

**Local Government Superannuation Scheme  
Pool B and its Consolidated Entities**

**Financial Report**

**For The Year Ended 30 June 2008**

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
CONSOLIDATED ENTITIES**

**FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2008**

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**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
CONSOLIDATED ENTITIES**

**TRUSTEE'S STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2008**

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

1. The accompanying financial statements of the Local Government Superannuation Scheme Pool B (the Scheme) and its Consolidated Entities consisting of Local Government Superannuation Scheme Pool B and its subsidiaries Local Investment Fund, Local Government Financial Services Pty Limited, LGFS Facilities Trust, Regional Development Trust, LG Secondaries Trust and Local Government Property Fund (the Consolidated Scheme) are properly drawn up so as to present fairly the Net Assets of the Consolidated Scheme as at 30 June 2008 and the Changes in Net Assets for the year ended 30 June 2008;
2. The financial statements have been prepared in accordance with the requirements of the Trust Deed;
3. The accompanying financial statements have been drawn up in accordance with the Accounting Standards in Australia and the *Superannuation Industry (Supervision) Act 1993*. Accounting Standards include Australian equivalents to the International Financial Reporting Standards ('AIFRS') to the extent they are not inconsistent with AAS 25 Financial Reporting by Superannuation Plans;
4. The Scheme has been conducted in accordance with its constituent Trust Deed dated 30 June 1997 as amended and all legislative requirements at all times during the period; 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 22<sup>nd</sup> day of October 2008



Director



Director

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
CONSOLIDATED ENTITIES**

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

	Note	Consolidated		Scheme	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Investment Income</b>					
Interest Income		77,886	69,844	1,604	1,411
Dividend Income		127,464	81,582	1,000	1,000
Trust Distributions		158,737	140,503	199,423	605,644
Rental Income		42,365	34,076	-	-
Changes in Net Market Value of Investments	5	(930,674)	445,518	(482,427)	(125,741)
Unlisted Hedge Fund Distribution		-	17,551	-	17,551
Other Investment Income		5,848	4,285	110	436
		<u>(518,374)</u>	<u>793,359</u>	<u>(280,290)</u>	<u>500,301</u>
Direct Investment Expenses		(60,003)	(60,676)	(8,387)	(10,635)
Net investment income		<u>(578,377)</u>	<u>732,683</u>	<u>(288,677)</u>	<u>489,666</u>
<b>Contributions Income</b>					
Employer Contributions	6	78,925	71,459	78,925	71,459
Member Contributions	6	20,624	34,089	20,624	34,089
Transfers From Other Funds		7,789	16,788	7,789	16,788
Total Contributions Income		<u>107,338</u>	<u>122,336</u>	<u>107,338</u>	<u>122,336</u>
<b>Total income</b>		<u>(471,039)</u>	<u>855,019</u>	<u>(181,339)</u>	<u>612,002</u>
<b>Benefits Paid and Expenses</b>					
Benefits Paid		(298,851)	(211,856)	(298,851)	(211,856)
Superannuation Contributions					
Surcharge Expense		(26)	(438)	(26)	(438)
Administration Expenses		(70,633)	(15,299)	(15,599)	(14,003)
<b>Total Benefits Paid and Expenses</b>		<u>(369,510)</u>	<u>(227,593)</u>	<u>(314,476)</u>	<u>(226,297)</u>
<b>(Decrease)/Increase in Net Assets for the Year Before Income Tax and Minority Interest</b>					
		(840,549)	627,426	(495,815)	385,705
Income Tax (Expense)/Benefit	4(a)	<u>21,170</u>	<u>(35,804)</u>	<u>18,227</u>	<u>(35,726)</u>
<b>(Decrease)/Increase in Net Assets for the Year After Income Tax Before Minority Interest</b>					
		(819,379)	591,622	(477,588)	349,979
Minority Interest		<u>342,133</u>	<u>(246,037)</u>	<u>-</u>	<u>-</u>
<b>(Decrease) /Increase in Net Assets for the Year</b>		<u>(477,246)</u>	<u>345,585</u>	<u>(477,588)</u>	<u>349,979</u>
<b>Net Assets Available to Pay Benefits at the Beginning of the Financial Year</b>		<u>3,640,743</u>	<u>3,295,158</u>	<u>3,641,085</u>	<u>3,291,106</u>
<b>Net Assets Available to Pay Benefits at the End of the Financial Year</b>		<u>3,163,497</u>	<u>3,640,743</u>	<u>3,163,497</u>	<u>3,641,085</u>

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

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
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**STATEMENT OF NET ASSETS  
AS AT 30 JUNE 2008**

	Note	Consolidated		Scheme	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Investments</b>					
Listed Equities and Trusts	11	3,190,687	1,935,684	-	-
Unlisted Equities and Trusts	11	2,414,055	2,996,828	3,155,730	3,710,110
Fixed Interest Securities	11	977,322	1,125,982	-	-
Direct Property	11	522,455	461,390	-	-
Other Securities	11	16,616	7,600	-	-
<b>Total Investments</b>		<u>7,121,135</u>	<u>6,527,484</u>	<u>3,155,730</u>	<u>3,710,110</u>
<b>Other Assets</b>					
Cash and Cash Equivalents		175,296	114,747	15,007	10,320
Interest Receivable		13,310	11,882	-	-
Dividends Receivable		13,403	4,895	-	-
Other Receivables	12	115,617	135,418	183	101
Deferred Tax Asset	4(c)	30,312	-	27,254	-
<b>Total Other Assets</b>		<u>347,938</u>	<u>266,942</u>	<u>42,444</u>	<u>10,421</u>
<b>Total Assets</b>		<u>7,469,073</u>	<u>6,794,426</u>	<u>3,198,174</u>	<u>3,720,531</u>
<b>Less Liabilities</b>					
Accounts Payable	13	53,395	27,537	5,287	3,298
Deposits from Clients		1,095,057	549,055	-	-
Other Financial Liabilities	14	47,977	71,166	-	-
Current Tax Liability	4 (b)	29,365	52,816	29,390	52,801
Deferred Tax Liability	4 (c)	-	23,227	-	23,347
<b>Total Liabilities</b>		<u>1,225,794</u>	<u>723,801</u>	<u>34,677</u>	<u>79,446</u>
<b>Net Assets Available Before Minority Interest</b>		<u>6,243,279</u>	<u>6,070,625</u>	<u>3,163,497</u>	<u>3,641,085</u>
Less Net Assets Available – Minority Interest		3,079,782	2,429,882	-	-
<b>Net Assets Available to Pay Benefits</b>	9	<u>3,163,497</u>	<u>3,640,743</u>	<u>3,163,497</u>	<u>3,641,085</u>

