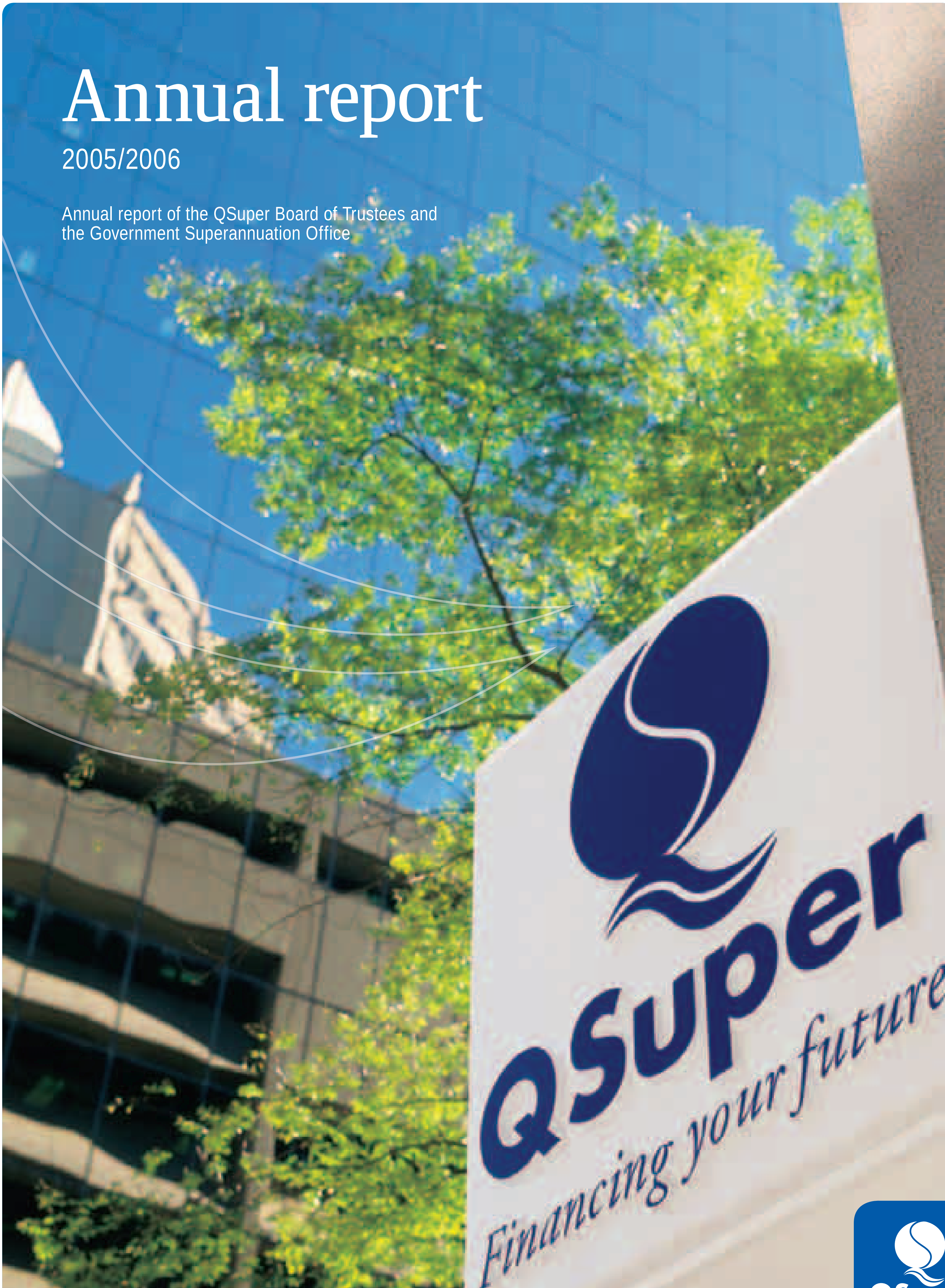
Annual report

2005/2006

Annual report of the QSuper Board of Trustees and the Government Superannuation Office



QSuper

Contacting QSuper

Contact Centre
1300 360 750 for the cost of a local call
+61 7 3404 0928 if you are calling from overseas
81 George Street Brisbane

Postal address
QSuper GPO Box 200 Brisbane Qld 4001
qsuper.qld.gov.au

Additional copies
You can obtain additional copies of this annual report by visiting the QSuper website at qsuper.qld.gov.au , or calling QSuper on 1300 360 750.

Disclaimer
The information contained in this publication is not financial advice and has been prepared for general purposes only. It is not specific to your individual objectives, financial situation, or particular needs. The information may be selective and may therefore not be complete for your needs. Before acting on any of this information you should seek independent advice.

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SuperRatings independently rate Australian super funds based on a number of criteria. We are proud of our gold rating, which is based on SuperRating's assessment of all aspects of QSuper's operations, including investments, fees and charges, administration, governance, and insurance.

GOLD RATING
SuperRatings™
2005/2006

Profile

The Treasurer of Queensland is responsible for the superannuation arrangements of the Queensland public sector with the major fund being QSuper. As a portfolio office of Queensland Treasury, the Government Superannuation Office (GSO) administers QSuper for its Board of Trustees (the Board).

The Queensland Government provides valuable superannuation coverage to its employees, offering generous employer contributions and flexible options to assist members in meeting their retirement income needs. Importantly, the Queensland Government fully funds superannuation benefits for its employees, which gives long-term security of members' benefits. Through the Board, superannuation for Queensland public sector employees is managed as a partnership between employers and unions.

QSuper is a leading fund within the Australian superannuation industry and provides flexible and cost-effective products and services to its members. The Board is committed to assisting Queensland public sector employees in the achievement of their retirement income goals, by providing quality products and services.

The Commonwealth Government has classified the Queensland Government's superannuation fund as an exempt public sector superannuation scheme under the *Superannuation Industry (Supervision) Act 1993*. However, while the Queensland Government's superannuation fund is technically exempt from this legislation, it complies with Commonwealth Government retirement income policies by means of a Heads of Government Agreement.

Purpose of the report

The Board and the GSO have pleasure in submitting our annual report for the 12 months ending 30 June 2006.

This report has been prepared for the Queensland Parliament, and other individuals and organisations that share an interest in the objectives, achievements, and future direction of QSuper and the GSO.

Vision

As a leading Australian superannuation fund, QSuper will be recognised for our contribution to the quality of each member's life through low fees, real service, better knowledge, and solid returns.

Values

Our values are:
- members
- innovation
- delivery
- professionalism.

QSuper provides flexible and cost-effective products and services to its members.

Board of Trustees

The Trustees of QSuper are known as the Board of Trustees of the State Public Sector Superannuation Scheme (ABN 60 905 115 063), and the Board is constituted under the *Superannuation (State Public Sector) Act 1990* (the Act).

The Act requires equal member and employer representation on the Board, with the Under Treasurer of Queensland being, ex-officio, Chairman. Trustees serve on the Board for a term of 3 years, after which they may accept reappointment.

Employer representatives (nominated by the Queensland Government)

Gerard Bradley
Under Treasurer and Chairman of the Board

(Deputy – Tim Spencer)

Linda Apelt
Director-General, Department of Communities and Disability Services Queensland

(Deputy – Wayne Cannon)

Terri Hamilton
Director, Terri Hamilton Financial Services

(Deputy – Wayne Cannon)

Tony Hawkins
Chief Executive Officer, WorkCover Queensland

(Deputy – Wayne Cannon)

John Carpendale
Retired superannuation industry executive

Trustee since June 2006

Helen Ringrose
Former Director-General, Department of Tourism, Fair Trading, and Wine Industry Development

Retired from the Board in May 2006

Member representatives (nominated by the Combined Public Sector Unions' Superannuation Committee)

Chris Barrett
Assistant General Secretary, Queensland Council of Unions

(Deputy – Grace Grace)

Karen Peut
Council Delegate, Queensland Public Sector Union

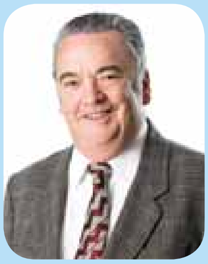
(Deputy – Alex Scott)

Garry Ryan
Queensland Branch President and Southern District Secretary, The Australian Workers' Union

(Deputy – Tom Jeffers)

Steve Ryan
President, Queensland Teachers' Union

(Deputy – Jeff Backen)



Merv Bainbridge
Former General Secretary, Queensland Police Union of Employees

(Deputy for Gary Wilkinson)

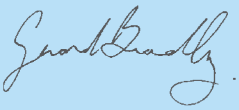
The Trustees make sure everything QSuper does is in the best interest of members.

Chairman and CEO's report

Once again, it's been a healthy year for investment returns, and favourable economic conditions and good management of the Fund's investments have resulted in a pleasing crediting rate of 12.87% for the Accumulation account Balanced option.

The 2005/2006 financial year has also been a year of considerable change for QSuper, and for the superannuation industry generally, presenting challenges for the Fund over the past 12 months and for the year to come.

Gerard Bradley
Under Treasurer
Chairman,
QSuper Board of Trustees



Rosemary Vilgan
Chief Executive Officer,
Government Superannuation Office
Executive Officer,
QSuper Board of Trustees

Investment strategy

Over the last few years, the world of investments has undergone significant change. Following on from 2 years of falling sharemarkets in 2001/2002 and 2002/2003, investors have increasingly looked at diversifying into other asset classes to reduce volatility. Many new asset classes, such as private equity and infrastructure, have emerged, and these provide an element of diversification against sharemarket risk. The role of these alternative asset classes was a key theme in the Board's investment strategy discussions in 2005/2006.

The Board endorsed some changes to the existing strategic allocations to include a new alternative asset class, and has also provided the Fund's investment manager, QIC, with more flexibility in managing asset allocations in recognition of the pace of change in investment thinking.

Communications

Key publications were segmented into under 50s and over 50s age groups, continuing the preliminary work completed in 2004/2005. The launch of segmented member newsletters – *Your future* for under 50s and *Financing your future* for over 50s – allows for more relevant, tailored communication to members. *Super Scoop*, the Fund's annual report to members, has also been segmented into two age-based segments. The QSuper website was substantially upgraded with new educational material, tours, and calculators.

Women & super

During the year, QSuper implemented specific communication and educational initiatives for women to address the particular challenges they face when saving for retirement. In conjunction with the Office for Women, QSuper held *Women & super* seminars in Brisbane, Cairns, Townsville, the Sunshine Coast, and Toowoomba from March to May 2006. These seminars were supported by a printed action plan and an online educational tour. In 2006/2007, QSuper will continue to organise tailored seminars and develop newsletters for female members.

Improved insurance

During 2005/2006, QSuper worked on a number of positive changes to the insurance provided for working members with an Accumulation account, or members with a Defined Benefit account who have additional insurance. The insurance changes, which began on 1 July 2006, include extended death and total and permanent disability coverage, reduction of income protection premiums, and increased benefits.

Most members who have an Accumulation account, and are currently employed in the Queensland public sector, have had their death and total and permanent disability (TPD) benefits increased by approximately 20%. Members who have a Defined Benefit account and have chosen to purchase additional insurance have also had these increases applied to the additional insurance component of their benefits. The changes also included extending age limits to age 65 for TPD and age 70 for death.

In addition, for members who have an Accumulation account, the income protection benefit premiums have been reduced by up to 24%, and the age limit has been extended to 65. These new insurance changes support the Queensland Government in its efforts to retain mature employees.

Transition to retirement

Also during 2005/2006, QSuper adopted and implemented new rules to allow eligible members to access superannuation (including preserved money) if they deposit it into a QSuper Allocated Pension account, and draw on it as a pension to supplement their income. This new initiative is called 'transition to retirement', and provides more flexible retirement options for members, and was operational on 1 July 2006.

Members who are over their preservation age, and have not met a condition of release, can take advantage of transition to retirement, and do not need to meet any working conditions. This means members can work part time, or even continue working full time, and use their superannuation to supplement their income needs.

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Chairman and CEO's report

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Contribution splitting

During the 2005/2006 year, QSuper also introduced the ability for members to split their contributions with their spouse.

Splitting contributions and building two super accounts may be more tax effective than having one large account, in some circumstances.

Contribution splitting was introduced for QSuper members from 1 July 2006. Only Accumulation account contributions made after 1 January 2006 can be split, and it can only be used to split contributions, not existing balances.

Commonwealth Budget

Many in the superannuation industry, including QSuper, have been lobbying the government for simplification to our superannuation system for many years.

The proposal to simplify super in the 2006/2007 Commonwealth Budget handed down on 9 May 2006, delivered a host of welcome changes which, if implemented, will reduce much of the complexity in the current system.

Proposed changes include the removal of tax on benefit payments after age 60, limits to contributions, the removal of reasonable benefit limits, changes to Centrelink limits, and the removal of the compulsory cashing provisions.

The Commonwealth Treasurer and Assistant Treasurer have recently confirmed the Government intends to proceed with the proposal, and will introduce legislation to Parliament by the end of the 2006 calendar year to implement the changes. The removal of the compulsory cashing provisions has already taken affect.

QSuper provided members with details of the changes in *Super Scoop*, the Fund's annual report to members, and on the website. QSuper will keep members informed through publications and the QSuper website as more information becomes available.

2005–2008 strategic plan

The 2005–2008 strategic plan published last year was developed with some flexibility in mind. Although no major changes are needed, the Board recognised that the plan must be able to be adapted to include new industry and product developments, such as transition to retirement and contribution splitting.

Some other key issues the Board may consider over the coming year include:

- a review of QSuper's fee structure to ensure the Fund is maintaining its low fee position;
- strategies to help Q Invest cope with the high growth in demand for its services; and
- opportunities for providing more services online through the website.

Acknowledgements

On behalf of the Board, we would like to thank QSuper's major service providers, including the Government Superannuation Office, QIC, Q Invest, and the State Actuary. The Board also appreciates the support received from the Auditor-General of Queensland. We would also like to thank Board members for their commitment to QSuper and QSuper's members.

QSuper summary

Financial summary	
QSuper member and employer funds as at 1 July 2005	$15,682.74m
Inflows	
Investment income	$2,627.71m
Employer contributions	$963.16m
Member contributions	$878.11m
Transfers in	$373.48m
Other income	$0.53m
Total inflows	$4,842.99m
Outflows	
Benefits paid	$1,229.93m
Administration expenses	$43.68m
Financial planning expenses	$11.83m
Income tax expenses	$169.55m
Other expenses	$13.27m
Total outflows	$1,468.26m
Net assets available to pay benefits at 30 June 2006	$19,057.47m

For further information refer to the detailed financial statements.

Membership summary		
Number of members		455,476
Number of accounts at 30 June 2005		547,798
Accounts opened		54,072
Accounts closed		29,577
Number of accounts at 30 June 2006		572,293
	30 June 2005	30 June 2006
Average member account balance	$53,954	$58,377

Strategic plan 2005–2008

The challenge

The coming years are expected to bring significant changes within the superannuation industry, including:

- higher levels of competition within the industry with choice of fund;
- increasing member interest in superannuation as account balances grow;
- consolidation and mergers of superannuation funds meaning more players with significant scale;
- greater scrutiny of performance and media attention;
- changing workforce demographics; and
- an increasingly mobile workforce.

Many of these changes will impact on QSuper, either directly or indirectly, by increasing the competition and the challenges the Fund will face. In addition, QSuper must consider a number of challenges directly related to its membership and market positioning.

More than half of the Fund's membership are no longer Queensland public sector employees and could leave at any time. Publicity surrounding choice of fund, as well as strong trends towards self managed super funds, is increasing competition in the superannuation industry.

Baby boomers are our largest membership group today, but a major challenge over the next decade, as the baby boomers transition out of the workforce, will be the engagement and retention of generation X and generation Y members.

More than 60% of QSuper's members are female. As females tend to live longer, and also have periods out of the workforce during their career, they may have some difficulty in building up adequate retirement savings.

It is clear successful superannuation funds will be those with a product offering that is compelling, well understood, and valued by members. The Board, together with the GSO, has developed a program of strategic change over the 2005-2008 period which will maintain QSuper's leading position and build on the Fund's competitive advantage within the industry, by delivering on QSuper's value proposition to members.

Value proposition

QSuper delivers:

Low fees
Keeping fees as low as we can is important to us, so members have more money in their accounts working for them.

Real service
It's our service that makes the difference. Our history of service has built the trusted relationship with our members that we are privileged to enjoy.

Better knowledge
We're committed to giving members better knowledge, so they can make better decisions and make the most of their super.

Solid returns
It's the long-term returns that really count. We aim to perform strongly, to beat industry averages, and provide a solid return for our members over the long term.

Strategic programs

QSuper's 16-year history of industry leadership has delivered a strong, successful fund. The GSO will continue to ensure QSuper is a fund that, in every aspect, can withstand aggressive choice should it eventuate, and will strive to maintain the Fund's position as an industry leader in these changing times, for the ongoing benefit of members.

The Board has approved four strategic programs to deliver on this challenge:

- branding;
- products and services;
- financial education; and
- tactical marketing.

The GSO will implement these programs, and develop the infrastructure required to support them, as outlined on the following page.

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Strategic plan 2005–2008

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Branding

The QSuper brand will be repositioned and enhanced by focussing on brand and product attributes to transform QSuper into a respected industry leader, providing retirement solutions.

To drive this initiative, QSuper will leverage its relationships with Q Invest and QIC to raise the profiles of these organisations. QSuper will seek to strengthen the Fund's brand with both members and nonmembers and continue to develop the Fund's standing as a recognised leader in member education.

