

**Local Government Superannuation Scheme
Pool A**

Financial Report

For the Year Ended 30 June 2008

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

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LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

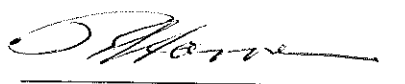
TRUSTEE'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

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 2008, the Operating Statement for the year ended 30 June 2008 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 Trustee's 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 22nd day of October 2008



Director



Director

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	2008 \$'000	2007 \$'000
Investment Revenue			
Investment Revenue	11	192,903	331,789
Changes in Net Market Value of Investments	10	(338,641)	(79,773)
Total Investment Revenue		<u>(145,738)</u>	<u>252,016</u>
Investment Expenses		<u>(6,048)</u>	<u>(5,762)</u>
Net Investment Revenue		<u>(151,786)</u>	<u>246,254</u>
Contributions Revenue			
Employer Contributions	12(a)	203,888	185,603
Member Contributions	12(c)	23,227	38,239
Transfers In	12(d)	275,115	238,267
Total Contribution Revenue		<u>502,230</u>	<u>462,109</u>
Other Revenue		17	266
Total Revenue		<u>350,461</u>	<u>708,629</u>
Expenses			
Superannuation Contributions Surcharge	2(i)	(71)	(616)
Scheme Administration Expenses	2(f)	(17,671)	(14,670)
Total Expenses		<u>(17,742)</u>	<u>(15,286)</u>
Benefits Accrued as a Result of Operations before Income Tax		<u>332,719</u>	<u>693,343</u>
Income Tax Expense	6(a)	(17,865)	(40,021)
Benefits Accrued as a Result of Operations after Income Tax		<u>314,854</u>	<u>653,322</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 2008

	Note	2008 \$'000	2007 \$'000
Investments			
Short Term Investments		-	35
Unit Trusts		2,455,929	2,367,541
Pooled Superannuation Trusts		-	11,871
Total Investments		<u>2,455,929</u>	<u>2,379,447</u>
Other Assets			
Cash and Cash Equivalents	15(a)	44,661	53,510
Receivables	4	163	409
Deferred Tax Asset	6(c)	21,822	-
Total Other Assets		<u>66,646</u>	<u>53,919</u>
Total Assets		<u>2,522,575</u>	<u>2,433,366</u>
Less:			
Liabilities			
Payables	5	3,135	3,473
Current Tax Liability	6(b)	29,989	34,375
Deferred Tax Liability	6(c)	-	3,230
Total Liabilities		<u>33,124</u>	<u>41,078</u>
Net Assets Available to Pay Benefits		<u>2,489,451</u>	<u>2,392,288</u>
Represented by:			
Liability for Accrued Benefits			
Funds Allocated to Members' Accounts	8	2,468,157	2,375,536
Funds Not Yet Allocated to Members' Accounts	7(b)	7,413	5,439
Administration Reserve	7(c)	96	230
Death or Invalidity Reserve	7(d)	12,197	10,835
Contribution Tax Reserve	7(e)	1,588	248
Total Liability for Accrued Benefits	7(a)	<u>2,489,451</u>	<u>2,392,288</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 2008

	Note	2008 \$'000	2007 \$'000
Cash Flows from Operating Activities			
Contributions Received from Employers		203,888	185,603
Contributions Received from Members		23,146	38,064
Co-contributions Received		81	175
Transfers from Other Funds		275,115	238,267
Income Received		192,918	332,054
Benefits Paid		(217,692)	(165,161)
Investment Expenses Paid		(6,049)	(5,762)
Scheme Administration Expenses Paid		(17,759)	(13,317)
Surcharge Paid		(71)	(616)
Income Tax Paid		(47,304)	(28,601)
Net Cash Provided by Operating Activities	15(b)	406,273	580,706
Cash Flows from Investing Activities			
Redemptions from Investments		482,809	380,984
Applications to Investments		(897,931)	(944,752)
Net Cash used in Investing Activities		(415,122)	(563,768)
Net (Decrease) / Increase in Cash Held		(8,849)	16,938
Cash at the Beginning of the Financial Year		53,510	36,572
Cash at the End of the Financial Year	15(a)	44,661	53,510

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 2008

1. BASIS OF PREPARATION

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 ('AAS 25').

