Benefits**

The Company has no employees.

**VALLEY COMMERCE PTY LIMITED**

**A.C.N. 004 530 787**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2013**

**Notes to the Financial Statements (continued)**

**Insurance**

The Company has no insurance activities.

**Accounting for the Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except:

- the amount of GST incurred as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- Receivables and payables are stated with the amount of GST included.

**Acquisition of Assets**

The Company has not acquired any assets.

**Plant and Equipment**

The Company has no plant and equipment.

**Depreciation of Non-Current Property, Plant and Equipment**

The Company has no non-current Property, plant and equipment.

**Maintenance and Repairs**

No maintenance and repairs were undertaken during the financial year.

**Receivables**

Receivables are recognised at amortised cost less impairment. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

**Payables**

These amounts represent liabilities for goods and services provided to the Company and other amounts, including interest. Interest is accrued over the period it becomes due.

## VALLEY COMMERCE PTY LIMITED

A.C.N. 004 530 787

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2013

## Notes to the Financial Statements (continued)

## Budgeted amounts

The Company has no budget.

## 3. Auditor's Remuneration

	30 June 2013 \$	30 June 2012 \$
Total amount receivable by the auditors of the company for:		
(a) Audit of the Company's Accounts (GST Inclusive)	2,310	2,200
(b) Other services	-	-
	<u>2,310</u>	<u>2,200</u>

Audit Fees of the Company are paid by the Parent Entity of the Company - STC.  
The Auditor of the Company is The Audit Office of NSW.

## 4. Contributed Equity

Contributed equity includes issued capital comprising 8 shares at \$1.00 each, the same in 2012.

## 5. Contingent Liabilities

The Company has no contingent liabilities as at the date of this report.

## 6. Commitments for Expenditure

The Company has no commitment for expenditure as at the date of this report.

## 7. Financial Reporting by Segments

The Company operates in one geographical area being NSW, Australia.

## VALLEY COMMERCE PTY LIMITED

A.C.N. 004 530 787

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2013

## Notes to the Financial Statements (continued)

## 8. Key Management Personnel Compensation

	30 June 2013 \$	30 June 2012 \$
Total due and payable by the Company during the year	<u>-</u>	<u>-</u>

## 9. Related Party Information

(a) From 15 July 1997 the Parent Entity is SAS Trustee Corporation (STC).

(b) Director of the Company is Jeremy A. Don.

## 10. Material Assistance Provided at no cost to the Company

	30 June 2013 \$	30 June 2012 \$
• Lodgement fees (GST exempt)	288.50	226.50
• Audit fees ( GST inclusive)	2,310.00	2,200.00
	<u>2,598.50</u>	<u>2,426.50</u>

It is not possible to quantify the value of specific assistance provided by staff of Deutsche Australia Limited in relation to administrative, accounting and legal support.

End of Audited Financial Statements.



t: 9275 7100  
ref: D1320648/1083

Mr Jeremy Don  
Director  
Buroba Pty Ltd  
c/- Deutsche Australia Limited  
GPO Box 7033  
SYDNEY NSW 2000

31 July 2013

Dear Mr Don

## **STATUTORY AUDIT REPORT**

**for the Year Ended 30 June 2013**

**Buroba Pty Limited**

I have audited the financial statements of Buroba Pty Limited as required by the *Public Finance and Audit Act 1983* (the Act). This Statutory Audit Report outlines the results of my audit for the year ended 30 June 2013, and details matters I found during my audit that are relevant to you in your role as one of those charged with the governance of Buroba Pty Limited. The Act requires that I send this report to the Company, the Minister and the Treasurer.

This report is not the Independent Auditor's Report, which expresses my opinion on Buroba Pty Limited's financial statements I have enclosed the Independent Auditor's Report, together with Buroba Pty Limited's financial statements.

My audit is designed to obtain reasonable assurance the financial statements are free from material misstatement. It is not designed to identify and report all matters you may find of governance interest. Therefore, other governance matters may exist, which have not been reported to you.

