

**Local Government Superannuation Scheme
Pool A**

Financial Report

For the Year Ended 30 June 2015

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

CONTENTS	Page
TRUSTEE'S STATEMENT	3
OPERATING STATEMENT	4
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF CASH FLOWS	6
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	7
INDEPENDENT AUDIT REPORT TO THE MEMBERS	32

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

TRUSTEE'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

In the opinion of the directors of LGSS Pty Limited (the "Trustee") of Local Government Superannuation Scheme Pool A:

1. The accompanying financial statements of the Local Government Superannuation Scheme Pool A ("the Fund") are properly drawn up so as to present fairly the Financial Position of the Fund as at 30 June 2015, the Operating Statement for the year ended 30 June 2015 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 Fund 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 Fund 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 September 2015



Director



Director

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Note	2015 \$'000	2014 \$'000
Investment Revenue			
Interest Revenue		1,384	1,252
Trust Distributions		167,815	158,177
Other Investment Revenue		41	-
Changes in Net Market Value of Investments	11	243,456	318,727
Total Investment Revenue		412,696	478,156
Contributions Revenue			
Employer Contributions	12(a)	312,915	274,865
Member Contributions	12(c)	92,148	68,770
Transfers From Other Funds	12(d)	321,461	264,227
Total Contributions Revenue		726,524	607,862
Other Revenue			
Proceeds of Insurance Claims		15,966	13,364
Other Revenue		39	-
Total Other Revenue		16,005	13,364
Total Revenue		1,155,225	1,099,382
Expenses			
Group Life Insurance Premiums		(17,568)	(14,027)
Fund Administration Expenses	3(f)	(19,992)	(23,638)
Total Expenses		(37,560)	(37,665)
Benefits Accrued as a Result of Operations before Income Tax		1,117,665	1,061,717
Income Tax Expense	7(a)	(60,804)	(40,367)
Benefits Accrued as a Result of Operations after Income Tax		1,056,861	1,021,350

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 2015

	Note	2015 \$'000	2014 \$'000
Investments			
Unlisted Australian Unit Trusts	4	5,557,792	4,868,949
DIY Investment Option (Macquarie DIO)	4	7,448	-
Total Investments		5,565,240	4,868,949
Other Assets			
Cash and Cash Equivalents	15(a)	51,191	58,369
Receivables	5	13,555	452
Deferred Tax Asset	7(c)	-	14,150
Total Other Assets		64,746	72,971
Total Assets		5,629,986	4,941,920
Less: Liabilities			
Benefits Payable		2,125	164
Payables	6	5,507	5,315
Current Tax Liability	7(b)	12,047	15,038
Deferred Tax Liability	7(c)	12,921	-
Total Liabilities		32,600	20,516
Net Assets Available to Pay Benefits		5,597,386	4,921,404
Represented by:			
Liability for Accrued Benefits			
Funds Allocated to Members' Accounts	9	5,572,589	4,899,141
Funds Not Yet Allocated to Members' Accounts	8(b)	6,807	10,969
Administration Reserve	8(c)	223	407
Insurance Reserve	8(d)	1,771	1,956
Operational Risk Financial Requirement (ORFR) Reserve	8(e)	15,996	8,931
Total Liability for Accrued Benefits	8(a)	5,597,386	4,921,404

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 2015

	Note	2015 \$'000	2014 \$'000
Cash Flows from Operating Activities			
Contributions Received from Employers		301,013	274,865
Contributions Received from Members		92,001	68,770
Transfers from Other Funds		321,461	264,227
Interest Received		1,384	1,252
Benefits Paid		(378,917)	(311,905)
Fund Administration Expenses Paid		(22,419)	(22,629)
Income Tax Paid		(36,723)	(48,644)
Net Cash Flows Provided by Operating Activities	15(b)	277,800	225,936
Cash Flows from Investing Activities			
Redemptions from Investments		322,943	657,006
Applications to Investments		(607,921)	(869,556)
Net Cash Flows Used in Investing Activities		(284,978)	(212,550)
Net (Decrease) / Increase in cash held		(7,178)	13,386
Cash at the Beginning of the Financial Year		58,369	44,983
Cash and Cash Equivalents at the End of the Financial Year	15(a)	51,191	58,369

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 2015

1. DESCRIPTION OF THE FUND

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

The Fund consists of four divisions. Divisions A, P and E consist of accumulation funds, and Division F is an allocated pension and rollover fund. The Fund was granted a MySuper Licence on 1 July 2013.

