LGsuper

2011 Annual report

Queensland Local Government Superannuation Board

LGsuper

Looking after you
and your super

Contents

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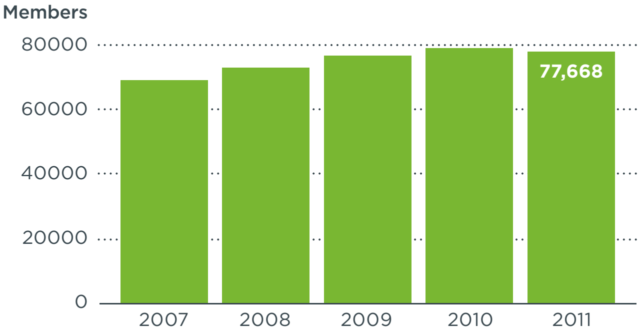
The Queensland Local Government
Superannuation Board
ABN 94 085 088 484
AFS Licence No. 230511
Local Government
Superannuation Scheme
ABN 23 053 121 564

LGsuper snapshot

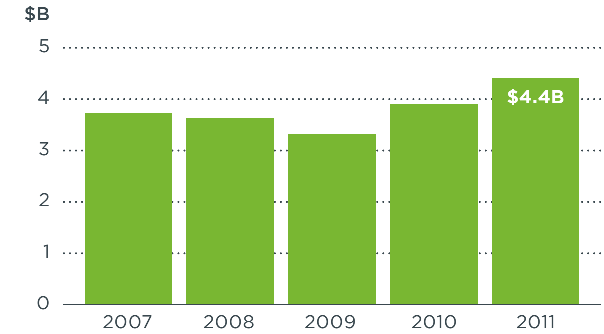
Membership

There were 77,668 LGsuper members at 30 June 2011, down 1.5% from 30 June 2010.



Funds under management

LGsuper took care of $4.4 billion in funds under management at 30 June 2011.



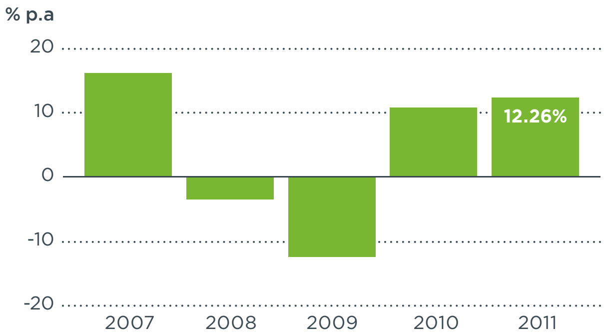
Account types

The membership comprised:

Accumulation Benefits Fund members			**73,311**
Council employees			
Contributory	22,827		
Non-contributory	9,417		
Councillors	274	32,518	
Former council employees and spouses			
Retained Benefit	38,096		
Spouses	947		
Pensioners	1,750	40,793	
Defined Benefits Fund members			**4,357**
Total members			**77,668**

Investment performance

The investment return for the total scheme was 12.26% before tax and fees for 2010/11.



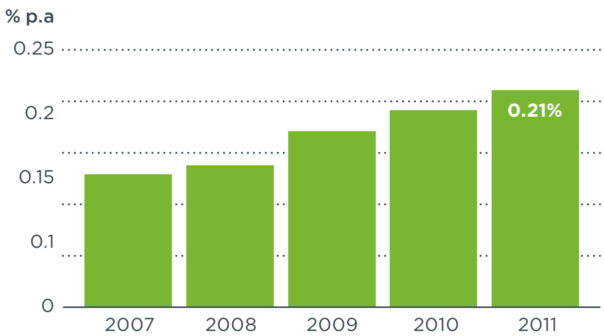
Employers

LGsuper had 90 local government employers paying into the scheme at 30 June 2011.

During 2010/11, 3,587 non-local government employers paid into LGsuper.

Administration expenses

Administration expenses charged for running LGsuper were 0.21% in 2010/11.



Chairman and CEO's report

On behalf of the LGsuper Board of Directors, it is our pleasure to present the 2011 annual report.

LGsuper continued to deliver solid returns to members in the 2010/11 financial year despite the mixed performance of economies around the globe.

The weakness in global growth during mid-2011 was exacerbated by natural disasters, such as the Japanese earthquake, the impacts of which appear to be passing. In addition, commodity prices whose rise dampened global household spending appear to have peaked in April, with energy prices now falling and food prices stabilising. Developed world consumers remain generally over indebted although falling rates of commodity price inflation should help restore some purchasing power of households.

Economic sovereign debt issues and heavily indebted developed world households remain a key risk to the outlook and will continue to constrain growth in the US and Europe and limit the pace of recovery in these two major developed economies. Despite the modest outlook for developed economies, the outlook for the Asian region is boosted by ongoing strength in Chinese and Indian economies. This is particularly beneficial for Australia, where households are currently behaving cautiously, raising their rate of saving in response to global uncertainty, domestic fiscal policy announcements such as the carbon tax, and as the housing market adjusts to higher interest rates.

Diversification key to our solid performance

LGsuper's solid performance throughout the year was again driven by a highly diversified and well-managed investment strategy. High Growth achieved an impressive 12.77% return for the year (up 5.14% on 2009/10) and a ranking of 3 out of 69 similar investment options over the 12 month period by the leading independent ratings agency, SuperRatings (source: SuperRatings Fund Crediting Rate survey, July 2011). With a final return of 11.59% (up 2.16% on the previous year), Growth also gave a solid performance and earned a SuperRatings ranking of 12 out of 92 like options for the year, while our Balanced option returned a strong 9.68%.

The Board is particularly pleased that according to SuperRatings, LGsuper's investment options are among the top performing in the country for the 5 years to 30 June 2011. Balanced ranks 6th, Growth and High Growth 7th, while Growth Smoothed and Defensive each rank 12th out of at least 60 similar investment options over rolling 5-year periods.

Our merger with CitySuper

LGsuper officially merged with CitySuper, the superannuation fund for current and former employees of Brisbane City Council and their spouses, from 1 July 2011.

Management, staff and the Board of Directors of both super funds worked extremely hard over the last 12 months to develop and launch a combined fund that offers all members better products at a lower cost.

Investments

During the financial year the Board made the following changes to its external investment manager line-up:

Asset class	Appointed	Terminated
International shares	Sanders Capital	Alliance Bernstein
	Vontobel	
Alternatives	Palisade Investment Partners	Loomis Sayles
	Rogge Global Partners	
	Westbourne Capital	

Other investment activity during the year included:

- an adjustment to the passive currency overlay
- switch from overseas Government bonds to Australian Government bonds.

Looking ahead

The Board and management of LGsuper are focused on the following key priorities for the 2011/12 year:

- retaining our low cost position for members
- development and implementation of a single, enhanced insurance arrangement for members from July 2012
- implementation of advice software to provide better, more timely superannuation advice to members
- implementation of customer relationship management and workflow systems to streamline administration of member accounts

Once again, we would like to acknowledge the important contribution made by LGsuper management and staff, who continually strive to ensure our members enjoy a better retirement.

Brian Roebig OAM
Chairman

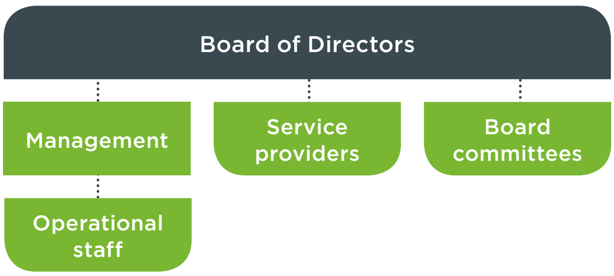
David Todd
Chief Executive Officer

Governance statement

The Queensland Local Government Superannuation Board is established under section 208 of the *Local Government Act 2009* as a body corporate. Its functions under section 209 of the *Local Government Act 2009* are:

- to act as trustee of the Local Government Superannuation Scheme
- to manage approved schemes
- to act as trustee of, and establish and act as trustee of, related persons schemes

Governance structure



The Board functions through a Board of Directors as provided under section 210 of the *Local Government Act 2009*. Section 210 further provides for the role of the Board of Directors, as follows:

1. the Board of Directors is responsible for how the Board performs its responsibilities
2. the Board of Directors must ensure that the Board performs its responsibilities in a proper, effective and efficient way

The Board's functions, responsibilities and powers are further defined through:

- the Scheme's Trust Deed
- the Board's Charter
- the Board's Fit and Proper policy

Under section 210 of the *Local Government Act 2009*, the composition of the Board of Directors shall be:

a. 3 persons appointed on nomination of LGAQ Ltd
b. 3 persons appointed on the nomination of members of the Scheme and
c. if the Trust Deed provides, an independent director

The methodology for the appointment of the Directors is given in the Trust Deed, in particular:

- employer and member representative directors are appointed for 4 year terms
- member representative directors are appointed following an election by LGsuper members
- the independent director is appointed by the Board with the term of appointment being determined by the Board up to a maximum of 4 years
- a Director can be removed in the same way they were appointed or if they fail to meet strict requirements under superannuation legislation

Board of Directors

Transitional Board of Directors from 1 July 2011

A transitional Board of Directors is in place for the period from merging with City Super on 1 July 2011 until 30 June 2014. This arrangement is designed to provide continuity of oversight during the merger transition period. The transitional Board of Directors consists of:

- Four member representative Directors, including one previous City Super member representative nominated by the Trustee of City Super
- Four employer representative Directors, including one previous City Super employer representative nominated by Brisbane City Council
- One independent Director appointed by the Board who also acts as Chairman.

The next member representative election will take place in 2014. Similarly, nominations for employer representative directors will be requested in 2014.

At 30 June 2011

Independent Director and Chairman

Brian Roebig OAM

- Chairman and Independent Director since August 1995
- Member, Audit and Risk Management Committee

Brian Roebig has over 30 years experience in superannuation and finance, with his previous roles including General Manager of National Mutual in Queensland, director of numerous finance and investment-related public companies, Director of South Bank Corporation and Chairman of ASX-listed First Australian Building Society (now part of Bendigo Bank). Brian holds a BA(Econ), and is a Fellow of both the Australian Institute of Company Directors and the Australian Insurance Institute.

Brian Roebig OAM

Board of Directors
at 30 June 2011 cont.

Member representatives

Noel Cass
Director

- Director since July 2008
- Previously LGsuper Director from 1995–2004

Noel Cass has 40 years experience working in local government, including 35 years as a chief executive officer. Noel retired from his position as Chief Executive Officer of Jondaryan Shire Council in 2008. He holds formal qualifications in local government administration, accounting and environmental health.

Fiona Connor
Director

- Director since July 2001
- Member, Audit and Risk Management Committee
- Former LGsuper employee

Fiona Connor was employed by LGsuper from 1990 to 1999. She holds a BBus(Public Sector Management), a Certificate in Governance Practice and Administration and a Diploma of Financial Services (Superannuation). Fiona is a Graduate Member of the Australian Institute of Company Directors and a Member of Chartered Secretaries Australia.

Peter Smith
Director

- Director since July 2008
- Former CEO of LGsuper from 1988–2006

Peter Smith was LGsuper's Chief Executive Officer from 1988 to 2006. Peter is a career superannuation professional, having held chief executive and other senior positions with public and private sector superannuation funds dating back to the early 1970s in industries ranging from public utilities (including electricity and local government in Queensland) to global mining and pharmaceutical companies. He has also been a consultant to the superannuation industry. Peter holds a Diploma of Financial Services, is a Fellow of the Association of Superannuation Funds of Australia (ASFA) and is a retired member of the National Institute of Accountants and a retired member and Senior Associate of the Australian Insurance Institute.

Noel Cass Fiona Connor Peter Smith

Employer representatives

Cr Paul Bell AM
Director

- Director since July 2004
- Chairman, Audit and Risk Management Committee
- President, Local Government Association of Queensland
- Deputy Mayor, Central Highlands Regional Council

Cr Paul Bell is President of the Local Government Association of Queensland (LGAQ) and the immediate past President of the Australian Local Government Association (ALGA). Paul is currently Deputy Mayor of the Central Highlands Regional Council and was Mayor of Emerald Shire Council from 1991 to 2000 (Councillor since 1985). His previous roles include Director of Ergon Energy and Queensland Rail. Paul is a Member of the Australian Institute of Company Directors and holds a BBus(Admin).

Cr Peter Taylor
Director

- Director since July 1998
- Member, Executive of the Local Government Association of Queensland
- Mayor, Toowoomba Regional Council

Cr Peter Taylor is Mayor of Toowoomba Regional Council and is currently an Executive Member and former President of the Local Government Association of Queensland (LGAQ). He was previously Mayor (1994 to 2008) and Councillor (1976 to 1994) of Jondaryan Shire Council. Peter ran an agriculture business on the Darling Downs for 30 years. He is a Fellow of the Australian Institute of Company Directors, holds a Certificate of Development Practice and is studying toward a Masters of Development Practice.

