

**Local Government Superannuation Scheme
Pool A**

Financial Report

For the Year Ended 30 June 2005

Local Government Superannuation Scheme Pool A

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

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Local Government Superannuation Scheme Pool A

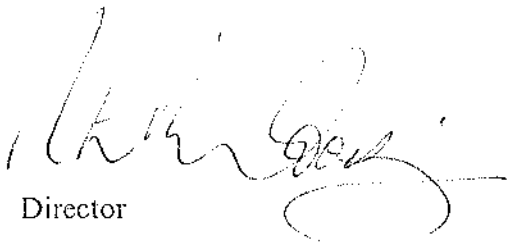
TRUSTEE STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

In the opinion of the Trustee of Local Government Superannuation Scheme Pool A:

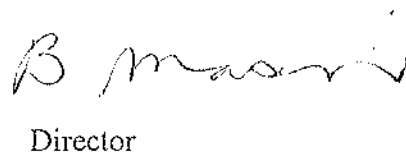
1. The accompanying financial statements of the Local Government Superannuation Scheme Pool A are properly drawn up so as to present fairly the Financial Position of the Scheme as at 30 June 2005, the Operating Statement for the year ended 30 June 2005 and the Statement of Cash Flows for the year ended on that date;
2. The financial report has been prepared in accordance with the requirements of the Trust Deed;
3. The accompanying financial statements have been drawn up in accordance with Australian Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views);
4. The Scheme has been conducted in accordance with its constituent Trust Deed; and
5. In the Trustees' opinion there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of the Board of Directors of LGSS Pty Limited (ABN 68 078 003 497).

Signed at Sydney this 28th day of October 2005



Director



Director

Local Government Superannuation Scheme Pool A

OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$'000	2004 \$'000
Investment Revenue			
Investment Revenue	10	138,621	60,439
Changes in Net Market Value of Investments	9	<u>38,084</u>	<u>61,448</u>
Total Investment Revenue		176,705	121,887
Investment Expenses		<u>(4,358)</u>	<u>(3,151)</u>
Net Investment Revenue		<u>172,347</u>	<u>118,736</u>
Contributions Revenue			
Employer Contributions	11(a)	153,299	136,248
Member Contributions	11(b)	13,331	7,588
Transfers In	11(c)	<u>141,496</u>	<u>118,157</u>
Total Contribution Revenue		308,126	261,993
Other Revenue		62	14
Total Revenue		<u>480,535</u>	<u>380,743</u>
Expenses			
Superannuation Contributions Surcharge		(1,301)	(1,079)
Scheme Administration Expenses	1(e)	<u>(8,849)</u>	<u>(9,001)</u>
Total Expenses		<u>(10,150)</u>	<u>(10,080)</u>
Operating Result Before Income Tax		470,385	370,663
Income Tax Expense	5	<u>(31,796)</u>	<u>(31,434)</u>
Benefits Accrued as a Result of Operations		<u>438,589</u>	<u>339,229</u>

The above Operating Statement should be read in conjunction with the accompanying Notes.

Local Government Superannuation Scheme Pool A

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Note	2005 \$'000	2004 \$'000
Investments	1(b),15		
Short Term Investments		6,990	11,597
Australian Fixed Interest		-	(102)
International Investments		-	279
Unit Trusts		1,379,140	1,102,705
Pooled Superannuation Trusts		10,666	11,040
Unlisted Hedge Fund		68,793	-
Total Investments		<u>1,465,589</u>	<u>1,125,519</u>
Other Assets			
Cash	14(a)	36,551	28,784
Receivables	3	552	501
Total Other Assets		<u>37,103</u>	<u>29,285</u>
Total Assets		<u>1,502,692</u>	<u>1,154,804</u>
Less:			
Liabilities			
Payables	4	2,751	5,408
Current Tax Liability	5	15,615	8,149
Deferred Tax Liability		6,748	3,000
Total Liabilities		<u>25,114</u>	<u>16,557</u>
Net Assets Available to Pay Benefits		<u>1,477,578</u>	<u>1,138,247</u>
Represented by:			
Liability for Accrued Benefits			
Funds Allocated to Members' Accounts	7	1,464,302	1,129,053
Funds Not Yet Allocated to Members' Accounts	6(b)	4,009	3,390
Administration Reserve	6(c)	364	777
Death or Invalidity Reserve	6(d)	8,903	4,469
Contribution Tax Reserve	6(e)	-	558
Total Liability for Accrued Benefits	6(a)	<u>1,477,578</u>	<u>1,138,247</u>