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

Australian Administration Services Pty Limited provides accounting and administration for the Fund.

The principal place of business of the Fund 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, vested benefits and 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 Fund is a not for profit entity.

The financial statements were authorised for issue by the Directors on 30th September 2015.

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 2015

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.

New Accounting Standards and Interpretations

The Fund applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 July 2014. The nature of each standard and/or amendment is described below. The adoption of these standards and amendments has not had any significant financial impact on the financial statements.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities.

Adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.

AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities

These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.

AASB 1031 Materiality

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality.

Interpretation 21 Levies

Confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amounts Disclosures for Non-Financial Assets

Requirements to disclose additional information about the fair value measurements when the recoverable amount of impaired assets is based on fair value less costs of disposal.

AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting

Amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative has been designated as a hedging instrument.

AASB 2013-0 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments

Makes amendments to a number of Standards and Interpretations:

- amendments arising from the issuance of AASB CF 2013-1
- amendments to particular Australian Accounting Standards to delete references to AASB 1031

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2. BASIS OF PREPARATION (continued)

New Accounting Standards and Interpretations (continued)

- makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 *Hedge Accounting* into AASB 9 *Financial Instruments*

AASB 2014-1 Amendments to Australian Accounting Standards

AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.

AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

AASB 13 - Clarifies that the portfolio exemption in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132.

AASB 140 - Clarifies that judgement is needed to determine whether an acquisition of investment property is solely the acquisition of investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB3 that includes an investment property. That judgement is based on guidance in AASB 3.

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 Fund were in issue but not yet effective:

The directors anticipate that, of the following Standards, only the adoption of AASB 1056 will have a material impact on the presentation of the financial report of the Fund. There will be no material impact on the recognition and measurement of assets.

AASB 1056 Superannuation Entities

AASB 1056 is a new Standard applying to superannuation entities replacing AAS 25 *Financial Reporting by Superannuation Plans*. This new standard specifies requirements for general purpose financial statements of superannuation entities and results in significant changes to presentation of financial statements, measurement and disclosure of defined benefit obligations and disclosure of disaggregated financial information.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2. BASIS OF PREPARATION (continued)

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

For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

AASB 9/IFRS 9 Financial Instruments

AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.

AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139.

AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* replaces the existing revenue recognition standards AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations (Interpretation 13 *Customer Loyalty Programmes*, Interpretation 15 *Agreements for the Construction of Real Estate*, Interpretation 18 *Transfers of Assets from Customers*, Interpretation 131 *Revenue—Barter Transactions Involving Advertising Services* and Interpretation 1042 *Subscriber Acquisition Costs in the Telecommunications Industry*). AASB 15 incorporates the requirements of IFRS 15 *Revenue from Contracts with Customers* issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).

AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- (a) Step 1: Identify the contract(s) with a customer
- (b) Step 2: Identify the performance obligations in the contract
- (c) Step 3: Determine the transaction price
- (d) Step 4: Allocate the transaction price to the performance obligations in the contract
- (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2. BASIS OF PREPARATION (continued)

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

Currently, AASB 15 is effective for annual reporting periods commencing on or after 1 January 2017. Early application is permitted.

AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.

AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards. Materiality covered in AASB 101.

AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception

This makes amendments to AASB 10, AASB 12 *Disclosure of Interests in Other Entities* and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities.

AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit

This Standard makes amendments to AASB 124 *Related Party Disclosures* to extend the scope of that Standard to include not-for-profit public sector entities.

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 2015 and the comparative information presented in these financial statements for the year ended 30 June 2014.

(a) Principles of Consolidation

The Directors have 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.

The Fund 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 Fund 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 (3 months or less) which are readily convertible to cash and which are subject to insignificant risk of changes in value.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 Fund 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 Fund intends to settle its current tax assets and liabilities on a net basis.

(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 Fund and the income can be reliably measured, revenue is recognised. The following recognition criteria relate to the different income streams the Fund 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. The effective interest rate is the rate that exactly discounts future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. Interest on cash deposits is recognised in accordance with the terms and conditions which apply to the deposits.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue Recognition (continued)

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.

