



FIRE AND EMERGENCY SERVICES

SUPERANNUATION BOARD

WESTERN AUSTRALIA
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Legislative Assembly

11 NOV 2008

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removed from the Chamber

ANNUAL REPORT

2008

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APRA Registration No. R1055917

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To the Honourable Robert F Johnson MLA
Minister for Police; Emergency Services; and Road Safety

In accordance with Section 61 of the Financial Management Act 2006, we hereby submit for your information and presentation to Parliament, the Annual Report of the Fire and Emergency Services Superannuation Board for the financial year ended 30 June 2008.

The Annual Report has been prepared in accordance with the provisions of the Financial Management Act 2006.



H KUHAUPT
CHAIRMAN

24 September 2008



A B RUTTER
CHIEF FINANCE OFFICER

24 September 2008

FIRE AND EMERGENCY SERVICES

SUPERANNUATION BOARD

REPORT ON OPERATIONS FOR YEAR ENDING 30 JUNE 2008

CONSTITUTION

The Fire and Emergency Services Superannuation Board was constituted on 3 November 1986 to administer the Fire and Emergency Services Superannuation Fund.

MINISTER

The responsible Minister is the Minister for Police and Emergency Services; Community Safety; Water Resources; Sport and Recreation; who, at 30 June 2008 was:

The Hon. J.C. Kobelke
20th Floor
197 St George's Terrace
PERTH WA 6000 Phone: (08) 9222 9211

ENABLING LEGISLATION

The administration of the Superannuation Fund is established under the Fire and Emergency Services Superannuation Act 1985 and Fire and Emergency Services (Superannuation Fund) Regulations 1986.

LEGISLATION ADMINISTERED

The Board is responsible for the administration of the enabling legislation.

LEGISLATION IMPACTING ON THE BOARD'S ACTIVITIES

State

The Board is responsible for complying with a wide range of State legislation, which primarily sets minimum prudential standards of conduct. These were:

Anti-Corruption Commission Act 1988
Auditor General Act 2006
Corporations (Western Australia) Act 1990
Electoral Act 1907
Equal Opportunity Act 1984
Financial Management Act 2006
Fire and Emergency Services (Superannuation Fund) Regulations 1986
Fire and Emergency Services Superannuation Act 1985
Freedom of Information Act 1992
Industrial Relations Act 1979
Interpretation Act 1984
Minimum Conditions of Employment Act 1993
Occupational Safety and Health Act 1984
Public Sector Management Act 1994
Stamp Act 1921
State Records Act 2000
State Supply Commission Act 1991
Trustees Act 1962
Workers' Compensation and Injury Management Act 1981

Federal

The Commonwealth legislative compliance requirements are comprised of the following:

Anti-Money Laundering and Counter-Terrorism Financing Act 2006
Australian Prudential Regulation Authority Act 1998
Corporations Act 2001
Family Law Act 1975
Family Law (Superannuation) Regulations 2001
Finance Sector (Collection of Data) Act 2001
Financial Services Reform Act 2001
Income Tax Assessment Act 1936
Privacy Act 1988
Sex Discrimination Act 1984
Superannuation (Resolution of Complaints) Act 1993 and Regulations
Superannuation Contributions Tax (Assessment and Collection) Act 1997
Superannuation Guarantee (Administration) Act 1992
Superannuation Guarantee Charge Act 1992
Superannuation Industry (Supervision) Act 1993 and Regulations

OBJECTIVES AND FUNCTIONS OF THE BOARD

The objectives and functions of the Board are to administer, invest and manage the Fire and Emergency Services Superannuation Fund.

ACCOUNTABLE AUTHORITY

The Accountable Authority is the Fire and Emergency Services Superannuation Board.

OPERATIONAL STRUCTURE

The Board is responsible for the management of the Fund and in accordance with the provisions of the Act, a Secretary to the Board is appointed. The Secretary is nominated as the Chief Finance Officer under the constraints of the Financial Management Act 2006. The administration of the Fund is carried out by the staff of the Superannuation Board, who are:

Secretary: Mr A B Rutter - appointed 8 May 2001

Administration Officer: Mrs S L Handley

MEMBER ENQUIRIES

Members should address correspondence and enquiries to:

The Secretary
Fire and Emergency Services Superannuation Board
242 Rokeby Road
SUBIACO WA 6008

Telephone: – (08) 9382 8444

Facsimile: – (08) 9382 8464

Email: – admin@fessuper.com.au

PERSONS OR SECTIONS OF COMMUNITY SERVED BY THE BOARD

Membership of the Fire and Emergency Services Superannuation Fund, which primarily is a lump sum defined benefit fund, is compulsory for all permanent employees of the:

- Fire and Emergency Services Authority of Western Australia; (**unless the employee is eligible to become or remain a member of the Government Employees Superannuation Scheme:**)
- Fire and Emergency Services Superannuation Board;
- United Firefighters Union of Western Australia; and
- Western Australian Volunteer Fire Brigades Association (Inc).

BOARD MEMBERS

The three members appointed by the Fire and Emergency Services Authority of Western Australia as at 30 June 2008 are:

MR H KUHAUPT	(Chairman) – Public Accountant – has been a member since 3 November 1986 and his current appointment expires on 18 August 2010.
MR D BARTON	Actuary and Investment Consultant – has been a member since 3 November 1986 and his current appointment expires on 18 August 2008.
MR W HEWITT	Director – Business Services of the Fire and Emergency Services Authority of Western Australia, has been a member since 19 August 2000 and his current appointment expires on 18 August 2009.

The three members elected by the members of the Fund as at 30 June 2008 are:

MR G CLIFFORD	Station Officer – has been a member since 19 August 1993 and his current appointment expires on 18 August 2008.
MR M OSBORN	Retired District Officer – has been a member since 19 August 1994 and his current appointment expires on 18 August 2009.
MR B WEIR	Station Officer – has been a member since 19 August 2004 and his current appointment expires on 18 August 2010.

ALTERNATE MEMBERS

The three alternate members appointed by the Fire and Emergency Services Authority of Western Australia as at 30 June 2008 are:

MRS S FOY	Ex-employee of the Fire and Emergency Services Authority of Western Australia – appointed from 1 November 1999 and her current appointment expires on 18 August 2008.
MR D FULCHER	Employee of the Fire and Emergency Services Authority of Western Australia – appointed from 19 August 1998 and his current appointment expires on 18 August 2010.
MR F PASQUALE	Employee of the Fire and Emergency Services Authority of Western Australia – appointed from 27 August 2007 and his current appointment expires on 18 August 2009.

The three alternate members elected by the members of the Fund as at 30 June 2008 are:

MR A BROWN	Senior Firefighter – was re-elected for the year to 18 August 2008.
MR B LONGMAN	Station Officer – was re-elected for the year to 18 August 2008.
MR J PATIENCE	Station Officer – was re-elected for the year to 18 August 2008.

CONSULTANTS TO THE BOARD

The Board retains the following consultants to provide advice as and when required:

Sharyn Long Chartered Accountants – Accounting and Taxation Advice.
PricewaterhouseCoopers – Actuarial and Investment Advice.

TAXATION & COMPLIANCE

The Superannuation Industry (Supervision) Act 1993 and Regulations (SIS) came into effect on 1 July 1994. The Board has made an irrevocable election for the Fund to be regulated under the SIS legislation. The Fund's auditors have not identified any breaches to the requirements and thus the concessional taxation treatment of the Fund remains in place.