The financial statements were authorised for issue by the Directors on 22nd October 2008.

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

Use of judgments and estimates

In the application of Accounting Standards 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 management 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.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. BASIS OF PREPARATION (Continued)

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.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 8 'Operating Segments' and consequential amendments to other accounting standards resulting from its issue	1 January 2009	30 June 2010
AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010

2. SIGNIFICANT ACCOUNTING POLICIES

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 ended 30 June 2008 and the comparative information presented in these financial statements for the year ended 30 June 2007.

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

(a) Cash and cash equivalents

Cash and cash equivalents include deposits held at call with a bank or financial institution and highly liquid investments with short periods to maturity which are readily convertible to cash and which are subject to insignificant risk of changes in value.

(b) Investments

Investments are valued at net market value which approximates fair 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 is determined as follows:

Short Term Investments, Unit Trusts and Pooled Superannuation Trusts.	Redemption value of units based on market values of underlying assets as quoted by the managers of the trusts as at the reporting date.
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LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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 recognised when control of the asset has been attained and recorded in the period to which they relate. Transfers from other funds are recognised on a receipts basis as this is the only point in which measurement is reliable. Amounts are recognised where transfer receipts are received by the Scheme.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable to the extent of which it is probable that the economic benefits will flow to the Scheme and the revenue can be reliably measured, revenue is recognised. The following recognition criteria relates to the different revenue streams the Scheme has recognised:

Interest Revenue

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

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 revenue 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).

Employer and Member Contributions

Contributions are recognised when control of the asset has been retained and are recorded in the period to which they relate.

Transfers From Other Schemes

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

(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.

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.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 the reporting date. Exchange differences are recognised in the operating statement in the period which they arise.

(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. All amounts paid are allocated back against member accounts to which the surcharge relates.

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)

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

- i) 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.
- ii) Receivables and payables are stated with any applicable GST included 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.

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 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Benefits Paid and Payable

The Scheme recognises a benefit to be payable to a member when a valid withdrawal notice has been received from the employer sponsor, and it has been approved by the Trustee in accordance with the Scheme's Trust Deed. 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) Payables

Accounts payable are recognised when the Scheme becomes obliged to make future payments resulting from the purchase of goods and services.

(m) Rounding

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

3. 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 accounting, administration, compliance and financial planning services for the Scheme.

The principal place of business of the Scheme is:
28 Margaret Street
SYDNEY NSW 2000

4. RECEIVABLES

	2008 \$'000	2007 \$'000
Other Receivables	163	409
Total Receivables	<u>163</u>	<u>409</u>

There are no significant terms or conditions applicable to the above receivables. All amounts are expected to be recoverable in whole within the next 12 months.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

5. PAYABLES	2008 \$'000	2007 \$'000
Benefits Payable	-	2,218
Investment Management Fees Payable	1,258	1,394
Other Payables	1,877	(139)
Total Payables	3,135	3,473

6. 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.

	2008 \$'000	2007 \$'000
(a) Income Tax Recognised in Profit and Loss:		
Current Tax Expense	42,917	32,944
Deferred Tax Expense	(25,052)	7,077
Total Income Tax Expense	17,865	40,021

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

	2008 \$'000	2007 \$'000
Benefits accrued as a result of operations before income tax	328,483	693,343
Income Tax Expense Calculated at 15% (2007:15%)	49,272	104,001
Non-deductible expenses	392	156
Non-assessable/deductible Investment Revenue/(Losses)	12,416	4,427
Non-assessable Contributions (includes Transfers)	(44,592)	(40,359)
Imputation and Foreign Tax Credits	(6,566)	(15,747)
Anti Detriment Deduction	(189)	(110)
Current Pension Liability Exemption	(7,377)	(5,671)
Death or Invalidity Assurance	(301)	(313)
Contributions Surcharge	11	92
Timing differences	14	(5,628)
(Over) Provision in prior year	(263)	(827)
Discount on Capital Gains	14,571	-
TFN Withholding on Contributions from Members	477	-
Income Tax Expense	17,865	40,021

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

6. INCOME TAX (Continued)

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 financial year.

