

**Local Government Superannuation Scheme
Pool A**

Financial Report

For The Year Ended 30 June 2013

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2013

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LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

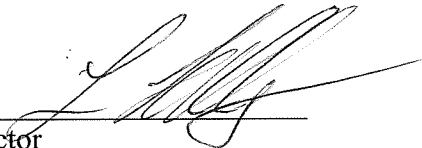
TRUSTEE'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

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


1. The accompanying financial statements of the Local Government Superannuation Scheme Pool A ("the Scheme") are properly drawn up so as to present fairly the Financial Position of the Scheme as at 30 June 2013, the Operating Statement for the year ended 30 June 2013 and the Statement of Cash Flows for the year ended on that date;
2. The financial statements have been prepared in accordance with the requirements of the Trust Deed and 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 ('A-IFRS') to the extent they are not inconsistent with AAS 25 Financial Reporting by Superannuation Plans;
3. 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
4. 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 30th day of October 2013



Director



Director

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Note	2013 \$'000	2012 \$'000
Investment Revenue			
Interest Revenue		250	1,739
Trust Distributions		240,353	111,555
Changes in Net Market Value of Investments	11	183,990	(34,813)
Total Investment Revenue		424,593	78,481
Investment Expenses	3(f)	-	(503)
Net Investment Revenue		424,593	77,978
Contributions Revenue			
Employer Contributions	12(a)	252,554	250,051
Member Contributions	12(c)	23,591	17,845
Transfers From Other Funds	12(d)	282,375	289,070
Total Contribution Revenue		558,520	556,966
Other Revenue			
Proceeds of Insurance Claims		7,694	9,512
Other Revenue		19	538
Total Other Revenue		7,713	10,050
Total Revenue		990,826	644,994
Expenses			
Superannuation Contributions Surcharge	3(i)	1	(7)
Scheme Administration Expenses	3(f)	(34,645)	(31,193)
Total Expenses		(34,644)	(31,200)
Benefits Accrued as a Result of Operations before Income Tax		956,182	613,794
Income Tax Expense	7(a)	(76,395)	(37,603)
Benefits Accrued as a Result of Operations after Income Tax		879,787	576,191

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 2013

	Note	2013 \$'000	2012 \$'000
Investments			
Unlisted Australian Unit Trusts	4	4,179,495	3,536,288
Total Investments		4,179,495	3,536,288
Other Assets			
Cash and Cash Equivalents	15(a)	44,983	52,086
Receivables	5	542	1,157
Deferred Tax Asset	7(c)	18,758	48,992
Total Other Assets		64,283	102,235
Total Assets		4,243,778	3,638,523
Less: Liabilities			
Payables	6	3,823	4,299
Current Tax Liability	7(b)	27,921	17,664
Total Liabilities		31,744	21,963
Net Assets Available to Pay Benefits		4,212,034	3,616,560
Represented by:			
Liability for Accrued Benefits			
Funds Allocated to Members' Accounts	9	4,211,558	3,606,830
Funds Not Yet (Charged)/Allocated to Members' Accounts	8(b)	(5,748)	4,053
Administration Reserve	8(c)	306	660
Contribution Tax Reserve	8(d)	-	37
Operational Risk Reserve	8(e)	-	4,980
Insurance Reserve	8(f)	2,000	-
Operational Risk Financial Requirement Reserve (ORFR)	8(g)	3,918	-
Total Liability for Accrued Benefits	8(a)	4,212,034	3,616,560

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 FINANCIAL YEAR ENDED 30 JUNE 2013

	Note	2013 \$'000	2012 \$'000
Cash Flows from Operating Activities			
Contributions Received from Employers		252,554	250,051
Contributions Received from Members		21,070	15,012
Co-contributions Received		2,521	2,833
Transfers from Other Funds		282,375	289,070
Other Income Received		250	1,739
Benefits Paid		(285,752)	(268,145)
Investment Expenses Paid		-	(503)
Scheme Administration Expenses Paid		(25,354)	(26,057)
Surcharge Paid		1	(7)
Income Tax Paid		(35,904)	(58,555)
Net Cash Provided by Operating Activities	15(b)	211,761	205,438
Cash Flows from Investing Activities			
Redemptions from Investments		1,266,078	386,505
Applications to Investments		(1,484,942)	(596,399)
Net Cash Used in Investing Activities		(218,864)	(209,894)
Net Decrease in Cash Held		(7,103)	(4,456)
Cash at the Beginning of the Financial Year		52,086	56,542
Cash at the End of the Financial Year	15(a)	44,983	52,086

