Local Authorities Superannuation Fund and its controlled entities

Annual financial report 30 June 2008

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Trustee's statement

Independent report by approved auditor

Actuary's statement

Local Authorities Superannuation Fund and its controlled entities
Statement of net assets
As at 30 June 2008

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Fund 2008 $000	Fund 2007 $000
Assets					
Cash at bank		6,782	20,463	5,549	20,205
Contributions receivable	*12*	2,734	3,854	2,734	3,854
Other receivables		1,324	1,140	1,054	1,007
Prepayments		26	3	-	3
Deferred tax benefits		39,102	2,859	-	12
Investments					
Cash		414,845	217,861	-	-
Fixed interest		578,791	582,097	-	-
Australian equities		823,915	1,022,801	-	-
International equities		692,475	956,514	-	-
Property		560,243	455,666	-	-
Private equity		343,117	266,374	-	-
Infrastructure		467,724	410,020	-	-
Absolute return		213,258	209,343	-	-
Units in Vision Pooled Superannuation Trust		-	-	3,990,319	4,126,768
Derivative		15,778	23,517	-	-
Total assets		4,160,114	4,172,512	3,999,656	4,151,849
Liabilities					
Benefits payable		13,172	16,760	13,172	16,760
Other payables		3,264	4,432	404	80
Amounts held in trust		887	3,041	887	3,041
Current income tax liabilities	*13*	46,594	29,680	34,107	29,238
Deferred tax liabilities	*13*	2,772	16,157	404	576
Derivatives		4,185	288	-	-
Net assets attributable to minority interests	*3(a)*	138,558	-		
Total liabilities (excluding net assets available to pay benefits)		209,432	70,358	48,974	49,695
Net assets available to pay benefits		3,950,682	4,102,154	3,950,682	4,102,154
Represented by:					
Defined benefit members' funds		1,683,213	1,842,685	1,683,213	1,842,685
Accumulation members' funds		2,267,469	2,237,767	2,267,469	2,237,767
Benefits attributable to Vision Super Fund		-	21,702	-	21,702
		3,950,682	4,102,154	3,950,682	4,102,154

The statement of net assets is to be read in conjunction with the notes to the financial statements set out on pages 3 to 20.

Local Authorities Superannuation Fund and its controlled entities
Statement of changes in net assets
For the year ended 30 June 2008

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Fund 2008 $000	Fund 2007 $000
Investment income					
Interest		22,297	23,812	452	13,668
Dividends/trust distributions		159,568	150,331	-	88,042
Other investment income		691	1,781	-	1,130
Changes in net market value of investments	9	(321,382)	438,886	(127,863)	490,380
		(138,826)	614,810	(127,411)	593,220
Direct investment expense	10	(20,885)	(17,619)	(43)	(10,088)
Gross profit on investment activities		(159,711)	597,192	(127,454)	583,132
Contributions income					
Employers		249,507	226,448	249,507	226,448
Members		62,790	80,660	62,790	80,660
Transfer from other funds		65,005	53,971	65,005	53,971
		377,302	361,079	377,302	361,079
Other income					
Insurance proceeds		203	187	203	187
Other income		200	428	200	428
		403	615	403	615
Expenses					
Benefits paid		(353,465)	(225,225)	(353,465)	(225,225)
General administration expenses	11	(14,921)	(13,364)	(14,921)	(12,478)
Life office endowment premium expense	16	(1,056)	-	(1,056)	
Superannuation contributions (Surcharge) Tax	3(l)	(65)	(904)	(65)	(904)
		(369,507)	(239,492)	(369,507)	(238,607)
Net change for the year before income tax		(151,513)	719,393	(119,256)	706,219
Income tax expense	13	41	60,925	(32,216)	47,751
Net change for the year after income tax		(151,472)	658,468	(151,472)	658,468
Attributable to:					
The Fund		(146,389)	658,468		
Minority interests	3(a)	(5,083)	-		
Net change for the year after income tax		(151,472)	658,468		
Net assets available to pay benefits at the beginning of the financial year		4,102,154	3,443,686	4,102,154	3,443,686
Net assets available to pay benefits at the end of the financial year		3,950,682	4,102,154	3,950,682	4,102,154

The statement of changes in net assets is to be read in conjunction with the notes to the financial statements set out on pages 3 to 20.

Notes to the financial statements
For the year ended 30 June 2008

1. Reporting entity
Local Authorities Superannuation Fund (the "Fund") is a superannuation fund domiciled in Australia. The address of the Fund's registered office is Level 5, 1 Spring Street in Melbourne.

The Trustee of the Fund is Vision Super Pty Ltd (VSPL). The Fund is a standard employer-sponsored fund with both a defined benefit section and accumulation section. The defined benefits section of the Fund was closed to new entrants from 31 December 1993, with all new entrants joining the accumulation section of the Fund.

The Fund's governing rules are contained within the Local Authorities Superannuation Fund Trust Deed dated 26 June 1998. The majority of members and participating employees are drawn from the local government, water and community services sectors.

The Fund provides a range of benefits and services including defined benefit and defined contribution lump sums, pensions, and post retirement products.

The consolidated financial report of the Fund as at and for the financial year ended 30 June 2008 comprises the Fund and its subsidiary, Vision Pooled Superannuation Trust (VPST) (together referred to as the "Group").

2. Basis of preparation
(a) Statement of compliance
The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AAS 25 Financial Reporting by Superannuation Plans, as amended by Australian Accounting Standards Board AASB 2005-13 (December 2005), other applicable Accounting Standards, the provisions of the Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations.