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

Local Government Superannuation Scheme Pool A

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$'000	2004 \$'000
Cash Flows from Operating Activities			
Contributions Received from Employers		153,299	136,248
Contributions Received from Members		13,331	7,588
Transfers from Other Funds		141,496	118,157
Income Received		138,683	60,457
Sundry Income Received		-	5,898
Benefits Paid		(88,418)	(76,830)
Investment Expenses Paid		(4,358)	(3,151)
Scheme Administration Expenses Paid		(11,557)	(5,047)
Surcharge Paid		(1,301)	(1,079)
Income Tax Paid		<u>(31,422)</u>	<u>(18,392)</u>
Net Cash Provided from Operating Activities	14(b)	<u>309,753</u>	<u>223,849</u>
Cash Flows from Investing Activities			
Redemptions from Investments		201,988	93,078
Applications to Investments		<u>(503,974)</u>	<u>(297,201)</u>
Net Cash (Used in) Investing Activities		<u>(301,986)</u>	<u>(204,123)</u>
Net Increase in Cash Held		7,767	19,726
Cash at the Beginning of the Financial Year		<u>28,784</u>	<u>9,058</u>
Cash at the End of the Financial Year	14(a)	<u>36,551</u>	<u>28,784</u>

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

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1. STATEMENT OF ACCOUNTING POLICIES

The following explains the significant accounting policies adopted in the preparation of the financial statements. Unless otherwise stated, such accounting policies were also adopted in the corresponding preceding reporting period.

(a) Basis of Preparation

The financial statements have been drawn up in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views, the provisions of the Trust Deed and relevant legislative requirements to the extent that they do not conflict with SIS legislation and AAS 25 "Financial Reporting by Superannuation Plans".

(b) Investments

DIVISION A & DIVISION F

Investments are valued at market value less estimated costs of disposal at balance date. Changes in market values, representing gains or losses, are recognised in the Operating Statement in the year in which they occur.

The valuation of each class of investment as at 30 June 2005 is determined as follows:

Short Term Investments	Market rates
Australian Fixed Interest	Market rates
Equities - International	Valued at reporting date and translated in Australian dollars at current exchange rate
Unit Trusts, Pooled Superannuation Trusts and Unlisted Hedge Fund.	Redemption value of units based on market values of underlying assets as advised by the managers of the trusts

DIVISION E

Net contributions are invested into pooled superannuation trusts managed by BT Funds Management Limited. Investments are recorded at balance date, at net market value by reference to the redemption value of units as advised by the investment manager. Movements in the unit redemption values are brought to account in the Operating Statement, as changes in net market values. Corresponding investment management expenses are reflected in the unit redemption prices.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(c) Income Tax

The Scheme has adopted the liability method of tax effect accounting in accordance with the provision of Australian Accounting Standard AAS 3 "Accounting for Income Tax (Tax-effect accounting)". The income tax expense shown in the Operating Statement is based on the operating surplus or deficit adjusted for any permanent differences.

The tax effect of the timing differences, which occur where items are allowed for income tax purposes in a period different from that in which they are recognised in the financial statements, is included as a deferred tax liability or deferred tax asset as applicable at current taxation rates.

Deferred tax assets attributable to timing differences are not brought to account unless realisation of the assets is assured beyond reasonable doubt. Deferred tax assets applicable to income tax losses are brought to account only where realisation is virtually certain.

(d) Contributions

Member and employer contributions were recorded on a cash basis.

Transfers from other funds are recognised on a cash basis. Amounts are recognised when transfer receipts are received by the Scheme.

(e) Expenses

Scheme administration expenses includes all expenses of the Scheme for the year inclusive of expenses paid from the administration reserve and expense provisions that have been charged against investment returns.

Certain Scheme administration expenses, other than expenses of administering the death or invalidity insurance provision of the Scheme, are charged directly to members' accounts to the extent permissible through the Product Disclosure Statement. The remainder of scheme administration expenses are charged directly against investment returns to the member.

Death or invalidity insurance expenses are charged directly to the Death or Invalidity Reserve.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(f) Liability for Accrued Benefits

The liability for accrued benefits is the present obligation to pay benefits to members and beneficiaries as is represented by the carrying amount of the Net Assets Available to Pay Benefits.

(g) Foreign Currency Transactions

Foreign currency transactions during the year are converted to Australian dollars at the rate of exchange applicable at the date of the transaction. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange at that date.

(h) Superannuation Contributions Surcharge

The superannuation contributions surcharge which may be payable by the Scheme under the Superannuation Contributions Tax (Assessment and Collection) Act 1997 is brought to account as a liability and an expense in the year when assessments are received from the Australian Taxation Office. As there is insufficient information to provide a reliable indication of any outstanding surcharge liability, the Trustee is unable to determine the amount of the surcharge until assessments are received from the Australian Taxation Office. No assessed surcharge liability remains unpaid at year end.

As the surcharge is levied based upon individual members' taxable income any surcharge for the year ended 30 June 2005 subsequently levied against the Scheme will be charged to the relevant members' benefits or otherwise dealt with in accordance with the provisions of the Trust Deed and relevant legislation. The benefits of members not subject to the surcharge will be unaffected.