Group Life Insurance Proceeds

Insurance claim amounts are recognised where the insurer has agreed to pay the claim lodged and has transferred the claim amount to the Fund.

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 Fund.

(f) Expenses

Administrative expenses, other than the weekly administration fee and member transaction fees, are charged directly to net assets of the Fund.

The Fund'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 Fund.

The administrative expenses are disclosed in the Statement of Cash Flows as part of the Fund's operating activities. Expenses are accounted for on an accruals basis.

(g) Liability for Accrued Benefits

The liability for accrued benefits is the Fund'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.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Functional and Presentation Currency

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

(i) 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 Fund 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.

(j) Receivables

Receivables may include amounts for trust distributions, interest, and contributions. 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. Contributions received post 30 June 2015 which relate to the period to 30 June 2015 have been accrued as at the year-end due to the availability of reliable information this year.

(k) Benefits Paid and Payable

The Fund 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 Fund but has not yet been paid to members.

(l) Payables

Payables are recognised when the Fund 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.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Rounding

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

4. INVESTMENTS

	2015 \$'000	2014 \$'000
Unlisted Australian Unit Trust	5,557,792	4,868,949
DIY Investment Option (Macquarie DIO)	7,448	-
Total Investments	<u>5,565,240</u>	<u>4,868,949</u>

The DIO comprises of investments in Term Deposits, ETFs and Cash.

5. RECEIVABLES

	2015 \$'000	2014 \$'000
Other Receivables	1,506	452
Contribution Receivables	12,049	-
Total Receivables	<u>13,555</u>	<u>452</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.

6. PAYABLES

	2015 \$'000	2014 \$'000
Inter-group Payable	3,389	1,768
Other Payables	2,118	3,547
Total Payables	<u>5,507</u>	<u>5,315</u>

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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. 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:

	2015	2014
	\$'000	\$'000
Current Tax Expense	33,733	35,760
Deferred Tax Expense	27,071	4,607
Total Income Tax Expense	<u>60,804</u>	<u>40,367</u>

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:

	2015	2014
	\$'000	\$'000
Benefits Accrued as a Result of Operations before Income Tax	1,117,665	1,061,717
Income Tax Expense Calculated at 15%	<u>167,650</u>	<u>159,258</u>
Non-deductible Expenses	46	29
Non-assessable/deductible Investment Revenue	(4,056)	(39,204)
Assessable deferred investment gain	7,825	-
Non-assessable Contributions and Transfers	(61,822)	(49,836)
Imputation and Foreign Tax Credits	(16,432)	(14,488)
Anti Detriment Deduction	(880)	(607)
Current Pension Liability Exemption	(3,918)	(4,832)
Death or Invalidity Insurance	40	154
Accounting deferred investment gain	(11,737)	(5,341)
Timing Differences	-	127
Discount on Capital Gains	(16,287)	(3,269)
TFN Withholding on Contributions from Members	327	(1,477)
Under/(Over) Provision in Prior Year	48	(147)
Income Tax Expense	<u>60,804</u>	<u>40,367</u>

(b) Current Tax Liability:

	2015	2014
	\$'000	\$'000
Income Tax Payable	12,047	15,038
	<u>12,047</u>	<u>15,038</u>

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

7. INCOME TAX (continued)

(c) Deferred Tax Balances

	2015 \$'000	2014 \$'000
Deferred Tax (Liability)/Asset Comprises:		
Temporary Differences	(12,921)	14,150
	(12,921)	14,150

(d) Taxable and deductible temporary differences arise from the following:

	Opening Balance \$'000	(Charged)/ Credited to Income \$'000	Closing Balance \$'000
30 June 2015			
Net Deferred Tax Asset / (Liability)			
Unrealised Taxable Capital (Gains)/Losses	13,363	(24,720)	(11,357)
Payables - Accrued Expenses	787	(2,351)	(1,564)
	14,150	(27,071)	(12,921)

	Opening Balance \$'000	(Charged)/ Credited to Income \$'000	Closing Balance \$'000
30 June 2014			
Net Deferred Tax Asset / (Liability)			
Unrealised Taxable Capital (Gains)/Losses	18,559	(5,196)	13,363
Payables - Accrued Expenses	199	588	787
	18,758	(4,608)	14,150