The financial report was authorised for issue by the Directors of the Trustee, Vision Super Pty Ltd, on 26 September 2008.

(b) Functional and presentation currency
The financial report is presented in Australian dollars, which is the functional currency of the Fund and the functional currency of the Group.

Amounts have been rounded to the nearest thousand dollars except where otherwise noted.

(c) Use of estimates and judgements
The carrying amounts of certain assets and liabilities are often determined on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting periods are: Valuation of Accrued Benefits.

The amount of accrued benefits has been actuarially determined. The key assumptions are discussed in Note 5.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial reports of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases.

In the financial report of the Fund, investments in subsidiaries are carried at net market value.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial report.

(iii) Minority interests

For the financial year ended 30 June 2008, minority interests are both presented in Statement of net assets and Statement of changes in net assets.

(b) Assets

Assets are included in the statement of net assets at net market value as at reporting date and movements in the net market value of assets are recognised in the statement of changes in net assets in the periods in which they occur.

The Group recognises financial assets on the date it becomes a party to the contractual provisions of the asset. Financial assets are recognised using trade date accounting. From this date any gains and losses arising from changes in net market value are recorded.

Net market values have been determined as follows:

(i) Market quoted investments

Market quoted investments comprises short-term deposits and listed securities. The net market value of an investment for which there is a readily available market quotation is determined as the last quoted sale price as at the close of business on reporting date, less an appropriate allowance for costs expected to be incurred in realising the investments.

(ii) Non-market quoted investments

Investments for which market quotations are not readily available are valued at the net fair value determined by the Trustee as follows:

Unlisted investments and pooled funds – valued at the redemption price at reporting date as advised by the investment managers and are based on the net market value of the underlying investments. Unit values denominated in foreign currency are then translated to Australian dollars at the current exchange rates.

(c) Cash and cash equivalents

Cash and cash equivalents in the statement of net assets comprise cash at bank and short-term deposits with an original maturity of less than one-year maturity.

3. Significant accounting policies (continued)

(d) Financial liabilities

The Group recognises financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

The Group recognises financial liabilities at net market value as at reporting date with any change in net market values of the Group's financial liabilities since the beginning of the reporting period included in the statement of changes in net assets for the reporting period.

(e) Benefits payable

Benefits payable comprises the entitlements of members who have claimed a benefit prior to the end of the year, and the entitlement had not been paid at reporting date. Benefits entitlements rolled over within the Fund are not included as benefits payable. Benefits payable are generally settled within 30 days.

(f) Other payables

Other payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group. Payables are normally settled on 30-day terms.

(g) Derivatives

Derivative financial instruments including futures, options, warrants, swaps, forward foreign exchange contracts and forward rate agreements – generally recorded at market value at balance date and included in the investment asset category being hedged.

Investment managers are mandated to use derivative instruments provided they do not gear the portfolios and have cash or securities to back their use.

Investments are maintained for the long-term purpose of providing benefits to members and retirement, death or disability. Due to the long-term objective the amount recoverable through sale within 12 months cannot be determined.

(h) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of change of net assets.

(i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Changes in net market values

Changes in the net market value of investments and derivatives are calculated as the difference between the net market value of sale, or at balance date, and the net market value at the previous valuation point and recognised in the statement of changes in net assets.

(ii) Contributions revenue and transfers in

Contributions revenue and transfers in are recognised when control of the asset has been attained and are recorded, gross of any tax, in the period to which they relate.

(iii) Interest revenue

Interest income is recognised in the statement of changes in net assets as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other difference between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

3. Significant accounting policies (continued)

(iv) Dividends revenue

Revenue from dividends is recognised on the date the shares are quoted ex-dividend and if not received at reporting date, is reflected in the statement of net assets as a receivable at net market value.

(v) Distributions

Distributions from managed investment schemes are recognised as at the date the unit value is quoted ex-distribution and if not received at reporting date, are reflected in the statement of net assets as a receivable at net market value.

(j) Income tax

Income tax on the benefits accrued as a result of operations for the year comprises current and deferred tax. Income tax is recognised in the statement of changes in net assets except to the extent that it relates to items recognised directly in members' funds in which case it is recognised directly in members' funds.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the statement of net assets date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in controlled entities to the extent that it is not probable they will reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realised.

Income tax has been provided in the current year at the rate of 15% as it is the expectation of the Trustee that the Fund will be treated as a complying superannuation fund and its subsidiary VPST's taxable income is "standard income". If the Fund is subsequently deemed to be a non-complying fund for the current year or VPST has "special income", then income tax will be payable at a rate of 47% on the Group's taxable income.

The expense (and any corresponding liability) is brought to account in the period in which the assessments are received by the Trustee and are properly payable by the Group.

(k) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when:

- The right to receive cash flows from the asset have expired; or
- The Group transfers substantially all the risks and rewards of the ownership of the assets.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(l) Superannuation Contributions (Surcharge) Tax

The Trustee recognises amounts paid or payable in respect of the surcharge tax as an expense of the Group.

The expense (and any corresponding liability) is brought to account in the period in which the assessments are received by the Trustee and are properly payable by the Group.

3. Significant accounting policies (continued)

(l) Superannuation Contributions (Surcharge) Tax (continued)

No estimate has been made for the balance of any tax payable in respect of surchargeable contributions received by the Group during the current year as the Trustee is unable to determine this amount until any receipt of applicable assessments .

