

Annual Report

2009/2010



Statement of Compliance

To the Hon Colin Barnett MLA

Premier, Treasurer, Minister for
State Development

In accordance with Section 61 of the *Financial Management Act 2006* (FMA), we hereby submit for your information and presentation to Parliament, the Annual Report of the Government Employees Superannuation Board, trading as GESB, for the financial year ended 30 June 2010.

The Annual Report has been prepared in accordance with the provisions of the following Acts.

- *Disability Services Act 1993*
- *Electoral Act 1907*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *State Records Act 2000*



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GESB Profile

‘Our strategy to create long term value through prudent management resulted in the delivery of sound investment performance, low fees and the continued provision of a wide range of education, financial advice and other services.’

PURPOSE

GESB’s purpose is to improve the long term financial well-being of its members.

To meet its purpose, GESB provides easy access to competitive superannuation and retirement products, financial advice regarding members’ interests in schemes, insurance and a wide range of member education services.

ENABLING LEGISLATION

GESB’s statutory framework is principally derived from the *State Superannuation Act 2000 (SSA)* and the *State Superannuation Regulations 2001*. GESB’s functions under the SSA are to:

- administer the SSA;
- manage the Government Employees Superannuation Fund (GES Fund);
- administer GESB’s schemes;
- provide information, advice and assistance to the Minister and Treasurer on matters relating to superannuation;
- provide or facilitate the provision of products and services to:
 - members of superannuation schemes administered under the SSA or any other written law; and
 - employers; and
- perform any other functions conferred under any other written law.

In carrying out these functions, GESB is required to act in the best interests of members, as far as practicable.

STRATEGIC OBJECTIVES

GESB achieves its purpose by focusing on four corporate objectives.

1. Sustainable Growth – Deliver competitive superannuation and retirement products, financial advice and ancillary products and services.
2. Cost Management – Prudent management of our cost base.
3. Risk Management – Manage our business responsibly.
4. People Management – Build a performance culture focused on member value.

GESB delivers value for members and the State.

For members, GESB provides superannuation and retirement products and services at a lower cost than the industry average, while delivering above market median investment returns. Combined with extensive education services, this enables members to plan, build and manage their savings more efficiently.

For the State, GESB provides low cost administration and investment services with appropriate risk management.

Scale and diversification are important factors in delivering competitive prices and sound investment returns, reducing risk and meeting members’ needs for enhanced and additional products and services.

GESB VALUES

Members First

GESB is committed to improving its members’ long term financial well-being through understanding their needs and considering their interests in everything it does.

Achieve Together

GESB partners with its members, providing confidence in their future. GESB is positive and energetic in the way it serves its members and in the way it manages their money. GESB is dedicated to simplifying investment, super and retirement, by using plain language that is easy to understand.

Sustainable Performance

GESB prides itself on being knowledgeable and insightful. It makes balanced decisions for the long term. GESB thinks ahead and looks for ways to improve its performance at every level.

Act with Integrity

GESB makes responsible decisions based on thorough analysis, and makes a point of sharing its knowledge. It approaches every aspect of its work ethically and accountably, with a sense of responsibility.

Joint Report from the Chairman and Chief Executive Officer

GESB had a financially successful year in 2009/10, returning to a positive position after the global financial crisis, with members receiving sound investment returns on their funds.

Following the challenging financial conditions of the global financial crisis, 2009/10 was characterised by increasing market confidence, improved investment performance, but with continuing volatility in both the world economy and global investment markets.

As the Australian economy started to strengthen, GESB's focus remained on improving the financial well-being of members. Our strategy to create long term value through prudent management resulted in the delivery of sound investment performance, low fees and the continued provision of a wide range of education, financial advice and other services.

GESB's key strengths were a diversified investment strategy, low cost administration, extensive metropolitan and regional member education services, tiered financial advice and efficiencies delivered through an integrated business model. Together, these supported the delivery of strong performance for members and the State, despite difficult and changing market conditions.

INVESTMENT ENVIRONMENT

During 2009/10, equity and credit markets rebounded from the financial crisis. Emerging markets increased their share of global GDP output and led strong gains in equity markets. Investors again started to acquire assets that had been over-sold through the depths of the global financial crisis.

However, the global recovery was halted in early 2010 by sovereign debt issues, particularly in Europe. Unsustainable fiscal debt burdens of several European economies continue to represent a challenge for global recovery.

Against this backdrop, GESB members and the State benefited from improvements in equity markets, with a gross annual investment return on GESB's portfolio of 12.33%. GESB's default superannuation and retirement schemes significantly outperformed market median returns.

Funds under management increased over the year by 21% to \$10.22 billion. This increase was largely due to improvements in equity markets, together with a strong net funds inflow of \$940 million. GESB's focus on education and financial advice resulted in many members making additional contributions to their superannuation during the recovery period.

The Board Investment Committee, which includes independent investment professionals, played an important role in advising the Board on investment matters. Their expertise and capability were critical, given the volatility of the recovery from the global financial crisis.

SERVICES

GESB focused on building accessible and affordable education and financial advice services for members. This was particularly important given the unique nature of GESB's untaxed schemes and the expectation that 25% of the Western Australian (WA) public sector will retire in the next five to 10 years.

With this in mind, we introduced a tiered advice model focusing on GESB superannuation and retirement products. This enabled members to choose from a phone-based advice service, a more wide-ranging specific advice service and individualised advice accessed in-person.

Member attendance at education seminars remained strong. More than 700 seminars were held across Western Australia during 2009/10. Our member education seminars received the highest member rating in Australia in the 2009 Investor/Member Sentiment and Communications Report by Investment Trends.

Services to regional Western Australia, where over 30% of GESB members are located, were expanded. During the year, additional web based services, webinars, on-site education seminars and financial advice sessions were introduced.

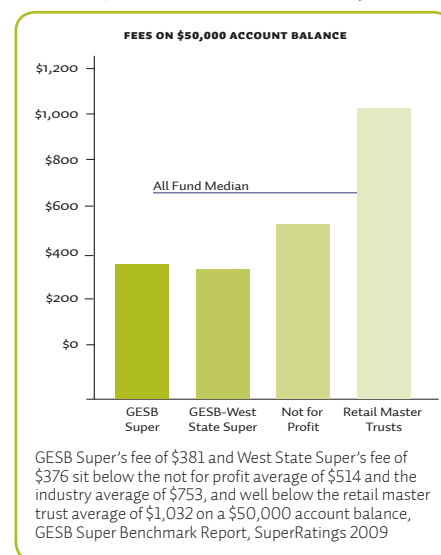


PHIL HARVEY
Chairman



MICHELE DOLIN
Chief Executive Officer

GESB Represents Value for Money



‘GESB focused on building accessible and affordable education and financial advice services for members. This was particularly important given the unique nature of GESB’s untaxed schemes and the expectation that 25% of the Western Australian (WA) public sector will retire in the next five to 10 years.’

QUALITY AND EFFICIENCY ENHANCEMENTS

Financial and member reporting were enhanced and a customer relationship management system was introduced. A number of member service activities were also automated to improve business efficiency. This gave GESB a more complete and timely view of members.

Overall, these efficiency enhancements and a strong focus on cost management delivered expenses 4% under budget. This represented a 1% decrease in the average cost per member of administering the schemes, compared with the previous year.

OUR PEOPLE

GESB continued to attract and retain people with specialist financial services skills, particularly in the areas of investments, financial advice, administration, risk management and IT. We invested in our people through leadership and professional development programs and we continued to pursue our previously successful employee health, well-being and values based programs.

CHOICE OF FUND

In April 2010, the Government announced that the planned mutualisation of GESB would not proceed and that legislation providing for the introduction of Choice of Fund for WA public sector employees would be drafted.

GESB will continue to work with the State Government to implement its new policy direction in the best interests of members.

COMMONWEALTH LICENCES

Following this announcement, GESB Mutual Ltd (GML) and its subsidiaries, which were established for mutualisation, relinquished their Commonwealth regulated Australian Financial Services Licences (AFSL).

GESB’s financial advice subsidiary, GESB Wealth Management Pty Ltd (GWM), continued to operate under its AFSL.

INDUSTRY REFORM

During the year, the Commonwealth Government consulted on superannuation industry reform through the Cooper and Ripoll Reviews. Their recommendations, if accepted and implemented, will herald the most significant reforms to the superannuation and financial advice industries for many years.

GESB considers it is well placed to respond to these reforms.

ACKNOWLEDGEMENTS

We take this opportunity to thank all GESB staff and the GESB Directors and Committee Members for their commitment and hard work during the past year. Without their contribution and support, GESB would not be in the strong position it is today.

We welcome the appointment of the Hon Colin Barnett MLA, Premier and Minister for State Development as the Treasurer and GESB’s Minister.

We also acknowledge the contribution made by the Hon Troy Buswell MLA in his capacity as Treasurer and GESB’s Minister until April 2010.

GESB maintained a strong and unique position in the superannuation industry during 2009/10, generating above market average returns at below market cost. Few funds have performed as solidly as GESB against investment returns, investment methodology, fees, administration and advisory services, within a robust, secure and proven governance framework. Meanwhile, members continued to benefit from sound investment performance, low fees and expanded financial education and financial advice services.



PJ HARVEY
Chairman



MICHELE DOLIN
Chief Executive Officer

Corporate Objectives

SUSTAINABLE GROWTH

Corporate Objective

Delivering competitive superannuation, retirement and financial advice products and services.

Investment Performance

For consistency of comparison, both plan and benchmark returns quoted in this section are gross of fees and taxes. Please refer to the Key Performance Indicators section of this report for more details on plan and benchmark returns.

During the year, GESB faced a complex and competitive environment where it was necessary to mitigate investment risks yet take advantage of opportunities presented by market dislocations. In a volatile year marked by concerns about global sovereign risk and increasing interest rates in Australia, GESB achieved positive returns for all investment plans.

GESB's investment framework added value through careful attention to the following areas:

- investment strategy;
- asset allocation;
- manager due diligence and selection;
- risk controls; and
- competitive fees.

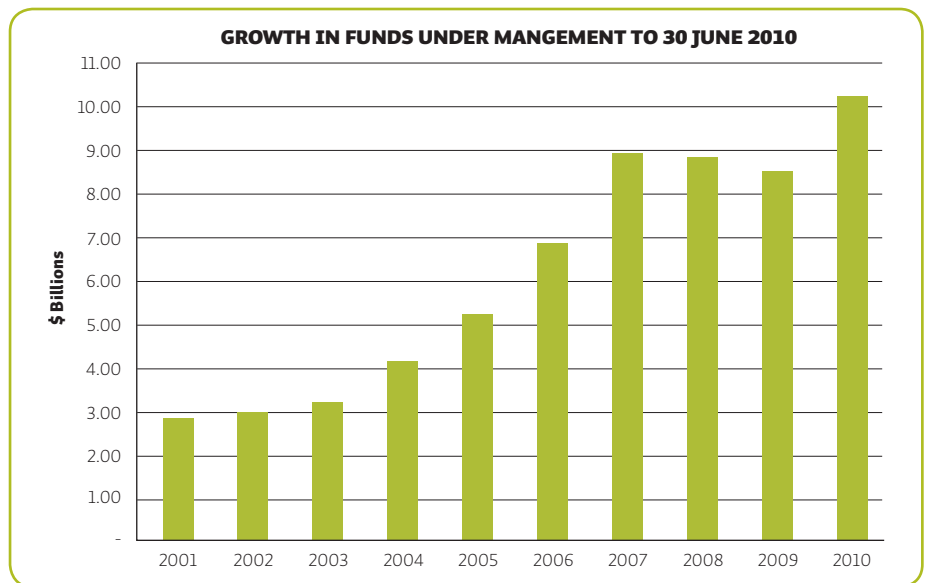
Each of these areas contributed to performance during the year. The majority of plans produced returns above their asset weighted benchmarks.

To ensure that GESB added value for our members, we measured ourselves against rigorous benchmarks and peers in the superannuation industry. As a validation of our investment approach, GESB Super was awarded a Platinum award for the third year running by the independent industry rating agency, SuperRatings. In a comparison of 300 funds, GESB Super rated as a best value for money super fund and within the top 15% of all funds assessed.

Performance Highlights

- GESB's funds under management rose by \$1.78 billion to a new financial year end high of \$10.22 billion.
- Gains from investments contributed to a record \$10.4 billion in funds under management, while net inflows from members totalled \$939.71 million.
- West State Super Balanced Plan, the plan adopted by 65% of GESB members, returned 12.94% for the 12 months to June 2010. The plan's solid performance benefited from its strategic asset allocation to equities and good manager selection.
- The West State Super Balanced Plan has outperformed its asset weighted benchmark in each of the nine financial years since the inception of member investment choice.
- The GESB Super Balanced Growth Plan returned 14.38% and outperformed its asset weighted benchmark by 1.68% for the 12 months to June 2010.
- The combined Gold State Super, Pension and Provident Schemes achieved a return of 12.98% for the State for the 12 months to June 2010.
- GESB's investment plans continued to be well positioned in terms of liquidity to prudently manage investment risk.
- The impact of fees was increasingly important. GESB continued to be one of the lowest cost providers of superannuation in Australia, with investment management costs of 0.34%.
- GESB's internal investment team was further strengthened with the addition of asset class specialists.

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West State Super

West State Super Plan Gross Performance – 1, 3 and 5 Years

INVESTMENT PLAN		1 YEAR GROSS RETURN* %	3 YEAR GROSS RETURN* % p.a.	5 YEAR GROSS RETURN* % p.a.
Investment Plan	Cash Plan	3.97	5.01	5.58
Benchmark	UBSA Bank Bill Index	3.89	5.56	5.77
Investment Plan	Conservative Plan	10.17	2.40	5.17
Benchmark	Notional Return on Benchmark Allocation	9.07	1.94	4.81
Investment Plan	Balanced Plan	12.94	-1.62	4.53
Benchmark	Notional Return on Benchmark Allocation	12.17	-2.91	3.61
Investment Plan	Growth Plan	13.15	-4.40	3.83
Benchmark	Notional Return on Benchmark Allocation	12.82	-5.79	2.74

* All returns are reported gross of fees and applicable taxes. Returns greater than 1 year are annualised.

GESB's largest investment plan, the West State Super Balanced Plan, outperformed its asset weighted benchmark for the ninth consecutive financial year. GESB continued to add value through asset allocation and manager selection. The West State Super Balanced Plan has delivered a cumulative return of 60.02% since inception in June 2001, soundly outperforming the asset weighted benchmark's cumulative return of 50.29% over the same period.

The Conservative Plan posted a strong return of 10.17% relative to its asset weighted benchmark, which rose 9.07% for the year ended 30 June 2010. The majority of the outperformance was attributable to the decision to underweight the Australian fixed income markets in favour of the global investments. In addition to the geographical mix, selected managers outperformed in both the Australian and international markets.

The Growth Plan posted a return of 13.15%, benefiting from its greater emphasis on the strongly performing equity and property markets. The Growth Plan has outperformed its asset weighted benchmark on a consistent basis since the introduction of member investment choice.

The Cash Plan was managed with a conservative approach and plan returns reflect an underlying investment performance that approximates the benchmark UBSA Bank Bills Index. GESB believes that investment options should be 'true to label' and does not consider it is appropriate to introduce undue investment risk to the Cash Plan for minor performance gains. For the year, the Cash Plan posted a return of 3.97%, against the benchmark's return of 3.89%.

GESB Super

GESB Super Plan Gross Performance – 1 and 3 Years

INVESTMENT PLAN		1 YEAR GROSS RETURN* %	3 YEAR GROSS RETURN* % p.a.
Investment Plan	Cash Plan	3.84	4.89
Benchmark	UBSA Bank Bill Index	3.89	5.56
Investment Plan	Conservative Plan	11.01	1.53
Benchmark	Notional Return on Benchmark Allocation	9.58	1.10
Investment Plan	Balanced Conservative Plan	15.00	-1.23
Benchmark	Notional Return on Benchmark Allocation	12.25	-2.78
Investment Plan	Balanced Growth Plan	14.38	-3.25
Benchmark	Notional Return on Benchmark Allocation	12.70	-4.67
Investment Plan	Growth Plan	16.08	-5.83
Benchmark	Notional Return on Benchmark Allocation	13.37	-7.53

* All returns are reported gross of fees and applicable taxes. Returns greater than 1 year are annualised.
GESB Super was introduced in April 2007 and as such 5 year returns are not available.

Each of the GESB Super plans that are diversified across a number of asset classes recorded double digit returns for the period and each plan outperformed its relevant asset weighted benchmark. The performance of the Cash Plan reflected the relatively low official cash rate during the year and month-on-month returns increased gradually during the year as the Reserve Bank increased interest rates.

While the GESB Super diversified plans and the West State Super diversified plans differ in terms of benchmarks and asset allocations, they share substantially the same group of underlying Investment Managers. Further details on underlying performance are in the Asset Class Performance section of this report.

Retirement Income

Retirement Income Plan Gross Performance – 1, 3 and 5 Years

INVESTMENT PLAN		1 YEAR GROSS RETURN* %	3 YEAR GROSS RETURN* % p.a.	5 YEAR GROSS RETURN* % p.a.
Investment Plan	Cash Plan	3.96	4.98	5.56
Benchmark	UBSA Bank Bill Index	3.89	5.56	5.77
Investment Plan	Conservative Plan	10.11	2.64	5.37
Benchmark	Notional Return on Benchmark Allocation	9.19	2.06	4.98
Investment Plan	Balanced Plan	13.11	-1.09	5.05
Benchmark	Notional Return on Benchmark Allocation	12.25	-2.78	3.87
Investment Plan	Growth Plan	13.27	-3.97	4.28
Benchmark	Notional Return on Benchmark Allocation	12.97	-5.65	3.00

* All returns are reported gross of fees and applicable taxes. Returns greater than 1 year are annualised.

Each of the plans that are diversified across a number of asset classes produced solid, above asset weighted benchmark performances for the 12-month period.

The Balanced Plan retained its status as the largest Retirement Income Plan and its performance remains comfortably above its asset weighted benchmark since inception. Despite heightened market volatility, the Balanced Plan has exhibited persistent outperformance versus its asset weighted benchmark over the investment cycle, which is highlighted by its relative outperformance in all rolling annual reporting periods since inception.

Gold State Super, Pension Scheme and Provident Account

Gold State Super, Pension Scheme and Provident Account Gross Performance – 1, 3 and 5 Years

INVESTMENT PLAN		1 YEAR GROSS RETURN* %	3 YEAR GROSS RETURN* % p.a.	5 YEAR GROSS RETURN* % p.a.
Investment Plan	Gold State, Pension and Provident	12.98	-5.57	3.24
Benchmark	Notional Return on Benchmark Allocation	13.02	-6.72	2.38

* All returns are reported gross of fees and applicable taxes. Returns greater than 1 year are annualised.

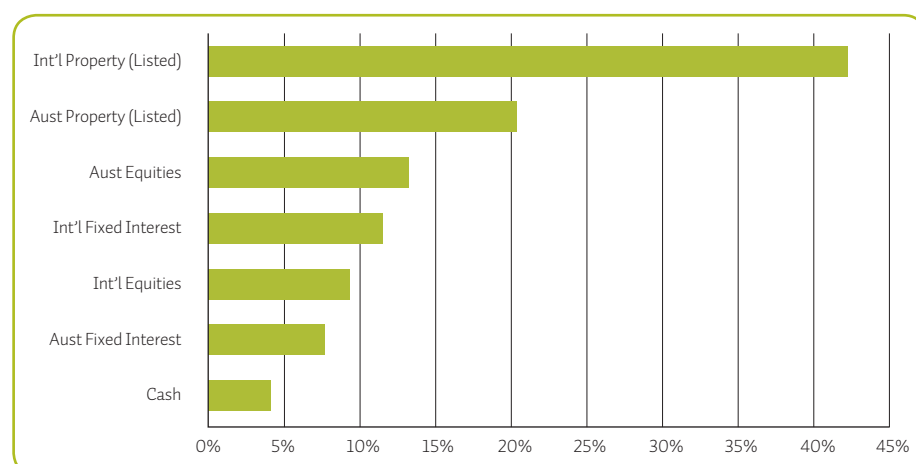
The assets of Gold State Super, the Pension Scheme and the Provident Account are pooled into a single strategy and invested with a common asset allocation to manage the funded liability on behalf of the State. The pooled strategy achieved a gross return of 12.98% for the 12 months to 30 June 2010, approximating the performance of its asset weighted benchmark. Over the three and five year periods the pooled strategy outperformed its asset weighted benchmark return by 1.15% per annum and 0.86% per annum, respectively. Since June 2001, the pooled strategy has achieved a cumulative performance of 38.17% compared with 31.94% for the benchmark.

Asset Class Performance

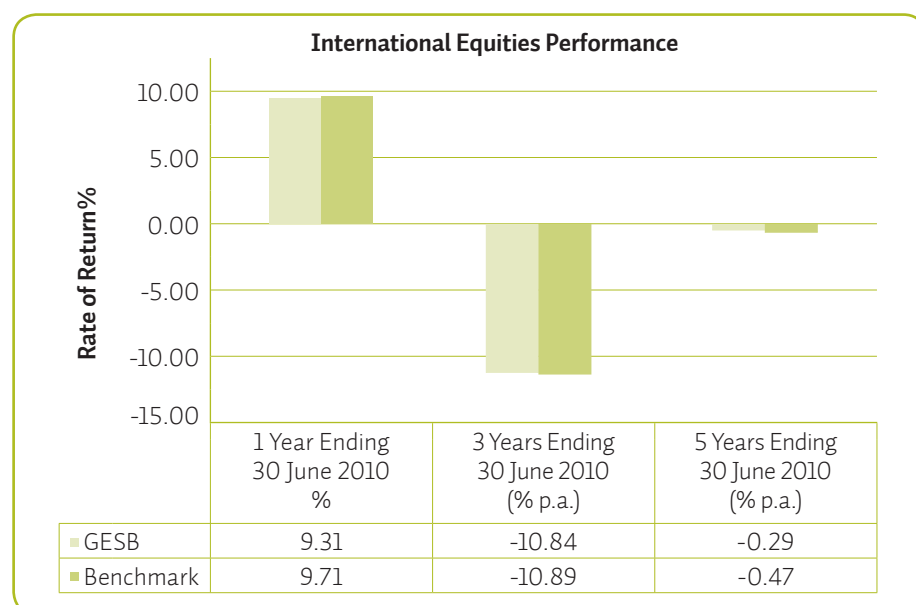
For consistency of comparison, both asset class and benchmark returns quoted in this section are gross of fees and taxes. Please refer to the Key Performance Indicators section of this report for more details on plan and benchmark returns.

Markets began the financial year with good momentum from the rally that began in March 2009. However, the rally faltered in mid-April 2010 and global shares retreated to levels last seen nine months previously. Renewed stock market volatility centred on concerns regarding government debt in Europe and a possible slowdown in Chinese economic growth. Locally, markets also had to contend with uncertainties surrounding the Resources Super Profits Tax and a change in government leadership.

Asset Class Performance – 1 Year



International Equities

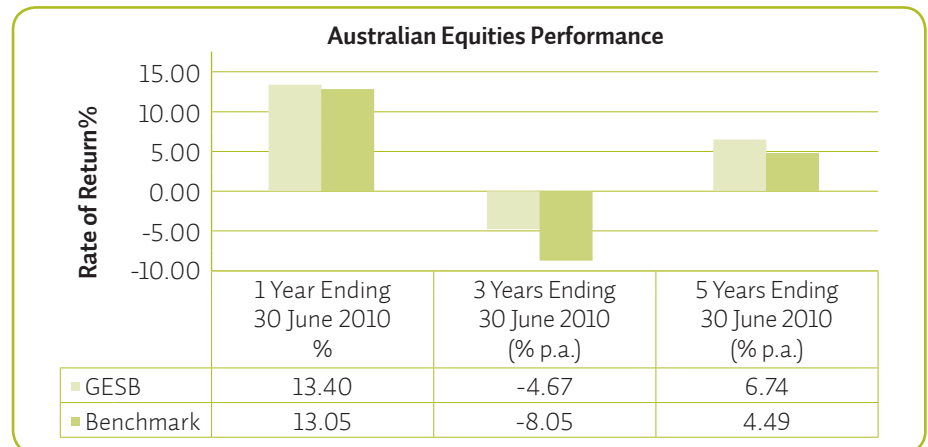


All returns are reported gross of fees and applicable taxes. Returns greater than 1 year are annualised.

A number of new International Equity Managers were appointed during the year and contributed to overall performance. Managers with a thematic investing approach performed particularly well, due to exposure to stable growth industries such as healthcare and consumer staples. The appointment of a Manager with a focus on higher quality stocks that tended to perform well in volatile markets added significant value to the portfolio.

With modest growth returning to the world's largest developed economies, the MSCI World (local) index advanced 9.32% over the 12 month period. While these profits were a welcome break from a two year losing streak, the gains were concentrated in the first half and the index suffered a decline of 11.81% in the final three months of the financial year.

Australian Equities

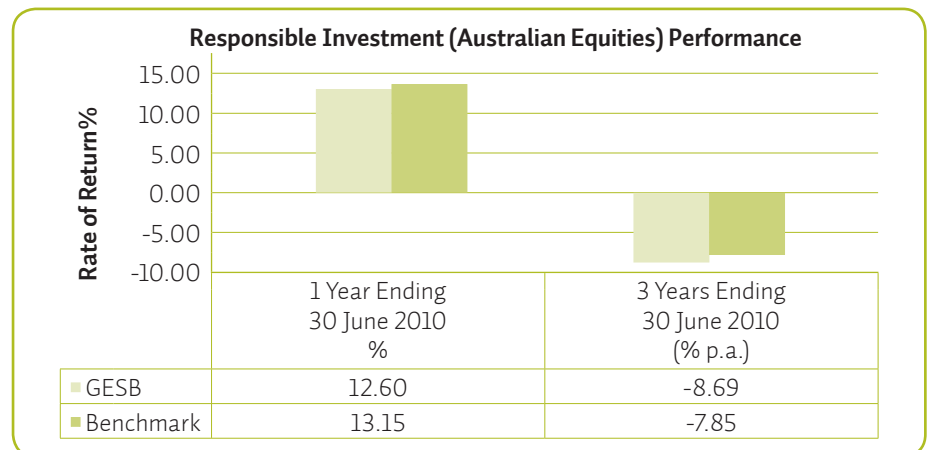


All returns are reported gross of fees and applicable taxes. Returns greater than 1 year are annualised.

The performance trends of the local market mirrored that of global equity markets. Stocks rallied in the first half of the financial year, before investors became concerned about European indebtedness and a possible slowdown in Chinese economic growth. Despite the declines in the latter part of the year, the ASX300 index return of 13.05% was its best performance since the 2006/07 financial year. All industry sub-sectors advanced with the exception of the energy sector, which posted a decline of 3.41%, despite a rise in the oil price.

GESB's Australian Equities portfolio marked its third consecutive year of outperformance. In a volatile year, the portfolio generated a return of 13.40% versus 13.05% for its benchmark. The best performing Managers were those with meaningful exposures to the materials, energy and financial sectors. In addition, GESB's small cap Managers generated strong returns through superior stock selection.

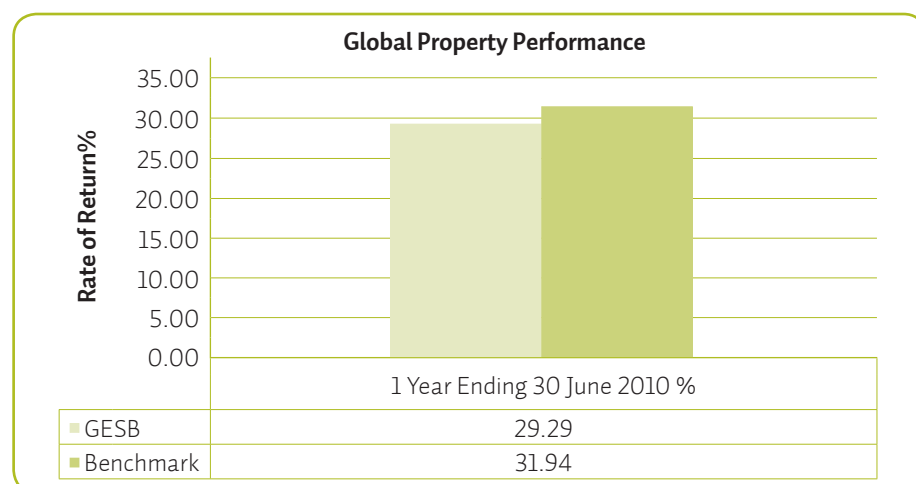
Responsible Investment (Australian Equities)



All returns are reported gross of fees and applicable taxes. Returns greater than 1 year are annualised. Due to an asset class restructure in April 2007 returns for 5 years are not available.