Products and services

QSuper will focus on its core superannuation offering to support members in their goals to attain the retirement lifestyle they deserve. Service will be delivered over multiple channels and tailored, where possible, to members' wants and needs. Communication will be more structured, segmented, and proactive.

To develop products and services, QSuper will continue to examine what members need from a superannuation fund and seek to develop innovative products to meet their needs.

QSuper will continue to monitor industry and legislative developments and review areas like insurance, investment options, and fees, to ensure the Fund remains an industry leader. New services will continue to be developed through initiatives such as continual updating of the QSuper website to improve usability and functionality, further development of benefit statements to provide members with even more information regarding their super, and consideration of how and when members can contact QSuper.

Financial education

QSuper will be recognised as an industry leader in providing members with superannuation and general financial education. As a result, QSuper will be recognised and applauded for its contribution to members' financial literacy by members, the general public, and industry.

This year QSuper will continue to conduct member research to understand members and their levels of financial literacy. The Fund is also seeking to understand the impact QSuper's educational efforts have on increasing that level of education, and will partner with a research institution to assist in that regard.

New trigger points for communication will be developed to ensure members get the information they need about their super when they need it. The range of educational tools members have to help them make informed decisions about their superannuation will also be further developed.

Tactical marketing

The tone of QSuper's marketing will be direct and challenging, but respectful of competitors and members. The Fund's marketing philosophy will be characterised by proactive, scientific, and targeted contact with members with a focus on those members who need information, and those being targeted by competitors who as a result may make decisions based on limited information. QSuper's presence in the industry will position the Fund as a leading superannuation provider and industry expert.

QSuper is continuing to deliver a range of programs designed to ensure it is the fund of choice for those leaving Queensland Government employment. In 2005/2006 data modelling began, to better understand the challenges facing members in providing for themselves in retirement.

2006/2007 will see QSuper use this knowledge to continue to develop targeted publications that are relevant to members' changing needs, promote the availability of on-line account access for members to access and understand their account more fully, and develop programs and products that help members build their retirement savings.

Enablers

The GSO's technology and premises will be upgraded to support the implementation of this change program.

The organisation is in the process of rolling out a range of technology initiatives designed to ensure the Fund can deliver the range of services proposed. A new standard desktop environment has been rolled out and other projects such as consolidation of the server and storage network are underway.

Accommodation needs will also be reviewed to ensure QSuper is well placed to deliver services to members in an efficient manner.

Highlights 2005/2006

Strategic business priorities	Highlights	The year ahead
Reposition and enhance the QSuper brand by focusing on brand and product attributes	Delivered joint education initiatives and key event sponsorships in partnership with QIC and Q Invest	Further develop public relations initiatives Continue to deliver specialised joint education initiatives with QIC and Q Invest
Focus on core superannuation offering to support members in their goals to attain the retirement lifestyle they deserve	Commenced member contact tracking project to record member contacts and improve service and effectiveness of campaigns	Implement member contact tracking system
	Introduced new products and services, such as providing options for members to access their super to transition to retirement	Continue to investigate and implement new products and services.
	Reviewed insurance offering to members, reducing some premiums and increasing some benefits	Implement new insurance arrangements for members
	Implemented legislative changes including dollar fee disclosure and transactional history reporting	Implement changes arising from the 2006 Commonwealth Budget
QSuper to be recognised as the leader in providing members with superannuation and general financial education	Redeveloped website to make it more member-focused and innovative, and introduced an education module to the website including educational tours and new calculators	Develop a joint research program to measure and track financial literacy
	Started targeted communication strategy aimed at members when they turn 50	Extend targeted communication strategy to additional member segments
Maintain QSuper's presence in the industry as a leading superannuation provider and industry expert	Implemented specific communication and educational initiatives for female members	Continue female communication strategy with newsletter and seminars
	Segmented key publications into under 50s and over 50s age groups	Continue to investigate new opportunities for segmenting publications and campaigns
	Delivered campaigns to assist members in building retirement savings	Increase member use of online technologies including an internet-based account system
Upgrade technology and premises to support the implementation of all strategic business priorities	Rolled out a standardised desktop environment for a more stable and secure IT platform	Consolidate QSuper's server and storage network
		Investigate accommodation options for the future growth of QSuper

Low fees

Low fees

The less QSuper members pay in fees, the more money they have working for them.

Over the long term, high fees can have a substantial effect on the overall growth of a superannuation account as they eat away at retirement savings and the investment returns earned on those savings. Additionally, returns vary each year so the top-ranked fund in any given year may not necessarily perform well the next year, whereas a consistent low fee will benefit members year after year.

QSuper charges no entry fees, no exit fees, no commissions, and no transaction fees, which is value that's hard to beat. QSuper reports fees as a management expense ratio (MER), an industry standard for measuring total product fees.

QSuper's sole fee pays for:

- the cost of account keeping and reporting;
- providing a range of seminars, publications, Contact Centre, and website tools to assist in explaining members' super options;
- significant support for financial planning services provided by Q Invest; and
- the costs associated with investing members' money in a variety of worldwide assets.

Around 70% of the fee goes towards investing the superannuation balances of QSuper members. This involves placing money into a number of worldwide markets using a variety of fund managers. It also includes the costs of buying, developing, and maintaining commercial property across Australia. All of this is done under the supervision of QSuper's fund manager, QIC, who ensure the best companies and fund managers are used across all the asset types to secure the strongest long-term investment returns.

The table below shows the MERs for QSuper's eight options for the 2005/2006 financial year.

Option	MER*
Balanced	0.55%
Cash Plus	0.43%
Socially Responsible	0.97%
High Growth	0.54%
Cash	0.32%
Fixed Interest	0.43%
Australian Shares	0.46%
International Shares	0.66%

*The management expense ratio (MER) is generally the total expenses of the Fund (e.g. investment, management, trusteeship) as a proportion of the Fund's net asset value. These figures are provisional.

QSuper has reported fees as an MER for a number of years, however, all super funds are now required to report fees as a dollar amount on members' benefit statements. We have chosen to show members both, to make it easier for them to compare funds.

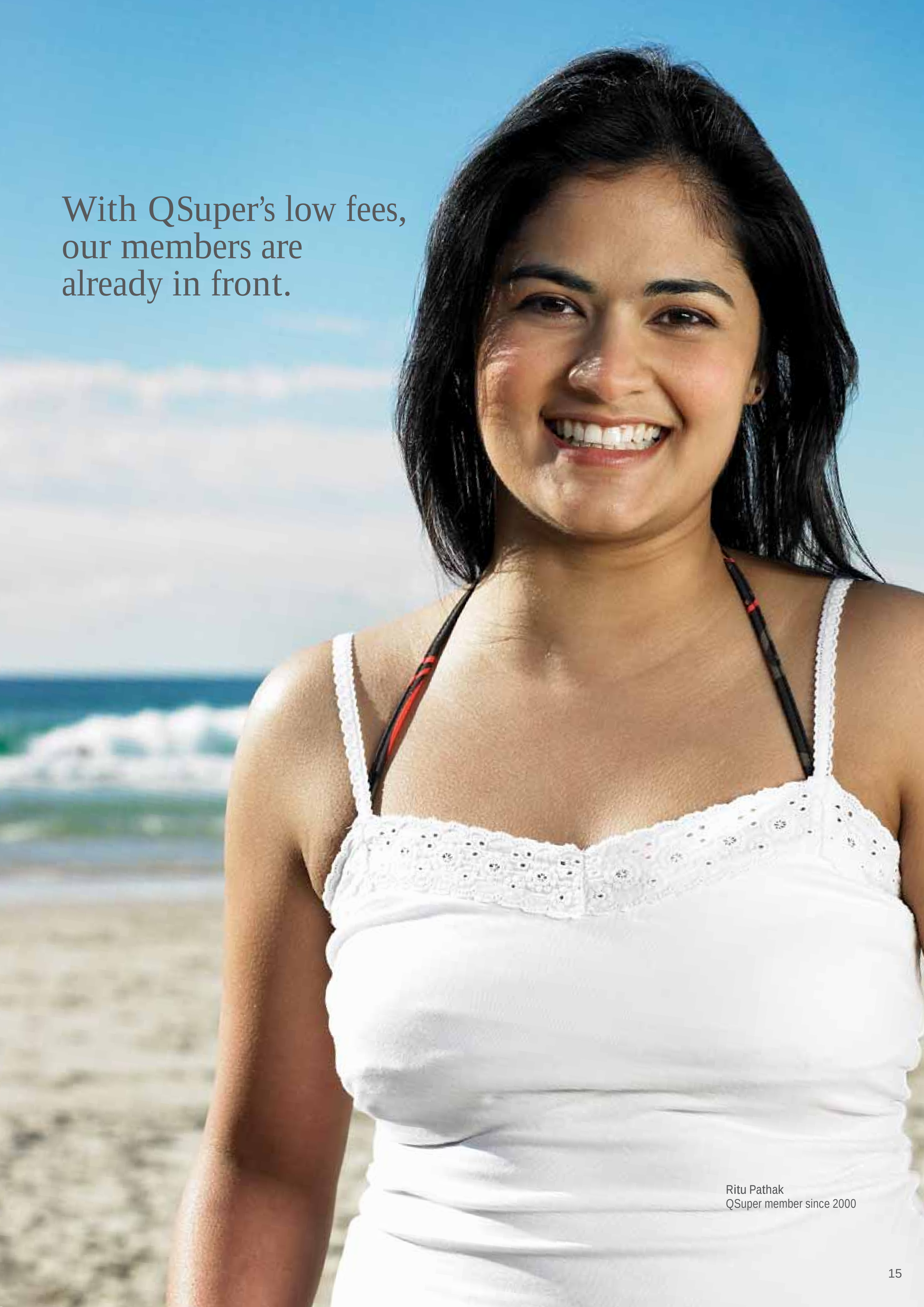
Superannuation rating services such as Chant West and SuperRatings describe QSuper as offering low fees in comparison with competitors.

QSuper works hard on keeping fees low, and this year, all our MERs have reduced compared to the fees charged in 2004/2005.

How are QSuper fees kept so low?

QSuper has made a number of changes throughout 2005/2006 which have contributed to lowering costs, including the following:

- QSuper has successfully processed increasing transaction volumes while reducing costs.
- QIC investment management efficiencies have also reduced costs.
- QSuper has introduced more efficient tax management.



With QSuper's low fees, our members are already in front.

Ritu Pathak
QSuper member since 2000

Real service

Real service

QSuper values its members, and works hard to provide real service to almost half a million Queenslanders who trust QSuper with their superannuation.

The first point of contact for the majority of members is the QSuper Contact Centre, whether it is by phone, email, letter, or face-to-face contact. In 2005/2006, overall contact with members has once again risen. The Contact Centre received over a quarter of a million calls, up 7% on last year, yet was still able to maintain high service standards. There were also more than 18,000 visits to the Member Service Centre in George Street, an increase of 10%.

QSuper recognises many of the Fund's members live outside of the Brisbane area, which is why seminars were held in 65 locations across Queensland, and 39 of these were in regional locations. This ensures the majority of QSuper members have easy access to the information they need to make the most of their super. QSuper understands it can be hard for members to find the time to attend seminars, so 52% of QSuper seminars were held in workplaces, up from 41% in the previous year.

The organisation saw an increase in transaction volumes, yet QSuper was still able to provide outstanding service delivery to members, meeting Board mandated service standards 96% of the time. Overall, Board mandate results improved for several major processing functions, such as receipting of contributions, rollovers from other funds, and investment switches. International benchmarking company Cost Effectiveness Management (CEM) has reported that it considers QSuper offers a high level of service provision to members.

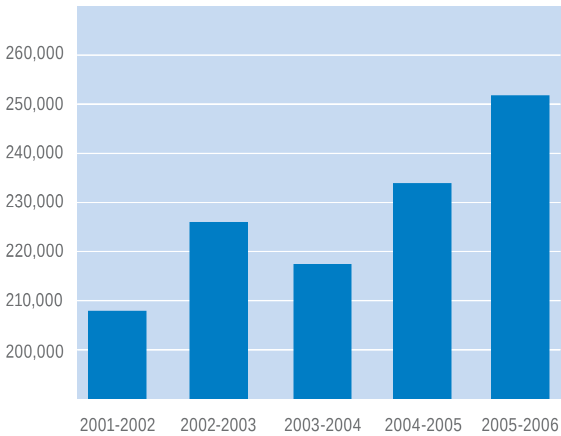
During 2005/2006, in line with new Commonwealth Government legislation, the Board made the decision to offer both contribution splitting and a transition to retirement product to members. All areas of the organisation worked together in the development of these services to make sure QSuper continues to offer the best possible products to members, and both became available from 1 July 2006.

Much work was also done on planning the enhancements to QSuper's insurance offering, which were implemented on 1 July 2006. Changes include reducing income protection premium rates, increasing total and permanent disability benefits by approximately 20%, and giving members over the age of 60 access to insurance. Members now also have the choice to cancel their insurance cover so they only need to pay for the cover they consider to be suitable for their needs.

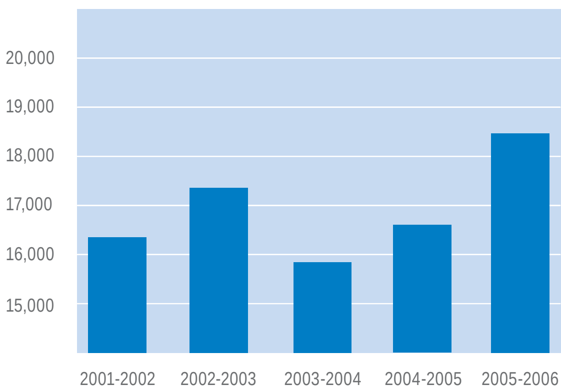
QSuper understands that the better trained staff are, the better service they can offer members, which is why a large number of staff are currently undertaking a Certificate IV in Business – Frontline Management. This initiative will be rolled out to more staff during 2007. And all QSuper Contact Centre staff take part in ongoing training to make sure they are compliant with the Australian Securities and Investments Commission Policy Statement 146. The policy applies to anyone who provides advice.

At the Australian Teleservices Association (ATA) Awards QSuper was shortlisted in the top three in the State in three categories: Teleprofessional of the Year, Top Call Centre in the 50–120 staff category, and Teleservice Champion.

Calls to QSuper Contact Centre



Visits to the QSuper Member Service Centre



At QSuper, it's our service that makes the difference.

Leith Goebel
QSuper member since 1981

Better knowledge

Better knowledge

For the majority of QSuper's 450,000 members, their superannuation benefit will be the largest sum of money they will ever have to deal with. That's why QSuper is dedicated to providing members with better knowledge so they can make the most of their super.

QSuper believes it is important to educate members on all aspects of their financial lives, and this year introduced a range of financial online tours on the QSuper website. The Qlearn tours provide easy to understand information on topics as diverse as superannuation, preparing for retirement, and taking control of debt, and are designed to help members make better financial decisions.

The rest of QSuper's website also underwent a facelift to make it even easier for members to find the information they need, when they need it. Demand for online facilities has continued to increase, with a 63% increase in visits to the website to just under 900,000 for the financial year. Additionally, almost 60,000 members have now registered to access their accounts through the QSuper website.

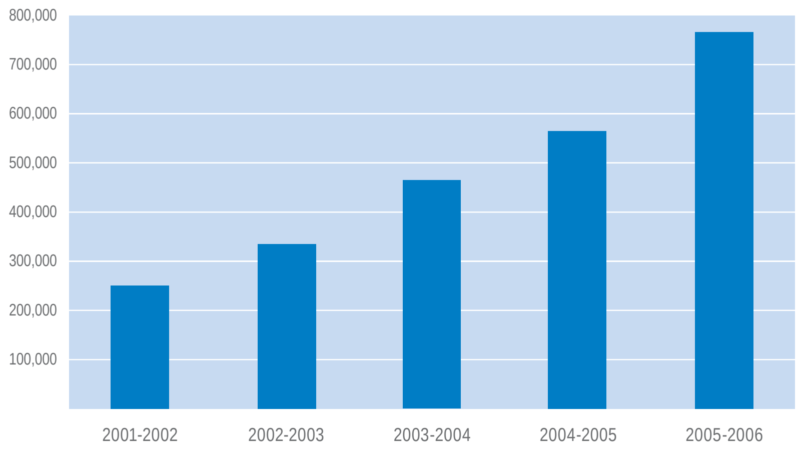
The last 12 months have seen the continuation of a project to segment key communications in response to the differing information needs members have at different stages of their lives. QSuper now produces two member newsletters – *Your future* for members under 50, and *Financing your future* for over 50s. The Fund's annual report to members, *Super Scoop*, has also been segmented along the same lines. As a response to the changing needs of members as they near retirement, the Fund has also begun a targeted marketing strategy aimed at members turning 50. This additional communication is aimed at increasing knowledge to encourage members to take the necessary action to improve their super benefits.

For a variety of reasons, women are much more likely than men to retire without enough super to fund their retirement. In recognition of this problem QSuper began specific targeting of female members, to raise awareness of this issue and educate them on their super savings. The Fund developed a *Women & super* online tour on the QSuper website, and also held a successful series of *Women & super* seminars in conjunction with the Office for Women. Planning also commenced for a *Women & super* newsletter, to be sent to targeted female members during 2006/2007.

QSuper's seminar program continues to be very popular, with over 20,000 members attending the 567 seminars held throughout Queensland. Surveys held after these seminars indicate a large shift in knowledge of attendees, with 69% saying they felt more confident in making decisions about their superannuation and retirement as a result of attending. This figure rose to 80% for members who attended one of QSuper's *Retirement preparation* seminars. Most pleasingly, 99% of seminar attendees would recommend QSuper seminars to others.