	2008 \$'000	2007 \$'000
(b) Current Tax Liability:		
Income Tax Payable	<u>29,989</u>	<u>34,375</u>
	<u>29,989</u>	<u>34,375</u>
(c) Deferred Tax Balances:		
Deferred Tax Asset Comprises:		
Temporary Differences	<u>21,822</u>	<u>-</u>
	<u>21,822</u>	<u>-</u>
Deferred Tax Liability Comprises:		
Temporary Differences	<u>-</u>	<u>3,230</u>
	<u>-</u>	<u>3,230</u>

Taxable temporary differences arise from the following:

	Opening Balance \$'000	Charged to Income \$'000	Closing Balance \$'000
30 June 2008			
Net Deferred Tax Liability/(Asset)			
Unrealised Taxable Capital			
Gains/(Losses)	3,593	(25,090)	(21,497)
Provisions	(363)	38	(325)
	<u>3,230</u>	<u>(25,052)</u>	<u>(21,822)</u>
30 June 2007			
Net Deferred Tax Liability/ (Asset)			
Unrealised Taxable Capital			
Gains/(Losses)	10,316	(6,723)	3,593
Provisions	(9)	(354)	(363)
	<u>10,307</u>	<u>(7,077)</u>	<u>3,230</u>

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

7. LIABILITY FOR ACCRUED BENEFITS	2008 \$'000	2007 \$'000
(a) Changes in the Liability for Accrued Benefits		
Liability for Accrued Benefits – at Beginning of the Year	2,392,288	1,904,128
Add: Benefits Accrued as a Result of Operations	314,854	653,322
Less: Benefits Paid and Payable - Members' Accounts	(215,086)	(161,918)
- Death or Invalidity Reserve	(2,292)	(1,499)
Net transfer to/ (from) Reserves	(313)	(1,745)
Liability for Accrued Benefits - at End of Year	2,489,451	2,392,288
 (b) Funds Not Yet Allocated to Members' Accounts	 7,413	 5,439

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.

	2008 \$'000	2007 \$'000
(c) Movement in Administration Reserve		
Balance at the Beginning of the Year	231	503
Transfer from Members' Accounts	3,301	3,283
Administration Fee Paid	(3,436)	(3,556)
Balance at End of the Year	96	230
 (d) Movement in Death and Invalidity Reserve		
Balance at the Beginning of the Year	10,835	9,047
Transfer from Members' Accounts	2,910	2,746
Investment Earnings	744	541
Death or Invalidity Benefits Paid	(2,292)	(1,499)
Balance at the End of the Year	12,197	10,835

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

7. LIABILITY FOR ACCRUED BENEFITS (Continued)

	2008 \$'000	2007 \$'000
(e) Movement in Contribution Tax Reserve		
Balance at the Beginning of the Year	248	8,857
Transfer from Members' Accounts	32,585	19,611
Contribution Tax Paid/Payable	<u>(31,245)</u>	<u>(28,220)</u>
Balance at the End of the Year	<u>1,588</u>	<u>248</u>

8. 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.

	2008 \$'000	2007 \$'000
Vested benefits as at 30 June	<u>2,468,157</u>	<u>2,375,536</u>
Net Assets as at 30 June	<u>2,489,451</u>	<u>2,392,288</u>

Total fees charged to members' benefits arising from trust and other fiduciary activities that result in the holding and investing of assets on behalf of individuals during 2008 financial year was \$3,205,227 (2007: \$3,144,774).

9. GUARANTEED BENEFITS

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

10. CHANGES IN NET MARKET VALUE OF INVESTMENTS

	Held at Reporting Date \$'000	Realised During the Year \$'000	Total \$'000
30 June 2008			
Unit Trusts	(338,542)	389	(338,153)
Pooled Superannuation Trusts	-	(488)	(488)
Total	<u>(338,542)</u>	<u>(99)</u>	<u>(338,641)</u>
30 June 2007			
Unit Trusts	(83,295)	2,433	(80,862)
Pooled Superannuation Trusts	1,235	-	1,235
Unlisted Hedge Fund	-	(146)	(146)
Total	<u>(82,060)</u>	<u>2,287</u>	<u>(79,773)</u>

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

11. INVESTMENT REVENUE	2008 \$'000	2007 \$'000
Interest	2,655	2,270
Unlisted Hedge Fund	-	10,154
Unit Trusts	190,248	319,365
Total Investment Income	<u>192,903</u>	<u>331,789</u>

12. 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 2007 to 30 June 2008 was 9% (1 July 2006 to 30 June 2007: 9%).

