Local Authorities Superannuation Fund and its controlled entities

Annual Financial Report 30 June 2010

Contents

Local Authorities Superannuation Fund and its controlled entities
Statement of net assets
As at 30 June 2010

	Note	Consolidated		Fund	
		2010	2009	**2010**	2009
		$000	$000	**$000**	$000
ASSETS					
Cash at bank		**1,977**	12,722	**1,185**	10,346
Contributions receivable	*11*	**2,502**	1,947	**2,502**	1,947
Other receivables		**835**	1,504	**432**	1,185
Prepayments		**7**	3	**-**	-
Deferred tax assets		**72,236**	84,450	**6**	9
Investments					
Cash		**526,831**	603,696	**-**	-
Diversified bonds		**434,423**	323,387	**-**	-
Australian equities		**910,813**	689,814	**-**	-
International equities		**759,352**	591,232	**-**	-
Property		**546,402**	528,787	**-**	-
Private equity		**446,424**	374,062	**-**	-
Infrastructure		**478,188**	428,474	**-**	-
Absolute return		**100,927**	90,914	**-**	-
Units in Vision Pooled Superannuation Trust		**-**	-	**3,934,526**	3,569,977
Derivative assets		**16,381**	38,649	**-**	-
Total assets		**4,297,298**	3,769,641	**3,938,651**	3,583,464
LIABILITIES					
Benefits payable		**7,192**	14,999	**7,192**	14,999
Other payables		**4,826**	6,210	**762**	63
Amounts held in trust		**300**	624	**300**	624
Current tax liabilities	*13*	**31,817**	12,079	**36,831**	36,949
Deferred tax liabilities	*14*	**931**	4,462	**143**	8
Derivative liabilities		**21,800**	2,837	**-**	-
Net assets attributable to non-controlling interests	*2(d)*	**337,009**	197,609		
Total liabilities (excluding net assets available to pay benefits)		**403,875**	238,820	**45,228**	52,643
Net assets available to pay benefits		**3,893,423**	3,530,821	**3,893,423**	3,530,821

The statement of net assets is to be read in conjunction with the notes to the financial statements set out on pages 3 to 28

Local Authorities Superannuation Fund and its controlled entities
Statement of changes in net assets
For the year ended 30 June 2010

	Note	Consolidated 2010 $000	Consolidated 2009 $000	Fund 2010 $000	Fund 2009 $000
Investment revenue					
Interest		**38,208**	27,490	**-**	-
Dividends and trust distributions revenue		**84,286**	109,990	**-**	-
Other investment income		**636**	769	**-**	-
Changes in net market value of investments	8	**217,602**	(662,434)	**281,640**	(478,865)
		340,732	(524,185)	**281,640**	(478,865)
Direct investment expense	9	**(22,071)**	(24,554)	**-**	-
Net investment revenue		**318,661**	(548,739)	**281,640**	(478,865)
Contributions revenue					
Employer contributions		**277,368**	271,299	**277,368**	271,299
Member contributions		**47,418**	43,951	**47,418**	43,951
Transfer from other funds		**69,510**	65,547	**69,510**	65,547
		394,296	380,797	**394,296**	380,797
Other revenue					
Group life insurance proceeds		**585**	195	**585**	195
Other revenue		**305**	449	**305**	449
		890	644	**890**	644
Total revenue		**713,847**	(167,298)	**676,826**	(90,430)
Expenses					
Benefits paid		**(253,722)**	(266,825)	**(253,722)**	(266,825)
General administration expenses	10	**(17,862)**	(14,414)	**(17,862)**	(14,414)
Group life insurance premium expense	17	**(6,062)**	(5,263)	**(6,062)**	(5,263)
Superannuation contributions surcharge	2(n)	**(1)**	(26)	**(1)**	(26)
		(277,647)	(286,528)	**(277,647)**	(286,528)
Change in net assets before income tax		**436,200**	(453,826)	**399,179**	(383,952)
Income tax expense	12	**(56,298)**	18,490	**(36,577)**	(35,908)
Change in net assets after income tax		**379,902**	(435,336)	**362,602**	(419,860)
Change in net assets after income tax attributable to non-controlling interests	2(d)	**17,300**	(15,476)		
Change in net assets after income tax & non-controlling interests available to pay benefits		**362,602**	(419,860)		
Net assets available to pay benefits at the beginning of the financial year		**3,530,821**	3,950,682	**3,530,821**	3,950,682
Net assets available to pay benefits at the end of the financial year		**3,893,423**	3,530,821	**3,893,423**	3,530,821

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 28.

Notes to the financial statements
For the year ended 30 June 2010

1. Operation of the Fund

Local Authorities Superannuation Fund (the "Fund") is a superannuation fund domiciled in Australia. The address of the Fund 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 statements of the Fund as at and for the financial year ended 30 June 2010 comprises the Fund and its subsidiary, Vision Pooled Superannuation Trust (VPST) (together referred to as the "Group").

2. Summary of significant accounting policies

(a) Basis of preparation
The financial statements are 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 statements are presented in Australian Dollars and all values are rounded to the nearest thousand dollars except where otherwise stated.