(i) Roundings

All values reported in the financial statements have been rounded to the nearest thousand dollars, except where otherwise stated.

(j) Goods and Services Tax (GST)

Where applicable GST incurred by the Scheme that is not recoverable from the Australian Taxation Office, has been recognised as part of the expenses to which it applies. Receivables and payables are stated with any applicable GST incurred in their carrying amounts.

The amount of any GST recoverable from, or payable to, the Australian Taxation Office is included as an asset or liability in the Statement of Financial Position.

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.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(k) Benefits Paid and Payable

The Scheme recognises benefits on the date that they are paid to the member. Accordingly, benefits payable recognised in the Statement of Financial Position represent only those benefits where the payment has been processed by the Scheme but has not yet been issued to members.

(l) Impact of First Time Adoption of Australian Equivalents to International Financial Reporting Standards

Local Government Superannuation Scheme Pool A will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ('AIFRS'), to the extent they do not conflict with AAS 25 "Financial Reporting by Superannuation Plans", for reporting periods beginning on or after 1 January 2005. Accordingly the Scheme's first annual financial statements prepared under AIFRS will be for the year ending 30 June 2006.

The Trustee has established a project to manage the transition to AIFRS and ensure the 30 June 2006 financial statements are appropriately prepared in accordance with AIFRS to the extent they do not conflict with AAS 25 "Financial Reporting by Superannuation Plans". The project team is assessing the significance of any changes and preparing for their implementation

The Trustee believes that the adoption of AIFRS will not have a material impact on the financial statements of the Scheme as no significant changes to accounting policies are expected. However, some changes in presentation and disclosure are expected.

Changes between AGAAP and AIFRS that may have an effect on the Scheme's financial performance and financial position are summarised below. The project has not yet progressed to a stage whereby, all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented have been identified.

The key identified accounting policy changes and financial impacts of adopting AIFRS on the Scheme identified by the Trustee to date are as follows.

- Income Tax

Under AASB 112 "Income Taxes", the income tax liability of the Scheme will be calculated based on the "balance sheet" approach. Timing differences recognised as deferred tax balances are not expected to change when accounted for as temporary differences recognised under AASB 112 "Income Taxes". Current tax balances are expected to be the same on adoption of AASB 112 "Income Taxes".

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(I) Impact of First Time Adoption of Australian Equivalents to International Financial Reporting Standards (Continued)

- Financial Assets and Liabilities

All financial assets and liabilities will be subject to the recognition, measurement and disclosure requirements of AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement" to the extent that the requirements do not conflict with AAS 25 "Financial Reporting by Superannuation Plans".

No material changes to asset valuations are expected as these will continue to be carried at their net market value in accordance with AAS 25 "Financial Reporting by Superannuation Plans". Liabilities will be carried at fair value or at an amortised cost, however this is not expected to result in any material change to the carrying amounts of these liabilities.

The above should not be regarded as a complete list of changes in accounting policies that will result from the adoption of AIFRS. To date the Trustee has not analysed all standards for their impact on the financial statements and further pronouncements in AIFRS, for example the release of further pronouncements by the Australian Accounting Standards Board and the Urgent Issues Group, may result in changes to the accounting policy decisions made by the Trustee.

2. DESCRIPTION OF THE SCHEME

The Local Government Superannuation Scheme Pool A (the Scheme) is an accumulation Scheme established in accordance with sections 127 and 128 of the Superannuation Administration Act, 1996 (the Act). LGSS Pty Limited acts as Trustee to the Scheme and holds in trust all assets of the Scheme. The Scheme is a reporting entity for accounting purposes.

The Scheme consists of three divisions. Divisions A & E consist of Accumulation Funds, and Division F is an allocated pension and rollover scheme.

The Scheme's custodial activities are provided by JP Morgan Chase bank (JP Morgan).

Division E investments are managed by BT Funds Management Limited (BT). Division E members have the option of investing in the investment strategies offered to the Division A and F members or maintaining BT as their fund manager.

Administration of the Scheme was conducted by FuturePlus Financial Services Pty Limited and Mercer Benefit Services (formerly Mellon Human Resources and Investor Solutions) during the year. On 23 September 2005 Mellon Human Resources and Investor Solutions ceased administration of the Scheme. Since this date the administration of the Scheme has been conducted solely by FuturePlus Financial Services Pty Limited.

FuturePlus Financial Services Pty Limited also provides secretariat services for the Scheme.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

3. RECEIVABLES	2005 \$'000	2004 \$'000
Other Receivables	552	501
Total Receivables	552	501

4. PAYABLES	2005 \$'000	2004 \$'000
Other Payables	2,751	5,408
Total Payables	2,751	5,408

5. INCOME TAX

Income tax expense in the Operating Statement represents the tax on the operating result before income tax, adjusted for permanent differences.

