

**Local Government Superannuation Scheme
Pool A**

Financial Report

For the Year Ended 30 June 2007

Local Government Superannuation Scheme Pool A

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

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Local Government Superannuation Scheme Pool A

TRUSTEE STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

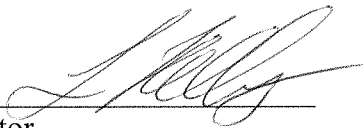
In the opinion of the Trustee of Local Government Superannuation Scheme Pool A:

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 2007, the Operating Statement for the year ended 30 June 2007 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;
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.

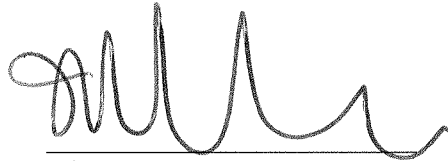
Signed in accordance with a resolution of the Board of Directors of LGSS Pty Limited (ABN 68 078 003 497).

Signed at Sydney this 30 day of October 2007

Director



Director



Local Government Superannuation Scheme Pool A

OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$'000	2006 \$'000
Investment Revenue			
	8	331,789	181,448
Investment Revenue			
Changes in Net Market Value of Investments	7	(79,773)	43,007
Total Investment Revenue		252,016	224,455
Investment Expenses		(5,762)	(5,720)
Net Investment Revenue		246,254	218,735
Contributions Revenue			
	9(a)	185,603	166,156
Employer Contributions			
Member Contributions	9(b)	38,239	17,945
Transfers In	9(c)	238,267	207,891
Total Contribution Revenue		462,109	391,992
Other Revenue		266	520
Total Revenue		708,629	611,247
Expenses			
	1(i)	(616)	(1,244)
Superannuation Contributions Surcharge			
Scheme Administration Expenses	1(f)	(14,670)	(12,840)
Total Expenses		(15,286)	(14,084)
Benefits Accrued as a Result of Operations before Income Tax		693,343	597,163
Income Tax Expense	3	(40,021)	(31,881)
Benefits Accrued as a Result of Operations after Income Tax		653,322	565,282

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 2007

	Note	2007 \$'000	2006 \$'000
Investments			
Short Term Investments		35	7,376
Unit Trusts		2,367,541	1,787,669
Pooled Superannuation Trusts		11,871	11,692
Unlisted Hedge Fund		-	88,714
Total Investments		2,379,447	1,895,451
Other Assets			
Cash	12(a)	53,510	36,572
Receivables		409	2,284
Total Other Assets		53,919	38,856
Total Assets		2,433,366	1,934,307
Less:			
Liabilities			
Payables		3,473	3,994
Current Tax Liability	3(b)	34,375	15,878
Deferred Tax Liability	3(c)	3,230	10,307
Total Liabilities		41,078	30,179
Net Assets Available to Pay Benefits		2,392,288	1,904,128
Represented by:			
Liability for Accrued Benefits			
Funds Allocated to Members' Accounts	5	2,375,536	1,881,602
Funds Not Yet Allocated to Members' Accounts	4(b)	5,439	4,119
Administration Reserve	4(c)	230	503
Death or Invalidity Reserve	4(d)	10,835	9,047
Contribution Tax Reserve	4(e)	248	8,857
Total Liability for Accrued Benefits	4(a)	2,392,288	1,904,128

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 2007

	Note	2007 \$'000	2006 \$'000
Cash Flows from Operating Activities			
Contributions Received from Employers		185,603	166,156
Contributions Received from Members		38,064	17,945
Co-contributions Received		175	-
Transfers from Other Funds		238,267	207,891
Income Received		332,054	181,968
Benefits Paid		(165,161)	(138,732)
Investment Expenses Paid		(5,762)	(5,720)
Scheme Administration Expenses Paid		(13,317)	(13,330)
Surcharge Paid		(616)	(1,244)
Income Tax Paid		(28,601)	(28,058)
Net Cash Provided by Operating Activities	12(b)	580,706	386,876
Cash Flows from Investing Activities			
Redemptions from Investments		380,984	148,328
Applications to Investments		(944,752)	(535,183)
Net Cash (Used in) Investing Activities		(563,768)	(386,855)
Net Increase in Cash Held		16,938	21
Cash at the Beginning of the Financial Year		36,572	36,551
Cash at the End of the Financial Year	12(a)	53,510	36,572

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 2007

1. STATEMENT OF ACCOUNTING POLICIES

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with accounting Standards, Interpretations, the Superannuation Industry (Supervision) Act 1993 and provisions of the Trust Deed. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('AIFRS') to the extent they are not inconsistent with AAS 25 Financial Reporting by Superannuation Plans.