AUDIT

During the year under review, PKF Chartered Accountants, the Board's appointed Internal Auditor, carried out a review of the Fund's management and financial information systems and reported that the internal controls were adequate.

The Office of the Auditor General audits the Fund's Accounts and Performance Indicators under the provisions of the Financial Management Act 2006.

TRUSTEE INDEMNITY INSURANCE

The Board has Trustee Indemnity Insurance with Chubb Insurance Company of Australia Ltd.

ELECTORAL ACT

In accordance with Section 175ZE of the Electoral Act 1907 and Treasurer's Instruction 903, the Superannuation Board is required to disclose details of expenditure incurred during the year in relation to the following items:

Advertising Agencies	Nil
Market Research Organisations	Nil
Polling Organisations	Nil
Direct Mail Organisations	Nil
Media Advertising Organisations	Nil

PUBLICATIONS

The Board produces and makes available to members the following publications. They are provided to assist members in understanding their options and entitlements, and to encourage consolidation of superannuation accounts into the Fire and Emergency Services Superannuation Fund.

- Product Disclosure Statement (Member Booklet)
- Members Newsletter
- Report to Members
- Annual Report
- Member Statements
- Fire and Emergency Services Superannuation Act and Regulations
- Actuarial Statements and APRA Notices

FREEDOM OF INFORMATION (FOI)

Under section 96 of the Freedom of Information Act 1992, the Superannuation Board is required to publish an information statement that provides background on the operations of the Board, describes the documents held and the way in which the public can access information. It is the aim of the Board to make information available promptly and at the least possible cost.

MEMBER COMPLAINTS

The Board has procedures in place to deal with any query or complaint a member may raise in relation to their superannuation. All complaints need to be put in writing to the Secretary.

There were no complaints received during the year.

EXTERNAL COMPLAINTS TRIBUNAL

If a member is not satisfied with the handling of a complaint or the Board's decision, they may contact the Superannuation Complaints Tribunal.

The Tribunal is an independent body set up by the Federal Government to assist members or beneficiaries to resolve certain types of complaints with Fund Trustees.

The Tribunal may be able to assist the member to resolve their complaint, but only if the member has made use of the Board's own inquiries and complaints procedures. If the Tribunal accepts the member's complaint, it will attempt to resolve the matter through conciliation, which involves assisting the parties to come to a mutual agreement. If conciliation is unsuccessful, the complaint may be referred to the Tribunal for a determination which is binding.

For more information on the Tribunal and the type of information that needs to be provided, the Tribunal can be contacted on 1300 780 808 for the cost of a local call anywhere in Australia.

If assistance is required to make a complaint, contact the Secretary.

LEGISLATIVE CHANGES

During the year the following changes were made to the Fire and Emergency Services (Superannuation Fund) Regulations 1986.

1. Increase the maximum membership period for death and total and permanent disablement (TPD) benefits from 30 years to 35 years.
2. All reference to the word 'interest' in relation to members' benefits has been substituted with the term 'net fund earning rate'.

All reference to the words 'credited' or 'added' has been substituted with the word 'allocated'.
3. Regulation 23 was repealed.
4. Allow a member who has reached their preservation age and is still employed to access their superannuation benefits in the form of a non-commutable pension.
5. Allow a member who has made contributions after 1 January 2006 to split the contributions between spouses.
6. If a member has a drop in rank or reduction in salary, and if the employer and/or member do not wish to pay contributions at the higher rate, the membership period to calculate the benefit would be reduced for the period of membership during which the member is receiving a reduced salary.
7. Replace the reference to the "Insurance and Superannuation Commissioner" with the 'Australian Prudential Regulation Authority'.
8. Amend Regulation 23BA and Regulation 23C dealing with Supplementary Disablement Benefits, so that the reference to Regulation 23B(3) is amended to Regulation 23B(3a).

INVESTMENTS

Full details of the investments of the Fund are provided in the attached accounts.

INVESTMENT POLICY

In accordance with the requirements of the Superannuation Industry (Supervision) Act 1993 (section 52(2)), the Board has formulated the following investment policy:

Objective

To achieve a minimum rate of return of 4% above the increase in the members' 3 year average salaries over rolling ten-year periods.

Strategy

To invest predominantly with external fund managers, but with a proportion of the Fund being invested by the Board.

Constraints

1. The total investment allocation ranges and long term benchmark of the Fund is as follows:

	RANGES	BENCHMARK
Australian Shares	20% - 50%	30%
Overseas Shares	5% - 35%	20%
Property	5% - 25%	15%
Aust. Fixed Interest	10% - 40%	27%
Overseas Fixed Interest	0% - 10%	5%
Alternative Assets	0% - 10%	3%
Cash	0% - 60%	0%

2. The Fund will target the above exposures, within a tolerance level of +/- 2%. The appropriateness of this strategy will be re-assessed every 3 years.
3. The number of external "core" Investment Managers is not to exceed ten (10).
4. The level of funds allocated to any individual external Fund Manager is to be limited to a maximum of 35% of the Fund's Total Assets.
5. The level of investments in directly held property and managed by the Board is not to exceed 10% of the Fund's Total Assets.
6. No **new single** investment of any nature is to exceed 5% of the Fund's Total Assets.
7. The maximum amount invested in both Australian and Overseas shares is not to exceed 70% of the Fund's assets.
8. Investments by the Board in short term Bank Bills are to be confined to banks with a short term S & P Australian Ratings of not less than A1.
9. Investments by the Board in short term Variable Rate Notes are to be confined to banks, building societies or credit unions; or securities with a short term S & P Australian Ratings of not less than BBB-; or as approved by the Board on the advice of Lehman Brothers.
10. Investments in alternative assets must, unless otherwise determined by the Board:

- (a) Have an expected return of at least CPI + 7% (after tax and fees) over rolling five-year periods;
 - (b) Only be in a diversified investment (i.e. no single asset investments to be permitted);
 - (c) Expect to provide meaningful diversification benefits to the Fund's existing investments;
 - (d) Be able to be redeemed without significant penalty within three months notice; and
 - (e) Be able to be effectively communicated to those who might take an interest in understanding the Fund's investment strategy.
11. The balance of the Fund's "Bank" account held by the Board with a financial institution is not to exceed 2.5% of the assets of the institution.
12. No directly held investment, other than Bank Bills, Repurchase Agreements and Bonds, will be bought or sold by the Board without first considering expert advice.
13. The use of derivatives is permitted provided that the manager adheres with the requirements of the Australian Securities and Investments Commission (ASIC) and the Australian Securities Exchange.

Asset Allocation Strategy

The Board will undertake an internal passive re-balancing approach, whereby the Fund's cash flow is directed to the appropriate investments and re-balanced on a regular basis.

Each investment will have a target weighting and those investments with exposure below the target weighting would receive the Fund's cash flow (if positive) and those with exposure above the target allocation would have assets redeemed (when required). This will be undertaken as part of the normal distribution of the Fund's cash flow or when circumstances warrant.

The Fund has set tolerance levels around the target weightings so that if market movements cause exposure to move outside of these tolerance levels, then action will be taken to bring the exposures in line. Tolerance levels of around +/-2% have been set which allows the asset allocation to remain relatively close to the intended target without having to make a frequent number of transactions.

The Board is aware that actual asset allocation may fall outside these tolerance levels from time to time as tactical asset allocation is undertaken by the Fund's core managers.