For the first time, QSuper's benefit statements for 2005/2006 provide a listing of transactions, and disclosure of the fees paid by members. This is consistent with Commonwealth regulatory changes requiring more detailed reporting in member benefit statements. Benefit statements now provide members with much more detailed information on what happened in their account over the year, so they can gain a better understanding of how their super is growing.

Visits to the QSuper website



At QSuper we know the better our members' knowledge, the better the decisions they make.

Richard Grimes
QSuper member since 1961
Maya Grimes
QSuper member since 1991

Solid returns

Solid returns

It's been another year of solid returns for QSuper, with the Accumulation account Balanced option delivering double digit returns for the third year in a row, and QSuper's balance ending the year at more than $19 billion.

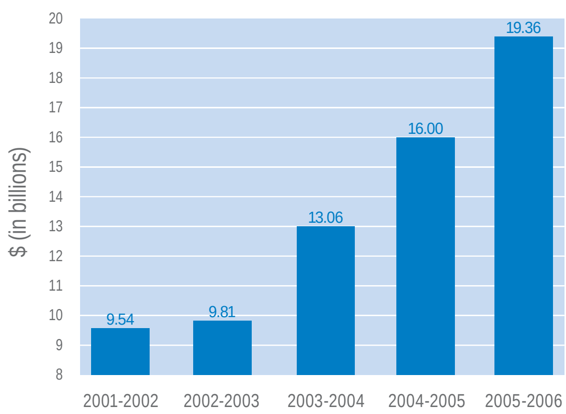
Robust economic growth in the world's major economies has driven international shares higher, and strong commodity prices have seen the Australian sharemarket scale new heights.

While returns were strong at the end of financial year, investors were given several reminders of how volatile sharemarkets can be. In early October 2005, sharemarkets fell by around 6% over a matter of days, due to concerns that Hurricane Katrina in the US, and the resultant higher oil prices, would stall economic growth. Late in the year the market fell by around 5%, following concerns about rising inflation.

For QIC, QSuper's investment manager for more than a decade, this recent inflation rise was expected, and is simply a result of the strong global economic growth of recent years. As excess production capacity was utilised, and the labour market tightened, costs and prices were driven higher.

The 12.87% return for the Accumulation account Balanced option in 2005/2006 has contributed to QSuper's performance for this option ranking it in the first quartile over 3 years, and the second quartile over 5 years*.

QSuper funds under management as at 30 June 2006



QIC is the driving force behind QSuper's impressive investment performance, and they invest members' funds using both their own in-house expertise and the skills of some of the world's best fund managers. In fact, around 50% of QSuper funds are managed by these external managers. This diversification of fund managers means members' funds are benefiting from specialist skills in a range of regions and markets.

QIC aims to develop a team of external managers who consistently perform well under varying economic and market conditions. A rigorous selection process is in place, and all external managers are continuously monitored to maximise each individual manager's performance, minimise risk, and ensure funds are managed according to the strategy set by the Board.

The Board is constantly looking for ways to innovate and ensure the Fund's track record of solid returns continues, and is therefore introducing a new range of investments, called alternatives, into some QSuper investment options. These alternatives include investments such as infrastructure and private equity.

QIC and QSuper's extensive research has shown diversifying into these new types of investments will help achieve solid returns, with less risk. In practice this means the QSuper investment options that will be partly invested in alternative assets (Balanced, High Growth, and Cash Plus) should have less chance of experiencing a negative return in any 1 year, while continuing to achieve solid long-term returns in a range of economic conditions.

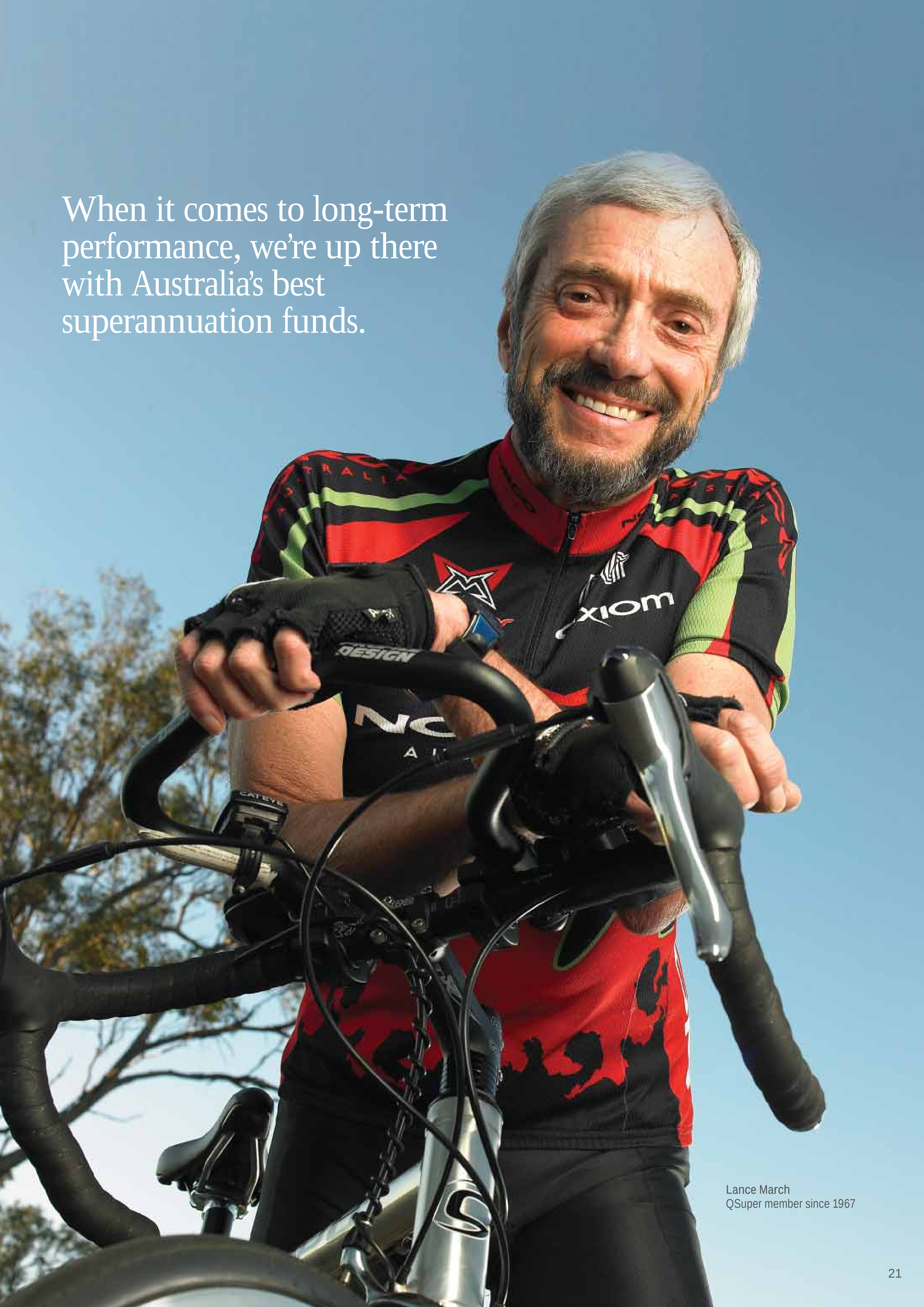
Alternative assets help maximise the benefits of diversification by investing in assets which are expected to perform differently to other investments in varying market conditions. The overall return is therefore expected to be smoother from year to year.

Some of these assets are more expensive to invest in, so MERs may increase slightly in 2006/2007, but these assets are designed to improve the probability of achieving QSuper's investment objectives after fees and tax.

The Board approved allocations to alternative assets from 1 July 2006. There will be a gradual and disciplined approach to investing in these assets to ensure investment at the right price. This means it may be some time before the full allocation to alternative assets is reached.

*SuperRatings July 2006

When it comes to long-term performance, we're up there with Australia's best superannuation funds.



Lance March
QSuper member since 1967

Product snapshot

Accumulation account

A QSuper Accumulation account caters for members during and after their employment with the Queensland Government, as well as their spouses. The Accumulation account is the automatic option for new employees of all core Queensland public sector agencies, and is also available to noncore agencies by individual employer arrangement.

	2004/2005	2005/2006
Membership	393,345	420,892
Benefit payments	28,879	32,020
Income protection benefits paid	899	1,092
Rollovers to QSuper	21,154	25,971
Members making voluntary contributions	23,353	27,796
Members with additional insurance coverage	2,652	3,175
Accumulation accounts opened via spouse deposits	1,474	1,424
Income		
Contribution	$1,975.2m	$2,609.2m
Investment	$1,238.1m	$1,587.9m
Miscellaneous	$0.6m	$0.3m
Total	$3,213.9m	$4,197.4m
Expenditure	$735.4m***	$1,525.5m
Balance of accounts*	$8,399.7m***	$11,071.6m
Crediting rate as at 30 June		
Balanced	15.38%	12.87%
Cash Plus	9.90%	8.80%
Socially Responsible	1.55%****	15.29%
High Growth	16.34%	14.66%
Cash	4.73%	4.85%
Fixed Interest	4.30%****	1.92%
Australian Shares	7.25%****	20.27%
International Shares	4.27%****	11.47%
MER**		
Balanced	0.58%	0.55%
Cash Plus	0.48%	0.43%
Socially Responsible	1.02%*****	0.97%
High Growth	0.58%	0.54%
Cash	0.37%	0.32%
Fixed Interest	0.50%*****	0.43%
Australian Shares	0.53%*****	0.46%
International Shares	0.68%*****	0.66%

*These amounts include some reserves held in the Consolidated Fund.
**Management expense ratio (MER), generally the total expenses of the Fund (e.g. investment, management, trusteeship) as a proportion of the Fund's net asset value. These figures are provisional.
***The comparatives for the year ended 30 June 2005 have been restated to comply with Australian equivalents to International Financial Reporting Standards.
****Based on partial year as these options were introduced on 1 January 2005.
*****These MERs have been annualised as these options were introduced on 1 January 2005.

Assets	Allocation ranges	Actual asset allocation	Actual asset allocation
	As approved by the QSuper Board of Trustees	Year ending 30 June 2005	Year ending 30 June 2006
Balanced			
Cash	0–25%	9.5%	12%
Fixed interest	15–25%	16.2%	20.2%
Property	5–15%	8%	7.1%
Australian shares	25–35%	34.8%	31.9%
International shares	20–30%	31.5%	28.8%
Alternatives	0–10%	n/a	n/a
Cash Plus			
Cash	50–62.5%	54.7%	56%
Fixed interest	7.5–12.5%	8.1%	10.1%
Property	2.5–7.5%	4%	3.5%
Australian shares	12.5–17.5%	17.4%	16%
International shares	10–15%	15.8%	14.4%
Alternatives	0–5%	n/a	n/a
Socially Responsible			
Cash	0–6%	8.6%	6.1%
Fixed interest	17–29%	17.1%	19.6%
Property	3–21%	0%	11.9%
Australian shares	39–45%	37.8%	41.5%
International shares	17–23%	36.5%	20.9%
High Growth			
Cash	–2–10%	0.3%	–0.4%
Fixed interest	0%	0%	0%
Property	0–10%	0%	0%
Australian shares	20–40%	35%	34.8%
International shares	35–55%	64.7%	65.6%
Alternatives	0–20%	n/a	n/a
Cash			
Cash	100%	100%	100%
Fixed interest	0%	0%	0%
Property	0%	0%	0%
Australian shares	0%	0%	0%
International shares	0%	0%	0%
Fixed Interest			
Cash	0–5%	0%	0%
Fixed interest	95–100%	100%	100%
Property	0%	0%	0%
Australian shares	0%	0%	0%
International shares	0%	0%	0%
Australian Shares			
Cash	0–5%	0%	0%
Fixed interest	0%	0%	0%
Property	0%	0%	0%
Australian shares	95–100%	100%	100%
International shares	0%	0%	0%
International Shares			
Cash	0–5%	0%	0%
Fixed interest	0%	0%	0%
Property	0%	0%	0%
Australian shares	0%	0%	0%
International shares	95–100%	100%	100%

Product snapshot

Defined Benefit account

A QSuper Defined Benefit account provides accrued and insured benefits based on a member's salary, contribution rate, and length of membership. Most new and existing members in Queensland Government employment have the option of transferring to a Defined Benefit account.

	2004/2005	2005/2006
Membership	148,658	142,240
Benefit payments		
Age retirement	2,924	3,297
Death (in service)	102	107
Ill-health retirement	618	539
Resignation	2,715	6,641
Retrenchment	549	629
Total	6,908	11,213
Income protection benefits paid	1,895	1,744
Rollovers to QSuper	2,486	2,575
Members making voluntary contributions to a QSuper Accumulation account	29,505	31,904
Members with additional insurance coverage	5,361	5,142
Income		
Contribution	$613.3m	$553.9m
Investment	$1,211.4m	$1,173.0m
Miscellaneous	$0.5m	$0.3m
Total	$1,825.2m	$1,727.2m
Expenditure	$1,655.8m *	$1,154.7m
Balance of accounts	$7,931.5m *	$8,504.0m
Crediting rate	15.38%	12.87%

*The comparatives for the year ended 30 June 2005 have been restated to comply with Australian equivalents to International Financial Reporting Standards.

Assets	Allocation ranges	Actual asset allocation	Actual asset allocation
	As approved by the QSuper Board of Trustees	Year ending 30 June 2005	Year ending 30 June 2006
Cash	0–15%	3.2%	20.4%
Fixed interest	15–45%	6.2%	18.9%
Property	5–15%	9.6%	10%
Australian shares	20–30%	39.6%	23.8%
International shares	20–30%	41.4%	26.7%
Alternative assets	0–15%	0%	0.2%

Product snapshot

State and Police accounts

QSuper State and Police accounts are defined benefit accounts which were closed to new members in 1991 and 1993 respectively. As there are no new entrants into these accounts, membership numbers continue to diminish.

	2004/2005		2005/2006	
Membership	2,071		1,933	
Benefit payments	State	Police	State	Police
Age retirement	94	7	114	5
Death	31	3	1	0
Ill-health retirement	0	2	1	0
Resignation	18	3	6	2
Retrenchment	12	0	9	0
Total	155	15	131	7
Income protection benefits paid	33		40	
Members making voluntary contributions to a QSuper Accumulation account	61		Included in Accumulation account	
Income	Included in Defined Benefit account			
Expenditure	Included in Defined Benefit account			
Balance of accounts	Included in Defined Benefit account			
Crediting rate	Resignation: 14.98% Preservation: 15.38%		Resignation: 12.47% Preservation: 12.87%	

Assets	Allocation ranges	Actual asset allocation	Actual asset allocation
	As approved by the QSuper Board of Trustees	Year ending 30 June 2005	Year ending 30 June 2006
Cash	0–15%	3.2%	20.4%
Fixed interest	15–45%	6.2%	18.9%
Property	5–15%	9.6%	10%
Australian shares	20–30%	39.6%	23.8%
International shares	20–30%	41.4%	26.7%
Alternative assets	0–15%	0%	0.2%

Product snapshot

Allocated Pension account

A QSuper Allocated Pension account allows members to invest their QSuper benefit to earn a competitive return, while drawing a regular pension. The pension is paid until the member's investment, and earnings, are exhausted.

	2004/2005	2005/2006
Membership	5,618	7,225
New accounts opened	1,534	1,833
Income		
Contribution	$365.5m	$490.1m
Investment	$156.2m	$217.1m
Total	$521.7m	$707.2m
Expenditure	$38.7m ***	$160.1m
Balance of accounts*	$1,287.5m ***	$1,834.6m
Crediting rate as at 30 June		
Balanced	17.34%	14.50%
Cash Plus	11.27%	10.07%
Socially Responsible	1.78% ****	16.99%
High Growth	18.48%	16.98%
Cash	5.63%	5.78%
Fixed Interest	5.12% ****	2.32%
Australian Shares	7.52% ****	21.29%
International Shares	4.95% ****	13.22%
MER**		
Balanced	0.58%	0.55%
Cash Plus	0.48%	0.43%
Socially Responsible	1.02%*****	0.97%
High Growth	0.58%	0.54%
Cash	0.37%	0.32%
Fixed Interest	0.50%*****	0.43%
Australian Shares	0.53%*****	0.46%
International Shares	0.68%*****	0.66%

*These amounts include some reserves held in the Consolidated Fund.
**Management expense ratio (MER), generally the total expenses of the Fund (e.g. investment, management, trusteeship) as a proportion of the Fund's net asset value. These figures are provisional.
***The comparatives for the year ended 30 June 2005 have been restated to comply with Australian equivalents to International Financial Reporting Standards.
****Based on partial year as these options were introduced on 1 January 2005.
*****These MERs have been annualised as these options were introduced on 1 January 2005.