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 2013

1. 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 four divisions. Divisions A, P and E consist of accumulation funds, and Division F is an allocated pension and rollover scheme. The Scheme was granted a My Super Licence on 1 July 2013.

The Scheme’s custodial activities are provided by JP Morgan Chase Bank N.A. (JP Morgan).

FuturePlus Financial Services Pty Limited provides accounting and administration for the Scheme.

The principal place of business of the Scheme is:

Level 12
28 Margaret Street
SYDNEY NSW 2000

2. 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 (‘A-IFRS’) 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. For the purpose of the preparation of the financial report, the Scheme is a not for profit entity.

The financial statements were authorised for issue by the Directors on 30th October 2013.

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.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2. BASIS OF PREPARATION (continued)

Use of Judgments and Estimates (continued)

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.

Standards Early Adopted by the Trustee

The Directors have elected to apply Accounting Standards AASB 10 'Consolidated Financial Statements' and AASB 12 'Disclosure of Interests in Other Entities' for this financial year, even though the Standard is not required to be applied until annual reporting periods beginning on or after 1 January 2013.

Standards and Interpretations Adopted with no Effect on Financial Statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets

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 not have a material financial impact on the financial report of the Scheme.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2. BASIS OF PREPARATION (continued)

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

Standard / Interpretation	Effective for annual reporting periods beginning on and after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments and AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'	1 January 2015	30 June 2016
AASB 13 Fair Value Measurement and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7 and AASB 132)'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)'	1 January 2014	30 June 2015
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014

3. 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 2013 and the comparative information presented in these financial statements for the year ended 30 June 2012.

(a) Principles of Consolidation

The Directors have early adopted Accounting Standard AASB 10 'Consolidated Financial Statements' which requires a parent to assess whether it controls an entity in which it holds an investment.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Principles of Consolidation (continued)

The Scheme is fully invested in Local Investment Fund (LIF). The Directors have determined that no one investor can be regarded to have power to govern the financial and operating policies of LIF. Hence the Trustee of the Scheme has not presented consolidated financial statements.

(b) 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.

(c) 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 net market value of unlisted unit trusts is based on the redemption value of units which is based on market values of underlying assets quoted by the trust managers.

(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 tax 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.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Income Tax (continued)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or benefit in the Operating Statement.

(e) Revenue Recognition

Revenue is measured at the net market value of consideration received or receivable and 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 relate 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.

Trust Distributions

Trust distributions are recognised on a receivable basis on the date the unit value is quoted ex distribution. Where the distribution is not received at balance sheet date, the balance is reflected in the Statement of Financial Position.

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 attained and are recorded in the period to which they relate.

Transfers from Other Funds

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

(f) Expenses

Administrative expenses, other than the weekly administration fee, are charged directly to net assets of the Scheme. The Scheme's investment expenses are charged directly against investment income.

The Scheme's investment expenses are paid directly out of Local Investment Fund ("LIF"). As a result these fees are netted off against investment revenue received from LIF and not disclosed as investment expenses in the Operating Statement of the Scheme.

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

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Liability for Accrued Benefits

The liability for accrued benefits is the Scheme's present obligation to pay benefits to members and beneficiaries and has been calculated as the difference between the carrying amounts of the assets and the sum of the liabilities and income tax liabilities as at balance sheet date.

(h) Functional and Presentation Currency

Items included in the 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 Scheme competes for capital and is regulated. The Australian dollar is also the Scheme's presentation currency.

(i) Superannuation Contributions Surcharge

The superannuation contributions surcharge which may be payable by the Scheme under the Superannuation Contributions Tax (Assessment and Collection) Act 1997 is brought to account as a liability and an expense in the year when assessments are received from the Australian Taxation Office. As there is insufficient information to provide a reliable indication of any outstanding surcharge liability, the Trustee is unable to determine the amount of the surcharge until assessments are received from the Australian Taxation Office. 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.