My audit is continuous. If I identify further significant matters, I will report these to you immediately.

### **Audit Result**

I expressed an unmodified opinion on Buroba Pty Limited's financial statements and I have not identified any significant matters since my previous Statutory Audit Report.

### **Misstatements in the Financial Statements**

The financial statements did not contain any material misstatements.

### **Compliance with Legislative Requirements**

My audit procedures are targeted specifically towards forming an opinion on Buroba Pty Limited's financial statements. This includes testing whether Buroba Pty Limited has complied with legislative requirements that may materially impact on the financial statements. The results of the audit are reported in this context. My testing did not identify any instances of non-compliance with legislative requirements.

### **Acknowledgment**

I thank the staff of Deutsche Australia Limited for their courtesy and assistance.

Yours sincerely

A handwritten signature in black ink, reading "James Sugumar". The signature is fluid and cursive, with the first name "James" and the last name "Sugumar" clearly distinguishable.

James Sugumar  
Director, Financial Audit Services

BUROBA PTY LTD

A.C.N. 065 388 150

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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## INDEPENDENT AUDITOR'S REPORT

Buroba Pty Limited

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Buroba Pty Limited (the Company), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

### The Director's Responsibility for the Financial Statements

The Director is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Director determines is necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director, as well as evaluating the overall presentation of the financial statements.



I believe 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 Company
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

## Independence

In conducting my audit, I have 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
- 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 of New South Wales are not compromised in their roles by the possibility of losing clients or income.



James Sugumar  
Director, Financial Audit Services

31 July 2013  
SYDNEY

**BUROBA PTY LTD**

**A.C.N. 065 388 150**

**DIRECTOR'S STATEMENT**

**FOR THE YEAR ENDED 30 JUNE 2013**

Pursuant to the *Public Finance and Audit Act 1983*, I declare on behalf of the Company that in my opinion:

1. The accompanying financial statements exhibit a true and fair view of the financial position of Buroba Pty Ltd as at 30 June 2013.
2. The financial statements have been prepared in accordance with the Australian Accounting standards, the provisions of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010*.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 31<sup>st</sup> day of July, 2013 in  
accordance with a resolution of the Director.

Director .....



## BUROBA PTY LTD

A.C.N. 065 388 150

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
Revenues from Continuing Operations		-	-
Expenses from Continuing Operations		-	-
<b>Profit from Continuing Operations before Income Tax</b>		-	-
Income tax expense		-	-
<b>Profit for the year</b>		-	-
Other comprehensive income		-	-
Income tax expense on other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		-	-

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## BUROBA PTY LTD

A.C.N. 065 388 150

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	2013 \$	2012 \$
<b>Current Assets</b>			
Cash and Cash Equivalents		2	2
<b>Total assets</b>		<u>2</u>	<u>2</u>
<b>Total liabilities</b>		<u>-</u>	<u>-</u>
<b>Net assets</b>		<u>2</u>	<u>2</u>
<b>Equity</b>			
Contributed Equity	4	2	2
<b>Total equity</b>		<u>2</u>	<u>2</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

## BUROBA PTY LTD

A.C.N. 065 388 150

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
Total equity at the beginning of the financial year		2	2
Other comprehensive income		-	-
Profit for the year		-	-
<b>Total comprehensive income for the year</b>		-	-
Transactions with equity holders in their capacity as equity holders		-	-
<b>Total transactions with equity holders</b>		-	-
<b>Total equity at the end of the financial year</b>		<u>2</u>	<u>2</u>

The above Statement of Changes In Equity should be read in conjunction with the accompanying notes.

## BUROBA PTY LIMITED

A.C.N. 065 388 150

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	2013 Inflow/ (Outflow) \$	2012 Inflow/ (Outflow) \$
<b>Cash flows from operating activities</b>		
Net cash flows from operating activities	-	-
<b>Cash flows from investing activities</b>		
Net cash flows from investing activities	-	-
<b>Cash flows from financing activities</b>		
Net cash flows from financing activities	-	-
<b>Net cash flows from activities</b>	-	-
<b>Cash and cash equivalents at the beginning of the financial year</b>	2	2
<b>Cash and cash equivalents at the end of the financial year</b>	2	2

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

**BUROBA PTY LTD****A.C.N. 065 388 150****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2013****1. Principal Activity**

The Company has been dormant during the twelve months ended 30 June 2013 and twelve months ended 30 June 2012.