Performance Review

1. Monitor on a monthly basis the asset allocation of the external Investment Managers, directly held investments and the total Fund.
2. Monitor on a monthly basis the performance of the external Investment Managers, directly held investments and the total Fund, and compare this to the performance of the Benchmark against the various indices.
3. Twice yearly, comprehensively review all directly held investments in consultation with external advisers (eg. Stockbroker, Real Estate Adviser, Fixed Interest Adviser where appropriate).
4. Continuously review the performance of all external investment managers. Comprehensively review their appointment during the quarter ending December 2007.
5. This Investment Policy may be changed at any time by Resolution of the Board but in any case is to be comprehensively reviewed every 3 years.

Implementation

The Board's Investment Policy was first implemented in 1992 and some minor changes have been made since that date. The external Investment Managers were comprehensively reviewed in 2001 and last reviewed with effect from April 2004. The Board is currently reviewing its Investment Policy.

2009 ESTIMATES (not subject to audit)

	ACTUAL 2008 \$	ESTIMATE 2009 \$
Net Assets Beginning of period	376,917,811	358,791,877
INVESTMENT REVENUE		
Trust Distributions	20,685,583	20,700,000
Interest	1,463,808	1,500,000
Dividends	0	0
Changes in Net Market Value	(47,427,571)	16,000,000
Investment Revenue – Managed Portfolios	1,025,709	1,000,000
Net Rental Income	1,288,367	1,300,000
Investment Fee Rebate	194,874	200,000
Direct Investment Expenses	(307,041)	(300,000)
CONTRIBUTION REVENUE		
Employer Contributions	9,381,482	9,500,000
Employee Contributions	233,972	300,000
Salary Sacrifice Contributions	11,654,590	13,700,000
Voluntary Contributions	2,102,441	2,700,000
Spouse Contributions	1,188,974	1,000,000
Transfers In	2,386,074	2,600,000
ATO Co-contribution	61,428	200,000
OTHER REVENUE		
Insurance Proceeds	9,186	500,000
Other	0	20,000
TOTAL REVENUE	3,941,876	70,920,000
EXPENSES		
Group Life Premiums	(698,881)	(700,000)
Administration	(782,634)	(827,000)
Contribution Surcharge	(14,991)	(20,000)
Benefits paid	(20,860,028)	(24,500,000)
Capital	(25,157)	(75,000)
Net Surplus Before Tax	(18,439,815)	44,798,000
Income Tax Expense	(313,881)	(5,000,000)
Net Assets End of period	358,791,877	398,589,877

OUTPUT SUMMARY (not subject to audit)

Outcome: To provide superannuation and related benefits to members of the Fund in accordance with legislative requirements.

Output: Provision of Superannuation service to members.

Description: This output involves the induction of new members, receipt of contributions, investment of funds, reporting to members and payment of benefits.

Output Measures:

	2007-08 Actual	2008-09 Target
Quantity		
Number of members serviced	1,788	2,000
Total net assets under management	\$359M	\$399M
Quality		
Number of Audit Exceptions	nil	nil
Rate of return above the increase in 3 year average salaries over rolling 10 year periods	1.0%	4.0%
Timeliness		
Average time within which to satisfy member queries	24 hours	24 hours
Cost		
Management Expense Ratio (MER)	0.25%	0.25%

(MER is a ratio expressing the administration and investment expenses as a proportion of the average net asset value of the Fund.)

**FIRE AND EMERGENCY SERVICES
SUPERANNUATION BOARD**

**STATEMENT OF CERTIFICATION OF
PERFORMANCE INDICATORS**

We hereby certify that the performance indicators:

- (i) are based on proper records;
- (ii) are relevant and appropriate for assisting users to assess the performance of the Fire and Emergency Services Superannuation Board; and
- (iii) fairly represent the performance of the Fire and Emergency Services Superannuation Board for the financial year ended 30 June 2008.



H KUHAUPT

CHAIRMAN

24 September 2008



D E BARTON

BOARD MEMBER

24 September 2008

FIRE AND EMERGENCY SERVICES

SUPERANNUATION BOARD

PERFORMANCE INDICATORS

The Fire and Emergency Services Superannuation Board's primary outcome is:

To provide superannuation and related benefits to members of the Fund in accordance with legislative requirements. This includes:

- maintaining the long term viability of the Fund; and
- ensuring that the Fund does not breach any of the requirements prescribed for a Regulated Fund under the Superannuation Industry (Supervision) Act 1993 and Regulations (SIS), and the Corporations Act 2001 and Regulations.

EFFECTIVENESS INDICATORS

Viability of the Fund

The extent to which (as identified in an annual Actuarial Review):-

- 1.1.** The Board's investment objective is to achieve investment returns of at least 4.0% per annum above the increase in three-year final average salaries over a rolling ten-year period.

Over the ten-year period to 30 June 2008, the Fund's performance against the benchmark has been as follows:

(a)	Investment Returns (unadjusted):	6.6% per annum
(b)	Final Average Salary Increases:	5.6% per annum
(c)	Real Return:	1.0% per annum
(d)	Target Return:	4.0% per annum

For the ten years to 30 June 2008, the Fund fell short of its investment objective, as investment returns on an unadjusted basis were 1.0% (rather than 4.0%) over and above three-year final average salaries increases.

- 1.2.** The actual Asset Backing Index equals or exceeds the Actuary's recommended Asset Backing Index target of "85".

The Actuarial report for the year ending 30 June 2008 reported the actual Asset Backing Index to be 91.0.

Compliance under SIS Legislation

- 1.3.** The Fund meets the prescribed compliance requirements under the Superannuation Industry (Supervision) Legislation (SIS).

The auditor of the fund tested compliance with the Superannuation Industry (Supervision) Act and Regulations. The audit conclusions did not indicate that there were any breaches of the provisions of the legislation tested by the auditor.

EFFICIENCY INDICATORS

2.1. The extent to which the average benefit payment delay to members is minimised.

A total of 104 members exited from the Fund during 2007/08, and payments were made as follows:

Retained in the Fund

<i>Account Based Pensions</i>	7
<i>Retained Benefits</i>	57

Paid/Transferred out of the Fund

<i>Cash</i>	4
<i>Rollover to another Fund</i>	15
<i>Transfer to Eligible Rollover Fund *</i>	21

Total Payments Processed 5,287

(Includes pension payments and commutations from Pension accounts and withdrawals from Retained Benefits.)

Payments Outstanding 0

* All members who have small inactive accounts are transferred to the Australian Eligible Rollover Fund if no advice is received within 30 days of request.

The following table reflects the time taken to process payments to the members.

	2007/08	2006/07	2005/06	2004/05	2003/04
<i>0 – 1 day</i>	5,152 (97%)	2,237 (97%)	1,871 (98%)	1,630 (99%)	1,478 (98%)
<i>2 – 5 days</i>	130 (3%)	61 (3%)	31 (2%)	23 (1%)	36 (2%)
<i>over 5 days</i>	5 (0%)	0 (0%)	1 (0%)	0 (0%)	1 (0%)

2.2 The extent to which the cost of administering the Fund is minimised.

	2007/08	2006/07	2005/06	2004/05	2003/04
<i>Administration Expenses</i>	\$807,791	\$676,609	\$635,268	\$718,121	\$615,326
<i>As a percentage of Contributions received</i>	2.99%	2.53%	2.83%	3.83%	3.47%
<i>As a percentage of Total Net Assets</i>	0.23%	0.18%	0.20%	0.27%	0.26%



Auditor General

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

FIRE AND EMERGENCY SERVICES SUPERANNUATION BOARD FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2008

I have audited the accounts, financial statements, controls and key performance indicators of the Fire and Emergency Services Superannuation Board.