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

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Receivables

Receivables may include amounts for trust distributions and interest. 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.

(l) 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 Trust Deed. Accordingly benefits payable are recognised in the Statement of Financial Position and represent only those benefits where the benefit has been processed and authorised by the Scheme but has not yet been paid to members.

(m) Payables

Payables are recognised when the Scheme becomes obliged to make future payments resulting from the purchase of goods and services. They are recognised at their nominal value which is equivalent to net market value.

(n) Rounding

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

4. INVESTMENTS

	2013 \$'000	2012 \$'000
Unlisted Australian Unit Trusts	4,179,495	3,536,288
Total Investments Valued at Net Market Value	<u>4,179,495</u>	<u>3,536,288</u>

5. RECEIVABLES

	2013 \$'000	2012 \$'000
Other Receivables	542	1,157
Total Receivables	<u>542</u>	<u>1,157</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 2013

6. PAYABLES

	2013 \$'000	2012 \$'000
Benefits Payable	89	1,528
Other Payables	3,734	2,771
Total Payables	3,823	4,299

7. INCOME TAX

Income tax expense 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 temporary 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 as applicable at current taxation rates. A rate of tax of 15% has been used on the assumption that the Fund will continue to be a complying fund for the purposes of the Income Tax Assessment Act 1936, as amended.

(a) Income Tax Recognised in Operating Statement:

	2013 \$'000	2012 \$'000
Current Tax Expense	46,161	36,551
Deferred Tax Expense	30,234	1,052
Total Income Tax Expense	76,395	37,603

The prima facie income tax expense on benefits accrued as a result of operations before income tax reconciles to the income tax expense as follows:

	2013 \$'000	2012 \$'000
Benefits Accrued as a Result of Operations before Income Tax	956,182	613,794
Income Tax Expense Calculated at 15%	143,427	92,069
Non-deductible Expenses	(206)	(86)
Non-assessable/deductible Investment Revenue	15,978	8,072
Non-assessable Contributions (includes Transfers)	(45,719)	(45,324)
Imputation and Foreign Tax Credits	(13,416)	(9,893)
Anti Detriment Deduction	(471)	(455)
Current Pension Liability Exemption	(8,632)	(4,730)
Death or Invalidity Insurance	45	8
Contributions Surcharge	-	1
Timing Differences	4,963	(104)
Over Provision in Prior Year	47	(202)
Discount on Capital Gains	(20,350)	(2,278)
TFN Withholding on Contributions from Members	729	525
Income Tax Expense	76,395	37,603

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

7. INCOME TAX (continued)

	2013 \$'000	2012 \$'000	
(b) Current Tax Liability:			
Income Tax Payable	<u>27,921</u>	<u>17,664</u>	
	<u>27,921</u>	<u>17,664</u>	
	2013 \$'000	2012 \$'000	
(c) Deferred Tax Balances:			
Deferred Tax Asset Comprises Temporary Differences	<u>18,758</u>	<u>48,992</u>	
	<u>18,758</u>	<u>48,992</u>	
(d) Taxable and deductible temporary differences arise from the following:			
30 June 2013	Opening Balance \$'000	Charged to Income \$'000	Closing Balance \$'000
Net Deferred Tax Asset			
Unrealised Taxable Capital Losses	(48,970)	30,411	(18,559)
Provisions	(22)	(177)	(199)
	<u>(48,992)</u>	<u>30,234</u>	<u>(18,758)</u>
30 June 2012	Opening Balance \$'000	Charged to Income \$'000	Closing Balance \$'000
Net Deferred Tax Asset			
Unrealised Taxable Capital Losses	49,446	(476)	48,970
Provisions	597	(575)	22
	<u>50,043</u>	<u>(1,051)</u>	<u>48,992</u>

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

8. LIABILITY FOR ACCRUED BENEFITS

	2013	2012
	\$'000	\$'000
(a) Changes in the Liability for Accrued Benefits		
Liability for Accrued Benefits – at Beginning of the Financial Year	3,616,560	3,310,033
Add: Benefits Accrued as a Result of Operations	879,787	576,191
Less: Benefits Paid and Payable to Members	(285,523)	(269,889)
Net transfer to/(from) Reserves *	1,210	225
Liability for Accrued Benefits - at End of Year	4,212,034	3,616,560

* The net transfer from reserves includes amounts transferred in respect of vested benefits.