The financial statements were authorised by the Directors on 31 July 2013.

**2. Significant Accounting Policies****Basis of Accounting**

The Company's financial statements are general purpose financial statements, which have been prepared on an accrual basis and in accordance with:

- *the Public Finance and Audit Act 1983*
- *the Public Finance and Audit Regulation 2010*
- applicable Australian Accounting Standards and Australian Accounting Interpretations

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

The financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest dollar and are expressed in Australian currency.

**Statement of Compliance**

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

**Revenue Recognition**

Revenue is recognised when the entity has control of the good or right to receive, it is probable that the economic benefits will flow to the entity and the amount of revenue can be measured reliably

**Employee Benefits**

The Company has no employees.

**BUROBA PTY LTD**

A.C.N. 065 388 150

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2013****Notes to the Financial Statements (continued)****Insurance**

The Company has no insurance activities.

**Accounting for the Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except:

- The amount of GST incurred as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables and payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**Acquisition of Assets**

The Company has not acquired any assets.

**Plant and Equipment**

The Company has no plant and equipment.

**Depreciation of Non-Current Property, Plant and Equipment**

The Company has no non-current Property, plant and equipment.

**Maintenance and Repairs**

No maintenance and repairs were undertaken during the financial year.

**Receivables**

Receivables are recognised at amortised cost less impairment. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

**Payables**

These amounts represent liabilities for goods and services provided to the Company and other amounts, including interest. Interest is accrued over the period it becomes due.



**BUROBA PTY LTD**

A.C.N. 065 388 150

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2013****Notes to the Financial Statements (continued)****Budgeted amounts**

The Company has no budget.

**3. Auditor's Remuneration**

	<b>30 June 2013 \$</b>	<b>30 June 2012 \$</b>
Total amount receivable by the auditors of the company for:		
(a) Audit of the Company's Accounts (GST Inclusive)	2,310	2,200
(b) Other services		
	<u>2,310</u>	<u>2,200</u>

Audit Fees of the Company are paid by the Parent Entity of the Company - STC.  
The Auditor of the Company is The Audit Office of NSW.

**4. Contributed Equity**

Contributed equity comprises issued capital of 2 shares at \$1.00 each, the same in 2012.

**BUROBA PTY LTD**

**A.C.N. 065 388 150**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2013**

**Notes to the Financial Statements (continued)**

**5. Contingent Liabilities**

There are no contingent liabilities as at 30 June 2013 for Buroba Pty Ltd.

**6. Commitments for Expenditure**

The Company has no commitment for expenditure as at the date of this report.

**7. Financial Reporting by Segments**

The Company operates in one geographical area being NSW, Australia.

**BUROBA PTY LTD**

A.C.N. 065 388 150

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2013****Notes to the Financial Statements (continued)****8. Key Management Personnel Compensation**

	30 June 2013 \$	30 June 2012 \$
Total due and payable by the Company during the year	-	-

**9. Related Party Information**

- (a) From 15 July 1997 the Parent Entity is SAS Trustee Corporation (STC).
- (b) Director of the Company is Jeremy A. Don.

**10. Material Assistance Provided at no cost to the Company**

	30 June 2013 \$	30 June 2012 \$
• Lodgement fees (GST exempt)	227	505
• Audit fees ( GST inclusive)	2,310	2,200
	<u>2,537</u>	<u>2,705</u>

It is not possible to quantify the value of specific assistance provided by staff of Deutsche Australia Limited in relation to administrative, accounting and legal support.