Assets	Allocation ranges	Actual asset allocation	Actual asset allocation
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Balanced			
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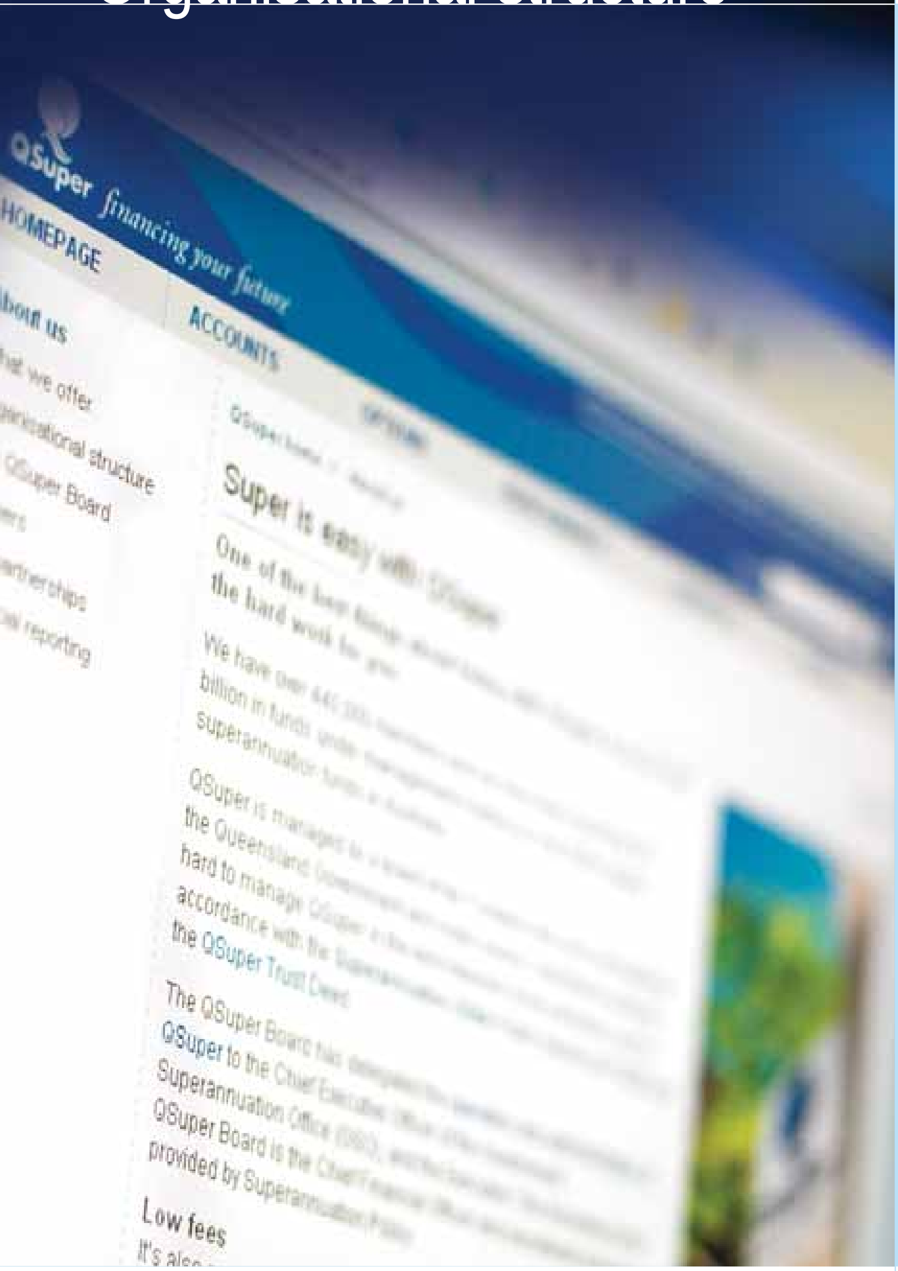
Fixed interest	15–25%	16.2%	20.2%
Property	5–15%	8%	7.1%
Australian shares	25–35%	34.8%	31.9%
International shares	20–30%	31.5%	28.8%
Alternatives	0–10%	n/a	n/a
Cash Plus			
Cash	50–62.5%	54.7%	56%
Fixed interest	7.5–12.5%	8.1%	10.1%
Property	2.5–7.5%	4%	3.5%
Australian shares	12.5–17.5%	17.4%	16%
International shares	10–15%	15.8%	14.4%
Alternatives	0–5%	n/a	n/a
Socially Responsible			
Cash	0–6%	8.6%	6.1%
Fixed interest	17–29%	17.1%	19.6%
Property	3–21%	0%	11.9%
Australian shares	39–45%	37.8%	41.5%
International shares	17–23%	36.5%	20.9%
High Growth			
Cash	–2–10%	0.3%	–0.4%
Fixed interest	0%	0%	0%
Property	0–10%	0%	0%
Australian shares	20–40%	35%	34.8%
International shares	35–55%	64.7%	65.6%
Alternatives	0–20%	n/a	n/a
Cash			
Cash	100%	100%	100%
Fixed interest	0%	0%	0%
Property	0%	0%	0%
Australian shares	0%	0%	0%
International shares	0%	0%	0%
Fixed Interest			
Cash	0–5%	0%	0%
Fixed interest	95–100%	100%	100%
Property	0%	0%	0%
Australian shares	0%	0%	0%
International shares	0%	0%	0%
Australian Shares			
Cash	0–5%	0%	0%
Fixed interest	0%	0%	0%
Property	0%	0%	0%
Australian shares	95–100%	100%	100%
International shares	0%	0%	0%
International Shares			
Cash	0–5%	0%	0%
Fixed interest	0%	0%	0%
Property	0%	0%	0%
Australian shares	0%	0%	0%
International shares	95–100%	100%	100%

Organisational structure



Overseeing the GSO is the Executive Committee, consisting of the Chief Executive Officer, Chief Strategy Officer, Chief Operating Officer, and Chief Financial Officer. Each member of the Executive is responsible for a group of functional activities.

Chief Executive Officer
Rosemary Vilgan

Chief Strategy Officer
Don Kofoed

The Chief Strategy Officer (CSO) develops and drives the strategic direction of the GSO by formulating and implementing the strategic plan to achieve the directions set by the Board. The role of the CSO is to provide better knowledge and solid returns to members through guiding policy setting, amending legislation, marketing communications, and leading investment direction. A major role of the CSO is to liaise with and support QSuper partners and stakeholders.

Acting General Manager
Fund Development
Bruce Hassed

General Manager
Governance
Lyn Melcer

General Manager
Investment Services
Sonya Sawtell-Rickson

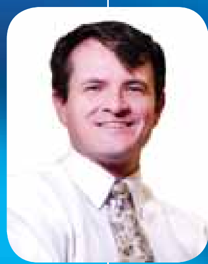
Acting Chief Operating Officer
Anne Murchison

The Chief Operating Officer (COO) leads and promotes real service and better knowledge to members. The role of the COO is to provide a broad range of member contact services, insurance services, and account administration services. The COO also monitors the current operation of service standards to implement improvements where appropriate.

Acting General Manager
Member Services
John Sawtell-Rickson

General Manager
Operations
David Wood

General Manager
Insurance Management
Barry Cook



Chief Financial Officer
Cliff Kaye

The Chief Financial Officer (CFO) leads, manages, and monitors the financial operations, change programs, and resource management within the GSO for both internal and external stakeholders. This assists in the provision of low fees to members. The role of the CFO includes financial and statutory reporting, budgets and cash flow management, management of Fund reserves, and the maintenance and support of all information systems across the GSO.

General Manager
Finance
Peter Lockington

Acting General Manager
Information and Communication Technology
Peter Wardrop

Manager
Human Resources and Administration
Donna Wright

Manager
Business Solutions
Graham Smith

Manager
Portfolio Management Office
Debra Mitterer

GSO financial summary

Revenue from ordinary activities	
Administration fees	$41.94m
Interest	$0.45m
Other revenue	$0.03m
Total revenue from ordinary activities	$42.42m
Expenses from ordinary activities	
Employee expenses	$26.21m
Corporate service fees	$2.08m
Postage and printing	$2.33m
Depreciation and amortisation	$2.72m
Rental expense – operating lease	$1.69m
Consultancy fees	$1.99m
Computer charges and operating costs	$1.50m
Auditors' remuneration	$0.35m
Other expenses	$2.91m
Total expenses from ordinary activities	$41.78m
Net surplus for the operating period	$0.64m

For further information refer to the detailed financial statements.

QSuper is committed to providing members the options they need to have a better lifestyle in the future.

Gabby Newport
QSuper member since 1983

Appendix

to the 2005/2006 annual report of the QSuper Board of Trustees and the Government Superannuation Office

Corporate governance

The Board and the management of the GSO are committed to high standards of corporate governance. The governance of QSuper is driven by the Board's desire to act in good faith, with foresight, and in the best interests of members and their dependants.

Code of conduct

An established code of conduct guides the ethical and behavioural expectations of the Board. The code of conduct includes procedures for the Board to identify and resolve any conflicts of interest. Board members must disclose potential conflicts of interests and may be excluded from participating in discussions on matters where a potential conflict exists. Board members must also act in accordance with the covenants of section 52 of the *Superannuation Industry (Supervision) Act 1993*.

Composition and appointment of the Board

Established under the *Superannuation (State Public Sector) Act 1990*, the Board consists of ten appointed Trustees, including the Chairman. An equal number of Trustees is drawn from employer and member representative entities. The Under Treasurer of Queensland is ex-officio, Chairman of the Board, with another four members nominated by the Queensland Government as the employer representatives. The Combined Public Sector Unions' Superannuation Committee provides five nominees to the Treasurer for the member representatives. Trustees serve on the Board for a term of 3 years, after which they may be nominated for reappointment.

Remuneration of the Board

The Board is remunerated in accordance with the Department of Industrial Relations Public Sector directive. The directive prescribes the remuneration rates for chairs and members. The Board members who are also employees of the Queensland Government are not remunerated for their trustee duties. Details of the directive can be located from www.psier.qld.gov.au/policies/remunrates .

Queensland Government nominated representatives

Gerard Bradley, Chairman *B.Com, postgradDipAdvAcc, CPA, FAICD*
Under Treasurer and Under Secretary of Queensland

Appointed August 1998

Experience:

- employed in the Queensland and South Australian Treasury departments for the past 25 years
- Director of Queensland Treasury Holdings Pty Ltd
- Under Treasurer and Under Secretary of Queensland and Deputy Chair Queensland Treasury Corporation

(Deputy – Tim Spencer, Deputy Under Treasurer of Queensland)

Linda Apelt *MEd, MAICD*
Director-General, Department of Communities and Disability Services Queensland

Appointed December 2001

Experience:

- former Director-General of the Department of Housing
- member of the Board of the Australian Institute of Health and Welfare (AIHW) and Chair of the AIHW Audit and Finance Committee
- Adjunct Professor in the Faculty of Social and Behavioural Sciences at the University of Queensland

(Deputy – Wayne Cannon, Queensland State Actuary)

Terri Hamilton *LLB, DFP, GAICD*
Director, Terri Hamilton Financial Services

Appointed June 2000

Experience:

- member of QSuper/GSO Audit and Compliance Committee
- extensive senior management and consultancy experience in the financial services industry
- Director of Ergon Energy Corporation Limited
- Director of Queensland Teachers' Union Health Fund Limited
- member ASIC Regional Liaison Committee (Qld)
- former Director of Association of Superannuation Funds of Australia

(Deputy, until June 2006 – John Carpendale)

Tony Hawkins *B.Com, DipFinMan, FCPA*
Chief Executive Officer, WorkCover Queensland

Appointed December 2001

Experience:

- CEO of WorkCover Queensland for the past 9 years
- 13 years insurance experience with the AXA Group
- 14 years mining experience at CSR
- member of the Queensland Workplace Health and Safety Board
- member of the QSuper Insurance Claims Management Committee

(Deputy – Wayne Cannon, Queensland State Actuary)

John Carpendale *BA, FFin, FASFA, GAICD, JP (C.Dec)*
Retired superannuation industry executive

Appointed June 2006

Experience:

- 38 years experience with the GSO, including 5 years as Deputy Director
- former Manager Operations, Deputy Executive Officer, and Complaints Officer of the Queensland Local Government Superannuation Board
- Director of First Pacific Credit Union and First Pacific Financial Solutions

Appendix

Helen Ringrose *MBA, MPublicHlth, FAICD, FAIM*
Former Director-General, Department of Tourism, Fair Trading, and Wine Industry Development

Appointed June 2000
Resigned May 2006

Experience:
- senior positions with the Brisbane City Council and Victorian State Government
- Adjunct Professor in the school of Tourism and Leisure Management at the University of Queensland
- member of the QSuper Marketing and Communication Committee
- member of the QSuper Fund Conditions Committee
- former Director of City Super Proprietary Limited as the Trustee for City Super

Combined Public Sector Unions' Superannuation Committee nominated representatives

Chris Barrett *BLST*
Assistant General Secretary, Queensland Council of Unions

Appointed April 2001

Experience:
- full-time union official since 1990
- member of Queensland Council of Unions Executive since 2001
- member of the Queensland Heritage Council
- Chairman of the QSuper Insurance Management Committee
- member of Workers' Compensation Regulatory Authority (Q-Comp) Board
- member of the QSuper/GSO Audit and Compliance Committee
- former Director of Host Plus Proprietary Limited as Trustee for HostPlus

(Deputy – Grace Grace, General Secretary, Queensland Council of Unions)

Karen Peut *MAICD*
Council Delegate Public Sector Union, Queensland Public Sector Union

Appointed May 1985

Experience:
- Acting Executive Director (Finance and Facilities) Department of Main Roads
- life member of the Queensland Public Sector Union
- delegate of the Combined Public Sector Unions' Superannuation Committee
- member of the QSuper Insurance Claims Management Committee
- member of the QSuper Fund Conditions Committee
- former Director of Queensland Motorways Limited

(Deputy – Alex Scott, General Secretary, Queensland Public Sector Union)

Garry Ryan
State President and Southern District Secretary, The Australian Workers' Union

Appointed June 2002

Experience:
- member of the Australian Workers' Union National Executive and Queensland Branch Executive Committees since 1988
- Director of AustSafe Proprietary Limited as a Trustee for the AustSafe Superannuation Board
- member of the Queensland Workplace Health and Safety Board and Workers Compensation Regulatory Authority (Q-COMP)
- member of the QSuper Insurance Claims Management Committee

(Deputy – Tom Jeffers, Australian Workers' Union)

Steve Ryan
President, Queensland Teachers' Union

Appointed June 1994

Experience:
- Executive Member of the QTU since 1993 and a Senior Officer of the Union since 2000
- Director of Q Invest Limited
- Chairman of the QSuper Marketing and Communication Committee
- member of the QSuper Insurance Claims Management Committee
- member of the QSuper Fund Conditions Committee

(Deputy – Jeff Backen, Assistant Secretary, Queensland Teachers' Union)

Gary Wilkinson
General President, Queensland Police Union

Appointed August 1997

Experience:
- member of the Board of the Police Federation of Australia
- General President of the Queensland Police Union of Employees

(Deputy – Merv Bainbridge, Director, Queensland Police Credit Union)

Board and management responsibilities

The Board meets on a monthly basis. Throughout the course of the 2005/2006 financial year, 13 meetings were held. In addition, the Board's annual workshop, held in April, reviewed the Fund's performance, considered strategic issues, and conducted business planning. Further issues considered by the Board include reviewing:

- investment and administrative performance (relative to both internal and industry benchmarks);
- the provision of services by third parties, such as QIC and Q Invest Limited;
- member entitlements, particularly disability appeal cases;
- QSuper's risk management and compliance management programs;
- crediting rates, fee levels, and member service standards;
- industry initiatives and developments and approving deed amendments to ensure QSuper remains at the forefront of the superannuation industry;
- QSuper's financial statements and compliance with legislative obligations;
- key disclosure material provided to members; and
- delegations of the Board's authority.

The Board delegates the day-to-day administration of QSuper to the GSO Chief Executive Officer. However, the Board retains responsibility for the operation of QSuper and receives regular reports from GSO management. The Board has procedures in place to ensure that the management team is appropriately qualified and experienced to discharge their responsibilities.

The Secretary to the Board is the Chief Financial Officer.

The Executive and the GSO have established policies and procedures which ensure that the Board, management, and staff meet high standards of professionalism and integrity and adhere to industry standards and legal requirements. These include a commitment to providing continuing professional educational opportunities, documenting processes and procedures, and formulating, progressing, and promoting a comprehensive strategic plan.

Board committees

The Board may establish committees as it considers necessary, or appropriate, to assist it in carrying out its responsibilities. Each committee has a charter setting out the matters relevant to its composition, responsibilities, and administration. While committees have specific membership, all Trustees are able to attend where desired. During 2005/2006 Board members served on the following committees:

- QSuper/GSO Audit and Compliance Committee
- Marketing and Communication Committee
- Insurance Claims Management Committee
- Fund Conditions Committee

Investment matters are considered by the Board on a continuous basis, with specific meetings during the year focussing in depth on strategic investment issues.

QSuper/GSO Audit and Compliance Committee

Members:

- Mr Walter Ivessa, Assistant Under Treasurer (Chair)
- Ms Terri Hamilton
- Mr Chris Barrett

The committee performs a range of important functions and assists the Board and the Under Treasurer of Queensland in discharging their governance and administrative responsibilities. The committee's role includes:

- reviewing the management of risk, including overseeing the QSuper risk register and ensuring appropriate internal controls are in place to address those risks;
- monitoring the compliance of QSuper and the Parliamentary Contributory Superannuation Fund (also administered by the GSO) with legislative requirements;
- reviewing internal and external audit findings and monitoring the implementation of audit recommendations; and
- reviewing financial statements (including QSuper, GSO, and the Parliamentary Contributory Superannuation Fund) and other reporting.

Marketing and Communication Committee

Members:

- Mr Steve Ryan (Chair)
- Mr Merv Bainbridge (Deputy for Mr Gary Wilkinson)
- Ms Helen Ringrose (resigned May 2006)

The committee reviews marketing strategies and timeframes for their implementation, as well as QSuper member publications.