The above Statement of Net Assets should be read in conjunction with the accompanying notes.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS CONSOLIDATED ENTITIES

## 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. The financial report includes the separate financial statements of the Scheme and the consolidated entity.

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 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.

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

#### **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 circumstance, 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.

#### **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.

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
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**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 (Continued)**

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.

**(a) Principles of Consolidation**

The consolidated financial statements are prepared by combining the financial statements of all entities that comprise the consolidated entity, being Local Government Superannuation Scheme Pool B (the Scheme) and its subsidiaries Local Investment Fund (LIF), Local Government Financial Services Pty Limited (LGFS), LGFS Facilities Trust (LGFS Trust), Regional Development Trust (RDT), LG Secondaries Trust (LGST), Chifley Wholesale Fund (CWF), Fixed Out-Performance Cash Fund (FOPCF) and Local Government Property Fund (LGPF) as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. The consolidated entity will be referred to as the Consolidated Scheme. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

Subsidiaries are fully consolidated from the date on which control is transferred to the Scheme. They are de-consolidated from the date that control ceases. On acquisition, the assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

In preparing the consolidated financial statements, all inter-entity balances, transactions and unrealised profits arising within the consolidated entity are eliminated in full.

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) Cash and Cash Equivalents**

Cash and cash equivalents includes 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 on hand at the managers' option and are subject to insignificant risk of changes in value.

**(c) Investments**

Investments are included in the Statement of Net Assets at net market value as at reporting date. Changes in net market values of assets are recognised in the Statement of Changes in Net Assets in the period in which they occur.

Net market values have been determined as follows:

Listed Equities and Trusts	Listed securities quoted on a recognised stock exchange and government and other fixed interest securities are stated at market quotations as at the reporting date.
Unlisted Equities and Trusts	Redemption value of units based on market values of underlying assets as advised by the managers of the trusts.
Fixed Interest Securities	Fixed interest securities quoted are stated at market quotations as at the reporting date.
Private Equity Investments	There is no generally accepted approach to determining the market value of a business and the approach employed will depend on the particular circumstances. The Scheme has a variety of Private Equity Investments. The private equity investments are independently valued on an annual basis using the following approaches; Discounted Cash Flow, Market Comparable and Net Assets. The investments in Private Equity are valued by the Trust Managers at Fair Value as per the guidelines of the Australian Venture Capital Association Limited.
Property Investments	Valuation of the investment properties is carried out by an independent registered valuer.



**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) Investments (Continued)**

**Other Securities**

These include derivative financial instruments including futures, forward contracts, options and interest rate swaps. The net market value of derivatives that are not exchange-traded is estimated at the amount that would be received or paid to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties. The net market value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The net market value of an option is determined by applying the Black-Scholes option valuation model.

**(d) 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.

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

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) 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 in the Statement of Changes in Net Assets.

**(e) 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 Net Assets represent only those benefits where the payment has been processed by the Scheme but has not yet been issued to members.

**(f) Foreign Currency**

*Functional and presentation currency*

Items included in the Consolidated Scheme's financial statements are measured using the currency of the primary economic environment in which it operates (the functional currency). This is the Australian dollar, which reflects the currency of the economy in which the Consolidated Scheme competes for capital and is regulated. The Australian dollar is also the Consolidated Scheme's presentation currency.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the transactions at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Changes in Net Assets.

**(g) Expenses**

Administrative expenses, other than the weekly administration fee are charged directly to net assets of the Scheme.

Investment expenses are charged directly against investment income.

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

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) 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.

**(i) Goods and Services Tax**

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 Net Assets.

**(j) Receivables**

Receivables may include amounts for deposits, dividends, trust distributions, interest and unsettled investments. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables.

**(k) Contributions**

Member and employer contributions are recorded on a cash basis in relation to Divisions B, C and D members.

This has resulted in contributions outstanding at the reporting date in relation to Divisions B, C and D members for the respective year ended.

Transfers from other funds are recognised on a cash basis. Amounts are recognised where transfer receipts are recovered by the Consolidated Scheme.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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 income can be reliably measured, revenue is recognised.

The following recognition criteria relates to the different income streams the Scheme has recognised.

Interest Revenue

Interest from fixed interest securities is recognised using the effective interest rate method and in accordance with the terms and conditions which apply to the fixed interest securities. Interest on cash deposits is recognised in accordance with the terms and conditions which apply to the deposits.

Dividend Revenue

Revenue from dividends is recognised on the date the shares are quoted ex-dividend. If the dividends are not received at balance sheet date, the balance is reflected in the statement of Net Assets as a receivable.

Trust Distributions

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

Rental Income

Rental income from property investments is recognised on a straight line basis over the term of the lease.