The financial statements were authorised for issue by the Directors on 30 October 2007.

(a) Basis of Preparation

The financial statements have been prepared on a basis required by AAS 25, which provides specific measurements for assets, liabilities and accrued benefits. To the extent that they do not conflict with AAS 25, other Accounting Standards have been applied in the preparation of the financial statements.

In the application of Accounting Standards, including AIFRS, the Directors are required to make judgments, estimates and assumptions about net market values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the 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 by the Directors in the application of Accounting Standards 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.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year end 30 June 2007 and the comparative information presented in these financial statements for the year ended 30 June 2006.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

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

(b) Investments

Investments are valued at net market value less estimated costs of disposal at balance date. Changes in net 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 2007 is determined as follows:

Short Term Investments	Market rates
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

(c) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It 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 accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts 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 (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 assets and liabilities reflects the tax consequences that would follow from the manner in which the Scheme expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(c) Income Tax (Continued)

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

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or benefit in the operating statement.

(d) Contributions

Member and employer contributions are recorded in the Operating Statement at the time when they are allocated to members' accounts.

Transfers from other funds are recognised on a cash basis as this is the only point in which measurement is reliable. Amounts are recognised when transfer receipts are received by the Scheme.

(e) Income Recognition

To the extent of which it is probable that the economic benefits will flow to the Scheme and the income can be reliably measured, income is recognised. The following recognition criteria relates to the different income streams the Scheme has recognised:

Interest

Interest on cash deposit is recognised in accordance with the terms and conditions which apply to the deposit.

Trust Distributions

Trust Distributions are recognised on a receivable basis on the date the unit value is quoted ex distribution.

Changes in Net Market Value of Investments

Changes in the net market value of investments are recognised as income and are determined as the difference between the net market value at year end or consideration received (if sold during the year) and the net market value as at the prior year end or cost (if the investment was acquired during the period).

(f) 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.

The expenses are disclosed in the Statement of Cash flows as part of the Scheme's operating activities.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(f) Expenses (Continued)

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 the Scheme administrative and investment expenses are charged directly against investment returns to the member.

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

(g) 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.

(h) 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.

(i) Superannuation Contributions Surcharge

The superannuation contributions surcharge which may be payable by the Consolidated 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.

The surcharge is no longer levied on surchargeable contributions made after 1 July 2005; however assessments relating to the period prior to this date continue to be received.

(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.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(j) Goods and Services Tax (GST) (Continued)

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.

(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) New Accounting Standards and Interpretations Issued, but Not Yet Effective

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

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

- AASB 7 *Financial Instruments*: Disclosures and consequential amendments to other accounting standards resulting from its issue replace the presentation requirements of the financial instruments specified by AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2007-4 *Amendments to Australian Accounting Standards* arising from ED 151 and Other Amendments. AASB 2007-4 applies to annual reporting periods beginning on or after 1 July 2007.
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 8 *Operating Segments* replaces the requirements of segment disclosures in AASB 114 *Segment Reporting*. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009.
- AASB 101 *Presentation of Financial Statements* has been revised to include some text from IAS 1 *Presentation of Financial Statements* and has fewer additional Australian disclosure requirements than the existing AASB 101. AASB 101 applies to annual reporting periods beginning on or after 1 January 2007.

(m) Rounding

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

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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).

FuturePlus Financial Services Pty Limited provides secretariat and administration 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 2007

3. INCOME TAX

Income tax in the Operating Statement represents the tax on the benefits accrued as a result of operations before income tax, adjusted for non-taxable and non-deductible amounts.

The tax effect of 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 accounts, is included in the provisions of deferred income tax or future income tax benefit as applicable at current taxation rates. 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.