Appendix

Insurance Claims Management Committee

Members:

- Mr Chris Barrett (Chair)
- Mr Merv Bainbridge (Deputy for Mr Gary Wilkinson)
- Mr Tony Hawkins
- Ms Karen Peut
- Mr Garry Ryan

The committee oversees the insurance products of QSuper and considers new initiatives and the strategic direction of claims management. It is a forum for discussion on claims management practices, initiatives, and reporting.

Fund Conditions Committee

Members:

- Ms Karen Peut (Chair)
- Mr Steve Ryan
- Ms Helen Ringrose (resigned May 2006)

The committee meets as required to review and develop Fund conditions, and investigate and initiate the development of products and services to meet QSuper member needs. No meetings were held in the 2005/2006 financial year.

Other GSO committees

Chaired by the Chief Executive Officer, the **Executive Committee** also consists of the Chief Financial Officer, Chief Operating Officer, and Chief Strategy Officer. The committee is responsible for addressing strategic corporate issues and providing assistance and advice to the Chief Executive Officer and the Board.

The **Operational Review Board**, chaired by the Chief Executive Officer, consists of the Executive and the General Managers from each of the business units within the GSO. It is a forum for addressing operational issues across the GSO, and monitoring risk and performance indicators.

The **Portfolio Review Board**, chaired by the Chief Financial Officer, consists of the Executive Committee, the Manager – Portfolio Management Office, the Manager – Business Solutions, and the General Manager – Information and Communications Technology. It is responsible for monitoring the GSO's portfolio of projects.

Meeting attendance record

Trustee	Board meetings		QSuper/GSO Audit and Compliance Committee		Marketing and Communication Committee		Insurance Claims Management Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
G. Bradley	13	10	-	-	-	-	-	-
T. Hamilton	13	12	5	5	-	-	-	-
L. Apelt	13	9	-	-	-	-	-	-
H. Ringrose*	13	9	-	-	1	0	-	-
T. Hawkins	13	13	-	-	-	-	1	1
S. Ryan	13	13	-	-	1	1	1	1
K. Peut	13	11	-	-	-	-	1	1
C. Barrett	13	12	5	4	-	-	1	1
G. Ryan	13	6	-	-	-	-	1	1
G. Wilkinson**	13	12	-	-	1	1	1	1
J. Carpendale***	13	1	-	-	-	-	-	-

*Helen Ringrose resigned from the Board on 31 May 2006.
**Gary Wilkinson's deputy, Merv Bainbridge, attends Board meetings.
***John Carpendale was appointed to the Board on 1 June 2006.

Risk management framework

QSuper has in place a comprehensive risk management program (RMP), which is designed to monitor risks and controls on an ongoing basis. QSuper's internal auditors, KPMG, have assisted in the development of the program to ensure the RMP is consistent with industry best practice. The Board is ultimately responsible for the RMP and oversees the program via regular reporting to the QSuper/GSO Audit and Compliance Committee. Reports are also monitored by GSO management.

As the superannuation industry is constantly evolving, new risks are continually emerging, including compliance with new legislative requirements, reliability of service providers, the ability of IT and other infrastructure to cope with growth in the fund, and investment risk. The objective of the RMP is to ensure appropriate strategies and controls exist to manage these risks, so QSuper continues to operate prudently as one of the leading superannuation funds in Australia.

The RMP is consistent with the AS/NZS 4360:2004 risk management standard and is based on the principles of:

- understanding and valuing risks;
- aligning risk management with the corporate governance structure; and
- implementing and operating a risk monitoring system.

The RMP consists of the following four review systems:

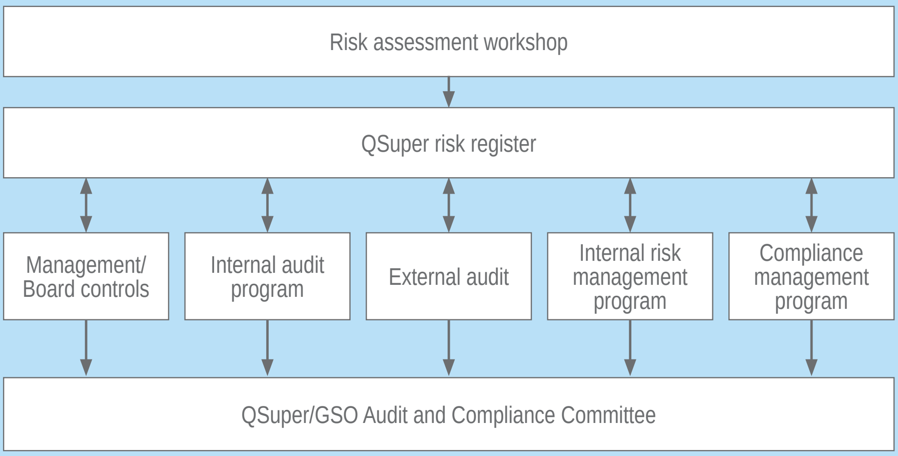
1. internal risk management program
2. compliance management program
3. internal audit program
4. external audit.

1. Internal risk management program

Each year a risk assessment workshop is held in which the QSuper/GSO Audit and Compliance Committee, in consultation with the GSO Executive, identifies the major risks confronting QSuper. A risk register is then developed and a scheduled risk program put in place, with the identified risks assessed throughout the year. Following the workshop, held in June 2006, the main categories of risks identified relate to governance, investment and financial issues, fund and product design, operational issues, and outsourcing.

Senior GSO management are required to certify that controls are appropriate regarding specific risks which fall within their area of responsibility. Consistent with good governance practice and accountability, reporting of issues is then elevated to the QSuper/GSO Audit and Compliance Committee, who determine whether they are satisfied, or whether additional action needs to be undertaken.

A range of specific reviews were conducted during 2005/2006 including member reporting, reasonable benefit limits, early release of benefits, claims, complaints, contributions, financial services reform, government co-contributions, lost members, superannuation surcharge, business continuity plans, and taxation.



Appendix

Appendix

2. Compliance management program

QSuper's legislative obligations are assessed in detail and a structured program assesses compliance with those requirements. Any changes in the legislative landscape are reflected in the program. The QSuper/GSO Audit and Compliance Committee meet approximately six times each year and at each meeting are updated on the progress of the compliance management program. During 2005/2006, a number of areas were reviewed, including all aspects of member disclosure including member benefit statements, annual reports, exit reporting, and product disclosure statements. The program also reviewed death and disability benefits, trustee responsibilities, governing rules, taxation, financial services reform, privacy, record keeping, financial management, and electronic commerce.

3. Internal audit – KPMG

Following the risk workshop, the Board approves an internal audit plan, which concentrates on the risks associated with QSuper's core business processes. The intention is to minimise overlap between the coverage of the internal audit program and the coverage of the internal risk and compliance program. During 2005/2006, audits were conducted in pensions, contributions, human resource and administration, fund accounting, claims and benefits, taxation, and investment strategy.

The recommendations of the internal auditors have been, or are in the process of being, implemented.

4. External audit – Queensland Audit Office (QAO)

The external auditor, QAO, audits QSuper's financial statements. QAO also reviews various aspects of the work performed by the internal auditor, in addition to QSuper's internal risk and compliance programs. The QAO makes recommendations as to issues warranting further attention. Any such recommendations are considered and acted upon, following assessment by GSO management, the QSuper/GSO Audit and Compliance Committee, and the Board.

Fraud and ethics

QSuper has in place a Fraud and Corruption Control Policy which was developed with the assistance of the Crime and Misconduct Commission (CMC). The policy is consistent with the Australian standard on fraud and corruption control, AS8001. GSO management has implemented controls to minimise the risk of fraud and corruption occurring. The policy establishes:

- a framework for the investigation and reporting of incidents assisting in the continuous development of a strong ethical corporate culture;
- accountability structures within QSuper; and
- expectations of staff in terms of their conduct.

The GSO's culture promotes responsible and ethical behaviour from all staff. Periodic training maintains staff awareness of the importance of ethical behaviour. A program of ongoing monitoring aims to ensure any risks are identified and remedied quickly. Employees who have concerns with ethical issues or potential fraud are encouraged to report these to the internal Ethics and Fraud Control Officer.

Whistleblower protection

The QSuper Fraud and Corruption Control Policy protects whistleblowers from reprisal and serves to encourage the responsible reporting of legitimate concerns. The CMC also operates a whistleblower support program. These protections are also enshrined in the *Whistleblowers Protection Act 1994*.

Corporate policies

Privacy

QSuper has in place a privacy management plan, which incorporates the eleven information privacy principles contained in the Queensland Government's information standard 42, which in turn is based on the Commonwealth Government's *Privacy Act 1988*. This plan is available by contacting QSuper, or by visiting the QSuper website at qsuper.qld.gov.au .

QSuper may disclose personal information to third parties in the following circumstances:

- where consent to the disclosure is obtained
- where the law requires disclosure
- if disclosure is necessary to provide products and services.

Freedom of information

Members have a right to access and amend their personal information held by QSuper, as provided by the *Freedom of Information Act 1992 (Qld)* (FOI Act). Other parties can also lodge a request including individuals, media, solicitors, union representatives, and politicians. Such requests may only deal with information relating to themselves or their client, or general fund information. Requests for personal information are free, and are normally handled within 14 days. Other requests generally attract a fee of $35.25. In some circumstances further charges may apply.

Requests for information may be made in two ways:

1. A request for personal information relating to a person's QSuper membership can be handled under QSuper's administrative release process, provided the application is in writing and signed by the individual requesting their personal information.
2. Other requests are managed under the FOI Act by completing a Queensland Treasury FOI application form or writing a letter requesting the information.

Requests for personal information under QSuper's administrative release scheme can be addressed to:

Administrative release of information
QSuper
GPO Box 200
Brisbane Qld 4001
Phone: 1300 360 750

All other information requests should be sent to:
The Freedom of Information Unit
Queensland Treasury
GPO Box 611
Brisbane Qld 4001
Phone: 07 3224 4171

Requests for personal information under QSuper's administrative release scheme are generally handled within 14 days. Requests lodged under the FOI Act must be officially acknowledged within 14 days of receipt and completed within 45 days of receipt. In instances where information requested was produced before 19 November 1987, or where consultation needs to be undertaken with third parties, the FOI Act provides for the requests to be completed within 60 days.

Major service providers

Administrator
Government Superannuation Office
Queensland Treasury
81 George Street
Brisbane Qld 4000

Investment manager and investment consultant
QIC
Level 6, Central Plaza Two
66 Eagle Street
Brisbane Qld 4000

Financial planning
Q Invest Limited
Level 8, Central Plaza Two
66 Eagle Street
Brisbane Qld 4000

Internal auditor
KPMG
Level 30, Central Plaza One
345 Queen Street
Brisbane Qld 4000

External auditor
Queensland Audit Office
Level 11, Central Plaza One
345 Queen Street
Brisbane Qld 4000

Actuary
State Actuary
Level 2
33 Charlotte Street
Brisbane Qld 4000

Investment consultant
Watson Wyatt Australia Pty Limited
Level 4
1 Collins Street
Melbourne Vic 3000

General purpose financial statements

State Public Sector Superannuation Fund for the year ended 30 June 2006

Contents

Statement of net assets

as at 30 June 2006

	Notes	2006 $'000	2005 $'000
ASSETS			
Cash	1(c)	19,852	10,144
Receivables			
Employer contributions receivable	1(d), 1(l)	126	7,413
Member contributions receivable	1(d), 1(l)	8	586
GST receivable	1(d), 1(e)	978	320
Interest receivable	1(d)	226	185
Sundry receivables and prepayments	1(d)	1,871	2,239
		3,209	10,743
Investments			
Investment in unit trusts	1(f), 3	19,336,799	15,974,350
Investment in Q Invest Limited	1(f), 4	2,800	2,300
		19,339,599	15,976,650
TOTAL ASSETS		19,362,660	15,997,537
LIABILITIES			
Payables			
Benefits payable	1(g)	8,372	7,723
Administration and investment management fees payable	1(h), 13	17,411	6,736
Sundry payables	1(h)	546	697
		26,329	15,156
Tax liabilities			
Current tax liabilities	1(i)	(16,838)	55,126
Deferred tax liability	1(i), 12	221,766	177,659
Provision for superannuation contributions surcharge	1(j)	73,931	66,850
		278,859	299,635
TOTAL LIABILITIES		305,188	314,791
NET ASSETS AVAILABLE TO PAY BENEFITS		19,057,472	15,682,746
Represented by:			
Reserves	7	478,240	324,993
Accumulated funds	8	18,579,232	15,357,753
NET ASSETS AVAILABLE TO PAY BENEFITS		19,057,472	15,682,746

The statement of net assets should be read in conjunction with the accompanying notes.

Statement of changes in net assets

for the year ended 30 June 2006

	Notes	2006 $'000	2005 $'000
NET ASSETS AVAILABLE TO PAY BENEFITS at the beginning of the financial year		15,682,746	12,895,778
Investment revenue			
Distributions from unit trusts	1(l), 3	2,500,849	2,144,142
Change in net market value of investments	1(l), 9	155,980	116,879
Investment management fees	13(e)	(29,936)	(23,892)
Interest revenue	1(l)	815	819
		2,627,708	2,237,948
Contribution revenue			
Employer contributions	1(l), 10	963,161	940,182
Member contributions	1(l), 11	878,106	666,755
Transfers from other funds	1(l)	373,477	285,129
		2,214,744	1,892,066
Other revenue			
Insurance recoveries	1(l)	125	383
Sundry revenue	1(l)	401	539
		526	922
Total revenue from ordinary activities		4,842,978	4,130,936
Less:			
Benefits paid		1,229,926	1,060,257
General administration expenses			
Administration fee	13(c)	43,682	39,608
Financial planning fee	13(d)	11,825	8,971
Superannuation contributions surcharge	1(j)	11,844	17,437
Insurance premiums		1,428	1,503
		68,779	67,519
Total expenses from ordinary activities		1,298,705	1,127,776
Total change in net assets before income tax		3,544,273	3,003,160
Income tax expense	12	169,547	216,192
Total change in net assets after income tax		3,374,726	2,786,968
NET ASSETS AVAILABLE TO PAY BENEFITS at the end of the financial year		19,057,472	15,682,746

The statement of changes in net assets should be read in conjunction with the accompanying notes.

Notes to the financial statements

for the year ended 30 June 2006

Note 1 Significant accounting policies

(a) Basis of accounting

General

These financial statements are a general purpose financial report which has been prepared in accordance with the provisions of the *Superannuation (State Public Sector) Act 1990*, Australian Accounting Standard AAS 25 Financial Reporting by Superannuation Plans as amended by AASB 2005-13 Amendments to Australian Accounting Standards [AAS25], other applicable Australian Accounting Standards and authoritative pronouncements of the Australian Accounting Standards Board, and the provisions of the *Superannuation (State Public Sector) Deed 1990*.

These financial statements have been prepared on an accrual and going concern basis under the historical cost convention, except where specifically stated.

Accounting policies

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Comparative information is reclassified where appropriate to enhance comparability.

Rounding

Unless otherwise stated, amounts have been rounded to the nearest thousand dollars.

(b) Statement of compliance

The financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). These are the first financial statements prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Since AAS25 is the principal standard that applies to the financial statements, other standards, including AIFRS, are also applied where necessary except to the extent that they differ from AAS25. The deferred income tax was impacted by the adoption of the revised standards but is not considered material therefore a reconciliation has not been disclosed.

(c) Cash

Cash represents cash at bank.

(d) Receivables

Receivables are carried at the nominal amount due and receivable. This value approximates net fair value.

(e) Goods and services tax (GST)

Revenues and expenses are recognised net of the amount of GST to the extent that the GST is recoverable from the taxation authority. Where GST is not recoverable it is recognised as part of the expense item.

Receivables and payables for which invoices have been issued or received are stated inclusive of GST. However, estimates of receivables and payables are recognised net of GST to the extent that GST is recoverable from the taxation authority.

The net amount of GST recoverable from the taxation authority is included as part of receivables in the statement of net assets.

Note 1 Significant accounting policies (continued)

(f) Investments

The Fund maintains investments for the long-term purpose of providing benefits to members on their retirement, reaching a specified age, death, or termination of employment.

The Fund holds the majority of its investments in unit trusts, which are recorded at net market value (refer note 3). Under net market value, the investments are recorded at financial market prices less an allowance for costs expected to be incurred in realising the investments. Net fair value of the investments are considered to be equal to net market value.

The Fund also has a 50% interest in Q Invest Limited (refer note 4) which is recorded at net fair value.

(g) Benefits payable

Benefits payable by the Fund are accounted for on an accrual basis. Benefits payable comprise the entitlements of members who have made a claim and, at year end, are awaiting payment under the terms and conditions of the *Superannuation (State Public Sector) Deed 1990* and the *Superannuation (State Public Sector) Act 1990.*

(h) Payables

Payables represent liabilities for goods and services provided to the Fund prior to year end which are unpaid as at 30 June. Payables are normally settled within 30 days of recognition.

(i) Taxation

The Fund is an exempt public sector superannuation scheme and as such is deemed to be a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1936 (Cwlth)*. Accordingly, the concessional rate of 15% has been applied.

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.

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.

Notes to the financial statements

for the year ended 30 June 2006

Note 1 Significant accounting policies (continued)

(j) Superannuation contributions surcharge

Superannuation contributions surcharge was levied on surchargeable contributions on the basis of individual members' adjusted taxable income. The liability for the superannuation contributions surcharge is recognised when the assessment is received from the Australian Taxation Office as the Board considers this is when it can be reliably measured.

A liability has been recognised in the financial statements for the amount of surcharge assessments received but not paid, together with interest accrued on this amount.