(b) Funds Not Yet Allocated to Members' Accounts

	2013	2012
	\$'000	\$'000
Funds not yet (Charged)/Allocated to Members' Accounts	(5,748)	4,053

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

1. Timing differences between receipt of investment earnings and tax expenses and the allocation of the amounts to members in the unit price; and
2. Timing differences between the receipt of contributions and receipt of information required for allocation.

(c) Administration Reserve

	2013	2012
	\$'000	\$'000
Balance at the Beginning of the Year	660	500
Transfer from Members' Accounts	4,640	4,419
Transfer in from ORR – RSE Licence Requirements	100	-
Administration Fee Paid	(5,300)	(4,259)
Investment Earnings	3	-
Capital Transfer in from ORR – Sector Choice	200	-
Sector Choice Usage	3	-
Balance at End of the Year	306	660

Included in this reserve is \$100,000 to satisfy one of the requirements of the RSE Licence, which was transferred from the Operational Risk Reserve during the year.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

8. LIABILITY FOR ACCRUED BENEFITS (continued)

(d) Contribution Tax Reserve

	2013 \$'000	2012 \$'000
Balance at the Beginning of the Year	37	368
Transfer from Members' Accounts	18,054	18,601
Contribution Tax Paid/Payable	(18,091)	(18,932)
Balance at the End of the Year	-	37

(e) Operational Risk Reserve (ORR)

Balance at the Beginning of the Year	4,980	5,332
Death or Invalidity Benefits Paid	-	(584)
Payments from Reserve	-	(10)
Investment Earnings	-	242
Transfer to other Reserves (Administration, Insurance and ORFR)	(4,980)	-
Balance at the End of the Year	-	4,980

The Operational Risk Reserve was closed in April 2013, at the time the Operational Risk Financial Requirement Reserve (ORFR) was established. \$2,000,000 was transferred to the Insurance Reserve, \$300,000 to the Administration Reserve and the balance to the ORFR Reserve are included in payments from reserve above.

(f) Insurance Reserve

Balance at the Beginning of the Year	-	-
Transfer in from ORR	2,221	-
Insurance claim payments	(221)	-
Balance at the End of the Year	2,000	-

The Insurance Reserve is used to pay insurance claims which cannot be recovered from an external insurer.

(g) Operational Risk Financial Requirement Reserve (ORFR)

Balance at the Beginning of the Year	-	-
Transfer in from ORR	2,459	-
Investment Earnings	1,253	-
Transfer in from Members Accounts	206	-
Balance at the End of the Year	3,918	-

The ORFR is a requirement in terms of the Prudential Standard SPS 114. This reserve is used to compensate members for losses resulting from operational risk events as well as any amounts deemed necessary by the Trustee in the interest of the members. The Trustee has determined that the target balance for this reserve is 0.25% of the Scheme's Net Asset Value, and the Trustee has a strategy in place to reach this by 30 June 2016.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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.

	2013 \$'000	2012 \$'000
Vested benefits at the End of the Year:	<u>4,211,558</u>	<u>3,606,830</u>
Net Assets at the End of the Year:	<u>4,212,034</u>	<u>3,616,560</u>

10. GUARANTEED BENEFITS

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

11. CHANGES IN NET MARKET VALUE OF INVESTMENTS

	Unrealised at Reporting Date \$'000	Realised During the Year \$'000	Total \$'000
30 June 2013			
Unlisted Unit Trusts	180,195	3,795	183,990
Total	<u>180,195</u>	<u>3,795</u>	<u>183,990</u>
30 June 2012			
Unlisted Unit Trusts	(34,526)	(287)	(34,813)
Total	<u>(34,526)</u>	<u>(287)</u>	<u>(34,813)</u>

12. SCHEME 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 2012 to 30 June 2013 was 9% (1 July 2011 to 30 June 2012: 9%).