	2007 \$'000	2006 \$'000
(a) Income Tax Recognised in Profit and Loss:		
Current Tax Expense	32,944	28,322
Deferred Tax Expense	7,077	3,559
Total Income Tax Expense	40,021	31,881

The prima facie income tax expense on pre tax profit from operations reconciles to the income tax expense in the financial statements as follows:

	2007 \$'000	2006 \$'000
Benefits accrued as a result of operations before income tax	693,343	597,163
Income Tax Expense Calculated at 15%	104,001	89,574
Non-deductible expenses	156	154
Non-assessable/deductible Investment Revenue/(Losses)	4,427	(1,975)
Non-assessable Contributions (includes Transfers)	(40,359)	(33,231)
Imputation and Foreign Tax Credits	(15,747)	(16,199)
Anti Detriment Deduction	(110)	(235)
Current Pension Liability Exemption	(5,671)	(3,561)
Death or Invalidity Assurance	(313)	(288)
Contributions Surcharge	92	187
Timing differences	(5,628)	(2,236)
(Over) Provision in prior year	(827)	(309)
Income Tax Expense	40,021	31,881

The tax rate used in the above reconciliation is the superannuation tax rate of 15% payable by Australian superannuation funds on taxable profits under Australian tax law. There has been no change in the superannuation tax rate when compared with the previous reporting period.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

3. INCOME TAX (Continued)

	2007 \$'000	2006 \$'000
(b) Current Tax Liability:		
Income Tax Payable	34,375	15,878
	<u>34,375</u>	<u>15,878</u>
(c) Deferred Tax Balances:		
Deferred Tax Liability Comprises:		
Temporary Differences	3,230	10,307
	<u>3,230</u>	<u>10,307</u>

Taxable temporary differences arise from the following:

	Opening Balance \$'000	Charged to Income \$'000	Closing Balance \$'000
30 June 2007			
Gross Deferred Tax Liabilities:			
Unrealised Taxable Capital Gains	10,316	(6,723)	3,593
	<u>10,316</u>	<u>(6,723)</u>	<u>3,593</u>
Gross Deferred Tax Assets:			
Provisions	9	354	363
Total gross deferred tax assets	9	354	363
	<u>9</u>	<u>354</u>	<u>363</u>
Deferred Tax Liability	<u>10,307</u>	<u>(7,077)</u>	<u>3,230</u>
30 June 2006			
Gross Deferred Tax Liabilities:			
Unrealised Taxable Capital Gains	6,778	3,538	10,316
	<u>6,778</u>	<u>3,538</u>	<u>10,316</u>
Gross Deferred Tax Assets:			
Unrealised losses	17	(17)	-
Provisions	13	(4)	9
Total gross deferred tax assets	30	(21)	9
	<u>30</u>	<u>(21)</u>	<u>9</u>
Deferred Tax Liability	<u>6,748</u>	<u>3,559</u>	<u>10,307</u>

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

4. LIABILITY FOR ACCRUED BENEFITS	2007 \$'000	2006 \$'000
(a) Changes in the Liability for Accrued Benefits		
Liability for Accrued Benefits – at Beginning of the Year	1,904,128	1,477,578
Add: Benefits Accrued as a Result of Operations	653,322	565,282
Less: Benefits Paid and Payable - Members' Accounts	(161,918)	(136,470)
- Death or Invalidity Reserve	(1,499)	(2,361)
Net transfer to/ (from) Reserves	(1,745)	99
Liability for Accrued Benefits - at End of Year	2,392,288	1,904,128

(b) Funds Not Yet Allocated to Members' Accounts	5,439	4,119
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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.
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.

(c) Movement in Administration Reserve	2007 \$'000	2006 \$'000
	503	364
Balance at the Beginning of the Year		
Transfer from Members' Accounts	3,283	3,194
Administration Fee Paid	(3,556)	(3,055)
Balance at End of the Year	230	503

(d) Movement in Death and Invalidity Reserve	2007 \$'000	2006 \$'000
	9,047	8,903
Balance at the Beginning of the Year		
Transfer from Members' Accounts	2,746	2,505
Investment Earnings	541	-
Death or Invalidity Benefits Paid	(1,499)	(2,361)
Balance at the End of the Year	10,835	9,047

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

4. LIABILITY FOR ACCRUED BENEFITS (Continued)

	2007 \$'000	2006 \$'000
(e) Movement in Contribution Tax Reserve		
	8,857	-
Balance at the Beginning of the Year		
Transfer from Members' Accounts	19,611	20,944
Contribution Tax Paid/Payable	(28,220)	(12,087)
Balance at the End of the Year	248	8,857

5. 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.