(b) Statement of compliance
The financial statements comply with AAS 25. Since AAS 25 is the principal standard that applies to the financial statements, other standards, including AIFRS, are also applied where necessary except to the extent that they differ from AAS 25.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB. The financial statements of the Group do not comply with IFRS.

The financial statements were authorised for issue by the Directors of the Trustee, Vision Super Pty Ltd, on 24 September 2010.

(c) Significant accounting estimates and assumptions
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 period are:

Valuation of Accrued Benefits - The amount of accrued benefits has been actuarially determined. The key assumptions are discussed in Note 4.

Valuation of Investments and Derivatives – the key assumptions are set out in Note 2 (e).

Notes to the financial statements
For the year ended 30 June 2010

2. Summary of significant accounting policies (continued)

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Local Authorities Superannuation Fund (the Fund) and Vision Pooled Superannuation Trust (collectively referred to as "the Group") as at 30 June 2010.

Subsidiaries are all those entities over which the Fund has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Fund controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Fund. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intragroup transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Fund and cease to be consolidated from the date on which control is transferred out of the Fund.

Investments in subsidiaries held by Local Authorities Superannuation Fund are accounted for at net market value in the separate financial statements of the Fund.

(e) Investments

Investments of the Fund are initially recorded at cost, being the fair value of the consideration given.

After initial recognition, investments are measured at net market value and movements in the net market value of investments are recognised in the Statement of Changes in Net Assets.

Estimated costs of disposal have been deducted in determining net market value. As disposal costs are generally immaterial, unless otherwise stated net market value is considered a reasonable approximation of fair value.

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.

Derivative financial instruments including futures, options, warrants, swaps, forward foreign exchange contracts and forward rate agreements are recorded at market value at balance date.

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.

2. Summary of significant accounting policies (continued)

(f) 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 three months or less that are readily convertible to cash and subject to an insignificant risk of changes in value.

(g) 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.

(h) 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.

(i) Other payables

Other payables are carried at nominal amounts which approximate net market value. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid when the Group becomes obliged to make future payments in respect of the purchase of these goods or services. Payables are normally settled on 30 day terms.

(j) Foreign currency

Both the functional and presentation currency of the Fund and Group are Australian dollars.

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 in Net Assets.

(k) 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 at sale, or at balance date, and the net market value at the previous valuation point and recognised in the Statement of Change 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 Change 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.

(iv) Dividend 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.

2. Summary of significant accounting policies (continued)

(k) Revenue recognition (continued)

(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.

(l) 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 reporting 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 payable by the Group.

(m) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when:

- the rights 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; and
- the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group derecognises a financial liability when the obligation under the liability is discharged or cancelled or expires.

(n) Superannuation contributions surcharge

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

Notes to the financial statements
For the year ended 30 June 2010

2. Summary of significant accounting policies (continued)

(n) Superannuation contributions surcharge (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.

(o) 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.

(p) No-TFN contribution tax

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.

(q) 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.

(r) New accounting standards and interpretations

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 2010, but have not been applied in preparing this financial statements:

2. Summary of significant accounting policies (continued)
(r) New accounting standards and interpretations (continued)

- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes, The amendments, which become mandatory for the Fund's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 9 *Financial Instruments* requirements for the classification and measurement of financial asset resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement.* AASB 9 will become mandatory for the Fund's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* introduces a number of changes to the accounting for financial assets, the most significant of which includes:
  - two categories for financial assets being amortised cost or fair value
  - removal of the requirement to separate embedded derivatives in financial assets
  - strict requirements to determine which financial assets can be classified as amortised cost or fair value
  - an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition
  - reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes
  - changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income

  The Group has not yet determined the potential effect of the amendments.
- AASB 2009-12 *Amendments to Australian Accounting Standards* makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities. The amendments, which become mandatory for the Fund's 30 June 2012 financial statements, are not expected to have a significant impact on the financial statements.

(s) Reclassification of financial information

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

(t) Valuation dates

The investment held in VPST has been valued at 30 June 2010 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 2010.

3. Group entities

During the year ended 30 June 2010 Local Authorities Superannuation Fund controlled VPST with an ownership interest of 92.1% (2009: 94.8%). VPST was incorporated in Australia. The Fund has no jointly controlled entities.

4. 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.

4. Accrued benefits (continued)

The valuation of accrued benefits was undertaken by the Actuary as part of a comprehensive actuarial valuation as at 31 December 2008. Accrued benefits were previously valued as part of an actuarial review as at 31 December 2005. A summary of the Actuarial Report as at 31 December 2008, prepared by the Group's actuary from Russell Employee Benefits, is attached as an addendum.

	As at 31 December 2008 $000	As at 31 December 2005 $000
Accrued Benefits	3,616,422	3,118,911

The financial assumptions used to calculate the accrued benefits for the defined benefit category of the fund are as follows:
Net investment return – 8.50% p.a.
Salary inflation – 4.25% p.a.
Price inflation – 2.75% p.a.

The fund arrangements are disclosed in Note 7 below.