Cr Les Tyrell OAM
Director

- Director since July 2008
- Previously LGsuper Director from 1995–2004
- Member, Executive of the Local Government Association of Queensland
- Mayor, Townsville City Council

Cr Les Tyrell is the Mayor of Townsville City Council and former Mayor (1991 to 2008) and Councillor (1979 to 1991) of Thuringowa City Council. Les is an Executive Member of the Local Government Association of Queensland (LGAQ). Previously he ran his own financial services consultancy business for 12 years and has a background in accounting and management.

Cr Paul Bell AM Cr Peter Taylor Cr Les Tyrell OAM

Management and staff

The Chief Executive Officer reports to the Board of Directors on delegated responsibilities for the administration and operation of LGsuper. The Scheme Secretary and Deputy Chief Executive Officer and the General Manager Operations assist him in this role. At 30 June 2011 LGsuper had 50 staff.

Chief Executive Officer

David Todd

David Todd has been the CEO since July 2006 and prior to this was the Chief Manager Investments from 2005. David's previous roles include General Manager Investments for Reinsurance Australia/Calliden (1994 to 2004), General Manager Treasury for TNT (1983 to 1994) and various accounting positions in Australian companies. He holds a BCom (Accounting, Finance & Systems), is a member of CPA Australia and is a Certified Senior Treasury Professional (Finance and Treasury Association). David is a Responsible Officer under the Board's Australian Financial Services (AFS) and Registrable Superannuation Entity (RSE) licences.

Scheme Secretary and Deputy Chief Executive Officer

Ian Harcla

Ian Harcla has been the Scheme Secretary and Deputy CEO since 2006. Ian's previous roles include General Manager of the Queensland Coal & Oil Shale Mining Industry Superannuation Fund (1989 to 2005) and various audit positions with the Queensland Audit Office. He holds a BBus (Accounting), a Graduate Diploma in Management, a Graduate Diploma in Applied Finance & Investment, is a Fellow of ASFA, a member of CPA Australia and a Graduate Member of the Australian Institute of Company Directors. Ian is a Responsible Officer under the Board's AFS and RSE licences.

General Manager Operations

Timothy Willmington

Timothy Willmington has been the General Manager Operations since 2006 and has held various positions with LGsuper since 1989. Previously, he was employed by QSuper (1986 to 1989). Tim holds a BBus (Management & HRM), Diploma of Financial Services (Superannuation), an Associate Diploma of Superannuation Management and is a Fellow of ASFA. He is a Responsible Officer under the Board's AFS and RSE licences.

David Todd   Ian Harcla   Timothy Willmington

Organisational structure

Chief Executive Officer

David Todd *+^ (6)

Oversees and reports to the Board of Directors on all aspects of the administration and operation of LGsuper. Responsible for the development and implementation of investment strategy.

Scheme Secretary and Deputy Chief Executive Officer

Ian Harcla *+^ (5)

Undertakes scheme secretarial duties and oversees the Finance function. Responsible for compliance, corporate governance and handling member complaints.

Manager Finance

Patrick Rochford (21)

General Manager Operations

Timothy Willmington *+^ (21)

Responsible for administration, marketing and communication, information technology, insurance and member advice and information functions.

Manager Scheme Administration

David Sleeman * (3)

Project Manager

Barbara Matthews * (24)

Manager Marketing and Communications

Lyndal Ferrari * (5)

Manager Member Services and Advice

Rhonda Maden * (0)

Manager Information Technology

Rob Fox (4)

Team Leader Insurance

Linda Windsor * (11)

* Authorised representative under Australian Financial Services Licence No. 230511

+ Responsible Officer under Australian Financial Services Licence No. 230511

^ Responsible Officer under RSE Licence

Figures in brackets indicate number of completed years of service at 30 June 2011.

Trust Deed

The Trust Deed was amended to facilitate the merger of LGsuper with City Super, with changes effective from the date of the merger (1 July 2011).

Key changes made to the Trust Deed were:

- The Trust Deed was divided into five chapters to cover the following:
  - Chapter 1: Administrative provisions for the Scheme generally e.g. Board membership, powers of the Board, eligible members and investments.
  - Chapter 2: Contribution and benefit provisions for members generally e.g. voluntary contributions, insurance, death benefit nominations and pensions.
  - Chapter 3: Contribution and benefit provisions for LGsuper members – provisions from the previous Trust Deed applicable to LGsuper members to ensure they maintain the same benefits.
  - Chapter 4: Contribution and benefit provisions for City Super members – provisions from the City Super Trust Deed applicable to City Super members to ensure they maintain equivalent benefits on the merger.
  - Chapter 5: Transitional provisions for the merger e.g. transitional Board of Directors, provisions to ensure existing member entitlements are not affected.
- New provisions inserted into the Trust Deed which affected LGsuper members include:
  - Expansion of the Board of Directors to include two directors from City Super, resulting in a Board of nine Directors.
  - Provision to appoint more than one independent director (previously limited to one independent director).
  - Provision for members to give binding death benefit nominations to the Board, previously only available to City Super members.
  - Closure of the Growth Smoothed option and the distribution of the reserves to members.
  - Provision for the Board to select one or more investment strategies to act as the Scheme's default strategies.
  - Provision to clarify the Board's power to enter into currency hedges to protect overseas investments from adverse currency movements.

Investments

The Board of Directors' general investment objectives for LGsuper assets are:

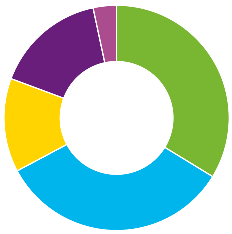
- to invest the assets as permitted by the Trust Deed or by law
- to prudently manage all aspects of risk in relation to LGsuper assets, by ensuring:
  - assets are adequately diversified
  - assets have an appropriate level of liquidity
  - assets are sufficient to meet benefit payments when they fall due
  - any third party to whom investment decision-making is delegated exercises integrity, prudence and professional skill in fulfilling the investment tasks delegated to them, and the actions of the third party are fully accountable to the Board

The Board of Directors holds the following beliefs:

- Our primary objective is to provide a secure source of retirement income for LGsuper members. The Board adheres to the principles of capital market theory which maintain that over the long term, prudent investment risk-taking is rewarded with incremental returns. So, while capital preservation is important, the Board regards prudent risk-taking as justifiable.
- Our main goal is to set an appropriate level of investment risk, and then subject to this, create value by maximising the return per unit of risk. For the accumulation section, the primary risk measure is defined as the volatility of returns. Peer group risk (i.e. the risk of underperforming other superannuation funds of a similar nature) is assessed as a secondary measure. For the defined benefit section, risk is defined relative to the liabilities.
- Strategic asset allocation is the primary determinant of LGsuper returns. It is set with reference to an asset model that factors in long-term expected return and risk characteristics.
- Other things being equal, a strategy that comprises a more diverse exposure to asset class and manager risks is preferable to one with concentrated risk exposures.
- For asset classes for which assumptions are expected to be less robust, or for which there are additional important considerations such as illiquidity, a practical limit is imposed.
- For the introduction of a new asset class into the strategy to be worthwhile in terms of risk and/or return, and taking into account the overall governance, it must be awarded an allocation sufficiently large so as to have a meaningful impact on the total fund or option's expected characteristics.
- Our investment objectives are long-term in nature, and the Board does not believe it has the capability to tactically adjust the strategic allocations to asset classes or currencies to exploit short-term changes in market conditions. However, the strategic asset allocation is expected to be reviewed periodically (typically annually) to allow for significant changes to market conditions and/or long-term asset class assumptions.
- The Board recognises that markets can move outside long term fair value ranges and will implement medium term tilts to strategic allocation to add return/reduce risk. This dynamic approach to strategic allocation is typically over a 3 year + time horizon.

Accumulation Benefits Fund

High Growth



Actual asset allocation at 30 June 2011

- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

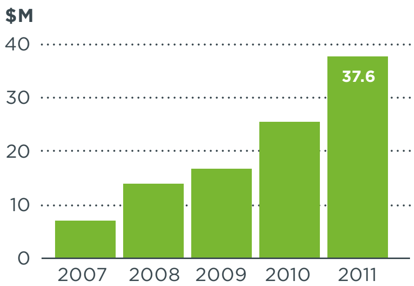
Aim
to achieve returns of CPI plus 4.5% p.a. over rolling 5-year periods

Risk
high

Fees (2010/11)
0.21% administration
0.74% investment management

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2011	12.77	13.94
2010	7.63	8.44
2009	-16.66	-19.36
2008	-5.72	-6.66
2007	17.51	19.25
5-yr avge (% p.a.)	2.30	2.09
% p.a. over CPI	-0.45	-0.66

Member funds invested



Growth

Actual asset allocation at 30 June 2011

- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

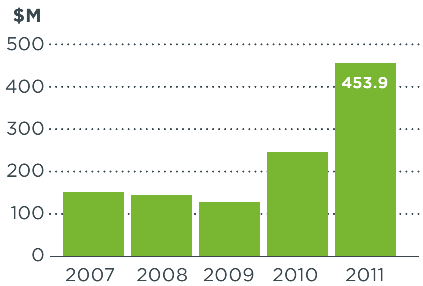
Aim
to achieve returns of CPI plus 4.0% p.a. over rolling 5-year periods

Risk
high

Fees (2010/11)
0.21% administration
0.72% investment management

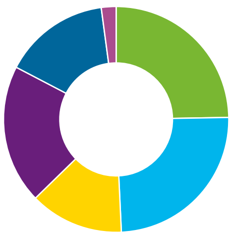
Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2011	11.59	12.80
2010	9.43	10.43
2009	-14.17	-16.46
2008	-5.04	-5.84
2007	16.00	17.60
5-yr avge (% p.a.)	2.92	2.88
% p.a. over CPI	0.17	0.13

Member funds invested



Accumulation Benefits Fund cont.

Growth Smoothed



Actual asset allocation at 30 June 2011

- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

Aim
to achieve returns of CPI plus 4.0% p.a. over rolling 5-year periods

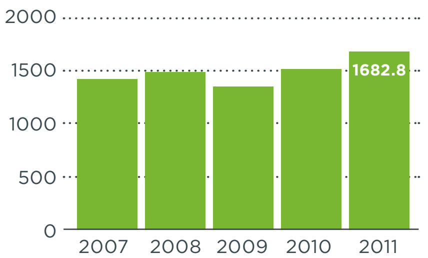
Risk
medium

Fees (2010/11)
0.21% administration
0.72% investment management

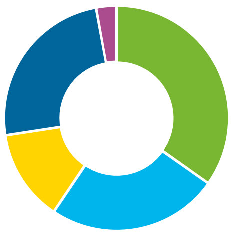
Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2011	9.32	10.05
2010	6.26	6.86
2009	-14.10	-16.39
2008	2.25	2.16
2007	14.95	16.13
5-yr avge (% p.a.)	3.24	3.13
% p.a. over CPI	0.49	0.38

Member funds invested

$M



Socially Responsible



Actual asset allocation at 30 June 2011

- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

Aim
to achieve returns of CPI plus 4.0% p.a. over rolling 5-year periods

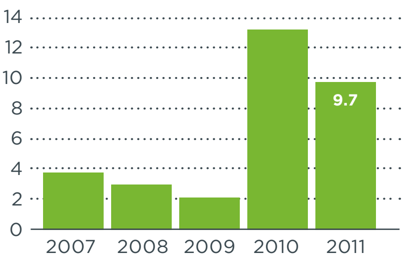
Risk
high

Fees (2010/11)
0.21% administration
0.85% investment management

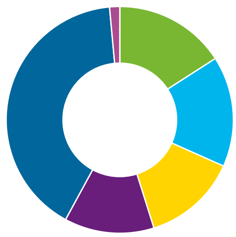
Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2011	7.65	8.61
2010	8.03	9.23
2009	-10.03	-11.63
2008	-9.95	-10.15
2007	15.67	17.42
5-yr avge (%p.a.)	1.74	2.04
% p.a. over CPI	-1.01	-0.71

Member funds invested

$M



Balanced



Actual asset allocation at 30 June 2011

- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

Aim
to achieve returns of CPI plus 3.5% p.a. over rolling 5-year periods

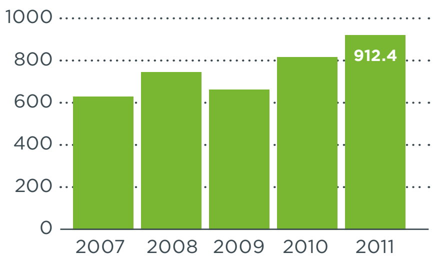
Risk
medium

Fees (2010/11)
0.21% administration
0.60% investment management

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2011	9.68	10.89
2010	10.02	11.21
2009	-9.03	-10.33
2008	-1.46	-1.67
2007	11.90	13.18
5-yr avge (% p.a.)	3.89	4.24
% p.a. over CPI	1.14	1.49

Member funds invested

$M



Accumulation Benefits Fund cont.