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

12. SCHEME FUNDING ARRANGEMENTS (continued)

(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 From Other Funds

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.

13. INVESTMENT STRATEGY SELECTION

Members can choose from twelve 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 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.
Balanced Growth	Members aged 18 – 45
Balanced	Members aged 46 – 54
Conservative	Members aged 55 and over
Cash	Automatic strategy for accounts under \$1,000 (subject to 'member protection'). Must be selected by other members.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

14. REMUNERATION OF AUDITORS

	2013	2012
	\$	\$
Remuneration for audit of the financial report of the Scheme		
LGSS Pool A Financial Statements - Deloitte Touche Tohmatsu	103,961	101,658
	<u>103,961</u>	<u>101,658</u>

Audit fees are paid by LGSS Pty Limited on behalf of Local Government Superannuation Scheme Pool A.

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:

	2013	2012
	\$'000	\$'000
Cash at Bank	<u>44,983</u>	<u>52,086</u>

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

(b) Reconciliation of Net Cash Provided by Operating Activities to Benefits Accrued as a Result of Operations After Income Tax

	2013	2012
	\$'000	\$'000
Benefits Accrued as a Result of Operations after Tax	879,787	576,191
Benefits Paid	(285,523)	(269,889)
Transfers to Reserves	1,210	225
Movement in Net Market Value of Investments	(183,990)	34,813
Non cash Unit Trust Distribution	(240,353)	(111,555)
(Increase)/Decrease in Receivables	615	(958)
Increase/(Decrease) in Payables	(476)	(2,436)
Decrease/(Increase) in Deferred Tax Liability	30,234	1,052
(Decrease)/Increase in Current Tax Liability	10,257	(22,005)
Net Cash Flow from Operating Activities	<u>211,761</u>	<u>205,438</u>

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 Trustees of the Scheme and LIF and as such provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions.

(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 3 to the financial statements.

(c) Capital Risk Management

The Trustee of the Scheme holds an RSE licence. There is a capital requirement stipulated in the licence to maintain a balance of at least \$100,000 at all times in the Administration Reserve account. See Note 8(c).

(d) Categories of Financial Instruments

The assets and liabilities of the Scheme are recognised at net market value as at the reporting date. The cost of realisation of investments is minimal and therefore net market 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, net market value, interest rate risk and price risk), credit risk, liquidity risk and cash flow 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 financial 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.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

16. FINANCIAL RISK MANAGEMENT (continued)

(e) Financial Risk Management Objectives (continued)

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.

(f) Credit Risk

The Scheme'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 is exposed to credit risk through its investment in LIF. LIF manages exposure to any individual counterparty or industry by investing the assets of the Scheme in a number of underlying investments trusts. The credit risk is managed not only by diversifying across investment managers but also by 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 2013

16. FINANCIAL RISK MANAGEMENT (continued)

(g) Liquidity Risk

The Scheme'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 is exposed to additional liquidity risk through its underlying investment in LIF. LIF's listed securities and unit trust investments are considered to be readily realisable. LIF's financial instruments include investments in unlisted investments, direct property 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 LIF, and consequently 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 Scheme's overall strategy to liquidity risk management has not changed from the prior year.

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
2013					
Vested benefits	4,211,558	-	-	-	4,211,558
Other					
Payables	3,823	-	-	-	3,823
Current tax liability	-	27,921	-	-	27,921
Total	4,215,381	27,921	-	-	4,243,302
2012					
Vested benefits	3,606,830	-	-	-	3,606,830
Other					
Payables	4,299	-	-	-	4,299
Current tax liability	-	17,664	-	-	17,664
Total	3,611,129	17,664	-	-	3,628,793

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

16. FINANCIAL RISK MANAGEMENT (continued)

(h) Market Risk

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

Market risk is the risk that the net market 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 within LIF. The relationships that varying asset classes display during volatile market conditions are critical in this construction process.