(b) Optional Employer Contributions

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

(c) 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.

(d) Transfers In

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

(e) 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 2008

13. 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.

14. REMUNERATION OF AUDITORS

	2008	2007
	\$	\$
Remuneration for audit of the financial report of the Scheme		
LGSS Pool A Financial Statements - Deloitte Touche Tohmatsu	83,990	77,637
LIF Audit - Deloitte Touche Tohmatsu	19,605	9,082
Other regulatory audit services		
LGSS Pool A RMS/RMP Audit - Deloitte Touche Tohmatsu	10,490	9,095
	<u>114,085</u>	<u>95,814</u>

Note: In the current year, the allocation of the audit fee has been charged as 43.25% for LGSS Pool A and 56.75% for LGSS Pool B (2007: 39.37% for LGSS Pool A and 60.63% 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 2008

15. 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:

	2008 \$'000	2007 \$'000
Cash at Bank	<u>44,661</u>	<u>53,510</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

	2008 \$'000	2007 \$'000
Benefits Accrued as a Result of Operations	314,854	653,322
Benefits Paid & Transfers to/from Reserves	(217,692)	(165,163)
Movement in Net Market Value of Investments	338,641	79,773
Decrease / (Increase) in Receivables	246	1,875
Increase / (Decrease) in Deferred Tax Liability	(25,052)	(7,077)
Increase / (Decrease) in Payables	(338)	(521)
Increase / (Decrease) in Current Tax Liability	(4,386)	18,497
Net Cash Flow from Operating Activities	<u>406,273</u>	<u>580,706</u>

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

16. FINANCIAL INSTRUMENTS

(a) Financial instruments management

The investments of the Scheme (other than cash held for meeting daily administrative and benefit expenses), are invested through the Local Investment Fund (LIF) on behalf of the trustee by investment managers. The investment managers are required to invest the assets allocated for discrete management in accordance with the terms of a written investment management agreement; or through a pooled vehicle managed on the terms disclosed within the information memorandum. The trustee of LIF has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the trustee's investment strategy.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

(c) Capital Risk Management

The Trustee of the Scheme holds an RSE license, but there is no capital requirement stipulated by the license.

(d) Categories of financial instruments

The assets and liabilities of the Scheme are recognised at net market value as at the reporting date. Net market value approximates fair value less costs of realisation of investments. The cost of realisation of investments is minimal and therefore net market value that is carrying value approximates fair value. Changes in net market value are recognised through the operating statement.

(e) Financial risk management objectives

The Scheme is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Trustee's risk management and investment policies seek to minimise the potential adverse effects of these risks on the Scheme's financial performance and finance position.

It is ultimately the responsibility of the Trustee to ensure that there is an effective risk management control framework in place. Consistent with regulatory requirements the Trustee has the function of overseeing the establishment and maintenance of risk-based systems and controls for the Scheme. The Trustee has developed, implemented and maintains a Risk Management Strategy (RMS) in respect of its activities as a Trustee and a Risk Management Plan (RMP) for the Scheme.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

16. FINANCIAL INSTRUMENTS (Continued)

(e) Financial risk management objectives (Continued)

The RMS and RMP detail some of the Trustee's policies and procedures, processes and controls that comprise its risk management and control systems. They address all material risks, financial and non-financial, likely to be faced. Annually, the Trustee certifies to APRA that adequate strategies have been put in place to monitor those risks, that the Trustee has systems in place to ensure compliance with legislative and prudential requirements and that the trustee has satisfied itself as to the compliance with the RMS and RMP.

The Scheme has no direct exposure to derivatives.