Conservative

Actual asset allocation at 30 June 2011

- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

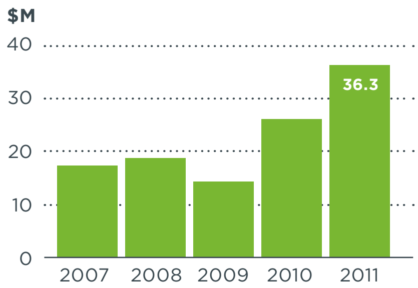
Aim
to achieve returns of CPI plus 2.5% p.a. over rolling 5-year periods

Risk
medium

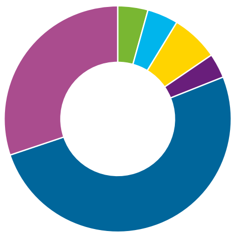
Fees (2010/11)
0.21% administration
0.47% investment management

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2011	7.90	9.00
2010	8.53	9.64
2009	-4.79	-5.34
2008	1.22	1.46
2007	9.19	10.32
5-yr avge (% p.a.)	4.27	4.83
% p.a. over CPI	1.52	2.08

Member funds invested



Defensive



Actual asset allocation at 30 June 2011

- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

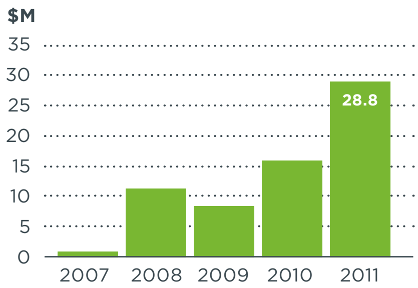
Aim
to achieve returns of CPI plus 2.0% p.a. over rolling 5-year periods

Risk
low

Fees (2010/11)
0.21% administration
0.32% investment management

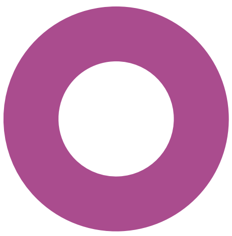
Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2011	6.27	7.45
2010	8.68	9.88
2009	-0.59	-0.64
2008	3.34	3.92
2007	6.59	7.50
5-yr avge (%p.a.)	4.81	5.56
% p.a. over CPI	2.06	2.81

Member funds invested



Defined Benefits Fund and Insurance Fund

Cash



Actual asset allocation at 30 June 2011

- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

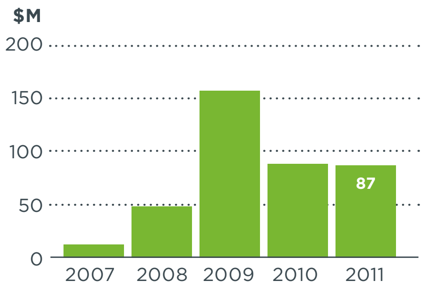
Aim
to protect capital over any 1-year period

Risk
nil

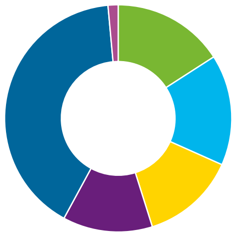
Fees (2010/11)
0.21% administration
0.06% investment management

Year ending 30 June	Accumulation accounts (%)	Pension accounts (%)
2011	4.05	4.81
2010	2.93	3.52
2009	3.77	4.27
2008	4.87	5.70
2007	5.42	6.41
5-yr avge (% p.a.)	4.20	4.94
% p.a. over CPI	1.45	2.19

Member funds invested



Defined Benefits Fund



Actual asset allocation at 30 June 2011

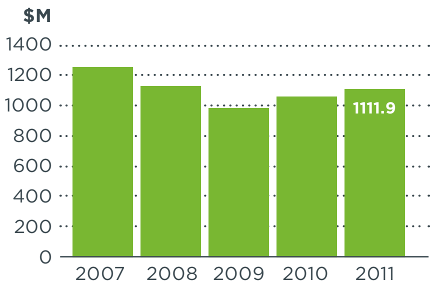
- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

Aim
to achieve returns in excess of salary inflation (AWOTE) plus 1.5% over rolling 3-year periods

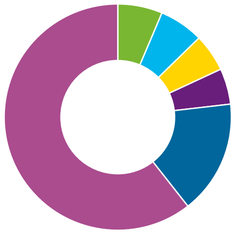
Year ending 30 June	Investment return (%)	Accumulation comparison rate (%)
2011	9.68	8.43
2010	10.02	6.55
2009	-9.03	-19.00
2008	-1.46	0.62
2007	11.17	11.69
3-yr avge (% p.a.)	3.16	-2.19
% p.a. over (under) AWOTE*	(2.06)	

*Proxy for salary growth

Fund balance



Insurance Fund

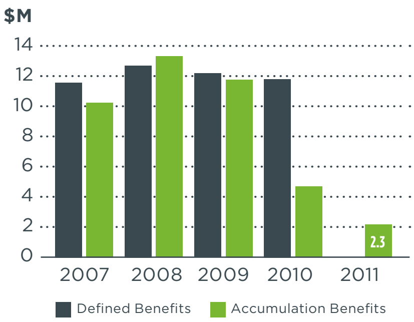


Actual asset allocation at 30 June 2011

- Australian shares
- International shares
- Property
- Alternatives
- Fixed interest
- Cash

Year ending 30 June	(%)
2011	6.51
2010	5.96
2009	-0.98
2008	2.30
2007	8.14
5-yr avge (% p.a.)	4.33

Insurance fund reserves



Investment managers

The Board regularly reviews investment manager performance and contribution to overall objectives. In addition, the Board ensures external managers comply with the guidelines, requirements and objectives specified in their Investment Management Agreements. LGsuper allows managers to use derivatives in order to hedge risk and/or increase transactional efficiency. Managers who use derivatives must adopt an acceptable Derivative Risk Statement that specifies how derivatives are used and what controls are in place.

The Board also has an Investment Policy Statement that details its investment policies and procedures.

The table below shows the number of mandates/unit trusts held with external managers at 30 June 2011.

	Australian shares	International shares	Property	Alternatives	Socially Responsible	Fixed interest	Cash	FUM $M
Acorn Capital Ltd	1							65.4
AMP Capital Investors	1		1					702.2
AMP RIL Balanced Fund					1			13.9
Arrowstreet Fund		1						73.9
BlackRock		1						385.9
Bridgewater				1				167.8
BT Grosvenor				1				9.1
Colonial First State						1		120.6
Eley Griffiths	1							63.5
EQT				1				9.0
Independent	1							86.6
JCP Investment Partners	1							165.7
K2 Advisors				1				112.5
Lazard Thematic		1						183.2
LGsuper (internal)							1	186.3
Macquarie Funds Management	1			1				275.9
Merlon Capital	1							78.0
Morgan Stanley Investment Management				1				25.0
Northcape Capital	1							109.8
Palisade Investment Partners				1				54.1
PIMCO						1		183.3
QIC						1		768.2
Rogge Global Partners				1				83.7
Sanders Capital		1						115.5
Stone Harbor				1				156.2
Vianova Asset Management						1		123.5
Vontobel		1						118.5
Westbourne Capital				1				36.5
Total								**4,473.8**

Total Scheme investment returns

At 30 June 2011	1 yr	3 yrs	5 yrs	7 yrs	10 yrs
Total return (before tax and fees)	12.26	2.92	4.10	7.31	5.54
Composite benchmark	9.69	4.63	4.97	7.31	5.60
% p.a. above/below benchmark	2.57	-1.71	-0.87	0.00	-0.06

Administration and investment management expenses

Year ending 30 June	Administration expenses as % of FUM[1]	Investment management expenses as % of FUM	Average FUM ($M)
2011	0.18	0.39	4,161.7
2010	0.18	0.31	3,577.8
2009	0.17	0.26	3,484.5
2008	0.14	0.30[2]	3,706.2
2007	0.12	0.27[2]	3,425.3

1 After the deduction of administration expenses relating to investment and insurance.

2 After the deduction of Securities Lending Commission fees.

Local Government Superannuation Scheme

2011 Financial statements

ABN 23 053 121 564

2011 Financial statements

Contents

Statement of Changes in Net Assets for the year ended 30 June 2011

	NOTES	2011 $	2010 $
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE YEAR		3,875,923,020	3,353,410,653
Plus Income Received			
Net investment income			
Interest		62,404,499	39,309,979
Dividends & Trust Distributions		107,239,179	86,572,086
Real estate property rentals		5,989,824	5,901,052
Changes in net market value of investments	4 (a)	300,692,796	233,721,230
Other investment income	5	1,602,305	1,804,977
		477,928,603	367,309,323
Direct investment expenses	7	-18,908,284	-13,753,968
		459,020,319	353,555,355
Contribution revenue			
Member contributions		85,430,738	81,046,818
Employer contributions		290,615,171	271,852,333
Commonwealth government co-contributions		7,139,421	11,966,018
		383,185,330	364,865,169
Other revenue			
Transfers from other funds		63,038,739	48,038,571
Sundry income		240,356	226,849
Changes in net market value of other assets	4 (b)	-388,213	-428,013
Proceeds group life policy		8,052,021	10,082,363
		70,942,904	57,919,771
TOTAL INCOME FROM ORDINARY ACTIVITIES		913,148,553	776,340,295
Less: Expenses Incurred			
Scheme administration expenses	8	7,313,764	6,347,853
Benefits paid	10	215,256,263	172,742,294
Contribution split payments		733,222	671,816
Superannuation surcharge	1 (r)	-4,886	-14,525
Group life insurance premiums		13,619,930	12,753,386
TOTAL EXPENSES FROM ORDINARY ACTIVITIES		236,918,292	192,500,823
CHANGES IN NET ASSETS BEFORE INCOME TAX		676,230,261	583,839,472
INCOME TAX EXPENSE (BENEFIT)	13	78,126,853	61,327,105
CHANGES IN NET ASSETS AFTER INCOME TAX		598,103,408	522,512,367
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE YEAR		**4,474,026,427**	**3,875,923,020**

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

Statement of Net Assets as at 30 June 2011

	NOTES	2011 $	2010 $
Investments			
Fixed interest securities - Domestic		746,091,829	469,261,956
- Overseas		544,575,371	618,813,836
Shares in listed companies - Domestic		1,381,086,688	1,257,745,860
- Overseas		854,502,970	692,301,030
Derivatives		14,529,558	-32,750,973
Alternatives	1 (d)	582,665,467	482,021,995
Direct property investments		63,829,172	66,729,154
Short term investments - Domestic		190,598,558	223,187,257
TOTAL INVESTMENTS		4,377,879,612	3,777,310,115
Other Assets			
Cash		89,502,251	97,031,922
Contributions receivable		7,543,943	7,271,545
Interest receivable		1,145,582	825,718
Prepaid expenses		172,898	158,386
Other receivables/unsettled trades	14	18,532,013	20,631,013
Fixed assets	6	1,656,647	1,267,624
Capitalised Merger Costs		953,269	0
Deferred tax asset	13	40,179,952	50,913,318
		159,686,554	178,099,526
TOTAL ASSETS		4,537,566,166	3,955,409,641
LESS:			
Liabilities			
Benefits due and unpaid	11	372,321	1,087,801
Sundry creditors/unsettled trades		25,236,906	54,467,270
Accrued employee entitlements	1 (i)	1,050,999	863,105
Income tax payable		36,879,513	23,068,445
TOTAL LIABILITIES		63,539,739	79,486,621
NET ASSETS AVAILABLE TO PAY BENEFITS		**4,474,026,427**	**3,875,923,020**

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

Notes to and forming part of the Financial Statements of the Local Government Superannuation Scheme for the year ended 30 June 2011

Note 1 Statement of Significant Accounting Policies

(a) Basis of preparation

The Financial Statements are general purpose statements which have been drawn up in accordance with Australian Accounting Standards including AAS 25 "Financial Reporting by Superannuation Plans" (AAS25) as amended by AASB 2005-13 "Amendments to Australian Accounting Standards [AAS25]", the Superannuation Industry (Supervision) Act 1993 and regulations and the provisions of the Trust Deed of the Local Government Superannuation Scheme.

The financial statements have been prepared in accordance with the historical cost convention, except for the valuation of investments, derivatives and fixed assets, which are measured at net market value.

(b) Statement of compliance

This financial report is prepared based on applicable Australian Accounting Standards. Since AAS25 is the principal standard that applies to the financial statements, other standards are also applied where necessary except to the extent that they differ from AAS25.