5. 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	
	2010 $000	2009 $000	2010 $000	2009 $000
Accumulation fund	**2,468,435**	2,159,203	**2,468,435**	2,159,203
Defined benefits fund	**1,554,889**	1,477,134	**1,554,889**	1,477,134
Total vested benefits	**4,023,324**	3,636,337	**4,023,324**	3,636,337

Total Vested Benefits exceeded the Fund's Net assets as at 30 June 2010. This is due to the financial position of the defined benefit plan which is discussed further in Funding Arrangements under Note 7.

6. Guaranteed benefits

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

7. 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 any 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 contractually obligated to share in the Fund's favourable/unfavourable actuarial performance, as determined by the trustee.

7. Funding arrangements (continued)

(a) LASF defined benefits (continued)

The actuarial investigation of the LASF defined benefit plan conducted as at 31 December 2008 showed that although an actuarial shortfall was identified, the funding arrangements were adequate for the expected defined benefit plan liabilities.

The Trustee adopted the following plan to return the plan to a satisfactory financial position within five years. Should an actuarial shortfall exist at 30 June 2010, the Trustee will require additional contributions from employers. A further actuarial assessment of any remaining actuarial shortfall will be conducted at 30 June 2011. Based on that assessment the Trustee will determine its plan for funding any remaining actuarial shortfall by 31 December 2013, and notify employers by December 2012.

The Actuary has commenced undertaking the actuarial review as at 30 June 2010 to ascertain if additional contributions would be required. The result of this actuarial review is expected to be finalised by November 2010.

Funding requirements for the defined benefit plan 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 Fund has a current Funding and Solvency Certificate.

(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.

8. Changes in net market values

	Consolidated		Fund	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Investments held at balance date				
Cash	**-**	279	**-**	-
Diversified bonds	**8,408**	(10,757)	**-**	-
Australian equities	**35,530**	(166,097)	**-**	-
International equities	**18,857**	(56,240)	**-**	-
Property	**(13,237)**	(114,808)	**-**	-
Private equity	**11,478**	(59,860)	**-**	-
Infrastructure	**45,996**	(54,177)	**-**	-
Absolute return	**16,893**	(21,570)	**-**	-
Units in VPST	**-**	-	**281,639**	(478,865)
Total unrealised gains/(losses)	**123,925**	(483,230)	**281,639**	(478,865)
Cash	**90**	9,828	**-**	-
Diversified bonds	**14,667**	(6,548)	**-**	-
Australian equities	**18,960**	(52,073)	**-**	-
International equities	**34,634**	(146,913)	**-**	-
Property	**4,776**	9,397	**-**	-
Private equity	**15,271**	22,543	**-**	-
Infrastructure	**-**	-	**-**	-
Absolute return	**5,279**	(15,438)	**-**	-
Total realised gains/(losses)	**93,677**	(179,204)	**-**	-
Total changes in net market values	**217,602**	(662,434)	**281,639**	(478,865)

Notes to the financial statements

For the year ended 30 June 2010

9. Direct investment expenses

	Consolidated		Fund	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Custodian fees	**1,951**	1,850	-	-
Fund managers' fees	**8,425**	9,126	-	-
VPST's trustee services fees	**8,662**	10,426	-	-
Other investment expenses	**3,033**	3,152	-	-
	22,071	24,554	-	-

10. Administration expenses

	Consolidated		Fund	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Annual lodgement fee - APRA	**268**	234	**268**	234
Banking & Regulatory Charges	**40**	32	**40**	32
External audit fees	**57**	77	**57**	77
Trustee services fees	**17,434**	14,014	**17,434**	14,014
Other administration expenses	**65**	56	**65**	56
Total	**17,862**	14,414	**17,862**	14,414

11. 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	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Ongoing service	**1,120**	66	**1,120**	66
Past service	**1,382**	1,881	**1,382**	1,881
Contributions receivable	**2,502**	1,947	**2,502**	1,947

12. Income tax expense

	Consolidated		Fund	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Current tax expense				
Current income tax	**49,176**	27,546	**36,831**	36,949
Adjustment of current income tax of previous years	**(1,559)**	(2,379)	**(393)**	(637)
	47,617	25,167	**36,438**	36,312
Deferred tax expense				
Relating to origination and reversal of temporary difference	**10,065**	(42,359)	**139**	(403)
Adjustment of deferred income tax of previous years	**(1,384)**	(1,298)	-	(1)
	56,298	(18,490)	**36,577**	35,908