8. LIABILITY FOR ACCRUED BENEFITS

	2015 \$'000	2014 \$'000
(a) Changes in the Liability for Accrued Benefits		
Liability for Accrued Benefits – at Beginning of the Year	4,921,404	4,212,034
Add: Benefits Accrued as a Result of Operations	1,056,861	1,021,350
Less: Benefits Paid and Payable to Members	(380,879)	(312,644)
Net transfer to/(from) Reserves	-	664
Liability for Accrued Benefits - at End of Year	5,597,386	4,921,404

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

8. LIABILITY FOR ACCRUED BENEFITS (continued)

(b) Funds Not Yet Allocated to Members' Accounts

	2015	2014
	\$'000	\$'000
Funds not yet Allocated to Members' Accounts	6,807	10,969

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

1. Timing differences between the 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

	2015	2014
	\$'000	\$'000
Balance at the Beginning of the Year	407	306
Deducted and transferred from Members' Accounts	5,993	6,837
Administration Fee Paid	(5,993)	(6,837)
Investment Earnings on assets backing the reserve	5	6
Sector Choice Usage	(189)	95
Balance at the End of the Year	223	407

Included in Administration Reserve is \$100,000 to satisfy one of the requirements of the RSE licence.

Monies are transferred to/from the Administration Reserve to/from the Investment Strategy to ensure Members are not adversely affected by valuation timing differences that occur as a result of the weekly cashflow process. The effect of this is only applicable to the Single Sector Choice Product offering due to its size.

(d) Insurance Reserve

	2015	2014
	\$'000	\$'000
Balance at the Beginning of the Year	1,956	2,000
Insurance claim payments	(185)	(44)
Balance at the End of the Year	1,771	1,956

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

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

8. LIABILITY FOR ACCRUED BENEFITS (continued)

(e) Operational Risk Financial Requirement (“ORFR”) Reserve

	2015 \$'000	2014 \$'000
Balance at the Beginning of the Year	8,931	3,918
Investment Earnings	1,100	1,009
Transfers to Members' accounts	(6)	(4)
Capital Transfer In from LGSS Pty Ltd	4,622	2,672
Deduction from Member's Accounts	1,349	1,336
Balance at the End of the Year	<u>15,996</u>	<u>8,931</u>

The Fund has an Operational Risk Financial Requirement Reserve (“ORFR”). The ORFR is a requirement in terms of the Superannuation Prudential Standard (“SPS”) 114. This reserve is used to compensate members for any unrecoverable losses as well as any amounts deemed necessary by LGSS Pty Ltd in the interest of the members. LGSS Pty Ltd has determined that the target balance for this reserve is 0.25% of the Fund's Net Asset Value which has been reached in the year ended 30 June 2015.

9. VESTED BENEFITS

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

	2015 \$'000	2014 \$'000
Vested benefits at the End of the Year:	<u>5,572,589</u>	<u>4,899,141</u>
Net Assets at the End of the Year:	<u>5,597,386</u>	<u>4,921,404</u>

10. GUARANTEED BENEFITS

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

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

11. CHANGES IN NET MARKET VALUE OF INVESTMENTS

	Unrealised at Reporting Date \$'000	Realised During the Year \$'000	Total \$'000
30 June 2015			
Unlisted Unit Trusts	241,324	2,236	243,560
DIY Investment Option (Macquarie DIO)	(105)	1	(104)
Total	<u>241,219</u>	<u>2,237</u>	<u>243,456</u>
30 June 2014			
Unlisted Unit Trusts	315,381	3,346	318,727
Total	<u>315,381</u>	<u>3,346</u>	<u>318,727</u>

12. FUND 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 2014 to 30 June 2015 was 9.50% (1 July 2013 to 30 June 2014: 9.25%).

(b) Optional Employer Contributions

Employers may make additional contributions to the Fund 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 Fund 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 Fund in the form of periodical payments or single payments. Payments include benefits transferred or rolled over from another superannuation fund, approved deposit fund, or retirement savings account.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

13. INVESTMENT STRATEGY SELECTION

Members can choose from eight 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	Member's Age Group
High Growth	Members aged up to 44 years
Balanced Growth	Members aged 45 – 49
Balanced	Members aged 50 – 54
Conservative	Members aged 55 and over
Cash	No automatic allocation. Must be selected by members.