Application of Accounting Standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the annual reporting period ending 30 June 2011. These are outlined in the table below.

Title	Application date of standard	Application Date for Scheme
AASB 124 Related Party Disclosures (2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013 (on a modified retrospective basis)	30 June 2014

If these accounting standards had been adopted, the Board does not believe that there would have been a material impact to either the Statement of Changes in Net Assets for the year ended 30 June 2011 or the Statement of Net Assets as at 30 June 2011.

(c) Revenue recognition

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

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 Changes in Net Assets.*

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

Interest
Revenue is recognised as interest accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends and distributions
Revenue is recognised when the right to receive payment is established.

Rental income
Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives are recognised as an integral part of total rental income.

Group life insurance proceeds
Insurance claim amounts are recognised where the insurer has agreed to pay the claim lodged and has transferred the claim amount to the scheme.

(d) Classification of investments

The assets of the Scheme are exposed to financial markets via: -

- individual portfolios; and
- collective investment vehicles (specifically, unit trusts)

In the classification of investments of the Scheme for accounting purposes, the Board looks beyond the collective (pooled) investment vehicles in which it is a unit-holder to the underlying securities supporting the particular unit trust.

Under this policy, for example, units held in an appointed investment manager's internally-established global equity trust would be classified as 'Shares in Listed Companies – Overseas'.

The exception in this regard is 'Alternatives', in which units held in hedge funds and other alternative pooled investment vehicles comprise underlying securities which straddle multiple investment classes. These are disclosed as a group in their own right.

(e) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

Operating lease commitments
The Board has entered into commercial property leases on its investment property portfolio and has determined that since all the significant risks and rewards of ownership are retained, the leases are to be classified as operating leases.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based 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 15.

Valuation of investments and derivatives
The key assumptions are set out below in note 1 (f).

(f) Investments (including derivatives)

Investments (including derivatives) of the Scheme are initially recognised at cost, being the fair value of the consideration given.

After initial recognition, investments (Including derivatives) are measured at net market value. Gains or losses on investments (including derivatives) are recognised in the *Statement of Changes in Net Assets*.

The net market value of investments (including derivatives) has been determined as follows:

- Shares in listed entities: At last sale price quoted by the Stock Exchange at the close of business on the balance date;
- Government and other fixed interest securities: At last market sale price quoted;
- Unit trusts: At redemption price at balance date as quoted by the investment manager;
- Derivative financial instruments: Derivative financial instruments including forward exchange contracts and fixed interest rate futures are recorded at market rates at close of business on the balance date;
- Investment properties – real estate: At independent valuations conducted periodically throughout the year performed by a qualified valuer; and
- Fixed Assets: Superannuation Board valuation as at 30 June 2011.

Estimated costs of realisation have been deducted in determining net market value. Net market value is considered a reasonable approximation of fair value.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Board commits to purchase or sell the asset.

The Board has concluded that the above measurement bases are appropriate. Due to the nature of the assets and liabilities the measurement amounts may change over time.

(g) Income tax

The Scheme is a complying superannuation fund for the purposes of the provisions of the Income Tax Assessment Act. Accordingly, the concessional tax rate of 15% has been applied to the Scheme's taxable income.

Income tax in the Statement of Net Assets for the year comprises current and deferred tax. Income tax is reflected in the Statement of Changes in Net Assets.

Current Income Tax Expense is the expected tax payable on the taxable income for the year using the concessional tax rate of 15% for Scheme income and any adjustment to tax payable in respect of previous years.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(h) Liability for accrued benefits

The liability for accrued benefits under the Defined Benefit Plan is not included in the Statement of Net Assets, but the liability at the latest measurement date is reported by way of note.

The liability for accrued benefits is actuarially measured on at least a triennial basis, and represents the value of the Scheme's present obligations to pay benefits to members and other beneficiaries at the date of measurement. The liability is determined as the present value of expected future payments which arise from membership of the Defined Benefit Plan up to the date of measurement. The present value reported in the note is determined by reference to expected future salary levels and by application of a current market-based, risk-adjusted discount rate and appropriate actuarial assumptions.

The report on the most recent actuarial investigation of the Scheme, as at 1 July 2009, contains details of the accrued benefit liability at that date. The report also provides details of the basis used to calculate the accrued benefit liability. (Refer Note 15 and the Attachment to the Financial Statements)

(i) Employee and director entitlements

(i) Superannuation

Employees and certain Directors of the Superannuation Board are members of the Scheme.

Contributions to the Scheme (or in the case of a number of Directors to other superannuation funds) made by the Board are a charge against income.

(ii) Accrued leave

Provisions for employee annual leave and long service leave entitlements are disclosed under liabilities in the Financial Statements and have been determined in accordance with the provisions of Australian Accounting Standard AASB119 - "Employee Benefits".

(j) Currency fluctuations

Both the functional and presentation currency of the Local Government Superannuation Scheme is in Australian dollars.

Transactions in foreign exchange are recorded at the rate of exchange ruling on the date of each transaction. At balance date, investments and amounts payable and receivable in overseas currencies are converted to Australian currency at the rate of exchange ruling at that date. Any exchange differences relating to foreign currency monetary items are brought to account in the *Statement of Changes in Net Assets.*

(k) Payment of benefits

Benefits Paid (Refer Note 10) recognise all benefits due and payable from the Scheme. Benefits payable are settled in accordance with the Scheme's trust deed.

(l) Accounting for goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included as a current asset in the balance sheet.

(m) Receivables and other payables

Receivables are carried at nominal amounts due which approximate net market value. Receivables are normally settled within 30 days. An allowance for uncollectible amounts is only made where there is evidence that the debt will not be collected.

Other payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Scheme and are carried at nominal amounts which approximate net market value. Payables are normally settled on 30 day terms.

(n) 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 Scheme transfers substantially all the risks and rewards of ownership of the asset.

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

(o) Cash

Cash in the Statement of Net Assets comprise cash at bank and in hand and includes cash held by the custodian pending settlement of trades.

(p) Leased assets

Operating lease assets are not capitalised and rental payments are recognised as an expense on a straight-line basis over the lease term.

(q) Comparative figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(r) Superannuation Contribution Surcharge

The Superannuation Laws Amendment (Abolition of Surcharge) Act 2005 abolished both the superannuation contributions surcharge and the termination payments surcharge in respect of superannuation contributions and certain termination payments made or received on or after 1 July 2005. Assessments for surcharge in respect of contributions and payments for the year ended 30 June 2005 and prior years will continue to be issued and remain payable.

Superannuation Contribution Surcharge is levied on surchargeable contributions for a relevant year on the basis of the individual member's adjusted taxable income for that year. This liability is recognised when the assessment is received from the Australian Taxation Office (ATO), as the Trustee considers this is when it can be reliably measured.

The superannuation surcharge liability recognised by the Scheme has been charged to the relevant member's accounts.

(s) Excess Contributions Tax

The Australian Taxation Office may issue release authorities to members of the Scheme relating to the relevant member's excess contribution 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 Scheme 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 Tax 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 Board considers this is when it can be reliably measured.

The excess contributions tax liability recognised by the Scheme will be charged to the relevant members' account.

(t) No – TFN Contributions Tax

Where a member does not provide their tax file number to the Scheme, the Scheme may be required to pay No-TFN Contributions Tax at a rate of 31.5%, which is in addition to the concessional tax rate of 15% which applies to the Scheme's taxable income.

The No-TFN contributions tax liability recognised by the Scheme will be charged to the relevant member's account. Where a tax offset is obtained by the Scheme in relation to the member's No-TFN contributions tax, the tax offset will be included in the relevant member's account.

Note 2 Operation of the Scheme

The Local Government Superannuation Scheme (Scheme) continues in existence under the Local Government Act 2009. The Scheme is a hybrid scheme which incorporates both a Defined Benefits Fund (DBF) and an Accumulation Benefits Fund. The Defined Benefits Fund was closed to new entrants from 1 July 1998, with all new entrants since then joining the Accumulation Benefits Fund.

Local Government employers contribute to the Scheme in respect of certain of their employees, for defined benefit arrangements; and certain of their employees (including councillors and contractors) for defined contribution superannuation arrangements, in accordance with the Trust Deed and relevant statutory requirements.

From 12 June 2009, the Local Government Act 1993 was amended to require the Board to specify in the Trust Deed the rate of contributions paid into the Scheme by Local Government employers. The level of DBF contributions must be based on advice from an actuary. This provision enables the Board to vary the rate of contributions where the actuary has concerns as to the ongoing solvency of the Defined Benefits Fund.

Benefits of members in the Defined Benefits Fund are calculated by way of formula as defined in the Trust Deed. Benefits of members of the Accumulation Benefits Fund are equal to the member's account balance, which is credited or debited each year with contributions and a proportionate share of the net investment return, expenses, insurance premium and income tax expense of the Scheme.

In accordance with amendments to the Superannuation Industry (Supervision) Act 1993 the Scheme was registered with the Australian Prudential Regulation Authority on 5 September 2005 (RSE Registration No. R1000160).

The Trust Deed of the Scheme:- (Refer Note 3)

(i) incorporates a declaration by the Board that it holds:-

(a) the Accumulation Benefits Fund on trust to provide for the payment of benefits to persons who are or may become entitled to the payment of accumulation benefits;

(b) the Defined Benefits Fund on trust to provide for the payment of benefits to persons who are or may become entitled to the payment of defined benefits; and

(c) the Insurance Fund on trust to provide;

- the payment of insurance benefits;
- the purchase of external insurance or reinsurance in respect of the Board's liability for insurance benefits; and
- in respect of amounts which the Board determines, after considering advice from the actuary and having regard to the level and extent of external insurance or reinsurance, to be surplus to requirements for those two purposes, such other purposes benefiting members as the Board determines.

(ii) provides that the Board must establish and maintain separate accounting records within the books of account of the Scheme:-

(a) to record the ongoing accumulation entitlements standing to the credit of members in the following accounts:-

- accumulation accounts; and
- retained benefit accounts.

(b) to record the ongoing dealings with and balances of:-

- the Accumulation Benefits Fund;
- the Defined Benefits Fund; and
- the Insurance Fund.

(iii) provides that the Board must in respect of each year prepare from the accounting records:-

- such accounts and statements as are required by Superannuation Law; and
- if necessary, such other accounts and statements as are necessary to show the results of operations during the year and the financial position of the Scheme and each fund mentioned in sub clause 42(c) at the end of each year.

Note 3 Division of Scheme

The Scheme comprises three (3) funds:-

- the Defined Benefits Fund (which was closed to new entrants from 1 July 1998);
- the Accumulation Benefits Fund; and
- the Insurance Fund (Refer Note 3 (a))

Throughout the year the Scheme is managed on a single-entity basis. At the close of each year Scheme movements throughout the year (refer *Statement of Changes in Net Assets*) are apportioned to each of the three (3) funds of the Scheme. In the course of such apportionment the balance remaining after deduction of movements in relation to the Accumulation Benefits Fund and the Insurance Fund equals the net assets of the Defined Benefits Fund.

The Defined Benefits Fund and the Insurance Fund are subject to periodic actuarial investigation as to their state and sufficiency to meet emerging benefit liabilities of the Scheme (Refer Note 19).

The Scheme Trust Deed provides for dealings between the funds of the Scheme by the Board. Such dealings are as shown in the following schedule which shows the movement in the three (3) funds of the Scheme during the year.

	Defined Benefits Fund		Accumulation Benefits Fund		Insurance Fund		Total Scheme	
	2011	2010	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening Balance 1 July	1,060,361	982,659	2,809,398	2,354,302	6,164	16,449	3,875,923	3,353,410
Adjustments Prior Year	-968	19	245	-19	723		0	0
Amended Opening Balance	1,059,393	982,678	2,809,643	2,354,283	6,887	16,449	3,875,923	3,353,410
Interfund Transfers	-708	10	708	-10			0	0
Transfer of Reserves	1,413	10,000	3,000		-4,413	-10,000	0	0
Income								
Contribution Revenue	51,669	53,563	331,244	311,302			382,913	364,865
Insurance Premiums Deducted	-3,702	-3,596	-9,918	-9,157	13,620	12,753	0	0
Benefits Retained			235,469	168,240			235,469	168,240
Transfers from Other Funds			63,038	48,039			63,038	48,039
Insurance Claim Proceeds (a)								
* Received from External Insurer					8,052	10,082	8,052	10,082
* Received from Insurance Fund	736	1,509	7,798	9,512	-8,535	-11,021	-1	0
Net Investment Income (b)	110,625	103,974	313,337	229,663	266	654	424,228	334,291
	159,328	155,450	940,968	757,599	13,403	12,468	1,113,699	925,517
Expenses								
Benefits Paid	95,226	73,962	356,233	267,692			451,459	341,654
Scheme Administration Expenses (c)	8,521	7,395					8,521	7,395
Premiums paid to External Insurer					13,620	12,753	13,620	12,753
Income Tax Expense (d)	4,264	6,420	37,737	34,797			42,001	41,217
Superannuation Contributions Surcharge Tax (e)			-5	-15			-5	-15
	108,011	87,777	393,965	302,474	13,620	12,753	515,596	403,004
Closing Balance 30 June	**1,111,415**	**1,060,361**	**3,360,354**	**2,809,398**	**2,257**	**6,164**	**4,474,026**	**3,875,923**

Notes:-

(a) Insurance Fund

At its meeting held on 1 November 2006 the Board decided to proceed to externally insure all of the Scheme's death and disability insurance risks. It was also resolved to appoint AIA Life as the Board's external insurer based on the results of a tender conducted for such insurance. These new insurance arrangements applied from 3 July 2007.