	2007 \$'000	2006 \$'000
Vested benefits as at 30 June	2,375,536	1,881,602
Net Assets as at 30 June	2,392,288	1,904,128

6. GUARANTEED BENEFITS

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

7. CHANGES IN NET MARKET VALUE OF INVESTMENTS

	Held at Reporting Date \$'000	Realised During the Year \$'000	Total \$'000
30 June 2007			
Unit Trusts	(83,295)	2,433	(80,862)
Pooled Superannuation Trusts	1,235	-	1,235
Unlisted Hedge Fund	-	(146)	(146)
Total	(82,060)	2,287	(79,773)
30 June 2006			
Unit Trusts	39,124	1,702	40,826
Pooled Superannuation Trusts	1,332	67	1,399
Unlisted Hedge Fund	791	(9)	782
Total	41,247	1,760	43,007

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

8. INVESTMENT INCOME	2007 \$'000	2006 \$'000
Interest	2,270	2,349
Unlisted Hedge Fund	10,154	6,002
Unit Trusts	319,365	173,097
Total Investment Income	<u>331,789</u>	<u>181,448</u>

9. 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 2006 to 30 June 2007 was 9% (2006: 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 2007

10. INVESTMENT STRATEGY SELECTION

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.

In addition to the above, members of Division E may choose to invest in either the BT Conservative Growth Fund or the BT Institutional Retirement Fund.

11. REMUNERATION OF AUDITORS

	2007	2006
	\$	\$
Remuneration for audit of the financial report of the Scheme		
Deloitte Touche Tohmatsu	95,814	69,333
	<u>95,814</u>	<u>69,333</u>

Note: In the current year, the allocation of the audit fee has been charged as 39.37% for LGSS Pool A and 60.63% for LGSS Pool B (2006: 33% for LGSS Pool A and 67% for LGSS Pool B).

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

12. 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:

	2007 \$'000	2006 \$'000
Cash at Bank	53,510	36,572

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

	2007 \$'000	2006 \$'000
Benefits Accrued as a Result of Operations	653,322	565,282
Benefits Paid & Transfers to/from Reserves	(165,163)	(138,732)
Movement in Net Market Value of Investments	79,773	(43,007)
	567,932	383,543
Changes in Assets and Liabilities		
Decrease / (Increase) in Receivables	1,875	(1,732)
Increase / (Decrease) in Deferred Tax Liability	(7,077)	3,559
Increase / (Decrease) in Payables	(521)	1,243
Increase / (Decrease) in Current Tax Liability	18,497	263
	12,774	3,333
Net Cash Flow from Operating Activities	580,706	386,876

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

13. FINANCIAL INSTRUMENTS

The Scheme is exposed to market price risk, interest rate risk, credit risk, liquidity risk and currency risk arising from the financial instruments held. The risk management policies employed by the Scheme to manage these risks are discussed in this note.

(a) Credit Risk Exposures

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract. Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved;
- ensuring that transactions are undertaken with a number of counterparties, and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This also relates to financial assets carried at amortised cost as they have a short term to maturity.

The Scheme does not have any significant exposure to any individual counterparty or industry. The underlying assets of the Scheme are managed by a number of unrelated investment managers.

(b) Liquidity and Cash Flow Risk Exposures

Liquidity risk is the risk that the Scheme will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments.

Cash flow risk is the risk that the future cash flows from holding financial instruments will fluctuate. The risk management guidelines adopted by the Scheme are designated to minimise liquidity and cash flow risk through:

- ensuring that there is no significant exposure to illiquid or thinly traded financial instruments; and
- applying limits to ensure there is no concentration of liquidity risk to a particular counterparty or market.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

13. FINANCIAL INSTRUMENTS (Continued)

(c) 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.

(d) Currency Risk Exposures

The Scheme is exposed to currency risk as a result of investments in financial instruments denominated in foreign currencies. The Scheme also enters into foreign currency contracts designed to either hedge some or all of this exposure, or alternatively increase exposure to preferred foreign currencies.