12. Income tax expense (continued)

Numerical reconciliation between tax expense and net change for the year before tax	Consolidated 2010 $000	Consolidated 2009 $000	Fund 2010 $000	Fund 2009 $000
Benefits accrued before income tax	**717,839**	(910,246)	**399,178**	(368,888)
At the tax rate of 15%	**107,676**	(136,537)	**59,877**	(55,333)
Additional tax on no TFN contributions	**16**	19	**16**	19
Increase in tax expenses due to:				
Non-deductible benefits paid	**38,058**	40,024	**38,058**	40,024
Non-deductible superannuation contribution surcharge	**-**	4	**-**	4
Non-taxable income/loss from PST	**(50,226)**	80,440	**(42,246)**	69,570
Imputation credits from franked dividends received	**1,321**	1,666	**-**	-
Foreign tax credits	**46**	264	**-**	-
Deferred franking credit	**225**	(129)	**-**	-
Adjustment to recognise losses at 10%	**(6,392)**	27,407	**-**	-
Other	**466**	700	**(86)**	(24)
Decrease in tax expenses due to:				
Non-assessable contributions	**(7,113)**	(6,593)	**(7,113)**	(6,593)
Non-assessable rollovers	**(10,336)**	(9,759)	**(10,336)**	(9,759)
Death and disability insurance	**(1,200)**	(1,350)	**(1,200)**	(1,350)
Pension exemption	**(3,058)**	(713)	**-**	-
Imputation and foreign tax credits	**(10,242)**	(10,244)	**-**	-
No TFN tax credit	**-**	(12)	**-**	(12)
Over provision in previous year	**(2,943)**	(3,677)	**(393)**	(639)
Income tax expense reported in operating statement	**56,298**	(18,490)	**36,577**	35,908

13. Tax assets and liabilities

The current tax liabilities for the Fund of $36,831,000 (2009: $36,949,000) represents the amount of income taxes payable in respect of current and prior financial years.

14. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Consolidated 2010 $000	Consolidated 2009 $000	Fund 2010 $000	Fund 2009 $000
Deferred tax assets				
Unrealised taxable capital losses	**69,057**	80,460	**-**	-
Investment liability	**2,831**	1,978	**-**	-
Other	**348**	2,012	**6**	9
	72,236	84,450	**6**	9
Deferred tax liabilities				
Contributions receivable	**143**	8	**143**	8
Unrealised investment income	**788**	3,754	**-**	-
Other	**-**	700	**-**	-
	931	4,462	**143**	8
Net deferred tax assets/(liabilities)	**71,305**	79,988	**(137)**	1

14. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year:

2010 Consolidated

	Opening balance $000	Recognised in income $000	Acquisition/ disposal $000	Exchange differences $000	Closing balance $000
Deferred tax liabilities:					
Contribution receivable	8	135	-	-	143
Unrealised taxable capital gain	-	-	-	-	-
Investment income	3,754	(2,966)	-	-	788
Operating assets	-	-	-	-	-
Other	700	(700)	-	-	-
	4,462	(3,531)	-	-	931
Deferred tax assets:					
Employee entitlements	1,978	(1,978)	-	-	-
Investment liability	80,459	(77,629)	-	-	2,830
Unrealised taxable capital losses	2,013	67,045	-	-	69,058
Other	-	348	-	-	348
	84,450	(12,214)	-	-	72,236
	79,988	(8,683)	-	-	71,305

2009 Consolidated

	Opening balance $000	Recognised in income $000	Acquisition/ disposal $000	Exchange differences $000	Closing balance $000
Deferred tax liabilities:					
Contribution receivable	404	(396)	-	-	8
Unrealised taxable capital gain	-	-	-	-	
Investment income	1,260	2,494	-	-	3,754
Operating assets	-	-	-	-	
Other	1,107	(407)	-	-	700
	2,771	1,691	-	-	4,462
Deferred tax assets:					
Employee entitlements	2,707	(2,707)	-	-	-
Investment liability	33,718	(31,740)	-	-	1,978
Unrealised taxable capital losses	2,676	77,783	-	-	80,459
Other	-	2,013	-	-	2,013
	39,101	45,349	-	-	84,450
			-	-	
	36,330)	43,658	-	-	79,988

2010 Fund

	Opening balance $000	Recognised in income $000	Acquisition/ disposal $000	Exchange differences $000	Closing balance $000
Gross deferred tax liabilities:					
Contribution receivable	8	135	-	-	143
Unrealised taxable capital gain	-	-	-	-	-
Investment income	-	-	-	-	-
Operating assets	-	-	-	-	-
Other	-	-	-	-	-
	8	135	-	-	143

14. Deferred tax assets and liabilities (continued)

2010 Fund

	Opening balance $000	Recognised in income $000	Acquisition /disposal $000	Exchange differences $000	Closing balance $000
Gross deferred tax assets:					
Employee entitlements	-	-	-	-	-
Investment liability	-	-	-	-	-
Other	9	(3)	-	-	6
	9	(3)	-	-	6
	(1)	138	-	-	137

2009 Fund

	Opening balance $000	Recognised in income $000	Acquisition/ disposal $000	Exchange differences $000	Closing balance $000
Gross deferred tax liabilities:					
Contribution receivable	404	(396)	-	-	8
Unrealised taxable capital gain	-	-	-	-	-
Investment income	-	-	-	-	-
Operating assets	-	-	-	-	-
Other	-	-	-	-	-
	404	(396)	-	-	8
Gross deferred tax assets:					
Employee entitlements	-	-	-	-	-
Investment liability	-	-	-	-	-
Unrealised taxable capital losses	-	-	-	-	-
Other	-	9	-	-	9
	-	9	-	-	9
	404	(405)	-	-	(1)