The superannuation surcharge was abolished with effect from 1 July 2005 by the passing of the Superannuation Laws Amendment (Abolition of Surcharge) Act 2005. The last reporting of contributions for surcharge purposes was in respect of contributions made up to and including 30 June 2005.

(m) Excess contributions tax

The Australian Taxation Office may issue release authorities to members of the Fund relating to the relevant member's excess contributions tax that is payable in respect of the member's concessional and/or non-concessional contributions for a particular year. Where a member receives an excess contributions tax release authority, the member:

- May give the release authority relating to the member's concessional contributions to a fund for payment; and
- Must give the release authority relating to the member's non-concessional contributions to a fund for payment.

Release authorities may be issued by the Australian Taxation Office from 1 July 2007 in relation to transitional non-concessional contributions received by the Fund between 9 May 2006 and 30 June 2007. Release authorities in relation to concessional and/or non-concessional contributions received from 1 July 2007 may be issued from the Australian Taxation Office from 1 July 2008.

The liability for the excess contribution tax will be recognised when the relevant release authorities are received from the members, as the Trustee considers this is when it can be reliably measured.

The excess contributions tax liability recognised by the Fund will be charged to the relevant member's accounts.

Where a member does not provide their tax file number to a fund, the Fund may be required to pay no-TFN contributions tax at a rate of 31.50% which is in addition to the concessional tax rate of 15% which applies to the Fund's taxable income.

The no-TFN contributions tax liability recognised by the Fund will be charged to the relevant member's accounts. Where a tax offset is obtained by the Fund in relation to member's no-TFN contribution tax, the tax offset will be included in the relevant member's accounts.

(o) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO). In circumstances where the GST is not recoverable, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of net assets.

(p) Issued standards not early adopted

The following standards, amendments to standards or interpretations have been identified as those which may impact the Group in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

3. Significant accounting policies (continued)

(p) Issued standards not early adopted (continued)

- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transitions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures, however it is expected to be minimal due to the requirements of AAS 25 *Financial Reporting by Superannuation Plans*.
- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the Statement of changes in net assets; measurement of non-controlling (minority) interest at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit and loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report, however it is expected to be minimal due to the current Group's structure.

(q) Reclassification of financial information

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(r) Valuation dates

The investment held in the VPST has been valued at 30 June 2008 from valuations obtained from the Custodian taking into account information received post balance date. The Vested Benefits value has been calculated using the daily unit price applicable as at 30 June 2008.

4. Group entities

During the year ended 30 June 2008 Local Authorities Superannuation Fund controlled VPST with an ownership interest of 96.6%. VPST was incorporated in Australia. The Fund has no jointly controlled entities.

5. Accrued benefits

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and pensioners.

In respect of all defined benefit members and pensioners, the liability for accrued benefits is measured by a qualified actuary and has been calculated on the basis of the present value of expected future payments arising from membership of the Fund up to the reporting date. The present value of expected future benefit payments was determined by discounting the gross benefit payments at a current market-determined, risk-adjusted discount rate appropriate to the Fund.

Notes to the financial statements
For the year ended 30 June 2008

5. Accrued benefits (continued)
The valuation of accrued benefits was undertaken by the Actuary as part of a comprehensive actuarial valuation as at 31 December 2005. Accrued benefits were previously valued as part of an actuarial review as at 30 June 2002. Full actuarial reviews must be undertaken at least triennially, and the next actuarial valuation is due to be performed as at 31 December 2008. A summary of the Actuarial Report as at 31 December 2005, prepared by the Group's actuary from Russell Employee Benefits, is attached as an addendum.

	As at 31 December 2005 $000	As at 31 December 2002 $000
Accrued Benefits (Defined Benefit Plans)	1,791,917	1,413,104

The financial assumptions used to calculate the accrued benefits for the defined benefit category of the fund are as follows:
Net investment return – 8% p.a.
Salary inflation – 5.5% p.a.
Price inflation – 3.0% p.a.

6. 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 the reporting date.

	Consolidated		Fund	
	2008 $000	2007 $000	2008 $000	2007 $000
Accumulation fund	2,267,469	2,237,767	2,267,469	2,237,767
Defined benefits fund	1,388,264	1,334,822	1,388,264	1,334,822
Total vested benefits	3,655,733	3,572,589	3,655,733	3,572,589

7. Guaranteed benefits
No guarantees have been made in respect of any part of the liabilities for accrued benefits.

8. Funding arrangements
(a) LASF defined benefits
Members – the member contribution rate is 6% of salary.

Employers – the authority contribution rate for active members is 9.25% of salaries, subject to on-going actuarial review. Authorities also fund separately their share of the Fund's 1997 and 2002 unfunded liability and any retrenchment increments paid by the Fund to their employees.

The trustee maintains a 1997 and 2002 unfunded liability account for each authority with an outstanding balance. Account balances are:

- Reduced by payments (net of tax);
- Adjusted in accordance with the net earning rate of the LASF defined benefits plan;
- Increased by any retrenchment increments.

Authorities that have discharged their 1997 and 2002 unfunded liabilities continue to be obligated to share in the Fund's favourable/unfavourable actuarial performance, as determined by the trustee.

The latest actuarial investigation of the LASF defined benefit plan conducted as at 31 December 2005 showed that the funding arrangements were adequate for the expected defined benefit plan liabilities.

8. Funding arrangements (continued)

(a) LASF defined benefits (continued)

Funding requirements for defined benefit fund are impacted by various financial and demographic factors including earnings, salary growth, CPI, claims experience and pensioner mortality rates. The funding arrangements are primarily dependent upon investment performance relative to salary growth and inflation. The next actuarial review for the Fund is due by 31 December 2008.