GESB's Responsible Investment (Australian Equities) portfolio delivered a return of 12.60% for the 12 months to June 2010. AMP Capital Investors manages the portfolio according to its Responsible Investment Leaders process, focusing on emerging industries of the future, such as healthcare, renewable energy, waste processing, public transport and education.

Global Property



All returns are reported gross of fees and applicable taxes. Due to an asset class restructure in May 2008 returns for 3 and 5 years are not available.

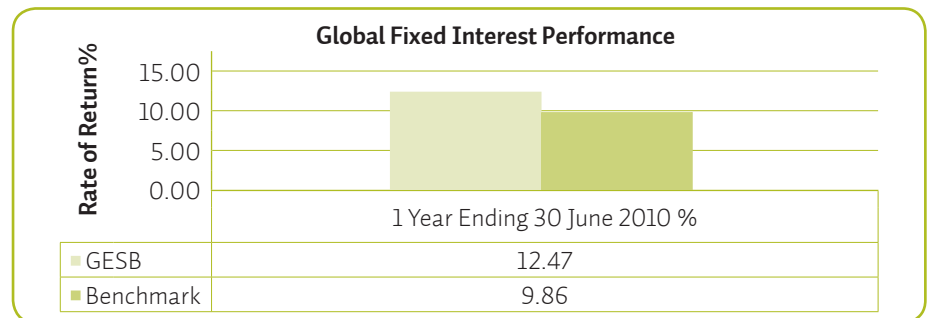
The listed property sector was one of the hardest hit by the financial crisis. With high debt ratios and reliance on short term financing, the global financial crisis curtailed the sector's access to capital, causing significant losses during 2008 and 2009. In response, listed property companies moved to improve their balance sheets by raising new capital, reducing debt and shifting away from riskier investments such as speculative developments.

The repositioning to more robust strategies was rewarded with the sector recovering strongly from last year's negative impact. Global property markets in general have begun to stabilise and some markets have experienced improvements in vacancy and rent levels. Over the past year, the global listed property index returned 42.44% and the domestic index return returned 20.34%. GESB's listed property portfolio, which comprised a mix of international and domestic Managers, produced a return of 29.29% for the period.

Conscious of the volatile impact that the wider capital markets could have on underlying property performance, GESB formulated a strategy to diversify into unlisted property funds in 2007. Given the turmoil in the asset class, GESB's decision to defer investments in the unlisted asset class proved favourable, as significant asset write downs took place throughout 2008 and 2009. In the final quarter of 2009, a number of quality investments became available in the market at discounted prices. This provided the opportunity for GESB to initiate its unlisted property program focused on core properties with experienced Managers.

Given the extent of comprehensive due diligence required of this style of investing, GESB retained specialist external advice to conduct thorough analysis in key areas, including Manager skill and the quality of the underlying properties.

Global Fixed Interest

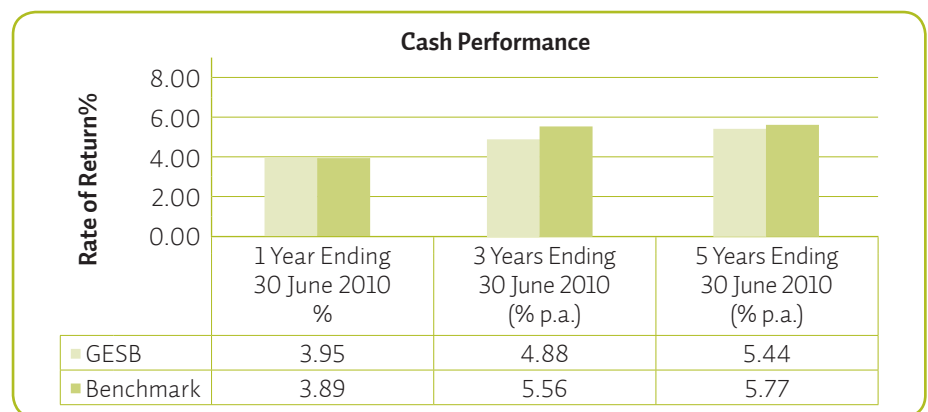


All returns are reported gross of fees and applicable taxes. Due to an asset class restructure in May 2008 returns for 3 and 5 years are not available.

Despite the sovereign debt concerns surrounding Greece and other highly indebted European countries, global fixed income markets posted solid gains. GESB's decision to favour investments in overseas markets relative to the local market was a material contributor to the above benchmark performance in the asset class. GESB's global fixed interest portfolio delivered a strong return of 12.47%, with both its domestic and international Managers contributing positively to performance.

Fixed interest markets, in particular government debt, tend to perform well when investors are concerned about weakening economic growth. The benchmark Global Aggregate Bond index, which incorporates both government and corporate debt, rose 11.51%. In contrast to the fragile state of the major developed countries, Australian economic growth continued to surprise on the upside. The performance of the local bond market was tempered by six 0.25% increases in the official cash rate (bond prices typically decline when interest rates increase). Nevertheless, the Australian bond market benchmark still delivered a credible 7.86% return.

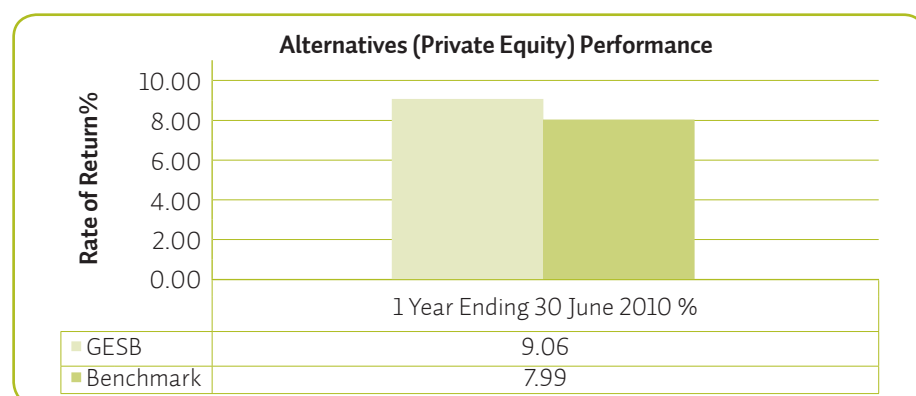
Cash



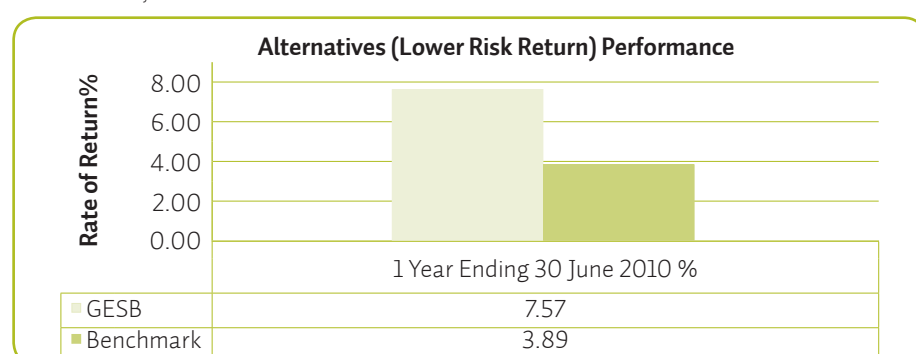
All returns are reported gross of fees and applicable taxes. Returns greater than 1 year are annualised.

As the strength of the Australian economy increased, the Reserve Bank of Australia (RBA) moved decisively to increase interest rates. The RBA began its tightening cycle with an unprecedented three consecutive rate rises beginning 7 October 2009. With inflation relatively high, the official cash rate moved from an 'emergency setting' of 3.00% in June 2009 to 4.50% by June 2010. The performance of GESB's cash portfolio closely followed the official cash rate and month-on-month returns increased gradually during the year.

Alternatives



All returns are reported gross of fees and applicable taxes. Due to an asset class restructure in May 2008 returns for 3 and 5 years are not available.



All returns are reported gross of fees and applicable taxes. This asset class was introduced in June 2009, therefore returns for 3 and 5 years are not available.

The Alternatives classification can encompass a wide variety of asset classes and during the financial year comprised two strategies with very distinct return profiles: private equity and enhanced cash.

During the year, GESB added an opportunistic property stream to the existing Australian and international private equity program. Our analysis identified global commercial real estate as an attractive sector due to cyclically low valuations and a large number of stressed sellers. GESB's initial investments in this area, while small, were highly profitable and we intend to continue to use our strong position to source discounted and opportunistic investments.

The enhanced cash strategy delivered its strongest relative performance since inception and delivered significant value above its Bank Bills index. The strategy benefited from increased credit margins on its core holdings of Australian residential mortgage debt and bank debt securities.

Looking Ahead

The pervading market uncertainty highlights the need for GESB to maintain flexibility in its approach to investment management. The key to building on the above benchmark performances of recent years will be the ability to recognise and mitigate investment risks in a timely manner. Accordingly, the Board is increasingly concerned with the time taken to deal with investment matters requiring external approval or consideration. GESB continues to work with the State Government to improve approval and governance processes.

Specific initiatives for 2010/11 include:

- enhancement of GESB's asset allocation research and processes;
- continued development of the global unlisted property strategy;
- development of a global infrastructure strategy; and
- enhancement of GESB's risk management systems and processes.

MEMBER SERVICES

Performance Highlights

During 2009/10, members continued to access low-cost superannuation and retirement products, financial advice and a wide range of financial education services.

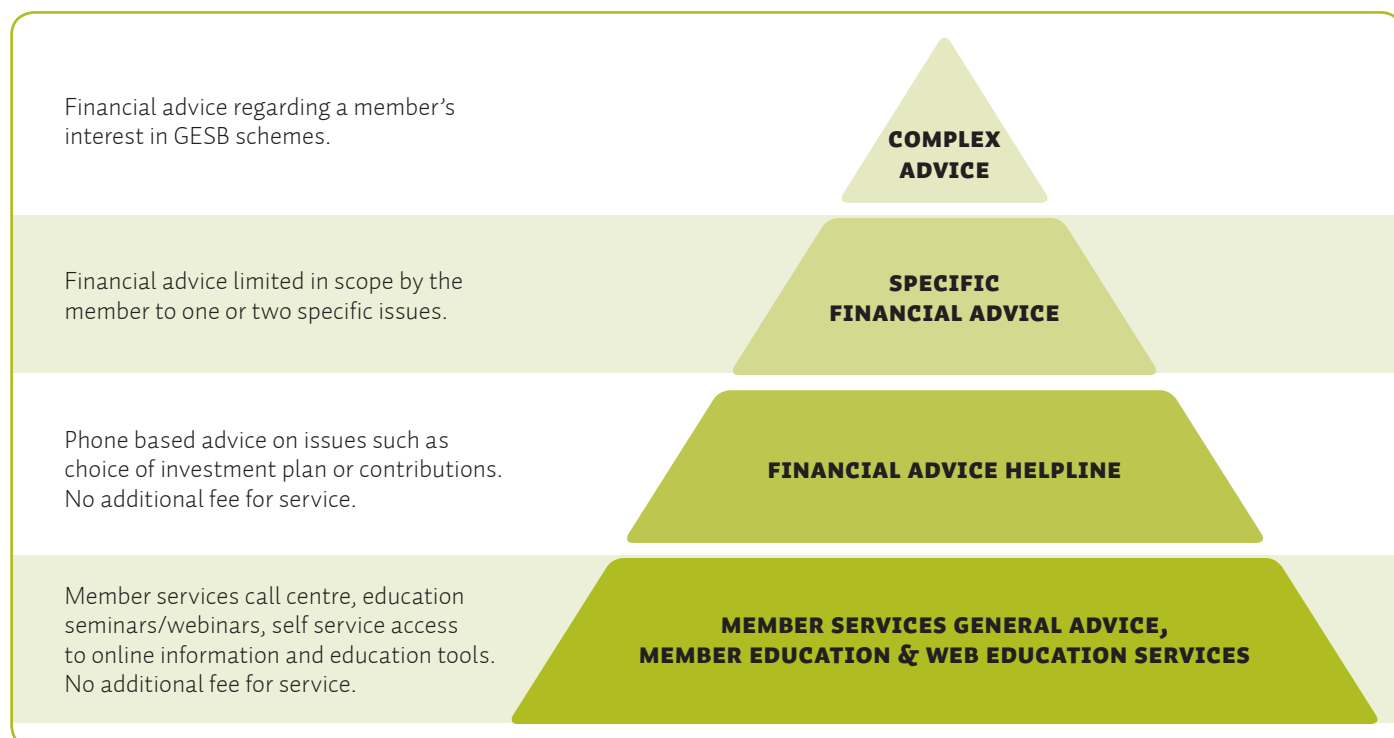
- GESB held more than 40 free retirement seminars across WA to help members prepare financially for life after work.
- Over 650 free superannuation seminars were conducted for members at work sites, providing easy access to information about their investment and contribution options.
- 12,000 members attended a financial education forum, including webinars, enabling them to plan, build and manage their super more effectively.
- GESB conducted more than 1,100 department visits to employers across WA, helping them to meet their superannuation obligations.
- More than 600,000 member enquiries were managed through the web and call centre.
- GESB Financial Advice provided individual financial advice to around 1,000 members, giving them the best opportunity to meet their financial goals.

During the year, GESB introduced a new customer relationship management system. As a result, members were able to make better informed decisions about their superannuation and retirement through the provision of information targeted to their needs.

Member demand for financial advice continued to be very strong, with a 55% increase in the number of members seeking advice on their GESB superannuation and retirement products over the previous financial year.

GESB introduced a tiered financial advice model. This offered members easy access to advice in metropolitan and regional areas. Tiered advice ranges from simple advice on investment and contribution options available at no additional cost over the phone, to individualised advice, in person, on a fee-for-service basis.

GESB Tiered Financial Advice Model



GESB expanded its education seminars for members and employers in metropolitan and regional areas, including Albany, Karratha, Broome, Bunbury, Geraldton, Port Hedland and Exmouth.

This focus on education saw GESB members make additional contributions at a significantly higher rate than the industry average. Through member communication and education, GESB increased member involvement and members achieved better retirement outcomes.

GESB continued to be highly rated by the industry's ratings agencies.

- GESB member education seminars received the highest member rating in the 2009 Investor/Member Sentiment and Communications Report by Investment Trends.
- GESB was again recognised by the Association of Superannuation Funds of Australia (ASFA) Communications Awards for member communication and education.
- GESB Super, West State Super and GESB's Retirement Income Allocated Pension received the highest quality ratings of Five Apples from independent ratings agency ChantWest.
- GESB Super, West State Super and GESB's Retirement Income Allocated Pension were awarded Platinum ratings by independent researchers SuperRatings, rated in the top 15% of surveyed funds in Australia. GESB Super and Retirement Income achieved Platinum ratings for the third consecutive year.
- Fee rankings remained excellent, with lower fees than the industry average across account balances, including 'not-for-profit' fund averages, according to SuperRatings.



Delivery locations of GESB financial advice and financial education services



COST MANAGEMENT

Corporate Objective

Prudent management of our cost base.

Performance Highlights

Efficiency and cost improvements were achieved during the year, as the accuracy and timeliness of financial and member reporting were improved.

GESB oversaw cost management on key performance ratios. To maintain these in changing market conditions we invested in and leveraged technology to maximise efficiencies.

Efficiency enhancements and effective cost management resulted in total administration expenses being 4% below budget for the year.

GESB has also reduced the average cost per member account for the last two years.

A range of administration and IT service enhancements were implemented during 2009/10, including:

- improved member statements;
- more efficient insurance claims management and reporting processes;
- new 'opt-in' insurance feature for casual employees;
- changes to administration systems for new legislation and to manage batch performance;
- upgrade of the pension system;
- new in-house Applications Support Team;
- upgrades to web and email monitoring security; and
- new website performance monitoring tools.

RISK MANAGEMENT

Corporate Objective

Manage our business responsibly.

Performance Highlights

GESB's risk management framework and material risks have been in place since 2005 and are aligned with the Australian New Zealand Management Standard 4360. Our risk management activities centred on the identified material risks that could detrimentally impact GESB's ability to deliver benefits for members over the long term.

Key risk factors arising from Government proposals included:

- the State Government decision not to mutualise GESB and to introduce one-way choice;
- the Whithear Report recommendations endorsed by the State Cabinet;
- increasing State Government involvement resulting in delays in implementing Board decisions;
- inability to respond to ongoing volatility and changes in global investment markets;
- changing governance and regulatory structures;
- transition risks associated with outsourcing a complex operational environment;
- loss of GESB default fund status for public sector workers;
- the risks associated with the decommissioning of significant parts of GESB's business; and
- significant State and Commonwealth reform impacting superannuation.

An audit of our framework and risk management practices determined that GESB has a mature risk management function that operates well. However, the State Government's decision to implement the recommendations of the Whithear Report has already begun to increase GESB's risk profile.

PEOPLE MANAGEMENT

Corporate Objective

Build a performance culture focused on member value.

Performance Highlights

GESB continued to recruit, retain and develop high calibre staff throughout the year. At 30 June 2010, over 70% of GESB's employees held higher education qualifications.

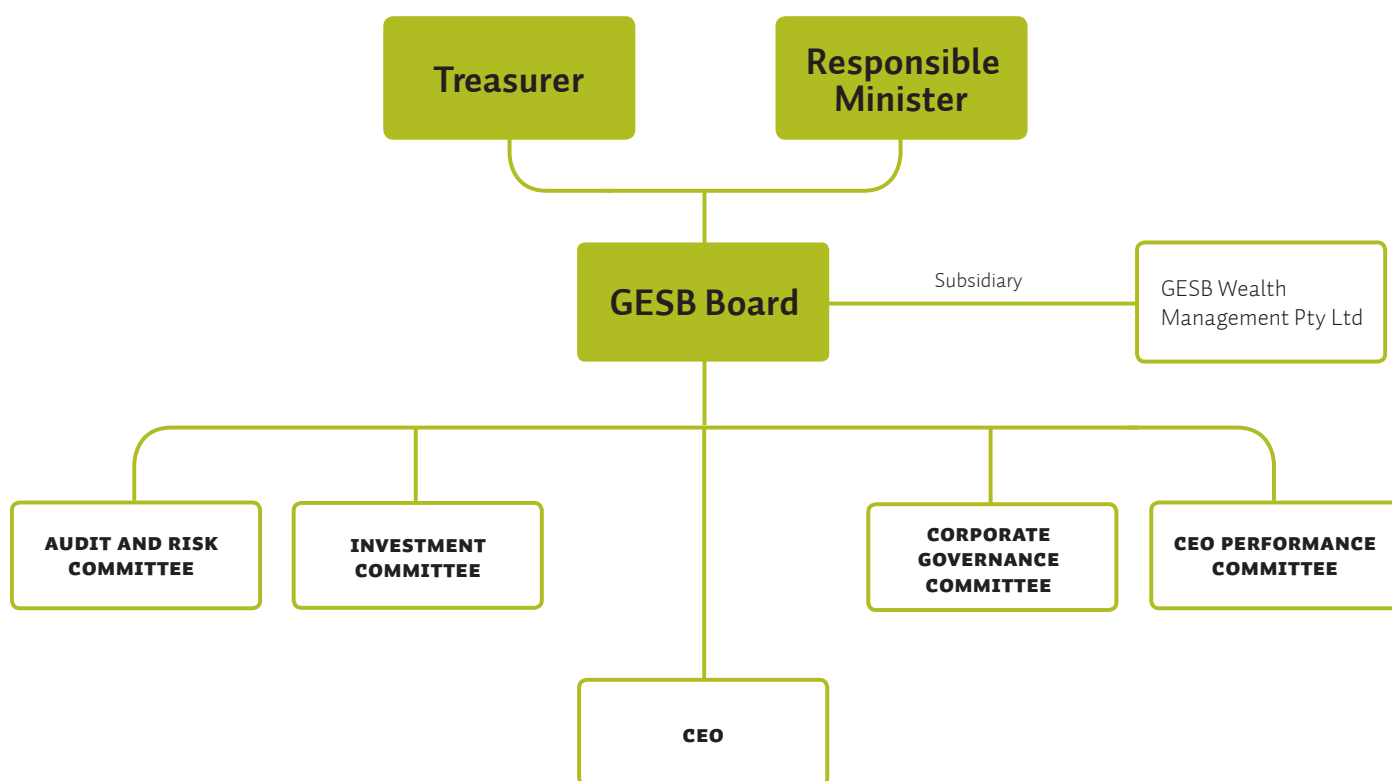
During 2009/10, two programs aimed at enhancing leadership and teamwork across our operating divisions were implemented, a new Diploma of Management and the Financial Services Institute of Australia (FINSIA) mentoring. These programs focused on the leadership and management skills of our first-line management group. Ongoing investment in professional development ensured that staff maintained accreditation, consistent with Commonwealth financial services requirements.

GESB implemented staff capability and development plans for all divisions, as well as career development pathways.

GESB continued investment in its successful employee health, well-being and engagement program. An employee survey was conducted during the year and employee engagement remained above industry benchmarks.

Corporate Overview

GESB Governance Structure



The Board

As a statutory authority, the GESB Board has powers and functions under the SSA and is ultimately accountable to its responsible Minister.

The Board is responsible for the overall governance and performance of GESB in accordance with the SSA.

The Board has responsibility for all matters relating to the operation of GESB and its subsidiary GESB Wealth Management Pty Ltd. In governing GESB, the Board sets the values and standards and ensures that GESB's obligations to its members and other stakeholders are understood and met.

The Board is supported by a Company Secretary, Kirsty Tippet, who advises on governance and is responsible for ensuring that Board procedures are complied with. Ms Tippet holds a Bachelor of Laws degree (with Honours) from The University of Western Australia, is a Barrister and Solicitor of the Supreme Court of Western Australia and an Affiliate of Chartered Secretaries Australia.

In carrying out its responsibilities, the Board undertakes to act honestly, fairly and diligently to create and build value for members, having regard to the interests of all stakeholders including members, employers, employees, the State, suppliers and the broader community.

Matters the Board considered included:

- Choice of Fund, mutualisation, the recommendations of the Whithear Review and the impact on members, the State and GESB;
- investment strategy, changes to asset classes and reserving;
- performance monitoring;
- enhancement of existing products and services;
- delegations; and
- financial management.

GESB is not Commonwealth regulated like other superannuation providers. However, as a matter of good practice, its operations are aligned where practicable with industry standards and Commonwealth regulatory requirements.

GESB's financial advice subsidiary, GESB Wealth Management Pty Ltd, is Commonwealth regulated by the Australian Securities and Investment Commission (ASIC) and operates under an Australian Financial Services Licence.

THE ROLES OF THE MINISTER AND TREASURER

The Minister responsible for GESB is the Hon Colin Barnett MLA, Premier, Treasurer and Minister for State Development. The Hon Troy Buswell MLA was GESB's responsible Minister until April 2010.

The Minister and the Treasurer have separate and distinct roles and, in some instances, the approval of both is required.

The Board is accountable to the Minister in performing its obligations under the SSA to act in the best interests of members. This contrasts with the role of the Treasurer to consider the financial rights and obligations of the State.

MINISTERIAL DIRECTIVES

No ministerial directives were received during 2009/10.

BOARD APPOINTMENTS AND ELECTIONS

The Board comprises an independent Chairman, three Employer Directors and three Member Directors.

Directors are appointed or elected under Section 8 of the SSA as follows:

- the Chairman is appointed by the Governor on the nomination of the Minister after consultation with representative unions;
- three Directors are appointed by the Governor of the State of Western Australia as Employer Directors;
- three Directors are elected as Member Directors via elections conducted by UnionsWA in accordance with the State Superannuation Regulations 2001; and
- the Chairman and Employer Directors are appointed for a term not exceeding five years. Member Directors are elected for a term not exceeding three years.

All Board Directors are eligible for re-appointment or re-election. If a casual vacancy occurs in the office of a Member Director, the Minister may appoint a member to fill the vacancy after consultation with representative unions, until the new Member Director is elected. The Minister may also remove a Director in accordance with section 6(2) of Schedule 1 to the SSA.

BOARD VACANCY

There are two Board positions currently vacant. These Employer Director vacancies were created by the expiry of Harvey Collins' term in October 2009 and Michael Court's resignation in August 2010. Replacement appointments are to be made by The Minister.

Members of the Board



Phil Harvey

Chairman

(BE (Hon), BCom, Grad Dip NAAC, FAICD)

Mr Harvey was appointed to the Board as Chairman in March 2003, for a term of five years. In March 2008, his appointment as Chairman was extended until March 2011.

Mr Harvey is currently the Chairman of the Corporate Governance Committee and the CEO Performance Committee of the GESB Board.

In his activities outside GESB, Mr Harvey is Chairman of LNG Ltd and a Board Member of WA-ERA.

Mr Harvey attended Perth Modern School and completed degrees in engineering and commerce at The University of Western Australia. He has worked in many aspects of energy planning and supply and was appointed Deputy Commissioner and a Board Member of SECWA in 1986. In 1994, he was appointed Chief Executive Officer of Alinta Gas, where he retired from full-time employment in 2001.

He is a fellow of the Australian Institute of Company Directors and was formerly a fellow of the Institution of Engineers, Australia.



Matt Farrell

Deputy Chairman, Member Director
(BSc, Dip Ed, MAIP, FAICD)

Mr Farrell was first elected to the Board in 1996 and is serving his fifth three year term as a Member Director, which will expire in February 2011. Mr Farrell is currently Deputy Chairman of the GESB Board.

Mr Farrell is a former Vice-President and industrial advocate of the State School Teachers' Union of Western Australia. In 2001, he was made a life member of the Australian Education Union.

Mr Farrell retired in 2004 after a long career as a lecturer of mathematics in Technical and Further Education (TAFE).

Mr Farrell holds a Bachelor of Science degree, a Diploma of Education and a Post-Graduate Diploma in Applied Physics. He also holds a Company Directors Course Diploma, is a fellow of the Australian Institute of Company Directors and is a member of the Australian Institute of Physics.



Derek Spray

Member Director
(MAICD)

Mr Spray was first elected as a Member Director of the GESB Board in 2003 for a term of three years. Mr Spray's third three year term will expire in July 2012.

Mr Spray is a Special Projects Consultant with the Department of the Attorney General and is a Community and Public Sector Union/Civil Service Association (CPSU/CSA) Councillor.

He has more than 40 years' experience in the IT industry and has broad industry experience that includes the insurance and banking sectors. His areas of expertise lie in information systems management, business operations management, product management and consultancy. He is a Director of Civil Service Holdings, Civil Service Insurance Agency and CSA Services (trading as Union Financial Services).



Robert Lewtas

Member Director
(MAICD)

Mr Lewtas was first elected as a Member Director to the GESB Board for a term of three years commencing in August 2006. His second three year term will expire in August 2012.

Mr Lewtas is currently the Finance and Administration Manager of the WA branch of the Liquor, Hospitality and Miscellaneous Union.

His executive experience includes a 20 year career in TAFE administration and nine years in facilities management at Murdoch University before joining the Union in 2005. While at Murdoch University he was also a small business owner/operator.