However, the Board will continue to assess and pay from the Scheme's Insurance Fund, disability and death claims beyond 3 July 2007 in the following circumstances:-

- The claims for Death, Total and Temporary Disablement (TTD) or Total and Permanent Disablement which were applicable to the period prior to 3 July 2007; and
- The continuing payment of existing TTD benefits.

(b) Net investment income

Net Investment Income is apportioned to members' Accumulation Benefits Fund accounts according to the investment strategy applicable to each member.

The amount apportioned to the Accumulation Benefits Fund includes interest credited to the Accumulation Benefits Fund - Investment Reserve Account for 2010/2011.

Net Investment Income apportioned to the Insurance Fund was based upon a 60% cash investment strategy and 40% balanced investment strategy.

(c) Scheme administration expenses

Allowance for Scheme Administration Expenses for Accumulation Benefits Fund members is made by way of deduction of 0.21% from the net earning rate for each available member investment strategy.

Effective from the 2009/2010 financial year, insurance administration costs ceased to be charged to the Insurance Fund as all death and disability benefits are now externally insured.

(d) Income tax expense

Allowance for Income Tax Expense in relation to Scheme investment income for the Accumulation Benefits Fund is made by way of a deduction from the earning rate for each investment strategy available for nomination by Accumulation Benefits Fund members.

The amount of $42.0 million represents tax on employer contributions at the rate of 15%.

(e) Superannuation contributions surcharge tax

A debit account upon which interest accrues is maintained in respect of each Defined Benefits Plan member to whom a Superannuation Contribution Surcharge Tax applies.

The balance of the account is deducted from the amount of Defined Benefits Plan benefits when payable and forms a deduction from Accumulation Benefits Plan accounts.

Within the Accumulation Benefits Fund (ABF) an investment reserve account is maintained to support the provision of "smoothing' in the ABF. The movement of the investment reserve account during the year was as follows:-

Accumulation Benefits Fund – Smoothing Reserve

	2011	2010
	$	$
Opening Balance 1 July	62,079,058	15,200,728
Amounts added to account to support Accumulations Benefits Fund	31,421,146	45,416,020
Earnings credited to account for year	9,179,176	1,462,310
Closing Balance 30 June	**102,679,380**	**62,079,058**

Reserve expressed as % of Members' Accounts invested in the Growth Smoothed strategy is 6.10% (2010: 4.09%).

The Growth Smoothed strategy was closed to new monies from 1 July 2011. The Smoothing Reserve will be progressively distributed to members with monies invested in the strategy over the two year period ending on 30 June 2013.

At its meeting on 5 November 2008 the Board resolved to establish an Operational Risk Reserve (ORR) with an opening balance of $5,350,000. This opening balance was funded by a transfer of ABF reserves from the Insurance Fund in accordance with clause 3 (c) (iii) of the Scheme's Trust Deed. The ORR forms part of the ABF.

Movement of the ORR during the year was as follows:-

Accumulation Benefits Fund - Operational Risk Reserve

	2011	2010
	$	$
Opening Balance 1 July	5,602,620	5,297,463
Interfund transfer	3,010,060	-10,060
Earnings credited to account during the year	462,850	315,217
Closing Balance 30 June	**9,075,530**	**5,602,620**

For the Defined Benefits Fund, provision for an operational risk reserve is made by the Board's actuary in the periodic valuation of the Fund.

Note 4 Changes in Net Market Value

	2011 $	2010 $
(a) Changes in net market value of investments		
Investments Held at Reporting Date:-		
Fixed Interest Securities	-29,735,955	45,891,402
Shares in Listed Companies	4,368,850	3,286,423
Wholesale Unit Trusts	106,302,038	16,172,188
Derivatives	31,284,008	-25,478,801
Property Investments	952,504	-5,950,515
	113,171,445	33,920,697
Investments Realised During Period:-		
Fixed Interest Securities	63,782,386	-853,151
Shares in Listed Companies	48,463,834	83,453,692
Wholesale Unit Trusts	12,713,013	70,013,374
Derivatives	62,204,230	47,186,618
Property Investments	357,888	
	187,521,351	199,800,533
Total	**300,692,796**	**233,721,230**
(b) Changes in net market value of other assets		
Assets Held at Reporting Date:-		
Office Furniture and Equipment	-49,992	-56,453
Computer Equipment	-76,691	-59,857
Computer Software	-80,967	-95,811
Leasehold Improvements	-137,719	-171,033
Motor Vehicles	-50,359	-38,480
	-395,728	-421,634
Assets Sold During Period:-		
Office Furniture and Equipment		-5,066
Motor Vehicles	7,515	-1,313
	7,515	-6,379
Total	**-388,213**	**-428,013**

The changes in Net Market Value of Investments reflect investment market conditions prevailing:-
(a) as at balance date in respect of Investments held at reporting date; and
(b) during the year in respect of Investments realised during the period.

Note 5 Other Investment Income

	2011 $	2010 $
Management Fee Rebates	1,198,169	1,212,436
Other	294,840	483,467
Proceeds from Class Actions & Compensation Claims	109,296	109,074
Total	**1,602,305**	**1,804,977**

Note 6 Fixed Assets

	2011	2010
	$	$
Office Furniture and Equipment	169,297	176,635
Computer Hardware	149,075	69,199
Computer Software	570,393	188,153
Leasehold Improvements	580,621	679,514
Motor Vehicles	187,261	154,123
Total	**1,656,647**	**1,267,624**

Note 7 Direct Investment Expenses

	2011	2010
	$	$
External Investment Management Fees	12,802,825	7,592,819
Master Custodian Fees	1,323,973	1,339,252
Administration Expenses - Scheme Investment Operations	1,207,328	1,047,442
Other Management Fees & Taxes	380,531	366,929
Asset Consultant Fees	670,390	573,424
Options/Futures Brokerage Fees & Other Expenses	154,318	398,328
Direct Property Operation Expenses	2,368,919	2,435,774
Total	**18,908,284**	**13,753,968**

Note 8 Scheme Administration Expenses

	2011	2010
	$	$
Staff Salaries and Associated Costs	4,106,087	3,521,384
Directors Fees and Expenses	484,280	440,421
Professional Services	546,871	654,602
Taxation and Other Government Charges	1,100,472	469,895
Occupancy Expenses	664,027	642,115
Computer Costs	501,121	520,270
Communication Expenses	556,106	603,086
Insurances	237,748	256,797
Staff Travel and Business Expenses	152,708	123,662
Subscriptions	98,615	80,902
Other Management Expenses	73,057	82,161
Total	**8,521,092**	**7,395,295**
Less:		
Reallocation to Direct Investment Expenses (Refer Note7)	-1,207,328	-1,047,442
Total	**7,313,764**	**6,347,853**

Note 9 Related Parties

(a) The Trustee of the Scheme is the Queensland Local Government Superannuation Board (the Board). The Directors of the Board and the meetings attended during the year were as follows:-

	Number of Meetings attended	Number of Audit and Risk Management Committee Meetings attended
Independent Director and Chairman of Board		
Mr B D Roebig*	11	4
Employer Representative Directors		
Cr P V Bell*	11	4
Cr L R Tyrell	10	
Cr P M Taylor	10	
Member Representative Directors		
Ms F Connor*	11	4
Mr N P Cass	10	
Mr P J Smith	11	

There were 11 meetings of the Board and 4 meetings of the Board appointed Audit and Risk Management Committee held during the year (2009/2010: 11 and 4).

* Members of Board appointed Audit and Risk Management Committee

(b) Key Management Personnel

The following persons, employed by the Board, had authority and responsibility for planning, directing and controlling the activities of the Board, directly or indirectly, for the financial year:

Mr David Todd	Chief Executive Officer
Mr Ian Harcla	Deputy CEO and Scheme Secretary
Mr Timothy Willmington	General Manager Operations

(c) Key Management Personnel Compensation

Remuneration of executives and employees

Governance of remuneration arrangements occurs through the Board which oversees all remuneration policies and their implementation.

Most of the Board's staff are employed under conditions consistent with the State clerical award. Executive Management and senior managers are employed under individual employment contracts and are paid under packaging arrangements which are consistent with market rates for employees in the financial services industry.

An annual performance payment is available for staff below senior manager level. No other variable performance payments are paid to staff.

Details of compensation

The aggregate compensation made to key management personnel of the Board, and Board members, is set out below:

Board members & other key management personnel		2011	2010
		$	$
Short term employee benefits	(i)	1,004,165	911,953
Post-employment benefits	(ii)	276,111	263,066
Other long term employee benefits	(iii)	41,599	30,014
Total compensation		**1,321,875**	**1,205,033**

(i) Short term employee benefits includes salaries, directors fees, annual leave accrued, paid sick leave and any non-monetary benefits provided such as cars.

(ii) Post-employment benefits are defined as employee benefits which are payable after the completion of employment, and comprise contributions paid or payable to superannuation plans, including salary sacrifice contributions.

(iii) Long term employee benefits include long service leave accrued by key management personnel.

The compensation paid to Board members is disclosed below:

Board compensation	2011	2010
$40,000 to $59,999	6	6
$80,000 to $99,999	1	1
	7	**7**

The number of executives who received or were due to receive compensation:

Executive fixed compensation	2011	2010
$220,000 to $239,999		2
$260,000 to $279,999	2	
$360,000 to $379,999	1	1
	3	**3**

Remuneration paid to Directors is determined by resolution of the Board in accordance with the Trust Deed of the Scheme.

(d) All directors (other than the independent director and one other director) are contributing members of the Scheme. Their membership terms and conditions are the same as those available to other members of the Scheme.

Note 10 Benefits Paid

	2011 $	2010 $
Lump Sum Benefits		
Resignation	34,651,087	32,316,086
Age Retirement	218,011,546	144,571,170
Total and Permanent Disablement	7,896,708	6,798,817
Failure of Health	179,270	99,530
Death	9,610,996	11,489,767
Withdrawals	142,311,909	109,577,534
	412,661,516	304,852,904
Pension Benefits		
Allocated Pension Facility	38,063,656	34,957,805
	38,063,656	34,957,805
Total	**450,725,172**	**339,810,709**
Less:		
Transfer of retained members benefits to new accounts	-235,468,909	-167,068,415
Total	**215,256,263**	**172,742,294**

Note 11 Benefits Due and Unpaid

Benefits Due and Unpaid represent payments pending in respect of former active members who are deceased.

	2011 $	2010 $
Lump Sum Benefits		
Death	372,321	1,087,801
Total	**372,321**	**1,087,801**

Note 12 Auditors Remuneration

	2011 $	2010 $
Audit Services		
Amount received or due and receivable by Queensland Audit Office :-		
Audit of financial statements	91,842	51,626
Total	**91,842**	**51,626**

Note 13 Income Tax

Major components of income tax expense for the years ended 30 June 2011 and 2010 were:

	2011	2010
	$	$
Statement of Changes in Net Assets		
Current income tax expense	67,393,487	37,839,409
Deferred income tax expense	10,733,366	23,487,696
Total	78,126,853	61,327,105

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

		2011	2010
		$	$
Change in Net Assets Before Income Tax		676,230,261	583,839,472
Tax at the rate of 15%		101,434,539	87,575,920
Add - Tax effect of non deductible:	- benefits paid	31,893,765	25,553,073
	- superannuation surcharge	-733	-2,179
	- expenses relating to exempt pension income	3,046,758	1,494,851
		34,939,790	27,045,745
Less - Tax effect of non assessable:	- contributions	13,473,897	13,564,694
	- transfers from other funds	9,455,810	7,175,498
	- proceeds group life policy	1,207,803	1,512,354
	- investment income	0	0
	- pension income	6,687,524	3,449,772
Depreciation on real estate property plant and equipment		0	0
Dividend imputation and foreign tax credits (net)		11,848,736	5,780,776
		42,673,770	31,483,094
Adjusted Income Tax Expense		**93,700,559**	**83,138,571**
- Underprovision (Overprovision) for Income Tax in prior year		-3,979,988	-16,316,584
- Movement in Deferred Tax Assets/Deferred Tax Liabilities		-12,011,460	-6,114,218
- Recovery of 2010 Anti Detriment payments from ATO		417,742	619,336
		-15,573,706	-21,811,466
Income Tax Expense reported in Statement of Changes in Net Assets		**78,126,853**	**61,327,105**

	2011	2010
	$	$
Deferred Income Tax		
Deferred income tax as at 30 June relates to the following:		
Deferred Income Tax Liabilities		
Taxable temporary differences - assets subject to CGT	1,516,262	1,467,550
Taxable temporary differences - other assets	4,518,856	7,296,676
	6,035,118	**8,764,226**
Deferred Income Tax Assets		
Taxable temporary differences - assets subject to CGT	-40,874,120	-54,685,306
Taxable temporary differences - other assets	-5,340,950	-4,992,238
	-46,215,070	-59,677,544
	-40,179,952	**-50,913,318**

The above figures represent provisional information available at the time of preparing these Financial Statements.