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).

(m) Payables

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

(n) Deposits from Clients

Deposits from clients include cash held and managed by the Consolidated Scheme on the behalf of councils. Deposits are recorded by the Consolidated Scheme when received from the depositor.

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(o) Borrowings**

Borrowings are recorded initially at net market value.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the statement of changes in net asset over the period of the borrowing using the effective interest rate method.

**(p) Lease Incentives**

Lease incentives provided by the Consolidated Scheme to third parties are included in the measurement of net market value of investment property and are treated as separate assets. Such assets are amortised over the respective periods to which the lease incentives apply either using a straight line basis, or a basis which is more representative of the pattern of benefits.

**(q) 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 B AND ITS  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**3. DESCRIPTION OF THE SCHEME**

The Local Government Superannuation Scheme Pool B (the Scheme) consists of local government members and was established in accordance with sections 127 and 128 of the Superannuation Administration Act, 1996 (the Act). LGSS Pty Limited acts as Trustee and holds in trust all assets of the Scheme.

The Scheme's custodial activities are provided by JP Morgan Chase Bank.

The Scheme consists of three Divisions. Division B and Division C comprise of both a defined benefit component and a defined contribution component, whilst Division D is a defined benefit scheme. All the divisions are closed to new members, except for members of eligible entities who can transfer their entitlements into the Scheme. The Scheme is a reporting entity for financial reporting purposes.

Administration of the Scheme was conducted by FuturePlus Financial Services Pty Limited during the year.

FuturePlus Financial Services Pty Limited also provides accounting, compliance and financial planning services for the Scheme.

The principal place of business of the Scheme is:

28 Margaret Street  
SYDNEY NSW 2000

**4. INCOME TAX**

	<b>Consolidated</b>		<b>Scheme</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Income Tax Recognised in Profit and Loss:</b>				
Current Tax Expense	32,374	16,407	32,374	16,153
Deferred Tax Expense / (Benefit)	(53,544)	19,397	(50,601)	19,573
<b>Total Income Tax Expense / (Benefit)</b>	<b>(21,170)</b>	<b>35,804</b>	<b>(18,227)</b>	<b>35,726</b>

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

**4. INCOME TAX (Continued)**

The prima facie income tax expense on pre tax changes in net assets to the income tax expense in the financial statements is as follows:

	Consolidated		Scheme	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(Decrease) / Increase in Net Assets for the Year Before Income Tax and Minority Interest	<u>(840,549)</u>	<u>627,426</u>	<u>(495,815)</u>	<u>385,705</u>
Income Tax (Benefit) / Expense Calculated at 15%	(126,082)	94,114	(74,372)	57,856
Difference Not Previously Brought to Account	-	-	-	-
Discounted Gains	-	-	-	-
Deferred Gains	(1,691)	(702)	(1,691)	(702)
Difference in Tax Rates	(3,844)	32	-	-
Non Taxable Income – Controlled Entities (Minority Interest)	47,866	(36,226)	-	-
Transfers In	(1,168)	(2,518)	(1,168)	(2,518)
Non-assessable Contributions	(3,094)	(5,113)	(3,094)	(5,113)
Benefit Payments	44,828	31,778	44,828	31,778
Tax on Grossed Up Imputation and Foreign Tax Credits Income	1,779	5,038	1,779	5,038
Death and Invalidity Insurance Deductions	(403)	(433)	(403)	(433)
Contributions Surcharge	4	66	4	66
Other Deductible Expenditure	66	4	66	3
Non-assessable Pension Related Investment Income	(896)	(1,532)	(896)	(1,532)
Non-assessable/Deductible Investment Losses / (Revenue)	33,753	(14,838)	29,004	(14,851)
Under/(Over) Provision Last Year	(494)	(334)	(490)	(334)
Imputation and Foreign Tax Credits	(11,794)	(33,532)	(11,794)	(33,532)
Income Tax Expense / (Benefit)	<u>(21,170)</u>	<u>35,804</u>	<u>(18,227)</u>	<u>35,726</u>

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 financial year. The tax rate 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. Under current legislation, LIF and LGPF are not subject to income tax provided the taxable income of LIF and LGPF are fully distributed either by way of cash or reinvestment.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**4. INCOME TAX (Continued)**

	Consolidated		Scheme	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>(b) Current Tax Liability:</b>				
Income Tax Payable	29,365	52,816	29,390	52,801
	<u>29,365</u>	<u>52,816</u>	<u>29,390</u>	<u>52,801</u>
<b>(c) Deferred Tax Balances:</b>				
Deferred Tax Asset Comprises:				
Temporary Differences	30,312	-	27,254	-
	<u>30,312</u>	<u>-</u>	<u>27,254</u>	<u>-</u>
Deferred Tax Liability Comprises:				
Temporary Differences	-	23,227	-	23,347
	<u>-</u>	<u>23,227</u>	<u>-</u>	<u>23,347</u>

**(d) Taxable and Deductible Temporary Differences Arise From the Following:**

30 June 2008 Consolidated	Opening Balance \$'000	Charged to Income \$'000	Closing Balance \$'000
<b>Net Deferred Tax Liability/ (Asset)</b>			
Unrealised Taxable Capital Gains/(Losses)	23,874	(53,567)	(29,693)
Provisions	(647)	28	(619)
	<u>23,227</u>	<u>(53,539)</u>	<u>(30,312)</u>
30 June 2007 Consolidated	Opening Balance \$'000	Charged to Income \$'000	Closing Balance \$'000
<b>Net Deferred Tax Liability/(Asset)</b>			
Unrealised Taxable Capital Gains/(Losses)	43,517	(19,643)	23,874
Provisions	(542)	(105)	(647)
	<u>42,975</u>	<u>(19,748)</u>	<u>23,227</u>