(b) City of Melbourne – defined benefits

Members – members contribute at rates between 0 and 9% of salaries.

Employer – by agreement dated 1 December 2006 between the trustee and the City of Melbourne and on the advice of the actuary, the employer contribution rate is currently set at 4% of members' salaries. Prior to 1 December 2006, the employer contribution rate was 8% of members' salaries according to the agreement dated 1 April 2001 between the trustee and the City of Melbourne.

(c) Parks Victoria – defined benefits

Members – members contribute at rates between 0 and 7.5% of salaries.

Employer – by agreement dated 1 April 2001 between the trustee and Parks Victoria and on the advice of the actuary, the employer contribution rate is currently set at 10% of members' salaries.

(d) Vision Super Saver

The Fund's Super Saver category receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with the 9% required under Superannuation Guarantee Legislation. No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

9. Changes in net market values

	Consolidated		Fund	
	2008 $000	2007 $000	2008 $000	2007 $000
Investments held at balance date				
Cash	2,703	569	-	-
Fixed Interest	(5,282)	(13,498)	-	-
Australian equities	(175,007)	50,081	-	-
International equities	(152,413)	30,813	-	-
Property	29,353	21,687	-	-
Private equity	(35,559)	(5,229)	-	-
Infrastructure	35,396	41,466	-	-
Absolute return	9,867	13,765	-	-
Units in VPST	-	-	(127,863)	490,380
Total unrealised gains/(losses)	(290,942)	139,654	(127,863)	490,380
Cash	16,311	1,983	-	-
Fixed Interest	29,718	14,325	-	-
Australian equities	(36,057)	(12,183)	-	-
International equities	(25,030)	20,631	-	-
Property	(610)	(8)	-	-
Private equity	344	61	-	-
Infrastructure	-	-	-	-
Absolute return	2,005	11	-	-
Total realised gains/(losses)	(13,319)	24,820	-	-
Adjustment due to consolidation	(17,121)	-	-	-
Total changes in net market values	(321,382)	164,474	(127,863)	490,380

10. Direct investment expenses

	Consolidated		Fund	
	2008	2007	2008	2007
	$000	$000	$000	$000
Master custodian fees	1,764	1,983	35	1,082
Fund managers' fees	9,904	12,383	8	6,588
VPST's trustee services fees	6,219	682	-	-
Other investment expenses	2,998	2,571	-	2,418
	20,885	17,619	43	10,088

11. Administration expenses

	Consolidated		Fund	
	2008	2007	2008	2007
	$000	$000	$000	$000
Actuarial fees	13	66	13	66
Annual lodgement fee - APRA	233	172	233	172
Banking & Regulatory Charges	26	28	26	28
Computing Expenses	-	859	-	858
Depreciation of fixed assets	-	424	-	424
External audit fees	80	121	80	113
Internal audit fees	-	68	-	68
Labour expenses	8	3,913	8	3,913
Members' services/communications	-	282	-	282
Premises expenses	-	339	-	339
Trustee services fees	14,399	5,652	14,399	4,970
Other administration expenses	162	1,441	162	1,247
Total	14,921	13,364	14,921	12,478

12. Contributions receivable

Contributions for outstanding 1997 defined benefit unfunded liability accounts are payable now or 2012 by agreement.

Contributions for outstanding 2002 defined benefit unfunded liability accounts are payable by the year 2013.

Contributions for defined benefits members' ongoing service are payable each quarter.

	Consolidated		Fund	
	2008	2007	2008	2007
	$000	$000	$000	$000
Ongoing service	226	368	226	368
Past service	2,508	3,486	2,508	3,486
Contributions receivable	2,734	3,854	2,734	3,854

Notes to the financial statements
For the year ended 30 June 2008

13. Income tax

Major components of income tax expense for the year ended 30 June 2008 and 2007 are:	Consolidated		Fund	
	2008 $000	2007 $000	2008 $000	2007 $000
Statement of changes in net assets				
Current income tax				
Current income tax	46,594	78,828	34,107	78,386
Adjustment in respect of current income tax of previous years	2,992	(2,267)	(1,731)	(2,267)
Deferred income tax				
Relating to origination and reversal of temporary differences	(43,035)	(15,993)	(170)	(28,726)
Adjustments in respect of deferred income tax of previous years	(6,592)	357	10	357
	(41)	60,925	32,216	47,750

A reconciliation between income tax expense and the accounting profit before income tax multiplied by the applicable tax rate is as follows:

	Consolidated		Fund	
	2008 $000	2007 $000	2008 $000	2007 $000
Benefits accrued before income tax	262,255	935,362	119,257	706,219
At the tax rate of 15%	(39,339)	140,304	(17,889)	105,933
Increase in tax expenses due to:				
Non-deductible benefits paid	52,983	33,710	52,983	33,710
Non-deductible superannuation contribution surcharge	10	136	10	136
Non-taxable income/loss from PST	11,790	(71,175)	19,179	(62,631)
Imputation Credits from franked dividends received	1,664	-	-	-
Foreign tax credits	293	-	-	-
Deferred franking credit	301	-	-	-
Adjustment to recognise losses at 11%	12,261	-	-	-
Other	430	203	11	203
Decrease in tax expenses due to:				
Non-assessable contributions	(9,419)	(20,088)	(9,419)	(20,088)
Non-assessable rollovers	(9,664)	-	(9,664)	-
Anti-detriment deduction	(75)	-	(75)	-
Pension exemption	(2,123)	-	-	-
Imputation and foreign tax credits	(14,354)	(19,055)	-	(6,403)
Over provision in previous year	(3,600)	(1,910)	(1,721)	(1,910)
	(41)	60,925	32,216	47,750