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.

(k) Liability for accrued benefits

Defined Benefit account

The liability for accrued defined benefits is actuarially measured on at least a triennial basis. This liability represents the Fund's obligation to pay benefits in the future, and is 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 is determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions (refer note 5).

Accumulation account

The liability for accumulation accrued benefits represents the Fund's present obligation to pay benefits to members and has been calculated as the difference between the carrying amount of the assets and the liabilities of the Fund as at the reporting date.

(l) Revenue

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

- Distribution income is accounted for on an accrual basis. Distribution income is recognised when the Fund becomes presently entitled to the trust income.
- Changes in net market value of assets are recognised in the periods in which they occur. The changes in net market value include both realised and unrealised movements, net of the allowance for costs expected to be incurred in realising the investments.
- Employer and member contributions are brought to account, gross of any tax, as received. At year end an accrual is recognised for any contributions which relate to whole pay periods ending prior to 30 June but which are received after year end.
- Transfers from other funds and insurance recoveries are brought to account when received.
- Interest income and sundry revenue is accounted for on an accrual basis.

Notes to the financial statements

for the year ended 30 June 2006

Note 2 Operation of the Fund

Since there have been no material impacts of adopting Australian Accounting Standards (including AIFRS) on the total net assets and benefits accrued after income tax as reported under previous Australian Generally Accepted Accounting Principles, a reconciliation has not been disclosed.

The Fund has been established by the *Superannuation (State Public Sector) Act 1990* to provide benefits for Queensland Public Sector employees and employees of Queensland Government entities, such as statutory authorities and government owned enterprises. The Fund consists of both Defined Benefit and Accumulation accounts.

The Fund receives all member superannuation contributions. The Fund also receives employer contributions through a mixture of regular employer contributions and payments from the Consolidated Fund (refer note 11). Contribution rates in relation to the Fund's Defined Benefit funding are determined by the Treasurer on the advice of the State Actuary. The funding arrangements are explained in note 11.

The Fund is administered by the Government Superannuation Office, a portfolio office of Queensland Treasury.

Note 3 Investment in unit trusts

	Note	2006 $'000	2005 $'000
Queensland Investment Trust (QIT) No. 1	(i)	11,277,517	8,316,294
Queensland Investment Trust (QIT) No. 2	(ii)	6,375,845	7,058,966
QIC Property Fund	(iii)	1,677,289	597,599
QIC Cash Fund	(iii)	6,148	1,491
Investments in unit trusts – QIC		19,336,799	15,974,350

(i) Funds held in relation to Allocated Pension and Accumulation account members.
(ii) Funds held in relation to Defined Benefit account members only.
(iii) Funds held in relation to Accumulation, Defined Benefit, and Allocated Pension account members.

Investments held with QIC

The QSuper Board of Trustees determines the investment objectives and strategy of the Fund. QIC is the lead fund investment manager and is responsible for implementing the investment strategy. QIC provides regular reports on the Fund's investments to the Board.

Notes to the financial statements
for the year ended 30 June 2006

Note 3 Investment in unit trusts (continued)

The QSuper Board of Trustees has authorised QIC's use of other specialist investment managers. This approach recognises the diversification advantages of employing a range of select investment specialists. The majority of investment managers utilised are listed below:

International shares

AllianceBernstein Australia Limited (Global)

AQR Capital Management (Global)

Arnhold & Bleichroeder Advisers, LLC (USA)

AXA Rosenberg Investment Management Ltd (Europe)

Barclays Global Investors Australia Ltd (USA)

City of London Investment Management Company Limited (Emerging Markets)

Fiduciary Asset Management, LLC (USA)

Goldman Sachs JBWere Investment Management Pty Ltd (Japan)

Ironbridge Capital Management, LLP (Global)

Legg Mason Asset Management (Asia) Pte Ltd

Legg Mason Capital Management, Inc (USA)

New Star Asset Management Ltd (Japan)

Oechsle International Advisors LLC (Europe)

Wellington Management Company, LLP (Global)

Domestic shares

Alpha Investment Management Pty Ltd

Macquarie Investment Management Ltd

Maple-Brown Abbott Ltd

Perennial Value Management Ltd

Portfolio Partners Ltd

Schroder Investment Management Australia Ltd

WestLB Mellon Asset Management Pty Ltd

Global fixed interest

BlackRock Financial Management Inc. (USA)

Loomis, Sayles & Company, L. P. (Global)

PIMCO Australia Pty Ltd (Australia)

Rogge Global Partners PLC (Europe)

Global macro

The Bank of New York Capital Markets Limited (UK)

Barclays Global Investors Australia Limited

Bridgewater Associates Inc (USA)

Deutsche Asset Management (Australia) Limited (Global)

FDO Partners. LLC (USA)

First Quadrant, L.P (USA)

Goldman Sachs Asset Management (USA)

JP Morgan Investment Management Limited (UK)

Socially responsible

AMP Capital Investors Limited

Notes to the financial statements
for the year ended 30 June 2006

Note 4 Investment in Q Invest Limited

The Fund holds a 50% interest in Q Invest Limited. Q Invest Limited's principal activities consist of acting as a licensed dealer in securities, providing financial planning advice, and acting as responsible entity for the Q Invest Investment Access Funds. The reporting value of the investment as at 30 June 2006 approximates net fair value.

Note 5 Liability for accrued benefits

The last actuarial review of the Fund was conducted as at 30 June 2004 by the State Actuary, Mr W H Cannon BSc (Hons) FIAA. The value of accrued benefits as at that date was $24,496,400,000. A summary of the most recent actuarial report prepared for the Fund is attached to, but does not form part of, these financial statements. The summary includes the State Actuary's opinion as to the financial condition of the Fund as at that date.

The difference existing between net assets available to pay benefits per the statement of net assets and the value of accrued benefits as at measurement date is explained by the Fund's funding arrangements. Further details are provided in note 11.

The next actuarial review of the Fund will be performed as at 30 June 2007. The results of this review will be reported in the 30 June 2008 financial statements.

Note 6 Vested benefits

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

	2006 $'000	2005 $'000
Vested benefits	33,938,330	29,674,200

The difference between net assets available to pay benefits and the value of vested benefits as at reporting date is explained by the Fund's funding arrangements (refer note 11).

Notes to the financial statements
for the year ended 30 June 2006

Note 7 Reserves

	Balance at beginning of financial year $'000	Transfers to/(from) reserve $'000	Balance at end of financial year $'000
General	216,500	135,538	352,038
Investment fluctuation	9,864	(8,107)	1,757
Insurance	98,629	25,816	124,445
Reserves	324,993	153,247	478,240

General reserve: this reserve is used to fund tax and general administrative expenses.

Investment fluctuation reserve: this reserve is held to absorb investment variations which may be caused by the delay between when member funds are receipted or an investment switch is requested by a member, and when the transaction is processed and allocated to the member's selected investment option.

Insurance reserve: the Fund provides death, disability, and income protection insurance benefits to members. These insurance benefits are greater than the members' vested benefit. This reserve holds insurance premiums collected from members to meet these Fund insurance expenses. The premium rates are reviewed by the State Actuary and set by the Board.

Note 8 Accumulated funds

	2006 $'000	2005 $'000
Balance at the beginning of financial year	15,357,753	12,670,671
Total change in net assets after income tax	3,374,726	2,786,968
Transfers (to)/from reserves	(153,247)	(99,886)
Balance at end of financial year	18,579,232	15,357,753
Represented by:		
Accumulated member funds	18,292,592	14,586,582
Accumulated employer funds	286,640	771,171
Accumulated funds	18,579,232	15,357,753

Note 9 Change in net market value of investments

The change in net market value of investments comprises net realised and unrealised changes in the value of investments in unit trusts.

Notes to the financial statements

for the year ended 30 June 2006

Note 10 Employer contributions

	Note	2006 $'000	2005 $'000
Accumulation account			
Employer contributions		659,679	558,283
Defined Benefit account			
Employer contributions – salary sacrifice		264,194	215,231
Employer contributions – Consolidated Fund	(i)	39,288	166,668
		303,482	381,899
Employer contributions		963,161	940,182

Employer salary sacrifice contributions in the Defined Benefit account represent standard contributions members have chosen to salary sacrifice. Salary sacrificed contributions are classified as employer contributions. Refer note 11 for further details in relation to employer contribution funding arrangements.

(i) Contributions received from the Treasurer out of the Consolidated Fund.

Notes to the financial statements

for the year ended 30 June 2006

Note 11 Funding arrangements

Defined Benefit arrangement

Standard members' contributions are made to the State Public Sector Superannuation Fund at a rate ranging from 2% to 9% (2005: 2% to 9%) of members' salaries.

Employing authorities are required to remit employer contributions to the Queensland Treasury. These contributions are accumulated in a reserve in the Consolidated Fund, which is maintained to finance the State's future liability for the employer component of all defined benefits. The Treasurer, on advice from the State Actuary, determines the rate of employer contribution into the Consolidated Fund.

As Defined Benefits become payable, the full cost is met by the State Public Sector Superannuation Fund, with the Consolidated Fund contributing the employers' share of these benefits. This split funding arrangement is the reason for the difference between net assets available to pay benefits, per the statement of changes in net assets and the value of accrued benefits and vested benefits as at the respective measurement dates.

Funding from the Consolidated Fund may be in the form of last minute funding received at the time the benefit is paid (as described in the *Superannuation (State Public Sector) Act 1990* and in various sections of the *Superannuation (State Public Sector) Deed 1990*). Alternatively, the Act allows the transfer of amounts from the Consolidated Fund to the State Public Sector Superannuation Fund in circumstances and at times other than funding the immediate payment of benefits. No transfer of this nature occurred during the 2006 financial year (2005: nil).

Accumulation arrangement

Where members have chosen an accumulation-style benefit, all member and employer contributions are paid to the Fund other than where a member transfers from the Defined Benefit account. In this instance, the benefit arising in relation to the Defined Benefit membership remains under the above-mentioned last minute funding arrangement. Employer contributions to the Fund for members who do not contribute are at a rate ranging from 3% to 9% (2005: 3% to 9%) of members' salaries.

Accumulation account members, who make their own member contributions at a rate ranging from 2% to 6%, receive employer contributions at a rate ranging from 9.75% to 18%. Noncore employers may choose to enter into special arrangements that may differ from these standard arrangements.

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Notes to the financial statements

for the year ended 30 June 2006

Note 12 Income tax expense

	2006 $'000	2005 $'000
Major components of income tax expense for the years ended 30 June 2006 and 2005 are:		
Statement of changes in net assets		
Current income tax		
Current income tax expense	123,698	126,080
Adjustments in respect of current income tax of previous years	1,742	(1,069)
Deferred income tax		
Relating to origination and reversal of temporary differences	44,107	91,181
Income tax expense reported in statement of changes in net assets	169,547	216,192

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

	2006 $'000	2005 $'000
Increase in net assets before income tax	3,544,273	3,003,160
At the tax rate of 15%	531,641	450,474
Tax effect of nondeductible expenses and nonassessable income in calculating the taxable amount		
Return on investments	(284,208)	(221,732)
Benefits paid	184,489	159,039
Members' contributions	(128,950)	(98,504)
Transfers from other superannuation schemes	(53,860)	(41,451)
Superannuation contributions surcharge	1,777	2,615
Unrealised capital gains	44,518	90,969
Notional premium for death or disability cover	(34,500)	(33,750)
Net imputation and foreign tax credits	(81,699)	(79,876)
Other differences	(11,403)	(10,523)
	167,805	217,261
Under/(over) provision for taxation – prior year	1,742	(1,069)
Income tax expense reported in statement of changes in net assets	169,547	216,192

Notes to the financial statements

for the year ended 30 June 2006

Note 12 Income tax expense (continued)

	2006 $'000	2005 $'000
Deferred income tax at 30 June relates to the following:		
Deferred income tax liabilities		
Contributions receivable	19	1,112
Investment income receivable	34	28
Unrealised gains in investment subject to CGT	221,713	176,519
Net deferred tax liability	221,766	177,659
Movements in deferred income tax liabilities		
Opening balance	177,659	86,478
Change to statement of changes in net assets	44,107	91,181
Closing balance	221,766	177,659

Note 13 Related parties

(a) Trustees

The Trustees of the Fund at any time during or since the end of the financial year are:

Member representatives	*Employer representatives*
Chris Barrett	Gerard Bradley
Karen Peut	Terri Hamilton
Steve Ryan	Linda Apelt
Garry Ryan	Tony Hawkins
Gary Wilkinson	Helen Ringrose (*resigned 31 May 2006*)
	John Carpendale (*appointed 1 June 2006*)

Any Trustee who is a member of the Fund contributes to the Fund on the same terms and conditions as other members.

Fees for attendance at Trustee meetings are paid to non-Queensland Government employees personally or to their employing organisations. This fee is set by Cabinet.

(b) Employer sponsor

Employer funding arrangements are discussed in note 11.

(c) Government Superannuation Office (GSO)

The GSO provides fund administration services to the Fund in accordance with the *Superannuation (State Public Sector) Act 1990* and is paid an administration fee for providing these services. The fee covers all administration costs including superannuation administration, audit, actuarial fees, legal fees, and medical costs. Administration fees paid to the GSO for the period totalled $43,682,000 (2005: $39,608,000).

From 1 July 2005, the portion of administration fees associated with managing the insurance function has been funded directly by the QSuper insurance reserve. During the 2006 financial year, total fees paid to GSO in relation to the insurance management function aggregated $4,965,000.

Notes to the financial statements

for the year ended 30 June 2006

Note 13 Related parties (continued)

(d) Q Invest Limited (Q Invest)

The Fund has a 50% ownership interest in Q Invest. Q Invest provides financial planning advice to Fund members. Fees paid to Q Invest for the period totalled $11,825,000 (2005: $8,971,000).

Q Invest Limited also acts as responsible entity for the Q Invest Limited Investment Access Funds in which Fund members may invest.

(e) QIC

QIC is the Fund investment manager. It is a body corporate established under the *Queensland Investment Corporation Act 1991.* QIC holds the remaining 50% interest in Q Invest Limited.

Fees paid to QIC for the period totalled $29,936,000 (2005: $23,892,000).

(f) Related party Fund members

Any employee of a related party who is also a Fund member contributes to the Fund on the same terms and conditions as other members.

Note 14 Financial instruments

(a) General

The Board seeks information and advice from QIC on the performance of the individual asset classes of the Fund (and may also seek independent advice from other qualified persons) so as to form an opinion on the nature and extent of any risks, and the expected returns, associated with each investment prior to determining its suitability as an investment for the Fund. This includes receipt of a formal risk management statement from QIC.

The Fund, via its investment in the QIC vehicle, has investments in a variety of financial instruments, including derivatives, which expose the Fund's investments to a variety of investment risks, including market risk, credit risk, interest rate risk, and currency risk.

(b) Credit risk

The net market value of financial assets included in the statement of net assets represents the Fund's exposure to credit risk in relation to those assets.

(c) Interest rate risk

The Fund is exposed to interest rate risk through cash held in the bank account.

The Fund's investment manager invests in financial assets that are subject to interest rate risk. The returns on investment will fluctuate in accordance with movements in market interest rates.

(d) Net fair value

The Fund's financial assets are included in the statement of net assets at net market value amounts that approximate net fair value. The methods of determining net market value are described in note 1.

Notes to the financial statements
for the year ended 30 June 2006

Note 15 Capital guarantee

The Fund has underwritten to provide the members of the closed Voluntary Preservation Plan (VPP), a capital guarantee that the earning rate for a full financial year will not be negative. In return for this capital guarantee, VPP members are levied a premium on 30 June each year.

The accumulated premiums levied up to 30 June 2006 are $10,064,000 (2005: $9,647,000).

Note 16 Insurance

Eligible employees of a small number of employers are covered by external insurance arrangements, whilst the majority of the Fund members have their insurance provided by the Fund on a self-insurance basis. Refer note 7.

Note 17 Segment information

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

Note 18 Commitments and contingent liabilities

The Fund has no known material commitments or contingent liabilities as at 30 June 2006.

Note 19 Post balance date events

There were no known material events which occurred subsequent to balance date.

Statement of the Board of Trustees

of the State Public Sector Superannuation Fund for the year ended 30 June 2006

In the opinion of the Board of Trustees of the State Public Sector Superannuation Fund:

1. the accompanying financial statements of the State Public Sector Superannuation Fund are properly drawn up so as to present a true and fair view of the net assets of the Fund as at 30 June 2006 and the changes in net assets for the year ended on that date;
2. the accompanying financial statements have been prepared in accordance with the provisions of the *Superannuation (State Public Sector) Act 1990* and with Australian Accounting Standards and other mandatory professional reporting requirements in Australia;
3. the accompanying financial statements are in agreement with the accounts and records of the Fund and the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
4. the Fund has been conducted in accordance with the *Superannuation (State Public Sector) Deed 1990* and the requirements of the *Superannuation (State Public Sector) Act 1990*.

G P Bradley
Chairman

A Beavers
Director – Queensland Treasury
Acting Chairman of the Audit and Compliance Committee

R A Vilgan
Executive Officer

Brisbane
28 August 2006

Independent audit report

to the Board of Trustees and members of the State Public Sector Superannuation Fund

The audit report relates to the general purpose financial statements of the State Public Sector Superannuation Fund for the financial year ended 30 June 2006 included on the QSuper website. The Government Superannuation Office is responsible for the integrity of the QSuper website. We have not been engaged to report on the integrity of the QSuper website. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited general purpose financial statements, available from QSuper, to confirm the information included in the audited financial report presented on this website.