Previously he has served on boards for the South Coast Regional Chamber of Commerce (past President), the South Coast Business Development Organisation and Rockingham Community Financial Services Ltd Board, which owns and operates the Rockingham Community Bank Branch, a franchise of Bendigo Bank Ltd.

Mr Lewtas has completed the Australian Institute of Company Directors Course and is a member of the Australian Institute of Company Directors.



Richard Alder
Employer Director
(A Fin, FAICD)

Mr Alder was appointed to the GESB Board for a term of five years until February 2013. Mr Alder has 36 years experience in the securities industry. He was Managing Partner in the Perth office of JB Were and Son for 16 years until his retirement in 2003.

Prior to this, he spent six years in JB Were's London office, providing him with an extensive global understanding of investments.

Mr Alder is a consultant to Australia's largest listed investment company, Australian Foundation Investment Company Ltd. He has also been active within Perth industry associations, including ASFA, Committee for Economic Development of Australia (CEDA) and the Financial Services Institute of Australasia. Mr Alder is also active in honorary roles at the Murdoch University Foundation, the Murdoch Veterinary Trust and the Lions Eye Institute.

Mr Alder is currently a Director of the Royal Flying Doctor Service, Western Operations, a Trustee of the JP Stratton Trust and an Advisor to the Endowment Committee of Scotch College.



Michael Court
Employer Director
(B Econ (Hons))

Mr Court was appointed as an Employer Director from March 2009 until November 2013. He tendered his resignation in August 2010.

Mr Court is currently an Executive Director of the Department of Treasury and Finance, where he heads the Economic Business Unit that provides advice to the Government on economic and financial policy issues. This includes responsibility for financial arrangements with the Commonwealth and the statutory reporting on State finances.

Prior to working in the Department of Treasury and Finance, Mr Court worked in the Australian Public Service in Canberra, including with the Commonwealth Treasury and the Department of Foreign Affairs and Trade.

Mr Court has an Honours degree in Economics from Murdoch University and is Western Australia's member on the Australian Statistics Advisory Council.



Harvey Collins
Employer Director
(until October 2009)
(BBus, FCPA, FAICD)

Mr Collins was appointed to the Board in 2001 for a term of three years. He was reappointed in 2004 for five years to October 2009. He chaired the Audit and Risk Committee of the GESB Board from July 2005, and was also Chair of the Investment Committee.

Mr Collins has a strong background in banking and finance, as the former Chief Financial Officer of Challenge Bank Ltd and a Director of the listed investment company Chieftain Securities Ltd.

He is currently Chairman of Bankwest Ltd and Navitas Ltd and Deputy Chairman of Verve Energy.

He holds a Bachelor of Business degree (with Distinction) from the WA Institute of Technology and a Post-Graduate Diploma in Financial Studies from the University of Strathclyde, Glasgow, UK. He is a fellow of the Australian Institute of Company Directors, a fellow of the Australian Society of CPA's and a member of the WA Council of the Australian Institute of Company Directors.

Meetings

The Board meets monthly. The number of meetings attended by each Director during 2009/10 is indicated below.

Director	No. of Meetings Held Whilst a Director	No. of Meetings Attended
Phil Harvey Chairman	14	14
Matt Farrell Deputy Chairman and Member Director	14	14
Richard Alder Employer Director	14	13
Michael Court Employer Director	14	12
Robert Lewtas Member Director	14	12
Derek Spray Member Director	14	12
Harvey Collins Employer Director	4	4

Board Committees

The Board has a number of Committees that assisted in the discharge of its functions under the SSA.

Audit and Risk Committee

The Audit and Risk Committee assisted GESB and GWM to fulfil their statutory, regulatory and fiduciary responsibilities through oversight of GESB's activities in relation to risk management, compliance, financial management and reporting and the internal and external audit function.

GESB's Audit and Risk Committee provided the Board with assurances that adequate controls and risk management practices were in place across the organisation and were effective in promoting a risk aware culture.

Key matters that the Committee considered included:

- GESB's risk management framework;
- quarterly risk reviews covering strategic and operational risks;
- the 2009/10 Internal Audit program, findings and responses;
- Anti-Money Laundering / Counter Terrorism Financing controls (AML/CTF);
- fraud control;
- data privacy;
- monitoring risks, delivery of projects and effectiveness of GESB's Project Management Office;
- relationship management with the external auditors; and
- review of annual accounts for GESB and GWM.

The number of meetings attended by each Committee Member is indicated in the table below.

Member	No. of Meetings Held	No. of Meetings Attended
Harvey Collins (Chair until October 2009)	4	4
Matt Farrell	6	6
Robert Lewtas (Chair from November 2009)	6	4
Richard Alder (from January 2010)	2	2

Investment Committee

The Investment Committee assisted the Board in carrying out its responsibility to discharge its statutory, regulatory and fiduciary responsibilities in relation to the prudent management and investment of the assets of the GES Fund.

The Investment Committee comprises Board Directors and external appointees.

Given the technical nature of GESB's investment function, Investment Committee Members were selected for their high levels of financial and investment expertise to discharge the Committee's duties in line with its obligations under its Charter.

The two external Directors are Andre Morony and David McMahon.

Mr Morony has held the position of Chief Investment Officer at BT Funds Management and Australian Reward Investment Alliance (ARIA).

Mr McMahon has held positions as Director of Consulting in Australia for Russell Investment Group; Head of Consulting at Intech, and Chief Executive Officer of State Super. He is currently a Board Director of Funds SA.

Mr Collins was Chair of the Committee in his capacity as a Director of the Board until the end of his term in October 2009. He continued as an external member of the Committee until his resignation in May 2010.

Mr Alder was appointed as Chair in June 2010. He has over 36 years of experience in investments and is a consultant to Australia's largest listed investment company, Australian Foundation Investment Company Ltd.

The issues that the Committee considered included:

- Treasurer's Prudential Guidelines for investments;
- changes to asset allocations and structure;
- GESB's investment governance framework;
- investment policy documents;
- Fund Manager appointments; and
- asset class reviews.

The number of meetings attended by each Committee Member is indicated in the table below.

Member	No. of Meetings Held	No. of Meetings Attended
Harvey Collins (Chair until May 2010)	6	3
Richard Alder (Chair from June 2010)	7	7
Andre Morony	7	7
David McMahon (from June 2010)	1	1

Corporate Governance Committee

The Corporate Governance Committee assists the Board in fulfilling its corporate governance obligations, advising it on governance standards and practices and appropriate frameworks, policies and procedures. It monitors performance against the corporate governance framework.

The matters that the Committee considered included:

- GESB's corporate governance framework; and
- review of GESB's existing Board and Committee Charters.

The number of meetings attended by each Committee Member is indicated in the table below.

Member	No. of Meetings Held	No. of Meetings Attended
Phil Harvey (Chair)	1	1
Derek Spray	1	1
Michael Court	1	1

Chief Executive Officer Performance Committee

The Board's Chief Executive Officer Performance Committee was established to assist the Board with the appointment and remuneration of the CEO and to monitor and evaluate the CEO's performance.

The CEO's remuneration is set by the Board and has not changed since January 2008.

At that time, independent advice was provided by the Hay Group for fixed remuneration at the 50th percentile of the All Industry index. The complexity, risk and responsibility profile of the role were assessed, considering this against the broader market and valued the role accordingly.

Remuneration of the CEO is consistent with the organisation's long-standing policy on benchmarking all executive salaries against median industry rates.

The matters that the Committee considered included:

- reviewing the performance of the CEO for 2008/09;
- approving the CEO performance framework for 2009/10; and
- considering and recommending to the Board an extension to the CEO's employment contract for a period of five years to December 2014.

The number of meetings attended by each Committee Member is indicated in the table below.

Member	No. of Meetings Held	No. of Meetings Attended
Phil Harvey	2	2
Matt Farrell	2	2

Corporate Governance

GOVERNANCE POLICY FRAMEWORK

Effective corporate governance supports compliance with regulatory and legal requirements. It also provides support to an organisation to do what is right for its stakeholders. This incorporates elements of internal controls, ethics, risk functions, policies and procedures and internal and external audit. It is underpinned by transparent disclosure, effective communication, and proper measurement and accountability across the organisation.

The Board operates within a governance policy framework that incorporates legislative and regulatory requirements aligned to the Australian Securities Exchange (ASX) governance principles and industry best practice. The framework reflected GESB's operating environment as a statutory authority within the financial services market.

In order to be sustainable in this environment, high standards of corporate governance are essential to ensure GESB fulfilled State, Commonwealth, industry and regulatory compliance obligations, whilst acting in the best interests of members.

In pursuing the Board's mission to improve the long term financial well-being of our members, GESB is committed to transparent, high quality and accountable governance. To facilitate this, the Board has:

- established specialist committees to assist it in discharging its legal and statutory obligations;
- granted appropriate delegations to the CEO and relevant business units to enable the day to day operation of the organisation; and
- embedded internal and external accountability measures, including organisational Key Performance Indicators and internal and external audit practices.

The Board and its Committees have individual Charters and are subject to a Code of Conduct that outlines the practices and processes the Board, individual Directors and Committee members adopt to discharge their responsibilities. The Board's focus on good governance is integrated across the operations of the organisation.

OTHER GOVERNANCE MATTERS

Directors' Duties

In carrying out its responsibilities, the Board undertakes to act honestly, fairly and diligently to create and build value for members, having regard to the interests of all stakeholders including members, employers, employees, the State, suppliers and the broader community.

Under Section 5(1) of the *Statutory Corporations (Liability of Directors) Act 1996*, a Board Director of GESB has the same fiduciary relationship and duty to GESB to act with loyalty and in good faith as a Director of a company incorporated under the *Corporations Act 2001*. Other duties under the *Statutory Corporations (Liability of Directors) Act 1996* include a duty to:

- act honestly in the performance of the functions of his/her office;
- exercise reasonable care and diligence in the performance of his/her functions;
- not make improper use of information acquired by virtue of his/her position, to gain, directly or indirectly, an advantage for himself/herself or for any other person or to cause detriment to GESB; and
- not make improper use of his/her position to gain, directly or indirectly, an advantage for himself/herself or for any other person or to cause detriment to GESB.

These duties are also incorporated in the Board's Code of Conduct.

'In carrying out its responsibilities, the Board undertakes to act honestly, fairly and diligently to create and build value for members, having regard to the interests of all stakeholders including members, employers, employees, the State, suppliers and the broader community.'

Fit and Proper Standards

The Board understands the need to have the range of skills, knowledge and experience on the Board to effectively govern GESB and Directors require competencies in a number of areas.

Operating standards were developed by the Australian Prudential Regulatory Authority (APRA) covering the fitness and propriety of superannuation trustees. To achieve best practice, the Board determined that GESB would operate under a similar fit and proper standard for its Board Directors. This policy requires that each Director meets certain standards of fitness and propriety upon appointment and on an ongoing basis.

The Board's education program ensures all Directors met and maintained educational and technical competencies, enabling them to effectively discharge their duties in a knowledgeable and prudent manner, and in accordance with the requirements of the Board's Fit and Proper Policy. The program is agreed annually with each Director and is tailored to meet their individual needs.

Ethical Standards

The Board acknowledges the need for, and the continued maintenance of, high standards of ethical conduct for Directors, management and staff. The Board has a Code of Conduct and all staff and Directors are required to comply with GESB's Code of Conduct.

GESB has a strong communication program promoting its organisational values, including information on its intranet, a quarterly recognition scheme to reward behaviour consistent with the values, and the incorporation of the values into role descriptions and performance management processes.

GESB conducted an annual staff survey to understand to what extent they perceive they lived the values.

Material Interests

The Board has procedures in place that set out the requirements for each Director in regard to the disclosure of interests in order to avoid actual, potential or perceived conflicts of interest or duty and to provide guidance for dealing with any conflicts in an open and transparent way.

Directors are required to disclose any material or personal interests relevant to the Board or GESB and to abstain from discussions or voting on any issues where their judgement may have been influenced by material or personal interests or duty to another organisation.

While the Board managed and monitored any conflicts or potential conflicts it relies on the honesty and integrity of each of the Directors to ensure they discharge their duties to the Board.

Compensation and Remuneration

Directors and Committee Members are entitled to the remuneration and allowances determined by the responsible Minister on the recommendation of the Minister for Public Sector Management.

The current remuneration was set in July 2008.

Role	Salary
Chairman, GESB Board	\$106,400
Directors, GESB Board	\$53,200
Chair, Audit and Risk Committee	\$5,000
Directors, Investment Committee	\$8,000
External Members, Investment Committee	\$12,000

In accordance with Government policy, Directors who are public sector employees are not paid additional remuneration for sitting on the Board.

Risk and Compliance

GESB adopts a best practice approach to risk management. GESB's risk framework identified GESB's operational and strategic risks and was reviewed in light of developments within GESB and the wider superannuation industry.

2009/10 presented a number of new risks for the Board to consider. The most notable included:

- the need to manage ongoing volatility in investment markets following the global financial crisis;
- the Cooper Review of the superannuation industry, which preliminary papers suggest could precipitate the most significant recommendations for reform since the inception of compulsory superannuation in 1992;
- the risks emerging from the implementation of the Whithear Review recommendations; and
- governance risks arising from increasing State Government involvement in Board statutory functions.

Investment Risk

Risk management is an integral component of GESB's investment process. GESB manages investment risk through:

- a structured approach to diversification across the major asset classes via a strategic asset allocation framework;
- diversification of Investment Managers and approach within each of the major asset classes; and
- a rigorous Investment Manager review process encompassing on-site due diligence, selection and ongoing review.

The Board recognises that asset allocation is one of the most significant factors to achieving sound investment returns for members and undertakes a formal annual review of strategic asset allocation settings. In addition, GESB's investment team regularly rebalances the portfolio to ensure adherence to Board approved policies and strategies. The investment team also actively monitors market conditions and Investment Managers' portfolios to assess performance and to ensure that the Investment Managers complied with Investment Management Agreements (IMAs).

The increased market volatility experienced since the onset of the global financial crisis highlighted the importance of professional and proactive management of the investment portfolios. GESB has been active in its management of this heightened investment risk. The resources of the in-house investment team were increased to ensure it had the appropriate capability to oversee the formulation and implementation of prudent investment strategies for members and the State.

Nevertheless, the effectiveness of the Board's ability to implement its investment strategy has been reduced during the year. This was the result of the State Government assuming increased involvement in GESB's investment decisions.

The Board is concerned about the impact of this development on its ability to appropriately manage risk and implement investment strategies in the best interests of members and the State.

The Board currently operates under the approved Treasurer's 2007 Prudential Guidelines for Investments. These are under review by the Department of Treasury and Finance prior to consideration of approval by the Treasurer.

A Derivative Risk Statement for Investments is in place as a matter of best practice. This covers the use of derivatives and is consistent with APRA Superannuation Circular II.D.7. The Derivative Risk Statement for Investments is reviewed annually by the Board.

Strategic Risk

GESB's risk profile increased following the State Government's announcement in April 2010 not to mutualise GESB and to introduce one-way choice. Scale, investment and regulatory risk affect GESB's risk environment.

Operational Risk

GESB's risk division introduced risk assessments across the business that enabled the identification of improved controls and assurance. This exercise further embedded GESB's risk aware culture throughout all areas of the business.

In 2009/10, GESB continued to refine and update its AML/CTF program to comply with the staged implementation of requirements for Reporting Entities. GESB's AML/CTF program, risk management program and compliance program were independently reviewed by GESB's internal auditors. Additionally, the AML/CTF program was audited by the Australian Transaction Reports and Analysis Centre (AUSTRAC).

Recognising such risks, GESB has an established operational risk reserve, consistent with industry good practice and Commonwealth regulations.

Regulatory Risk

The Commonwealth Government announced a review into superannuation arrangements known as the Cooper Review. The review looked at the structure and governance within the superannuation system and has made a number of significant recommendations aimed at improving the efficiency of the system.

GESB is well placed to respond to these industry changes, consistent with the Commonwealth Heads of Government Agreement.

Heads of Government Agreement

Although GESB is not Commonwealth regulated, GESB is a complying fund for the purposes of Superannuation Guarantee and income tax. This is because the Western Australian Government is a signatory to a Heads of Government Agreement with the Commonwealth in respect to GESB's superannuation schemes.

Under the agreement, GESB's schemes are exempt from the *Superannuation Industry (Supervision) Act 1993*, the Commonwealth governing legislation for superannuation funds.

In return for these exemptions, the State Government ensures that members' accrued benefits are fully protected and that GESB's schemes conform to the principles of the Commonwealth's retirement income policy.

Compliance

GESB operated in a dual State/Commonwealth compliance environment. GESB's compliance program was established in accordance with the Australian Standard on Compliance Program AS 3806-2006 and is consistent with Commonwealth regulatory standards and industry good practice.

However, GESB's compliance framework also incorporates specific operating obligations on GESB, such as compliance with the SSA and Regulations, the Heads of Government Agreement, State Government compliance regulations and unique tax arrangements with both taxed and untaxed schemes operating within the GES Fund.

In order to ensure GESB meets its obligations, stringent compliance processes were in place. GESB uses an online compliance monitoring tool to assist in ensuring that all managers are aware of their legal compliance obligations and are meeting them.

Ongoing monitoring and reporting in accordance with the compliance program provides assurance to the Board, Executive and other stakeholders that adequate systems and processes are in place and working effectively to ensure GESB and its employees were meeting their legislative obligations and operating in accordance with corporate policies and procedures. During 2009/10, GESB introduced risk and compliance related Key Performance Indicators to monitor risk and compliance performance.

Changes to Legislation and Regulations

There were no alterations to the *State Superannuation Act 2000* in 2009/10.

A number of regulation changes occurred to the State Superannuation Regulations during 2009/10. These included:

- requirements for GESB to prepare a Statement of Corporate Intent and a Strategic Development Plan formalising GESB's practice since 2003/04;
- introduction of Salary Continuance Insurance Top-up Payments;
- consistent treatment of the member protected amount for West State Super members when partial payments are made; and
- introduction of Anti-detriment Payments for members of taxed schemes.

A Decision Impact Statement on surcharge was issued by the Australian Taxation Office (ATO) in February 2010. This followed an appeal to the High Court of Australia (Clarke v Commissioner of Taxation). The impact statement advises that surcharge legislation is invalid in its application to each member of a Constitutionally Protected Superannuation Fund (i.e. GESB's untaxed schemes) who was at the "higher levels of government". Individual members are to liaise with the ATO directly to determine if the decision applies to them.

RELATIONSHIP WITH STAKEHOLDERS

Superannuation Consultative Group

GESB re-established its Superannuation Consultative Group. The group considers superannuation policy matters from the perspectives of the Government, employers, employees and members. The group consists of representatives from key central agencies and employers including Health, Education, Police, Commerce and the Public Sector Commission.

Unions

The Board comprises seven Directors, including three Member Directors. UnionsWA is responsible for the nominations, elections and appointment of the Member Director positions on the Board. These three Board positions are currently held by nominees from the Community and Public Sector Union/Civil Service Association, Liquor, Hospitality and Miscellaneous Workers Union and the State School Teachers' Union of WA.

GESB works closely with all key public sector unions including those unions that nominate Directors to the Board. Progress on the introduction of Choice of Fund, investment performance, education services, financial advice and changes to Commonwealth superannuation rules were the subject of regular information sessions during the year.

Employers

GESB's Chief Executive Officer (CEO) met regularly with Senior Executives in the public sector to:

- discuss legislative or industry changes that may impact superannuation;
- explain the superannuation obligations of employers under the State Superannuation Regulations 2001;
- encourage employers to partner with GESB as part of their wellness or employee benefit program to deliver superannuation advice and education services;
- understand the agency's demographic profile and provide assistance with workforce planning solutions, such as Transition to Retirement; and
- ensure there is a regular exchange of information between employers and GESB on all superannuation related matters.

Executive and senior management forums and workshops were held during the year to help support employers with their superannuation obligations.

Organisational Structure

30 JUNE 2010



Other Compliance Requirements

FREEDOM OF INFORMATION

GESB provides members with access to all of their personal and account information. An information statement that provides background on the operations of GESB, a description of the documents held and the way in which the public can access the information are made available on the website and at reception.

GESB's designated freedom of information officer is Mr Damien Stewart, GESB, Central Park Level 4, 152 St Georges Terrace, Perth WA 6000.

DISABILITY SERVICES ACT 1993

GESB is committed to providing members with access to information about superannuation options and entitlements regardless of impairment. GESB ensures that members have different ways of receiving information about their superannuation, including email with links to information, internet, telephone and face to face communication. Members can choose a communication channel that best suits their needs, including website information and paper statements in a format for vision impaired members.

PUBLIC INTEREST DISCLOSURE

GESB's public interest disclosure policy and procedures continued to be maintained in compliance with the *Public Interest Disclosure Act 2003*. This facility provided GESB Directors and staff with a confidential means of disclosing public interest information. No public interest disclosures were made in 2009/10.

COMPLIANCE WITH PUBLIC SECTOR STANDARDS

GESB complies with the Public Sector Standards in Human Resource Management and the Western Australian Public Sector Code of Ethics.

GESB continued to monitor and ensure compliance with the Code of Conduct by making it available to all employees from the home page of the GESB intranet. It ensured that GESB's Code of Conduct and internal policies were provided to all new staff during induction; actively monitoring email activity and preventing certain material from being received and/or sent using GESB's IT systems.

GESB promotes an ethical environment and a strong culture of compliance through monthly disclosures in every Executive Management Group meeting and other senior management meetings.

Number of Full Time Equivalent Employees	30 June 2009	30 June 2010
Permanent Public Service Officers	86	62
Fixed Term Public Service Officers	0	0
GESB Employees	135	151
Total	221	213

HEALTH AND SAFETY INDICATORS

Indicator	Target 2009/10	Actual 2009/10
Number of Fatalities	0	0
Lost Time Injury/Disease (LTI/D) Incidence Rate	0 (10% reduction on previous year)	0
Lost Time Injury Severity Rate	0 (10% improvement on previous year)	0
Percentage of Injured Workers Returned to Work within 28 weeks	100%	100%
Percentage of Managers trained in Occupational Safety, Health and Injury Management Responsibilities	Greater than or equal to 50%	100%

GESB is committed to the health, safety and well-being of its employees and to the effective management of injury. It adopts a preventative approach, consistent with the principal objective of the *Occupational Safety and Health Act 1984* to promote and secure the safety and health of persons in the workplace.

GESB's Occupational Health and Safety Committee considered matters as they arose and monitored trends in the GESB workplace. GESB documented procedures for looking after workplace incidents, injuries and Workers Compensation Claims for staff. GESB trained HR Officers, Grievance Officers and First Aid officers are available as a first line of assistance for injured staff.

The Occupational Health and Safety (OHS) management framework comprised a Health, Safety and Well-being policy, Occupational Health and Safety manual and an Injury Management System (IMS).

GESB complies with the injury management requirements of the *Workers' Compensation and Injury Management Act 1981*, including a documented injury management system.

GESB promotes a safe working environment. All GESB employees are provided with an ergonomic workstation and chair, with low glare lighting to the workstation. The stairwells are well lit and equipped with high visibility markings, anti-slip strips, hand rails and wheelchair refuges on each floor, in case of evacuation.

A comprehensive ergonomic assessment is conducted by trained staff for all employees and contractors on commencement. The workstation is tailored to individual requirements, including ergonomic keyboard and mouse, foot stools, wrist supports, anti-glare screens, monitor risers and document holders.

GESB's business continuity procedures specifically provides for employee safety and well-being through a Human Resources sub-plan, People Support plan and Pandemic Management plan, along with supporting procedures.

GESB completed a self-evaluation of compliance and reported outcomes to the GESB Board. In addition, GESB reviewed compliance monthly during the year using an online monitoring system.

A comprehensive induction process, easily accessible web information and ongoing strategies and initiatives were in place to assist staff safety and well-being. This included instruction in GESB's Occupational Health and Safety policies, grievance resolution processes and the Employee Assistance program.

All staff are required to complete annual refresher training on OHS online as part of GESB's compliance framework.

GESB promotes employee well-being through access to a suite of flexible work practices and an annual calendar of initiatives.

EQUAL EMPLOYMENT OPPORTUNITY

Equal employment opportunity performance is measured by an equity index. An equity index of 100 indicates an even distribution of men and women across all levels of an organisation.

GESB achieved an equity index of 92 in 2009/10. This considerably outperformed the public sector target of 78 outlined in the Equity and Diversity Plan for the Public Sector 2006 - 2009: 50% of GESB General Managers are women; 47% of Senior Managers are women.

GESB achieved an equity index of 74 for people from culturally diverse backgrounds, who represent 18% of the workforce. In addition, 26% of employees are over the age of 45. This was achieved through a range of initiatives, including access to purchased leave and part-time opportunities for older workers.

ELECTORAL ACT

Section 175ZE of the *Electoral Act 1907* requires the disclosure of details of expenditure incurred during the year for advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.

	2009/10
Advertising Agencies	
Marketforce Productions	\$136,566
The Brand Agency	\$508,795
Market Research Organisations	
TNS	\$49,800
Polling Organisations	Nil
Direct Mail Organisations	Nil
Media Advertising Organisations	
Marketforce Productions	\$18,873
The Brand Agency	\$10,258
Media Decisions	\$192,053
Total	\$916,344

Figures exclude GST and include expenditure on the design, production and placement of advertising and related market research.

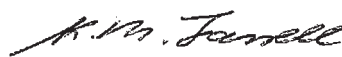
Certification of the Financial Statements

The accompanying Financial Statements of the Government Employees Superannuation Board, 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 financial year ended 30 June 2010, and the financial position as at 30 June 2010.

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



L RUDMAN
Chief Financial Officer
26 August 2010



KM FARRELL
Deputy Chairman
26 August 2010



PJ HARVEY
Chairman
26 August 2010

Financial Statements

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STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
REVENUE			
Investment Revenue			
Realised Income	3	344,234	366,898
Realised Changes in Net Market Value of Investment Assets	3	895,042	(864,656)
Unrealised Changes in Net Market Value of Investment Assets	3	(201,387)	(501,271)
Total Investment Revenue/(Loss)		1,037,889	(999,029)
Superannuation Revenue			
Contributions Income			
Member		437,870	381,242
Employer	5(a)	1,146,987	1,069,878
Inward Transfer from Other Funds		301,147	108,015
Total Superannuation Revenue		1,886,004	1,559,135
Other Revenue			
Repayment of Advance to GESB Mutual Ltd	23	11,000	-
Group Life Insurance Proceeds		19,850	7,420
Other Income	5(d)	7,089	10,194
Total Other Revenue		37,939	17,614
Total Revenue		2,961,832	577,720
EXPENSES			
Superannuation Benefit Payments	5(b)	946,286	695,757
Group Life Insurance Premium	5(c)	74,570	74,672
Administration Expenses	10	47,215	45,870
Direct Investment Expenses	3	32,090	25,974
Changes in Net Market Value of Other Assets	32	3,888	3,495
Changes in Net Market Value of Financial Liabilities	23	11,929	26,366
Loan Interest	17	31,277	33,237
Advance Payment to GESB Mutual Ltd	23	-	11,000
Total Expenses		1,147,255	916,371
CHANGE IN NET ASSETS BEFORE INCOME TAX		1,814,577	(338,651)
INCOME TAX EXPENSE	11(a)	(53,569)	(29,214)
CHANGE IN NET ASSETS AFTER INCOME TAX		1,761,008	(367,865)
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE FINANCIAL YEAR		7,944,498	8,312,363
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE FINANCIAL YEAR		9,705,506	7,944,498

To be read in conjunction with the accompanying notes.