Note 14 Other Receivables / Unsettled Trades

	2011	2010
	$	$
Property Income Receivable	169,517	197,417
Sundry Debtors	536,331	495,626
Unsettled Trades	6,248,498	11,887,120
Other Receivables	11,592,667	8,112,861
	18,547,013	**20,693,024**
Less:		
Provision for Doubtful Debts		
- Property Income	15,000	62,011
	18,532,013	**20,631,013**

Note 15 Accrued Benefits

The amount of accrued benefits in respect of Defined Benefits Plan members has been determined on the basis of the present value of expected future payments, which arise from membership of the Scheme up to the measurement date. The figure reported has been determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions. The valuation of accrued benefits was undertaken by the actuary as part of a comprehensive actuarial review undertaken as at 1 July 2009. Accrued benefits were previously valued as part of a comprehensive actuarial review undertaken as at 1 July 2006.

	2009	2006
	$'000	$'000
Accrued Benefits as at 1 July	969,200	1,098,682
Accrued Benefits Reserve Index	103%	106%

The calculation of the Accrued Benefits Reserve Index as at 1 July 2009 was as follows:-

$$\frac{\text{Value of assets}}{\text{Accrued Benefits}} = \frac{\$998.2M}{\$969.2M}$$

$$= 103\%$$

Note 16 Vested Benefits - Defined Benefits Fund

The amount of Vested Benefits is the value of defined benefits which would be due and payable if all Members resigned or retired (where eligible) from the service of Local Government at balance date.

The Vested Benefits Index (i.e. the value of net assets expressed as a percentage of Vested Benefits) as at 30 June 2011 was 104.9% (2010 103.7%).

The calculation of the Vested Benefit Index of the Defined Benefits Fund was as follows:-

<u>Value of assets</u> Total Vested Benefits		
<u>$1,111.4M</u> $1,059.0M	=	104.9%

The Vested Benefit Index for the total Scheme as at balance date was:-

<u>$4,474.0M</u> $4,307.6M	=	103.9%

Note 17 Guaranteed Benefits

To ensure the ongoing solvency of the Defined Benefits Fund (DBF) which was closed to new entrants as from 1 July 1998, the Local Government Act 1993 was amended in June 2009 to enable the Board to specify in the Trust Deed the rate of contributions paid into the Scheme by Local Government employers. This provision enables the Board to vary the rate of DBF contributions following advice from the Scheme's actuary. However, as at reporting date no changes had been made to prescribed employer contributions which remain at 12% of employee salaries.

Note 18 Funding Arrangements

The funding policy adopted in respect of Superannuation Scheme defined benefits is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

Given the closure of the Defined Benefits Plan to new entrants as from 1 July 1998, the actuary, in conducting future investigations of the Defined Benefits Fund, adopted a valuation method known as 'Aggregate' Funding.

In the conduct of actuarial investigations prior to 1 July 2000 the new entrant/entry age normal funding method was adopted.

During 2010 employers contributed 12% of employees' salaries, while employees contributed 6% of their salaries.

Note 19 Actuarial Investigation

(a) Defined Benefits Fund

In compliance with the Superannuation Industry (Supervision) Regulations the Board must require an actuarial investigation of the Defined Benefits Fund to be made in relation to the Scheme no later than 3 years after the date as at which the last actuarial investigation was made.

The most recent actuarial investigation of the Scheme was conducted by Mr John Smith, Fellow of the Institute of Actuaries of Australia, based on Scheme membership and asset data at 1 July 2009. The Board has determined that the next actuarial investigation of the Defined Benefits Fund will be made as at 1 July 2012. (Refer Attachment for Summary of Actuarial Report - 2009).

The liabilities of the Scheme's accumulation benefits members are matched by the assets supporting those liabilities and therefore do not explicitly require an actuarial evaluation of contribution sufficiency.

The net asset value of the Scheme at 30 June 2009 representing Defined Benefit Members' Funds was used for the purpose of the 1 July 2009 actuarial valuation:-

Defined benefits Members' Funds as at 1 July 2009 $998.2m

(b) Insurance Fund

The last actuarial investigation of the Insurance Fund was conducted as at 1 July 2010. The actuary recommended to transfer $1.4m of excess reserves to the Defined Benefits Fund and $3.0m to the Operational Risk Reserve.

Based on the last actuarial review the Insurance Fund is in a sound financial position and Fund assets were in the opinion of the actuary more than sufficient to meet anticipated benefit liabilities.

Note 20 Segment Information

The Scheme operates solely in the business of provision of benefits to members and operates in Australia only.

Note 21 Commitments and Contingent Liabilities

(a) Except for the liability for accrued benefits (Refer Note 1(h)) there were no material contingent assets or liabilities of a significant value at balance date.

(b) The ongoing nature of the Board's infrastructure investment program results in the Board entering into arrangements with investment managers which may result in draw downs in succeeding years.

(c) Operating lease commitments

Operating lease expenditure contracted for is payable as follows:

	2011	2010
	$	$
Not later than a year	599,673	515,865
Later than one year but not later than five years	1,951,381	2,280,210
Total	**2,551,054**	**2,796,075**

Note 22 Successor Fund Transfer from City Super

The Board, and the trustee of the Brisbane City Council Superannuation Plan (City Super), executed a Successor Fund Deed and Deed of Indemnity on 1 December 2010 effectively agreeing, subject to a number of conditions precedent, to a transfer of all the assets and liabilities of City Super into the Scheme on a successor fund basis.

Following the agreement of both Boards that the conditions precedent had been satisfied, the assets and liabilities were transferred into the Scheme effective 1 July 2011. The Board assumed the liability for payment of benefits in respect of each transferred member and received net assets of $1,530m to meet these liabilities. The City Super Defined Benefits Fund will continue to be managed by the Board as a separate fund within the Scheme.

Note 23 Significant Post Balance Date Events

Other than disclosed in Note 22, there have not been any other matters or circumstances not otherwise dealt with in the financial report that have significantly affected or may significantly affect the Scheme.

Note 24 Risk Management

(a) General Financial Instruments

The Scheme's assets are principally financial in nature comprising quoted and non-quoted equity investments, property (direct & indirect), fixed interest investments, units in listed and unlisted trusts, cash/short term deposits and a variety of derivative financial instruments. These investment assets are managed by Board appointed investment managers in accordance with specific investment mandates and according to the Board's investment beliefs and long term strategic objectives. The Board's general investment objectives are to ensure assets are adequately diverse, have appropriate levels of liquidity and are sufficient to meet benefit payments when due.

The allocation of funds to various asset classes is based on attainment of objectives while controlling risk and acting on advice from external asset consultants. Divergence from target asset allocations and the composition of the portfolios is monitored by the Scheme's Management on at least a monthly basis.

The Scheme's investing activities expose it to the following risks:

- market risk (including currency risk, interest rate risk and asset price risk)
- liquidity risk
- credit risk

The nature, extent and sensitivity of exposures arising from the Board's investment portfolio are discussed and quantified below. This note presents information about the Board's exposure to each of the above risks, the Board's objectives, policies and processes for measuring and managing risk.

The Board has overall responsibility for the establishment and oversight of the Scheme's risk management framework.

The Board is responsible for developing and monitoring the Scheme's risk management policies, including those related to its investment activities. The Board's risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Board's investment managers, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities. To assist in carrying out its risk management responsibilities the Board receives monthly performance and risk management reports from its master custodian.

(b) Market Risk

Market risk is the risk that the value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates, interest rates, asset prices and other prices and derivatives contracts tied to these assets. Market risk is minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

Share price and bond futures may be used by external managers engaged by the Board to hedge against adverse price movements in the value of financial assets. Further, these managers enter into derivative transactions, for example futures contracts, to further mitigate market risks.

Currency Risk

Currency risk is the risk that the value or future cash flows of an asset will fluctuate due to changes in foreign exchange rates.

As a result of significant investments held in foreign markets, the Scheme's financial position can be affected significantly by movements in overseas currency when translated into Australian dollars. The Board manages the Scheme's exposure to foreign currency risk and mitigates the effects of its foreign currency translation exposure by adhering to the Scheme's investment strategy and mandates, which limit the portion of the Scheme's assets which can be invested in foreign currencies in addition to taking out forward foreign exchange contracts to offset currency risk. This foreign exchange policy is monitored on an ongoing basis throughout the year.

The Scheme's total net exposure in Australian Dollars to foreign currency risk at the balance sheet date for both monetary and non-monetary financial instruments was as follows:

30 June 2011

	AUD $'000	USD $'000	JPY $'000	EUR $'000	GBP $'000	Other $'000	Total $'000
Gross Investment Assets	3,022,134	678,657	138,218	267,266	181,441	166,374	4,454,090
Foreign Exchange Contracts - Notional exposure value	935,220	-468,327	-119,960	-227,302	-120,205	574	0
Total	**3,957,354**	**210,330**	**18,258**	**39,964**	**61,236**	**166,948**	**4,454,090**

30 June 2010

	AUD $'000	USD $'000	JPY $'000	EUR $'000	GBP $'000	Other $'000	Total $'000
Gross Investment Assets	2,510,669	604,343	172,331	232,481	148,954	208,118	3,876,896
Foreign Exchange Contracts - Notional exposure value	1,042,282	-473,944	-147,861	-222,753	-115,270	-82,454	0
Total	**3,552,951**	**130,399**	**24,470**	**9,728**	**33,684**	**125,664**	**3,876,896**

Sensitivity Analysis

A potential strengthening of the AUD against the listed currencies (see table below) at 30 June would have decreased net assets available to pay benefits by the amounts shown below. In accordance with paragraph B23 of Appendix B of AASB 7, this analysis excludes the currency risk that may arise from financial instruments that are non-monetary items, for example equity investments. The foreign currency exposure arising from investing in non-monetary financial instruments is reflected in the Asset Price Risk analysis shown below.

It should be noted that this sensitivity analysis also excludes the impact of forward foreign exchange contracts which effectively hedge 100% of the currency exposure of the Scheme's overseas fixed interest and infrastructure investments. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2010.

	Volatility Factor % Reflecting a Stronger AUD	Effect on Net Assets Available to Pay Benefits $'000 Gain/(Loss)
30 June 2011		
US Dollars	11.4%	-23,878
Japanese Yen	14.5%	-7,620
Euro	9.4%	-9,936
British Pounds	10.5%	-7,618
Other	10.1%	647
		-48,405
30 June 2010		
US Dollars	11.4%	-30,825
Japanese Yen	14.2%	-15,717
Euro	9.6%	-14,521
British Pounds	10.7%	-8,076
Other	10.6%	-1,239
		-70,378

The same percentage weakening of the AUD against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest Rate Risk

Interest rate risk arises from changes in interest rates and the subsequent impact on the underlying asset.

The significant portion of the Scheme's financial assets are non-interest-bearing. Interest-bearing financial assets and interest-bearing financial liabilities mostly mature or reprice in the short-term. As a result, the Scheme is subject to limited exposure to interest rate risk resulting from fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents of the Scheme are invested in short-term commercial paper and deposits with a term to maturity of up to three months. Investments in debt securities can be fixed or variable rate with various terms to maturity.