Deferred income tax

Deferred income tax at 30 June relates to the following:

Deferred income tax assets				
Unrealised taxable capital losses	33,718	-	-	-
Investment liability	2,707	2,846	-	-
Other	2,677	13	-	12
	39,102	2,859	-	12
Deferred income tax liabilities				
Contributions receivable	404	576	404	576
Unrealised investment income	1,261	3,805	-	-
Unrealised capitale gains	-	11,776	-	-
Other	1,107	-	-	-

13. Income tax (continued)

	Consolidated 2008 $000	Consolidated 2007 $000	Fund 2008 $000	Fund 2007 $000
	2,772	16,157	404	576
Net deferred tax liabilities/(assets)	(36,330)	13,298	404	564

14. Related parties

(a) Trustee and key management personnel

The trustee of the Fund is Vision Super Pty Ltd. The trustee company comprises of eight Directors and seven Alternates. The names of persons who were Directors and Alternates of the trustee company of the Group for the financial year are:

Member Directors:	**Alternates:**
Darrell Cochrane (appointed Chair 01/07/2008)	Brian Parkinson
Wendy Phillips	Dean Barnett
Anthony Tuohey	Robyn Glascott
William Watton	Russell Atwood

Employer directors:	**Alternates:**
Michael Tilley	Steve Bird
Angela Emslie	Leigh Harder
Rob Spence	Alison Lyon (appointed 01/07/2007)
Dick Gross	Alison Lyon

Director John Warburton retired on 30 June 2007 and Mr Dick Gross was appointed from 1 July 2007. Michael Tilley completed his three-year term as Chair on 30 June 2008 and Darrell Cochrane was appointed as Chair from that date. Apart from Directors of the trustee company, the Chief Executive Officer is also considered to be key management personnel for the purpose of these financial statements.

(b) Compensation of Directors and key management personnel

Total compensation received, or due and receivable, by Directors and key management personnel amounted to $614,175 (2007: $582,246). The details are as follows:

	Consolidated 2008 $000	Consolidated 2007 $000	Fund 2008 $000	Fund 2007 $000
Short-term employee benefits	568	537	568	537
Other long-term employee benefits	-	-	-	-
Post-employment benefits	46	45	46	45
	614	582	614	582

	Consolidated 2008 $000	Consolidated 2007 $000	Fund 2008 $000	Fund 2007 $000
Vested benefits of key management personal in Local Authorities Superannuation Fund as at 30 June	4,055	5,560	4,055	5,560

Any Director of the trustee company or other key management personnel who is a member of the Fund contributes to the Fund on the same terms and conditions as other members.

The trustee has not made, guaranteed or secured any loan to any Director or member of staff or to any other related party.

14. Related parties (continued)
(c) Related party transactions
(i) Members Equity
The Group is a minority investor in Industry Super Holding Pty Ltd, the owner of Members Equity. Members Equity is the provider of Super Members Home Loans

(ii) Regional Infrastructure Fund
The Fund is the sole shareholder in Regional Infrastructure Fund Pty Ltd (RIF).

RIF was established primarily to invest in regional infrastructure projects. RIF has four Directors, all of whom are current or former Directors of Vision Super Pty Ltd, namely, Tony Tuohey, Michael Tilley, James Coghlan and Darrell Cochrane.

The objective for RIF is to invest in infrastructure projects and it currently wholly owns Regional Wind Farms Pty Ltd.

(iii) Regional Wind Farms Pty Ltd
Regional Wind Farms Pty Ltd is wholly owned company and was established by RIF to invest in wind farms. Project development, construction and operations are contracted out to third party providers. Director Tony Tuohey is also a Director of Regional Wind Farms Pty Ltd. Other Directors are appointed by Industry Funds Management (IFM).

(iv) Vision Super Pty Ltd
As described in Note 1, Vision Super Pty Ltd is the trustee of the Fund.

	Consolidated		Fund	
	2008	2007	2008	2007
	$000	$000	$000	$000
Trustee services fees payable/paid to VSPL	14,399	5,652	14,399	4,970

(v) Directors
Ms Emslie's partner, Garry Weaven, is Chair of IFM, which manages infrastructure and private equity investments for the Group and provides management services to RIF. Mr Weaven is also a Director of Members Equity.

Director Tony Tuohey has a commercial relationship with Bridgewater Associates a fund manager engaged by the Group, and absented himself from any determination relating to this manager.

15. Auditor's remuneration

	Consolidated		Fund	
	2008	2007	2008	2007
	$000	$000	$000	$000
Amounts received or due and receivable by Ernst & Young for:				
An audit of the financial statements of the Group	105	136	80	127
Other services in relation to the Group	8	5	-	5
Total	113	141	80	133

16. Insurance
The Group provides death and disability and income protection insurance cover for members. These benefits are generally greater than the members' vested benefit and the trustee self-insures the part of the benefit in excess of the vested benefit.

17. Risk management

(a) Financial risk management objectives, policies and processes

The Group's principle financial instruments, derivatives, comprise units in pooled superannuation trusts, unlisted investments, equity securities, insurance policies, fixed interest securities, cash and short-term deposits. The main purpose of these financial instruments is to generate a return on investment.