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**4. INCOME TAX (Continued)**

30 June 2008 Scheme	Opening Balance \$'000	Charged to Income \$'000	Closing Balance \$'000
<b>Net Deferred Tax Liability/ (Asset)</b>			
Unrealised Taxable Capital Gains/(Losses)	23,910	(50,639)	(26,729)
Provisions	(563)	38	(525)
	<u>23,347</u>	<u>(50,601)</u>	<u>(27,254)</u>
30 June 2007 Scheme	Opening Balance \$'000	Charged to Income \$'000	Closing Balance \$'000
<b>Net Deferred Tax Liability/ (Asset)</b>			
Unrealised Taxable Capital Gains/(Losses)	43,394	(19,484)	23,910
Provisions	(474)	(89)	(563)
	<u>42,920</u>	<u>(19,573)</u>	<u>23,347</u>

**5. CHANGES IN NET MARKET VALUE OF INVESTMENTS**

30 June 2008	Held at Reporting Date Gain/(Loss) \$'000	Realised During the Year Gain/(Loss) \$'000	Total \$'000
<b>Consolidated</b>			
Listed Equities and Trusts	(986,099)	1,249	(984,850)
Unlisted Equities and Trusts	(18,169)	(26,198)	(44,367)
Unlisted Property Trusts	17,965	-	17,965
Fixed Interest Securities	6,808	(1,559)	5,249
Foreign Exchange	6,268	92,541	98,809
Unlisted Hedge Fund	-	-	-
Other	763	(24,243)	(23,480)
	<u>(972,464)</u>	<u>41,790</u>	<u>(930,674)</u>

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**5. CHANGES IN NET MARKET VALUE OF INVESTMENTS (Continued)**

**30 June 2007**

<b>Consolidated</b>	<b>Held at Reporting Date Gain/(Loss) \$'000</b>	<b>Realised During the Year Gain/(Loss) \$'000</b>	<b>Total  \$'000</b>
Listed Equities and Trusts	(49,423)	603,747	554,324
Unlisted Equities and Trusts	(151,347)	11,829	(139,518)
Unlisted Property Trusts	25,220	-	25,220
Fixed Interest Securities	(13,136)	(2,732)	(15,868)
Foreign Exchange	7,082	8,003	15,085
Unlisted Hedge Fund	-	555	555
Other	3,248	2,472	5,720
	<u>(178,356)</u>	<u>623,874</u>	<u>445,518</u>

**30 June 2008**

<b>Scheme</b>	<b>Held at Reporting Date Gain/(Loss) \$'000</b>	<b>Realised During the Year Gain/(Loss) \$'000</b>	<b>Total  \$'000</b>
Unlisted Unit Trusts	(464,978)	(10,898)	(475,876)
Australian Equities	(29,709)	670	(29,039)
Unlisted Property Trusts	22,488	-	22,488
Unlisted Hedge Funds	-	-	-
	<u>(472,199)</u>	<u>(10,288)</u>	<u>(482,427)</u>

**30 June 2007**

<b>Scheme</b>	<b>Held at Reporting Date Gain/(Loss) \$'000</b>	<b>Realised During the Year Gain/(Loss) \$'000</b>	<b>Total  \$'000</b>
Unlisted Unit Trusts	(166,248)	11,865	(154,383)
Australian Equities	301	(36)	265
Unlisted Property Trusts	27,822	-	27,822
Unlisted Hedge Funds	-	555	555
	<u>(138,125)</u>	<u>12,384</u>	<u>(125,741)</u>

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**6. FUNDING ARRANGEMENTS**

For years ended 30 June 2008 and 30 June 2007, member and employer contributions for each of the schemes are determined on the basis described below.

**(a) Division B Scheme**

<b>Member Contributions:</b>	Each member elects to contribute between 1% and 9% of salary (2007: between 1% and 9%).
<b>Employer Contributions:</b>	Employers contribute on a fully funded basis as determined by the Trustee based on actuarial advice. In 2007/08 employers contributed at half the “nominal” contribution rate (0.95 times employee contributions). In 2006/07 employers contributed at half the “nominal” contribution rate (0.95 times employee contributions).

**(b) Division C Scheme**

<b>Member Contributions:</b>	In relation to any defined benefit obligations, there are no member contributions. Members may elect to make voluntary contributions to the defined contribution component.
<b>Employer Contributions:</b>	Employers contribute on a fully funded basis as determined by the Trustees based on actuarial advice. In 2007/08 employers contributed at half the “nominal” contribution rate (1.25% of superable salary). In 2006/07 employers contributed at half the “nominal” contribution rate (1.25% of Superable Salary).

**(c) Division D Scheme**

<b>Member Contributions:</b>	Each member contributes on a “rate for age” basis to individual pension units which become available with salary increases. Members may elect to abandon units where total contributions payable would exceed 6% of the individuals salary (2007: exceed 6%).
<b>Employer Contributions:</b>	Employers contribute on a fully funded basis as determined by the Trustee based on actuarial advice. In 2007/08 employers contributed at half the “nominal” contribution rate (0.82 times employee contributions). In 2006/07 employers contributed at half the “nominal” contribution rate (0.82 times employee contributions).