The currency risk disclosures have been prepared on the basis of the Scheme's direct investment and not on a look-through basis for investments held indirectly through unit trusts. Consequently, the disclosure of currency risk in the note may not represent the true risk profile of the Scheme where the Scheme has significant investments in feeder trusts which also have exposure to the currency markets.

The Scheme had no exposure to currency movements during the year as all directly held derivative products have been transferred into a Unit Trust.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

13. FINANCIAL INSTRUMENTS (Continued)

(e) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The interest rate risk disclosures have been prepared on the basis of the Scheme's direct investment and not on a look-through basis for investments held indirectly through unit trusts. Consequently, the disclosure of interest rate risk in the note may not represent the true risk profile of the Scheme where the Scheme has significant investments in unit trusts which also have exposure to the interest rate markets.

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 2007 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.

INTEREST RATE MATURING

2007	FLOATING	WITHIN 12		OVER 5	NON-	WEIGHTED	TOTAL
	INTEREST	MONTHS	1 – 5 YRS	YRS	INTEREST	AVG	
	RATE				BEARING	INTEREST	
	\$'000	\$'000	\$'000	\$'000	\$'000	RATE	\$'000
						%	
Assets							
Cash and Cash Equivalents							
- Australia	53,510	-	-	-	-	6.01%	53,510
Short Term Securities	-	-	-	-	35	-	35
Unit Trusts	-	-	-	-	2,367,541	-	2,367,541
Pooled Superannuation							
Trusts	-	-	-	-	11,871	-	11,871
Unlisted Hedge Fund	-	-	-	-	-	-	-
Receivables	-	-	-	-	409	-	409
Total Financial Assets	53,510	-	-	-	2,379,856	-	2,433,366
Liabilities							
Payables	-	-	-	-	3,473	-	3,473
Current Tax Liabilities	-	-	-	-	34,375	-	34,375
Deferred Tax Liabilities	-	-	-	-	3,230	-	3,230
Total Financial Liabilities	-	-	-	-	41,078	-	41,078
Net Assets Available to Pay							
Benefits	53,510	-	-	-	2,338,778	-	2,392,288

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

13. FINANCIAL INSTRUMENTS (Continued)

INTEREST RATE MATURING

2006	FLOATING INTEREST RATE \$'000	WITHIN 12 MONTHS \$'000	1 – 5 YRS \$'000	OVER 5 YRS \$'000	NON- INTEREST BEARING \$'000	WEIGHTED AVG INTEREST RATE %	TOTAL \$'000
Assets							
Cash and Cash Equivalents							
- Australia	36,572	-	-	-	-	5.54%	36,572
Short Term Securities	-	-	-	-	7,376	-	7,376
Unit Trusts	-	-	-	-	1,787,669	-	1,787,669
Pooled Superannuation Trusts	-	-	-	-	11,692	-	11,692
Unlisted Hedge Fund	-	-	-	-	88,714	-	88,714
Receivables	-	-	-	-	2,284	-	2,284
Total Financial Assets	<u>36,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,897,735</u>	<u>-</u>	<u>1,934,307</u>
Liabilities							
Payables	-	-	-	-	3,994	-	3,994
Current Tax Liabilities	-	-	-	-	15,878	-	15,878
Deferred Tax Liabilities	-	-	-	-	10,307	-	10,307
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,179</u>	<u>-</u>	<u>30,179</u>
Net Assets Available to Pay Benefits	<u>36,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,867,556</u>	<u>-</u>	<u>1,904,128</u>

(e) 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

(f) 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 2007

14. KEY MANAGEMENT PERSONNEL REMUNERATION AND RELATED PARTY INFORMATION

(a) Identification of Related Parties and Directors

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 2007 are as follows:

Employer representatives	Employee representatives
Mr S Byrne (Appointed 26 September 2007)	Mr J Ernst
Ms B Giegerl	Mr B Harris (Appointed 27 September 2006)
Mr L Kelly	Mr P Marzato (Resigned 27 September 2006)
Mr C Sullivan (Appointed 25 July 2007)	Mr M O'Connell
Mr J Wearne (Resigned 27 June 2007)	Mr I Robertson
Mr P Woods OAM (Resigned 24 August 2007)	

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 \$2,368 million at 30 June 2007 (2006: \$1,788 million). Revenue earned from the Local Investment Fund was \$236 million (2006: \$214 million).