The Group also has various other financial instruments such as sundry receivable and payables, which arise directly from its operations. These are mainly current in nature.

As part of its risk management strategy, the Group also enters into derivate transactions. The main purpose is to manage financial risks associated with the Group's investment transactions, and as a means of effecting a change in the asset mix. Investments in derivatives are not used to gear the Group's investment portfolio, and are limited to the asset allocation limits for the underlying investment assets.

Risks arising from holding financial instruments are inherent in the Group's activities, and are managed through a process of ongoing identification, measurement and compliance monitoring. The Group is exposed to credit risk, liquidity risk and market risk, including interest rate risk, equity price risk and foreign currency risk.

The Trustee is responsible for identifying and controlling the risks that arise from these financial instruments. The Trustee reviews and agrees policies for managing each of these risks as summarised below. The Group also monitors the market price risk arising from all financial instruments.

Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is monitored by the Trustee. These mandate limits reflect the investment strategy and market environment of the Group, as well as the level of risk that the Group is willing to accept.

The information is prepared and reported to the Trustee on a regular basis.

Concentration of risk arise when a number of financial instruments or contacts are entered into with the same counterparty, or when a number of counterparties are engaged in similar business activities, have activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political and other conditions.

In order to avoid excessive concentration of risk, the Group monitors its exposure to ensure concentration of risk remain within acceptable levels in accordance with the Group mandate and either reduces exposure or uses derivative instruments to manage the excessive risk concentrations when they arise.

The Group's accounting policies in relation to derivatives are set out in note 3.

(b) Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss.

With respect to credit risk arising from the financial assets of the Group, other than derivatives, the Group's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Net Assets. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

17. Risk management (continued)

(b) Credit risk (continued)

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values. The risk associated with these contracts is minimised by undertaking transactions with high quality counterparties on recognised exchanges, and ensuring that transactions are undertaken with a number of counterparties.

The Group holds no collateral as security or any other credit enhancements. There are no significant financial assets that are past due or impaired.

Credit quality per class of debt instruments

The credit quality of financial assets is managed by the Group using Standard & Poor's rating categories, in accordance with the investment strategy of the Trustee. The Group's exposure in each grade is monitored on a monthly basis. This review process allows the Trustee to assess the potential loss as a result of risks and take corrective action. The table below shows the credit quality by class of asset for debt instruments.

2008 – Consolidated and Fund

	AAA to AA-	A+ to A-	BBB+ to BBB-	CCC	Short term A-1+ to A2	Not rated or available	Total
	$000	$000	$000	$000	$000	$000	$000
Perpetual Securities	842	-	373	-	-	-	**1,215**
Convertible Notes	-	-	-	-	-	221	**221**
Fixed interest bonds	85,847	21,378	20,240	363	-	2,043	**129,871**
Indexed bonds	85,961	-	-	-	-	-	**85,961**
Floating rate notes	10,266	13,559	8,799	-	-	1,344	**33,968**
Zero coupon bonds	-	-	-	-	-	578	**578**
Mortgage backed securities	17,585	1,825	2,689	-	-	-	**22,099**
Discount securities	-	-	4,920	-	274,291	-	**279,211**
Pooled funds*	-	-	-	-	-	253,751	**253,751**
Total	**200,501**	**36,762**	**37,021**	**363**	**274,291**	**257,937**	**806,875**

2007 – Consolidated and Fund

	AAA to AA-	A+ to A-	BBB+ to BBB-	CCC	Short term A-1+ to A2	Not rated or available	Total
	$000	$000	$000	$000	$000	$000	$000
Perpetual Securities	922	-	590	-	-	-	**1,512**
Convertible Notes	-	-	-	-	-	1,643	**1,643**
Fixed interest bonds	102,578	17,397	26,403	448	-	10,378	**157,204**
Indexed bonds	116,930	-	-	-	-	-	**116,930**
Floating rate notes	17,985	10,337	8,650	-	-	1,306	**38,278**
Zero coupon bonds	-	-	-	-	-	815	**815**
Mortgage backed securities	21,588	1,908	2,806	-	-	-	**26,302**
Discount securities	125	-	-	-	163,387	-	**163,512**
Pooled funds*	-	-	-	-	-	253,752	**253,752**
Total	**260,128**	**29,642**	**38,449**	**448**	**163,387**	**267,894**	**759,948**

**Instruments are either not rated or ratings are not available at NCS.*

17. Risk management (continued)

(b) Credit risk (continued)

Risk concentration of credit risk exposure

Concentration of credit risk is managed by counterparty, by geographical region and by industry sector.

The Group's financial assets can be analysed by the following geographic regions:

	Consolidated		Fund	
	2008	**2007**	**2008**	**2007**
	$000	**$000**	**$000**	**$000**
Australia	3,674,909	3,643,612	3,551,586	3,625,045
North America	127,498	117,813	123,220	117,213
United Kingdom	72,586	48,651	70,150	48,403
Europe (ex UK)	163,053	243,325	157,581	242,085
Japan	37,700	60,339	36,435	60,031
Asia (ex Japan)	8,011	2,811	7,742	2,797
Others	22,206	27,331	21,461	27,192
Total	**4,105,963**	**4,143,883**	**3,968,174**	**4,122,766**

Significant industry sector exposure exists as follows:

	Consolidated		Fund	
	2008	**2007**	**2008**	**2007**
	$000	**$000**	**$000**	**$000**
Financials	304,035	464,193	293,832	461,828
Materials	219,504	197,844	212,138	196,836
Energy	120,365	88,766	116,326	88,314
Industrials	117,826	155,636	113,872	154,843
Consumer staples	92,254	98,808	89,158	98,304
Consumer discretionary	84,486	131,023	81,651	130,355
Health care	80,538	87,626	77,835	87,179
Information technology	77,544	108,074	74,942	107,523
Telecommunication	54,693	52,297	52,858	52,031
Utilities	25,325	32,589	24,475	32,423

The above table does not include investments in unlisted trusts or pooled funds.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter in meeting obligations associated with financial liabilities. This risk is controlled through the Group's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Group maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Group's significant financial liabilities are benefits payable to members.