STATEMENT OF NET ASSETS AS AT 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
ASSETS			
Investment Assets			
Cash and Cash Equivalents	2	47,402	31,624
Investments	3	10,464,800	8,569,525
Derivative Financial Assets	4(b)	22,808	100,240
Other Assets			
Receivables	14(a)	195,909	187,041
Deferred Tax Asset	11(c)	8,550	9,594
Prepayments		616	1,390
Plant and Equipment	13	2,094	2,364
Intangible Assets	33	10,908	11,910
Total Assets		10,753,087	8,913,688
Liabilities			
Derivative Financial Liabilities	4(b)	100,374	11,951
Contributions Paid in Advance		1,361	1,006
Payables	14(b)	445,111	437,242
Provision for Employee Benefits	15	4,101	3,894
Provision for Post Employment Benefits	16	2,209	2,669
Interest Bearing Loans and Borrowings	17	475,709	490,679
Current Tax Liabilities	11(c)	18,648	21,749
Deferred Tax Liabilities	11(c)	68	-
Total Liabilities		1,047,581	969,190
NET ASSETS AVAILABLE TO PAY BENEFITS		9,705,506	7,944,498

To be read in conjunction with the accompanying notes.

Note 1: Statement of Significant Accounting Policies

A) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements constitute a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AAS25 Financial Reporting by Superannuation Plans as amended by AASB 2005 -13 Amendments to Australian Accounting Standards (AAS25), and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) as applied by the Treasurer's Instructions (TI) and the SSA. Several of these accounting standards are modified by the TI to vary application, disclosure, format and wording.

The FMA and the TI are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards and other authoritative pronouncements of the AASB. The modifications are intended to fulfil the requirements of general application to the public sector, together with the need for greater disclosure and to satisfy accountability requirements. If any such modification has a material or significant financial effect upon the reported results, details of that modification and where practicable, the resulting financial effect, are disclosed in individual notes to these financial statements.

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for investments, derivatives and certain financial liabilities which are measured at net market value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000), unless otherwise stated.

The judgements that have been made in the process of applying GESB's accounting policies that have the most significant effect on the amounts recognised in the financial statements are included at Note 27.

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are included at Note 28.

The accounts have been prepared in accordance with the reporting format prescribed under paragraph 22(a) of AAS 25. That Standard applies to general purpose financial reports of each superannuation plan in the private or public sector that is a reporting entity.

GESB has both defined contribution and defined benefit schemes. AAS25 states that in this circumstance, the reporting formats applicable to defined benefit schemes should be used. The format adopted by GESB includes a 'Statement of Changes in Net Assets', a 'Statement of Net Assets', and 'Notes' thereto. No recognition is made on the face of the Statement of Net Assets of amounts accrued to the benefit of members' accounts for any of the schemes.

B) APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

The financial statements comply with AAS25. Since AAS25 is the principal standard that applies to financial statements of Superannuation Funds, other standards, including Australian Accounting Standards issued by the AASB are also applied where necessary except to the extent that they differ from AAS25.

GESB has adopted all new and amended Australian Accounting Standards and Interpretations that are relevant and became effective during the financial year, including 2009-2 Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments. The adoption of these did not have a significant impact on the financial position or performance of the Fund. The disclosure impact has been disclosed in the relevant notes in the financial statements.

C) EARLY ADOPTION OF STANDARDS AND INTERPRETATIONS

GESB cannot early adopt an Australian Accounting Standard or Interpretations unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Relevant Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2010. These are outlined in the table below:

ACCOUNTING STANDARDS AND INTERPRETATIONS	EFFECTIVE FOR ANNUAL REPORTING YEARS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 2009-5 Further Amendments to Australian Accounting Standards Arising from the Annual Improvement Project	1 January 2010	30 June 2011
AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-Settled Share-Based Payment Transactions	1 January 2010	30 June 2011
AASB 9 and AASB 2009-11 Financial Instruments and Amendments to Australian Accounting Standards Arising from AASB 9	1 January 2013	30 June 2014
AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 2009-14 Amendments to Australian Interpretations- Prepayments of a Minimum Funding Requirement	1 January 2011	30 June 2012
Interpretation 19 Amendments to AASB 124 to Clarify and Simplify the Definition of a Related Party and Provide Some Relief for Government Related Entities	1 July 2010	30 June 2011

Management is in the process of assessing the impact of these standards and amendments on the future financial status for GESB.

D) INVESTMENTS AND DERIVATIVES

Investments (other than cash at bank and in hand), are managed by a number of Fund Managers as approved by the Treasurer and appointed by the Board in accordance with the Fund's Investment Policy Statement (IPS). Each Fund Manager is required to invest the assets managed by it in accordance with the terms of a written investment mandate and report regularly on compliance with the mandate.

Investments and derivatives are initially recognised at cost, being the fair value of the consideration given.

After initial recognition, investments and derivatives have been measured at net market value after allowing for estimated costs of realisation. Changes in the net market value of investments and derivatives are brought to account in the Statement of Changes in Net Assets, in the period in which they occur.

Net market values have been determined as follows.

- Equities in listed companies and other listed securities by reference to relevant market quotations at 30 June each year, at last sale price quoted by the relevant Stock Exchange at the close of business on the balance date.
- Units in managed funds by reference to redemption prices determined by the managers of the funds at 30 June each year.
- Derivatives are measured at market rates at close of business on the balance date.
- Unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such trusts. These values are verified by confirming unit holdings and movements in unit prices against appropriate market indices.

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

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

E) PLANT AND EQUIPMENT

Plant and equipment is carried at cost less accumulated depreciation and impairment and is depreciated using the straight line method over their expected useful life ranging from four years to eleven years, depending on the nature and use of the asset. Written down value is considered a reasonable approximation of net market value.

Items costing less than \$1,000 are expensed in the year of acquisition.

Derecognition

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

Impairment of Assets

Plant and equipment is tested for any indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is written down to the recoverable amount and an impairment loss is recognised. Unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and the depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated or where the replacement cost is falling. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment. Surplus assets at cost are tested for indications of impairments at each reporting date.

F) INTANGIBLE ASSETS

All acquired and internally developed intangible assets are initially measured at cost.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and any accumulated impairment losses, which is considered a reasonable approximation of net market value.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight line basis using rates which are reviewed annually. All intangible assets controlled by GESB have a finite useful life and zero residual value. The expected useful lives for each class of intangible asset are:

Computer Software Costs	3-5 years
Computer Software Development Projects	3-5 years
Website Costs	5 years

Computer Software Costs

Acquired computer software items costing less than \$1,000 are expensed in the year of acquisition. Where the computer software is an integral part of the related hardware, it is treated as plant and equipment. Where the computer software is not an integral part of the related hardware, it is treated as an intangible asset.

Computer Software Development Projects

The costs for computer software development projects are expensed when they are incurred unless they relate to acquisition and/or development of an asset when they may be capitalised and amortised. Costs in relation to feasibility studies during the planning phase of a project and training costs after implementation of the software system are expensed. Costs incurred in developing the system specifications and implementation, to the extent that they represent future economic benefits that can be reliably measured, are accumulated as 'Works in Progress' until the asset is finalised and in production, at which time costs are capitalised and amortised over their estimated useful life.

Website Costs

Website costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website, to the extent that they represent probable future economic benefits that can be reliably measured, are accumulated as 'Works in Progress' until finalised and in production, at which time costs are capitalised and amortised over estimated useful life.

Impairment of Assets

Intangible assets are tested for any indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is written down to the recoverable amount and an impairment loss is recognised. As GESB is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and the depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's amortisation is materially understated or where the replacement cost is falling. Each relevant class of assets is reviewed annually to verify that the accumulated amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets not yet available for use are tested for impairment at each reporting date irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment. Surplus assets at cost are tested for indications of impairments at each reporting date.

G) INCOME TAX EXPENSE

The Commonwealth Income Tax Assessment Regulations 1997 confirm that schemes established by section 29 of the SSA are to be constitutionally protected. The following schemes administered by GESB are constitutionally protected and therefore exempt from income tax:

- Pension Scheme (including Provident Account)
- Gold State Super
- West State Super

Retirement products were introduced for members as taxed schemes within the Fund and are subject to income tax.

Retirement Income Allocated Pension commenced on 19 March 2003 and is a Complying Superannuation Fund under the *Superannuation Industry (Supervision) Act 1993* and accordingly is concessionally taxed.

Retirement Income Term Allocated Pension commenced on 17 December 2004 and is a complying superannuation Fund under the *Superannuation Industry (Supervision) Act 1993* and accordingly is concessionally taxed.

GESB Super and GESB Super (Retirement Access) are complying superannuation funds under the *Superannuation Industry (Supervision) Act 1993* and accordingly are concessionally taxed. All further references in the financial statements to GESB Super include both schemes.

GESB apportions investment income and expenses to the taxed and non-taxed schemes of the Fund on the basis of the proportion of funds under management. Other expenses are apportioned on the basis of actual or allocated cost.

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 surplus nor taxable surplus or deficit.

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 a taxable surplus will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised. However, this would not apply 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 surplus nor the taxable surplus or deficit.

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 surplus will be available to allow all or part of the deferred income tax asset to be utilised.

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

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

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

H) REVENUE RECOGNITION

Revenue is recognised and measured at fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Changes in Net Market Value

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

Contributions and Transfers In

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

Interest

Interest income is recognised using the effective interest method.

Group Life Insurance Proceeds

Insurance claim amounts are recognised where the insurer has agreed to pay the claims lodged and has transferred the claim amount to the Fund.

I) LIABILITY FOR ACCRUED BENEFITS

Accrued benefits are the benefits that the Fund is committed to provide in the future in respect of the membership at the reporting date.

The liability represents the Fund's present obligation to pay benefits to members and other beneficiaries and has been calculated on the present value of expected future payments arising from membership of the Fund up to the reporting date. For defined benefit schemes, the amount stated has been determined by reference to expected future salary levels and by application of a market-based, risk adjusted discount rate and appropriate actuarial assumptions. For defined contribution schemes, this has been calculated as the difference between the carrying amount of the assets and the carrying amount of non-interest bearing liabilities at balance date.

The liability for accrued benefits is measured annually at the reporting date by the Fund Actuary, Mercer Australia Pty Ltd, as part of a comprehensive actuarial review of the Fund.

J) VESTED BENEFITS

Vested benefits are the benefits that are not conditional upon continued membership of the Fund and include benefits which members are entitled to receive had they terminated membership at the reporting date.

Under the provisions of the SSA, member entitlements are vested as follows:

Pension Scheme - no vesting rights until retirement at age 55 years or over or earlier death or disablement, although on redundancy members have an option to elect for either:

- an actuarial deferred pension payable upon attainment of age 55 years; or
- an immediate cash payment including a State subsidy equal to 2.5 times the member's primary unit contributions; or
- a transfer of membership to Gold State Super and retention of their transferred service entitlements.

Provident Scheme - same vesting rights as the Pension Scheme except for redundancy.

- Subsidised Provident members made redundant do not have the right to a deferred pension.
- Non-subsidised Provident members made redundant do not have the right to a deferred pension or State subsidy.

Gold State Super, West State Super, Retirement Income Allocated Pension, Retirement Income Term Allocated Pension and GESB Super - full vesting from inception.

K) RECOGNITION OF BENEFITS PAYABLE

All benefit entitlements that were paid or became payable during the financial year have been included within the Statement of Changes in Net Assets. All accrued benefit entitlements that were due and payable as at balance date have also been recognised as a liability within the Statement of Net Assets. Benefits due to members which are not yet payable are not brought to account within the financial statements. Benefits payable are valued at net market value which comprise the entitlements of members who ceased employment prior to the year end but had not been paid at that time. Benefits payable are settled within the industry standard of 30 days.

L) INVESTMENT IN CONTROLLED ENTITIES

GESB is the sole unit-holder and beneficiary of the SB Investment Trust. The trust has assets of less than \$2,000 and no liabilities. The trust did not operate during the year and its term expires in March 2017.

GESB is the sole shareholder of GESB Wealth Management Pty Ltd (GWM), with total issued and paid-up capital of \$3,150,000. GWM commenced trading in April 2007 and its principal activity is to provide financial advice to members of superannuation schemes managed by GESB. As at 30 June 2010, GWM has total assets of \$2,167,029 (2009 - \$1,459,124) and total liabilities of \$529,361 (2009 - \$300,670). For the year ended 30 June 2010, GWM reported a total net loss after income tax of \$270,786 (2009 - net profit after income tax of \$78,707).

GESB is the sole unit-holder of the Macquarie Global Private Equity Fund. The investment is carried at net market value.

M) EMPLOYEE BENEFITS

Long Service and Annual Leave - these benefits have been determined in accordance with the provisions of AASB 119 'Employee Benefits'. These benefits are assessed based on projected future remuneration rates at which the liabilities are expected to be paid. In addition, the long service leave liability also considers the experience of employee departures and periods of service. The liability for these benefits is disclosed as aggregate amounts that arise from employee benefits.

The liability for annual and long service leave due to be settled within 12 months after the end of the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Long service leave expected to be settled more than 12 months after the end of the reporting date is measured at the present value of amounts expected to be paid when the liabilities are settled. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used. Leave liabilities are in respect of services provided by employees up to the reporting date.

Superannuation - GESB's employees have an entitlement to superannuation under one of the schemes established under the SSA.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members, or to the Gold State Super Scheme, a defined benefit lump sum scheme also closed to new members. Employees who are not members of either of these schemes become noncontributory members of West State Super or GESB Super. West State Super has been closed to new employees since April 2007. GESB contributes to these schemes in compliance with the SSA which would satisfy the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*.

An unfunded employer liability exists in relation to the employer share of pension benefits and the pre-transfer service liability for those employees who transferred to the contributory lump sum scheme (Gold State Super). The liability has been recognised by provision in the Statement of Net Assets at the present value of the future payments, by application of actuarial factors provided for this purpose. The liabilities under these schemes are calculated separately for each scheme annually by GESB's Actuary, Mercer, using the projected unit credit method.

As per AASB 119 'Employee Benefits' and TI1106 'Transition to Australian Equivalents to International Financial Reporting Standards', Gold State Super, West State Super and GESB Super are defined contribution plans where the current service superannuation contribution is paid by GESB for its employees. Per AASB119 and TI1106, the liability in relation to the transferred service of employees who transferred from the Pension Scheme to Gold State Super is treated as a defined benefit plan. The Pension Scheme, as per AASB119 and TI1106, is treated as a defined benefit plan. The expected future benefit payments are discounted to present value using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The liability for the superannuation charges under the SSA relating to members of West State Super, Gold State Super and GESB Super is extinguished by the payment of concurrent employer contributions.

The superannuation expense of the defined benefit plans is made up of the following elements:

- current service cost;
- interest cost (unwinding of the discount);
- actuarial gains and losses; and
- benefits paid.

Actuarial gains and losses of the defined benefit plans are recognised immediately as income or expense in the Statement of Changes in Net Assets.

The superannuation expense of the defined contribution plans is recognised as and when the contributions fall due.

Employment On-Costs - Employment on-costs, including workers' compensation insurance, fringe benefits tax and payroll tax, are not employee benefits and are recognised as liabilities and expenses when the employment to which they relate has occurred.

N) RECEIVABLES AND PAYABLES

Receivables which generally have a term of 7 to 14 days are recognised at the amount receivable less any allowance for impairment. The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written off. The provision for uncollectible amounts (impaired receivables) is raised when debts are overdue and all reasonable efforts to recover these debts have been unsuccessful. Trade receivables are carried at nominal value, which approximates net market value.

Payables represent liabilities for member benefits due and payable, and the value of goods and services provided to the Fund prior to the end of the financial year and which are unpaid. Trade payables are normally settled within the payment terms stated on the invoice ranging from 30 to 90 days. Trade payables are carried at nominal value, which approximates net market value.

O) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets, with the exception of receivables and payables, 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 cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from the taxation authority is included as part of receivables in the Statement of Net Assets.

P) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include deposits held at call with a bank or financial institution and highly liquid investments, if any, with short periods to maturity which are readily convertible to cash on hand and are subject to insignificant risk of changes in value.

Q) SUPERANNUATION CONTRIBUTIONS (SURCHARGE) TAX

For constitutionally protected funds, the recording, assessment and collection of the superannuation contributions surcharge tax, commonly referred to as the 'superannuation surcharge', against members of the schemes administered by GESB is performed by the Australian Taxation Office. As a consequence, neither the expense nor the liability for the contributions surcharge has been recognised within these Statements. Effective 1 July 2002, payment arrangements for this tax liability can be made through GESB upon instructions from members. Members may instruct GESB to withhold a portion of their benefits to be held in trust pending the assessment of their tax liability. This amount will be placed in an interest bearing account, earning interest at Consumer Price Index (CPI) + 2%. When the tax liability is due, GESB will issue a cheque payable to the ATO on behalf of the member.

R) BORROWING COSTS

GESB does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with these assets would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing). All other borrowing costs are expensed as incurred.

S) PROVISIONS

Provisions are liabilities of uncertain timing and amount. GESB only recognises a provision where there is a present legal or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably. Provisions are reviewed at each Statement of Net Assets reporting date and adjusted to reflect the current best estimate.

T) ACCRUED SALARIES

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a few days of the financial year end. GESB considers the carrying amount of accrued salaries to be equivalent to the net market value.

U) DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the 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.

V) LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to GESB substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that GESB will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the Statement of Changes in Net Assets on a straight-line basis over the lease term. Lease incentives are recognised in the Statement of Changes in Net Assets as an integral part of the total lease expense.

W) INTEREST BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at net market value.

Gains and losses are recognised in the Statement of Changes in Net Assets.

X) COMPARATIVES

Comparative figures have been reclassified to be comparable with the figures presented in the current financial year where appropriate.

Note 2: Cash and Cash Equivalents

	2010	2009
Cash and Cash Equivalents	47,402	31,624

Cash and cash equivalents earn interest at floating rates based on daily bank deposit rates and are invested in financial institutions with at least a AA credit ranking.

Note 3: Investment Income and Assets

INVESTMENT INCOME

	2009/2010			2008/2009				
	Realised Income	Realised Changes in Net Market Value	Unrealised Changes in Net Market Value	Total	Realised Income	Realised Changes in Net Market Value	Unrealised Changes in Net Market Value	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INTERNALLY MANAGED PORTFOLIO								
Cash	1,094	-	-	1,094	1,429	-	-	1,429
Total Internally Managed	1,094	-	-	1,094	1,429	-	-	1,429
EXTERNALLY MANAGED PORTFOLIO								
Global Fixed Interest	103,237	143,725	41,390	288,352	110,575	86,906	15,516	212,997
Australian Equities	90,488	124,301	45,606	260,395	95,828	(272,166)	(104,403)	(280,741)
International Equities	65,415	489,383	(359,248)	195,550	59,417	(502,490)	(201,875)	(644,948)
Global Property	35,114	110,194	41,241	186,549	40,645	(173,982)	(135,355)	(268,692)
Cash	1,906	18,885	2,937	23,728	13,894	14,735	2,364	30,993
Socially Responsible Investments	4,178	8,065	(1,707)	10,536	4,576	(17,659)	(6,062)	(19,145)
Private Equity	27,036	-	13,002	40,038	17,390	-	(59,733)	(42,343)
Lower Risk Return	15,332	489	11,898	27,719	23,144	-	(11,723)	11,421
Unlisted Property	434	-	3,494	3,928	-	-	-	-
Total Externally Managed	343,140	895,042	(201,387)	1,036,795	365,469	(864,656)	(501,271)	(1,000,458)
TOTAL INVESTMENT REVENUE	344,234	895,042	(201,387)	1,037,889	366,898	(864,656)	(501,271)	(999,029)
Less: Investment Expenses								
External Fund Management Fees	26,001	-	-	26,001	21,182	-	-	21,182
Custodial Fees	2,485	-	-	2,485	2,069	-	-	2,069
Investment Administration Costs	3,604	-	-	3,604	2,723	-	-	2,723
Total Investment Expenses	32,090	-	-	32,090	25,974	-	-	25,974
NET INVESTMENT INCOME	312,144	895,042	(201,387)	1,005,799	340,924	(864,656)	(501,271)	(1,025,003)

INVESTMENTS

		30 JUNE 2010	30 JUNE 2009
	Notes	Net Market Values \$'000	Net Market Values \$'000
Investment in GESB Wealth Management Pty Ltd		3,150	2,400
EXTERNALLY MANAGED PORTFOLIO	(a)		
Global Fixed Interest		2,872,528	2,198,526
Global Property		663,377	620,293
Australian Equities		2,455,280	1,989,401
International Equities		2,635,112	2,003,444
Cash	(b)	725,603	1,000,897
Socially Responsible Investments		108,696	89,275
Private Equity		464,637	336,490
Lower Risk Return		405,011	328,799
Unlisted Property		131,406	-
Sub-Total		10,461,650	8,567,125
TOTAL INVESTMENT PORTFOLIO		10,464,800	8,569,525

A) EXTERNALLY MANAGED PORTFOLIO

The majority of the external investments are comprised of individual investment pools managed by Australian based Fund Managers, via GESB's custodian NAB Asset Servicing (NAS).

B) CASH

	30 JUNE 2010	30 JUNE 2009
	\$'000	\$'000
Macquarie Investment Management Ltd	614,657	749,993
NAB Cash Accounts	110,945	250,903
SB Investment Trust	1	1
Total Cash	725,603	1,000,897

Macquarie Investment Management Ltd are mandated to manage a cash portfolio consisting primarily of short dated bank bills, term deposits and other highly liquid short term securities.

Note 4: Financial Risk Management Objectives and Policies

A) OBJECTIVES, STRATEGIES, POLICIES AND PROCESSES

GESB is responsible for the prudent management and investment of the assets of the Fund. To fulfil this statutory responsibility and meet its legal and fiduciary obligations, the Board has an integrated investment governance framework to govern its processes in formulating investment objectives, setting strategic asset allocations and developing appropriate investment strategies.

The IPS formally documents the investment objectives and strategies used by GESB for the management of the Fund. Included in the IPS are a set of fundamental beliefs and guiding principles upon which the formulation and implementation of the Fund's investment strategy is based. The IPS is reviewed regularly, typically annually, by the Board and modified as appropriate.

The Treasurer issues Prudential Guidelines for Investments to the Board which are subject to review annually.

A Board Investment Committee was established last year to report to and advise the Board about investment matters. The Committee draws on expertise outside the Board, and meets regularly to consider, approve and monitor all strategic aspects of the Fund's investment activities. The Committee is comprised of both Board Directors and external appointees, who have been appointed for their specialist professional expertise and who discharge their duties as specified in the Committee's Charter.

The Investment Division provides strategic advice to the Board and Investment Committee in setting investment objectives, asset allocation, investment strategy and Fund Manager selection.

Rebalancing of the portfolio occurs on a regular basis in accordance with Board approved policies. The assets of the portfolio are managed by specialist Fund Managers which are appointed subject to Treasurer's approval. The Board monitors Fund Manager performance as well as compliance with investment management agreements and Prudential Guidelines for Investments. Derivative exposure is managed in accordance the Fund's Risk Management Statement as recommended by the Australian Prudential Regulation Authority.

The Fund's principal financial instruments, other than derivatives, comprise units in pooled trusts, equities, fixed interest securities, cash and short-term deposits. The main purpose of these financial instruments is to generate a return on investment.

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

The Fund does not directly enter into derivative transactions. Through its Fund Managers it may enter into derivative transactions, including fixed interest futures and foreign exchange contracts.

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement and monitoring. The main risks arising from the Fund's financial instruments are credit risk, market risk, price risk, foreign currency risk, interest rate risk and liquidity risk. GESB reviews and establishes policies for managing each of these risks and they are summarised below.

B) USE OF DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are usually separated into three generic classes - forwards, options and swaps - although individual products may combine the features of more than one class. GESB makes use of derivative financial instruments through the portfolios held by its Fund Managers.

GESB has detailed guidelines regarding the use of synthetic and derivative instruments, which must be adhered to by GESB itself and its Fund Managers. The guidelines state that GESB may use synthetic and derivative instruments to manage exposures arising out of GESB's investment strategy providing that:

- in the view of GESB or its Fund Managers, the use of the synthetic or derivative instrument will lead to the acquisition/disposal of the asset at a more favourable price than by a transaction in the physical market; and/or
- the use of the synthetic or derivative instrument enhances the risk/return profile of the portfolio subject to the following conditions:
 - the portfolio will not be net short (i.e. GESB shall have sufficient physical stock and bought synthetic or derivative instruments to cover its sold position); and
 - these instruments may not be used to gear the underlying position.

In addition to the above general conditions, GESB's guidelines also contain more detailed guidance with respect to specific types of synthetic or derivative instruments.

Under the investment strategy of GESB, derivatives are principally used as an effective alternative to physical assets and to gain access to, or allow flexibility in financial markets, in order to manage and structure the Fund's investment portfolio to achieve a desired level of total exposure to various asset classes. Derivatives are not utilised to leverage the investment portfolio.

In line with the organisation's net market value accounting policy, derivatives are valued on a marked-to-market basis, which involves the calculation and recognition of unrealised gains and losses on all current positions. Accordingly, the Financial Statements reflect all unrealised gains and losses on derivatives.

As at 30 June 2010 the significant derivative positions held by GESB's Fund Managers were as follows:

	2010 \$'000	2009 \$'000
Derivative Assets:		
Swaps	5,638	12,998
Futures	2,787	886
Options	345	16
Forward Foreign Exchange Contracts	14,038	86,340
Total Derivative Assets	22,808	100,240
Derivative Liabilities:		
Swaps	3,032	6,256
Futures	1,994	1,054
Options	120	1
Forward Foreign Exchange Contracts	95,228	4,640
Total Derivative Liabilities	100,374	11,951
Total Net Derivatives	(77,566)	88,289

All derivative financial assets and liabilities are classified as level 2 in the fair value hierarchy, except futures which belong to level 1. Refer to Note 4(g).

c) CREDIT RISK

Credit risk arises from the financial assets of GESB, which comprise cash and cash equivalents, receivables, investments and derivative financial instruments. Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

With respect to credit risk arising from the financial assets of the Fund, other than derivatives, the Fund's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the net market value of these investments as disclosed in each applicable note. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

In accordance with the Fund's policy it minimises credit risk by undertaking transactions with a large number of creditworthy third parties in various countries. GESB does not have any significant exposure to any individual counterparty or industry other than the Government of Western Australia in respect of GESB's unfunded superannuation liability.

The Fund holds no collateral as security or other credit enhancements except for scrip lending as disclosed in Note 4(i).

In addition, receivable balances are monitored on an ongoing basis with the result that the Fund's exposure to bad debts is not significant.

Credit Quality Per Class of Financial Instrument

A key indicator of assessing the credit quality of financial assets is through the use of credit ratings. The credit ratings used are the lower of Standard and Poor and/or Moody's rating categories, in accordance with the investment policy. Exposure in each grade is monitored on a periodic basis. This review process assists GESB to assess the potential loss as a result of risks and to take corrective action where necessary.

The table below shows the credit quality by class of asset for financial instruments:

\$'000								
At 30 June 2010	AAA to AA-	A1+ to A1	A+ to A-	BBB+ to B-	CCC to C	D	Other *	Total
Financial Assets Held at Net Market Value:								
Asset Backed Securities	16,060	-	2,670	7,095	10,783	50	4,539	41,197
Cash and Deposits	-	-	-	-	-	-	342,219	342,219
Discount Securities	384	658,234	-	-	-	-	59,786	718,404
Fixed Interest Bonds	1,534,418	-	187,464	143,397	-	-	92,475	1,957,754
Floating Rate Notes	121,858	-	80,580	18,243	-	-	11,135	231,816
Indexed Annuities	19,049	-	-	2,369	-	-	6,808	28,226
Indexed Bonds	211,253	-	-	11,683	-	-	678	223,614
Mortgage Backed Securities	175,326	-	6,298	6,485	16,455	-	3,882	208,446
Zero Coupon Bonds	-	-	-	-	-	-	48	48
	2,078,348	658,234	277,012	189,272	27,238	50	521,570	3,751,724
At 30 June 2009	AAA to AA-	A1+ to A1	A+ to A-	BBB+ to B-	CCC to C	D	Other *	Total
Financial Assets Held at Net Market Value:								
Asset Backed Securities	29,152	-	473	2,962	767	-	4,951	38,305
Cash and Deposits	-	-	-	-	-	-	495,802	495,802
Discount Securities	2,095	754,951	-	-	-	-	41,823	798,869
Fixed Interest Bonds	750,815	-	201,381	124,019	382	-	14,106	1,090,703
Floating Rate Notes	142,737	-	91,625	31,403	-	-	1970	267,735
Indexed Annuities	23,248	-	-	3,038	-	-	5,987	32,273
Indexed Bonds	174,008	-	-	14,193	-	-	-	188,201
Loans	-	-	-	-	-	-	2,079	2,079
Mortgage Backed Securities	380,306	-	7,950	2,113	454	-	31,821	422,644
Perpetual Securities	-	-	-	-	-	-	718	718
	1,502,361	754,951	301,429	177,728	1,603	-	599,257	3,337,328

* The Funds custodian uses the Standard and Poor's (S&P) rating category to determine credit quality for each financial asset. Not all financial assets are rated by S&P. Although some financial assets are unrated this does not imply that they are non investment grade. The investment quality of the portfolio is managed through compliance with the Fund Manager Investment Agreement.