A rate of tax of 15% has been used on the assumption that the Scheme will continue to be a complying Scheme for the purposes of the Income Tax Assessment Act 1936, as amended.

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

- (a) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- (b) conditions from deductibility imposed by the law are complied with; and
- (c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

The calculation of tax provided for is as follows:

	2005 \$'000	2004 \$'000
Operating result before income tax	470,385	370,663
Prima facie tax @ 15%	70,558	55,599
Permanent Differences		
Non-deductible expenses	6	-
Non-assessable/deductible Investment Revenue/Losses	240	713
Non-assessable Contributions (includes Transfers)	(20,651)	(18,862)
Imputation and Foreign Tax Credits	(6,971)	(5,773)
Anti Detriment Deduction	(110)	(144)
Current Pension Liability Exemption	(2,771)	(988)
Death or Invalidity Assurance	(290)	(256)
Contributions Surcharge	195	162
	40,206	30,451
Timing differences	(8,426)	391
	31,780	30,842
Under Provision in prior year	16	592
Income Tax Expense	31,796	31,434

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

5. INCOME TAX (Continued)

	2005	2004
	\$'000	\$'000
Income Tax Expense calculated at 15% comprises:		
Current Tax Liability	35,003	26,218
Less: Tax Credits	(6,971)	(5,773)
Current Tax Liability	28,032	20,445
Prior Year Tax Refund		
Under Provision in prior year	16	592
Deferred Income Tax Expense	3,748	10,397
Income Tax Expense	31,796	31,434
Current Tax Liability	28,032	20,445
Less: Instalment Paid	(12,417)	(12,296)
Current Tax Liability	15,615	8,149

6. LIABILITY FOR ACCRUED BENEFITS

	2005	2004
	\$'000	\$'000
(a) Changes in the Liability for Accrued Benefits		
Liability for Accrued Benefits – at Beginning of the Year	1,138,247	872,570
Add: Benefits Accrued as a Result of Operations	438,589	339,229
Less: Benefits Paid - Members' Accounts	(95,235)	(72,594)
- Death or Invalidity Reserve	(2,060)	(2,105)
Net transfer to/ (from) Reserve	(2,582)	(2,131)
Transfer in Unit Price Equalisation reserve	619	3,278
Liability for Accrued Benefits - at End of Year	1,477,578	1,138,247
(b) Funds Not Yet Allocated to Members' Accounts	4,009	3,390

Funds not yet allocated to members' accounts relate mainly to:

1. Timing differences between receipt of investment earnings & allocation to members in the unit price; and
2. Timing differences between the receipt of Contributions and receipt of information required for allocation.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

6. LIABILITY FOR ACCRUED BENEFITS (Continued) (b) Funds Not Yet Allocated to Members' Accounts

3. The Scheme operates a Unit Pricing Equalisation Reserve for the purpose of allowing reimbursement to Member's who have been disadvantaged by an error or anomaly to the unit price they have been allocated and that amount cannot be recovered from external sources. The maximum amount that will be maintained in this reserve for this purpose is 0.3% of assets. If the reserve exceeds this figure for any reason that excess amount will be credited to earnings and distributed to Members.

	2005 \$'000	2004 \$'000
(c) Movement in Administration Reserve		
Balance at the Beginning of the Year	777	528
Transfer from Members' Accounts	3,065	2,867
Member Protection	69	-
Administration Fee Paid	(3,547)	(2,618)
Balance at End of the Year	364	777

	2005 \$'000	2004 \$'000
(d) Movement in Death and Invalidity Reserve		
Balance at the Beginning of the Year	4,469	4,423
Transfer from Members' Accounts	2,310	1,746
Transfer from Accrued Benefits	4,184	-
Death or Invalidity Benefits Paid	(2,060)	(1,700)
Balance at the End of the Year	8,903	4,469

	2005 \$'000	2004 \$'000
(e) Movement in Contribution Tax Reserve		
Balance at the Beginning of the Year	558	5,455
Transfer to UPE Reserve	(558)	-
Transfer from Members' Accounts	22,956	20,154
Contribution Tax Paid/Payable	(22,956)	(20,299)
Transfer to funds not yet allocated to members	-	(4,752)
Balance at the End of the Year	-	558

7. VESTED BENEFITS

Vested benefits are benefits which are not conditional upon continued membership of the Scheme (or any factor other than resignation from the Scheme) and include benefits which members were entitled to receive had they terminated their Scheme membership as at reporting date.

	2005 \$'000	2004 \$'000
Vested benefits as at 30 June	1,464,302	1,129,053

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

8. GUARANTEED BENEFITS

No guarantees have been made in respect of any future payments to members concerning accrued benefits.