The financial statements comprise the Statement of Net Assets as at 30 June 2008, and the Statement of Changes in Net Assets for the year then ended, a summary of significant accounting policies and other explanatory Notes.

The key performance indicators consist of key indicators of effectiveness and efficiency.

Board's Responsibility for the Financial Statements and Key Performance Indicators

The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

Summary of my Role

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements and key performance indicators.

Fire and Emergency Services Superannuation Board
Financial Statements and Key Performance Indicators for the year ended 30 June 2008

Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Fire and Emergency Services Superannuation Board at 30 June 2008 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions;
- (ii) the controls exercised by the Board provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key performance indicators of the Board are relevant and appropriate to help users assess the Board's performance and fairly represent the indicated performance for the year ended 30 June 2008.



COLIN MURPHY
AUDITOR GENERAL
24 September 2008

**FIRE AND EMERGENCY SERVICES
SUPERANNUATION FUND**

**STATEMENT OF CERTIFICATION
FINANCIAL STATEMENTS**

The accompanying financial statements of the Fire and Emergency Services Superannuation Fund have been prepared in compliance with the provisions of the Financial Management Act 2006 from proper accounts and records to present fairly the financial transactions for the period 1 July 2007 to 30 June 2008 and the financial position as at 30 June 2008.

At the date of signing we are not aware of any circumstances that would render the particulars included in the financial statements misleading or inaccurate.



**H KUHAUPT
CHAIRMAN**

24 September 2008



**D E BARTON
BOARD MEMBER**

24 September 2008



**A B RUTTER
CHIEF FINANCE OFFICER**

24 September 2008

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 \$	2007 \$
INVESTMENT REVENUE			
Interest		1,463,808	921,098
Dividends		-	11,111
Trust distributions		20,685,583	22,037,504
Investment revenue managed portfolios		1,025,709	2,804,891
Net rental income		1,288,367	1,321,984
Changes in net market values	7(a)	(47,396,931)	27,752,303
Direct investment expenses		(112,167)	(155,508)
		<u>(23,045,631)</u>	<u>54,693,383</u>
CONTRIBUTION REVENUE			
Employer contributions		21,036,072	16,204,208
Member contributions		295,400	344,858
Member voluntary contributions		2,102,441	6,150,531
Spouse contributions		1,188,974	1,244,666
Transfers in		2,386,074	2,839,924
		<u>27,008,961</u>	<u>26,784,187</u>
OTHER REVENUE			
Changes in net market values of other assets	7(b)	(30,640)	(27,160)
Insurance proceeds		9,186	247,310
AMP compensation		-	40,678
		<u>(21,454)</u>	<u>260,828</u>
TOTAL REVENUE		<u>3,941,876</u>	<u>81,738,398</u>
EXPENSES			
General administration expenses	8	807,791	676,609
Group life premiums		698,881	517,886
Contribution surcharge		14,991	22,701
Benefits paid		20,860,028	16,196,301
TOTAL EXPENSES		<u>22,381,691</u>	<u>17,413,497</u>
CHANGES IN NET ASSETS BEFORE TAX		<u>(18,439,815)</u>	<u>64,324,901</u>
INCOME TAX EXPENSE/(BENEFIT)	9(a)(b)	(313,881)	5,837,921
CHANGES IN NET ASSETS AFTER TAX		<u>(18,125,934)</u>	<u>58,486,980</u>
NET ASSETS AVAILABLE TO PAY BENEFITS at the beginning of the period		<u>376,917,811</u>	<u>318,430,831</u>
NET ASSETS AVAILABLE TO PAY BENEFITS at the end of the period		<u>358,791,877</u>	<u>376,917,811</u>

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

STATEMENT OF NET ASSETS AS AT 30 JUNE 2008

	Notes	2008 \$	2007 \$
ASSETS			
Cash Assets			
Cash and cash equivalents		14,033,825	3,660,149
Receivables			
Distributions receivable		7,949,959	8,957,683
Other receivables		225,523	225,299
Accrued interest		78,756	15,056
Investments			
Interest bearing investments	10	1,752,923	454,466
Fixed interest securities	11	5,769,472	7,024,515
Securities in listed entities	12	19,117,850	18,149,763
Units in unlisted unit trusts	13(a)	186,930,661	180,749,337
Insurance policies	14	14,875,988	13,117,940
Pooled superannuation trusts	15	73,740,993	68,504,299
Managed investment portfolios	16	-	55,016,866
Securities in unlisted companies	17	-	562
Land and buildings	18	35,995,400	28,175,000
Other Assets			
Furniture, office equipment and motor vehicle		93,000	97,500
Deferred tax assets	9(e)	850,797	33,818
TOTAL ASSETS		361,415,147	384,182,253
LIABILITIES			
Creditors and accruals	19	257,971	349,514
Uncalled capital liability	13(b)	170,905	351,737
Employee entitlements		62,203	46,980
Current tax liabilities	9(c)	2,120,378	2,559,908
Deferred tax liabilities	9(d)	11,813	3,956,303
TOTAL LIABILITIES		2,623,270	7,264,442
NET ASSETS AVAILABLE TO PAY BENEFITS	4,5	358,791,877	376,917,811

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The financial report of Fire and Emergency Services Superannuation Fund ("Fund") are general purpose statements which have been drawn up in accordance with Australian accounting standards including AAS 25 "Financial Reporting Superannuation Plans" ("AAS 25") as amended by AASB 2005-13 (December 2005), other applicable Accounting Standards and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations ("SIS") and the provisions of the Trust Deed.

The Fund is a superannuation fund domiciled in Australia. The financial statements are presented in Australian dollars, which is the functional currency of the Fund.

The financial statements were approved by the Board of the Trustee, Fire and Emergency Services Superannuation Board, on 24 September 2008.

(b) Basis of Preparation

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB"), being the Australian equivalent to IFRS ("AIFRS") to distinguish from previous Australian generally accepted accounting principles ("GAAP"). Since AAS 25 is the principal standard that applies to the financial statements, other standards, including AIFRS, are also applied where necessary except to the extent that they differ from AAS 25.

In accordance with Treasurer's Instruction 1101 where the requirements of AAS 25 are inconsistent with the requirements of the Treasurer's Instructions AAS 25 shall, to the extent of the inconsistency prevail.

At the date of authorisation of the financial report, the following Standards which are expected to be relevant to the Fund were in issue but not yet effective.

The directors anticipate the adoption of these Standards will have no material financial impact on the financial report of the Fund.

- AASB 8 *Operating Segments* replaces the requirements of segment disclosures in AASB 114 *Segment Reporting*. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009.
- Revised AASB 101 *Presentation of Financial Statements* and consequential amendments to other accounting standards resulting from its issue for annual reporting periods on or after 1 January 2009.
- AASB 123 *Borrowing Costs* and consequential amendments to other accounting standards resulting from its issue for annual reporting periods on or after 1 January 2009.
- AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising from Liquidation* for annual reporting periods on or after 1 January 2009.

c) Use of Estimates and Judgements

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires the Trustee to exercise its judgement in the process of applying the entity's accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no critical accounting estimates and judgements contained in these financial statements other than those used to determine the liability for accrued benefits, which are not brought to account but disclosed by way of note.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments

Investments of the Fund are initially recognised at cost, being the fair value of the consideration given. After the initial recognition assets of the Fund are recorded at net market value, after allowing for costs of realisation, as at the reporting date and changes in the net market value of assets are recognised in the Statement of Changes in Net Assets in the periods in which they occur.