The interest rate profile of the Scheme's interest-bearing financial instruments as at 30 June 2011 was:

	Floating Interest Rate $'000	Fixed Interest rate $'000	Non-interest Bearing $'000	Total $'000
Assets				
Cash & Cash Equivalents	233,960			233,960
Deposits held with Brokers	5,085			5,085
Receivables			18,290	18,290
Equity investments			1,047,581	1,047,581
Direct property investments			63,829	63,829
Unit trusts			1,743,187	1,743,187
Money market securities	147,351			147,351
Fixed interest investments		1,203,980		1,203,980
Derivatives			23,377	23,377
	386,396	**1,203,980**	**2,896,264**	**4,486,640**
Liabilities				
Payables			17,626	17,626
	0	**0**	**17,626**	**17,626**
Total	**386,396**	**1,203,980**	**2,878,638**	**4,469,014**

The interest rate profile of the Scheme's interest-bearing financial instruments as at 30 June 2010 was:

	Floating Interest Rate $'000	Fixed Interest rate $'000	Non-interest Bearing $'000	Total $'000
Assets				
Cash & Cash Equivalents	348,852			348,852
Deposits held with Brokers	4,470			4,470
Receivables			30,373	30,373
Equity investments			976,541	976,541
Direct property investments			66,729	66,729
Unit trusts			1,453,692	1,453,692
Money market securities	18,287			18,287
Fixed interest investments	134,790	907,228		1,042,018
Derivatives	40	2,738	1,980	4,758
	506,439	**909,966**	**2,529,315**	**3,945,720**
Liabilities				
Payables	8,736	2,461	89,719	100,916
	8,736	**2,461**	**89,719**	**100,916**
Total	**497,703**	**907,505**	**2,439,596**	**3,844,804**

Sensitivity analysis for fixed rate and variable rate instruments

Potential increases in interest rates applying to fixed and variable rate instruments as at 30 June would have decreased net assets available to pay benefits by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2010.

	2011	2010
Volatility Factors		
	Reflects higher Interest Rates	Reflects higher Interest Rates
* Australian sovereign bonds	1.1%	1.1%
* Australian corporate bonds	1.4%	1.4%
* International sovereign bonds	0.6%	0.7%
* International corporate bonds	0.9%	1.0%
* Australian real yields	0.6%	0.6%
* International real yields	0.4%	0.5%
Effect on Net Assets Available to Pay Benefits	$'000	$'000
	-14,481	-11,450

The same percentage fall in interest rates as at 30 June would have had the equal but opposite effect on net assets available to pay benefits to the amounts shown above, on the basis that all other variables remain constant.

Asset Price Risk

Asset price risk is the risk that the value of investments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, or factors affecting all instruments traded in the market. As changes in the value of investments are recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect net investment income.

To limit market price risk the Board diversifies its investments in line with the Scheme's investment strategy which is reflected in the individual manager investment mandates. The majority of equity investments are of a high quality and are publicly traded on recognised, reputable domestic and international exchanges or through units in wholesale trusts. The Board monitors the Scheme's exposure to various indices on an ongoing basis throughout the year to ensure investment mandates are not being breached. In addition, price risk may be hedged using derivative financial instruments such as options or futures.

Sensitivity analysis

The effect on net assets available to pay benefits of reasonably possible changes in market factors, as represented by the relevant market indices as at 30 June, are shown below.

	2011	2010
Volatility Factors - by Asset Class		
	Reflects higher Asset Prices	Reflects higher Asset Prices
Australian equities	26.1%	28.6%
International equities	22.5%	24.5%
Australian listed property	17.6%	20.5%
Global listed property	17.9%	19.7%
Emerging markets & infrastructure	16.9%	21.0%
Effect on Net Assets Available to Pay Benefits	$'000	$'000
	630,217	602,255

The same percentage weakening of market indices as at 30 June would have had the equal but opposite effect on net assets available to pay benefits to the amounts shown above, on the basis that all other variables remain constant.

(c) Liquidity Risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's most significant financial liability is the payment of benefits to eligible members. Other financial liabilities of the Scheme comprise trade and other payables as well as foreign exchange forward contracts.

The Board's approach to managing liquidity is to ensure, as far as possible, that under normal operating conditions it will always have sufficient liquidity to meet its liabilities when due.

However, the Scheme's assets include investments in unlisted investments, direct property and infrastructure, which are not traded in an organised public market and which generally may be illiquid. As a result, the Board may not be able to liquidate some investments at an amount close to their fair value in order to meet immediate liquidity requirements.

The Scheme's listed securities are considered to be readily realisable as they are all listed on major stock exchanges.

The Scheme's liquidity risk is managed on a daily basis by senior management staff in accordance with specific risk management policies and procedures adopted by the Board. The Scheme's overall liquidity risks are also monitored on a monthly basis by the Board.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

The table summarises the maturity profile of the Scheme's financial liabilities and gross settlement derivative financial instruments, using nominal derivative amounts, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

As at 30 June 2011:

2011	Less than 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	More than 5 years $'000	Total $'000
Non - derivatives						
Unsettled purchases	-17,736					-17,736
Accounts payable	-7,497					-7,497
Total non - derivatives	**-25,233**	**0**	**0**	**0**	**0**	**-25,233**
Derivatives						
Gross settled (forward currency contracts, futures, options,swaps)						
- inflow	1,156,110	209,346	85,217	120,870	23,411	1,594,954
- (outflow)	-659,116	-590,161	-564,346	-146,639	-23,237	-1,983,499
Total derivatives	**496,994**	**-380,815**	**-479,129**	**-25,769**	**174**	**-388,545**

As at 30 June 2010:

2010	Less than 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	More than 5 years $'000	Total $'000
Non - derivatives						
Unsettled purchases	-49,712					-49,712
Accounts payable	-4,756					-4,756
Total non - derivatives	**-54,468**	**0**	**0**	**0**	**0**	**-54,468**
Derivatives						
Gross settled (forward currency contracts, futures, options, swaps)						
- inflow	1,256,460	654,520	2,351,223	139,833	15,700	4,417,736
- (outflow)	-618,379	-983,254	-2,340,549	-192,828	-8,400	-4,143,410
Total derivatives	**638,081**	**-328,734**	**10,674**	**-52,995**	**7,300**	**274,326**

(d) Credit Risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitments in full and on time, or from losses arising from the change in value of a traded financial instrument as a result of changes in the credit risk of that instrument. The Scheme's investment managers have a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Scheme's maximum exposures to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as shown in the Statement of Net Assets.

At the reporting date, the Scheme's financial assets exposed to credit risk were as follows:

	30-Jun-11 $'000	30-Jun-10 $'000
Cash and cash equivalents	280,101	320,219
Investments in debt instruments	1,239,106	1,042,021
Contributions receivable	7,543	7,271
Unsettled investment sales and income receivable	19,605	21,306
	1,546,355	1,390,817

Apart from cash held under custody by the Scheme's master custodian, all cash controlled directly by the Scheme was deposited in accounts with the Commonwealth Bank, the National Australia Bank, the ANZ Bank and the Westpac Bank. Bankruptcy or insolvency of these banks may cause the Scheme's rights with respect to the cash held with these banks to be delayed or limited. The Board monitors its risk by monitoring the credit rating of these banks, as reported by Standard and Poor's. If the credit quality or the financial position of any of these banks deteriorates significantly, the Board will move the cash holdings to another bank.

The credit quality of debt instruments is managed by the Board using commercial credit rating systems such as Standard & Poor's, in accordance with the investment strategy of the Scheme. The table below shows the credit quality of the debt instruments held by the Scheme as at balance date.

	AAA to AA-	A+ to A-	BBB+ to BB+	CCC+	Total
	$'000	$'000	$'000	$'000	$'000
2011	1,062,404	108,383	68,319		1,239,106
2010	839,220	134,232	68,275	294	1,042,021

Credit risk associated with contributions receivable is considered small as there is usually a short settlement period as the receivable relates to timing differences in respect of the receipt of contributions from participating employers.

The credit risk relating to unsettled transactions is considered small due to the short settlement period involved. Substantially all of the assets of the Scheme are held in custody by JP Morgan Chase Bank. Bankruptcy or insolvency of the custodian may cause the Scheme's rights with respect to securities held by the custodian to be delayed or limited. The Board monitors its risk by monitoring the credit quality and financial position of the custodian.

(e) Fair Value Estimation

The carrying amounts of all the Scheme financial instruments at the balance date approximate their fair values.

(f) Fair Value of Financial Instruments

The Scheme's financial instruments have been grouped into the following fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2011	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	$'000	$'000	$'000
Financial assets at fair value through profit or loss				
Equity securities	1,021,972	603	2,496	1,025,071
Listed trusts	22,509			22,509
Unlisted trusts		1,743,187		1,743,187
Discount Securities	25,429	33,925	1,306	60,660
Interest bearing securities		1,162,345	64,458	1,226,803
Derivatives	415	152,440	6,540	159,395
	1,070,325	**3,092,500**	**74,800**	**4,237,625**
Financial liabilities at fair value through profit or loss				
Derivatives	-397	-135,151		-135,548
	-397	**-135,151**	**0**	**-135,548**
Total	**1,069,928**	**2,957,349**	**74,800**	**4,102,077**

30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Equity securities	907,962	43,846	287	952,095
Listed trusts	17,973	95		18,068
Unlisted trusts		1,382,362	71,330	1,453,692
Discount Securities	500	17,787		18,287
Interest bearing securities	227	894,797	146,993	1,042,017
Derivatives	1,591	9,546		11,137
	928,253	**2,348,433**	**218,610**	**3,495,296**
Financial liabilities at fair value through profit or loss				
Derivatives	-1,408	-40,155	-13	-41,576
	-1,408	**-40,155**	**-13**	**-41,576**
Total	**926,845**	**2,308,278**	**218,597**	**3,453,720**

A reconciliation of movements in Level 3 of the fair value hierarchy for the 2011 financial year is disclosed in the following table:

	Equity securities $'000	Unlisted unit trusts $'000	Fixed interest securities $'000	Discount securities $'000	Derivatives $'000	Total $'000
Balance at 1 July 2010	287	71,330	146,993		-13	218,597
Purchases			37,137	1,314	6,128	44,579
Issues	2,122				23	2,145
Sales	-148		-26,949			-27,097
Settlements			-1,950			-1,950
Transfers into Level 3	12		11,283		19	11,314
Transfers out of Level 3		-71,330	-96,375			-167,705
Total unrealised gain/(loss)	223		-5,680	-9	383	-5,083
Balance at 30 June 2011	**2,496**	**0**	**64,459**	**1,305**	**6,540**	**74,800**

Movements between levels in the fair value hierarchy for the 2011 financial year are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Equity securities		-12	12	0
Unlisted trusts		71,330	-71,330	0
Interest bearing securities		85,093	-85,093	0
Derivatives		-19	19	0
Total	**0**	**156,392**	**-156,392**	**0**

CERTIFICATE ON BEHALF OF THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

The Queensland Local Government Superannuation Board has prepared the foregoing Annual Financial Statements of the Local Government Superannuation Scheme pursuant to the provisions of the Trust Deed of the Local Government Superannuation Scheme dated 5 April 1995, as amended and on behalf of the Superannuation Board we certify that:-

In the opinion of the Board

(a) the financial statements set out on pages 1 to 27 are drawn up so as to present fairly the net assets of the Scheme as at 30 June 2011 and the changes in net assets for the year then ended;

(b) the financial statements have been prepared in accordance with the full provisions of Australian Accounting Standard AAS 25, Financial Reporting by Superannuation Plans, other applicable Australian Equivalents to International Financial Reporting Standards, the provisions of the Trust Deed and relevant legislative requirements; and

(c) the Scheme has operated in accordance with the provisions of the Trust Deed and in compliance with the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations, the Corporations Act 2001, Regulations and Guidelines and Financial Sector (Collection of Data) Act 2001 during the year ended 30 June 2011.

Brian D Roebig
Chairman

David J Todd
Chief Executive Officer

Paul V Bell
Director

Date 19 - 10 - 11

ATTACHMENT

Summary of Actuarial Report - 2009

ACTUARIAL STATEMENT FOR THE PURPOSE OF AUSTRALIAN ACCOUNTING STANDARD (AAS25)

This statement has been prepared at the request of the Trustee of the Scheme and sets out the value of Accrued Benefits and other actuarial information required under AAS25 in respect of the Scheme and specifically the Defined Benefit Fund, for disclosure in the financial statements of the Scheme.

Results

For the disclosure purposes of AAS25, the Accrued Benefits under the Scheme as at 30 June 2009 are determined to be:

Defined Benefits Fund:	\$969.2m, or \$963.7m (net of offset accounts)
Accumulation Benefits Fund:	\$2,354.3m

The aggregate amount of Vested Benefits at 30 June 2009 was:

Defined Benefits Fund:	\$959.6m, or \$954.1m (net of offset accounts)
Accumulation Benefits Fund:	\$2,339.1m

The market value of assets of the Scheme at 30 June 2009 was \$3,353.4m of which \$992.7m was attributable to defined benefits.

Method

"Accrued Benefits" have been determined as the present value of expected future benefit payments that arise from membership of the Scheme up to the investigation date.

Projected Benefits are determined as the benefits payable to defined benefit members under each of the possible contingencies provided under the rules of the Scheme at any future date, taking into account expected future salary increases.