(b) Other Key Management Personnel

The Fund Secretary, Mr P Lambert, is considered to be a key manager.

	2007	2006
	\$	\$
(c) Compensation Received:		
Short term Benefits	575,039	550,088
Post Employment Benefits	30,307	29,446
Other Long Term Benefits	-	-
Termination Benefits	-	-
Share-based Payments	-	-
	<u>605,346</u>	<u>579,534</u>

Remuneration due and receivable by the Directors of LGSS Pty Limited and the Fund Secretary during the financial year is payable directly or indirectly, by LGSS Pty Limited. A number of Directors have their emoluments paid to their sponsoring shareholder.

(d) 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 14(c) and for the reimbursement of administration costs incurred by the Directors whilst attending to Trustee business.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

14. KEY MANAGEMENT PERSONNEL REMUNERATION AND RELATED PARTY INFORMATION

(e) Other Related Party Transactions

Local Government Superannuation Scheme holds 50% of the share capital of FuturePlus Financial Services Pty Limited, which provides management, secretariat, administration, compliance, 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 \$14,600,105 (2006: \$9,649,966).

During the period 1 July 2006 to 30 June 2007, FuturePlus Financial Services Pty Limited was paid investment management and administration fees of \$14,188,697 (2006: \$11,276,280) for Local Government Superannuation Scheme Pool A.

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

Local Government Superannuation Scheme 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 \$6,433,333 (2006: \$7,433,334).

Included within the Scheme are amounts held with Chifley Investment Fund \$nil (2006: \$96,090,449). Revenue earned from the Chifley Investment Fund was \$10,547,208 (2006: \$7,496,888). Chifley Financial Services Limited is the Trustee of the Chifley Investment Fund.

Included within the Investments of Local Government Superannuation Scheme Pool A are amounts held with Local Investment Fund \$2,367,541,277 (2006: \$1,787,668,529). Distributions received/ receivable from Local Investment Fund was \$319,009,869 (2006: \$172,710,566).

15. 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.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

16. 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 Financial Position as at 30 June 2007 or on the results for the year ended on that date.

17. CONTINGENT LIABILITIES AND ASSETS

The trustee is not aware of any pending or contingent liabilities in relation to any life or disability claims (Nil for 2006).

INDEPENDENT REPORT BY THE APPROVED AUDITOR TO THE MEMBERS OF LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

(A) Financial Statements

I have audited the financial statements of Local Government Superannuation Scheme Pool A for the year ended 30 June 2007 as set out on pages 3 to 26 attached.

Trustee's Responsibility for the Financial Statements

The superannuation entity's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee's responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the members.

My audit has been conducted in accordance with Australian Auditing Standards. These Auditing 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 of 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 trustee's preparation and fair presentation of the financial statements 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 trustee'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 that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Opinion

In my opinion the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the financial position of Local Government Superannuation Scheme Pool A as at 30 June 2007 and the results of its operations and its cash flows for the year then ended.

(B) Compliance

Trustee's Responsibility for Compliance

The superannuation entity's trustee is responsible for complying with the requirements of the SIS Act, SIS Regulations, the Reporting Standards made under Section 13 of the *Financial Sector (Collection of Data) Act 2001* (FSCODA Reporting Standards), the *Corporations Act 2001* (Corporations Act) and *Corporations Regulations 2001* (Corporations Regulations).

Auditor's Responsibility

My responsibility is to express an opinion on the trustee's compliance with the requirements of the SIS Act, SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporations Regulations based on the audit. My audit has been conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit. I have conducted tests in accordance with Australian Auditing Standards as necessary to provide reasonable assurance whether the trustee of 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 SIS Act and SIS 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, 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 FSCODA Reporting Standards 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 and Corporations Regulations:
Sections 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) complied with the requirement to prepare and lodge the respective forms comprising the APRA Annual Return

for the year ended 30 June 2007.

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

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 SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporations Regulations apart from those specified. The superannuation entity's trustee is responsible for complying with the SIS Act and SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporations Regulations.

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

Auditor's 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 SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporations Regulations for the year ended 30 June 2007.

Debbie Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU


S C Woodhouse
Partner
Chartered Accountants

30 October 2007