**End of Audited Financial Statements.**

# **State Infrastructure Trust**

ABN 50 580 647 086

Annual Financial Report for

Year ended 30 June 2013

**State Infrastructure Trust**

ABN 50 580 647 086

**Annual Financial Report  
For year ended 30 June 2013**

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State Infrastructure Trust (SIT)  
Statement of comprehensive income  
For year ended 30 June 2013

**Statement of comprehensive income**

	Notes	Consolidated For year ended 30 June 2013 \$	Consolidated For year ended 30 June 2012 \$	SIT For year ended 30 June 2013 \$	SIT For year ended 30 June 2012 \$
<b>Revenue</b>					
Interest income	3	3,136	8,402	3,136	8,402
Other income	4	-	-	2	-
<b>Total revenue</b>		<b>3,136</b>	<b>8,402</b>	<b>3,138</b>	<b>8,402</b>
<b>Expenses</b>					
Loss on receivable from Subsidiary		-	-	-	17,146
Trustee fees		18,747	26,527	18,747	26,527
Registry fees		2,704	5,305	2,704	5,305
Legal fees		4,344	1,238	4,344	(614)
Accounting service fees		4,703	9,550	4,703	9,550
Tax agent fees		13,943	9,350	13,943	9,350
Audit fees	10	4,703	10,450	4,703	10,450
Bank charges		264	255	264	255
ASIC fee		-	227	-	-
<b>Total expenses</b>		<b>49,407</b>	<b>62,902</b>	<b>49,407</b>	<b>77,969</b>
<b>Income / (Loss) before transactions with unitholder</b>		<b>(46,271)</b>	<b>(54,500)</b>	<b>(46,269)</b>	<b>(69,567)</b>
<b>Net loss attributable to unitholder</b>					
Distributions to unitholder during the year		-	-	-	-
Decrease (increase) in net assets attributable to unitholder		46,271	54,500	46,269	69,567
<b>Net profit / (loss)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

**Statement of financial position**

	Notes	Consolidated 30 June 2013 \$	Consolidated 30 June 2012 \$	SIT 30 June 2013 \$	SIT 30 June 2012 \$
<b>Assets</b>					
Cash and cash equivalents	5	74,319	131,821	74,319	131,821
GST receivable		1,238	1,614	1,238	1,614
Interest receivable		152	385	152	385
<b>Total assets</b>		<b>75,709</b>	<b>133,820</b>	<b>75,709</b>	<b>133,820</b>
<b>Liabilities</b>					
Fees payable	6	24,750	36,590	24,750	36,590
Payable to Subsidiary		-	-	-	2
<b>Total liabilities (excluding net assets attributable to unitholder)</b>		<b>24,750</b>	<b>36,590</b>	<b>24,750</b>	<b>36,592</b>
<b>Net assets attributable to unitholder - liability</b>	<b>7(b)</b>	<b>50,959</b>	<b>97,230</b>	<b>50,959</b>	<b>97,228</b>

*The above statement of financial position should be read in conjunction with the accompanying notes.*

**Statement of changes in equity**

	Notes	Consolidated 2013 \$	Consolidated 2012 \$	SIT 2013 \$	SIT 2012 \$
Net assets attributable to unitholder at the beginning of the financial year	7(b)	97,230	151,730	97,228	166,795
Units issued during the financial year		-	-	-	-
Units redeemed or otherwise cancelled during the financial year		-	-	-	-
Changes in net assets attributable to unitholder		(46,271)	(54,500)	(46,269)	(69,567)
Closing net assets attributable to unitholder		50,959	97,230	50,959	97,228

*The above statement of changes in equity should be read in conjunction with the accompanying notes*