9. CHANGES IN NET MARKET VALUE

30 JUNE 2005

	HELD AT REPORTING DATE \$'000	REALISED DURING THE YEAR \$'000	TOTAL \$'000
<i>Divisions A & F</i>			
Unit Trusts	27,539	10,555	38,094
Australian Fixed Interest	-	102	102
International Investments	-	254	254
Unlisted Hedge Fund	(1,678)	-	(1,678)
	25,861	10,911	36,772
<i>Division E</i>			
BT Conservative Growth PST	504	46	550
BT Institutional Retirement PST	635	127	762
	1,139	173	1,312
Total	27,000	11,084	38,084

30 JUNE 2004

	HELD AT REPORTING DATE \$'000	REALISED DURING THE YEAR \$'000	TOTAL \$'000
<i>Divisions A & F</i>			
Unit Trusts	56,479	-	56,479
Australian Fixed Interest	-	2,171	2,171
International Investments	1,766	35	1,801
	58,245	2,206	60,451
<i>Division E</i>			
BT Conservative Growth PST	58	333	391
BT Institutional Retirement PST	69	537	606
	127	870	997
Total	58,372	3,076	61,448

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	\$'000	\$'000
10. INVESTMENT INCOME		
Interest	1,208	1,086
Unlisted Hedge Fund	1,732	-
Unit Trusts	135,644	59,276
Other	37	77
Total Investment Income	<u>138,621</u>	<u>60,439</u>

11. FUNDING ARRANGEMENTS

(a) Compulsory Employer Contributions

The percentage of salary or wages of employees prescribed as the rate of compulsory employer (Superannuation Guarantee) contributions between 1 July 2004 to 30 June 2005 was 9% (2004: 9%).

Optional Employer Contributions

Employers may make additional contributions to the Scheme for employees in respect of whom compulsory employer contributions are being made.

(b) Optional Member Contributions

Employees as defined in the Act, may make voluntary contributions to the Scheme in the form of periodical payments or single payments.

(c) Transfers In

Payments include benefits transferred or rolled over from another superannuation fund, approved deposit fund, or retirement savings account.

Optional Spouse Contributions

Employees may make voluntary contributions on behalf of their spouse, as defined in the Act, to the Scheme in the form of periodical payments or single payments. Payments include benefits transferred or rolled over from another superannuation fund, approved deposit fund, or retirement savings account.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

12. INVESTMENT STRATEGY SELECTION

Division A & F

Members can choose from five different options in determining their investment strategy. If a member subject to member protection has not chosen a particular investment strategy the account balance is invested in the Cash Plus strategy. If a member with an account balance greater than \$1,000 has not chosen a particular investment strategy, an automatic investment strategy selection will be made on the basis of the member's age as shown below.

INVESTMENT STRATEGY MEMBERS AGE GROUP

High Growth	No automatic allocation. Must be selected by members.
Diversified	Members aged 18 – 45
Balanced	Members aged 46 – 54
Capital Guarded	Members aged 55 and over
Cash Plus	Automatic strategy for accounts under \$1,000 (subject to 'member protection'). Must be selected by other members.

Division E

Members must elect to invest in BT or nominate one of the investment strategies listed above. Members electing BT are able to nominate the proportion to be invested in either the BT Stable Capital Fund or BT Retirement Fund.

13. REMUNERATION OF AUDITORS

	2005	2004
	\$	\$
Remuneration for audit of the financial report of the Scheme		
Deloitte Touche Tohmatsu	84,738	35,859
	<u>84,738</u>	<u>35,859</u>

Note: In the current year, the allocation of the audit fee has been charged as 33% for LGSS Pool A and 67% for LGSS Pool B (2004: 30% for LGSS Pool A and 70% for LGSS Pool B).

14. CASH FLOW INFORMATION

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash represents cash at bank. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

14. CASH FLOW INFORMATION (Continued)

	2005	2004
	\$'000	\$'000
Cash at Bank	<u>36,551</u>	<u>28,784</u>

The Scheme does not have any credit standby arrangements or loan facilities.

(b) Reconciliation of Benefits Accrued as a Result of Operations to Net Cash Flows provided by Operating Activities

	2005	2004
	\$'000	\$'000
Benefits Accrued as a Result of Operations	438,589	339,229
Benefits Paid & Transfers to/from Reserves	(99,258)	(76,830)
Movement in Net Market Value of Investments	<u>(38,084)</u>	<u>(61,448)</u>
	<u>301,247</u>	<u>200,951</u>
Changes in Assets and Liabilities		
Decrease / (Increase) in Receivables	(51)	95
Decrease / (Increase) in Deferred Tax Liability	3,748	11,025
Increase / (Decrease) in Creditors	(2,657)	9,761
Increase / (Decrease) in Current Tax Liability	<u>7,466</u>	<u>2,017</u>
	<u>8,506</u>	<u>22,898</u>
Net Cash Flow from Operating Activities	<u>309,753</u>	<u>223,849</u>

15. FINANCIAL INSTRUMENTS

The information pertaining to financial instruments set out below is made in accordance with the provisions of AAS33 "Presentation and Disclosure of Financial Instruments".