GESB's debt portfolio is managed consistent with investment restrictions and credit rating limits contained within each Fund Manager's mandate and individual investment agreements.

D) MARKET RISK

Market risk relates to the risk of loss due to a change in market and economic conditions (e.g. interest rate change, equity price fluctuations or exchange rate fluctuations). GESB invests in Australian and overseas equities, fixed interest securities, property and other financial securities and therefore is exposed to market risk on all of its investment assets.

Market risk comprises three types of risk: price risk, foreign currency risk and interest rate risk.

Market risk is minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

The Fund also indirectly enters into derivative transactions through its Fund Managers, principally fixed interest swaps and foreign exchange contracts to further mitigate its market risks.

The market risk disclosures are prepared on the basis of the Fund's direct investments and not on a look through basis for investments held in the Fund.

i) Price Risk

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

To limit price risk the Fund diversifies its investment portfolio in line with its investment policy. Additionally, the Fund invests in other asset classes that tend to be negatively correlated to equities which may generate profits when equities generate losses. The Fund monitors its exposure to various indices on an ongoing basis throughout the year to ensure the accuracy of investment valuation.

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

CHANGE IN EQUITY PRICES		AFTER TAX CHANGE IN NET ASSETS AND NET ASSETS AVAILABLE TO PAY BENEFITS	
2010	2009	2010	2009
%	%	\$'000	\$'000
+/-10	+/- 10	657,481/(657,481)	513,978/(513,952)

The sensitivity is based on reasonably possible changes expected over the following financial year using economic and financial forecasts published by one of the big four Australian banks. The analysis was performed on the same basis for 2009.

ii) Foreign Currency Risk

Currency risk is the risk of fluctuation in the fair value of overseas investments which are denominated in foreign currencies, due to the movement in the foreign exchange rates. GESB, in consultation with its asset consultants, has diversified its overseas portfolio. GESB believes that the long term benefits from investing overseas outweigh the effect of possible short-term currency fluctuations.

In GESB's agreement with its Fund Managers, and in accordance with the Fund's policy, the management of currency risk is covered in some detail. GESB's international Fund Managers are able to use transactions such as currency forward contracts and swaps in order to manage the currency exposure of the Fund. The terms of such contracts must not exceed one year, during which time 100% of the contract commitment must be covered at all times by cash, debt securities or equities denominated in the currency or one highly correlated with the currency sold forward.

Currency risk is managed on an ongoing basis by regular monitoring of the performance of the appointed Fund Managers. The risk is measured using sensitivity analysis.

GESB's exposure as at 30 June 2010 to foreign exchange rate movements on its international investments is as follows:

	BRITISH POUND	CANADIAN DOLLAR	EURO	HONG KONG DOLLAR	JAPANESE YEN	SWISS FRANC	US DOLLAR	OTHER CURRENCIES	TOTAL
30 June 2010	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Assets									
Financial Assets Held at Net Market Value	484,909	240,406	1,341,211	110,007	601,172	128,034	3,767,808	375,281	7,048,828
Liabilities									
Financial Liabilities Held at Net Market Value	(355,556)	(202,362)	(1,222,037)	(62,640)	(453,165)	(74,454)	(3,336,666)	(203,925)	(5,910,805)
Net exposure	129,353	38,044	119,174	47,367	148,007	53,580	431,142	171,356	1,138,023

	BRITISH POUND	EURO	JAPANESE YEN	US DOLLAR	OTHER CURRENCIES	TOTAL
30 June 2009	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Assets						
Financial Assets Held at Net Market Value	306,415	691,015	395,088	2,572,526	494,289	4,459,333
Liabilities						
Financial Liabilities Held at Net Market Value	(214,627)	(560,898)	(290,653)	(2,221,080)	(292,106)	(3,579,364)
Net Exposure	91,787	130,117	104,435	351,446	202,183	879,969

The table below analyses the sensitivity of the Fund's net assets to the movement of major currencies to which the Fund had significant exposure at 30 June 2010. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Australian Dollar on the Statement of Changes in Net Assets, with all other variables held constant.

CURRENCY	CHANGE IN CURRENCY RATE		AFTER TAX CHANGE IN NET ASSETS AND NET ASSETS AVAILABLE TO PAY BENEFITS	
	2010 %	2009 %	2010 \$'000	2009 \$'000
British Pound/AUD	+/-5	+/-5	(6,160)/6,808	(4,282)/4,733
Canadian Dollar/AUD	+/-5	-	(1,812)/2,002	-
EUR/AUD	+/-10	+/-5	(10,834)/13,242	(6,070)/6,709
Hong Kong Dollar/AUD	+/-5	-	(2,256)/2,493	-
Japanese Yen/AUD	+/-20	+/-15	(24,668)/37,002	(13,345)/18,055
Swiss Franc/AUD	+/-5	-	(2,551)/2,820	-
USD/AUD	+/-10	+/-5	(39,195)/47,905	(16,395)/18,121
Other/AUD	+/-5	+/-5	(8,160)/9,019	(9,432)/10,425

The sensitivity is based on reasonably possible changes expected over the following financial year using economic and financial forecasts published by one of the big four Australian banks. The analysis was performed on the same basis for 2009.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

iii) 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. In accordance with the Fund's policy this risk is managed by a combination of duration analysis and derivative positions to enhance the interest rate performance of the investment portfolio. The interest rate risk is measured using sensitivity analysis.

GESB invests in financial assets for the primary purpose of obtaining a return on investments. GESB's investments are subject to interest rate risks and the return on the investments will fluctuate in accordance with movements in the market interest rates.

INTEREST RATE RISK ON FINANCIAL ASSETS AND LIABILITIES

The table below summarises the Fund's exposure to interest rate risks. It includes the Fund's assets and liabilities at net market value, categorised by maturity dates:

30 JUNE 2010	Floating Interest Rate \$'000	Fixed Rate 3 months or less \$'000	Fixed Rate 3 to 12 months \$'000	Fixed Rate 1 to 5 years \$'000	Fixed Rate Over 5 years \$'000	Non-interest bearing \$'000	Total \$'000
Financial Assets							
Zero Coupon Bonds	-	-	-	48	-	-	48
Fixed Interest Bonds	4,117	3,622	81,241	1,003,363	865,411	-	1,957,754
Indexed Annuities	-	-	18	1,703	26,505	-	28,226
Indexed Bonds	-	-	12,417	-	211,197	-	223,614
Floating Rate Notes	231,816	-	-	-	-	-	231,816
Mortgage Backed Securities	115,863	-	-	14,356	78,227	-	208,446
Asset Backed Securities	11,109	-	-	2,091	27,997	-	41,197
Discount Securities	-	-	-	-	384	718,020	718,404
Cash and Deposits	309,357	32,862	-	-	-	-	342,219
Total Financial Assets	672,262	36,484	93,676	1,021,561	1,209,721	718,020	3,751,724
Financial Liabilities							
Interest Bearing Loans and Borrowings	-	14,442	41,108	196,354	223,805	-	475,709
Cash and Deposits	46,776	-	-	-	-	-	46,776
Total Financial Liabilities	46,776	14,442	41,108	196,354	223,805	-	522,485
30 JUNE 2009	Floating Interest Rate \$'000	Fixed Rate 3 months or less \$'000	Fixed Rate 3 to 12 months \$'000	Fixed Rate 1 to 5 years \$'000	Fixed Rate Over 5 years \$'000	Non-interest bearing \$'000	Total \$'000
Financial Assets							
Perpetual Securities	-	-	-	-	718	-	718
Fixed Interest Bonds	-	10,377	29,107	517,715	530,983	2,522	1,090,704
Indexed Annuities	32,273	-	-	-	-	-	32,273
Indexed Bonds	188,200	-	-	-	-	-	188,200
Floating Rate Notes	267,734	-	-	-	-	-	267,734
Mortgage Backed Securities	422,644	-	-	-	-	-	422,644
Asset Backed Securities	38,305	-	-	-	-	-	38,305
Loans	2,079	-	-	-	-	-	2,079
Discount Securities	-	-	-	-	425	798,443	798,868
Cash and Deposits	418,292	77,510	-	-	-	-	495,802
Total Financial Assets	1,369,529	87,887	29,107	517,715	532,126	801,390	3,337,328
Financial Liabilities							
Interest Bearing Loans and Borrowings	-	14,544	43,632	232,705	199,798	-	490,679
Cash and Deposits	-	24,760	-	-	-	-	24,760
Total Financial Liabilities	-	39,304	43,632	232,705	199,798	-	515,439

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At 30 June 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the change in net assets and net assets available to pay benefits would have been affected as follows:

JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS	AFTER TAX CHANGE IN NET ASSETS AND NET ASSETS AVAILABLE TO PAY BENEFITS	
	2010 \$'000	2009 \$'000
Basis Points		
+/- 75 (2010) and +/- 50 (2009)	(99,182)/99,299	(54,963)/61,554

The movements in the change in net assets and net assets available to pay benefits are due to higher/lower interest costs from variable rate cash balances. The sensitivity is based on reasonably possible changes expected over the following financial year using economic and financial forecasts published by one of the big four Australian banks. The analysis was performed on the same basis for 2009.

E) LIQUIDITY RISK

Liquidity risk is the risk that GESB will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

To control liquidity risk, GESB invests substantially in financial instruments which, under normal market conditions, are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

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

In relation to the contractual maturity of vested superannuation benefits these would be considered on demand. On demand payments comprise the entire defined contribution component and the vested portion of the defined benefit component. Refer to Note 6 and 7 for information on accrued benefits and vested benefits.

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

The Fund's other significant financial liability is an interest bearing loan which was entered into following successful negotiations with the State Government in regard to an agreed payment schedule to discharge the unfunded West State Super liability over twenty years. Refer Note 17.

Other financial liabilities of the Fund comprise trade, other payables and outstanding investment trade settlements which are contractually due within 30 days and derivative financial liabilities which are payable within 12 months.

The table below reflects the remaining contractual maturities of the interest bearing loan as of 30 June 2010.

	2010 \$'000	2009 \$'000
1 Year or Less	58,176	58,176
1-2 Years	58,176	58,176
2-3 Years	58,176	58,176
3-4 Years	58,176	58,176
4-5 Years	58,176	58,176
Over 5 Years	349,058	407,233
	639,938	698,113

F) CONCENTRATIONS OF RISK

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

In order to avoid excessive concentrations of risk, GESB monitors its exposure to ensure concentrations of risk remains within acceptable levels as per the investment policy and imposes mandated limits on Fund Managers' use of derivative instruments and on maximum concentrations of risk tolerances.

The following table classifies the Fund's listed equity portfolio by industry sector as at 30 June 2010 and 30 June 2009:

	2010		2009	
	\$'000	%	\$'000	%
Consumer Discretionary	415,643	8.44	239,002	6.14
Consumer Staples	420,625	8.54	378,915	9.73
Energy	388,617	7.89	383,599	9.85
Financials	1,339,301	27.18	1,071,081	27.51
Health Care	352,021	7.15	351,176	9.02
Industrials	473,133	9.61	315,190	8.09
Information Technology	363,926	7.39	211,681	5.44
Materials	850,167	17.25	624,757	16.04
Telecommunication Services	220,529	4.48	221,043	5.68
Utilities	101,734	2.07	97,416	2.50
Total	4,925,696	100.00	3,893,860	100.00

The following table analyses the Fund's investment portfolio by geographic regions (excluding the effect of foreign currency exposure including investment receivables and payables as at 30 June 2010 and 30 June 2009):

	2010		2009	
	\$'000	%	\$'000	%
Australia	5,620,430	54.67	4,892,496	58.64
Canada	206,901	2.01	131,144	1.57
Denmark	49,000	0.48	12,195	0.15
France	282,764	2.75	203,420	2.44
Germany	328,607	3.20	201,681	2.42
Hong Kong	75,409	0.73	66,057	0.79
Italy	52,982	0.52	36,243	0.43
Japan	321,196	3.12	230,659	2.76
Netherlands	86,454	0.84	95,765	1.15
Norway	45,521	0.44	18,768	0.23
Singapore	96,398	0.94	62,663	0.75
Spain	36,793	0.36	43,959	0.52
Sweden	43,302	0.42	30,128	0.36
Switzerland	134,833	1.31	119,608	1.43
United Kingdom	469,342	4.56	285,170	3.42
United States	2,041,559	19.86	1,654,264	19.83
Other	389,841	3.79	259,514	5.55
Total	10,281,332	100.00	8,343,734	100.00

G) NET MARKET VALUES OF FINANCIAL ASSETS AND LIABILITIES

The Fund's financial assets and liabilities adopted in the Statement of Net Assets are carried at their net market value, which approximates their fair values.

Refer to Note 1 for the methods and assumptions adopted in determining the net market values of investments and derivatives.

GESB uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 - the fair value is determined using quoted prices in active markets or using matrix pricing, including quoted prices for identical securities. An active market is a market in which transactions take place with sufficient frequency and volume to provide pricing on an ongoing basis.

Level 2 - the fair value is determined using a valuation model with inputs that can be observed in the actual marketplace. The inputs can be direct (i.e. as prices) or indirect (i.e. derived from prices).

Level 3 - the fair value is determined using inputs that are not based on observable market data (i.e. unobservable inputs). The inputs are entity specific and subjective. 'Entity specific' inputs are where inputs are estimated and calculated internally by a particular fund, specific and available to that fund only.

The table below sets out the financial assets and liabilities measured at fair value according to the fair value hierarchy as at 30 June 2010. The Fund has elected not to provide comparative information in the current reporting period as permitted by the transitional provisions of AASB 7.

AS AT 30 JUNE 2010	LEVEL 1 A\$'000	LEVEL 2 A\$'000	LEVEL 3 A\$'000	TOTAL A\$'000
Financial Assets:				
Asset Backed Securities	404	40,793	-	41,197
Cash and Deposits	342,219	-	-	342,219
Discount Securities	-	718,404	-	718,404
Fixed Interest Bonds	1,426	1,956,327	-	1,957,753
Floating Rate Notes	-	230,704	1,112	231,816
Indexed Annuities	-	28,226	-	28,226
Indexed Bonds	-	223,614	-	223,614
Listed Equities	4,846,419	4,057	712	4,851,188
Listed Property Trusts	554,861	660	-	555,521
Listed Unit Trusts	88,417	-	-	88,417
Mortgage Backed Securities	4,571	199,862	4,013	208,446
Pref Shares Redeemable	3,087	-	-	3,087
Unlisted Equities	154	3	-	157
Unlisted Trusts	30,000	763,696	464,637	1,258,333
Zero Coupon Bonds	-	48	-	48
Total Financial Assets	5,871,558	4,166,394	470,474	10,508,426
Financial Liabilities:				
Cash and Deposits	(46,776)	-	-	(46,776)
Total Financial Liabilities	(46,776)	-	-	(46,776)
GRAND TOTAL	5,824,782	4,166,394	470,474	10,461,650

Quoted market price, less transaction costs represents the net market value determined based on quoted prices on active markets as at the reporting date. The net market value of the listed equity investments are based on quoted market prices, less transaction costs.

For financial instruments not quoted in active markets, GESB uses valuation techniques such as:

- quoted prices for similar securities in active markets;
- quoted prices for identical or similar securities in markets that are not active, market corroborated inputs; and
- inputs that are developed based on available data and reflect assumptions that markets would use when pricing similar securities. Example of observable inputs includes interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates.

Transfer Between Categories

There were no transfers between Level 1 and Level 2 during the year.

The following table presents the movement in Level 3 instruments as at 30 June 2010:

AS AT 30 JUNE 2010	EQUITIES A\$'000	FIXED INTEREST A\$'000	TOTAL A\$'000
Opening Balance	336,490	19,518	356,008
Total Realised/Unrealised Gains and Losses	39,781	59	39,840
Purchases	89,078	-	89,078
Sales	-	(4,977)	(4,977)
Transfers into Level 3	-	-	-
Transfers out of Level 3	-	(9,475)	(9,475)
Closing Balance	465,349	5,125	470,474

Gains or losses recognised in the Statement of Changes in Net Assets for Level 3 transactions are presented in the movement in net market value of investments as follows:

AS AT 30 JUNE 2010	EQUITIES A\$'000	FIXED INTEREST A\$'000	TOTAL A\$'000
Total Gains/(Losses) Recognised in the Statement of Changes in Net Assets for the period	39,781	59	39,840
Total Gains/(Losses) Recognised in the Statement of Changes in Net Assets for the Period for Assets held at the End of the Reporting Period	12,201	-	12,201

For financial instruments classified in Level 3 in the fair value hierarchy some of the inputs to the valuation models are unobservable and therefore subjective in nature. The use of reasonably possible alternative assumptions could possibly produce a different net market value measurement. If the impact of using those alternative assumptions would cause the fair value of Level 3 asset to be higher or lower by 5% the net assets of the fund and the result for the year would have been higher or lower by \$23,524,000.

H) UNITISED INVESTMENTS

The Fund Managers of unitised investment vehicles have investments in a variety of investment instruments, including derivatives that expose GESB's investments to a variety of investment risks, including market risk, credit risk, interest risk and currency risk. Note 4c to 4e cover how GESB minimises these risks.

I) SCRIP LENDING

GESB and the National Australia Bank (NAB) entered into a securities borrowing agreement under which legal title to certain of GESB's assets has been loaned to NAB, notwithstanding the fact that the risks and benefits of ownership of the assets remain with GESB. This agreement has been put in place to provide revenue which ultimately enhances the investment return of the Fund. As part of the securities borrowing agreement with GESB, the NAB obtains collateral from the borrower to cover the value of all assets subject to securities borrowing agreements in accordance with agreed principles and standard market practice. These assets are valued daily and the required collateral is adjusted accordingly.

The total value of assets on loan as at 30 June 2010 is \$1,204.5 million (2009 - \$418.0 million).

The short selling bans imposed by ASIC in 2008 led many lenders to suspend lending programs and forced borrowers to find alternatives for managing portfolios, leading to reduced lending volume as at 30 June 2009. Over the course of 2009/10 the majority of borrowers and lenders have returned to the market. This in conjunction with the increased size of our fund has lifted securities lending volumes back in line with levels reported previously.

Note 5: Employer Contributions, Benefit Payment and Other Income

	2010 \$'000	2009 \$'000
A) EMPLOYER CONTRIBUTIONS		
Pension Scheme		
Employer's Share of Pensions	222,191	227,900
Gold State Super		
Employer Contributions	45,034	39,746
Recoup of Past Service Liabilities	10,812	6,254
Recoup of Consolidated Fund Portion of Lump Sum Benefits	216,536	194,218
	272,382	240,218
West State Super		
Employer Contributions	457,760	449,480
Recoup of Treasury Unfunded Liabilities	58,176	58,176
	515,936	507,656
GESB Super		
Employer Contributions	136,478	94,103
Total Employer Contributions	1,146,987	1,069,878
B) SUPERANNUATION BENEFIT PAYMENTS		
Pension Scheme		
Pensions	229,901	233,730
Commutation Lump Sums	951	742
	230,852	234,472
Gold State Super		
Retirement	185,190	55,367
Disability	17,067	16,102
Retrenchment/Death	10,133	7,906
Family Law	1,871	-
Financial Hardship	2,678	3,939
Compassionate	362	210
Phased Retirement	15,038	9,148
Others	372	383
	232,756	93,055

	2010 \$'000	2009 \$'000
B) SUPERANNUATION BENEFIT PAYMENTS CONTINUED...		
West State Super		
Retirement	144,877	81,815
Disability	8,206	5,826
Retrenchment/Death	16,866	15,929
Family Law	-	691
Financial Hardship	1,112	599
Compassionate	2,883	1,829
Phased Retirement	109,386	88,151
Others	29,136	11,550
	312,466	206,390
GESB Super		
Retirement	51,748	69,707
Retrenchment/Death	2,760	1,174
Financial Hardship	94	30
Phased Retirement	8,901	6,122
Other	1,306	775
	64,809	77,808
Retirement Income - (Allocated Pension/Term Allocated Pension)		
Pension	51,658	40,747
Commutation Lump Sums	53,147	42,879
Death	423	363
Other	175	43
	105,403	84,032
Total Superannuation Benefits Payments	946,286	695,757
C) GROUP LIFE INSURANCE PREMIUMS		
GESB Super	12,904	9,536
West State Super	61,666	65,136
Total Group Life Insurance Premiums	74,570	74,672
D) OTHER INCOME		
Insurance Administration Fee	3,841	3,927
Service Fee	3,245	2,399
Professional Indemnity Insurance Claims	-	3,868
Other	3	-
Total Other Income	7,089	10,194

Note 6: Liability for Accrued Benefits

Gross Accrued Benefits

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries, and has been calculated on the basis of the present value of payments expected to occur in respect of those obligations which arise from membership of the Fund up to measurement date. The amount stated has been determined by adding the liability for accrued benefits related to funded liabilities and the unfunded liabilities in respect of completed membership (see below).

	GOLD STATE SUPER		PENSION SCHEME	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Gross Accrued Benefits	5,850,087	5,313,568	2,541,210	2,574,403

	WEST STATE SUPER		GESB SUPER		RETIREMENT INCOME		TERM ALLOCATED PENSION		TOTAL	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Gross Accrued Benefits	6,359,789	5,240,905	657,318	480,714	837,342	575,784	21,968	20,618	16,267,714	14,205,992

Liability For Accrued Benefits Related To Funded Liabilities

The liability for accrued benefits of the Fund, related to funded liabilities as at 30 June 2010, was calculated for Gold State Super and the Pension Scheme by GESB's Actuary, Mercer Australia Pty Ltd, with reference to expected future salary levels and by application of market-based, risk-adjusted discount rates, appropriate to the expected investment returns of the Fund and other relevant actuarial assumptions. The valuation was undertaken as part of the annual actuarial investigation and is in accordance with the provisions of Section 17 of the SSA. Refer to Note 1(i).

This value may be compared to the net assets of the Fund for the purpose of considering the financial position of the Fund as at balance date. Details of this liability are set out below:

	GOLD STATE SUPER		PENSION SCHEME	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Accrued Liability Related to Funded Liabilities	2,286,354 ¹	2,042,755	109,100 ¹	87,377

	WEST STATE SUPER		GESB SUPER		RETIREMENT INCOME		TERM ALLOCATED PENSION		TOTAL	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Accrued Liability Related to Funded Liabilities	5,884,080	4,750,226	657,318	480,714	837,342	575,784	21,968	20,618	9,796,162	7,957,474

¹In the current year, the previously held expense and government services reserves have been replaced by an increase in liabilities to allow for these future costs. This change had no impact on the Fund's financial state. The value of these liabilities for 2009/2010 for Gold State Super is \$137.2million and for Pension Scheme is \$21.6million.

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

- the future rate of investment returns (net of investment taxes and net of investment management fees) earned on the Fund's assets would be 7.5% (2009 - 7.5%); and
- the future rate of salary inflation would be 4.5% (2009 - 4.5%).

UNFUNDED LIABILITIES IN RESPECT OF COMPLETED MEMBERSHIP

A proportion of member benefits are only funded by employers upon the emergence or payment of member entitlements.

The Department of Treasury and Finance, for their own purposes, has determined the value of the unfunded liabilities of employers (i.e. the Government) which have arisen in respect of membership of the Fund up to 30 June 2010 based on advice from the actuarial firm, PricewaterhouseCoopers Securities Ltd. The PricewaterhouseCoopers Securities Ltd valuation of unfunded liabilities adopts a different discount rate to that adopted for funded liabilities. The discount rate adopted is a long-term bond rate at the reporting date, consistent with requirements of AASB119 Employee Benefits.

GESB's Actuary considered it appropriate that these values be taken as the amount of the Fund's unfunded liabilities in respect of completed membership as these amounts will not be funded from the Fund's investments. These values are as follows:

	GOLD STATE SUPER		PENSION SCHEME		WEST STATE SUPER		GESB SUPER		RETIREMENT INCOME		TERM ALLOCATED PENSION		TOTAL	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Unfunded Liabilities in Respect of Completed Membership	3,563,733	3,270,813	2,432,110	2,487,026	475,709	490,679	-	-	-	-	-	-	6,471,552	6,248,518

The unfunded liability in respect of West State Super stands at \$476m as at 30 June 2010 (2009 - \$491m). An agreement was reached with the State Government that this unfunded amount would be discharged over a 20 year period commencing 15 July 2001.

The unfunded liabilities relating to the West State Super for the current and previous years have been adjusted to reflect the market value of the WATC loan as prescribed by AAS 25.

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

- the future rate of investment returns (net of investment taxes and net of investment management fees) earned on the Fund's assets would be 5.2% (2009 - 5.5%); and
- the future rate of salary inflation would be 4.5% (2009 - 4.5%).

RESERVES

Movement in Reserves

	2010	2009
	\$'000	\$'000
Balance at 1 July	383,100	539,129
Amount Credited/(debited) to Reserves	(301,421)	(156,029)
Balance at 30 June	81,679	383,100

The actuarial recommendation in relation to reserves is provided in Note 25: Summary of Actuarial Report.

Note 7: Vested Benefits

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

Australian Accounting Standard AAS 25 requires the disclosure of vested benefits as at 30 June 2010. The latest determination of vested benefits was undertaken by GESB's Actuary, Mercer, as part of a comprehensive investigation of the Fund. The levels of vested benefits, as reported by the Actuary are as follows:

	GOLD STATE SUPER		PENSION SCHEME	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Gross Vested Benefits	5,904,777	5,560,200	2,519,658	2,574,403

	WEST STATE SUPER		GESB SUPER		RETIREMENT INCOME		TERM ALLOCATED PENSION		TOTAL	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Vested Benefits	6,385,190	5,279,397	657,318	480,714	837,342	575,784	21,968	20,618	16,326,253	14,491,116

The liability for vested benefits of the Fund related to funded liabilities as at 30 June 2010 may be compared to the net assets of the Fund as disclosed under Note 24 at reporting date for the purpose of considering the financial position of the Fund as at balance date. These values are as follows:

	GOLD STATE SUPER		PENSION SCHEME	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Vested Benefits Related to Funded Liabilities	2,457,819	2,329,199	87,548	87,377

	WEST STATE SUPER		GESB SUPER		RETIREMENT INCOME		TERM ALLOCATED PENSION		TOTAL	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Vested Benefits Related to Funded Liabilities	5,909,481	4,788,718	657,318	480,714	837,342	575,784	21,968	20,618	9,971,476	8,282,410

The discount rate adopted to value vested benefits was the same rate adopted by GESB's Actuary to value funded accrued benefits.

West State Super vested benefits are calculated on the assumption that all members exit the scheme on balance date and accordingly includes the full cost of the minimum benefits guarantee.

Note 8: Guaranteed Benefits

The payment of benefits to members or their beneficiaries of the Pension Scheme, Gold State Super, West State Super, GESB Super, Retirement Income Allocated Pension and Retirement Income Term Allocated Pension is guaranteed by the State under Section 31 of the SSA.

Benefits paid to members and beneficiaries of the Pension Scheme are guaranteed to the extent that Sections 30, 46, 62 and 83AA of the *Superannuation and Family Benefits Act 1938* (continued under section 26 (Transitional and Consequential Provisions) of the SSA) provide for the State to pay the required employer share of benefits. The Consolidated Fund is permanently appropriated for the purpose of meeting the State's obligations.