14. REMUNERATION OF AUDITORS

	2015	2014
	\$	\$
Remuneration for audit of the financial report of the Fund		
Ernst & Young:		
Audit and review of financial reports and compliance	96,558	-
Taxation services	37,049	-
	<u>133,607</u>	<u>-</u>
Deloitte Touche Tohmatsu:		
Audit and review of financial reports and compliance	-	155,449
	<u>-</u>	<u>155,499</u>

Audit fees are paid by LGSS Pty Limited on behalf of Local Government Superannuation Fund Pool A. The amounts above are GST inclusive.

For the year ended 30 June 2015, Ernst & Young has been engaged as the Fund's new auditors.

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:

	2015	2014
	\$'000	\$'000
Cash at Bank	<u>51,191</u>	<u>58,369</u>

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

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

15. CASH FLOW INFORMATION (continued)

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

	2015 \$'000	2014 \$'000
Benefits Accrued as a Result of Operations after Tax	1,056,861	1,021,350
Benefits Paid and Payable	(380,879)	(312,644)
Transfers to Reserves	-	664
Movement in Net Market Value of Investments	(243,456)	(318,727)
Non-cash Unit Trust Distribution	(167,856)	(158,177)
(Increase)/Decrease in Receivables	(13,103)	90
Increase in Payables	2,153	1,655
Increase in net Deferred Tax Liability	27,071	4,608
Increase in Current Tax Liability	(2,991)	(12,883)
Net Cash Flow from Operating Activities	<u>277,800</u>	<u>225,936</u>

16. FINANCIAL RISK MANAGEMENT

(a) Financial Instruments Management

The investments of the Fund (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 Fund and is in accordance with the Trustee's investment strategy.

J P Morgan acts as master custodian on behalf of the Trustees of the Fund 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 Fund holds an RSE license. 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). The ORFR Reserve is another capital requirement of the Fund and is detailed in Note 8(e).

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

16. FINANCIAL RISK MANAGEMENT (continued)

(d) Categories of Financial Instruments

The assets and liabilities of the Fund 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 Fund is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including currency risk, 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 Fund'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 Fund.

The Trustee has developed, implemented and maintains a Risk Management Framework ("RMF") including a Risk Management Strategy ("RMS") in respect of its activities as a Trustee and a Risk Management Framework ("RMF") for the Fund.

The RMF details 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 RMF.

(f) Credit Risk

The Fund'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 Fund. 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 Fund 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 Fund in a number of underlying

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

16. FINANCIAL RISK MANAGEMENT (continued)

(f) Credit Risk

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.

(g) Liquidity Risk

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

The Fund's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. The Fund allows members to withdraw benefits and it is therefore exposed to the liquidity risk of meeting members' withdrawals at any time. The Fund 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 Fund, may not be able to liquidate all of these investments at their net market value in order to meet its liquidity requirements.

The Fund's liquidity risk is managed in accordance with the Fund's investment strategy. The Fund has a high level of net inward cash flows (through new contributions) which provides capacity to manage liquidity risk. The Fund 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 Fund cannot have an exposure of less than 75% of assets invested in liquid asset classes at any one point in time. The Fund's overall strategy to liquidity risk management has not changed from the prior year.

The following tables summarise the maturity profile of the Fund'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 Fund can be required to pay. The tables include both interest and principal cash flows.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

16. FINANCIAL RISK MANAGEMENT (continued)

(g) Liquidity Risk

	Less than 3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
2015					
Vested benefits	5,572,589	-	-	-	5,572,589
Other					
Benefits payable	2,125	-	-	-	2,125
Payables	5,507	-	-	-	5,507
Current tax liability	-	12,047	-	-	12,047
Deferred tax liability	-	-	12,921	-	12,921
Total	5,580,221	12,047	12,921	-	5,605,189
2014					
Vested benefits	4,899,141	-	-	-	4,899,141
Other					
Benefits payable					
Payables	5,478	-	-	-	5,478
Current tax liability	-	15,038	-	-	15,038
Total	4,904,619	15,038	-	-	4,919,657

(h) Market Risk

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 Fund's policies and procedures put in place to mitigate the Fund's exposure to market risk are detailed in the Trustee's investment policies and the RMF.