For the purpose of these financial statements, a financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments include both primary instruments (such as receivables, payables and equity securities) and derivative instruments (such as financial options, foreign exchange transactions, forward rate agreements and interest rate and currency swaps). The Scheme's monies are invested in a variety of financial instruments included in the asset classes in Note 1.

(i) Credit Risk Exposures

The net market value of financial assets, including derivatives, included in the Statement of Financial Position represents the Scheme's exposure to credit risk in relation to those assets.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

15. FINANCIAL INSTRUMENTS (Continued)

The Scheme does not have any significant exposure to any individual counter-party or industry. The underlying assets of the Scheme's investment in the Local Investment Fund are managed by a number of unrelated investment managers.

(ii) Liquidity Risk Exposures

Liquidity risk is the risk that there are insufficient liquid assets available to pay the beneficiaries of the Scheme. This risk is managed by assessing, on both a short term and long term basis, the Scheme's cash flow requirements.

(iii) Derivatives

Derivatives are used by the unit trust managers in managing portfolios as a hedge against market movements in the values of physical assets and as a means of effecting a change in the asset mix of the investment portfolio of the Scheme. Derivative instruments currently used are futures contracts and forward rate agreements.

All derivative contracts are written against cash, physical securities or other specific commitments and are not leveraged. Derivatives are not used for speculative purposes. These activities are undertaken within authorised limits.

The Scheme has no direct exposure to derivatives.

(iv) Currency Risk Exposures

The Scheme's exposure to foreign exchange rate movements on its international investments as at the reporting date is as follows:

30 June 2005	Currency Risk Exposure						
	Others A\$'000	USD A\$'000	EUR A\$'000	JPY A\$'000	GBP A\$'000	CHF A\$'000	Total A\$'000
Gross Investment Amounts denominated in foreign currency	-	-	-	-	-	-	-
Amount Effectively Hedged	-	-	-	-	-	-	-
NET EXPOSURE	-	-	-	-	-	-	-

30 June 2004	Currency Risk Exposure						
	Others A\$'000	USD A\$'000	EUR A\$'000	JPY A\$'000	GBR A\$'000	CHF A\$'000	Total A\$'000
Gross Investment Amounts denominated in foreign currency	279	-	-	-	-	-	279
Amount Effectively Hedged	-	-	-	-	-	-	-
NET EXPOSURE	279	-	-	-	-	-	279

During the year, all directly held derivative products have been transferred into the Unit Trust.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

15. FINANCIAL INSTRUMENTS (Continued)

(v) Interest Rate Risk

The Scheme invests in financial assets for the primary purpose of obtaining a return on investments on behalf of its members. The Scheme's investments are subject to interest rate risks and the return on the investments will fluctuate in accordance with movements in market interest rates.

The Scheme's investments at 30 June 2005 involve cash and cash equivalents, longer dated fixed interest investments and equities. Longer dated fixed interest investments result in the Scheme having exposure to interest rate movements.

The Scheme's exposure to interest rate risk and the effective interest rates on financial instruments as at the reporting date is shown as follows. All other financial assets and liabilities are non-interest bearing.

2005	INTEREST RATE MATURING				NON-WEIGHTED INTEREST BEARING	WEIGHTED AVG INTEREST RATE	TOTAL
	FLOATING INTEREST RATE	WITHIN 12 MONTHS	1 – 5 YRS	OVER 5 YRS			
	\$'000	\$'000	\$'000	\$'000	\$'000	%	\$'000
Assets							
Cash and Cash Equivalents							
- Australia	36,551	-	-	-	-	5.34%	36,551
Short Term Securities	-	-	-	-	6,990	-	6,990
Unit Trust	-	-	-	-	1,379,140	-	1,379,140
Pooled Superannuation Trusts	-	-	-	-	10,666	-	10,666
Unlisted Hedge fund	-	-	-	-	68,793	-	68,793
Receivables	-	-	-	-	552	-	552
Total Financial Assets	36,551	-	-	-	1,466,141		1,502,692
Liabilities							
Payables	-	-	-	-	2,751	-	2,751
Current Tax Liability	-	-	-	-	15,615	-	15,615
Deferred tax Liability	-	-	-	-	6,748	-	6,748
Total Financial Liabilities	-	-	-	-	25,114	-	25,114