Pooled Superannuation Trusts, Insurance Policies and Unit Trusts

Based on the redemption price of the units as notified by the investment managers.

Securities and Other Equities

The value is determined using external market price data published by the appropriate information vendors. Unlisted investments are valued on the basis of independent valuations.

Interest Bearing Investments

The value is determined by reference to the principle invested or as determined by the appropriate information vendors.

Unlisted Companies

The value is determined by reference to the market price provided by the appropriate information vendors.

Land and Buildings

Real Property is valued at independent appraisal conducted at balance date.

The net fair value of investments are considered to be equal to the net market value.

(e) Revenue

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

Changes in net market value of investments

Changes in net market value of investments are recognised as income in the Statement of Changes in Net Assets in the periods in which they occur. Changes in net market values are determined as the difference between the net market value at balance date or consideration received (if sold during the year) and the net market value at the previous balance date or the cost (if the investment was acquired during the year).

Interest

Interest revenue is recognised when the Fund has established its right to receive the interest.

Trust Distributions

Trust distribution revenue is recognised when the Fund has established that it has a right to receive the distribution.

Dividends

Dividends are recognised when the fund has established that it has a right to receive a dividend.

Contribution Revenues

Member and employer contributions and transfers in are recognised when the control of the asset has been attained and are recorded in the period to which they relate.

Superannuation co-contributions from the Australian government are recognised on a cash basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income Tax

The Fund is a complying superannuation Fund within the provisions of the Income Tax Assessment Act and accordingly the concessional tax rate of 15% has been applied.

Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

(g) Benefits Payable

Benefits payable comprises the entitlements of members who ceased employment and had provided the Fund with appropriate notification, but where the benefit has not been paid prior to year end. Benefits payable also includes any death or disablement benefit for which the insurer had reimbursed the Fund prior to balance date but where the benefit had not been paid at that time.

(h) Receivables and Other Payables

Receivables are carried at nominal amounts due which approximate fair value.

Other payables are recognised when the Fund is obligated to make future payments for services received and are carried at the net market value of the amount payable.

(i) Contribution Surcharge

The Superannuation Laws Amendment (Abolition of Surcharge) Act 2005 abolishes 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.

The contribution surcharge is recorded as an expense in the Statement of Changes in Net Assets if an amount has been paid or an assessment has been received during the period irrespective of the period to which the surcharge related. A liability for future payments is only recognised if an assessment has been issued by the Australian Taxation Office (ATO) and was unpaid at balance date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Goods and Services Tax

GST incurred that is not recoverable from the ATO has been recognised as part of the cost of acquisition of the asset or as part of the expense to which it relates.

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

The amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Net Assets.

(k) Derecognition of Financial Assets and Liabilities

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Fund transfers substantially all the risks and rewards of ownership of the asset.

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

(l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank, demand deposits and short term, highly liquid investments that are readily converted to known amounts of cash.

(m) Employee benefits

Long-term service benefits

The Fund's net obligation in respect of long-term service benefits, other than pension funds, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax. The Fund does not provide for non vesting sick leave.

(n) Excess Contributions Tax

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

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

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

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

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

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) No-TFN Contributions Tax

Where a member does not provide their tax file number to a fund, the fund may be required to pay no-TFN contributions tax at a rate of 31.5% which is in addition to the concessional tax rate of 15% which applies to the Fund's assessable income.

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

2. OPERATION OF THE FUND

The Fund was established under the Fire and Emergency Services Superannuation Act 1985 as amended.

The Fund is predominately a defined benefit fund and the objective of the Trustees is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable.

3. FUNDING ARRANGEMENTS

The funding policy adopted in respect of the Fund is directed at ensuring that benefits accruing to members and beneficiaries are fully funded as the benefits fall due. As such, in framing employer and member contribution rates, the actuary has considered long-term trends in such factors as Fund membership, salary growth and average market value of Fund's assets.

The employer has contributed to the Fund in 2008 at a standard rate of 11.75% (2007 11.75%) of the salaries of those permanent employees who elected to be defined benefit members of the Fund. The employer has also made additional contributions at the rate of 1% (2007 1%) to fund the supplementary disablement benefits. Employees contributed to the Fund at the rate of 6.25% of salary for 2008 (2007 6.25%).

For those members of the Fund who have not elected, or are unable, to become defined benefit members, the employer contributed at the rate of 9% salaries for 2008 (2007 9%).

The Fund also received salary sacrifice contributions during the year ended 30 June 2008.

Members make additional voluntary contributions at variable rates.

The actuarial report attached to these financial statements includes the actuary's opinion as to the financial condition of the Fund as at the last valuation date.

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

4. LIABILITY FOR ACCRUED BENEFITS

The liability for accrued benefits represents the fund's present obligation to pay benefits to members and beneficiaries. The liability for accrued benefits is measured annually by a qualified actuary and has been determined on the basis of the present value of expected future payments which arise from membership of the fund up to the reporting date.

The figure reported has been determined by reference to expected salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions. The liability for accrued benefits includes the allocated benefits. The valuation of accrued benefits at the reporting date was undertaken by the actuary as part of a comprehensive review undertaken during 2007.

	2008 \$	2007 \$
Liability for accrued benefits at end of period	323,230,412	324,062,641

The main assumptions used to determine the actuarial value of accrued benefits at the last review date were:

- The future rate of investment return earned on the Fund's investments would be 6.5%
- The future rate of salary increases would be 5.0%

5. VESTED BENEFITS

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

	2008 \$	2007 \$
Accumulation Account Benefits		
Bonus Account Balances	13,650,991	19,157,984
Other Account Balances		
Defined Benefit Members	22,466,387	24,009,126
Accumulation Benefit Members	19,810,719	27,836,376
Non-Member Spouse Benefits	715,064	535,845
Allocated Pensioners	59,543,950	45,497,300
Term Allocated Pensioners	893,734	471,403
Retained Benefits	54,406,209	55,679,697
	171,487,054	173,187,731
Defined Benefits	145,496,883	144,844,076
Supplementary Pension Liabilities	710,396	605,005
	317,694,333	318,636,812

6. GUARANTEED BENEFITS

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

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

7. CHANGES IN NET MARKET VALUES

	2008	2007
	\$	\$
(a) Changes in net market value of investments		
Investments realised during the period		
Fixed Interest Securities	925	271,188
Insurance Policies	10,687	5,130
Managed Investment Portfolios	(1,669,942)	639,152
Pooled Superannuation Trusts	-	566,278
Securities in Listed Entities	15,151	(71,633)
Units in Unlisted Unit Trusts	(506,712)	(161,379)
	<u>(2,149,891)</u>	<u>1,248,736</u>
Investments held at reporting date		
Fixed Interest Securities	(2,251,118)	9,707
Insurance Policies	1,850,704	1,385,237
Securities in Listed Entities	19,121	3,635,600
Units in Unlisted Unit Trusts	(45,880,886)	2,506,645
Pooled Superannuation Trusts	(6,763,306)	8,281,974
Managed Investment Portfolios	-	3,343,172
Securities in Unlisted Companies	-	(14,660)
Land and Buildings	7,778,445	7,355,892
	<u>(45,247,040)</u>	<u>26,503,567</u>
	<u>(47,396,931)</u>	<u>27,752,303</u>
(b) Changes in net market value of other assets		
	2008	2007
	\$	\$
Assets realised during the period		
Office equipment	-	(5,455)
Assets held at reporting date		
Furniture, Office Equipment and Motor Vehicles	(30,640)	(21,705)
	<u>(30,640)</u>	<u>(27,160)</u>