Whilst market risk is unavoidable the Fund 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 management; the investment managers manage the financial risks relating to the operations of LIF in accordance with an investment mandate. The Fund ensures the operations of LIF are in accordance with the Fund'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.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

16. FINANCIAL RISK MANAGEMENT (continued)

(h) Market Risk (continued)

There has been no change to the Fund'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 Fund, and through its investment in LIF, is exposed to the interest rate markets. The Fund invests in these financial assets for the primary purpose of obtaining a return on investments on behalf of its members. The Fund'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 Fund having exposure to interest rate movements. The Fund 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 Fund'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 Fund was exposed to at reporting date via its investment in LIF and DIY Investment Options:

	Change in Variable	Effect on Change in Net Assets	
		2015	2014
	+/-	\$'000	\$'000
Interest rate risk	+2%	(9,832)	(15,749)
Interest rate risk	-2%	9,832	15,749

Foreign Currency Risk Management

The Fund 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 30% (2014: 35%) at balance sheet date.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

16. FINANCIAL RISK MANAGEMENT (continued)

(h) Market Risk (continued)

The Trustee of LIF uses a currency external overlay manager to manage its exposures to foreign currency risk. The Fund'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 Fund'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 number indicates an increase in net assets available to pay benefits and the 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	
	+/-	2015	2014	2015	2014
		\$'000	\$'000	\$'000	\$'000
Forex Risk	+10%	(4,169)	(1,628)	(20)	(145)
Forex Risk	-10%	4,169	1,628	20	145

	Change in Variable	Effect on Change in Net Assets			
		EUR Impact		GBP Impact	
	+/-	2015	2014	2015	2014
		\$'000	\$'000	\$'000	\$'000
Forex Risk	+10%	(610)	(506)	(10)	(82)
Forex Risk	-10%	610	506	10	82

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 Fund's investment portfolio will fluctuate as a result of changes in market prices.

The Fund 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 Fund's overall strategy to market price risk management has not changed from the previous year.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

16. FINANCIAL RISK MANAGEMENT (continued)

(h) Market Risk (continued)

The following table illustrates the effect on changes in net assets and the net assets available to pay benefits from possible changes in market risk that were reasonably possible based on the risk the Fund was exposed to at reporting date via its investment in LIF. 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:

	Change in Variable	Effect on Change in Net Assets	
		2015	2014
	+/-	\$'000	\$'000
Equity Price Risk	+10%	396,282	311,377
Equity Price Risk	-10%	(396,282)	(311,377)

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

AASB 13 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 level in which instruments are classified in the hierarchy is based on the lowest level input that is significant to the fair value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the instrument.

The fair value hierarchy has the following levels:

30 June 2015	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Unlisted Securities and Trusts	-	5,557,792	-	5,557,792
DIY Investment Option (Macquarie DIO)	7,448	-	-	7,448
Total	7,448	5,557,792	-	5,565,240

30 June 2014	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Unlisted Securities and Trusts	-	4,868,949	-	4,868,949
Total	-	4,868,949	-	4,868,949

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

16. FINANCIAL RISK MANAGEMENT (continued)

(h) Market Risk (continued)

Asset Category	Level 2	Valuation Techniques	Key unobservable input	Relationship of unobservable inputs to fair value
30 June 2015	\$'000			
Unlisted Securities and Trusts	5,557,792	Net asset value	N/A	N/A
Total				

30 June 2014	\$'000			
Unlisted Securities and Trusts	4,868,949	Net asset value	N/A	N/A
Total	4,868,949			

The Fund 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 Fund can redeem or purchase units in LIF on a weekly basis.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in a transaction between market participants at the measurement date. The Fund has an established control framework with respect to the measurement of fair values. When third party valuation information, such as periodic valuations provided by the Trustees of unlisted unit trusts is used to measure fair value, the Trustee has a process in place to assess the evidence obtained to support the conclusion that such valuations meet the requirements of Australian Accounting Standards. The Trustee's policy on the valuation of private market investments held in the Fund is to adopt the latest available reported valuations provided by the operators of the investment vehicles. The valuations provided by the Trustees of unlisted unit trusts are monitored daily, monthly or as required.