Note 9: Employer Funding Arrangements

The Funding policy adopted by the Government in respect of the Fund is directed at ensuring that benefits accruing to members and beneficiaries are fully funded at the time benefits become payable. As such, the Actuary has considered long-term trends in such factors as scheme membership, salary growth and average market value of Fund assets when advising the Government on employer and employee contribution rates. The employer funding arrangements under the SSA (Gold State Super, West State Super and GESB Super) and the *Superannuation and Family Benefits Act 1938* (Pension Scheme) are summarised as follows:

A) PENSION SCHEME

The level of pension payable is determined by the number of units purchased, the length of service and the final salary of the member. The employer liability is funded only on the emergence of a member's pension benefit entitlement and is recouped fortnightly following the payment of each pension.

B) GOLD STATE SUPER

Those employers listed in Division 2 of Schedule 1 of the *State Superannuation Regulations 2001* are required under Regulations 29 and 30 to make concurrent employer contributions direct to the Fund in respect of contributory members who are their employees.

The remaining employers, as listed under Division 1 of Schedule 1 of the *State Superannuation Regulations 2001*, are not required to make concurrent contributions. It is Government policy that these employer liabilities be met from the Consolidated Fund at the time that the benefits become payable to members.

In the latter case, contributions are unfunded but notional contributions are placed in departmental budgets so that the superannuation component is accurately reflected in an agency's financial statements. The agency forwards the notional Gold State Super contribution to GESB and these are credited direct to a Department of Treasury and Finance bank account.

The employer contribution rate for 2009/10 for contributory members was 13.5% (2008/09 - 12%) of a member's salary, based on a 5% member contribution. The employer contribution rate is proportionately less or more where members elect for a contribution rate of 3%, 4%, 6% or 7% of salary. The Consolidated Fund liability for 2009/10 was assessed at 72.97% (2008/09 - 70.59%) of the contributory service benefit and is payable at the time payment is made to the member.

In response to the impact of the Global Financial Crisis on the assets of the Fund, an Actuarial Valuation was undertaken as at 30 November 2008 and as a result, the Actuary recommended the employer contribution rate and recoupment percentage be increased annually from 1 July 2009, subject to an annual review. Subsequently, the employer contribution rate will increase from 13.5% to 15% from 1 July 2010, as approved by the Treasurer. From the same date the recoupment percentage rate will increase from 72.97% to 75%, as approved by the Board.

In respect of those members who transferred their membership from the Pension Scheme, the employer liability in relation to service or period of employment constituted as service for the purposes of the *Superannuation and Family Benefits Act 1938*, is calculated at a rate of 12% of final average salary for each year of such service, based upon a 5% member's average contribution rate to the scheme (this rate is proportionately less where a member's average contribution rate is less than 5%). This employer liability becomes payable on the emergence (Division 1, Schedule 1 Employers) or payment (Division 2, Schedule 1 Employers) of the benefit to the member.

C) WEST STATE SUPER

The employer contribution rate payable is determined under State legislation and is currently 9%.

GESB was able to fully fund West State Super accounts and introduce Member Investment Choice from 1 July 2001 because the State Government agreed to discharge the unfunded liability in West State Super. This occurred through an amortisation arrangement which provided GESB with a fixed income stream over a period of twenty years. GESB entered into a fixed term borrowing arrangement with the West Australian Treasury Corporation over twenty years and used the funds raised to invest on behalf of members.

D) GESB SUPER

The employer contribution rate payable is determined under State legislation and is currently 9%.

Note 10: Administration Expenses

Details of administration expenses incurred by GESB during the year ended 30 June 2010 are set out below:

	NOTE	2009/10 ACTUAL \$	2009/10 BUDGET \$	VARIANCE ACTUAL TO BUDGET \$ %		2008/09 ACTUAL \$	VARIANCE ACTUAL TO ACTUAL \$ %	
Employment Expenses	(i)	25,865,441	28,612,363	(2,746,922)	(10%)	24,060,464	1,804,977	8%
Information Technology Costs	(ii)	7,880,176	6,936,832	943,344	14%	7,373,562	506,614	7%
Consultants	(iii)	2,076,611	2,880,890	(804,279)	(28%)	3,090,074	(1,013,463)	(33%)
Accommodation Costs		2,214,055	2,400,000	(185,945)	(8%)	2,312,917	(98,862)	(4%)
Professional Fees (Actuarial, Legal and Audit)	(iv)	1,518,079	2,582,260	(1,064,181)	(41%)	2,272,930	(754,851)	(33%)
Postage, Printing and Record Management	(v)	1,397,174	3,151,452	(1,754,278)	(56%)	2,308,686	(911,512)	(39%)
Promotions and Advertising	(vi)	1,125,263	2,608,500	(1,483,237)	(57%)	1,320,374	(195,111)	(15%)
Other Administration Costs	(vii)	7,736,505	11,689,549	(3,953,044)	(34%)	5,382,798	2,353,707	44%
		49,813,304	60,861,846	(11,048,542)	(18%)	48,121,805	1,691,499	4%
Less:								
Investment Administration Costs	(viii)	2,598,207	3,461,428	(863,221)	(25%)	2,251,945	346,262	15%
Total Administration Costs Excluding Changes in Net Market Value of Other Assets		47,215,097	57,400,418	(10,185,321)	(18%)	45,869,860	1,345,237	3%
Changes in Net Market Value of Other Assets	(ix)	3,887,774	3,489,245	398,529	11%	3,495,439	392,335	11%
Total Schemes Administration Costs		51,102,871	60,889,663	(9,786,792)	(16%)	49,365,299	1,737,572	4%

NOTES ON MAJOR VARIANCES IN ADMINISTRATION EXPENDITURE

In accordance with Treasurer's Instruction 945, the following notes are provided where there is 'significant variation' between Actual expenditure and Budget or the prior year's Actual.

'Significant variation' is defined as a variance of greater than 10% of total administrative expenditure or \$250,000, whichever is smaller.

Both actual and budget amounts include direct costs associated with the proposed implementation of Choice of Fund and Mutualisation (Choice). Actual 2009/10 Choice costs are \$5.5m (2008/09 - \$5.7m) against a budget of \$13.2m. Excluding the direct Choice costs, the actuals were 4% under budget for 2009/10. This has been achieved as a result of strong cost management in the wake of the global financial crisis and uncertainty around the implementation of Choice.

i) Employment Expenses

2009/10 Actual to Budget (Decreased cost \$2,746,922)

The decrease in expenditure against budget is primarily due to lower than expected redeployee staff costs following a successful redeployment program. Deferred recruitment activity arising from delays in government approvals has also affected employment expenses along with a decrease in the provisions for employee and post employment benefits.

2009/10 Actual to Previous Year's Actual (Increased cost \$1,804,977)

The increase in expenditure to prior year is primarily due to severance related costs in line with broader government policy, in sourcing technical IT support and planned growth in capability within GWM and investment strategy.

ii) Information Technology Costs

2009/10 Actual to Budget (Increased cost \$943,344)

The increase in expenditure against budget is primarily due to a write down of mutualisation related work in progress. In addition, a staged implementation of sourcing of technical IT support resulted in higher third party costs than budgeted.

2009/10 Actual to Previous Year's Actual (Increased cost \$506,614)

The increase in expenditure to prior year is primarily due to a write down of mutualisation related work in progress.

iii) Consultants

2009/10 Actual to Budget (Decreased cost of \$804,279)

The decrease in expenditure against budget is primarily due to a reclassification of actual costs from consultants to contractors, included in other administration costs.

2009/10 Actual to Previous Year's Actual (Decreased cost \$1,013,463)

The decrease in expenditure to prior year is due to a reclassification of actual costs from consultants to contractors, included in other administration costs. In addition, professional consultancy costs are lower than previous year due to the deferral in the implementation of Choice.

iv) Professional Fees

2009/10 Actual to Budget (Decreased cost \$1,064,181)

The decrease in expenditure against budget is primarily due to deferred legal costs because of the delay in the implementation of Choice.

2009/10 Actual to Previous Year's Actual (Decreased cost \$754,851)

The decrease in expenditure to prior year is primarily due to deferred legal costs because of the delay in the implementation of Choice. In addition, internal and external audit fees were lower than previous year.

v) Postage, Printing and Records Management Costs

2009/10 Actual to Budget (Decreased cost \$1,754,278), Actual to Previous Year's Actual (Decreased cost of \$911,512)

The decrease in expenditure against budget and previous year is primarily due to deferred printing and distribution of information materials to members following the delay in implementation of Choice.

vi) Promotions and Advertising Costs

2009/10 Actual to Budget (Decreased cost \$1,483,237) and Actual to Previous Year's Actual (Decreased cost \$195,111)

The decrease in expenditure against budget and prior year is primarily due to a reduction in member communications in accordance with government policy.

vii) Other Administration Costs

2009/10 Actual to Budget (Decreased cost \$3,953,044)

The decrease in expenditure against budget is primarily due to no stamp duty nor transition payments anticipated on Mutualisation. This has been offset by higher than budgeted insurance premiums and the reclassification of consultant costs as contractor costs.

2009/10 Actual to Previous Year's Actual (Increased cost \$2,353,707)

The increase in expenditure to prior year is primarily due to higher insurance premiums and the reclassification of consultant costs as contractor costs.

viii) Investment Administration Costs

2009/10 Actual to Budget (Decreased cost \$863,221)

The decrease in expenditure against budget is primarily due to later than budgeted recruitment of new hires.

2009/10 Actual to Previous Year's Actual (Increased cost \$346,262)

The increase in expenditure to prior year is primarily due to planned growth in capability within the investment strategy team.

ix) Changes in Net Market Value of Other Assets

2009/10 Actual to Budget (Increased cost \$398,529), Actual to Previous Year's Actual (Increased cost \$392,335)

The increase in expenditure against budget and prior year is primarily due to an increase in depreciation expense as a result of a higher value of projects being capitalised.

Note 11: Income Tax

	2010 \$'000	2009 \$'000
A) MAJOR COMPONENTS OF TAX EXPENSE		
Current Tax Expense	53,786	35,360
Adjustment to Current Tax for Prior Periods	(1,328)	52
Adjustment to Deferred Tax for Prior Periods	(65)	56
Deferred Tax Expense Relating to the Originating and Reversal of Temporary Differences	1,176	(6,254)
Tax Expense Reported in Statement of Changes in Net Assets	53,569	29,214
B) EXPLANATION OF THE RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING SURPLUS		
Changes in Net Assets before Tax	1,814,577	(355,363)
Changes in Net Assets Related to Constitutionally Protected Schemes	(1,272,365)	391,713
Changes in Net Assets Related to WATC Loan	14,970	1,426
Changes in Net Assets Related to Reserves	(34,159)	124,856
Total Change in Net Assets Related to Retirement Products	493,083	162,632
Tax Expense Calculated at 15%	73,962	24,395
Tax Effect of Expenses that are not Deductible in Determining Taxable Income		
- Benefits Paid	33,038	30,866
- Non Deductible Expenses	-	400
Tax Effect of Income that is Not Assessable in Determining Taxable Income		
- Income from Managed Portfolio	2,705	9,557
- Member Contributions	(4,750)	(2,782)
- Transfers In	(40,864)	(29,986)
- Imputation Credits	(4,258)	(4,020)
- Exempt Pension Income	(7,750)	(1,780)
- Proceeds from Insurance Policy	(360)	(311)
- Other Items	(432)	-
Tax Effect of Other Adjustments		
- Current Tax for Prior Year	(1,328)	52
- Deferred Tax for Prior Year	(65)	56
- No TFN Contributions Tax	3,671	2,767
Tax Expense Reported in Statement of Changes in Net Assets	53,569	29,214

	2010 \$'000	2010 \$'000	2009 \$'000	2009 \$'000
	Current Tax	Deferred Tax	Current Tax	Deferred Tax
c) RECOGNISED TAX ASSETS AND LIABILITIES				
Opening Balance	(21,749)	9,593	(18,959)	3,395
Charged to Income	(52,457)	(1,111)	(35,413)	6,199
Other Payments	55,558	-	32,623	-
Closing Balance	(18,648)	8,482	(21,749)	9,594
Tax Expense in Income Statement		53,569		29,214
Deferred Tax Asset at 30 June relates to the following:				
- Accrued Income		-		43
- Unrealised Capital Losses		299		1,082
- Realised Capital Losses		8,251		8,469
		8,550		9,594
Deferred Tax Liability at 30 June relates to the following:				
- Accrued Income		(68)		-
		(68)		-

D) TAXATION OF FINANCIAL ARRANGEMENTS (TOFA)

Legislation is in place which changes the tax treatment of financial arrangements. GESB has assessed the potential impact of these changes on its tax position and as a result no impact has been recognized and no adjustments have been made to the deferred tax and income tax balances as at 30 June 2010.

Note 12: Apportionment of Net Assets

Section 16 of the SSA requires GESB to maintain such accounts within the Fund that are considered necessary for the management of the Fund and its separate elements and provides guidelines for the apportionment of investment income and expenses between those elements of the Fund.

Contribution receipts and benefit payments have been directly allocated to the relevant scheme.

Investment income and expenses (Note 3) and Fund administration costs (Note 10) have been apportioned between the schemes as follows:

A) APPORTIONMENT OF INVESTMENT INCOME

Section 22 of the SSA provides that GESB is to allocate earnings derived from the investment of the Fund between the schemes in accordance with the Treasurer's guidelines and otherwise as it considers appropriate. Commencing 1 July 2001, as a result of the introduction of Member Investment Choice, the income attributable to the accumulation schemes has been allocated in accordance with income credited to the members' account. Income is allocated to reserves and the defined benefit schemes based on the actuarially determined valuations, as approved by the Board.

B) APPORTIONMENT OF ADMINISTRATION EXPENSES

The cost of Fund administration has been allocated between the various Schemes using an activity based costing model.

As a result, the Net Assets of the Fund have been apportioned between the elements of the Fund as follows:

	2010	2009
	\$'000	\$'000
Pension Scheme	101,251	71,146
Gold State Super	2,121,868	1,662,910
West State Super	6,359,789	5,240,904
GESB Super	657,318	480,714
Retirement Income - Allocated Pension	837,342	575,785
Retirement Income - Term Allocated Pension	21,968	20,618
WATC Loan	(475,709)	(490,679)
Reserves	81,679	383,100
	9,705,506	7,944,498

Note 13: Plant and Equipment

Plant and equipment comprises of computer hardware and office furniture, equipment and renovations. These assets are recorded at depreciated values which is a reasonable approximation of net market value. Details are as follows:

	2010 \$'000	2009 \$'000
Plant and Equipment		
Computer Hardware at Cost	157	157
Less: Accumulated Depreciation	(66)	(35)
Total Computer Hardware at Cost	91	122
Office Furniture, Equipment and Renovations at Cost	2,484	2,487
Less: Accumulated Depreciation	(481)	(245)
Total Office Furniture, Equipment and Renovations at Cost	2,003	2,242
Total Plant and Equipment	2,094	2,364

Reconciliation of the carrying amounts of each asset class at the beginning and end of the current and previous financial year are set out below:

2010	COMPUTER HARDWARE \$'000	OFFICE FURNITURE, EQUIPMENT AND RENOVATIONS \$'000	TOTAL \$'000
Carrying Amount at Start of Year	122	2,242	2,364
Additions	-	25	25
Disposals	-	(23)	(23)
Depreciation Expense	(31)	(241)	(272)
Carrying Amount at End of Year	91	2,003	2,094

2009	COMPUTER HARDWARE \$'000	OFFICE FURNITURE, EQUIPMENT AND RENOVATIONS \$'000	TOTAL \$'000
Carrying Amount at Start of Year	14	2,429	2,443
Additions	-	235	235
Disposals	-	(20)	(20)
Transfers	143	(143)	-
Depreciation Expense	(35)	(259)	(294)
Carrying Amount at End of Year	122	2,242	2,364

Note 14: Receivables and Payables

A) RECEIVABLES

Represented by:

	2010 \$'000	2009 \$'000
Investments		
Receivables	178,079	173,679
Scrip Lending Fee	92	66
Accrued Interest	102	80
	178,273	173,826
Pension Scheme		
Recoup State's Share of Pensions	3,707	3,138
	3,707	3,138
Gold State Super		
Employer Contributions	11,151	7,628
Contribution Arrears	2,275	1,946
	13,426	9,574
Other Debtors	503	504
	195,909	187,041

Receivables Past Due but Not Impaired

As at 30 June 2010, receivables of \$17,682,335 (2009 - \$12,467,406) were past due but not impaired. The ageing analysis of these receivables are as follows:

	2010 \$'000	2009 \$'000
0-30 Days	15,015	9,177
31-60 Days	210	17
61-90 Days	44	12
91+ Days	2,413	3,260
	17,682	12,468

Receivables Considered Impaired

As at 30 June 2010 no receivables were considered impaired (2009 - \$0).

Related Party Receivables

For terms and conditions of related party receivables refer to Note 20.

Net Market Value and Credit Risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their net market value.

The maximum exposure to credit risk is the net market value of receivables. GESB does not hold any collateral in relation to these receivables.

Interest Rate Risk

Detail regarding interest rate risk exposure is disclosed in Note 4.

B) PAYABLES

Represented by:

	2010 \$'000	2009 \$'000
Investments		
Payables	362,022	403,659
Management Fees	10,132	7,367
GESB Super		
Benefits Due and Payable	301	1,054
Gold State Super		
Benefits Due and Payable	1,034	488
West State Super		
Benefits Due and Payable	906	1,596
Pension Scheme		
Pension Due and Payable	3,492	2,955
Retirement Income	5	-
Payables and Accruals	24,445	20,123
Duplicate Recoups Due to DTF		
Recoups	40,485	-
Interest	2,289	-
	445,111	437,242

Net Market Value

Due to the short term nature of these payables, their carrying value is assumed to approximate their net market value.

Interest Rate and Liquidity Risk

Information regarding interest rate and liquidity risk exposure is set out in Note 4.

Note 15: Provision for Employee Benefits

The provision for employee benefits for long service leave and annual leave has been calculated by Mercer Australia Pty Ltd, in accordance with the provisions of the Accounting Standard AASB 119.

The value of leave benefits has been estimated at:

	2010 \$'000	2009 \$'000
Current Liability		
Long Service Leave ^(a)	1,506	1,609
Annual Leave	2,030	1,698
Deferred Salary Scheme	49	28
	3,585	3,335
Non-Current Liability		
Long Service Leave ^(a)	516	559
	516	559
Total Employee Benefits	4,101	3,894
Number of Employees (Head Count)	241	262

a) Long service leave liabilities have been classified as current in accordance with Australian Accounting Standard AASB 101. Assessments indicate that actual settlement of the liabilities will occur as follows:

	2010 \$'000	2009 \$'000
Within 12 Months of Reporting Date	1,506	1,609
More than 12 Months after Reporting Date	516	559
	2,022	2,168

The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation premiums and payroll tax. The provision is measured at the present value of expected future payments. The associated expense is included at Note 31 'Other Expenses'.

Note 16: Provision for Post-Employment Benefits

PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS AT THE END OF THE YEAR	30 JUNE 2010	30 JUNE 2009
	\$'000	\$'000
Pension Scheme	1,669	1,727
Gold State Super	540	942
Total	2,209	2,669

PENSION SCHEME

Accounting Policy

Actuarial gains and losses are recognised immediately in the Statement of Changes in Net Assets in the year which they occur.

Scheme Information

Pension Scheme members receive pension benefits on retirement, death or invalidity. The Fund Share of the pension benefit, which is based on the member's contributions plus investment earnings, may be commuted to a lump sum benefit. The employers do not bear the cost associated with indexation of any pension arising from the Fund Share. The State Share of the pension benefit, which is fully employer-financed, cannot be commuted to a lump sum benefit.

The following disclosures are in respect of the employer financed benefits only.

Reconciliation of the Present Value of the Defined Benefit Obligation

FINANCIAL YEAR ENDING (PENSION SCHEME)	30 JUNE 2010	30 JUNE 2009
	\$'000	\$'000
Present Value of Defined Benefit Obligations at Beginning of the Year	1,727	2,062
(+) Current Service Cost	-	19
(+) Interest Cost	88	132
(+) Actuarial (Gains)/Losses	(4)	(353)
(-) Benefits Paid	142	133
Present Value of Defined Benefit Obligations at End of the Year	1,669	1,727

These defined benefit obligations are wholly unfunded, such that there are no assets. The employer contributes, as required, to meet the benefits paid.

Reconciliation of the Fair Value of Scheme Assets

FINANCIAL YEAR ENDING (PENSION SCHEME)	30 JUNE 2010	30 JUNE 2009
	\$'000	\$'000
Fair Value of Scheme Assets at Beginning of the Year	-	-
(+) Employer Contributions	142	133
(-) Benefits Paid	142	133
Fair Value of Scheme Assets at End of the Year	-	-

Reconciliation of the Assets and Liabilities Recognised in the Statement of Net Assets

AS AT (PENSION SCHEME)	30 JUNE 2010 \$'000	30 JUNE 2009 \$'000
Defined Benefit Obligation	1,669	1,727
Deficit/(Surplus)	1,669	1,727
Liability/(Asset)	1,669	1,727

Expense Recognised in Statement of Changes in Net Assets

FINANCIAL YEAR ENDING (PENSION SCHEME)	30 JUNE 2010 \$'000	30 JUNE 2009 \$'000
Current Service Cost	-	19
Interest Cost	88	132
Actuarial Loss/(Gain)	(4)	(353)
Superannuation Expense/(Income)	84	(202)

Scheme Assets

There are no assets in the Pension Scheme to support the State Share of the Benefit. Hence, there is:

- no fair value of Scheme assets;
- no asset allocation of Scheme assets;
- no assets used by the employer;
- no expected return of Scheme assets; and
- no actual return on Scheme assets.

Principal Actuarial Assumptions Used

FINANCIAL YEAR ENDING (PENSION SCHEME)	30 JUNE 2010	30 JUNE 2009	30 JUNE 2008
Discount Rate (Active Members)	5.48%	5.34%	6.64%
Discount Rate (Pensioners)	5.48%	5.34%	6.64%
Expected Salary Increase Rate	4.50%	4.50%	4.50%
Expected Pension Increase Rate	2.50%	2.50%	2.50%

The discount rate is based on the 10 year Government bond. The decrement rates used (e.g. mortality and retirement rates) are based on those used at the last actuarial valuation for the Schemes.

Historical Information

FINANCIAL YEAR ENDING 30 JUNE (PENSION SCHEME)	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000
Present Value of Defined Benefit Obligation	1,669	1,727	2,062	1,661	2,246
Fair Value of Scheme Assets	-	-	-	-	-
(Surplus)/Deficit in Scheme	1,669	1,727	2,062	1,661	2,246
Experience Adjustments (Gain)/Loss- Scheme Assets	-	-	-	-	-
Experience Adjustments (Gain)/Loss- Scheme liabilities	9	(466)	599	(635)	25

The experience adjustment for Scheme liabilities represents the actuarial loss/(gain) due to a change in the liabilities arising from the Scheme's experience (e.g. membership movements, unit entitlements) and excludes the effect of the changes in assumptions (e.g. movements in the bond rate and changes in pensioner mortality assumptions).

Expected Contributions

FINANCIAL YEAR ENDING (PENSION SCHEME)	30 JUNE 2011 \$'000
Expected Employer Contributions	145

GOLD STATE SUPER (TRANSFERRED BENEFITS)

Accounting Policy

Actuarial gains and losses are recognised immediately in the Statement of Changes in Net Assets in the year which they occur.

Scheme Information

Some former Pension Scheme members have transferred to Gold State Super. In respect of their transferred benefit the members receive a lump sum benefit at retirement, death or invalidity which is related to their salary during their employment and indexed during any deferral period after leaving public sector employment.

The following disclosures are in respect of the employer-financed benefits only.

Reconciliation of the Present Value of the Defined Benefit Obligation

FINANCIAL YEAR ENDING (GOLD STATE SUPER)	30 JUNE 2010 \$'000	30 JUNE 2009 \$'000
Present Value of Defined Benefit Obligations at Beginning of the Year	942	962
(+) Interest Cost	49	63
(+) Actuarial (Gains)/Losses	(69)	(62)
(-) Benefits Paid	381	21
Present Value of Defined Benefit Obligations at End of the Year	540	942

These defined benefit obligations are wholly unfunded, such that there are no Assets. The employer contributes, as required, to meet the benefits paid.

Reconciliation of the Fair Value of Scheme Assets

FINANCIAL YEAR ENDING (GOLD STATE SUPER)	30 JUNE 2010 \$'000	30 JUNE 2009 \$'000
Fair Value of Scheme Assets at Beginning of the Year	-	-
(+) Employer Contributions	381	21
(-) Benefits Paid	381	21
Fair Value of Scheme Assets at End of the Year	-	-

Reconciliation of the Assets and Liabilities Recognised in the Statement of Net Assets

AS AT (GOLD STATE SUPER)	30 JUNE 2010 \$'000	30 JUNE 2009 \$'000
Defined Benefit Obligation	540	942
Deficit/(Surplus)	540	942
Liability/(Asset)	540	942

Expense Recognised in Statement of Changes in Net Assets

FINANCIAL YEAR ENDING (GOLD STATE SUPER)	30 JUNE 2010 \$'000	30 JUNE 2009 \$'000
Interest Cost	49	63
Actuarial Loss/(Gain)	(69)	(62)
Superannuation Expense/(Income)	(21)	1

Scheme Assets

There are no assets in Gold State Super for current employees to support the transferred benefits. Hence, there is:

- no fair value of Scheme assets;
- no asset allocation of Scheme assets;
- no assets used by the employer;
- no expected return of Scheme assets; and
- no actual return on Scheme assets.

Principal Actuarial Assumptions Used

(GOLD STATE SUPER)	30 JUNE 2010	30 JUNE 2009	30 JUNE 2008
Discount Rate (Active Members)	5.48%	5.34%	6.64%
Discount Rate (Pensioners)	5.48%	5.34%	6.64%
Expected Salary Increase Rate	4.50%	4.50%	4.50%
Expected Pension Increase Rate	2.50%	2.50%	2.50%

The discount rate is based on the 10 year Government bond rate. The decrement rates used (e.g. mortality and retirement rates) are based on those used at the last actuarial valuation for the Schemes.

Historical Information

FINANCIAL YEAR ENDING 30 JUNE (GOLD STATE SUPER)	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000
Present Value of Defined Benefit Obligation	540	942	962	1,057	845
Fair Value of Scheme Assets	-	-	-	-	-
(Surplus)/Deficit in Scheme	540	942	962	1,057	845
Experience Adjustments (Gain)/Loss- Scheme Assets	-	-	-	-	-
Experience Adjustments (Gain)/Loss- Scheme Liabilities	(64)	(147)	72	223	(206)

The experience adjustment for Scheme liabilities represents the actuarial loss/(gain) due to a change in the liabilities arising from the Scheme's experience (e.g. membership movements, unit entitlements) and excludes the effect of the changes in assumptions (e.g. movements in the bond rate).

Expected Contributions

FINANCIAL YEAR ENDING (GOLD STATE SUPER)	30 JUNE 2011 \$'000
Expected Employer Contributions	34

Note 17: Interest Bearing Loans and Borrowings

The term loan from the Western Australian Treasury Corporation commenced on 30 May 2001 and was incurred to enable the balances on West State Super members' accounts at 1 July 2001 to be fully funded from an investment perspective. This funding was a prerequisite for Member Investment Choice, as all monies had to be available to be invested in accordance with the Plans chosen by members of West State Super.

The loan is unsecured and is repayable in quarterly instalments over 20 years. It bears interest at a fixed rate of 6.5699% p.a., plus a government fee of 0.2000% p.a. The interest brought to account for the period to 30 June 2010 is \$31,276,221 (2008/09 - \$33,236,619).