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

8. GENERAL ADMINISTRATION EXPENSES

	2008 \$	2007 \$
Accounting and tax agent fees	42,663	46,180
Actuarial Fees	52,090	37,340
APRA fees	57,979	50,011
Audit fees – external	54,669	51,810
Audit fees – internal	13,065	14,438
Board fees & allowances	15,473	13,448
Conference & seminars	20,265	21,035
Consulting fees	100,572	65,873
Data processing expenses	70,879	44,471
Fringe benefits tax	8,666	7,823
Insurance other	3,563	-
Journals & publications	8,074	5,924
Legal fees	18,932	15,996
Medical expenses	820	-
Miscellaneous costs	15,544	11,499
Motor vehicle expenses	6,084	4,557
Office expenses	5,036	3,670
Postage & couriers	8,852	8,245
Printing & stationery	15,481	13,923
Rent & outgoings	15,375	15,375
Salaries	158,470	141,304
Subscriptions & licenses	8,803	7,811
Superannuation	49,237	55,496
Telephone	2,791	3,155
Travel & accommodation	38,040	21,132
Trustee Indemnity Insurance	16,368	16,093
	<hr/> 807,791	<hr/> 676,609

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

9. TAXATION

	2008 \$	2007 \$
(a) Major components of tax expense		
Current income tax		
- Current tax charge	4,679,618	4,326,336
- Adjustment to current tax for prior period	(235,627)	(110,939)
Deferred income tax		
- Relating to the origination and reversal of temporary differences	(4,757,872)	1,622,524
Income tax expense/(benefit)	(313,881)	5,837,921
(b) Income tax expense		
Changes in net assets before tax	(18,439,815)	64,324,901
Tax applicable at the rate of 15% (2007 15%)	(2,765,972)	9,648,735
Tax effect of income/(losses) that is not assessable/(deductible) in determining taxable income		
- Investment income	724,775	(1,547,313)
- Managed portfolios	44,153	(174,518)
- Discount capital gains	1,604,676	(1,518,748)
- Member contributions & transfers In	(895,933)	(1,433,235)
- Insurance proceeds	(1,378)	(37,097)
- Non assessable pension income	(503,956)	(279,506)
Tax effect of expenses that are not deductible in determining taxable income		
- Benefits paid	3,129,004	2,429,445
- Contribution surcharge	2,249	3,405
Tax effect of other adjustments		
- Imputation & foreign tax credits	(1,341,129)	(1,086,440)
- Self insurance	(44,515)	(41,571)
- Building depreciation allowance	(30,228)	(29,946)
- Over provision prior periods	(235,627)	(95,290)
Income tax expense/(benefit)	(313,881)	5,837,921
(c) Current tax liabilities		
<u>Provision for current income tax</u>		
Balance at beginning of year	2,559,908	1,405,904
Income tax paid -- current period	(2,559,240)	(1,766,428)
Income tax paid -- prior periods	(2,324,281)	(1,294,965)
Current years income tax expense	4,679,618	4,326,336
Over provision prior year	(235,627)	(110,939)
	2,120,378	2,559,908

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

9. TAXATION (CONTINUED)

	2008	2007
	\$	\$
(d) Deferred tax liabilities		
The amount of deferred tax liability recognised in the Statement of Net Assets:		
Accrued income	11,813	2,258
Unrealised gains on investments	-	3,954,045
	<u>11,813</u>	<u>3,956,303</u>

(e) Deferred tax assets

The amount of deferred tax asset recognised in the Statement of Net Assets:

Accrued expenses	34,681	33,818
Unrealised losses on investments	816,116	-
	<u>850,797</u>	<u>33,818</u>

10. INTEREST BEARING INVESTMENTS

	2008	2007
	\$	\$
BankWest 11am Call	650,000	25,000
Macquarie Cash Management Trust	1,102,923	429,466
	<u>1,752,923</u>	<u>454,466</u>

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

11. FIXED INTEREST SECURITIES

	2008 \$	2007 \$
ANZ Principal Protected Yield Curve Note	449,650	-
Belo (Kalgoorlie AA+)	629,678	755,685
Beryl (AAA Global Bank Note 2)	83,776	100,188
Beryl (AAA Global Bank Note)	83,776	100,188
Corsair (Torquay AA)	130,568	250,735
Cypress (Blaxland AA-)	-	503,030
Deutsche Bank CG Yield Curve Note	299,400	406,600
Ethical CDO (Green AA)	255,010	499,040
Envic Holdings FRN	-	500,895
Elders Rural Bank Limited Variable Rate Notes	1,000,000	1,000,000
Greater Building Society Limited Variable Rate Notes	1,500,000	-
Helium (Scarborough AA)	279,675	501,870
MAS6-7 (Parkes IIA AA-)	136,145	503,885
Omega (Henley AAA)	338,030	500,780
Omega (Henley BBB)	225,034	501,065
Zircon (Coolangatta AA)	195,310	501,030
Zircon (Miami AA)	163,420	399,524
	<hr/>	<hr/>
	5,769,472	7,024,515
	<hr/>	<hr/>

12. SECURITIES IN LISTED ENTITIES

	2008 \$	2007 \$
Australand ASSETS	267,000	303,592
Babcock and Brown	165,250	257,559
Dyno Nobel SPS	380,650	-
Futuris Hybrids	461,230	756,734
IAG Finance	204,725	249,725
Insurance Australia RPS	637,500	747,003
Linq Resources Fund	13,898,678	12,503,063
Macquarie Airports Tickets	462,675	500,725
Multiplex SITES Trust	218,680	299,304
Orica Step Up - preference	476,750	509,978
Santos FUELS	504,502	535,216
Peris II Trust	1,068,210	1,087,664
Westpac Trust Preferred Securities	372,000	399,200
	<hr/>	<hr/>
	19,117,850	18,149,763
	<hr/>	<hr/>

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008****13. UNITS IN UNLISTED UNIT TRUSTS**

	2008 \$	2007 \$
(a) Investment		
APN National Storage Property Trust	650,250	737,450
Barclays Balanced Fund	67,749,221	-
Centro MCS 32 - International Property 2	990,000	892,500
Centro MCS 36 Property Syndicate	450,000	490,000
Challenger Australian Share Fund	16,954,142	22,025,840
Challenger Socially Responsive Investment Fund	13,169,296	13,157,031
Credit Suisse Flexible Int Shares 0-50% Active	13,478,241	14,484,055
Foundation Millennium 2000 Trust	509,450	772,103
Foundation Millennium 2000 IIF Trust	344,413	473,518
Lehman Brothers Enhanced Cash Fund	-	11,258,247
Schroder Balanced Fund	72,032,952	59,063,868
Super Loans Trust	586,946	567,733
UBS Balanced Fund	-	56,657,581
Rubican Japan Trust	15,750	169,411
	<hr/>	<hr/>
	186,930,661	180,749,337
	<hr/>	<hr/>

(b) Uncalled Capital

Foundation Millennium 2000 Trust	97,789	216,437
Foundation Millennium 2000 IIF Trust	73,116	135,300
	<hr/>	<hr/>
	170,905	351,737
	<hr/>	<hr/>

14. INSURANCE POLICIES

	2008 \$	2007 \$
AMP Diversified Property	14,875,988	13,117,940
	<hr/>	<hr/>

15. POOLED SUPERANNUATION TRUSTS

	2008 \$	2007 \$
Maple Brown Abbott Pooled Superannuation Trust	73,740,993	68,504,299
	<hr/>	<hr/>