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

15. FINANCIAL INSTRUMENTS (Continued)

2004	INTEREST RATE MATURING				NON- INTEREST BEARING	WEIGHTED AVG INTEREST RATE	TOTAL
	FLOATING INTEREST RATE	WITHIN 12 MONTHS	1 – 5 YRS	OVER 5 YRS			
	\$'000	\$'000	\$'000	\$'000	\$'000	%	\$'000
Assets							
Cash & Cash Equivalent –							
Australia	28,784	-	-	-	-	4.99%	28,784
Short Term Securities	-	-	-	-	11,597	-	11,597
Unit Trust	-	-	-	-	1,102,705	-	1,102,705
Australian Fixed Interest	-	-	-	-	(102)	-	(102)
Pooled Superannuation Trusts	-	-	-	-	11,040	-	11,040
International Equity	-	-	-	-	279	-	279
Receivables	-	-	-	-	501	-	501
Total Financial Assets	28,784	-	-	-	1,126,020		1,154,804
Liabilities							
Payables	-	-	-	-	5,408	-	5,408
Current Tax Liability	-	-	-	-	8,149	-	8,149
Deferred Tax Liability	-	-	-	-	3,000	-	3,000
Total Financial Liabilities	-	-	-	-	16,557	-	16,557

(vi) Net Fair Values of Financial Assets and Liabilities

The Scheme's financial assets and liabilities are included in the Statement of Financial Position at amounts that approximate net fair value.

(vii) Net Fair Values Disclosures

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Cash, cash equivalents and short term investments: The carrying amounts approximate fair value because of their short term maturity.

Non-current investments/securities: For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset, adjusted for transaction costs necessary to realise the asset. For investments where there is no quoted market price, the last sale price or calculated underlying value is used, adjusted for transaction costs.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

16. RELATED PARTY INFORMATION

(a) The Trustee of the Scheme is LGSS Pty Limited (ABN 68 078 003 497). The names of the Directors of LGSS Pty Limited in office during or since the end of the year ended 30 June 2005 are as follows:

Employer representatives	Employee representatives
Mr P Woods OAM	Mr J Robertson
Mr J Wearne	Mr J Ernst
Mr L Kelly	Mr B Mason
Ms B Giegerl	Mr M O'Connell

LGSS Pty Limited is also the Trustee for Local Government Superannuation Scheme – Pool B.

The above Directors are also directors of LIF Pty Limited, a wholly owned subsidiary of the Trustee. LIF Pty Limited is the Trustee of the Local Investment Fund, which the Scheme has an investment in, of \$1,379 million at 30 June 2005 (2004: \$1,103 million). Revenue earned from the Local Investment Fund was \$173.325 million (2004 \$115.755 million).

(b) Remuneration received:	2005	2004
Remuneration due and receivable by the Directors of LGSS Pty Limited during the financial year payable directly or indirectly, by LGSS Pty Limited. A number of directors have their emoluments paid to their sponsoring shareholder.	\$	\$
	<u>391,419</u>	<u>369,584</u>

Number of Directors whose total income falls within each successive \$10,000 band of income:	2005	2004
	\$	\$
\$0 - \$9,999	-	1
\$ 30,000 - \$39,999	-	1
\$40,000 - \$49,999	7	6
\$70,000 - \$79,999	1	1
	<u>8</u>	<u>9</u>

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

16. RELATED PARTY INFORMATION (Continued)

(c) Transactions entered into during the year with Directors and their related entities

There have been no transactions between the directors and their related entities, except for the Directors fees as set out in note 16(b) and for the reimbursement of administration costs incurred by the directors whilst attending to Trustee business.

(d) Other Related Party Transactions

Local Government Superannuation Scheme Pool B holds 50% of the share capital of FuturePlus Financial Services Pty Limited, which provides management, secretariat, administrative services, financial planning and post retirement planning services to the Schemes. Superannuation Services Company is a wholly owned subsidiary of FuturePlus Financial Services Pty Limited. Included within the investments of Local Government Superannuation Scheme Pool B is the value of this 50% holding \$9,000,000 (2004 : \$6,900,000).

During the period 1 July 2004 to 30 June 2005, FuturePlus Financial Services Pty Limited was paid investment management and administration fees of \$15,879,645 (2004:\$8,925,971) for Local Government Superannuation Scheme Pool A and Pool B.

During the period 1 July 2004 to 30 June 2005, Superannuation Services Company Pty Limited was paid investment management and administration fees of \$282,133 (2004: \$5,573,448) for Local Government Superannuation Scheme Pool A and Pool B.

These fees are based on the cost to the relevant entity of providing these services.

Included within the liabilities of the Scheme is an amount owing to FuturePlus Financial Services Pty Ltd For \$293,730 (2004 : \$252,210).

Local Government Superannuation Scheme Pool B holds 33.33% of the share capital of Chifley Financial Services Limited, which provides investment management services to the Local Government Superannuation Schemes. Included within the investments of Local Government Superannuation Scheme Pool B is the value of this 33.33% holding amounting to \$6,000,000 (2004 : \$4,983,000).

Included within the Scheme are amounts held with Chifley Investment Fund \$75,782,185 (2004: \$11,576,987). Revenue earned from the Chifley Investment Fund was \$466,972 (2004: \$76,987). Chifley Financial Services Limited is the trustee of the Chifley Investment Fund.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

17. SEGMENT INFORMATION

Primary Segment

Business Segments

The Scheme operates solely to provide benefits to its members in accordance with the Trust Deed and relevant legislative requirements.