15. 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 five 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	Brian Parkinson
Wendy Phillips	Bill Watton
Tony Tuohey	Bill Watton
Russell Atwood	Brian Parkinson

Employer directors:	**Alternates:**
Michael Tilley	Steve Bird
Angela Emslie	Leigh Harder
Rob Spence	Alison Lyon
Geoff Lake	Alison Lyon

15. Related parties (continued)

(a) Trustee and key management personnel (continued)

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 $754,000 (2009: $755,000). The details are as follows:

	Consolidated		Fund	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Short-term employee benefits	**691**	692	**691**	692
Other long-term employee benefits	-	-	-	-
Post-employment benefits	**63**	63	**63**	63
	754	755	**754**	755

	Consolidated		Fund	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Vested benefits of key management personnel in Local Authorities Superannuation Fund as at 30 June	**7,794**	7,682	**7,794**	7,682

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.

(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

VPST 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).

Notes to the financial statements
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15. Related parties (continued)
(c) Related party transactions (continued)
(iv) Vision Super Pty Ltd

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

	Consolidated		Fund	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Trustee services fees payable/paid to VSPL	**17,434**	14,014	**17,434**	14,014

(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.

16. Auditor's remuneration

	Consolidated		Fund	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Amounts received or due and receivable by Ernst & Young for:				
An audit of the financial statements of the Group	**93**	170	**57**	77
Other services in relation to the Group	**-**	-	**-**	-
Total	**93**	170	**57**	77

17. Insurance

The Group provides death and disability 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.

18. Investments and derivatives

(a) Classification of financial instruments under the Fair Value Hierarchy

AAS 25 requires investments to be measured using net market value. The following table shows financial instruments recorded at net market value, analysed between those whose net market value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market and those where the valuation technique involves the use of non-market observable inputs that are significant to the determination of net market value. Net market value is considered a reasonable approximation of fair value, and for the purposes of the "fair value hierarchy", estimated costs of disposal have been disregarded for Level 1 financial assets. Listed equities, listed trusts and cash and deposits have been disclosed within level 1 and 2 in the fair value hierarchy, as the Trustee considers this is the most appropriate treatment that reflects how listed equities, listed trusts and cash and deposits are valued.

The analysis is consistent for both the consolidated entity and Fund. The categorisation within the fair value hierarchy is the same for both the Fund and consolidated entity. Comparative information has not been provided as permitted by the transitional provisions of AASB 7.

18. Investments and derivatives (continued)
(a) Classification of financial instruments under the Fair Value Hierarchy (continued)

	2010				2009
	Value at quoted market price (level 1)	Valuation technique – market observable inputs (level 2)	Valuation technique – non-market observable inputs (level 3)	Total	Total
	$'000	$'000	$'000	$'000	$'000
Cash					
Cash & deposits	526,004	7,055	-	533,060	567,451
Mortgage backed securities	-	-	50,167	50,167	59,564
	526,004	7,055	50,167	583,227	627,015
Diversified bonds					
Fixed interest bonds	-	249,086	-	249,086	86,742
Indexed bonds	-	37,566	-	37,566	39,529
Other bonds	-	3,044	-	3,044	40,088
	-	289,696	-	289,696	166,359
Equities					
Listed equities	1,228,303	1,202	-	1,229,505	915,607
Preference share redeemable	2,381	-	-	2,381	2,643
	1,230,684	1,202	-	1,231,886	918,250
Alternative assets					
Unlisted managed investment schemes	39,591	348,510	1,287,397	1,675,498	1,523,960
Unlisted equities	-	78,927	158,866	237,793	245,671
Other alternative assets	-	-	46,013	46,013	35,891
	39,591	427,437	1,492,276	1,973,176	1,805,522
Life insurance policies					
Life insurance policies	-	-	119,814	119,814	114,379
	-	-	119,814	119,814	114,379
Other investments					
Other investments	17,909	1,525	-	19,434	6,225
	17,909	1,525	-	19,434	6,225
Derivative assets					
FFX contracts	-	1,167,606	-	1,167,606	1,014,810
Warrants	13,089	-	-	13,089	9,671
Options	-	1,402	-	1,402	729
Swaps	-	944	-	944	2,005
Futures	-	-	-	-	152
	13,089	1,169,952	-	1,183,041	1,027,367
Derivative liabilities					
FFX contracts	-	(1,186,710)	-	(1,186,710)	(989,637)
Options	-	(650)	-	(650)	(27)
Swaps	-	-	-	-	(1,876)
Futures	(1,100)	-	-	(1,100)	(17)
	(1,100)	(1,187,360)	-	(1,188,460)	(991,557)
Total investments	1,826,177	709,507	1,662,257	4,197,941	3,673,560

18. Investments and derivatives (continued)

(a) Classification of financial instruments under the Fair Value Hierarchy (continued)

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

Disclosure of the method and assumptions applied in determining the net market value for each class of financial assets and financial liabilities are included in 2(e).