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

16. MANAGED INVESTMENT PORTFOLIOS

	2008 \$	2007 \$
Invesco Asset Management Australia	-	55,016,866
Represented by:		
Cash	-	5,377,338
Australian fixed interest	-	18,117,530
Australian shares	-	21,492,289
Global property	-	1,859,495
Overseas shares	-	6,310,719
Property	-	1,859,495
	-	55,016,866

17. SECURITIES IN UNLISTED COMPANIES

	2008 \$	2007 \$
Foundation Capital Ltd	-	562

18. LAND AND BUILDINGS

	2008 \$	2007 \$
Howe Street	9,045,400	8,330,000
Kings Park Road	26,950,000	19,845,000
	35,995,400	28,175,000

19. CREDITORS AND ACCRUALS

	2008 \$	2007 \$
Accounting fees	28,327	24,751
Actuarial fees	29,856	29,874
APRA fees	57,999	57,692
Audit fees	61,398	69,550
GST payable	34,645	26,291
Investment fees	-	70,527
PAYG withholding tax	20,158	41,057
Sundry creditors	25,588	29,772
	257,971	349,514

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

20. GENERAL DISCLOSURE

2008

2007

In accordance with Treasurer's Instruction 952 the following general disclosure is made:

(a) Remuneration and allowances paid to Senior Officers:

Total remuneration to Senior Officers	\$148,890	\$111,230
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(b) The number of Senior Officers, other than members of the Accountable Authority, whose total of fees, salaries and other benefits received, or due and receivable, for the financial year, fall within the following bands are:

\$110,000 - \$120,000	1	1
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(c) Remuneration and allowances paid to Members of the Accountable Authority:

Total remuneration to Members of the Accountable Authority	\$27,836	\$25,648
------------------------------------------------------------	----------	----------

(d) The number of Members of the Accountable Authority whose total of fees, salaries and other benefits received, or due and receivable, for the financial year, fall within the following bands are:

\$0 - \$10,000	7	8
\$10,000 - \$20,000	1	-

The Trustee of the Board throughout the year was Fire & Emergency Services Superannuation Board. The Board is considered to be the Key Management Personnel of the Fund.

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008****21. EXPLANATORY STATEMENT****(a) Comparison 2008 results to 2007 results**

	Actual 2008 \$	Actual 2007 \$	Variance \$
INVESTMENT REVENUE			
Interest	1,463,808	921,098	542,710
Dividends	-	11,111	(11,111)
Trust Distributions	20,685,583	22,037,504	(1,351,921)
Investment Revenue Managed Portfolios	1,025,709	2,804,891	(1,779,182)
Changes Net Market Value	(47,396,931)	27,752,303	(75,149,234)
Net Rental Income	1,288,367	1,321,984	(33,617)
Direct Investment Expenses	(112,167)	(155,508)	43,341
Contributions	27,008,961	26,784,187	224,774
Other Revenue	(21,454)	260,828	(282,282)
TOTAL REVENUE	3,941,876	81,738,398	(77,796,522)
EXPENSES			
Administration	807,791	676,609	131,182
Group Life Premiums	698,881	517,886	180,995
Contributions Surcharge	14,991	22,701	(7,710)
Benefits paid	20,860,028	16,196,301	4,663,727
TOTAL EXPENSES	22,381,691	17,413,497	4,968,194
CHANGES IN NET ASSETS BEFORE TAX	(18,439,815)	64,324,901	(82,764,716)
INCOME TAX EXPENSE/(BENEFIT)	(313,881)	5,837,921	(6,151,802)
CHANGES IN NET ASSETS AFTER TAX	(18,125,934)	58,486,980	(76,612,914)
NET ASSETS BEGINNING OF PERIOD	376,917,811	318,430,831	58,486,980
NET ASSETS END OF PERIOD	358,791,877	376,917,811	(18,125,934)

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

21. EXPLANATORY STATEMENT (CONTINUED)

Explanation of Significant Variances

Trust Distributions

Trust distributions are dependent on the investment performance of the underlying unit trust. Distributions are declared at the discretion of the Trustee and are a function of the revenue earned by the trust in a particular reporting period. This amount will vary from year to year depending on the circumstances of the trust.

Investment Revenue Managed Portfolio Income

Investment revenue from managed portfolios was lower during the year due to redemption of Invesco in July 2007.

Changes in Net Market Value

Investments declined more than anticipated for the current year due to poor investment performance by the Fund's investment managers.

Benefits Paid

The estimate for benefits paid was based on the previous year, however, as benefit payments are a function of members terminating employment, the Fund is unable to accurately estimate the number of members who will receive benefit payments in any period.

Income Tax Expense

Income tax expense was lower than estimated due to the poor investment performance during the financial year.

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

21. EXPLANATORY STATEMENT (CONTINUED)

(b) Comparison Actual to Estimates

	Actual 2008 \$	Budget 2008 \$	Variance Unaudited \$
Interest	1,463,808	1,000,000	463,808
Dividends	-	300,000	(300,000)
Trust Distributions	20,685,583	15,000,000	5,685,583
Investment Revenue Managed Portfolios	1,025,709	2,000,000	(974,291)
Changes Net Market Value	(47,396,931)	16,000,000	(63,396,931)
Net Rental Income	1,288,367	1,200,000	88,367
Direct Investment Expenses	(112,167)	(100,000)	(12,167)
Contributions	27,008,961	28,000,000	(991,039)
Other Revenue	(21,454)	840,000	(861,454)
TOTAL REVENUE	3,941,876	64,240,000	(60,298,124)
EXPENSES			
Administration	807,791	724,000	83,791
Group Life Premiums	698,881	550,000	148,881
Contributions Surcharge	14,991	20,000	(5,009)
Benefits paid	20,860,028	17,000,000	3,860,028
TOTAL EXPENSES	22,381,691	18,294,000	4,087,691
CHANGES IN NET ASSETS BEFORE TAX	(18,439,815)	45,946,000	64,385,815
INCOME TAX EXPENSE/(BENEFIT)	(313,881)	5,000,000	(5,313,881)
CHANGES IN NET ASSETS AFTER TAX	(18,125,934)	40,946,000	59,071,934
NET ASSETS BEGINNING OF PERIOD	376,917,811	376,917,811	-
NET ASSETS END OF PERIOD	358,791,877	417,863,811	59,071,934

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

21. EXPLANATORY STATEMENT (CONTINUED)

Explanation of significant variances

Trust Distributions

Trust distributions are dependent on the investment performance of the underlying unit trust. Distributions are declared at the discretion of the Trustee and are a function of the revenue earned by the trust in a particular reporting period. This amount will vary from year to year depending on the circumstances of the trust.

Investment Revenue Managed Portfolios

Investment revenue from managed portfolios was lower than expected due to the redemption of Invesco in July 2007.

Changes in Net Market Values

Investment performance was poorer than anticipated.

Contributions

An unexpected decrease in the level of member voluntary contributions occurred.

Other Revenue

The Fund received less insurance proceeds than anticipated.

Benefits Paid

The Fund paid more benefits than was anticipated.

Income Tax Expense

Income tax expense was lower than anticipated due to an decrease in investment returns.

