

[FRONT COVER]

your **retirement planners**

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State Super Retirement Fund
APRA RSE Registration No: R1055535

Annual Report 2007

FOR THE YEAR ENDED 30 JUNE 2007

Trustee: State Super Financial Services Australia Limited
ABN 86 003 742 756

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[Inside Front Cover]

STATE SUPER RETIREMENT FUND

The State Super Retirement Fund (ABN 86 664 654 341) comprises the following:

State Super Personal Retirement Plan

State Super Allocated Pension Fund

State Super Term Allocated Pension Fund

STATE SUPER RETIREMENT FUND

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IMPORTANT CLIENT INFORMATION

Are you aware of the following:

- Your relatives can rollover their lump sum payment into the State Super Personal Retirement Plan or the State Super Allocated Pension Fund regardless of whether they were a member of a New South Wales Public Sector or Commonwealth Public Sector Superannuation scheme.
- The State Super Investment Fund is available to you and your relatives for the investment of non-superannuation monies.

CHAIRMAN AND MANAGING DIRECTOR'S REPORT TO CLIENTS

Investment Markets – the Year in Review

All major asset classes recorded gains during the 2006/7 financial year.

Important developments in investment markets during the year were:

- Australian equities returning 29.2% and global equities returning 21.4% hedged back to the Australian dollar (SSFS was 50% hedged over the period).
- Australian listed property trusts returned 26.3%.
- The Australian dollar finished the financial year at US 84.9 cents.
- Global economic growth remains resilient and world monetary policy remains accommodating to economic activity.
- Excess liquidity in financial markets has been evident and has fuelled speculative mergers and acquisitions. Sparked by default concerns in US sub prime mortgages, the year ended with a major repricing of credit risk. There were concerns of a contagion effect on other markets.
- Our funds have no direct exposure to sub prime mortgages or hedge funds and we follow a conservative investment strategy in relation to credit risk.

Investment Returns to Clients

We are pleased to report that all Funds of the State Super Retirement Fund performed competitively in the year ended 30 June 2007, with investment returns being at, or above the industry average and outpacing inflation. The investment returns for the Balanced and Growth Funds have been especially pleasing, with double digit returns for the year.

The table on the following page shows the investment returns for each of the Funds of the Retirement Fund for the last 5 years. Also shown is the annual inflation rate for each of those years.

Fee Reduction

From 1 January 2007, the fees for the Capital Stable Fund, Balanced Fund and Growth Fund in the State Super Personal Retirement Plan, State Super Allocated Pension Fund and the State Super Term Allocated Pension Fund were reduced to 1.35%, 1.50% and 1.60% respectively.

Further Fee Reductions

On 1 January 2008, the fees for the Capital Stable Fund, Balanced Fund and Growth Fund in the State Super Personal Retirement Plan, State Super Allocated Pension Fund and the State Super Term Allocated Pension Fund will be reduced to 1.30%, 1.40% and 1.50% respectively.

Our Commitment to Clients

The focus of the Board and each employee of the Company continue to be the provision of services that meet your needs and expectations as a client. We look forward to continuing to help you to achieve your financial goals in the future.

Bruce Hogan
Chairman
23 August 2007

Peter McKillop
Managing Director

PERFORMANCE OF THE FUNDS

RETURNS OF THE FUNDS - YEARS ENDED 30 JUNE (Net of all fees and taxes)

State Super Personal Retirement Plan

Fund	Return*	2007	2006	2005	2004	2003
Growth	Annual (%)	16.32	14.63	11.87	13.54	(6.52)
	5 Year Return# (%)	9.62	-	-	-	-
Balanced	Annual (%)	13.09	11.20	10.37	10.42	(2.05)
	5 Year Return# (%)	8.46	-	-	-	-
Capital Stable	Annual (%)	6.93	5.51	7.69	4.38	4.47
	5 Year Return# (%)	5.79	-	-	-	-
Cash	Annual (%)	4.63	4.07	3.46	3.17	2.81
	5 Year Return# (%)	3.62	-	-	-	-

State Super Allocated Pension Fund

Fund	Return*	2007	2006	2005	2004	2003
Growth	Annual (%)	17.20	17.15	13.09	15.67	(5.39)
	5 Year Return# (%)	11.19	-	-	-	-
Balanced	Annual (%)	13.89	13.29	11.71	12.42	(0.98)
	5 Year Return# (%)	9.92	-	-	-	-
Capital Stable	Annual (%)	7.68	6.55	9.05	5.34	5.19
	5 Year Return# (%)	6.75	-	-	-	-
Cash	Annual (%)	5.39	4.72	4.61	4.29	3.90
	5 Year Return# (%)	4.59	-	-	-	-

State Super Term Allocated Pension Fund (commenced on 20 December 2004)

Fund	Return*	2007	2006	2005**
Growth	Annual (%)	17.20	17.15	5.01
Balanced	Annual (%)	13.89	13.29	4.62
Capital Stable	Annual (%)	7.68	6.55	3.36
Cash	Annual (%)	5.39	4.75	2.44

Compound Average Annual Return

* Returns are based on the movement in the unit prices over the relevant period.

** Returns quoted are for the period 20 December 2004 to 30 June 2005

Inflation	Annual (%)	2.10	4.00	2.52	2.48	2.69
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INVESTMENT MANAGEMENT

OUR APPROACH TO INVESTMENT MANAGEMENT

For the State Super Retirement Fund (the 'Retirement Fund'), we operate a multi manager, multiple sector investment approach in which the assets of the Funds are managed by external specialist investment managers, through a series of discrete investment trusts known as Feeder Funds and Sector Trusts. This allows for diversification of investment style and the ability to use Investment Managers who have specific investment management expertise in a particular asset class.