LIF manages this risk via outsourcing its investment managements; the investment managers manage the financial risks relating to the operations of LIF in accordance with an investment mandate. The Scheme ensures the operations of LIF are in accordance with the Scheme's trust deed 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 measures 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, and through its investment in LIF, is exposed 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 instruments 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

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

16. FINANCIAL RISK MANAGEMENT (continued)

(h) Market Risk (continued)

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 Rate Sensitivity Analysis

The sensitivity analyses below have been determined based on the exposures to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 200 basis point increase or decrease is used when reporting interest rate risk internally to the Trustee and represents the Trustee's assessment of the possible change in interest rates.

The following table illustrates the effect on net assets and changes in net assets from possible changes in market risk that were reasonably possible based on the risk the Scheme was exposed to at reporting date:

	Change in Variable +/-	Effect on Change in Net Assets	
		2013 \$'000	2012 \$'000
Interest rate risk	+2%	(25,485)	(25,027)
Interest rate risk	-2%	25,485	25,027

Foreign Currency Risk Management

The Scheme is exposed to foreign currency risk as a result of LIF's investment 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 an agreed percentage of its exposure to foreign currency for all international equities and 100% of all other international assets. The agreed percentage was 35% (2012: 35%) at balance sheet date.

The Trustee of LIF uses a currency external overlay manager to manage its exposures to foreign currency risk. The Scheme's and LIF's overall strategy to foreign currency risk management has not changed from the previous year.

Foreign currency sensitivity

The following table details the Scheme's sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies via its investment in LIF. 10% is the sensitivity rate used when reporting foreign currency risk internally to the Trustee and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

16. FINANCIAL RISK MANAGEMENT (continued)

(h) Market Risk (continued)

number indicates an increase in net assets available to pay benefits and liability for accrued benefits where the Australian Dollar weakens against the respective currency. For a strengthening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the increase in net assets and on the net assets available to pay benefits, and the balances below would be negative.

	Change in Variable	Effect on Change in Net Assets			
		USD Impact		JPY Impact	
	+/-	2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000
Forex Risk	+10%	1,857	(1,162)	8	(116)
Forex Risk	-10%	(1,857)	1,162	(8)	116

	Change in Variable	Effect on Change in Net Assets			
		EUR Impact		GBP Impact	
	+/-	2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000
Forex Risk	+10%	37	(262)	61	98
Forex Risk	-10%	(37)	262	(61)	(98)

There have been no significant changes to the foreign currency sensitivity from the prior 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.

The Scheme is exposed to market price risk through its investment in LIF. 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. The Scheme's overall strategy to market price risk management has not changed from the previous year.

The following table illustrates the effect on changes in net assets and net assets available to pay benefits from possible changes in market risk that were reasonably possible based on the risk the Scheme was exposed to at reporting date. For a negative change in the variable there would be an equal and opposite impact on the increase in net assets and on the net assets available to pay benefits, and the balances below would be negative:

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

16. FINANCIAL RISK MANAGEMENT (continued)

(h) Market Risk (continued)

	Change in Variable +/-	Effect on Change in Net Assets	
		2013 \$'000	2012 \$'000
Equity Price Risk	+10%	268,188	223,764
Equity Price Risk	-10%	(268,188)	(223,764)

The Scheme's sensitivity to price risk has increased during the current period mainly due to the increase in unit trust investments.

There have been no changes to the equity price or price sensitivity from the prior year.

(i) Classification of Financial Instruments under the Fair Value Hierarchy

The Scheme has adopted the amendments to AASB 7, effective 1 July 2009. AASB 7 requires the classification of financial instruments at fair value (net market value) determined by reference to the source of inputs used to derive the fair value. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy has the following levels:

30 June 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets				
Unlisted Securities and Trusts	-	4,179,495	-	4,179,495
Total	-	4,179,495	-	4,179,495

30 June 2012 Scheme	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets				
Unlisted Securities and Trusts	-	3,536,288	-	3,536,288
Total	-	3,536,288	-	3,536,288

The Scheme has recorded its investment in LIF as a level 2 asset due to it being an unlisted unit trust and it not meeting the Level 1 requirement to be actively traded. The Scheme can redeem or purchase units in LIF on a weekly basis.