In relation to vested superannuation benefits, these would be considered on demand, which payments comprise the entire defined contribution component and the vested portion of the defined benefit component.

The Group manages its obligation to pay the defined contribution component on an expected maturity basis based on management's estimates and actuarial assumptions of when such funds will be drawn down by members. The Group considers it is highly unlikely that all defined contribution members will request to roll over their superannuation fund account at the same time. Furthermore, in relation to the vested defined benefit component, the Group has adequate resources readily convertible to cash to satisfactorily meet these obligations when called upon.

17. Risk management (continued)

(c) Liquidity risk (continued)

Other financial liabilities of the Group comprise trade and other payables which are contractually due within 30 days and derivative liabilities comprising foreign exchange contracts payable within 12 months.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Market risk is diversified through ensuring that all investment activities are undertaken in accordance with established investment policies of the Group.

The Trustee employs diversification investment strategy to mitigate the market risk in each market segment. Further, the Fund also enters into forward foreign exchange contracts to hedge against adverse foreign exchange movements.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because changes in market interest rates.

In determining the reasonably possible change for interest rate risk, the sensitivity of the "official cash rate" as set by the Reserve Bank of Australia (RBA) from time to time is used.

The following table demonstrates the sensitivity of the Group's Statement of Changes in Net Assets to a reasonably possible change in interest rates based on RBA's data and expected future movements over the next 12 months, with all other variables held constant.

2008 – Consolidated and Fund

Asset class sector	Change in basis points Increase/decrease	Sensitivity of interest income and changes on net assets $000 Increase/decrease
Cash and cash equivalents	+/-50	(186)/186
Fixed interest securities	+/-50	(10,416)/10,426
Derivatives	+/-50	380/(5339)

2007 – Consolidated and Fund

Currency	Change in basis points Increase/decrease	Sensitivity of interest income and changes on net assets $000 Increase/decrease
Cash and cash equivalents	+/-25	(41)/41
Fixed interest securities	+/-25	(6,043)/6,045
Derivatives	+/-25	1,590/(1,535)

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

As a result of significant investments held in the United States and Europe, the Group's Statement of Net Assets and Statement of Changes in Net Assets can be affected significantly by movements in USD and EUR when translated to AUD. The Trustee manages its exposure to foreign currency risk and mitigates effects of its foreign currency translation exposure placing limits on the portion of the assets which can be invested in different currencies and by appointing specialist currency managers to implement passive hedge over foreign currency exposure. This foreign exchange policy is monitored against actual on an ongoing basis throughout the year.

17. Risk management (continued)

(d) Market risk (continued)

(ii) Currency risk (continue)

The table below indicates the currencies to which the Group had significant exposure as at 30 June 2008 on its monetary assets and liabilities and forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Australia Dollar on the Statement of Changes In Net Assets, with all other variables held constant.

	2008		2007	
Currency	Change in Currency rate %	Effect on net assets/ Investment returns $000	Change in currency Rate%	Effect on net assets/ Investment returns $000
USD	+/-10	(19,305)/23,595	+/-5	(10,151)/11,219
British pounds	+/-5	(487)/538	+/-5	1,098/(1,213)
Euro	+/-5	(1,474)/1,629	+/-5	(1,693)/1,871
Japanese Yen	+/-5	(1,912)/2,113	+/-10	(5,790)/7,076
Others	+/-5	(1,502)/1,661	+/-5	(3,973)/4,391

(iii) Equity price risk

Equity price risk is the risk that the fair value of investments in equities decreases or increases as a result of changes in market prices, whether those changes are caused by factors specific to the individual share price or factors affecting all equity instruments in the market. Equity price risk exposure arises from the Group's investment portfolio.

To limit equity price risk the Trustee diversifies its investment portfolio in line with its investment strategy. The majority of equity investments are of a high quality and are publicly traded on recognised, reputable exchanges. The Trustee monitors the Group's exposure to various asset classes on an ongoing basis throughout the year ensuring its investment strategy is adhered to.

The effect on the Statement of Changes in Net Assets due to a reasonably possible change in market factors, as represented by the asset classes, with all other variables held constant is indicated in the table below.

Consolidated and Fund

	2008		2007	
Asset class sector	**Change in equity price %**	**Effect on net assets/Investment returns $000**	**Change in equity price %**	**Effect on net assets/Investment returns $000**
Life insurance policies	+/-10	12,863/(12,863)	+/-5	5,631/(5,631)
Listed equities	+/-10	111,109/(111,109)	+/-5	68,079/(68,079)
Listed property trusts	+/-10	2,998/(2,998)	+/-5	2,793/(2,793)
Listed units trust	+/-10	984/(984)	+/-5	1,021/(1,021)
Pooled development fund	+/-10	22/(22)	+/-5	-
Preference shares	+/-10	716/(716)	+/-5	483/(483)
Unlisted equities	+/-10	9,019/(9,019)	+/-5	3,205/(3,205)
Unlisted MIS	+/-10	192,507/(192,507)	+/-5	90,245/(90,245)
Unlisted unit trusts	+/-10	6,913/(6,913)	+/-5	4,371/(4,371)
Others	+/-10	6,558/(2,731)	+/-5	486/(486)

Notes to the financial statements
For the year ended 30 June 2008

18. Subsequent Event

Subsequent to balance date, the ongoing turbulence in global capital markets has continued as a result of the credit crisis and other events impacting financial markets. These events continue to weigh on global markets and the valuation of financial instruments daily.