The proportion of Projected Benefits taken into account is determined as:

$$\text{Projected Benefit} \times \frac{\text{Completed Service at Measurement Date}}{\text{Service at Date of Projected Payment}}$$

The total Accrued Benefits calculated are then subject to a minimum of total Vested Benefits.

The method of determining Accrued Benefits has been applied in a manner consistent with Professional Standard 402 and Guidance Note 454 issued by The Institute of Actuaries of Australia.

Data and Assumptions

The assumptions and data used to calculate Accrued Benefits were the same as for the actuarial investigation of the Scheme as at 30 June 2009. The financial assumptions may be summarised as follows:

Discount Rate (active defined benefit members):	7.0% p.a.
Future Salary Increases:	5.5% p.a.

The discount rates are considered to be a reasonable expectation of actual future Scheme returns over the average expected term of the benefit liabilities, in the light of the Scheme's present investment strategy and taxation position.

Summary of Actuarial Report

AAS23 also requires the notes to the Scheme's accounts to include a summary of the most recent actuarial report of Schemes. The attachment to this statement provides a summary of my report on the actuarial investigation of the Local Government Superannuation Scheme carried out as at 30 June 2009. The summary has been prepared in accordance with Professional Standard 401 issued by the Institute of Actuaries of Australia and contains information required under AAS25.

John Smith BA (Maths)
Fellow of the Institute of Actuaries of Australia
22 December 2009

Attachment to AAS25 Statement

Local Government Superannuation Scheme

Summary of Actuarial Report

This attachment provides a summary of the report on actuarial investigation of the Local Government Superannuation Scheme as at 30 June 2009, including the Actuary's opinion as to the financial condition of the Scheme.

Data

The actuarial investigation was based on 5,050 defined benefit members. The net value of assets attributable to defined benefit members was taken as at 30 June 2009 to be $998.2m (setting aside offset accounts for the purpose of the review).

Financing Method and Recommendations

The financing method adopted is to target coverage of vested benefits.

Based on this financing method and the actuarial assumptions set out in the actuarial report, the actuary noted the prescribed employer contributions and made specific recommendation regarding financial management, including reserving and investment strategy.

The actuary also recommended that the next full actuarial investigation be made on or before 30 June 2012.

Financial Condition

The coverage of various measures of defined benefit liabilities by assets at 30 June 2009 was as follows (adjusted for offset accounts):

	Assets $	Benefits $	Ratio * %
Coverage of Vested Benefits	998.2	959.6	104
Coverage of Accrued Benefits	998.2	969.2	103

*These ratios consider only defined benefit liabilities.

These ratios are currently considered satisfactory.

PART 1 – INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Board of Trustees and members of the Local Government Superannuation Scheme

Report on the financial report

I have audited the financial statements of the Local Government Superannuation Scheme for the year ended 30 June 2011 comprising the Statement of Changes in Net Assets, the Statement of Net Assets, Summary of Significant Accounting Policies, and other explanatory notes.

Trustees' responsibility for the financial statements

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

Auditor's responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the trustees and members of the Local Government Superannuation Scheme.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the trustees' 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 trustees' internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee(s), as well as evaluating the overall presentation of the financial statements.

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

Auditor's Opinion

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the operations of the Local Government Superannuation Scheme for the year ended 30 June 2011.

ASSISTANT AUDITOR-GENERAL
27 OCT 2011
QUEENSLAND AUDIT OFFICE

N P JACKSON FCPA
as Delegate of Auditor-General of Queensland

Queensland Audit Office
Brisbane

The Queensland Local Government Superannuation Board

2011 Financial statements

ABN 23 053 121 564

Contents

THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

DIRECTORS' REPORT

Your directors submit their report on the accounts of the Board for the financial year ended 30 June 2011.

DIRECTORS

The names of the directors in office during the financial year and as at the date of this report are:-

Mr B D Roebig OAM
Cr. P V Bell AM
Mr N P Cass
Ms F Connor
Mr R Curtis (appointed 1 July 2011)
Ms L Dudley (appointed 1 July 2011)
Mr P J Smith
Cr. P M Taylor
Cr L R Tyrell OAM

PRINCIPAL ACTIVITY

The Board acts as trustee for the Local Government Superannuation Scheme. This trusteeship is the sole activity of the Board, and there was no change in this activity during the financial year.

OPERATING RESULT

The Board did not trade in its own right during the current or previous financial year.

REVIEW OF OPERATIONS

Throughout the year, the Board has continued to act as trustee for the Local Government Superannuation Scheme. The Scheme is a superannuation fund used to provide superannuation benefits for current and previous employees (and their member spouses) of Local Government employers in Queensland, Australia.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Effective 1 July 2011 the assets and liabilities of the Brisbane City Council Superannuation Plan were transferred into the Scheme, on a successor fund basis. The net assets transferred as at 1 July was 1,530m.

There have been no other significant events occurring after balance date which may affect either the Board's operations or results of those operations or the Board's state of affairs.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Board is not subject to any particular or significant environmental regulation.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

During or since the financial year, the Board has paid premiums from the Scheme in respect of a contract insuring all of the directors of the Queensland Local Government Superannuation Board against costs incurred in defending legal proceedings against them.

THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

DIRECTORS' REPORT (continued)

DIRECTORS' MEETINGS

During the year ended 30 June 2011, Directors' meetings were held. The number of meetings at which Directors were in attendance is as follows:-

Name	Number of meetings held whilst in office	Meetings attended
Mr B D Roebig OAM	11	11
Cr. P V Bell AM	11	11
Ms F Connor	11	11
Cr. P M Taylor	11	10
Mr N P Cass	11	10
Mr P J Smith	11	11
Cr L R Tyrell OAM	11	10

DIRECTORS' BENEFITS

During or since the financial year, no director of the Board has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the accounts, by reason of a contract entered into by the Board or an entity that the Board controlled or a body corporate that was related to the Board when the contract was made, or when the director received, or became entitled to receive the benefit, with:-

- a director, or
- a firm of which a director is a member, or
- an entity in which a director has a substantial financial interest.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 12 and forms part of the director's report for the financial year ended 30 June 2011.

Signed in accordance with a resolution of directors

Brian D Roebig
Chairman

Paul V Bell
Director

David J Todd
Chief Executive Officer

Dated at Brisbane this 19th day of October 2011.

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Queensland Local Government Superannuation Board

As lead auditor for the audit of the Queensland Local Government Superannuation Board for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

ASSISTANT AUDITOR-GENERAL
20 OCT 2011
QUEENSLAND AUDIT OFFICE

N P JACKSON FCPA
As Delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane

THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $	2010 $
Revenues		-	-
Expenses		-	-
Profit Before Income Tax Expense	3	-	-
Income Tax Expense		-	-
Net Profit for the period		-	-

The Statement of Comprehensive Income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 61–63

THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	2011 $	2010 $
Cash Flows From Operating Activities	-	-
Cash Flows From Investing Activities	-	-
Increase/(Decrease) in Cash Held	-	-
Cash at the Beginning of the Financial Year	-	-
Cash at the End of the Financial Year	-	-

The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 61–63

THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

BALANCE SHEET

AS AT 30 JUNE 2011

	Note	2011 $	2010 $
Assets		-	-
Total Assets		-	-
Liabilities		-	-
Total Liabilities		-	-
Net Assets		-	-
Equity			
Contributed Equity	4	-	-
Total Equity		-	-

The Balance Sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 61–63

THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Equity $
At 1 July 2009	-
Profit for the year	-
At 30 June 2010	-
At 1 July 2010	-
Profit for the year	-
At 30 June 2011	-

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 61–63

THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

1. CORPORATE INFORMATION

The Queensland Local Government Superannuation Board is a statutory corporation formed under the *Local Government Act (Queensland) 1993* that is incorporated and domiciled in Australia. The registered address of the Board is Level 17, 333 Ann Street, Brisbane Queensland.

The Board acts solely as trustee of the Local Government Superannuation Scheme. The Board has no beneficially owned assets – all scheme assets are held for the benefit of members.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB). The accounting policies used in the preparation of this report, as described below, are consistent with previous years, and are, in the opinion of the directors, appropriate to meet the needs of ASIC and the directors. The financial report has been prepared on an accrual basis of accounting including the historical cost convention and the going concern assumption.

(a)Statement of Compliance

Compliance with IFRS
This financial report does not comply with International Financial Reporting Standards (IFRS).

(b) Change in accounting policies

The accounting policies adopted are consistent with those of the previous year.

THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

(c)Trustee Obligations

The Board in its capacity as trustee incurs liabilities on behalf of the Local Government Superannuation Scheme. During the year, all liabilities incurred by the Board have been in accordance with the Trust Deed. In respect of the Trustee liabilities, the Board has a right to be indemnified out of the assets of the Scheme.

These financial statements have been prepared for the Board and as such do not record the assets and liabilities of the Scheme. At balance date, the assets of the Scheme are sufficient to meet its liabilities. The assets of the Scheme are not available to meet any liabilities of the Board acting in its own right.

3. PROFIT FROM ORDINARY ACTIVITIES

All expenditure incurred in administering the Local Government Superannuation Scheme is reimbursed from the trust funds. Accordingly, there was no result for the financial year nor was there any information concerning profit and loss account items required to be disclosed.

4. CONTRIBUTED EQUITY

	2011 $	2010 $
Issued and paid up capital	-	-

5. DIRECTORS' REMUNERATION

No remuneration has been received, nor is due and receivable, by the directors from the Queensland Local Government Superannuation Board, instead, remuneration is paid from the Scheme and declared in the audited Scheme financial statements.

No amounts have been paid to superannuation funds from the Queensland Local Government Superannuation Board, in connection with the retirement of the directors of the Board. Instead, superannuation, as with remuneration is paid from Scheme monies.

THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

6. RELATED PARTY TRANSACTIONS

(a) Directors

The names of each person holding the position of Director of the Board during the financial year are:

Mr B D Roebig OAM
Cr. P V Bell AM
Mr N P Cass
Ms F Connor
Mr P J Smith
Cr. P M Taylor
Cr L R Tyrell OAM

The directors of the Board have received remuneration as a consequence of their position as directors and this is paid by the Scheme and declared in the audited Scheme financial statements.

(b) Other Related Party Transactions

The Board acts solely as trustee for the Queensland Local Government Superannuation Scheme.

7. SEGMENT INFORMATION

The Board operates solely as trustee for the Queensland Local Government Superannuation Scheme and operates in Australia only.

8. AUDITORS REMUNERATION

The Board's auditor is the Auditor General of Queensland. Audit fees are paid directly by the Board from the Local Government Superannuation Scheme.

THE QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD

DIRECTORS' CERTIFICATION

In accordance with a resolution of the directors of the Queensland Local Government Superannuation Board, we state that:

In the opinion of the directors the financial statements and notes thereto;

(i) give a true and fair view of the Board's financial position as at 30 June 2011 and of the Board's performance for the year ended on that date; and

(ii) comply with Australian Accounting Standards.

On behalf of the Board

Brian D Roebig
Chairman

Paul V Bell
Director

David J Todd
Chief Executive Officer

Dated at Brisbane this 19th day of October 2011.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Queensland Local Government Superannuation Board

Report on the Financial Report

I have audited the accompanying financial report of Queensland Local Government Superannuation Board, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the certification provided by the Chairman, Director and Chief Executive Officer.

Directors' Responsibility for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Local Government Act 2009*, including compliance with Australian Accounting Standards. The directors responsibility also includes such internal control, as the directors determine it necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In my opinion the financial report of the Queensland Local Government Superannuation Board is in accordance with the *Local Government Act 2009*, and:

(i) gives a true and fair view of the Board's financial position as at 30 June 2011 and of its performance for the year ended on that date

(ii) complies with Australian Accounting Standards

Other Matters - Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of the Queensland Local Government Superannuation Board for the year ended 30 June 2011. Where the financial report is included on LG Super's website the Board as trustee for LG Super is responsible for the integrity of LG Super's website and I have not been engaged to report on the integrity of LG Super's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

ASSISTANT AUDITOR-GENERAL
27 OCT 2011
QUEENSLAND AUDIT OFFICE

N P JACKSON FCPA
as Delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane

Specialist consultants and advisors

Actuarial advice
Mr J Smith BA (Maths), FIAA
The Heron Partnership, Melbourne

Asset consultants
Towers Watson

Auditors
Auditor General of Queensland, Brisbane (external)
Deloitte, Brisbane (internal)

Bank
Commonwealth Bank of Australia, Brisbane

Information services
Bravura, Sydney

Master custodian
JP Morgan Investor Services, Sydney

Senior Medical Officer
Dr E Pollard MBBS FRACP, Brisbane

Solicitors
King & Company, Brisbane
Mr S Fynes-Clinton, Barrister at Law, Brisbane

Tax consultant
PricewaterhouseCoopers, Brisbane

Group Life Insurer
AIA Australia Limited

Local government
is our connection