(f) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract resulting in financial loss to the Scheme.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limit 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 invests the majority of its funds in the Local Investment Fund. This exposure is managed by LIF investing in a diverse range of assets classes. LIF has a number of exposures to investments greater than 5%. LIF manages exposure to any individual counterparty or industry by investing the assets of the fund in a number of underlying investments trusts. The credit risk is managed not only by diversifying across Investment Managers but the Investment Managers having diversified portfolios, thus minimising the counterparty risk.

Credit risk arising on investments is mitigated by investing primarily in rated instruments or instruments issued by rated counterparties of credit ratings of at least 'BBB+' or better as determined by Standard and Poor's; unless these securities form part of the profile of specifically permitted market benchmarks within mandated or pooled investments as in the case of Emerging Market Debt, High Yield Bonds or as part of the exposure to Structured Products, Private Equity or Semi Liquid Assets. Regarding the less liquid assets, there is more risk than those securities rated BBB+, however this is managed by external professional Investment Managers. Their exposure to risk is undertaken when they believe the premium being paid is more than sufficient to cover the default risk on the debt. The risk is further mitigated by the diversification of the exposure across a range of Investment Managers.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

16. FINANCIAL INSTRUMENTS (Continued)

(g) Liquidity Risk

The Scheme's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. The Scheme allows members to withdraw benefits and it is therefore exposed to the liquidity risk of meeting member's withdrawals at any time. The Scheme's listed securities and unit trust investments are considered to be readily realisable. The Scheme's financial instruments include investments in unlisted investments and private equity, which are not traded in an organised market and which generally may be illiquid. As a result, there is a risk that, the Scheme may not be able to liquidate all of these investments at their net market value in order to meet its liquidity requirements.

The Scheme's liquidity risk is managed in accordance with the Scheme's investment strategy. The Scheme has a high level of net inward cash flows (through new contributions) which provides capacity to manage liquidity risk. The Scheme also manages liquidity risk by maintaining adequate banking facilities and through the continuous monitoring of forecast and actual cash flows. As a further risk mitigation strategy, it is the Trustee's policy that the Scheme cannot have an exposure of less than 70% of assets invested in liquid asset classes at any one point in time.

The following tables summarise the maturity profile of the Scheme's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Scheme can be required to pay. The tables include both interest and principal cash flows.

	Less than 3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
2008					
Vested benefits	2,468,157	-	-	-	2,468,157
Other	-	-	-	-	-
Payables	3,135	-	-	-	3,135
Income Tax payable	-	29,989	-	-	29,989
Total	2,471,292	29,989	-	-	2,501,281
2007					
Vested benefits	2,375,536	-	-	-	2,375,536
Other	-	-	-	-	-
Payables	3,473	-	-	-	3,473
Income Tax payable	-	34,375	-	-	34,375
DTL-Temporary Differences	3,230	-	-	-	3,230
Total	2,382,239	34,375	-	-	2,416,614

The Scheme has no significant concentration of liquidity risk.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

16. FINANCIAL INSTRUMENTS (Continued)

(h) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange (currency risk), market interest rates (interest rate risk) and market prices (price risk). The Scheme's policies and procedures put in place to mitigate the Scheme's exposure to market risk are detailed in the trustee's investment policies and the RMS and the Scheme's RMP. There has been no change to the Scheme's exposure to market risks or the manner in which it manages and measure the risk.

Whilst market risk is unavoidable the Fund will look to minimise the volatility and absolute return fluctuations through thoughtful and well diversified portfolio construction. The relationships that varying asset classes display during volatile market conditions are critical in this construction process. The Scheme manages this risk via outsourcing its investment management; the Investment Manager manages the financial risks relating to the operations of the Fund in accordance with an investment mandate set out in accordance with the Scheme's constitution and product disclosure statement.

The carrying amounts of financial assets best represent the maximum market risk exposure at the balance sheet date.

There has been no change to the Scheme's exposure to market risks or the manner in which it manages and measure the risk.

Interest Rate Risk Management

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

The Scheme has significant investments which have exposure to the interest rate markets. The fund invests in these 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.