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
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7. REMUNERATION OF AUDITORS	Consolidated		Scheme	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>Audit of financial reports</b>				
LGSS Pool B Audit	83,659	94,226	83,659	94,226
LIF Audit	68,367	28,875	25,729	15,918
LGPF Audit	26,565	21,500	26,565	22,575
LGFS Audit	60,008	43,250	-	-
<b>Other regulatory services</b>				
LGSS Pool B RMS / RMP	13,766	14,004	13,766	14,004
	<u>252,365</u>	<u>201,855</u>	<u>149,719</u>	<u>146,723</u>
<b>Other Auditors</b>				
RDT Audit	20,982	16,964	-	-
LGST Audit	5,575	18,300	-	-
	<u>26,557</u>	<u>35,264</u>	<u>-</u>	<u>-</u>

Note: In the current year, the allocation of the audit fee has been charged as 43% for LGSS Pool A and 57% for LGSS Pool B (2007: 39% for LGSS Pool A and 61% for LGSS Pool B).

The LIF audit fees are paid by the LGSS Pool A and LGSS Pool B on behalf of LIF.

The auditors of the Scheme are Deloitte Touche Tohmatsu.

**8. LIABILITY FOR ACCRUED BENEFITS**

Accrued benefits have been determined on the basis of the present value of expected future payments which arise from membership of the Scheme at the date of the actuarial review. The value of the accrued benefits was undertaken by the actuary as part of the comprehensive actuarial review, which was performed for the year ended 30 June 2006.

The amount reported has been determined by reference to expected future salary increases, future Scheme earnings and other relevant actuarial assumptions used in the actuarial review.

	2006 \$'000	2003 \$'000
Accrued Benefits as at 30 June	<u>3,045,231</u>	<u>2,251,639</u>
Net Assets (excluding minority interest) as at 30 June	<u>3,295,158</u>	<u>2,453,576</u>

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**9. 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.

	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
As at 30 <sup>th</sup> June	* 2,507,957	* 2,762,207
Net Assets (excluding minority interest) as at 30 June	<u>3,163,497</u>	<u>3,640,743</u>

\* Excludes benefits for pensions where the Actuary has estimated the liability to be \$82.35 million (2007: \$67.25 million)

**10. 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 financial year ended 30<sup>th</sup> June 2008 are as follows:

<b>Employer representatives</b>	<b>Employee representatives</b>
Mr S Byrne (Appointed 26 September 2007)	Mr J Beacroft (Appointed 26 March 2008)
Ms B Giegerl OAM	Mr J Ernst (Resigned 26 March 2008)
Mr L Kelly OAM	Mr B Harris OAM
Mr C Sullivan OAM (Appointed 25 July 2007)	Mr M O'Connell
Mr P Woods OAM (Resigned 24 August 2007)	Mr I Robertson

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

The above Directors are also Directors of LIF Pty Limited (ABN 92 099 664 285), a wholly owned subsidiary of the Trustee. LIF Pty Limited is the Trustee of the Local Investment Fund. LIF Pty Limited is also the Trustee of Local Government Property Fund. J Beacroft, B Giegerl, L Kelly, M O'Connell, I Robertson, C Sullivan and D Tuxford are Directors of Local Government Financial Services Pty Limited.

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
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**10. KEY MANAGEMENT PERSONNEL REMUNERATION AND RELATED PARTY  
INFORMATION (Continued)**

**(b) Other Key Management Personnel**

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

<b>(c) Compensation Received:</b>	<b>Consolidated</b>		<b>Scheme</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Short term Benefits	768,797	721,500	645,612	575,039
Post Employment Benefits	87,370	40,752	37,657	30,307
Other Long Term Benefits	-	-	-	-
Termination Benefits	-	-	-	-
Share-based Payments	-	-	-	-
	<u>856,167</u>	<u>762,252</u>	<u>683,269</u>	<u>605,346</u>

Remuneration due and receivable by Directors of LGSS Pty Limited and the Chief Executive Officer (for both Pool A and Pool B) 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.

The Consolidated Entity also includes the remuneration during the financial year due and receivable by Directors of LGSS Pty Limited, payable directly or indirectly, by Local Government Financial Services Pty Limited.

**(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 payment to the Directors for services rendered in relation to their duties as Directors as set out in the note 10 (c), and for the reimbursement of administration costs incurred by the Directors whilst attending to Trustee business.

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
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**10. KEY MANAGEMENT PERSONNEL REMUNERATION AND RELATED PARTY  
INFORMATION (Continued)**

**(e) Other Related Party Transactions**

The Scheme holds 50% of the share capital of FuturePlus Financial Services Pty Limited, which provides administration, accounting, compliance, financial planning and post retirement planning services to the Scheme. Included in investments is the Scheme's investment in FuturePlus Financial Services Pty Limited which has been brought to account at the independent valuation amount of \$7,113,211 (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 \$15,399,128 (2007: \$13,876,456), for Local Government Superannuation Scheme Pool B. These fees are based on the cost to the relevant entity of providing these services.

The Scheme holds 33.33% of the share capital of Chifley Financial Services Limited, which provides investment management services to the Scheme. Included in investments is the independent valuation of this holding of \$3,540,662 (2007: \$6,433,333). Dividend income of \$1,000,000 (2007:\$1,000,000) was received during the year.

LIF Pty Limited is the Trustee of the Local Government Property Fund, in which the Scheme has an investment of \$455,702,155 (2007: \$362,067,781). Income earned from the Local Government Property Fund was \$41,526,989 (2007: \$43,932,750).

The Scheme holds 100% of the share capital of Local Government Financial Services Limited. Included in investments is the Scheme's investment in Local Government Financial Services Limited which has been brought to account at the independent valuation amount of \$65,300,000 (2007: \$16,000,000).

During the year Local Government Superannuation Scheme Pool B injected capital of \$65,000,000 into Local Government Financial Services Limited. There has been a \$15,200,000 devaluation during the year.

During the year the Local Government Superannuation Scheme Pool B purchased a CIN (Community Investment Note) from Local Government Financial Services Limited at \$10,529,815 with a 30 June 2008 valuation of \$7,302,625.