There were no transfers between level 1, level 2 and level 3 in the period.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 following persons held office as Directors of LGSS Pty Limited during the year or since the end of the year and up to the date of this report:

Employer representatives

Mr S Byrne (Resigned 26 March 2013)
Ms B Giegerl OAM (Resigned 26 March 2013)
Mr L Kelly OAM
Mr B Miller
Mrs M Blicavs (Appointed 3 April 2013)
Mr K Rhoades (Appointed 3 April 2013)

Employee representatives

Mr J Beacroft (Resigned 8 October 2013)
Mr M O'Connell
Mr I Robertson (Resigned 23 October 2013)
Mr G Kelly (Resigned 24 October 2012)
Mr C Peate (Appointed 25 October 2012)
Mr J Montague (Appointed 9 October 2013)
Mrs J Davison (Appointed 30 October 2013)

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

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 and of Local Government Property Fund. J Beacroft, B Giegerl, L Kelly, B Miller and M O'Connell are Directors of Local Government Financial Services Pty Limited, which is 100% owned by Local Government Superannuation Scheme Pool B.

(b) Other Key Management Personnel

The Chief Executive Officer, Mr P Lambert, the Chief Investment Officer, Mr C Turnbull, and Chief Operating Officer, Mr A Griffin are considered to be members of the key management personnel.

(c) Compensation Received

	2013 \$'000	2012 \$'000
Short term Benefits	1,476,263	1,242,997
Post Employment Benefits	110,241	107,859
	<u>1,586,504</u>	<u>1,350,856</u>

The total compensation due and receivable by the Directors of LGSS Pty Limited and other key management personnel during the financial year is paid on behalf of the Scheme by LGSS Pty Limited. A number of Directors have their emoluments paid to their sponsoring organisation.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

(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.

Contributions and retirement benefits of key management personnel

Certain key management personnel, including the directors of the Trustee paid member contributions into the Scheme. These were in accordance with the normal terms and conditions of the Trust Deed.

Mr M O'Connell and Mr L Kelly are directors of the Trustee and received benefit payments during the year in accordance with the Trust Deed.

(e) Other Related Party Transactions

During the period 1 July 2012 to 30 June 2013, LGSS Pty Limited was paid administration fees and employee entitlements of \$23,288,171 (2012: \$21,070,793) from Local Government Superannuation Scheme Pool A.

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

Included within the investments of Local Government Superannuation Scheme Pool A are amounts held with Local Investment Fund \$4,179,495,154 (2012: \$3,536,288,211). Distributions received/receivable from Local Investment Fund were \$240,353,327 (2012: \$111,555,392).

18. SUBSEQUENT EVENTS

No significant events have occurred since balance date which would impact on the financial position of the Scheme as disclosed in the Statement of Financial Position as at 30 June 2013 or on the results for the year ended on that date.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

19. SUBSIDIARIES

Name of Entity	2013 Ownership Interest %	2012 Ownership Interest %
Parent Entity		
Local Government Superannuation Scheme Pool A		
Subsidiaries		
Local Investment Fund	62%	61%

The Scheme does not have a controlling interest in Local Investment Fund in terms of the requirements of AASB 10. Although the Scheme is subject to variable returns from its investment, the Scheme does not have power over it (ie. no control) and therefore it is not consolidated, consistent with the requirements of AASB 10.

The investment in Local Investment Fund is disclosed at net asset value in the Scheme's accounts. Details on the holdings and transactions with this entity are disclosed in Note 17.

Report by the Independent Approved Auditor to the members of Local Government Superannuation Scheme Pool A (ABN: 74 925 979 278)

I have audited the financial statements of Local Government Superannuation Scheme Pool A for the 30 June 2013 as set out on pages 4 to 30 attached.

Trustee's responsibility for the financial statements

The superannuation entity's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I 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 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, the financial position of Local Government Superannuation Scheme Pool A as at 30 June 2013 and the results of its operations and its cash flows for the year ended 30 June 2013.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Frances Borg

Frances Borg
Partner
Chartered Accountants

Sydney, 30 October 2013