In light of recent developments, the Trustee continues to monitor the impact on the financial position of the Fund and its investment strategy including any exposures and risks arising from counterparties and revised credit ratings and where necessary, determining whether additional measures are required to reduce the level of uncertainty. Whilst the overall valuation of the Fund's investments has generally fallen as a result of and, in line with, the unprecedented market volatility, the Fund does not have any significant exposure to impaired assets or counterparties and accordingly, no adjustments have been made to the carrying value of investments as at 30 June 2008.

LOCAL AUTHORITIES SUPERANNUATION FUND

Statement by Trustee

In the opinion of the Trustee:

(a) The accompanying financial statements of the Local Authorities Superannuation Fund and its controlled entities are drawn up so as to present fairly the net assets of the Group as at 30 June 2008 and the changes in net assets for the year then ended;

(b) The financial statements have been prepared in accordance with the Australian Accounting Standards, other mandatory professional reporting requirements and the provisions of the Trust Deed dated 26 June 1998; and

(c) The operation of the Local Authorities Superannuation Fund has been carried out in accordance with its Trust Deed dated 26 June 1998 and in compliance with the provisions of the Superannuation Industry (Supervision) Act 1993 and Regulations, and the Corporations Act 2001 and Regulations and Guidelines during the year ended 30 June 2008.

Signed in accordance with a resolution of the Directors of the trustee company, Vision Super Pty Ltd.

Michael Tilley
Director

Darrell Cochrane
Director

Melbourne, 26 September 2008

ERNST & YOUNG

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

INDEPENDENT REPORT BY THE APPROVED AUDITOR TO THE TRUSTEE

(A) Financial statements

I have audited the financial statements of Local Authorities Superannuation Fund for the year ended 30 June 2008 comprising the statement of net assets, statement of changes in net assets, summary of significant accounting policies, other explanatory notes and the Trustee 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 (including the Australian Accounting Interpretations) and the requirements of the SIS Act and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee's responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the trustee of Local Authorities Superannuation Fund.

My audit has been conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 (including the Australian Accounting Interpretations), the net assets of Local Authorities Superannuation Fund as at 30 June 2008 and the changes in net assets for the year ended 30 June 2008.

(B) Compliance

Trustee's Responsibility for Compliance

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

Auditor's Responsibility

My responsibility is to express an opinion on the trustee's compliance with the requirements of the SIS Act, SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporation Regulations based on the audit. My audit has been conducted in accordance with applicable Standards on Assurance Engagements. These Standards require that I comply with fundamental ethical requirements and plan and perform the audit to obtain reasonable assurance whether the trustee of the Local Authorities Superannuation Fund has, in all material respects:

(a) complied with the relevant requirements of the following provisions (to the extent applicable) of the SIS Act and SIS Regulations:

sections 19(2), 19(3), 36, 65, 66, 67, 69-85, 86-93A, 95, 97, 98, 101, 103, 104, 105, 106, 107, 109, 35A,35C, 117, 118, 121, 122, 124, 125, 152, 154;

regulations, 2.33(2), 3.10, 4.08(3), 5.08, 6.17, 7.04, 7.05, 9.09, 9.14, 9.29, 9.30, 13.14, 13.17, 13.17A; and

(b) complied with the FSCODA Reporting Standards that are subject to audit (to the extent applicable); and

(c) complied with the relevant requirements of the following provisions of the Corporations Act and Corporation Regulations:

sections 1012B, 1012F, 1012H(2), 1012I, 1013B, 1013D, 1013K(1), 1013K(2),1016A(2), 1016A(3), 1017B(1), 1017B(5), 1017C(2), 1017C(3) 1017C(5), 1017C(8), 1017D(1), 1017D(3), 1017D(3A), 1017DA(3), 1017E(2), 1017E(3), 1017E(4), 1020E(8) and 1020E(9); and

regulation 7.9.32(3); and

(d) complied with the requirement to prepare the respective forms comprising the APRA Annual Return.

for the year ended 30 June 2008.

My procedures with respect to SIS Regulation 6.17 included testing whether amounts identified by the trustees preserved and restricted non-preserved have been cashed or transferred only in accordance with the requirements of Part 6 of the SIS Regulations. These procedures did not include testing of the calculation of the preserved and restricted non-preserved amounts beyond a broad assessment of the apparent reasonableness of the calculations.

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

These tests have not been performed continuously throughout the period, were not designed to detect all instances of non-compliance, and have not covered any other provisions of the SIS Act and SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporations Regulations apart from those specified. The superannuation entity's trustee is responsible for complying with the SIS Act and SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporations Regulations.

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

Auditor's Opinion

In my opinion the trustee of Local Authorities Superannuation Fund has complied, in all material respects, with the requirements of the SIS Act and SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporations Regulations for the year ended 30 June 2008

Ernst & Young

ERNST & YOUNG

Denis Thorn
Partner
Melbourne

Date: 26 September 2008