## Statement of cash flows

	Notes	Consolidated For year ended 30 June 2013 \$	Consolidated For year ended 30 June 2012 \$	SIT For year ended 30 June 2013 \$	SIT For year ended 30 June 2012 \$
<i>Cash flows from operating activities</i>					
Interest & other income received		6,415	12,737	6,415	12,737
Expenses paid		(63,917)	(141,130)	(63,917)	(141,130)
<b>Net cash (used in) / provided by operating activities</b>	<b>8</b>	<b>(57,502)</b>	<b>(128,393)</b>	<b>(57,502)</b>	<b>(128,393)</b>
<i>Cash flows from investing activities</i>					
<b>Net cash provided used in investing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Cash flows from financing activities</i>					
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>(57,502)</b>	<b>(128,393)</b>	<b>(57,502)</b>	<b>(128,393)</b>
Cash and cash equivalents at the beginning of the period		131,821	260,214	131,821	260,214
<b>Cash and cash equivalents at the end of the period</b>		<b>74,319</b>	<b>131,821</b>	<b>74,319</b>	<b>131,821</b>

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

## Notes to the financial statements

### 1 General Information

State Infrastructure Trust (SIT) was created under the Trust Deed dated 23 August 2010. Perpetual Corporate Trust Limited was appointed as Trustee and Deutsche Asset Management (Australia) Limited was appointed as Manager of the Trust up to 13 June 2013. Subsequently, Deutsche Australia Limited was appointed as the new Manager of the Trust. The trustee has assessed the consolidated entity as a for-profit entity for financial reporting purposes.

The financial statements were authorised for issue by the Manager on 17 July 2013.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with the Constitution, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the Public Finance and Audit Act 1983.

The financial statements are presented in Australian dollars. The financial statements are prepared in accordance with the historical cost convention, except for bond assets which are carried at fair value.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months.

#### (b) Use of estimates and judgements

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

#### (c) Interest income

Interest Revenue is recognised as interest accrues using the effective interest method.

#### (d) Net assets attributable to Unitholder

Units issued by the Trust provide the unitholder with the right to put them back to the Trust at the prevailing redemption price. As such, AIFRS ('Australian International Financial Reporting Standards') requires net assets attributable to unitholders to be classified and disclosed as a liability in the Statement of Financial Position with changes in the amount of this balance being reflected in the Statement of Comprehensive Income (AASB 139 Financial instruments: Recognition and Measurement requires changes in the value of a financial liability to be taken through the Statement of Comprehensive Income).

#### (e) Expenses

Expenses are brought to account in the Statement of Comprehensive Income on an accruals basis.

**(f) Distributions to Unitholder**

In accordance with the Trust Deed, the Trust fully distributes its distributable income to unitholders. Such distributions are determined by reference to the taxable income of the Trust.

**(g) Cash and cash equivalents**

Cash comprises current deposits with banks.

**(h) Receivables**

Receivables represent GST receivable from ATO.

**(i) Payables**

Payables include liabilities and accrued expenses owing by the Trust which are unpaid as at the end of the reporting period.

The distribution amount payable to unitholders as at the reporting date is recognised separately in the statement of financial position when unitholders are presently entitled to the distributable income under the Trust Deed.

**(j) New Australian Accounting standards issued but not yet effective**

A number of Australian Accounting standards are not yet effective and have not been applied. None of these are expected to have a significant effect on the financial statements of the Trust.

**(k) Loan and Advances**

Loans and advances are recorded at amortised cost using effective yield method less impairment. Loans and advances comprise of loans to dealers. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period to the financial instrument's net carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

**(l) Taxation**

Under current legislation the Trust is not subject to income tax provided the unitholders are presently entitled to the income of the Trust and the Trust fully distributes its taxable income.

**(m) Goods and Services Tax (GST)**

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

- a) 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 asset or as part of an item of expense in the income statement; or
- b) 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 receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**(n) Applications and Redemptions**

Applications and Redemptions do not incur any entry or exit fees.