Scope

The financial statements

The financial statements of the State Public Sector Superannuation Fund consist of the statement of net assets, statement of changes in net assets, notes to and forming part of the financial statements, and certificates given by the Board of Trustees and Executive Officer for the year ended 30 June 2006.

The Trustees' responsibility

The Trustees are responsible for the preparation and true and fair presentation of the financial statements, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit approach

As required by law, an independent audit was conducted in accordance with QAO Auditing Standards, which incorporate the *Australian Auditing Standards*, to enable me to provide an independent opinion whether in all material respects the financial statements present fairly, in accordance with the prescribed requirements.

Audit procedures included:

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial statements;
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Trustees;
- obtaining written confirmation regarding the material representations made in conjunction with the audit; and
- reviewing the overall presentation of information in the financial statements.

Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all 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.

Audit opinion

In my opinion the financial statements of the State Public Sector Superannuation Fund are in accordance with:

(a) the provisions of the *Superannuation (State Public Sector) Act 1990*; and

(b) the prescribed accounting standards and other mandatory professional reporting requirements in Australia, including giving a true and fair view of the State Public Sector Superannuation Fund's net assets and changes in net assets for the year ended 30 June 2006.

G G Poole FCPA
Auditor-General of Queensland

Queensland Audit Office
Brisbane

4 September 2006

Appendix

Summary report on the actuarial investigation of the State Public Sector Superannuation Scheme as at 30 June 2004

The latest actuarial investigation of the State Public Sector Superannuation Scheme (QSuper) was conducted as at 30 June 2004 by the State Actuary Mr W H Cannon BSc (Hons) FIAA ASIA. Given below is a summary of the main findings of the investigation.

Financial condition

This investigation has revealed that QSuper is in a healthy position with a surplus of assets over accrued liabilities of $1,838,000,000, which represents an increase of $588,000,000 from the surplus at the 2001 investigation. The main factors causing this increase have been the lower than expected salary inflation, the higher than assumed investment returns, and interest on the previous surplus.

In the light of the available surplus the Actuary has considered the funding implications of maintaining the current employer contribution rates (i.e. those listed in table 1). This investigation has revealed that these contribution rates will not jeopardise the solvency position of the Fund and therefore the Actuary has supported their retention.

Table 1 – Current employer contribution rates by category

Category	Current employer contribution rate
DB standard	7.75% of salary + 1.00 x member contributions
State category	4.75% of salary + 1.00 x member contributions
DB police	6.00% of salary + 2.00 x member contributions
Police category	3.00% of salary + 2.00 x member contributions
DB fires	12.00% of salary

The Actuary has certified that the expected liabilities of the scheme should be adequately provided for by the assets of the QSuper Fund and the relevant reserve within the Consolidated Fund, together with the Funds' investment earnings and member and employer contributions at the current level. Taking into account the funding arrangements of the scheme, the statements required under *Superannuation Industry (Supervision) Regulation 9.31* are not applicable.

Value of assets

The net market value of the Scheme's assets as at 30 June 2004 was $12,981,100,000 and the market value of the relevant assets held in the Consolidated Fund was $13,353,000,000, resulting in a total market value of $26,334,100,000. These asset values were used to determine the recommended contribution rates.

Vested benefits

Vested benefits are the benefits to which members would be entitled if they terminated service at the date of calculation. These have therefore been defined as early retirement benefits for those members who are eligible and resignation benefits otherwise. The relationship between vested benefits and fund assets at any particular date provides an indication of a scheme's ability to provide benefits on a short-term basis. Generally, it is considered essential that the market value of assets exceeds the value of vested benefits since the security of members' benefits would be jeopardised if the scheme were to be terminated. However, in the case of QSuper, not only is the security of members' benefits guaranteed for all practical purposes (as the State can be assumed to be indefinitely continuing), it is quite likely that, in the absence of any significant surplus of assets over accrued liabilities, the market value of assets will be less than the value of vested benefits (as defined above). This occurs as a result of the benefit design of the Defined Benefit category in QSuper and a detailed discussion of this apparent anomaly is contained in the full report. In summary, it is more appropriate to assess the funding of QSuper by comparing its assets to the present value of accrued benefits as shown below. It will be noted however that, in this investigation, there was indeed a surplus of assets over accrued liabilities so that vested benefits would be expected to be less than the value of assets.

Appendix

Summary report on the actuarial investigation of the State Public Sector Superannuation Scheme as at 30 June 2004 (continued)

The total value of vested benefits as at 30 June 2004 was $26,184,200,000. This includes vested benefits in respect of active members (including Accumulation account members), preserved benefits in respect of former members, and the value of pensions payable to former members and beneficiaries*, and allows for the estimated level of vested contributions tax.

The ratio of the value of relevant fund assets to the total vested benefits required to be paid by the Fund in respect of active members (excluding Accumulation categories liabilities and assets) was 101.9%. This indicates that the assets were more than sufficient to provide for the vested benefits.

Accrued benefits

Accrued benefits are the benefits that a scheme is committed to provide in the future in respect of membership of the Fund completed prior to the reporting date. The relationship between the value of accrued benefits and a fund's assets at a particular date may be used as a guide to the ability to provide benefits on an ongoing basis.

The accrued benefits of QSuper comprise the following items:

- accrued benefits for active members in respect of their membership up to the reporting date
- preserved benefits held in respect of former members
- pensions payable to former members and beneficiaries
- account balances of Accumulation category members.

The aggregate value of accrued benefits was determined by the Actuary as at the date of the actuarial investigation on the following basis:

- Accrued benefits for active members were assumed to increase in line with general levels of salary inflation and promotional salary growth.
- Accrued benefits were assumed to be payable (or for pensioners, cease to be payable) on the leaving of service, death, or disablement of members in a manner consistent with the assumptions made in the most recent actuarial investigation of QSuper.
- The present value of accrued benefits was assessed by applying a long-term discount rate equivalent to an investment return that is 3.5% per annum in excess of assumed salary inflation. Salary inflation was assumed to be 4.0% per annum. This assumed investment return allows for all forms of investment income, dividends, rents, and capital gains and is assumed to be net of investment management expenses, charges, fees, and taxes.
- Accrued benefits were apportioned between past and future service using the Actual Accrual Approach. This is equivalent to allowing only for the period of service up to 30 June 2004 when calculating the expected benefits payable in future years.

The total value of accrued benefits as at 30 June 2004 was $24,496,400,000, including an allowance for the estimated level of accrued contributions tax.

The ratio of the value of relevant fund assets to the total discounted value of accrued benefits in respect of active members was 113.8%. This indicates that the assets were more than sufficient to provide for the present value of accrued benefits.

Key assumptions

Discount rate
The assumed long-term earning rate on the Fund's assets after tax and investment expenses is 7.5% per annum.

Salary growth
Long-term salary growth due to inflation is assumed to be at the rate of 4% per annum.
Salary growth due to promotion is assumed to be in accordance with an age-based salary scale.

Inflation
This assumption is relevant for the purposes of valuing pensions that are increased in line with increases in the CPI. Pensions in payment have been assumed to increase at the rate of 3.0% per annum.

*The value of vested benefits in respect of Accumulation accounts, preserved benefits in respect of former members and the value of pensions payable to former members and beneficiaries was $10,044,200,000.

Notes

General purpose financial statements

Government Superannuation Office for the year ended 30 June 2006

Contents

Income statement

for the year ended 30 June 2006

	Notes	2006 $'000	2005 $'000
Revenue from ordinary activities	2	42,424	39,267
Expenses from ordinary activities	3	41,788	39,129
Net operating result		636	138

The accompanying notes form part of these financial statements.

Balance sheet
as at 30 June 2006

	Notes	2006 $'000	2005 $'000
ASSETS			
Current assets			
Cash assets	1(d), 4	14,599	13,093
Receivables	1(e), 5	4,494	2,514
Other	6	282	265
Total current assets		19,375	15,872
Noncurrent assets			
Plant and equipment	1(f), 7	1,544	1,931
Intangible assets	1(g), 8	3,802	5,230
Other	6	14	29
Total noncurrent assets		5,360	7,190
TOTAL ASSETS		24,735	23,062
LIABILITIES			
Current liabilities			
Payables	1(j), 9	6,863	6,043
Accrued employee benefits	1(k), 10	1,993	1,784
Total current liabilities		8,856	7,827
Noncurrent liabilities			
Accrued employee benefits	1(k), 10	303	246
Total noncurrent liabilities		303	246
TOTAL LIABILITIES		9,159	8,073
NET ASSETS		15,576	14,989
EQUITY			
Accumulated surplus		15,576	14,989
TOTAL EQUITY		15,576	14,989

The accompanying notes form part of these financial statements.

Statement of changes in equity

for the year ended 30 June 2006

	Notes	2006 $'000	2005 $'000
Balance at the beginning of the financial year		14,989	14,813
Net operating result for the financial year		636	138
Net leave liabilities transferred to/(from) other government entities		(49)	38
Balance at the end of the financial year		15,576	14,989

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2006

	Notes	2006 $'000	2005 $'000
Cash flows from operating activities			
Inflows			
Administration fees and other receipts		39,954	37,330
Interest receipts		465	376
Goods and services tax refunded from ATO		208	152
Goods and services tax collected from customers		3,983	3,689
		44,610	41,547
Outflows			
Employee and administration payments		38,254	36,643
Goods and services tax payments to suppliers		1,406	1,342
Goods and services tax remitted to ATO		2,758	2,555
		42,418	40,540
Net cash provided by operating activities	11	2,192	1,007
Cash flows from investing activities			
Inflows			
Proceeds from sale of plant and equipment		-	5
		-	5
Outflows			
Payments for plant and equipment		268	612
Payments for intangible assets		418	622
		686	1,234
Net cash used in investing activities		686	1,229
Net increase (decrease) in cash held		1,506	(222)
Cash at beginning of financial year		13,093	13,315
Cash at end of financial year		14,599	13,093

The accompanying notes form part of these financial statements.

Notes to the financial statements
for the year ended 30 June 2006

Note 1 Significant accounting policies

(a) Basis of accounting

General

The Government Superannuation Office (the organisation) elects to prepare general purpose financial statements. These statements have also been prepared in accordance with the *Financial Administration and Audit Act 1977, Financial Management Standard 1997*, applicable Australian Accounting Standards and Statements of Accounting Concepts.

These financial statements have been prepared on an accrual and going concern basis under the historical cost convention, except where specifically stated.

Accounting policies

Unless otherwise stated, all accounting policies applied are in compliance with Australian equivalents to International Financial Reporting Standards (AIFRS). Comparative information is reclassified where appropriate to enhance comparability.

Classification between current and noncurrent

In the determination of whether an asset or liability is current or noncurrent, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next 12 months, being the organisation's operational cycle.

Rounding

Unless otherwise stated, amounts have been rounded to the nearest thousand dollars.

(b) Statement of compliance

The financial statements comply with Australian Accounting Standards, which include AIFRS. This is the first financial statement prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial statements and at transition to AIFRS are detailed in notes 19 and 20.

(c) Revenue recognition

Revenue is recognised when goods or services are delivered.

(d) Cash assets

For the purposes of the balance sheet, cash assets include all cash and cheques receipted by 30 June.

(e) Receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery, with settlement being generally required within 30 days from the invoice date.

The collectability of receivables is assessed periodically with provision being made for impairment.

Bad debts are written off in the period in which they are recognised.

Notes to the financial statements
for the year ended 30 June 2006

Note 1 Significant accounting policies (continued)

(f) Recognition and measurement of plant and equipment

Actual costs are used for the initial recording of assets, being the fair value of the assets provided as consideration plus any incidental costs attributable to the acquisition, including all other costs incurred in getting the assets ready for use.

Plant and equipment items with a cost or value in excess of $5,000 and a useful life of more than 1 year, are recognised as an asset. All other items of plant and equipment are expensed on acquisition.

Repairs and maintenance

Routine maintenance, repairs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, the cost is capitalised and depreciated.

Operating leases

Lease payments for operating leases are recognised as an expense in the years in which they are incurred, as this reflects the pattern of benefits derived by the organisation.

Leasehold improvements

Leasehold improvements with a cost in excess of $10,000 are recognised as an asset and depreciated over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

(g) Intangible assets

From 1 July 2005 all intangible assets with a cost or value greater than $100,000 are recognised as an asset in the financial statements, with items of a lesser value being expensed. In prior years intangible assets with a cost or value greater than $50,000 were recognised as an asset.

Each intangible asset is amortised over its estimated useful life to the organisation less any anticipated residual value. Expenditure on research and development relating to internally generated intangible assets is recognised as an expense in the period in which it is incurred.

Notes to the financial statements

for the year ended 30 June 2006

Note 1 Significant accounting policies (continued)

(h) Amortisation and depreciation of intangible assets and plant and equipment

Depreciation on plant and equipment is calculated on a straight-line basis so as to write-off the net cost of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the organisation.

Work-in-progress is not depreciated until it reaches service delivery capacity.

Where assets have separately identifiable components, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the organisation.

Major depreciation periods used are listed below:

	2006	2005
Plant and equipment		
Computer equipment (refer note 7(i))	4 to 7 years	3 to 6 years
Office equipment	5 to 6 years	5 years
Office furniture and fittings	10 years	10 years
Leasehold improvements	6 to 12 years	6 to 12 years
Intangible assets		
Software purchases	5 years	3 to 5 years
Software development (refer note 8(i))	3 to 14 years	3 to 14 years

(i) Impairment of noncurrent assets

All noncurrent physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of impairment exists, the organisation determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. It has been determined that there is no active market for any of the organisation's intangible assets. As such the material assets of the organisation are currently valued at historical cost less accumulated amortisation and accumulated impairment losses. At the time of certification, there were no indicators of impairment. As such, it is expected that there will be no effect upon the organisation's financial statements as at 30 June 2006.

(j) Payables

Payables are recognised for amounts payable in the future for goods and services received, whether or not billed to the organisation. Creditors are generally unsecured, and are normally settled within 30 days of invoice receipt.

Notes to the financial statements

for the year ended 30 June 2006

Note 1 Significant accounting policies (continued)

(k) Employee benefits

Annual leave

Annual leave entitlements are accrued on a pro-rata basis in respect of services provided by employees up to balance date. The liability for salaries and annual leave is calculated using the remuneration rates the organisation expects to pay as at the reporting date.

Where there are instances of annual leave not expected to be paid within 12 months, the liability is to be measured at the present value of the future cash flows.

Long service leave

Under the State Government's long service leave central scheme, a levy is made on the organisation to cover this expense. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken.

No provision for long service leave is recognised in the financial statements, the liability being held on a whole-of-Government basis and reported in the financial statements prepared pursuant to AAS 31 'Financial Reporting by Governments'.

Superannuation

Employees of the organisation are members of the State Public Sector Superannuation Fund (QSuper). Contributions to employee superannuation accounts are expensed as they are paid or become payable.

The Treasurer of Queensland, based on advice received from the Queensland State Actuary, determines the employer contributions for superannuation.

No liability is recognised for accruing superannuation benefits in these financial statements, the liability being held on a whole-of-Government basis and reported in the whole-of-Government financial statements prepared pursuant to AAS 31 'Financial Reporting by Governments'.

(l) Taxation

The activities of the organisation are exempt from the *Income Tax Assessment Act 1936* and *Income Tax Assessment Act 1997* except for fringe benefits tax (FBT) and goods and services tax (GST). As such, input tax credits receivable and GST payable from/to the Australian Taxation Office are recognised and accrued.

(m) Judgments and assumptions

The organisation has made no judgments or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

Notes to the financial statements

for the year ended 30 June 2006

Note 2 Income statement – revenue

Revenue from ordinary activities

	2006 $'000	2005 $'000
(a) *Administration fees received or due and receivable*		
QSuper (refer note 14(b))	41,842	38,600
Parliamentary Contributory Superannuation Fund (refer note 14(c))	45	45
Long service leave central scheme (refer note 14(a))	49	49
	41,936	38,694
(b) *Interest received or due and receivable*	456	398
(c) *Other revenue received or due and receivable*		
Q Invest Limited (refer note 14(d))	-	119
Other revenue	32	56
	32	175
Total revenue from ordinary activities	42,424	39,267

Notes to the financial statements

for the year ended 30 June 2006

Note 3 Income statement – expenses

Operating expenses from ordinary activities

		2006 $'000	2005 $'000
(a) *Employee expenses*			
Salaries and wages	(i)	19,000	17,921
Superannuation contributions		2,187	2,059
Payroll taxation		1,031	965
Personnel development		461	440
Recruitment and selection		141	169
Contractors		2,999	2,012
Other employee expenses		386	324
		26,205	23,890

(i) The organisation had 343 full-time equivalent (FTE) employees at 30 June 2006 (347 at 30 June 2005). The movement in actual FTEs between financial years does not equate to a decrease in the total approved permanent positions. This movement is due to vacancies resulting from normal operational activities, such as leave and unfilled positions.