22. AUDITOR'S REMUNERATION

	2008 \$	2007 \$
Amounts paid or due and payable to Auditor General for the following services:		
• Audit services – external	54,669	51,810
• Other services	-	-
Amounts paid or due and payable to PKF Chartered Accountants for the following services:		
• Audit services - internal	13,065	14,438
• Other services	-	-
	<u>67,734</u>	<u>66,248</u>

23. SEGMENT INFORMATION

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

24. FINANCIAL INSTRUMENTS

The Fund's assets principally consist of financial instruments which comprise units in pooled superannuation trusts, insurance policies and unlisted trusts, interest bearing investments, fixed interest securities, securities in listed and unlisted entities, managed investment portfolios and land and buildings. It holds these investment assets in accordance with the Trustee's published investment policy statement.

The allocation of assets between the various types of financial instruments is determined by the Trustee who manages the Fund's portfolio of assets to achieve the Fund's investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Fund on at least a monthly basis.

The Fund's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

The nature and extent of the financial instruments employed by the Fund are discussed below. This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

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

The Trustee is responsible for developing and monitoring the Fund's risk management policies, including those related to its investment activities. The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, including those risks managed by the Fund's investment managers, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

In managing and monitoring the risks the Trustee receives quarterly reports from the Fund's Investment Consultant and management to monitor compliance with the Fund's investment policy statement. The Fund's investment consultant provides recommendations in their quarterly report in relation to the review or retention of investments. The Trustee appoints the Investment Consultant to complete independent reviews of the Fund's investments when they consider it necessary.

The Fund's Audit, Risk & Compliance Committee oversees how management monitors compliance with the Fund's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund.

Categories of financial instruments

The assets and liabilities of the Fund are recognised at net market value as at reporting date. Net market value approximates fair value less costs of realisation for investments. The cost of realisation is minimal and therefore net market value that is carrying value approximates fair value. Changes in net market value are recognised through the Statement of Changes in Net Assets.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

24. FINANCIAL INSTRUMENTS (CONTINUED)

Currency Risk

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

The Fund invests in Australian domiciled investments where the underlying investments may include overseas equities. These investments are all denominated in Australian dollars.

Interest rate risk

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

The majority of the Fund's financial assets comprise non-interest-bearing and interest rate financial instruments. Interest-bearing financial assets and interest-bearing financial liabilities mature or re-price due to market changes. As a result, the Fund is subject to exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents of the Fund are invested in cash management trusts. Investments in debt securities are fixed rate instruments with various terms to maturity. The Fund also invests in Australian domiciled unit trusts where the underlying investments are in fixed interest securities.

At the reporting date, the interest rate profile of the Fund's interest-bearing financial instruments was:

	Fair Value 2008 \$	Fair Value 2007 \$
Fixed rate instruments		
Financial assets - Australian	3,269,472	6,024,515

Sensitivity analysis

The Fund accounts for fixed rate financial assets at fair value as determined by the investment manager through the Statement of Changes in Net Assets.

The investment manager advised that the fair value of the fixed rate instruments owned by the Fund are not significantly affected by movements in interest rates as they are "floating rate notes" whose coupon is re-set every three months in line with prevailing market interest rates. Their value is determined primarily by the credit margins of the underlying securities together with other market factors such as liquidity. Should there be a movement in interest rates by 10 basis points the Statement of Changes in Net Assets would have moved by \$14,034 (2007: \$3,660).

Other market price risk

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Fund's financial instruments are valued at net market value with changes in net market value recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect investment revenue.

Sensitivity analysis

The Trustee has determined that the standard deviation of the rate of return for each asset class will provide a reasonably possible change in the prices of the investments that comprise each asset class. The five year average standard deviation of rates of return for each asset class, were provided by the Fund's asset manager. The following table illustrates the effect on change in net assets after tax and net assets available to pay benefits from possible changes in market price risk.

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

24. FINANCIAL INSTRUMENTS (CONTINUED)

2008

Investment Option	Sensitivity variable	Standard Deviation	Change in accrued benefits as a result of operations \$	Net Assets available to pay benefits \$
Cash	Average 5 year standard deviation	0.2%	56,475	56,475
Australian Bonds	Average 5 year standard deviation	2.3%	1,255,761	1,255,761
Australian Shares	Average 5 year standard deviation	11.0%	12,578,166	12,578,166
Property – Direct	Average 5 year standard deviation	3.7%	1,938,713	1,938,713
Property – Listed	Average 5 year standard deviation	14.9%	1,162,836	1,162,836
International Shares	Average 5 year standard deviation	10.9%	6,493,734	6,493,734
International Bonds	Average 5 year standard deviation	2.8%	248,441	248,441
Alternative	Average 5 year standard deviation	0.2%	29,646	29,646
Total			23,763,774	23,763,774

2007

Investment Option	Sensitivity variable	Standard Deviation	Change in accrued benefits as a result of operations \$	Net Assets available to pay benefits \$
Cash	Average 5 year standard deviation	0.2%	40,307	40,307
Australian Bonds	Average 5 year standard deviation	2.5%	1,743,102	1,743,102
Australian Shares	Average 5 year standard deviation	9.0%	11,131,048	11,131,048
Property – Direct	Average 5 year standard deviation	3.7%	1,665,270	1,665,270
Property – Listed	Average 5 year standard deviation	9.2%	897,509	897,509
International Shares	Average 5 year standard deviation	11.4%	7,773,475	7,773,475
International Bonds	Average 5 year standard deviation	2.8%	235,288	235,288
Alternative	Average 5 year standard deviation	0.2%	19,633	19,633
Total			23,505,632	23,505,632

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Fund's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment option's expected return in future years.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

FIRE AND EMERGENCY SERVICES SUPERANNUATION FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

24. FINANCIAL INSTRUMENTS (CONTINUED)

Credit Risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The net market value of financial assets, included in the Statement of Net Assets represents the Fund's maximum exposure to credit risk in relation to those assets. The Fund does not have any significant exposure to any individual counter party or industry. The credit risk is monitored by the Trustee by monthly reporting from its investment manager.

The Fund does not have any assets which are past due or impaired.

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's liquidity position is monitored on a daily basis. The Fund's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, Fund expenses plus investing activities.

The following tables summarise the expected maturity profile of the Fund's financial liabilities based on the earliest date on which the Fund can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

30 June 2008	Less than 3 months \$	3 Months to 1 year \$	Total Contractual Cash Flows \$	Carrying Amount (Asset)/Liabilities \$
Creditors & accruals	257,971	-	257,971	257,971
Uncalled capital liability	-	170,905	170,905	170,905
Employee entitlements	62,203	-	62,203	62,203
Current tax liabilities	2,098,323	22,055	2,120,378	2,120,378
Vested benefits	317,694,335	-	317,694,335	317,694,335
Total	320,112,832	192,960	320,305,792	320,305,792

30 June 2007	Less than 3 months \$	3 Months to 1 year \$	Total Contractual Cash Flows \$	Carrying Amount (Asset)/Liabilities \$
Creditors & accruals	349,514	-	349,514	349,514
Uncalled capital liability	-	351,737	351,737	351,737
Employee entitlements	46,980	-	46,980	46,980
Current tax liabilities	1,901,991	657,917	2,559,908	2,559,908
Vested benefits	318,636,812	-	318,636,812	318,636,812
Total	320,935,297	1,009,654	321,944,951	321,944,951

Vested benefits have been included in the less than 3 months column, as this is the amount that members could call upon as at year-end. This is the earliest date on which the fund can be required to pay members' vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

Fair Value Estimation

The carrying amounts of all the Fund's financial instruments at the balance date approximated their fair values.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

25. EVENTS SUBSEQUENT TO BALANCE DATE

In September 2008 Lehman Brothers Fund manager subsequently collapsed, this is not expected to have an impact on the financial position of the Fund as investments are not held directly in Lehman Brothers.