**(o) Subsidiaries**

The State Infrastructure Trust and its subsidiary, State Infrastructure (SEA Gas) Pty Ltd, are together referred to in this financial report as the group or the consolidated entity. The Directors of State Infrastructure (SEA Gas) Pty Ltd resolved to voluntarily wind up and de-register the entity on 28 October 2012. The consolidated financial statements incorporate the results of the subsidiary until the date of de-registration.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

	Consolidated		SIT	
	2013	2012	2013	2012
<b>3. Interest income</b>				
Bank interest	3,136	8,402	3,136	8,402
	<b>3,136</b>	<b>8,402</b>	<b>3,136</b>	<b>8,402</b>
<b>4. Other income</b>				
Write-off of payable to SIH	-	-	2	-
	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>
<b>5. Cash and cash equivalents</b>				
Cash at bank	74,319	131,821	74,319	131,821
	<b>74,319</b>	<b>131,821</b>	<b>74,319</b>	<b>131,821</b>
<b>6. Fees payable</b>				
Tax agent fees	12,100	9,350	12,100	9,350
Accounting fees	4,950	10,450	4,950	10,450
Audit fees	4,950	8,250	4,950	8,250
Registry fees	1,375	1,423	1,375	1,423
Trustee fees	1,375	7,117	1,375	7,117
	<b>24,750</b>	<b>36,590</b>	<b>24,750</b>	<b>36,590</b>

**7(a) Net assets attributable to unitholder**

	SIT			
	2013		2012	
	No of units	\$	No of units	\$
Units on issue at the beginning of the financial year	323,406	323,406	323,406	323,406
Units issued during the financial year	-	-	-	-
Units redeemed or otherwise cancelled during the financial year	-	-	-	-
Units on issue at the end of the financial year	<b>323,406</b>	<b>323,406</b>	<b>323,406</b>	<b>323,406</b>

	Consolidated		SIT	
	2013	2012	2013	2012
	\$	\$	\$	\$

**(b) Changes in net assets attributable to unitholder**

Net assets attributable to unitholder at the beginning of the financial year	97,230	151,730	97,228	166,795
Units issued during the financial year	-	-	-	-
Units redeemed or otherwise cancelled during the financial year	-	-	-	-
Changes in net assets attributable to unitholder	(46,271)	(54,500)	(46,269)	(69,567)
Closing net assets attributable to unitholder	<b>50,959</b>	<b>97,230</b>	<b>50,959</b>	<b>97,228</b>

**8. Reconciliation of Profit/(loss) to net cash inflow/(outflow) from operating activities**

(a) Cash and cash equivalent as at the end of the reporting period	74,319	131,836	74,319	131,836
--	--------	---------	--------	---------

**(b) Reconciliation of net profit / (loss) for the period to net cash flows from operating activities**

Net loss for the period	(46,271)	(54,500)	(46,269)	(69,567)
Add / (deduct) non-cash / non-operational items:				
(Increase) / Decrease in GST receivable	376	(1,614)	376	876
(Decrease) / increase in fees payable	(11,840)	1,390	(11,840)	12,940
(Decrease) in GST payable	-	(1,027)	-	-
(Increase) / Decrease in interest receivable	233	(385)	233	(385)
(Decrease) in distribution payable	-	(72,257)	-	(72,257)
(Decrease) payable to SIH	-	-	(2)	-
Net cash from operating activities	<b>(57,502)</b>	<b>(128,393)</b>	<b>(57,502)</b>	<b>(128,393)</b>

## 9. Related party transactions

### Trustee

The Trustee of the State Infrastructure Trust is Perpetual Corporate Trust Limited (ABN 99 000 341 533). The Manager is Deutsche Australia Limited.

### Key management personnel

The Trust does not employ personnel in its own rights. The Manager has managed the affairs of the Trust for the period reported on.

### Key management personnel unit holding

As at 30 June 2013 no key management personnel held units in the Trust.

### Key management personnel compensation

Payments made from the Trust to the Trustee do not include any amounts directly attributable to key management personnel remuneration.

### Key management personnel loan disclosures

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

### Other transactions within the Trust

No key management personnel of the manager have entered into a material contract with the Trust during the period and there were no material contracts involving directors' interests subsisting at period end.

	Consolidated		SIT	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>10. Auditor's remuneration</b>				
Audit and review of financial statements	4,703	10,450	4,703	10,450
	<b>4,703</b>	<b>10,450</b>	<b>4,703</b>	<b>10,450</b>

The fees for the 2012 audit for the Parent and for the Subsidiary were paid by the Trust.