Included within the investments of Local Government Superannuation Scheme Pool B are amounts held with Local Investment Fund \$2,552,644,132 (2007: \$3,243,013,154). Distributions received from Local Investment Fund were \$180,384,495 (2007: \$589,533,662).

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

**(e) Other Related Party Transactions (Continued)**

As at 30 June 2008 the Scheme has invested a total of \$962,460 representing 14.16% of total capital in Hawkesbridge Limited. From 1 July 2005 Hawkesbridge Limited was appointed as Private Equity Manager for the Scheme. The fee payable to Hawkesbridge Limited is 2% of committed funds (\$50 million), plus a performance based fee. The Trustee approved the transfer of directly held listed securities (market value of \$6.5m) into a trust managed by Hawkesbridge Limited. The fee payable to Hawkesbridge Limited is 2% of the net assets of that Trust.

Peter Woods, Director of LGSS Pty Limited during the year, which is the Trustee of the Scheme, was a Director of Hawkesbridge Limited during the period (resigned 24 August 2007).

11. INVESTMENTS	Consolidated		Scheme	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Listed Equity and Trusts Securities	3,190,687	1,935,684	-	-
Unlisted Equities and Trusts Securities	2,414,055	2,996,828	3,155,730	3,710,110
Fixed Interest Securities	977,322	1,125,982	-	-
Direct Property	522,455	461,390	-	-
Other Securities	16,616	7,600	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Investments Valued at Net Market Value	<u>7,121,135</u>	<u>6,527,484</u>	<u>3,155,730</u>	<u>3,710,110</u>
 <b>Listed Equity and Trusts Securities</b>				
Australian Equity Securities Listed on a Prescribed Stock Exchange	1,547,431	1,788,191	-	-
International Equity Securities Listed on a Prescribed Stock Exchange	1,464,786	-	-	-
Units in Trusts Listed on a Prescribed Stock Exchange	163,019	135,064	-	-
Australian Exchange Traded Equity Options	15,304	12,429	-	-
Equity Swaps	147	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Listed Equity and Trusts Securities	<u>3,190,687</u>	<u>1,935,684</u>	<u>-</u>	<u>-</u>



**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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11. INVESTMENTS (Continued)	Consolidated		Scheme	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Unlisted Equities and Trusts Securities</b>				
Units in Unlisted Australian Fixed Interest Trusts	1,280,190	568,059	-	-
Units in Unlisted Australian Equity Trusts	417,726	2,169,969	2,700,027	3,348,042
Units in Unlisted Australian Hedge Funds	-	-	-	-
Units in Unlisted Australian Property Funds	697,638	251,749	455,703	362,068
Units in Unlisted International Equity Trusts	18,501	7,051	-	-
<b>Total Unlisted Equities and Trusts Securities</b>	<b>2,414,055</b>	<b>2,996,828</b>	<b>3,155,730</b>	<b>3,710,110</b>
<b>Fixed Interest Securities</b>				
Australian Fixed Interest Securities Listed on a Prescribed Stock Exchange	974,535	1,124,976	-	-
Interest Rate Futures	2,787	1,006	-	-
<b>Total Fixed Interest Securities</b>	<b>977,322</b>	<b>1,125,982</b>	<b>-</b>	<b>-</b>
<b>Direct Property</b>				
Direct Property	522,455	461,390	-	-
<b>Total Direct Property</b>	<b>522,455</b>	<b>461,390</b>	<b>-</b>	<b>-</b>
<b>Other Securities</b>				
Currency Swaps	1,557	-	-	-
Currency Contracts	15,059	7,600	-	-
<b>Total Other Securities</b>	<b>16,616</b>	<b>7,600</b>	<b>-</b>	<b>-</b>

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<b>12. OTHER RECEIVABLES</b>	<b>Consolidated</b>		<b>Scheme</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Deposits Held with Brokers	21,577	4,533	-	-
Unsettled Sale of Investments	21,599	18,032	-	-
Trust Distribution Receivable	50,469	100,173	-	-
Other Receivables	21,972	12,680	183	101
<b>Total Other Receivables</b>	<u>115,617</u>	<u>135,418</u>	<u>183</u>	<u>101</u>
<b>13. ACCOUNTS PAYABLE</b>				
Unsettled Purchase of Investments	24,616	16,527	-	-
Accruals	1,168	1,850	1,421	1,779
Interest	3,740	993	-	-
Other Payables	23,871	8,167	3,866	1,519
<b>Total Accounts Payable</b>	<u>53,395</u>	<u>27,537</u>	<u>5,287</u>	<u>3,298</u>
<b>14. OTHER FINANCIAL LIABILITIES</b>				
Derivatives	8,718	2,279	-	-
Loans	39,000	65,000	-	-
Other	259	3,887	-	-
<b>Total Other Financial Liabilities</b>	<u>47,977</u>	<u>71,166</u>	<u>-</u>	<u>-</u>
<b>Derivatives</b>				
Currency Contracts	636	427	-	-
Equity Futures	8,046	207	-	-
Options	36	1,634	-	-
Fixed Interest Futures	-	11	-	-
<b>Total Derivatives</b>	<u>8,718</u>	<u>2,279</u>	<u>-</u>	<u>-</u>

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
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**15. DERIVATIVE FINANCIAL INSTRUMENTS**

A derivative is a financial contract whose value depends on, or is derived from, the value of underlying assets, liabilities or indices. Derivatives include an assortment of instruments such as futures and options.

Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Consolidated Scheme's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- Hedging to protect an asset or liability of the Consolidated Scheme against a fluctuation in market values or to reduce volatility
- A substitution for trading of physical securities
- Adjusting asset exposures within the parameters set in the investment strategy

While derivatives are used for trading purposes, they are not used to gear a portfolio. Gearing a portfolio would occur if the levels of exposure to the markets exceed the underlying value of the Consolidated Scheme.

The Consolidated Scheme holds the following derivative instruments:

**(a) Futures**

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are settled daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in a organised financial market.

**(b) Options**

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price. The Consolidated Scheme is exposed to credit risk on purchased options to the extent of the carrying amount (fair value).

**(c) Forward Currency Contracts**

Forward currency contracts are primarily used by the Consolidated Scheme to hedge against foreign currency rate risk on its non Australian Dollar denominated trading securities. The Consolidated Scheme agrees to receive or deliver a fixed quantity of foreign currency for an agreed price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the reporting date. The Consolidated Scheme recognises gains or losses equal to the change in fair value at the reporting date.

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**15. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**

The Consolidated Scheme's derivative instruments at year end are detailed as follows:

<b>Contract / Notional Amounts</b>	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Forward Currency Contracts	1,001,593	237,000
<b>Buy</b>		
Australian Exchange Traded Options	-	9,535
International Exchange Traded Options	-	2,885
Australian Share Price Index Futures	7,389	19,490
International Share Price Index Futures	120,050	-
Australian Fixed Interest Futures	-	2,437
Cross Currency Swaps	1	-
Interest Rate Swaps	-	-
<b>Total Buy</b>	<b>127,440</b>	<b>34,347</b>
<b>Sell</b>		
Australian Exchange Traded Options	(1,419)	(1,632)
Australian Share Price Index Futures	(14,280)	(1,883)
International Share Price Index Futures	(62,006)	-
Cross Currency Swaps	(7)	-
<b>Total Sell</b>	<b>(77,712)</b>	<b>(3,515)</b>

**16. FINANCIAL RISK MANAGEMENT**

**(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.

J P Morgan acts as master custodian on behalf of the Trustee and as such provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions.

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**16. FINANCIAL RISK MANAGEMENT (Continued)**

**(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 statement of changes in net assets.

**(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.

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.

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
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**16. FINANCIAL RISK MANAGEMENT (Continued)**

**(f) Credit Risk**

The Scheme and its Consolidated entity's exposure to credit risk and policies in managing this risk are aligned and are detailed below.

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.

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**16. FINANCIAL RISK MANAGEMENT (Continued)**

**(g) Liquidity Risk**

The Scheme and its Consolidated entity's exposure to liquidity risk and policies in managing this risk are aligned and are detailed below.

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.

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
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**16. FINANCIAL RISK MANAGEMENT (Continued)**

**(g) Liquidity Risk (Continued)**

Consolidated	Less than 3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
<b>2008</b>					
Vested Benefits	2,507,957	-	-	-	2,507,957
Other					
Unsettled Purchase of Investments	24,616	-	-	-	24,616
Other payables	29,038	-	-	-	29,038
Deposits from clients	1,095,057	-	-	-	1,095,057
Derivatives	8,718	-	-	-	8,718
Loans	39,000	-	-	-	39,000
Income Tax payable	-	29,365	-	-	29,365
Minority Interest	3,079,782	-	-	-	3,079,782
<b>Total</b>	<b>6,784,168</b>	<b>29,365</b>	<b>-</b>	<b>-</b>	<b>6,813,533</b>
<b>2007</b>					
Vested Benefits	2,762,207	-	-	-	2,762,207
Other					
Unsettled Purchase of Investments	16,527	-	-	-	16,527
Other payables	14,897	-	-	-	14,897
Deposits from clients	549,055	-	-	-	549,055
Derivatives	2,279	-	-	-	2,279
Loans	65,000	-	-	-	65,000
Income Tax payable DTL-Temporary Differences	-	52,816	-	-	52,816
DTL-Temporary Differences	23,227	-	-	-	23,227
Minority Interest	2,429,882	-	-	-	2,429,882
<b>Total</b>	<b>5,863,074</b>	<b>52,816</b>	<b>-</b>	<b>-</b>	<b>5,915,890</b>



**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
CONSOLIDATED ENTITIES**

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

**16. FINANCIAL RISK MANAGEMENT (Continued)**

**(g) Liquidity Risk (Continued)**

Parent	Less than 3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
<b>2008</b>					
Vested Benefits	2,507,957	-	-	-	2,507,957
Other					
Accruals	1,421	-	-	-	1,421
Other payables	3,866	-	-	-	3,866
Income Tax payable	-	29,390	-	-	29,390
<b>Total</b>	<b>2,513,244</b>	<b>29,390</b>	<b>-</b>	<b>-</b>	<b>2,542,634</b>
<b>2007</b>					
Vested Benefits	2,762,207	-	-	-	2,762,207
Other					
Accruals	1,779	-	-	-	1,779
Other payables	1,519	-	-	-	1,519
Income Tax payable	-	52,801	-	-	52,801
DTL-Temporary Differences	23,347	-	-	-	23,347
<b>Total</b>	<b>2,788,852</b>	<b>52,801</b>	<b>-</b>	<b>-</b>	<b>2,841,653</b>

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
CONSOLIDATED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**16. FINANCIAL RISK MANAGEMENT (Continued)**

**(g) Liquidity Risk (Continued)**

The table below analyses the Consolidated Scheme's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period to the contractual maturity date at the year end date. The amounts disclosed in the table are the contractual undiscounted cash flows on a non look through basis.