(b) Level 3 financial instruments transactions

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

30 June 2010
Consolidated

	Listed investment companies	Mortgage backed securities	Pooled development fund	Unlisted equities	Unlisted managed investment schemes	Unlisted partner -ships	Total
	$000	$000	$000	$000	$000	$000	$000
Opening balance	19,023	50,124	9,000	167,819	1,314,508	7,868	1,568,342
Total realised/unrealised gains and losses	(1,999)	-	1,005	10,239	44,718	1,418	55,381
Purchases/applications	5,666	-	-	13,871	68,093	4,032	91,662
Sales/redemptions	-	-	-	(35,693)	(19,888)	-	(55,581)
Accrued interests	-	43	-	-	-	-	43
Adjustments	-	-	-	2,630	(220)	-	2,410
Transfers into level 3	-	-	-	-	-	-	-
Transfers out of level 3	-	-	-	-	-	-	-
Closing balance	22,690	50,167	10,005	158,866	1,407,211	13,318	1,662,257

30 June 2010
Fund

	Listed investment companies	Mortgage backed securities	Pooled development fund	Unlisted equities	Unlisted managed investment schemes	Unlisted partner -ships	Total
	$000	$000	$000	$000	$000	$000	$000
Opening balance	17,522	46,169	8,290	154,579	1,210,798	7,248	1,444,606
Total realised/unrealised gains and losses	(1,842)	-	925	9,431	41,190	1,306	51,010
Purchases/applications	5,219	-	-	12,776	62,721	3,714	84,430
Sales/redemptions	-	-	-	(32,877)	(18,319)	-	(51,196)
Accrued interests	-	40	-	-	-	-	40
Adjustments	-	-	-	2,422	(203)	-	2,219
Transfers into level 3	-	-	-	-	-	-	-
Transfers out of level 3	-	-	-	-	-	-	-
Closing balance	20,899	46,209	9,215	146,331	1,296,187	12,268	1,531,109

Notes to the financial statements
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18. Investments and derivatives (continued)

Total gains/(losses) recognised in the Statement of Changes in Net Assets for Level 3 transactions are presented in the movement in net market value of investments as follows:

30 June 2010 Consolidated

	Non-traded listed company $000	Mortgage backed securities $000	Pooled development fund $000	Unlisted equities $000	Unlisted managed investment schemes $000	Unlisted partner -ships $000	Total $000
Total gains/(losses) recognised in the Statement of Changes in Net Assets for the period	(1,999)	-	1,005	10,239	44,718	1,418	55,381
Total gains/(losses) recognised in the Statement of Changes in Net Assets for the period for assets held at the end of the reporting period	(1,999)	-	1,005	10,239	44,718	1,418	55,381

30 June 2010 Fund

	Non-traded listed company $000	Mortgage backed securities $000	Pooled development fund $000	Unlisted equities $000	Unlisted managed investment schemes $000	Unlisted partner -ships $000	Total $000
Total gains/(losses) recognised in the Statement of Changes in Net Assets for the period	(1,842)	-	925	9,431	41,190	1,306	51,010
Total gains/(losses) recognised in the Statement of Changes in Net Assets for the period for assets held at the end of the reporting period	(1,842)	-	925	9,431	41,190	1,306	51,010

For financial instruments classified in Level 3 in the fair value hierarchy some of the inputs to the valuation models are unobservable and therefore subjective in nature. The use of reasonably possible alternative assumptions could possibly produce a different net market value measurement. If the impact of using those alternative assumptions would cause the fair value of Level 3 asset to be higher or lower by 5% the net assets of the Fund and the result for the year would have been higher or lower by $83 million.

(c) Transfers between hierarchy levels

There have been no significant transfers between Level 1 and Level 2 of the fair value hierarchy during the year.

19. Risk management

(a) Financial risk management objectives, policies and processes

The Group's principle financial instruments, other than 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.

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.

This information is prepared and reported to the Trustee on a monthly basis.

Concentrations of risk arise when a number of financial instruments or contracts 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 or other conditions.

In order to avoid excessive concentrations 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 2 (e).

(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.

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.

Credit risk arising from investments is mitigated by extensive tax and legal due diligence undertaken by the Group prior to the appointment of fund managers to ensure fund managers have appropriate skills and expertise to manage the Group's allocated investments. In addition, the Group conducts annual review of derivative risk statements and internal controls and processes for all appointed fund managers to ensure fund managers maintain those skills and expertise.

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 risk is not considered to be significant to the Group except in relation to investments in debt securities.

19. Risk management (continued)
(b) Credit risk (continued)

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.