## 11. Contingent liabilities and commitments

The Trust has not entered into any commitments for future expenditure and has no material contingent liabilities as at the end of the reporting period.

## 12. Subsequent event

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Trust disclosed in the Statement of Financial Position as at 30 June 2013 or on the results and cash flows of the Trust for the period ended on that date.

End of Audited Financial Report.



**Manager declaration**

In the opinion of the Manager:

- a. the financial statements and notes set out on pages 3 to 13 are in accordance with the below:
  - i. comply with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010, applicable Treasurer's Directions, Australian Accounting Standards and relevant other mandatory professional reporting requirements; and
  - ii. giving a true and fair view of the Trust's financial position as at 30 June 2013 and of its performance for the period, ended on that date.
- b. there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

For and on behalf of Deutsche Australia Limited  
in its capacity as Manager for State Infrastructure Trust



Attorney  
Michael Thomas



Attorney  
Jeremy Don

Sydney  
17 July 2013

**Trustee declaration**

In the opinion of the Trustee:

- (a) the financial statements and notes set out on pages 3 to 13
  - i. comply with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010, applicable Treasurer's Directions, Australian Accounting Standards and relevant other mandatory professional reporting requirements; and
  - ii. give a true view of the Trust's financial position as at 30 June 2013 and of its performance as represented by the results of its operations and cash flows for the reporting period ended on that date.
- (b) the financial statements are in accordance with the Trust Deed.

For and on behalf of the Trustee



Sydney  
17 July 2013

VINCENT TOUCHARD  
Business Unit Manager

Independent audit report to the Unitholder of State Infrastructure Trust (SIT)



## INDEPENDENT AUDITOR'S REPORT

### State Infrastructure Trust

To Members of the New South Wales Parliament and Unitholders of State Infrastructure Trust

I have audited the accompanying financial statements of State Infrastructure Trust (the Trust), which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information. The consolidated entity comprises the Trust and the entities it controlled at year's end or from time to time during the financial year.

### Opinion

In my opinion the financial statements:

- give a true and fair view of the Trust's and consolidated entity's financial positions as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

### Trustee's Responsibility for the Financial Statements

The Trustee is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act and for such internal control as the Trustee determines is necessary to enable the preparation of the financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 Trustee, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

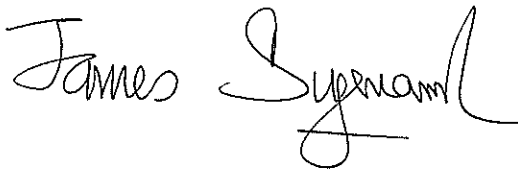
My opinion does *not* provide assurance:

- about the future viability of the Trust and the consolidated entity
- that they have carried out its activities effectively, efficiently and economically
- about the effectiveness of their internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

## Independence

In conducting my audit, I have 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
- 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 of New South Wales are not compromised in their roles by the possibility of losing clients or income.

A handwritten signature in black ink, reading 'James Sugumar'.

James Sugumar  
Director, Financial Audit Services

17 July 2013  
SYDNEY



# Compliance index for disclosure requirements

In accordance with the *Annual Reports (Statutory Bodies) Regulation 2010*, this index has been prepared to facilitate identification of compliance with statutory disclosure requirements.

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**STATE SUPER**  
SAS Trustee Corporation

ABN: 29 239 066 746



ABN: 80 976 223 967

## Contact Details

### Customer service

8.30am to 5.30pm, Monday to Friday for the cost of a local call (except from a mobile or pay phone)

State Authorities Superannuation Scheme (SASS) 1300 130 095

State Superannuation Scheme (SSS) 1300 130 096

Police Superannuation Scheme (PSS) 1300 130 097

Deferred benefit members 1300 130 094

Pension members 1300 652 113

### Personal interview service

For an interview appointment in Sydney, call (02) 9238 5540. You can also arrange interviews at:

Newcastle 1800 807 855

Parramatta 1800 626 000

Port Macquarie 1800 676 839

Wollongong 1800 060 166

### Fax

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