The market valuation of the loan is based on interest rates applicable on 30 June 2010. As at 30 June 2010, the market value of the loan is \$475,708,564 (2008/09 market value of the loan of \$490,679,279), with a premium of \$20,706,595 from the face value of \$455,001,969 (2008/09 premium of \$8,651,217). This premium of \$20,706,595 represents the difference in present value between the interest rate the loan was fixed at (6.5699% p.a. quarterly compounding) and the interest rates applicable on 30 June 2010.

The loan was entered into following successful negotiations with the State Government in regard to an agreed payment schedule to discharge the unfunded West State Super liability over twenty years. Refer also Note 9(c).

NET MARKET VALUE

The carrying amount of the Fund's interest bearing loans and borrowings approximate their net market value. The change in net market value is attributable to changes in the discount rate resulting from market related movements in long term interest rates together with principal repayments.

INTEREST RATE AND LIQUIDITY RISK

Details regarding interest rate and liquidity risk is disclosed in Note 4.

DEFAULTS AND BREACHES

During the current and prior years, there were no defaults or breaches on the interest bearing loans and borrowings.

Note 18: Remuneration of Members of the Board and Senior Officers

REMUNERATION OF MEMBERS OF THE BOARD

The number of members of the Board, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

\$	2010	2009
0 - 10,000	2	3
30,000 - 40,000	1	-
50,000 - 60,000	1	3
60,001 - 70,000	2	1
110,001 - 120,000	1	1
Total Number of Members of the Board is:	7	8
Total Remuneration of Members of the Board is:	\$334,215	\$342,613

The Board is comprised of seven Board Directors. As at 30 June 2010 one position remained vacant. During 2009/10, remuneration in accordance with Section 8(2) of the SSA was paid to five Board Directors. The remaining two Directors of the Board, namely M Court and D Spray, did not receive any Director's fees in accordance with government policy.

One member of the Board is a member of the Pension Scheme.

REMUNERATION OF SENIOR OFFICERS

The number of Senior Officers, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

\$	2010	2009
10,001 - 20,000	1	-
240,001 - 250,000	1	1
250,001 - 260,000	3	3
260,001 - 270,000	-	2
270,001 - 280,000	1	-
280,001 - 290,000	1	-
510,001 - 520,000	1	1
Total Number of Senior Officers is:	8	7
The Total Remuneration of Senior Officers is:	\$2,097,986	\$2,064,917

'Senior Officer' represents a person, by whatever name called, who is concerned with or takes part in the management of GESB, but excludes any person acting in such a position for a limited period.

In 2009/10, GESB used the services of Jardine Lloyd Thompson Pty Ltd for its Directors and Officers Liability insurance policy. The premium paid in respect of this insurance was \$73,326 (2009 - \$85,816) (excluding GST).

Note 19: Remuneration of Auditor

The total fee paid or due and payable to the Auditor General for the financial years was as follows:

	2010	2009
	\$'000	\$'000
Fee for Auditing the Financial Statements and Key Performance Indicators	311	393

Note 20: Related Party Transactions

During the financial period, GESB received from its related party, total management fees amounting to \$3,492,964 (2009 - \$2,241,836) in relation to the performance of services as agreed between the parties. The amount receivable as at 30 June 2010 is \$407,162 (2009 - \$284,232). The amount arises from arm's length transactions and is non-interest bearing.

During the financial year, GESB requested GWM to provide certain financial services to its members relating to member education and general financial information. A fee was agreed between both parties for the provision of these services to GESB members. For 2009/10 this fee amounted to \$680,351 (2009 - \$419,595). The amount outstanding as at 30 June 2010 is \$14,327 (2009 - \$27,858).

All related party transactions were entered into on a normal commercial basis.

Note 21: Write-Offs

The write-offs made during the current financial year are as follows: \$45,504 (2009 - \$11,611).

Note 22: Commitments and Contingencies

OTHER EXPENDITURE COMMITMENTS

	2010 \$'000	2009 \$'000
Other expenditure commitments, being contracted expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 Year	2,521	3,226
Later than 1 Year and not later than 5 Years	-	2,521
Later than 5 Years	-	-
	2,521	5,747

The expenditure commitments relate to contracted expenditure for outsourced information and communication technology services.

OPERATING LEASE COMMITMENTS

	2010 \$'000	2009 \$'000
Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are payable:		
Within 1 Year	1,716	1,534
Later than 1 Year and not later than 5 Years	12,064	8,409
Later than 5 Years	7,412	9,567
	21,192	19,510

GESB is committed to operating leases on four motor vehicles. These leases are non-cancellable and have a life of three years with no renewable options included in the contract. There are no restrictions imposed by these leasing arrangements on other financing transactions.

GESB is committed to a lease agreement on its premises. The property lease is a non-cancellable lease with a ten-year term, with an option to renew the lease at the end of the term for an additional term of five years.

Note 23: Explanatory Statement

In accordance with Treasurer's Instruction 945, this statement compares 2009/10 Income and Expenditure as shown within the Statement of Changes in Net Assets with:

(a) The 2009/10 Budget figures published in the 2008/09 Annual Report

(b) The 2008/09 Income and Expenditure figures

	NOTE	2009/10 ACTUAL \$'000	2009/10 BUDGET \$'000	VARIANCE ACTUAL TO BUDGET \$'000	%	2008/09 ACTUAL \$'000	VARIANCE ACTUAL TO ACTUAL \$'000	%
REVENUE								
Investment Revenue								
Investment Revenue	(i)	1,037,889	-	1,037,889	-	(999,029)	2,036,918	(204%)
Less: Investment Expenses	(ii)	(32,090)	(26,877)	(5,213)	19%	(25,974)	(6,116)	(24%)
Net Investment Revenue		1,005,799	(26,877)	1,032,676	(38%)	(1,025,003)	2,030,802	
Superannuation Revenue								
Contributions Income								
Member	(iii)	437,870	289,647	148,223	51%	381,242	56,628	15%
Employer	(iv)	1,146,987	1,046,828	100,159	10%	1,069,877	77,110	7%
Rollover into Retirement Products	(v)	356,222	218,567	137,655	63%	250,128	106,094	42%
Inward Transfer from Other Funds	(vi)	376,588	310,919	65,669	21%	279,494	97,094	35%
Other Income	(vii)	26,939	5,806	21,133	364%	17,614	9,325	53%
Total Superannuation Revenue		2,344,606	1,871,767	472,839		1,998,355	346,251	
Total Revenue		3,350,405	1,844,890	1,505,515	82%	973,352	2,377,053	244%
Superannuation Benefits	(viii)	1,452,520	1,198,309	254,211	21%	1,192,035	260,485	22%
Administration Expenses	(ix)	47,215	57,400	(10,185)	(18%)	45,870	1,345	3%
Advance Payment to GESB Mutual Ltd		(11,000)	-	(11,000)	-	11,000	(22,000)	(200%)
Changes in Net Market Value of Other Assets	(x)	3,888	3,489	399	11%	3,495	393	11%
Changes in Net Market Value of Financial Liabilities	(xi)	11,929	-	11,929	-	26,366	(14,437)	(55%)
Loan Interest		31,277	31,532	(255)	(1)%	33,237	(1,960)	(6%)
Total Expenses		1,535,829	1,290,730	245,099		1,312,003	223,826	
OPERATING RESULT								
BEFORE TAX FOR THE YEAR		1,814,576	554,160	1,260,416		(338,651)	2,153,227	

NOTES TO THE EXPLANATORY STATEMENT

The following notes are supplied only where a variance from Budget or prior year's Actuals is greater than 10%, is material and/or deemed significant in the context of the operations of GESB.

i) Investment Revenue

Revenue from investments was \$1,037.9m higher than budget and \$2,036.9m higher than the prior year. This was due to significant realised and unrealised capital gains in investment assets during the financial year as a result of strong recovery in financial markets following the global financial crisis. The year to date investment performance for the fund is 12.33% as compared to a budget of 0%. Details of investment revenue are included in Note 3.

ii) Investment Expenses

Investment expenses were \$5.2m (19%) higher than budget and \$6.1m (24%) higher than prior year. This is due to the direct relationship between investment expenses and funds under management scale, as well as Fund Manager performance.

iii) Member Contributions

Total member contributions were \$148.2m (51%) higher than budget and \$56.6m (15%) higher than the prior year, due to increased member voluntary contributions and Gold State Super members adjusting their average contribution rate.

iv) Employer Contributions

Total employer contributions exceeded budget by \$100.2m (10%). The main reason for this variance is an increase in recoups resulting from higher than budget benefit payments for retiring or transitioning to retirement Gold State Super members.

v) Rollover into Retirement Products

Total rollovers into retirement products were \$137.7m (63%) higher than budget and \$106.1m (42%) higher than prior year primarily due to increasing retirements into our Retirement Income product and an increase in phased retirement.

vi) Inward Transfer from Other Funds

Inward transfer from other funds was \$65.7m (21%) higher than budget and \$97.1m (35%) higher than prior year due to member consolidation activity and Gold State Super members transferring monies into our Retirement Income product.

vii) Other Income

Other income is \$21.1m (364%) higher than budget. Other income represents insurance administration fee revenue received from GESB Super and West State Super's group life insurance provider, members' insurance proceeds and service fees from GWM. The increase of \$9.3m (53%) to actual costs in 2008/09 is primarily due to an increase in members' insurance proceeds.

viii) Superannuation Benefits

Superannuation benefits were \$254.2m (21%) higher than budget and \$260.4m (22%) higher than last year. This was primarily due to an increasing number of retirements and increased value of retirement benefits as investment markets improved.

ix) Administration Expenses

As per Note 10.

x) Changes in Net Market Value of Other Assets

As per Note 10.

xi) Changes in Net Market Value of Financial Liabilities

As per Note 17.

Note 24: Scheme Information

One of the functions of GESB is to administer the following schemes:

Pension Scheme - was the Government's original superannuation scheme and has been closed to new members since 1986. It provides a salary linked unit based pension for retiring members. This scheme is an untaxed scheme.

Provident Account - is a lump sum scheme for persons who were not eligible to join the Pension Scheme. This scheme was also closed to new members in 1986. For scheme reporting purposes the Provident Account is included with the Pension Scheme. This scheme is an untaxed scheme.

Gold State Super - is a defined benefit, lump sum superannuation scheme that has been closed to new members since 1995. This scheme is an untaxed scheme.

West State Super - is a market linked accumulation superannuation scheme established to comply with the provisions of the *Commonwealth's Superannuation Guarantee (Administration) Act 1992*. Within the scheme there are certain members entitled to a Minimum Benefit Guarantee amount. These members are classified as having a defined benefit interest. It has been closed to new employees since April 2007. This scheme is an untaxed scheme.

GESB Super - is a market linked taxed accumulation superannuation scheme which also includes GESB Super (Retirement Access). GESB Super is open to new employees of the State Government.

Retirement Income Allocated Pension - is an allocated pension that enables retiring members to keep their funds with GESB in a concessional taxed environment, while receiving flexible periodic payments.

Retirement Income Term Allocated Pension - is a market linked income stream similar to an allocated pension but with restricted redemption options and qualifies as a complying pension for tax and social security purposes. It has been closed to new members since 19 September 2007.

STATEMENT OF CHANGES IN NET ASSETS 2010

2010	PENSION SCHEME	GOLD STATE SUPER	WEST STATE SUPER	GESB SUPER	RETIREMENT INCOME	TERM ALLOCATED PENSION	WATC LOAN	RESERVES	SCHEME ELIMINATIONS	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE YEAR										
INCOME										
Investment Revenue	71,146	1,662,910	5,240,904	480,714	575,785	20,618	(490,679)	383,100	-	7,944,498
(Net of Investment Expenses)	21,189	217,428	638,074	36,701	47,619	2,667	-	42,121	-	1,005,799
Superannuation Income										
Contributions										
Member	2,294	69,411	320,552	45,613	-	-	-	-	-	437,870
Employer	221,191	272,383	457,760	136,477	-	-	58,176	-	-	1,146,987
Inward Transfer from Other Funds	-	-	270,321	106,267	356,222	-	-	-	(431,663)	301,147
Lag Gain / (Loss)	-	-	(160)	23	49	-	-	88	-	-
Other Income	-	-	17,450	2,400	-	-	-	7,089	-	26,939
Total Income	245,674	559,222	1,703,997	327,481	403,890	2,667	58,176	49,298	(431,663)	2,918,742
EXPENSES										
Superannuation Benefits	230,853	420,540	501,741	104,433	114,876	1,216	-	4,291	(431,663)	946,287
Group Life Insurance Benefits	-	-	61,665	12,904	-	-	-	-	-	74,569
Administration Expenses and Depreciation	-	-	21,705	3,681	3,690	157	-	21,870	-	51,103
Advance Payment to GML	-	-	-	-	-	-	-	(11,000)	-	(11,000)
Changes in Market Value of Loan	-	-	-	-	-	-	11,929	-	-	11,929
Loan Interest	-	-	-	-	-	-	31,277	-	-	31,277
Total Expenses	230,853	420,540	585,111	121,018	118,566	1,373	43,206	15,161	(431,663)	1,104,165
CHANGE IN NET ASSETS BEFORE TAXATION	14,821	137,638	1,118,886	206,463	285,325	1,294	14,970	34,137	-	1,814,576
TAXATION	-	-	-	29,857	23,767	(55)	-	-	-	53,569
CHANGE IN NET ASSETS AFTER TAXATION	14,821	137,638	1,118,886	176,606	261,557	1,349	14,970	34,137	-	1,761,008
NET TRANSFER OF RESERVES	15,283	320,275	-	-	-	-	-	(335,558)	-	-
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE YEAR	* 101,251	* 2,121,868	6,359,790	657,320	837,342	21,967	(475,709)	81,679	-	9,705,506

* The accrued actuarial liabilities for the Pension Scheme is \$109million and for Gold State Super is \$2,286million as at 30 June 2010. Therefore, a shortfall of assets exists of \$172million to fund the accrued liabilities. Accordingly, the Actuary has recommended that the employer contribution and recoupment rates for Gold State Super be increased on an annual basis subject to an annual review.

STATEMENT OF CHANGES IN NET ASSETS 2009

2009	PENSION SCHEME	GOLD STATE SUPER	WEST STATE SUPER	GESB SUPER	RETIREMENT INCOME	TERM ALLOCATED PENSION	WATC LOAN	RESERVES	SCHEME ELIMINATIONS	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
NET ASSETS AVAILABLE TO PAY										
BENEFITS AT THE BEGINNING										
OF THE YEAR	91,800	1,875,000	5,356,856	449,218	465,641	23,972	(489,253)	539,129	-	8,312,363
REVENUE										
Investment Revenue										
(Net of Investment Expenses)	(16,265)	(217,727)	(586,728)	(43,533)	(33,143)	(1,585)	-	(126,021)	-	(1,025,002)
Superannuation Revenue										
Contributions										
Member	2,183	68,590	277,450	33,018	-	-	-	-	-	381,241
Employer	227,900	240,218	449,480	94,103	-	-	58,175	-	-	1,069,877
Inward Transfer from Other Funds	-	-	192,766	85,525	251,331	-	-	-	(421,606)	108,016
Lag Gain / (Loss)	-	-	(168)	(2)	2	-	-	168	-	-
Other Income	-	-	5,350	2,070	-	-	-	10,194	-	17,614
Total Revenue	213,818	91,081	338,150	171,181	218,190	(1,585)	58,176	(115,659)	(421,606)	551,746
EXPENSES										
Superannuation Benefits	234,472	303,171	370,960	114,660	89,517	1,707	-	2,876	(421,606)	695,757
Group Life Insurance Benefit	-	-	65,136	9,536	-	-	-	-	-	74,672
Administration Expenses and Depreciation	-	-	18,006	2,239	2,478	149	-	26,493	-	49,365
Advance Payment to GML	-	-	-	-	-	-	-	11,000	-	11,000
Changes in Market Value of Loan	-	-	-	-	-	-	26,366	-	-	26,366
Loan Interest	-	-	-	-	-	-	33,237	-	-	33,237
Total Expenses	234,472	303,171	454,102	126,435	91,995	1,856	59,603	40,369	(421,606)	890,397
OPERATING RESULT FOR										
THE YEAR BEFORE TAXATION	(20,654)	(212,090)	(115,952)	44,746	126,195	(3,440)	(1,426)	(156,028)	-	(338,651)
TAXATION	-	-	-	13,250	16,051	(86)	-	-	-	29,214
OPERATING RESULT FOR										
THE YEAR AFTER TAXATION	(20,654)	(212,090)	(115,952)	31,496	110,144	(3,354)	(1,426)	(156,028)	-	(367,865)
NET ASSETS AVAILABLE TO PAY										
BENEFITS AT THE END OF THE YEAR	71,146	1,662,910	5,240,904	480,714	575,785	20,618	(490,679)	383,100	-	7,944,498

Note 25: Summary of Actuarial Report

In accordance with Clause 63 of Australian Accounting Standard AAS 25, the following information is provided in the Actuarial Report on the latest investigation as to the state and sufficiency of the Fund.

The valuation was undertaken in accordance with Section 17 of the SSA (formerly Section 11 of the *Government Employees Superannuation Act 1987* and Section 30 of the *Superannuation and Family Benefits Act 1938*).

1) EFFECTIVE DATE OF THE LATEST ACTUARIAL INVESTIGATION

The effective date of the latest valuation was 30 June 2010.

2) NAME AND QUALIFICATION OF ACTUARY

The valuation of funded liabilities was undertaken by GESB's Actuary, Mercer Australia Pty Ltd. The valuation of unfunded accrued liabilities was performed by PricewaterhouseCoopers Securities Ltd on behalf of the Department of Treasury and Finance.

3) FUND SUMMARY

The overall financial position of the Fund as at 30 June 2010 is as follows:

	2010
	\$m
Net Assets of the Fund (Excluding WATC Loan)	10,181
Actuarial Liabilities (Inclusive of Expense Liabilities and Reserves)	
West State Super	6,392
GESB Super	657
Retirement Products	859
Accumulation Reserves	50
Pension Scheme	109 ¹
Gold State Super	2,286 ¹
Total Actuarial Liabilities	10,353
Net Position	(172)

¹The previously held expense and government services reserves have been replaced by an increase in liabilities to allow for these future costs. That is, this change had no impact on the Fund's financial state.

In the opinion of the Actuary, the net position of the Fund in 2009/10 has improved due to higher than expected investment returns and a review of the required reserves. This improvement has been offset by higher than expected salary increases for GSS members. In view of the negative net position, the Actuary has recommended that the GSS employer contribution rate and recoupment percentage rate be increased from 1 July 2011 to 16.5% and 76.74% respectively. These planned increases will be reviewed in the fourth quarter of 2010 to consider current investment market and salary movements. If still considered appropriate, these increases will be submitted for approval at that time.

4) FINANCIAL CONDITION OF EACH SCHEME AS AT 30 JUNE 2010

GESB's Actuary reported that in respect of funded liabilities:

a) Pension Scheme

The Actuary reported that the scheme has an improved but still negative net financial position. The previously help expense reserve has been replaced by an increase in the liabilities of the scheme to allow for these future costs. That is, this change has had no impact on the Fund's financial state.

b) Gold State Super

The Actuary reported that the scheme has an improved but still negative net financial position. The previously help expense reserve has been replaced by an increase in the liabilities of the scheme to allow for these future costs. That is, this change has had no impact on the Fund's financial state.

c) West State Super

The Actuary reported that the scheme is in a sound financial position as at 30 June 2010 with sufficient assets to meet both the expected payments in respect of the accrued liabilities as well as the level of recommended reserves for West State Super. The Actuary recommended the following reserves to be maintained for West State Super.

Minimum Benefit Guarantee Reserve	\$25.8million
Insurance reserve	\$6.0million

d) GESB Super

The Actuary reported that the GESB Super Scheme is in a sound financial position as at 30 June 2010, with sufficient assets to meet the expected payments in respect of accrued liabilities.

e) Retirement Products

The Actuary reported that the Retirement Income Allocated Pension Scheme and Retirement Income Term Allocated Pension Scheme are in a sound financial position as at 30 June 2010, with sufficient assets to meet the expected payments in respect of accrued liabilities.

5) RESERVES

In addition to the above funded liabilities and scheme explicit reserves, the Actuary recommended that the Fund maintains a portion of its assets in the following reserves.

Operational Risk Reserve	\$49.9million
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Note 26: Event Subsequent to Balance Date

There are no material events subsequent to balance date in the financial statements.

Note 27: Judgements made by Management in Applying Accounting Policies

EXPENDITURE COMMITMENTS

The Fund has entered into an outsourcing arrangement for the provision of information and communication technology services. It has been determined that since all the significant risks and rewards of ownership are retained by Fujitsu Australia Ltd, this arrangement has been classified as expenditure commitments.

Note 28: Key Sources of Estimation Uncertainty

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting periods are:

VALUATION OF ACCRUED BENEFITS

The amount of accrued benefits has been actuarially determined. The key assumptions are discussed in Note 6.

POST-EMPLOYMENT BENEFITS

The amount of post-employment benefits has been actuarially determined. The key assumptions are discussed in Note 16.

VALUATION OF INVESTMENTS AND DERIVATIVES

Significant judgements and assumptions are required in determining net market value for investments that are classified in level 3 in the fair value hierarchy. Refer to Note 4(g).

Note 29: Accommodation Expenses

	2010	2009
	\$'000	\$'000
Lease Rentals	2,214	2,313
	2,214	2,313

Note 30: Employee Benefits Expense

	2010	2009
	\$'000	\$'000
Salaries	17,249	16,739
Superannuation - Defined Contribution Plans	1,910	1,651
Superannuation - Defined Benefit Plans	105	146
Long Service Leave ^(a)	301	361
Annual Leave ^(a)	1,947	1,431
Other Related Expenses	3,146	2,587
	24,658	22,915

^(a) Includes a superannuation contribution component.

Employment on-costs such as workers' compensation insurance and payroll tax are included at Note 31 'Other Expenses'.

Note 31: Other Expenses

	2010	2009
	\$'000	\$'000
Consultants	2,077	3,090
Information Technology Services	7,880	7,374
Accommodation	2,214	2,313
Printing, Postage and Record Management	1,397	2,309
Professional Fees	1,518	2,273
Promotions and Advertising	1,125	1,320
Other Expenses ^(a)	8,944	6,528
	25,155	25,207

^(a) Includes workers' compensation insurance, payroll tax and other employment on-costs. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

Note 32: Changes in Net Market Value of Other Assets

	2010	2009
	\$'000	\$'000
Depreciation		
Computer Hardware	31	35
Office Furniture, Equipment and Renovations	241	258
Total Depreciation	272	293
Amortisation		
Intangible Assets	3,616	3,202
Total Amortisation	3,616	3,202
Total Depreciation and Amortisation	3,888	3,495

Note 33: Intangible Assets

Intangible assets comprise computer software costs and computer software development projects. These assets are recorded at amortised values. Details are as follows:

	2010 \$'000	2009 \$'000
Intangible Assets		
Computer Software Costs	57,391	50,161
Less: Accumulated Amortisation	(47,587)	(43,971)
Total Computer Software Costs	9,804	6,190
Computer Software Development Projects - Works in Progress Costs	1,104	5,720
Total Intangible assets	10,908	11,910

Reconciliation of the carrying amounts of each asset class at the beginning and end of the current and previous financial year is set out below:

2010	COMPUTER SOFTWARE COSTS \$'000	COMPUTER SOFTWARE DEVELOPMENT PROJECTS - WORKS IN PROGRESS COSTS \$'000	TOTAL \$'000
Carrying Amount at Start of Year	6,190	5,720	11,910
Additions	-	4,412	4,412
Write-Off	-	(1,798)	(1,798)
Transfers	7,230	(7,230)	-
Amortisation Expense	(3,616)	-	(3,616)
Carrying Amount at End of Year	9,804	1,104	10,908

2009	COMPUTER SOFTWARE COSTS \$'000	COMPUTER SOFTWARE DEVELOPMENT PROJECTS - WORKS IN PROGRESS COSTS \$'000	TOTAL \$'000
Carrying Amount at Start of Year	5,949	5,154	11,103
Additions	-	4,009	4,009
Transfers	3,443	(3,443)	-
Amortisation Expense	(3,202)	-	(3,202)
Carrying Amount at End of Year	6,190	5,720	11,910

Independent Audit Opinion



Auditor General

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

GOVERNMENT EMPLOYEES SUPERANNUATION BOARD FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2010

I have audited the accounts, financial statements, controls and key performance indicators of the Government Employees Superannuation Board.

The financial statements comprise the Statement of Net Assets as at 30 June 2010, Statement of Changes in Net Assets and 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 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. This document is available on the OAG website under "How We Audit".

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.

Government Employees Superannuation Board
Financial Statements and Key Performance Indicators for the year ended 30 June 2010

Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Government Employees Superannuation Board at 30 June 2010 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards 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 2010.

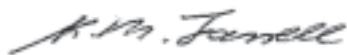


COLIN MURPHY
AUDITOR GENERAL
30 August 2010

Certification of Key Performance Indicators

We hereby submit GESB's Key Performance Indicators to provide measures of effectiveness and efficiency in achieving our Government Goal in 2009/10.

In the opinion of the Board, the key effectiveness and efficiency indicators are based on proper records are relevant and appropriate for assisting users to assess the performance of GESB, and fairly represent the performance of GESB for the financial year ended 30 June 2010.



KM FARRELL
Deputy Chairman
26 August 2010



PJ HARVEY
Chairman
26 August 2010

Key Performance Indicators

The Key Performance Indicators in this report are produced in order to evaluate GESB's performance in achieving its Government Goal in 2009/10. Included are key effectiveness and efficiency performance indicators required by the FMA. The key effectiveness indicators provide information on the extent to which the Government Goal has been achieved through the funding and production of the agreed service. The key efficiency indicators link the service GESB provides to the level of resource inputs required to produce them.

The Performance Highlights section of the Annual Report includes other relevant measures for illustrative purposes that provide an overview of performance during 2009/10.

GOVERNMENT GOAL

GESB's Government Goal originates from the SSA and the State Superannuation Regulations 2001. GESB's Government Goal is the improved long term financial security of members.

In achieving this goal, GESB aims to deliver to members a range of competitive products that are relevant to members.

EFFECTIVENESS INDICATORS

1) MEMBERS' OVERALL SATISFACTION WITH GESB

Members' overall satisfaction with GESB has reduced this year. Satisfaction levels across the industry have stabilised, but remain significantly lower than before the global financial crisis as they historically have been strongly linked to overall market movements. Despite the decrease, GESB member satisfaction levels remain above industry average.

GESB uses an external market research company to conduct its member surveys.

A random sampling process was used on a representative base of 514 active Gold State Super, West State Super and GESB Super members. To improve accuracy of the results they are weighted this year by membership type and gender. 514 respondents provide a maximum level of error of up to +/- 4.31% at the 95% confidence level.

	2005/06	2006/07	2007/08	2008/09*	2009/10* ACTUAL	2009/10* TARGET
Percentage who are Fairly Satisfied, Satisfied or Extremely Satisfied	82%	88%	90%	82%	75%	85%

*Note: Actual 2008/09 and target 2009/10 were determined using a 7 point scale for satisfaction. The 2009/10 actual satisfaction was based on a 10 point scale. On a comparable basis, the prior year satisfaction level would have been 78% and current year target would have been 81%.

2) INVESTMENT PERFORMANCE

Performance by Asset Classes

The following table shows the performance of the various asset classes compared to established industry benchmarks. Commentary on asset class performance is provided in the Performance Highlights section of the Annual Report.