These investments involve cash and cash equivalents, longer dated fixed interest instrument and credit instruments. Longer dated fixed interest instruments result in the Fund having exposure to interest rate movements. The Scheme manages this risk by investing in diverse exposures through both floating interest rate instruments and fixed interest rate instruments. The Trustee monitors its exposures to interest rate risk. The Scheme's overall strategy to interest rate risk management has not changed from the previous year.

Foreign Currency Risk Management

The Scheme is exposed to foreign exposure risk as a result of investments in financial instruments denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising forward exchange rate contracts. The forward exchange rate contracts are designed to hedge 50% of its exposure to foreign currency for all international equities and 100% of all other international assets. This hedge percentage may be altered from time to time.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

16. FINANCIAL INSTRUMENTS (Continued)

(h) Market Risk (Continued)

The Trustee has appointed a currency external overlay manager to manage its exposures to foreign currency risk. Appointing a currency overlay manager and hedging its foreign currency exposure to 50% for International Equities are the major changes to the Scheme's overall strategy to foreign currency risk management from the previous year.

Other Market Risk

Market price risk is the risk that the value of the Scheme's investment portfolio will fluctuate as a result of changes in market prices. This risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market price risk analysis is conducted regularly on a total portfolio basis which includes the effect of derivatives. The Scheme's overall strategy to market price risk management has not changed from the previous year.

Interest Income

The Scheme recorded interest income of \$2,654,757 for the year (2007:\$2,270,284) for financial assets held at fair value through profit or loss.

Value-at-Risk (VaR) Analysis

The VaR measure estimates the potential loss in pre-taxation profit over a given holding period for the specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recording offsetting positions and correlations between products and markets. Our assumed volatilities and correlations of assets are based on the observed patterns of returns over the period from 1980 to the current review date. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one year 95% VaR number is based on a one tail test. This reflects that there is a 5.0 % probability over a one year period the portfolio will perform at or worse than the stated VaR based on the assumptions made. These assumptions are detailed after the table.

While VaR captures the Scheme's exposure under normal market conditions, sensitivity and scenario analysis, and in particular stress testing, is used to add insight to the possible outcomes under abnormal market conditions. The Scheme assesses various scenarios to measure the impact on asset classes of extreme moves in markets, based on historical experience as well as hypothetical scenarios. The stress-testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk, and consequently reflects the decline in liquidity that frequently accompanies market shocks.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

16. FINANCIAL INSTRUMENTS (Continued)

(h) Market Risk (Continued)

The relative asset weightings utilised for the Value at Risk calculation was at June 30 for each financial year end. These were calculated from the Registry data maintained for the holdings in each sector. In cases where cash assets were held in the relevant sector these were judged as likely to be invested in that asset class and so included as that asset class. The Private Equity classification has been used conservatively to include the alternative asset sector investments and related foreign exchange hedges and cash balances.

The following tables summarise market risk impacts to its profitability across the Scheme's asset classes. These sensitivities have been calculated on the basis of a reasonable movement in the asset class volatility incorporating market price, currency and interest rate factors into an overall return risk.

Year	VaR Factor Parent%	Net Assets available to pay benefits	Estimated impact of Net Assets available to pay benefits
		\$'000	\$'000
30 June 2008	4.88%	2,489,451	121,485
30 June 2007	6.48%	2,392,288	155,020

A number of assumptions have been used in setting a strategic asset allocation for the Scheme.

The assumptions are expressed in terms of an expected annual return for each asset class, expected annual volatility of return for each asset class and correlations between asset class returns.

The assumptions are based on a combination of financial theory, historical returns over recent and long historical periods, current interest rates and market expectation of inflation. They are also based on a three year time horizon and before tax.

The two key elements of the underlying structure of the assumptions are a model of bond yield (nominal and real) movements and a system of equations that relates returns for other asset classes to changes in bond yields.

Summarising the assumptions specific to asset classes:

Australian Equities

Expected returns for the equity classes include a premium over fixed interest return. We expect equities to outperform bonds in the long run.

International Equities

Expected returns for the international equities have been set equal to that of domestic equities.

Australian and International Property

As with equity asset classes, the expected return for property includes a premium over the fixed interest return.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

16. FINANCIAL INSTRUMENTS (Continued)

(h) Market Risk (Continued)

Australian and International Fixed Interest

For setting the fixed interest assumptions, we have assumed a duration equal to that of the average UBS Australia Composite Bond Index which was 3.5 years. The assumed return is then based on the long term history of these securities relationship with both the real (CPI) and relative (cash) rates.