	Consolidated				Total S'000
	Less than 1 month S'000	1-6 months S'000	6-12 months S'000	1-2 years S'000	
<b>At 30 June 2008</b>					
Foreign currency forward contracts					
Inflows	402,277	690,756		-	1,093,033
(Outflows)	(43,981)	(47,459)		-	(91,440)
Australian share price index futures					
Inflows	-	7,389		-	7,389
(Outflows)	-	(14,280)		-	(14,280)
International share price index futures					
Inflows	39,380	80,670		-	120,050
(Outflows)	(22,703)	(39,303)		-	(62,006)
Australian exchange traded options					
Inflows	-	-		-	-
(Outflows)	-	(1,419)		-	(1,419)
<b>At 30 June 2007</b>					
Foreign currency forward contracts					
Inflows	225,292	183,326		-	408,618
(Outflows)	(6,286)	(17,489)		-	(23,775)
Australian share price index futures					
Inflows	-	30,004		-	30,004
(Outflows)	-	(25,578)		-	(25,578)
International share price index futures					
Inflows	54,605	65,641		-	120,246
(Outflows)	(9,437)	(49,074)		-	(58,511)
Australian fixed interest futures					
Inflows	-	2,437		-	2,437
(Outflows)	-	-		-	-
Australian exchange traded options					
Inflows	-	13,137		-	13,137
(Outflows)	-	(1,632)		-	(1,632)
International exchange traded options					
Inflows	-	2,885		-	2,885
(Outflows)	-	-		-	-

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**16. FINANCIAL RISK MANAGEMENT (Continued)**

**(h) Market Risk**

The Scheme and its Consolidated entity's exposure to market risk and policies in managing this risk are aligned and are detailed below.

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.

Whilst market risk is unavoidable the Scheme 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 Scheme 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 Scheme 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 Scheme 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.

Interest Income

The Scheme recorded interest income of \$1,603,624 for the year (2007:\$1,410,920) for financial assets held at fair value through profit or loss.

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**16. FINANCIAL RISK MANAGEMENT (Continued)**

**(h) Market Risk (Continued)**

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.

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.

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.

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**16. FINANCIAL RISK MANAGEMENT (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- Scheme and its Consolidated entity	Net Assets available to pay benefits – Scheme and its Consolidated entity \$'000	Estimated impact of Net Assets available to pay benefits – Scheme and its Consolidated entity \$'000
30 June 2008	8.76%	3,163,497	277,122
30 June 2007	10.65%	3,640,743	387,739

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.

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**16. FINANCIAL RISK MANAGEMENT (Continued)**

**(h) Market Risk (Continued)**

**Australian and International Property**

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

**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. 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.

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**18. ACQUISITIONS**

On 1 July 2005, the Scheme acquired a 100% interest in the Regional Development Trust (RDT) with an initial commitment of \$ 50 million. RDT's investment as at 30 June 2008 is approximately \$ 39.2 million and has net assets of approximately \$ 40.2 million.

In September 2005, the Scheme acquired a controlling interest in the LG Secondaries Trust (LGST). As of 30 June 2008, approximately \$15 million has been committed. LG Secondaries Trust's investment as at 30 June 2008 is approximately \$ 11.5 million and has net assets of approximately \$ 21.4 million. The Scheme has a 65.6% controlling interest as at 30 June 2008. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

**19. SUBSEQUENT EVENTS**

No significant events have occurred since balance date which would impact on the financial position of the Consolidated Scheme as disclosed in the Statement of Net Assets as at 30 June 2008 or on the results for the year ended on that date.

**20. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS**

On 24 April 2007, Local Government Property Fund entered into a \$ 65 million revolving cash advance facility agreement with Westpac Banking Corporation to provide general working capital to the Scheme at a variable interest rate. An additional facility of \$13 million was arranged during the year.

There are outstanding commitments to investments in Quentin Ayers of \$213,808,141 as at 30 June 2008. A further \$5,175,000 is committed to Hawkesbridge Private Private Equity Fund 3.

The Scheme has no ownership interest in the Fixed Cash Out-Performance Cash Fund ("FOPCF"), however controls the FOPCF through the return support agreement whereby LGFS will provide funding to FOPCF in the event that the assets of FOPCF are insufficient to meet its liabilities to unitholders. LGFS also manages the portfolio of FOPCF.

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B AND ITS  
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**21. SUBSIDIARIES**

Name of Entity	2008 Ownership Interest %	2007 Ownership Interest %
<b>Parent Entity</b>		
Local Government Superannuation Scheme Pool B	-	-
<b>Subsidiaries</b>		
Local Investment Fund	51%	58%
Chifley Wholesale Fund	77%	74%
Local Government Financial Services Pty Limited	100%	100%
LGFS Facilities Trust	100%	100%
Fixed Out-Performance Cash Fund*	-	n/a
Regional Development Trust	100%	100%
LG Secondaries Trust	65%	66%
Local Government Property Fund	87%	87%

\* The Scheme has no ownership interest in the Fixed Cash Out-Performance Cash Fund ("FOPCF"), however controls the FOPCF. LGFS also manages the portfolio of FOPCF.



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

### (A) Financial Statements

I have audited the financial statements of Local Government Superannuation Scheme Pool B and its controlled entities for the year ended 30 June 2008 as set out on pages 4 to 40.

#### *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 B.

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 net assets of Local Government Superannuation Scheme Pool B and its controlled entities as at 30 June 2008 and the changes in net assets 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 B 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 cashed or transferred only in accordance with the requirements of Part 6 of the SIS Regulations. These procedures did not include testing of the calculation of the preserved and restricted non-preserved amounts beyond a broad assessment of the apparent reasonableness of the calculations.

My procedures 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 B and its controlled entities have 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.



DELOITTE TOUCHE TOHMATSU



**Sarah Woodhouse**  
Partner  
Chartered Accountants

Sydney, 22 October 2008