INVESTMENT PLAN		1 YEAR GROSS RETURN*	3 YEAR GROSS RETURN*	5 YEAR GROSS RETURN*
		%	% p.a.	% p.a.
Asset Class	Cash	3.95	4.88	5.44
Benchmark	UBSA Bank Bill Index	3.89	5.56	5.77
Asset Class	Global Fixed Interest**	12.47	N/A	N/A
Benchmark	55% Barclays Global Aggregate Index AUD Hedged + 45% UBSA Composite Bond Index	9.86	N/A	N/A
Asset Class	Global Property**	29.29	N/A	N/A
Benchmark	50% S&P/ASX 300 Listed Property Accumulation Index + 50% UBS Global Investors ex Australia AUD Hedged	31.94	N/A	N/A
Asset Class	International Equities	9.31	-10.84	-0.29
Benchmark	International Equities Composite Benchmark	9.71	-10.89	-0.47
Asset Class	Australian Equities	13.40	-4.67	6.74
Benchmark	S&P/ASX 300 Accumulation Index	13.05	-8.05	4.49
Asset Class	Private Equity***^	9.06	N/A	N/A
Benchmark	1/3 S&P/ASX 200 Accumulation Index + 2/3 (MSCI World ex Australia Index Net Dividends in AUD Unhedged)	7.99	N/A	N/A
Asset Class	SRI - Australian Equities***	12.60	-8.69	N/A
Benchmark	S&P/ASX 200 Accumulation Index	13.15	-7.85	N/A
Asset Class	Lower Risk Return****^	7.57	N/A	N/A
Benchmark	UBSA Bank Bill Index	3.89	N/A	N/A
Total Fund		12.33	-2.84	4.35

* All returns are reported gross of fees and applicable taxes.

** Returns in excess of 1 year are not available as this asset class was established in 2008, following an asset class restructure.

*** SRI - Australian Equities introduced April 2007.

**** Lower Risk Return introduced June 2009 therefore returns in excess of 1 year are not available.

^ Private Equity and Lower Risk Return are part of the Alternatives asset class.

Returns greater than 1 year are annualised.

Performance of West State Super Plans

The primary objective is to deliver investment performance in excess of explicit CPI targets over a rolling 5 year period, with a 75% probability of achieving this objective.

The table below shows the actual performance along with the 5 year CPI performance targets.

INVESTMENT PLAN	OBJECTIVE	5 YEAR TARGET RETURN % p.a.#	5 YEAR NET RETURN % p.a.#
Cash Plan	<ul style="list-style-type: none"> CPI + 2.2% p.a. The probability of a negative absolute return is expected to be zero 	5.21	5.40
Conservative Plan	<ul style="list-style-type: none"> CPI + 3.3% p.a. Limit the probability of a negative absolute return to 1 in 9.5 years 	6.31	4.85
Balanced Plan	<ul style="list-style-type: none"> CPI + 3.7% p.a. Limit the probability of a negative absolute return to 1 in 4.9 years 	6.71	4.13
Growth Plan	<ul style="list-style-type: none"> CPI + 4.0% p.a. Limit the probability of a negative absolute return to 1 in 4.3 years 	7.01	3.40

#All returns are reported net of fees and applicable taxes.

The IPS was reviewed in July 2009. The probabilities of negative returns were amended to reflect the latest asset class forecasts of GESB's asset consultant.

The secondary objective is to outperform the target asset weighted benchmark by an explicit percentage over rolling 3 year periods and outperform the target asset weighted benchmark over rolling 12 month periods.

The table below shows the actual performance along with the 12 month and 3 year performance targets.

Three out of four readymade plans and two out of four MY plans, exceeded their target over a three year rolling period. The Balanced Plan (the plan adopted by the majority of West State Super members) achieved a gross return of -1.62% p.a. for the three year period exceeding its target by 0.79% p.a.

Six out of eight West State Super plans exceeded their benchmark over a twelve month rolling period.

The Balanced Plan achieved a gross return of 12.94% p.a. for the twelve month period exceeding its target by 0.77% p.a.

	12 MONTHS		3 YEARS			
	12 Month Benchmark %	12 Month Gross Plan Return %*	3 Year Benchmark % p.a.	Target	3 Year Target % p.a.	3 Year Gross Plan Return % p.a.*
Cash Plan	3.89	3.97	5.56	Benchmark + 0.2% p.a.	5.76	5.01
Conservative Plan	9.07	10.17	1.94	Benchmark + 0.4% p.a.	2.34	2.40
Balanced Plan	12.17	12.94	-2.91	Benchmark + 0.5% p.a.	-2.41	-1.62
Growth Plan	12.82	13.15	-5.79	Benchmark + 0.5% p.a.	-5.29	-4.40
MY Plan – Global Fixed Interest	9.86	12.47	8.04	Benchmark + 0.1% p.a.	8.14	8.51
MY Plan – Listed Property	31.94	29.33	-18.01	Benchmark + 1.1% p.a.	-16.91	-17.86
MY Plan – Australian Equities	13.06	13.24	-7.95	Benchmark + 1.0% p.a.	-6.95	-4.87
MY Plan – International Equities	9.71	9.17	-10.78	Benchmark + 1.2% p.a.	-9.58	-10.76

* All returns are reported gross of fees and applicable taxes.

Performance of GESB Super Plans

The primary objective is to deliver investment performance in excess of explicit CPI targets over a rolling 5 year period, with a 75% probability of achieving this objective.

INVESTMENT PLAN	OBJECTIVE	5 YEAR TARGET RETURN % p.a.#	5 YEAR NET RETURN % p.a.#
Cash Plan	<ul style="list-style-type: none"> CPI + 1.4% p.a. The probability of a negative absolute return is expected to be zero 	4.41	N/A
Conservative Plan	<ul style="list-style-type: none"> CPI + 2.7% p.a. Limit the probability of a negative absolute return to 1 in 7.1 years 	5.71	N/A
Balanced Conservative Plan	<ul style="list-style-type: none"> CPI + 3.1% p.a. Limit the probability of a negative absolute return to 1 in 4.6 years 	6.11	N/A
Balanced Growth Plan	<ul style="list-style-type: none"> CPI + 3.3% p.a. Limit the probability of a negative absolute return to 1 in 4.2 years 	6.31	N/A
Growth Plan	<ul style="list-style-type: none"> CPI + 3.7% p.a. Limit the probability of a negative absolute return to 1 in 3.9 years 	6.71	N/A

All returns are reported net of fees and applicable taxes. GESB Super was introduced in April 2007 therefore 5 year returns are not available.

The IPS was reviewed in July 2009. The probabilities of negative returns were amended to reflect the latest asset class forecasts of GESB's asset consultant.

The secondary objective is to outperform the target asset weighted benchmark by an explicit percentage over rolling 3 year periods and outperform the target asset weighted benchmark over rolling 12 month periods.

The table below shows the actual performance along with the 12 month and 3 year performance targets.

Four out of five readymade plans and two out of five MY plans exceeded their target over the three year rolling period. The Balanced Growth Plan (the plan adopted by the majority of GESB Super members) achieved a gross return of -3.25% p.a. for the three year period exceeding its target by 0.92% p.a.

Nine out of ten GESB Super plans exceeded their benchmark over twelve months.

The Balanced Growth Plan achieved a gross return of 14.38% p.a. for the twelve month period exceeding its target by 1.68% p.a.

	12 MONTHS		3 YEARS			
	12 Month Benchmark %	12 Month Gross Plan Return %*	3 Year Benchmark % p.a.	Target	3 Year Target % p.a.	3 Year Gross Plan Return % p.a.*
Cash Plan	3.89	3.84	5.56	Benchmark + 0.2% p.a.	5.76	4.89
Conservative Plan	9.58	11.01	1.10	Benchmark + 0.4% p.a.	1.50	1.53
Balanced Conservative Plan	12.25	15.00	-2.78	Benchmark + 0.5% p.a.	-2.28	-1.23
Balanced Growth Plan	12.70	14.38	-4.67	Benchmark + 0.5% p.a.	-4.17	-3.25
Growth Plan	13.37	16.08	-7.53	Benchmark + 0.6% p.a.	-6.93	-5.83
MY Plan – Global Fixed Interest	9.86	11.68	8.04	Benchmark + 0.1% p.a.	8.14	8.69
MY Plan – Listed Property	31.94	32.94	-18.01	Benchmark + 1.1% p.a.	-16.91	-18.97
MY Plan – International Equities	9.71	10.73	-10.78	Benchmark + 1.2% p.a.	-9.58	-11.12
MY Plan – Australian Equities	13.06	17.15	-7.95	Benchmark + 1.0% p.a.	-6.95	-4.16
My SRI – Australian Equities	13.15	16.75	-7.76	Benchmark + 1.0% p.a.	-6.76	-7.97

* All returns are reported gross of fees and applicable taxes.

Performance of Retirement Products

Retirement Income

The primary objective is to deliver investment performance in excess of explicit CPI targets over a rolling 5 year period, with a 75% probability of achieving this objective.

The table below shows the actual performance along with the 5 year CPI performance targets.

INVESTMENT PLAN	OBJECTIVE	5 YEAR TARGET RETURN % p.a. #	5 YEAR NET RETURN % p.a. #
Cash Plan	<ul style="list-style-type: none"> CPI + 2.2% p.a. The probability of a negative absolute return is expected to be zero 	5.21	4.75
Conservative Plan	<ul style="list-style-type: none"> CPI + 3.4% p.a. Limit the probability of a negative absolute return to 1 in 8.1 years 	6.41	4.59
Balanced Plan	<ul style="list-style-type: none"> CPI + 3.9% p.a. Limit the probability of a negative absolute return to 1 in 4.6 years 	6.91	4.32
Growth Plan	<ul style="list-style-type: none"> CPI + 4.3% p.a. Limit the probability of a negative absolute return to 1 in 4.1 years 	7.31	3.55

All returns are reported net of fees and applicable taxes.

The IPS was reviewed in July 2009. The probabilities of negative returns were amended to reflect the latest asset class forecasts of GESB's asset consultant.

The secondary objective is to outperform the target asset weighted benchmark by an explicit percentage over rolling 3 year periods and outperform the target asset weighted benchmark over rolling 12 month periods.

The table below shows the actual performance along with the 12 month and 3 year performance targets.

Three out of four readymade plans and two out of four MY plans exceeded their target over the three year rolling period. The Balanced Plan (the plan adopted by the majority of Retirement Income members) achieved a gross return of -1.09% p.a. for the three year period exceeding its target by 1.19% p.a.

Five out of eight Retirement Income plans exceeded their benchmark over twelve months.

The Balanced Plan achieved a gross return of 13.11% for the year outperforming its target by 0.86%.

	12 MONTHS		3 YEARS			
	12 Month Benchmark %	12 Month Gross Plan Return %*	3 Year Benchmark % p.a.	Target	3 Year Target % p.a.	3 Year Gross Plan Return % p.a.*
Cash Plan	3.89	3.96	5.56	Benchmark + 0.2% p.a.	5.76	4.98
Conservative Plan	9.19	10.11	2.06	Benchmark + 0.4% p.a.	2.46	2.64
Balanced Plan	12.25	13.11	-2.78	Benchmark + 0.5% p.a.	-2.28	-1.09
Growth Plan	12.97	13.27	-5.65	Benchmark + 0.5% p.a.	-5.15	-3.97
MY Plan – Global Fixed Interest	9.86	12.47	8.04	Benchmark + 0.1% p.a.	8.14	8.49
MY Plan – Listed Property	31.94	29.38	-18.01	Benchmark + 1.1% p.a.	-16.91	-17.85
MY Plan – Australian Equities	13.06	12.95	-7.95	Benchmark + 1.0% p.a.	-6.95	-4.27
MY Plan – International Equities	9.71	9.17	-10.78	Benchmark + 1.2% p.a.	-9.58	-10.77

* All returns are reported gross of fees and applicable taxes.

Retirement Income - Term Allocated Pension

The primary objective is to deliver investment performance in excess of explicit CPI targets over a rolling 5 year period, with a 75% probability of achieving this objective.

The table below shows the 5 year CPI performance targets.

INVESTMENT PLAN	OBJECTIVE	5 YEAR TARGET RETURN % p.a. #	5 YEAR NET RETURN % p.a. #
Cash Plan [^]	<ul style="list-style-type: none"> CPI + 2.2% p.a. The probability of a negative absolute return is expected to be zero 	5.21	N/A
Conservative Plan	<ul style="list-style-type: none"> CPI + 3.4% p.a. Limit the probability of a negative absolute return to 1 in 8.1 years 	6.41	4.55
Balanced Plan	<ul style="list-style-type: none"> CPI + 3.9% p.a. Limit the probability of a negative absolute return to 1 in 4.6 years 	6.91	4.27
Growth Plan [^]	<ul style="list-style-type: none"> CPI + 4.3% p.a. Limit the probability of a negative absolute return to 1 in 4.1 years 	7.31	N/A

All returns are reported net of fees and applicable taxes.

[^] 5 year performance returns are not available.

The IPS was reviewed in July 2009. The probabilities of negative returns were amended to reflect the latest asset class forecasts of GESB's asset consultant.

The secondary objective is to outperform the target asset weighted benchmark by an explicit percentage over rolling 3 year periods and outperform the target asset weighted benchmark over rolling 12 month periods.

The table below shows the actual performance along with the 12 month and 3 year performance targets.

Three out of four readymade plans and two out of four MY plans exceeded their target over the three year rolling period. The Balanced Plan (the plan adopted by the majority of Retirement Income Term Allocated Pension members) achieved a gross return of -1.03% p.a. for the three year period exceeding its target by 1.25% p.a.

Five out of eight Retirement Income Term Allocated Pension (RI-TAP) plans exceeded their benchmark over twelve months.

The Balanced Plan achieved a gross return of 13.05% for the year outperforming its target by 0.80%.

	12 MONTHS		3 YEARS			
	12 Month Benchmark %	12 Month Gross Plan Return %*	3 Year Benchmark % p.a.	Target	3 Year Target % p.a.	3 Year Gross Plan Return % p.a.*
Cash Plan	3.89	3.97	5.56	Benchmark + 0.2% p.a.	5.76	5.02
Conservative Plan	9.19	10.21	2.06	Benchmark + 0.4% p.a.	2.46	2.71
Balanced Plan	12.25	13.05	-2.78	Benchmark + 0.5% p.a.	-2.28	-1.03
Growth Plan	12.97	13.25	-5.65	Benchmark + 0.5% p.a.	-5.15	-3.81
MY Plan – Global Fixed Interest	9.86	12.47	8.04	Benchmark + 0.1% p.a.	8.14	8.50
MY Plan – Listed Property	31.94	29.30	-18.01	Benchmark + 1.1% p.a.	-16.91	-17.83
MY Plan – Australian Equities	13.06	12.80	-7.95	Benchmark + 1.0% p.a.	-6.95	-4.13
MY Plan – International Equities	9.71	9.18	-10.78	Benchmark + 1.2% p.a.	-9.58	-10.75

* All returns are reported gross of fees and applicable taxes.

GOLD STATE SUPER, PENSION AND PROVIDENT SCHEMES

The assets of the defined benefits schemes, Gold State Super, Pension and Provident Schemes, are pooled into a single strategy and are invested with a common asset allocation to manage the funded liability on behalf of the State.

The primary objective is to deliver investment performance in excess of the CPI + 4% over a rolling 5 year period, with a 75% probability of achieving this objective.

The table below shows the actual performance along with the 5 year CPI performance targets.

INVESTMENT PLAN	OBJECTIVE	5 YEAR TARGET RETURN % p.a. #	5 YEAR NET RETURN % p.a. #
Gold State, Pension and Provident	<ul style="list-style-type: none"> CPI + 4.0% p.a. Limit the probability of the funding index (Assets/Accrued Benefits) being below 100% to less than 1 in 5 years 	7.01	3.16

All returns are reported net of fees and applicable taxes.

The secondary objective is to outperform the target asset weighted benchmark by an explicit percentage over rolling 3 year periods and outperform the target asset weighted benchmark over rolling 12 month periods.

The table below shows the actual performance along with the 12 month and 3 year performance targets.

Over the three year rolling period the strategy has achieved a return of -5.57% p.a., exceeding its target by 0.65% p.a.

	12 MONTHS		3 YEARS			
	12 Month Benchmark %	12 Month Gross Plan Return %*	3 Year Benchmark % p.a.	Target	3 Year Target % p.a.	3 Year Gross Plan Return % p.a.*
Gold State Super	13.02	12.98	-6.72	Benchmark + 0.5%	-6.22	-5.57

* All returns are reported gross of fees and applicable taxes.

EFFICIENCY INDICATORS

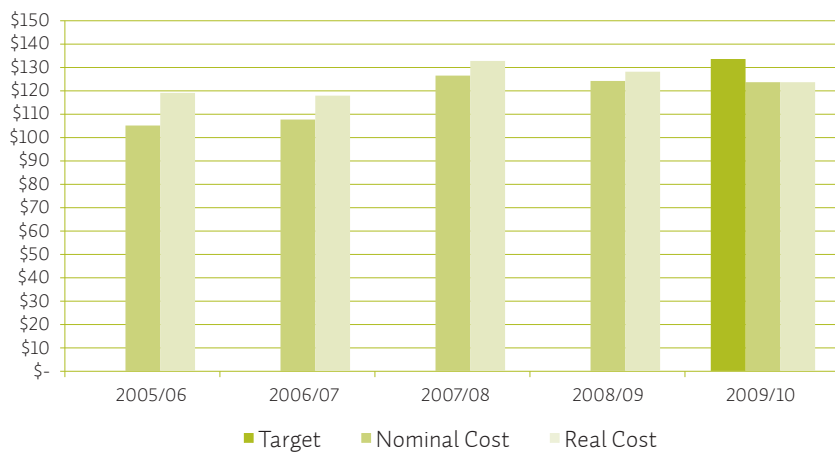
1) Average cost per member account

The average cost per member of administering the schemes decreased by 4% in real terms and 1% in nominal terms compared to the previous year and is 8% under target due to both cost savings and higher than targeted member account numbers. The cost savings have been achieved as a result of strong cost management in the wake of the global financial crisis and the uncertainty around Choice. Effective cost management has a positive impact on member balances and the Defined Benefit expense reserves, which delivers benefits to both members and the State.

The direct transition to choice costs of \$5.7 million for 2008/09 and \$5.5 million for 2009/10 have been excluded from the total administration costs in order to maintain comparability with prior year's figures.

	2005/06	2006/07	2007/08	2008/09	2009/10*
Target					\$ 133.48
Nominal Cost	\$ 105.09	\$ 107.74	\$ 126.54	\$ 123.94	\$ 123.41
Real Cost	\$ 118.80	\$ 118.10	\$ 132.75	\$ 128.23	\$ 123.41

* This is the base year, so nominal and real costs are the same.



2) Investment Management Cost as a Percentage of Portfolio Mean Value Invested (Management Expense Ratio)

The cost of managing GESB's investments is an important element in assessing investment performance in addition to achieving above benchmark returns within agreed risk levels. Besides direct investment management costs incurred by GESB, external specialist Investment Managers are appointed to invest funds in specific asset classes. Both internal and external management costs have been included in determining this indicator. The indicator reflects the cost of managing investments as a proportion of the average total portfolio value invested for the year. This indicator is normally referred to as a Management Expense Ratio (MER).

Disciplined control over investment costs contributed to the MER being contained to 0.34% for 2009/10 outperforming its target of 0.38%. This results in positive impacts for both members and the assets backing the funded Defined Benefit liabilities.

MANAGEMENT EXPENSE RATIO	2005/06	2006/07	2007/08	2008/09	2009/10	2009/10 TARGET
Management Expense Ratio - Investment Management Costs as a Percentage of Portfolio Mean Value Invested	0.36	0.31 ¹	0.35 ¹	0.33 ¹	0.34	0.38

¹These prior year ratios have been restated to correctly reflect accrued MER fund costs and exclude non-investment related administration expenses and a contribution to reserves.

Appendix 1

GOVERNMENT GOALS

GESB's contribution to the Government Goals was indirect as its direct mandate was to act in the best interests of members. Unlike other Government agencies, GESB provided superannuation services to current and former public sector employees and their partners, rather than all Western Australians. Good governance underpinned GESB's performance as a Crown agency, delivering benefits to the State, as well as fulfilling its mandate to act in the best interests of its members.

Regional Services

In 2009/10 GESB continued to expand education and financial advice services to regional Western Australia, where around 30% of our members are based. GESB aimed to provide regional members access to the same superannuation education and financial advice services as their metropolitan counterparts.

Financial and Economic Responsibility

The Board was responsible for managing the GES Fund on behalf of the State and its members.

GESB's investment strategy of diversification, disciplined risk management and focus on efficiency delivered superior financial ratios, allowing GESB to remain one of the lowest cost providers nationally. This enabled GESB to deliver outcomes for public sector workers in retirement.

Appendix 2

LEGISLATION ADMINISTERED

During 2009/10, GESB was directly responsible for administering the following State legislation:

- *State Superannuation Act 2000*;
- *State Superannuation Regulations 2001*; and
- *Superannuation and Family Benefits Act 1938*¹.

STATE LEGISLATION IMPACTING ON ACTIVITIES

As a State public sector entity and employer, GESB was responsible for complying with a wide range of State legislation.

This included:

- | | | |
|--|--|--|
| • <i>Corruption and Crime Commission Act 2003</i> | • <i>Parliamentary Commissioner Act 1971</i> | • <i>Workers' Compensation and Rehabilitation Act 1981</i> |
| • <i>Disability Services Act 1993</i> | • <i>Pay-roll Tax Assessment Act 2002</i> | • <i>Judges Salaries and Pensions Act 1950</i> |
| • <i>Electoral Act 1907</i> | • <i>Public Interest Disclosure Act 2003</i> | • <i>Parliamentary Superannuation Act 1970</i> |
| • <i>Equal Opportunity Act 1984</i> | • <i>Public Sector Management Act 1994</i> | • <i>Family Court Act 1997</i> |
| • <i>Fair Trading Act 1987</i> | • <i>Salaries and Allowances Act 1975</i> | |
| • <i>Financial Management Act 2006</i> | • <i>State Records Act 2000</i> | |
| • <i>Freedom of Information Act 1992</i> | • <i>State Supply Commission Act 1991</i> | |
| • <i>Industrial Relations Act 1979</i> | • <i>Statutory Corporations (Liability of Directors) Act 1996</i> | |
| • <i>Minimum Conditions of Employment Act 1993</i> | • <i>Unclaimed Money (Superannuation and RSA Providers) Act 2003</i> | |
| • <i>Occupational Safety and Health Act 1984</i> | • <i>Unclaimed Money Act 1990</i> | |

COMMONWEALTH LEGISLATION IMPACTING ON ACTIVITIES

- | | | |
|---|--|--|
| • <i>Age Discrimination Act 2004</i> | • <i>Family Law Act 1975</i> | • <i>Superannuation Contributions Tax Assessment and Collection Act 1997</i> |
| • <i>A New Tax System (Goods and Services Tax) Act 1999</i> | • <i>Financial Sector (Collection of Data) Act 2001</i> | • <i>Superannuation Guarantee (Administration) Act 1992</i> |
| • <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> | • <i>Financial Transaction Reports Act 1988</i> | • <i>Superannuation (Resolution of Complaints) Act 1993</i> |
| • <i>Bankruptcy Act 1966</i> | • <i>Income Tax Assessment Act 1936</i> | • <i>Trade Practices Act 1974</i> |
| • <i>Corporations Act 2001</i> | • <i>Privacy Act 1988 2</i> | • <i>Veterans' Entitlements Act 1986</i> |
| • <i>Child Support (Registration and Collection) Act 1988</i> | • <i>Retirement Savings Accounts Act 1997</i> | • <i>Workplace Relations Act 1996</i> |
| • <i>Disability Discrimination Act of 1992</i> | • <i>Sex Discrimination Act 1984</i> | • <i>Superannuation Industry (Supervision) Act 1993</i> |
| | • <i>Superannuation Contributions Tax (Members of Constitutionally Protected Superannuation Funds)</i> | |

¹ The provisions of the *Superannuation and Family Benefits Act 1938* are deemed to continue under section 26 of the *State Superannuation (Transitional and Consequential Provisions) Act 2000*.

Appendix 3

BUDGET ESTIMATE 2010/11

Statement of changes in net assets for financial year ending 30 June 2011.

	BUDGET 2011 \$'000
Net Assets Available to Pay Benefits at the Beginning of the Financial Year	9,998,558
REVENUE	
Investment Revenue	
Realised Income	261,151
Realised Changes in Net Market Value of Investment Assets	261,151
Unrealised Changes in Net Market Value of Investment Assets	348,200
Total Investment Revenue	870,502
Superannuation Revenue	
Contributions	
Member	407,844
Employer	1,155,345
Rollover into Retirement Products	571,762
Inward Transfer from Other Funds	321,603
Member Insurance Benefits Received	17,955
Total Superannuation Revenue	2,474,509
Other Revenue	
Other Revenue	10,243
Total Other Revenue	10,243
TOTAL REVENUE	3,355,254
EXPENSES	
Superannuation Benefit Payments	1,536,298
Administration Expenses	43,782
Choice Expenses	2,992
Group Life Insurance Premiums	74,858
Investment Expenses	38,407
GWM Financial Advice fees	4,365
Changes in Net Market Value of Other Assets	4,162
Loan Interest	29,680
TOTAL EXPENSES	1,734,544
CHANGE IN NET ASSETS BEFORE INCOME TAX	1,620,710
INCOME TAX EXPENSE	(71,276)
CHANGE IN NET ASSETS AFTER INCOME TAX	1,549,434
Net Assets Available To Pay Benefits At The End Of The Financial Year	11,547,992

STATEMENT OF NET ASSETS

	BUDGET 2011 \$'000
ASSETS	
Cash and Cash Equivalents	26,711
Investments	11,978,614
Plant and Equipment	1,942
Intangible Assets	13,976
Receivables	11,390
Prepayments	2,170
TOTAL ASSETS	12,034,803
LIABILITIES	
Contributions Paid in Advance	1,349
Unapplied Member Contributions	5,420
Payables	34,482
Provision for Employee Entitlements	4,153
Provision for Post Employment Liabilities	2,381
Interest Bearing Loans and Borrowings	420,077
Current Tax Liabilities	18,949
TOTAL LIABILITIES	486,811
NET ASSETS AVAILABLE TO PAY BENEFITS	11,547,992

Appendix 4

PUBLICATIONS

GESB produces and updates a range of publications specific to each scheme to ensure members are provided with the latest information relevant to them. GESB aims to use plain English so members can understand their options and entitlements and employer agencies can understand their super obligations. Below is a list of our main publications.

FOR ALL MEMBERS

- Super contribution brochure and form - personal top up contributions
- Super consolidation brochure and form - consolidation of super
- Spouse contribution brochure and form - explains the benefits and feature of making
- Commonwealth Government super co-contribution brochure and form
- Proof of identity fact sheet
- Tax and super fact sheet
- Monthly investment update
- Transition to retirement fact sheet
- Resolving your complaint
- Privacy statement
- Investment Choice
- GESB financial advice
- GESB financial advice Financial Services Guide
- Tax file number fact sheet
- Change of details

FOR GESB SUPER MEMBERS

- Product Information Booklet
- Schedule of fees
- Contribution splitting fact sheet and form
- Induction flyer
- Salary sacrifice fact sheet

FOR WEST STATE SUPER MEMBERS

- Product Information Booklet
- Schedule of fees
- Salary sacrifice fact sheet

FOR GESB SUPER AND WEST STATE SUPER MEMBERS

- Insurance application form
- Insurance variation form
- Super and insurance fact sheet - protecting yourself and your family

FOR GOLD STATE SUPER MEMBERS

- Gold State Super essentials
- Going part-time fact sheet
- Salary maintenance fact sheet
- Growing your super with salary sacrifice fact sheet
- Taking unpaid leave fact sheet
- Your super and tax fact sheet
- Your super and divorce fact sheet
- Resigning from the WA public sector fact sheet
- Your super and redundancy fact sheet

FOR RETIREMENT INCOME MEMBERS

- Product Information Booklet
- Schedule of fees
- Change of details form
- Withdrawal form

FOR EMPLOYER AGENCIES

- GESB profile
- Products and services
- How GESB's fees compare
- Investment profile
- GESB super induction flyer
- Transition to retirement
- Department report for Gold State Super members form
- Notification of unpaid leave form



OTHER PUBLICATIONS

- Annual report

WEBSITE

These publications are available on the GESB website at gesb.com.au

How to contact us

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