Secondary Segment

Geographical Segments

The Scheme operates in Australia and the primary assets it invests in on behalf of its members are managed and administered in Australia. The members of the Scheme are based in Australia.

18. SUBSEQUENT EVENTS

No significant events have occurred since balance date which would impact on the financial position of the scheme as disclosed in the Statement of Net Assets as at 30 June 2005 or on the results for the year ended on that date.

Independent Report by Approved Auditor to the Members of Local Government Superannuation Scheme Pool A

(A) Financial Statements

Scope

I have audited the financial statements of Local Government Superannuation Scheme Pool A for the year ended 30 June 2005 as set out on pages 4 to 24 attached. The superannuation entity's trustee is responsible for the financial statements. I have conducted an independent audit of the financial statements in order to express an opinion on them to the Audit Office of New South Wales.

My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with my understanding of the superannuation entity's financial position, the results of its operations and its cash flows.

The financial statements audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion the financial statements present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of Local Government Superannuation Scheme Pool A as at 30 June 2005 and the results of its operations and its cash flows for the year ended 30 June 2005.

(B) Compliance

Scope

I have conducted tests in accordance with Australian Auditing Standards as necessary to provide reasonable assurance whether the trustee of the Local Government Superannuation Scheme Pool A has, in all material respects:

- (a) complied with the relevant requirements of the following provisions (to the extent applicable) of the *Superannuation Industry (Supervision) Act 1993* (the SIS Act) and Regulations:
Sections 19(2), 19(3), 36, 65, 66, 67, 69 to 85, 86 to 93A, 95, 97, 98, 101, 103, 104, 105, 106, 107, 109, 111, 113, 117, 118, 121, 121A, 122, 124, 125, 152, 154;
Regulations 2.33(2), 3.10, 4.08(3), 5.08, 6.17, 7.04, 7.05, 9.09, 9.14, 9.29, 9.30, 13.14, 13.17, 13.17A; and
- (b) complied with the Reporting Standards made under section 13 of the *Financial Sector (Collection of Data) Act 2001* (FSCODA) that are subject to audit (to the extent applicable); and
- (c) complied with the relevant requirements of the following provisions (to the extent applicable) of the *Corporations Act 2001* (the Corporations Act) and Regulations:
Sections 1012A, 1012B, 1012F, 1012H(2), 1012I, 1013D, 1013K(1), 1013K(2), 1016A(2), 1016A(3), 1017B(1), 1017B(5), 1017C(2), 1017C(3), 1017C(5), 1017C(8), 1017D(1), 1017D(3), 1017D(3A), 1017DA(3), 1017E(2), 1017E(3), 1017E(4), 1020E(8) and 1020E(9); and
Regulation 7.9.32(3); and
- (d) adhered to Regulation 13.15A of the *Superannuation Industry (Supervision) Regulations 1994* (the SIS Regulations) and the guidelines for preparing Derivative Risk Statements (“guidelines”) issued by APRA in Circular II.D.7 (to the extent applicable)

for the year ended 30 June 2005; and

- (e) complied with the requirement to prepare and lodge the respective returns comprising the APRA Annual Return.

My procedures included examination, on a test basis, of evidence supporting compliance with those requirements of the SIS Act and Regulations, the FSCODA and the Corporations Act and Regulations.

My procedures with respect to SIS Regulation 6.17 included testing whether amounts identified by the trustee as preserved and restricted non-preserved have been cashed or transferred only in accordance with the requirements of Part 6 of the SIS Regulations. These procedures did not include testing of the calculation of the preserved and restricted non-preserved amounts beyond a broad assessment of the apparent reasonableness of the calculations.

My procedures with respect to the guidelines included confirming whether any Derivatives Risk Statement was to be prepared by the superannuation entity’s trustee under the guidelines contained in APRA Circular II.D.7 at any time during the year of income. These procedures indicated that a Derivatives Risk Statement is unnecessary under the guidelines.

These tests have not been performed continuously throughout the period, were not designed to detect all instances of non-compliance, and have not covered any other provisions of the SIS Act and Regulations or guidelines, the FSCODA or the Corporations Act and Regulations apart from those specified. The superannuation entity’s trustee is responsible for complying with the SIS Act and Regulations, the FSCODA and the Corporations Act and Regulations and appropriately applying the guidelines.

The opinion on compliance expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion the trustee of Local Government Superannuation Scheme Pool A has complied, in all material respects, with the requirements of the SIS Act and Regulations, the Reporting Standards made under Section 13 of the FSCODA and the Corporations Act and Regulations and applied the guidelines specified above for the year ended 30 June 2005.

DELOITTE TOUCHE TOHMATSU



Richard Rassi
Partner
Chartered Accountants

28 October 2005