	2006 $'000	2005 $'000
(b) *Financial planning fees (refer note 14(d))*	-	(27)
(c) *Corporate service fees (refer note 14(a))*	2,083	2,004
(d) *Postage and printing*		
Postage	1,201	1,046
Printing	1,127	994
	2,328	2,040
(e) *Depreciation and amortisation (refer notes 7 and 8)*		
Computer equipment	527	552
Office furniture and fittings	1	1
Office equipment	46	56
Leasehold improvements	116	104
Software purchases	14	58
Software development	2,019	1,978
	2,723	2,749
(f) *Rental expense – operating lease*	1,687	1,577
(g) *Consultancy*		
Communication	215	170
Information technology	135	84
Medical	1,259	1,037
Investment	344	192
Taxation	30	117
Other	15	21
	1,998	1,621
(h) *Computer charges and operating costs*	1,497	1,361

Notes to the financial statements

for the year ended 30 June 2006

Note 3 Income statement – expenses (continued)

Operating expenses from ordinary activities (continued)

	2006 $'000	2005 $'000
(i) *Auditors' remuneration*		
Queensland Audit Office (QAO) – external audit services	165	155
KPMG – internal audit services	190	198
	355	353
(j) *Other expenses*		
Marketing and communications	779	597
Minor assets (refer note 1(f))	599	1,398
Stationery and subscriptions	550	460
Other occupancy charges	317	298
Actuarial fees	241	235
Records management	131	120
Trustee fees	23	21
Other administration costs	272	432
	2,912	3,561
Total operating expenses from ordinary activities	41,788	39,129

Note 4 Cash assets

	2006 $'000	2005 $'000
Cash on hand	1	1
Cash at bank	14,598	13,092
	14,599	13,093

Note 5 Receivables

	2006 $'000	2005 $'000
Current		
Trade debtors	4,131	2,034
GST receivable	182	208
Interest	159	168
Other	22	104
	4,494	2,514

Notes to the financial statements
for the year ended 30 June 2006

Note 6 Other assets

	2006 $'000	2005 $'000
Current		
Prepayments	282	265
Noncurrent		
Prepayments	14	29

Note 7 Plant and equipment

		2006 $'000	2005 $'000
Computer equipment	(i), (ii)	3,670	3,520
Less: accumulated depreciation		3,018	2,591
Carrying amount at the end of the financial year		652	929
Office furniture and fittings		23	23
Less: accumulated depreciation		19	18
Carrying amount at the end of the financial year		4	5
Office equipment		244	294
Less: accumulated depreciation		143	200
Carrying amount at the end of the financial year		101	94
Leasehold improvements		1,318	1,270
Less: accumulated depreciation		531	367
Carrying amount at the end of the financial year		787	903
Total plant and equipment		1,544	1,931

(i) Revision of accounting estimates

During the year, estimated total useful lives of certain items of computer equipment were revised. The net effect of the change in the current year was a decrease in depreciation expense of approximately $52,000 (2005: $39,000).

(ii) Fully depreciated plant and equipment held at 30 June 2006

Plant and equipment includes fully depreciated assets with a gross cost of $500,000. Whilst the assets had a nil carrying amount at 30 June 2006, it was still in use. It is anticipated that the majority of these assets will be written off and replaced under the IT infrastructure upgrade program during the 2007 year.

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Notes to the financial statements

for the year ended 30 June 2006

Note 7 Plant and equipment (continued)

Plant and equipment reconciliation	2006 $'000	2005 $'000
Computer equipment		
Carrying amount at the beginning of the financial year	929	1,156
Additions	245	345
Write-offs	-	(20)
Transfers between asset classes	5	-
Depreciation expense	(527)	(552)
Carrying amount at the end of the financial year	652	929
Office furniture and fittings		
Carrying amount at the beginning of the financial year	5	6
Additions	-	-
Write-offs	-	-
Transfers between asset classes		-
Depreciation expense	(1)	(1)
Carrying amount at the end of the financial year	4	5
Office equipment		
Carrying amount at the beginning of the financial year	94	129
Additions	59	21
Write-offs	(1)	-
Transfers between asset classes	(5)	-
Depreciation expense	(46)	(56)
Carrying amount at the end of the financial year	101	94
Leasehold improvements		
Carrying amount at the beginning of the financial year	903	756
Additions	-	251
Write-offs	-	-
Transfers between asset classes	-	-
Depreciation expense	(116)	(104)
Carrying amount at the end of the financial year	787	903
Total plant and equipment	1,544	1,931

Notes to the financial statements
for the year ended 30 June 2006

Note 8 Intangible assets

		2006 $'000	2005 $'000
Software purchases		127	667
Less: accumulated amortisation		92	618
Carrying amount at the end of the financial year		35	49
Software development		9,894	9,684
Software development work in progress		497	-
Less: accumulated amortisation		6,624	4,503
Carrying amount at the end of the financial year		3,767	5,181
Total intangible assets	(i)	3,802	5,230

(i) Revision of accounting estimates

During the year estimated total useful lives of intangible assets were reviewed. There was no change in amortisation expense for the current year (2005: increase of $37,000).

Intangible assets reconciliation

	2006 $'000	2005 $'000
Software purchases		
Carrying amount at the beginning of the financial year	49	98
Additions	-	-
Write-offs	-	-
Transfers between asset classes	-	-
Amortisation expense	(14)	(49)
Carrying amount at the end of the financial year	35	49
Software development		
Carrying amount at the beginning of the financial year	5,181	6,695
Additions	605	473
Write-offs	-	-
Transfers between asset classes	-	-
Amortisation expense	(2,019)	(1,987)
Carrying amount at the end of the financial year	3,767	5,181
Total intangible assets	3,802	5,230

Notes to the financial statements

for the year ended 30 June 2006

Note 9 Payables

	2006 $'000	2005 $'000
Trade creditors	4,451	4,633
Other creditors and accruals	2,412	1,410
	6,863	6,043

Note 10 Accrued employee benefits

		2006 $'000	2005 $'000
Current			
Salaries and wages outstanding		410	312
Recreation leave		1,583	1,472
		1,993	1,784
Noncurrent			
Recreation leave	(i)	303	246
		258	201

(i) The discount rates used to calculate the present value of noncurrent recreation leave is 5.32% (2005: 5.17%).

Note 11 Statement of cash flows

Reconciliation of net operating result to net cash provided by operating activities	2006 $'000	2005 $'000
Net operating result	636	138
Depreciation (refer note 1(h))	690	713
Amortisation (refer note 1(h))	2,033	2,036
Write-off of noncurrent assets	1	15
Equity adjustment associated with net leave liabilities transferred to/(from) other government entities	(49)	38
Change in operating assets and liabilities:		
(Increase) in receivables	(1,980)	(1,617)
(Increase) in prepayments	(2)	(74)
(Decrease)/increase in payables	597	(674)
Increase in accrued employee benefits	266	432
Net cash provided by operating activities	2,192	1,007

Notes to the financial statements
for the year ended 30 June 2006

Note 12 Superannuation

The organisation contributes in respect of its employees to the following superannuation accounts:

Type of account	Contribution rate	2006 $'000	2005 $'000
QSuper Defined Benefit account	9.75% to 12.75%	1,001	1,063
QSuper Accumulation account	9.00% to 12.75%	1,186	996
Total contributions		2,187	2,059

As at the reporting date, there were no outstanding contributions payable to the above accounts. The organisation is not liable for any unfunded liability in respect of the above employer sponsored defined benefits superannuation account (refer note 1(k)).

Note 13 Segment information

The principal activities of the organisation include the provision of expert superannuation policy advice, the provision of competitive products and services to enhance employee remuneration and retain members postemployment, and the administration of legislation related to the management of superannuation for Queensland State Public Sector employees. The organisation concentrates its activities in one geographical area, being Queensland.

Notes to the financial statements

for the year ended 30 June 2006

Note 14 Related parties

The organisation is a portfolio office of the Queensland Treasury and is responsible for administering QSuper, the Parliamentary Contributory Superannuation Fund, the Judges' Pension Scheme, the Governors' Pension Scheme and the long service leave provisions for Queensland State Public Sector employees. During the year transactions were undertaken between the organisation and a number of related parties.

(a) Queensland Treasury

Under the Queensland Government Shared Service Initiative, Corporate Solutions Queensland (CSQ) is the corporate service provider of Queensland Treasury. Certain corporate service functions of the organisation were provided by CSQ in accordance with a service level agreement between the service provider and Queensland Treasury. During the financial year, fees to Queensland Treasury for services, including those provided by CSQ, aggregated $2,083,000 (2005: $2,004,000).

The organisation is appointed to administer the long service leave central scheme by Queensland Treasury. Administration fees received for conducting this service aggregated $49,000 (2005: $49,000) during the financial year.

(b) QSuper

The organisation provides fund administration services to the QSuper Board of Trustees in accordance with the *Superannuation (State Public Sector) Act 1990*. Total administration fees received from QSuper for the year aggregated $41,842,000 (2005: $38,600,000). From 1 July 2005, the portion of administration fees associated with managing the insurance function ($4,965,000) have been funded directly by the QSuper insurance reserve.

(c) Parliamentary Contributory Superannuation Fund

The organisation provides fund administration services to the Parliamentary Contributory Superannuation Fund Trustees in accordance with the *Parliamentary Contributory Superannuation Act 1970*. Administration fees received from the Parliamentary Contributory Superannuation Fund for the year aggregated $45,000 (2005: $45,000).

(d) Q Invest Limited (Q Invest)

The QSuper Board of Trustees holds a 50% interest in Q Invest. Q Invest's principal activities consist of providing financial planning advice under a dealers licence and to act as responsible entity for the Q Invest Limited Investment Access Funds. Since 1 July 2004, the financial planning fees are paid to Q Invest directly by QSuper. During the 2005 financial year, a rebate of $27,000 was received in respect of the financial planning fees, which were paid by the organisation under normal commercial terms to Q Invest and aggregated $7,255,000 in 2004.

During the 2005 financial year the organisation provided services to Q Invest under an agreement based on normal commercial terms and conditions. This agreement expired during the 2005 financial year and no services were provided during the 2006 financial year (2005: $119,000).

(e) QIC

QIC, a body corporate established under the *Queensland Investment Corporation Act 1991*, holds the remaining 50% interest in Q Invest and is the investment manager for QSuper and the Parliamentary Contributory Superannuation Fund.

Notes to the financial statements

for the year ended 30 June 2006

Note 15 Financial instruments

(a) Interest rate risk

The organisation is exposed to interest rate risk through cash held in the bank.

Under the Cash Management Incentive Regime, the Government Superannuation Office received interest at 4.59% to 4.66% (2005: 4.42% to 4.85%) calculated on the daily bank balance. Overdraft balances attract interest of 8.59% to 8.66% (2005: 8.42% to 8.85%).

(b) Receivables

Receivables are carried at actual amounts with credit advanced normally on 30 day terms. The maximum exposure to credit risk at balance date in respect of receivables is the carrying amount as disclosed in the balance sheet. Accordingly, provision is only made for impairment where recovery of the debts is considered extreme.

(c) Creditors

Creditors are carried at actual amounts and include accrued expenses applicable to the financial year and paid after balance date.

(d) Net fair value

The carrying amount of cash, receivables, and payables approximates net fair value.

Note 16 Commitments

Operating lease commitments

The organisation had the following operating lease commitments (inclusive of GST) for payment:

	2006 $'000	2005 $'000
Within 1 year	2,151	2,074

Capital commitments

The organisation had the following capital commitments (inclusive of GST) for payment:

Within 1 year	147	-

Note 17 Contingent liabilities

There are no known actual or possible material claims against the organisation at 30 June 2006.

Note 18 Post balance date events

There are no known material events which occurred subsequent to the balance date.

Notes to the financial statements

for the year ended 30 June 2006

Note 19 Reconciliation of adjustments from previous GAAP to Australian equivalents to International Financial Reporting Standards (AIFRS) – as at 1 July 2004

	Notes	Previous GAAP	Effect of transition to AIFRS	AIFRS
		$'000	$'000	$'000
ASSETS				
Current assets				
Cash assets		13,315	-	13,315
Receivables		897	-	897
Other		220	-	220
Total current assets		14,432	-	14,432
Noncurrent assets				
Plant and equipment		2,047	-	2,047
Intangible assets	(i), (ii)	7,012	(219)	6,793
Other		-	-	-
Total noncurrent assets		9,059	(219)	8,840
TOTAL ASSETS		23,491	(219)	23,272
LIABILITIES				
Current liabilities				
Payables		6,861	-	6,861
Accrued employee benefits		1,407	-	1,407
Total current liabilities		8,268	-	8,268
Noncurrent liabilities				
Accrued employee benefits	(iii)	201	(10)	191
Total noncurrent liabilities		201	(10)	191
TOTAL LIABILITIES		8,469	(10)	8,459
NET ASSETS		15,022	(209)	14,813
EQUITY				
Accumulated surplus	(iv)	15,022	(209)	14,813
TOTAL EQUITY		15,022	(209)	14,813

Note 19 Reconciliation of adjustments from previous GAAP to Australian equivalents to International Financial Reporting Standards (AIFRS) – as at 1 July 2004 (continued)

	$'000
(i) Write-off of previously capitalised research and training costs which have been included in the value of software development	(200)
Adjustments to intangible assets	(200)

(ii) Write-off of previously capitalised assets below new asset recognition threshold	(19)
Adjustments to intangible assets	(19)

(iii) Impact of discounting on noncurrent recreation leave	(10)
Adjustment to noncurrent accrued employee benefits	(10)

The adjustments to retained surplus are as follows:	
Write-off of previously capitalised research and training costs (refer to adjustment (i))	(200)
Write-off of previously capitalised assets below new asset recognition threshold (refer to adjustment (ii))	(19)
Impact of discounting on noncurrent recreation leave (refer to adjustment (iii))	10
(iv) Adjustment to retained surplus	(209)

Notes to the financial statements
for the year ended 30 June 2006

Note 20 Reconciliation of adjustments from previous GAAP to Australian equivalents to International Financial Reporting Standards (AIFRS) – as at 1 July 2005

	Notes	Previous GAAP	Effect of transition to AIFRS	AIFRS
		$'000	$'000	$'000
ASSETS				
Current assets				
Cash assets		13,093	-	13,093
Receivables		2,514	-	2,514
Other		265	-	265
Total current assets		15,872	-	15,872
Noncurrent assets				
Plant and equipment		1,931	-	1,931
Intangible assets	(i), (ii)	5,349	(119)	5,230
Other		29	-	29
Total noncurrent assets		7,309	(119)	7,190
TOTAL ASSETS		23,181	(119)	23,062
LIABILITIES				
Current liabilities				
Payables		6,043	-	6,043
Accrued employee benefits		1,784	-	1,784
Total current liabilities		7,827	-	7,827
Noncurrent liabilities				
Accrued employee benefits	(iii)	259	(13)	246
Total noncurrent liabilities		259	(13)	246
TOTAL LIABILITIES		8,086	(13)	8,073
NET ASSETS		15,095	(106)	14,989
EQUITY				
Accumulated surplus	(iv)	15,095	(106)	14,989
TOTAL EQUITY		15,095	(106)	14,989

Notes to the financial statements

for the year ended 30 June 2006

Note 20 Reconciliation of adjustments from previous GAAP to Australian equivalents to International Financial Reporting Standards (AIFRS) – as at 1 July 2005 (continued)

		$'000
(i)	Write-off of previously capitalised research and training costs which have been included in the value of software development	(116)
	Adjustments to intangible assets	(116)
(ii)	Write-off of previously capitalised assets below new asset recognition threshold	(3)
	Adjustments to intangible assets	(3)
(iii)	Impact of discounting on noncurrent recreation leave	(13)
	Adjustment to noncurrent accrued employee benefits	(13)
	The adjustments to retained surplus are as follows:	
	Write off of previously capitalised research and training costs (refer to adjustment (i))	(116)
	Write off of previously capitalised assets below new asset recognition threshold (refer to adjustment (ii))	(3)
	Impact of discounting on noncurrent recreation leave (refer to adjustment (iii))	13
(iv)	Adjustment to retained surplus	(106)

Certificate of the Government Superannuation Office

for the year ended 30 June 2006

These general purpose financial statements have been prepared pursuant to the *Financial Administration and Audit Act 1977*, and other prescribed requirements and we certify that in our opinion:

(a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and

(b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Government Superannuation Office for the financial year ended 30 June 2006 and of the financial position at the end of that year.

G P Bradley Under Treasurer	R A Vilgan Chief Executive Officer	C J Kaye Chief Financial Officer

Brisbane
24 August 2006

Independent audit report
to the Accountable Officer of the Government Superannuation Office

The audit report relates to the financial report of the Government Superannuation Office for the financial year ended 30 June 2006 included on the QSuper website. The Government Superannuation Office is responsible for the integrity of the QSuper website. We have not been engaged to report on the integrity of the QSuper website. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from the Government Superannuation Office, to confirm the information included in the audited financial report presented on this website.

Scope

The financial report

The financial report of the Government Superannuation Office consists of the income statement, balance sheet, statement of changes in equity and statement of cash flows, notes to and forming part of the financial statements, and certificates given by the Under Treasurer, Chief Executive Officer and Chief Financial Officer of the Government Superannuation Office, for the year ended 30 June 2006.

Accountable Officer's responsibility
The Accountable Officer is responsible for the preparation and true and fair representation of the financial report, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach
As required by law, an independent audit was conducted in accordance with QAO Auditing Standards to enable me to provide an independent opinion whether in all material respects the financial report is presented fairly in accordance with the prescribed requirements, including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

Audit procedures included:
- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial report;
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Accountable Officer;
- obtaining written confirmation regarding the material representations made in conjunction with the audit; and
- reviewing the overall presentation of information in the financial report.

Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all 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.

Audit opinion

In accordance with Section 40 of the *Financial Administration and Audit Act 1977:*
(a) I have received all the information and explanations which I have required; and
(b) in my opinion:
  (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  (ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Government Superannuation Office for the financial year 1 July 2005 to 30 June 2006 and the financial position as at the end of the year.

D A Stolz, FCPA
As Delegate of the Auditor-General of Queensland
30 August 2006

Queensland Audit Office
Brisbane

Notes

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