2010 – 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	-	-	-	-	-	-	-
Convertible Notes	-	-	-	-	-	-	-
Fixed interest bonds	**204,977**	**18,156**	**5,209**	**74**	-	**20,671**	**249,087**
Indexed bonds	**32,827**	**912**	**83**	-	-	**3,743**	**37,565**
Floating rate notes	**1,040**	**1,487**	**187**	-	-	**1,525**	**4,239**
Zero coupon bonds	**114**	-	-	-	-	-	**114**
Mortgage backed securities	**50,167**	-	-	-	-	-	**50,167**
Discount securities	**216**	-	-	-	-	-	**216**
Cash & deposits	-	-	-	-	-	**533,060**	**533,060**
Pooled funds*	-	-	-	-	-	**201,392**	**201,392**
Total	**289,341**	**20,555**	**5,479**	**74**	-	**760,391**	**1,075,840**

2009 – 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	-	-	273	-	-	-	**273**
Convertible Notes	-	-	-	-	-	219	**219**
Fixed interest bonds	46,955	19,248	15,157	1,843	-	525	**83,728**
Indexed bonds	38,721	268	540	-	-	-	**39,529**
Floating rate notes	4,195	8,486	7,526	140	-	366	**20,713**
Zero coupon bonds	-	-	-	-	-	-	-
Mortgage backed securities	55,988	1,849	1,726	-	-	-	**59,563**
Discount securities	-	-	-	-	21,897	-	**21,897**
Cash & deposits	-	-	-	-	-	567,451	**567,451**
Pooled funds*	-	-	-	-	-	191,409	**191,409**
Total	**145,859**	**29,851**	**25,222**	**1,983**	**21,897**	**759,970**	984,782

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

Risk concentration of credit risk exposure

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

19. Risk management (continued)

(b) Credit risk (continued)

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

	Consolidated		Fund	
	2010	2009	2010	2009
	$000	$000	$000	$000
Australia	3,760,904	3,518,477	3,464,182	3,333,934
North America	280,291	75,066	258,177	71,129
Europe	116,876	61,335	107,655	58,118
Asia	27,321	21,339	25,165	20,220
Others	12,549	(2,657)	11,560	(2,518)
Total	**4,197,941**	**3,673,560**	**3,866,739**	**3,480,883**

Significant industry sector exposure exists as follows:

	Consolidated		Fund	
	2010	2009	2010	2009
	$000	$000	$000	$000
Financials	337,790	267,780	311,140	253,735
Materials	216,221	146,796	199,162	139,096
Consumer staples	112,530	84,273	103,652	79,853
Energy	89,174	80,948	82,139	76,702
Industrials	118,080	77,975	108,764	73,885
Consumer discretionary	105,137	71,606	96,842	67,850
Health care	84,969	67,684	78,014	64,134
Information technology	102,136	62,841	94,078	59,545
Telecommunication	52,673	45,251	48,517	42,877
Utilities	21,224	21,315	19,550	20,197

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

Notes to the financial statements
For the year ended 30 June 2010

19. Risk management (continued)
(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty 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.

As at 30 June 2010 - Consolidated	**Less than 1 month ($000)**	**1 to 3 months ($000)**	**3 to 12 months ($000)**	**1 to 5 years ($000)**	**Over 5 years ($000)**	**No stated maturity ($000)**	**Total ($000)**
Financial liabilities							
Benefits payable	7,192	-	-	-	-	-	7,192
Other payables	4,826	-	-	-	-	-	4,826
Vested benefits	4,023,324	-	-	-	-	-	4,023,324
Total undiscounted financial liabilities (excluding gross settled derivatives)							
Gross settled derivatives:							
Swaps							
Gross cash inflow	-	-	-	-	-	944	944
Warrants							
Gross cash inflow	-	-	-	13,089	-	-	13,089
Options							
Gross cash inflow	371	1,031	-	-	-	-	1,402
Gross cash outflow	(15)	(635)	-	-	-	-	(650)
Futures							
Gross cash outflow	-	-	(1,100)	-	-	-	(1,100)
Forward foreign currency contracts							
Gross cash inflow	589,080	578,526	-	-	-	-	1,167,606
Gross cash outflow	(596,738)	(589,972)	-	-	-	-	(1,186,710)
Total undiscounted gross settled derivatives inflow/(outflow)	4,028,040	(11,050)	(1,100)	13,089	-	944	4,029,923

19. Risk management (continued)
(c) Liquidity risk

As at 30 June 2009 - Consolidated	Less than 1 month ($000)	1 to 3 months ($000)	3 to 12 months ($000)	1 to 5 years ($000)	Over 5 years ($000)	No stated maturity ($000)	Total ($000)
Financial liabilities							
Benefits payable	14,999	-	-	-	-	-	14,999
Other payables	6,210	-	-	-	-	-	6,210
Vested benefits	3,636,337	-	-	-	-	-	3,636,337
Total undiscounted financial liabilities (excluding gross settled derivatives)							
Gross settled derivatives:							
Swaps							
Gross cash inflow	-	1,857	-	-	-	146	2,003
Gross cash outflow	-	(1,856)	-	-	-	(18)	(1,874)
Warrants							
Gross cash inflow	-	-	-	9,597	74	-	9,671
Options							
Gross cash inflow	82	99	545	-	-	-	726
Gross cash outflow	(15)	(11)	-	-	-	-	(26)
Futures							
Gross cash inflow	-	-	151	-	-	-	151
Gross cash outflow	-	-	(16)	-	-	-	(16)
Forward foreign currency contracts							
Gross cash inflow	118,000	896,809	-	-	-	-	1,014,809
Gross cash outflow	(118,262)	(871,374)	-	-	-	-	(989,636)
Total undiscounted gross settled derivatives inflow/(outflow)	3,657,351	25,524	680	9,597	74	128	3,693,354

The Group undertakes cashflow projection analysis daily to ensure minimal exposure to liquidity risk. For unlisted investments, the Group also undertakes commitment cashflow projections as a part of monthly rebalancing review and understanding of liquid and illiquid components

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.