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

17. KEY MANAGEMENT PERSONNEL REMUNERATION AND RELATED PARTY INFORMATION

(a) Identification of Related Parties and Directors

The Trustee of the Fund 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 L Kelly OAM (Resigned 31 March 2015)
Mr B Miller (Ceased as Chair 31 March 2015)
Mrs M Blicavs
Mr K Rhoades (Resigned 31 March 2015)
Mr J Morris (Appointed 1 April 2015)
Ms K O'Regan (Appointed 1 April 2015)

Employee representatives

Mr M O'Connell
Mr C Peate (Appointed as Chair 31 March 2015)
Mr J Montague
Mrs J Davison (Resigned 10 October 2014)
Mr S Byrne (Appointed 5 November 2014)

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

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

LGSS Pty Limited is also the Trustee for Local Government Superannuation Fund 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. C Peate, M Blicavs, B Miller and M O'Connell are Directors of Local Government Financial Services Pty Limited, which is 100% owned by Local Government Superannuation Fund Pool B.

(b) Other Key Management Personnel

The Chief Executive Officer, Mr P Lambert, the Chief Investment Officer, Mr C Turnbull, Chief Operating Officer, Mr A Griffin, Chief Marketing Officer, Ms Michelle Hopwood and Chief Governance Officer, Ms Donna Heffernan are considered to be members of the key management personnel.

(c) Compensation Received

	2015	2014
	\$'000	\$'000
Short-term employee benefits	2,084,187	1,906,387
Post-employment benefits	185,572	140,232
	<u>2,269,759</u>	<u>2,046,619</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 Fund by LGSS Pty Limited.

(d) Transactions entered into during the year with Directors and their Related Entities

Transactions with Director related entities were conducted on normal terms and conditions. Directors' fees are included in short-term employee benefits as set out in Note 17(c) and are 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 Fund. These were in accordance with the normal terms and conditions of the Trust Deed.

Mr L Kelly, Mr B Miller, and Mr J Montague are directors of the Trustee and received benefit payments during the year in accordance with the Trust Deed.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

(e) Other Related Party Transactions

During the period 1 July 2014 to 30 June 2015, LGSS Pty Limited was paid administration fees and employee entitlements of \$21,444,233 (2014: \$23,546,180) from Local Government Superannuation Fund 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 Fund Pool A are amounts held with Local Investment Fund \$5,557,792,296 (2014: \$4,868,949,334). Distributions received from Local Investment Fund were \$167,814,930 (2014: \$158,176,763).

18. SUBSEQUENT EVENTS

On 26 August 2015 APRA issued a letter to the Trustee confirming revocation of certain RSE license conditions under Schedule 1 of the Local Government Superannuation Scheme Pool A APRA license. The revocation primarily relates to the requirement to carry \$100,000 in the Administration Reserve for the purposes of ensuring ongoing solvency and to support business operations. During the financial year the Fund has complied with its obligations in relation to Prudential Standard SPS114 concerning the establishment of an Operational Risk Reserve. As a result the previous requirement under the Fund's APRA RSE license to carry a reserve of \$100,000 will be redundant effective from 1 October 2015. This will be disclosed accordingly in the Financial Report for 30 June 2016. Apart from the APRA RSE License condition revocation above, no significant events have occurred since balance date which would impact on the financial position of the Fund as disclosed in the Statement of Financial Position as at 30 June 2015 or on the results for the year ended on that date.

19. INVESTMENTS IN STRUCTURED ENTITIES

Name of Entity	2015 Ownership Interest %	2014 Ownership Interest %
Local Investment Fund	65%	63%

The Fund does not have a controlling interest in Local Investment Fund in terms of the requirements of AASB 10. Although the Fund is subject to variable returns from its investment, the Fund 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 Fund's accounts. Details on the holdings and transactions with this entity are disclosed in Note 17.

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A ABN 74 925 979 278 REPORT BY THE RSE AUDITOR TO THE TRUSTEE AND MEMBERS

Financial statements

I have audited the financial statements of Local Government Superannuation Scheme Pool A for the year ended 30 June 2015 comprising the statement of financial position, operating statement, cash flow statement, summary of significant accounting policies, other explanatory notes and the Trustee's statement.

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 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 Trustee and members of Local Government Superannuation Scheme Pool A.

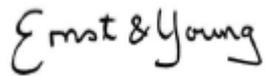
My audit has been conducted in accordance with Australian Auditing Standards. These Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material 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 controls 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 controls. 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 2015 and the results of its operations and its cash flows for the 30 June 2015.



ERNST & YOUNG



David Jewell
Partner
Sydney
Date: 30 September 2015