Inflation Linked Bonds

As opposed to Fixed Interest, the expected inflation is extracted from the difference between nominal yields on conventional bonds and real yields on inflation-linked bonds.

Cash

Cash returns are assumed to represent a discount relative to the expected domestic bond yields.

Absolute Return (Hedge)

As with equity asset classes, the expected return for Absolute Return (Hedge) includes a premium over the fixed interest return.

Private Equity or Other Less Liquid Assets

Are a combination of equity, debt and real assets, which by their nature require a longer term investment horizon. The expected return is in excess of what would be on listed exchanges or comparable trading systems, if it was offered there.

17. 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 2008 are as follows:

Employer representatives

Mr S Byrne (Appointed 26 September 2007)
Ms B Giegerl OAM
Mr L Kelly OAM
Mr C Sullivan OAM (Appointed 25 July 2007)
Mr P Woods OAM (Resigned 24 August 2007)

Employee representatives

Mr J Beacroft (Appointed 26 March 2008)
Mr J Ernst (Resigned 26 March 2008)
Mr B Harris OAM
Mr M O'Connell
Mr I Robertson

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

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

17. KEY MANAGEMENT PERSONNEL REMUNERATION AND RELATED PARTY INFORMATION (Continued)

(a) Identification of Related Parties and Directors (Continued)

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 \$2,454 million at 30 June 2008 (2007: \$2,368 million). Revenue earned from the Local Investment Fund was \$145 million (2007: \$236 million).

(b) Other Key Management Personnel

The Chief Executive Officer, Mr P Lambert, is considered to be a key manager.

	2008	2007
	\$	\$
(c) Compensation Received:		
Short term Benefits	645,613	575,039
Post Employment Benefits	37,657	30,307
Other Long Term Benefits	-	-
Termination Benefits	-	-
	<u>683,270</u>	<u>605,346</u>

Remuneration due and receivable by the Directors of LGSS Pty Limited and the Chief Executive Officer 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 17(c) and for the reimbursement of administration costs incurred by the Directors whilst attending to Trustee business.

(e) Other Related Party Transactions

Local Government Superannuation Scheme holds 50% of the share capital of FuturePlus Financial Services Pty Limited, which provides management, accounting, 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, \$7,113,000 (2007: \$14,600,105).

During the period 1 July 2007 to 30 June 2008, FuturePlus Financial Services Pty Limited was paid investment management and administration fees of \$17,314,777 (2007: \$14,188,697) from 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 POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

17. KEY MANAGEMENT PERSONNEL REMUNERATION AND RELATED PARTY INFORMATION (Continued)

(e) Other Related Party Transactions (Continued)

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 \$3,540,733 (2007: \$6,433,333).

Included within the Scheme are amounts held with Chifley Investment Fund \$Nil (2007: \$Nil). Revenue earned from the Chifley Investment Fund was \$Nil (2007: \$10,547,208). 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 \$2,455,929,123 (2007: \$2,367,541,277). Distributions received/ receivable from Local Investment Fund was \$190,247,567 (2007: \$319,009,869).

18. 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.

19. 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 2008 or on the results for the year ended on that date.

20. CONTINGENT LIABILITIES AND ASSETS

The trustee is not aware of any pending or contingent assets and liabilities in relation to any life or disability claims (Nil for 2007).

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 2008 as set out on pages 4 to 28.

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 of Local Government Superannuation Scheme Pool A.

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 as to 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 2008 and the results of its operations and its cash flows for the year ended 30 June 2008.

(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 and plan and perform the audit to obtain reasonable assurance as to 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 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, 35A, 35C, 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, 1013B, 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 the respective forms comprising the APRA Annual Return

for the year ended 30 June 2008.

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 cased 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 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 2008.

Debbie Zou Zou

DELOITTE TOUCHE TOHMATSU

Sarah Woodhouse

Sarah Woodhouse
Partner
Chartered Accountants

Sydney, 22 October 2008