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.

19. Risk management (continued)

(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.

Following the accounting policies at NAS and forecasted interest rate movement by NAB for the twelve months from May 2009, the Group anticipates 75 basis points movement in interest rates is considered reasonably possible for the 2010/2011 reporting period. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

An increase/decrease of 75 basis points in interest rates at the reporting date would have increased/(decreased) the changes in net assets available to pay benefits by the amounts shown below:

2010 – Consolidated and Fund

Asset class sector	Change in basis points Increase/decrease	Sensitivity of interest income and changes in net assets $000 Increase/decrease
Cash and cash equivalents	+/-75	-
Fixed interest securities	+/-75	(12,238) / 12,262
Derivatives	+/-75	3,804 / (232)

2009 – Consolidated and Fund

Currency	Change in basis points Increase/decrease	Sensitivity of interest income and changes in net assets $000 Increase/decrease
Cash and cash equivalents	+/-50	(16)/16
Fixed interest securities	+/-50	(4,721)/4,731
Derivatives	+/-50	1,237/(1,069)

19. Risk management (continued)
(d) Market risk (continued)
(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.

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.

Following the accounting policies at NAS and forecasted currency rates movement by NAB for the twelve months from May 2010, the Group expects the following movement in currency exchange rates in the table is considered reasonably possible for the 2010/2011 reporting period.

USD	10%
British pounds	5%
Euro	10%
Japanese Yen	20%

The percent strengthening/weakening of the AUD against the following basket of foreign currencies as 30 June would have increased/(decreased) the changes for the year in net assets available to pay benefits by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2010		2009	
Currency	**Change in Currency rate %**	**Effect on changes in net assets $000**	**Change in currency Rate%**	**Effect on changes in net assets $000**
USD	**+/-10**	**25,508.58/(31,177.15)**	+/-5	16,067/(17,759)
British pounds	**+/-5**	**1,284.82/(1,420.06)**	+/-5	1,501/(1,659)
Euro	**+/-10**	**12,296.84/(15,029.47)**	+/-5	5,246/(5,798)
Japanese Yen	**+/-20**	**9,981.86/(14,972.79)**	+/-15	3,593/(4,861)

19. Risk management (continued)
(d) Market risk (continued)
(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.

Following the accounting policies at NAS and forecasted ASX 200 movement by NAB for the twelve months from May 2010, the Group anticipates 10% movement in equity price is considered reasonably possible for the 2010/2011 reporting period. This analysis assumes that all other variables, in particular, interest rates and foreign exchange rates, remain constant. The analysis is performed on the same basis for 2009.

The "10%" increase/decrease in the equity price against the investments of the Group at 30 June would have increased/(decreased) the changes for the year in net assets available to pay benefits by the amounts shown below:

Consolidated and Fund

	2010		2009	
Asset class sector	**Change in equity price**	**Effect on changes in net assets**	**Change in equity price**	**Effect on changes in net assets**
	%	$000	%	$000
Life insurance policies	**+/-10**	**11,981/(11,981)**	+/-10	11,437/(11,437)
Listed equities	**+/-10**	**117,969/(117,969)**	+/-10	88,155/(88,155)
Listed property trusts	**+/-10**	**3,594/(3,594)**	+/-10	2,449/(2,449)
Listed units trust	**+/-10**	**1,387/(1,387)**	+/-10	942/(942)
Pooled development fund	**+/-10**	**1,000/(1,000)**	+/-10	-
Preference shares	**+/-10**	**238/(238)**	+/-10	264/(264)
Unlisted equities	**+/-10**	**23,779/(23,779)**	+/-10	10,470/(10,470)
Unlisted MIS	**+/-10**	**167,549/(167,549)**	+/-10	162,258/(162,258)
Unlisted unit trusts	**+/-10**	**-**	+/-10	7,824/(7,824)
Others	**+/-10**	**6,853/(6,853)**	+/-10	2,038/(2,022)

20. Investment commitments

The Group has a private market commitment of $1,846 million (2009: 1,540 million) as at the reporting date consists of the drawn commitment of $1,513 million (2009: 1,103 million) and undrawn commitment of $333 million (2009: 437 million).

21. Contingent liabilities/assets

The Group has no contingent liabilities/assets as at 30 June 2010.

22. Significant events after balance date

Between 30 June 2010 and the date of approval of this financial report, there have been no matters or circumstances not otherwise dealt with in the financial period that have significantly affected or may significantly affect the Group.

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 2010 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 2010.

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

Darrell Cochrane
Director

Rob Spence
Director

Melbourne, 24 September 2010