Subject to the investment objectives of each Fund, the investment process involves several steps:

- Firstly, we spread your investment across a range of asset classes such as cash, listed property trusts, Australian and international shares and fixed interest securities. These asset classes are available to you through a combination of the four investment options of Cash, Capital Stable, Balanced and Growth Funds;
- Secondly, we establish a strategic asset allocation for each Fund, based on the investment objectives for that Fund. This strategic asset allocation is determined by the Trustee and maintained around these levels through regular re-balancing. These strategic asset allocations remain in place until they are reviewed, at least annually. Frequent re-balancing of the Funds means that the actual asset allocations of the Funds are maintained around their target allocations;
- Thirdly, we appoint a range of Investment Managers with comparative strengths in particular asset classes, but who have complementary investment styles. This provides the opportunity to combine styles to produce consistent returns in different market conditions. As a consequence, the investment risk of the Fund is reduced through diversification; and
- Finally, we continuously research and monitor incumbent managers as well as potential replacement managers.

We give effect to the investment strategy through the appointment of specialist Investment Managers (see below) to manage the assets of the sector specific investment schemes, known as Sector Trusts. Investment portfolios comprising a proportion of the assets of each Sector Trust are managed by one or more Investment Managers. Each investment manager has expertise in the particular asset class represented by the specific Sector Trust. Investment into the Sector Trusts is made via Feeder Funds each corresponding to the Cash, Capital Stable, Balanced and Growth investment options offered by the Investment Fund. We are the Trustee of both the Sector Trusts and Feeder Funds.

Under the asset sector specialist investment structure, we may change the investment managers from time to time.

SECTOR TRUSTS AND INVESTMENT MANAGERS

Cash

This Sector Trust includes cash and short term debt securities issued with a term to maturity of less than one year. The securities are issued or guaranteed by the Australian Government (or the Government of a State or Territory of Australia), Australian banks and other issuers of high credit quality.

Investment Manager:

Vanguard Investments Australia Ltd

Enhanced Cash

This Sector Trust includes cash, investment grade, higher yielding debt securities such as floating rate notes, mortgage backed securities, asset backed securities and corporate bonds. Investment grade securities are those rated at least BBB- by Standard & Poors or Baa3 or higher by Moodys. The enhanced cash portfolio maintains a duration similar to that of traditional cash type investments.

Investment Manager:

Aberdeen Fund Managers Australia Limited (formerly Deutsche Asset Management (Australia) Limited)

Australian Fixed Interest

This Sector Trust includes debt securities issued by the Australian Government or the Government of a State or Territory of Australia. It also includes investments in investment grade, higher yielding debt securities such as floating rate notes, corporate bonds and short-term securities.

Investment Managers:

***Barclays Global Investors Australia Limited
Colonial First State Investments Limited***

International Fixed Interest

This Sector Trust includes debt securities issued by the government of a country outside Australia and non-government investment grade, higher yielding debt securities such as floating rate notes, corporate bonds, asset and mortgage backed securities and short-term securities. International fixed interest investments are hedged 100% to the Australian dollar.

Investment Managers:

***PIMCO Australia Pty Limited
Vanguard Investments Australia Ltd***

Listed Property Trusts

This Sector Trust includes units or ordinary shares of property trusts and property related companies, which are listed on the Australian and recognised overseas stock exchanges.

Investment Managers:

***Challenger Managed Investments Limited
Vanguard Investments Australia Ltd***

Australian Equities

This Sector Trust includes ordinary shares, preference shares and other equity securities of companies or trusts listed on the Australian Stock Exchange.

Investment Managers:

AllianceBernstein Investment Management Australia Limited (appointed August 2006)

Barclays Global Investors Australia Limited

Fidelity International Limited (appointed August 2006)

GMO Australia Limited

Lazard Asset Management Pacific Co.

Orion Asset Management Limited

International Equities

This Sector Trust includes companies listed on a recognised overseas stock exchange. Investments include ordinary shares, preference shares and other equity securities or derivatives of companies or trusts listed on these exchanges. From 1 July 2006, international equities were hedged to a benchmark of 50% (previously 40%) to the Australian dollar. As this is a target, the actual level of hedging may change from time to time. This process is currently undertaken by State Street Global Advisors, Australia, Limited on behalf of this Sector Trust.

Investment Managers:

AllianceBernstein Investment Management Australia Limited

BlackRock Investment Management (Australia) Limited (formerly Merrill Lynch Investment Managers Limited)

Walter Scott & Partners Limited

Wellington Management Company, LLP

CUSTODIAN

As Trustee of the State Super Retirement Fund, we have appointed an independent organisation as Custodian to hold the assets of the Cash, Capital Stable, Balanced and Growth Funds including the assets of the Feeder Funds and Sector Trusts. We may replace the Custodian at any time.

The current custodian for the State Super Retirement Fund is JPMorgan Chase Bank N.A. ("JPMC"). The custodian is appointed pursuant to a custody agreement between us and JPMC.

JPMC's role as custodian is to:

- Hold the assets of the State Super Retirement Fund as agent of the Trustee; and
- Perform certain administrative, accounting, monitoring and reporting functions, for the Feeder Funds and Sector Trusts in which the Cash, Capital Stable, Balanced and Growth Funds invest.

JPMC has no supervisory role in relation to the operation of the State Super Retirement Fund.

CASH FUND

Investment Strategy

The Cash Fund primarily invests in short term debt securities with a maturity of less than one year. The securities are issued, guaranteed or otherwise supported by the Australian or State Governments of Australia (or their statutory authorities) or by Australian banks and companies. Derivatives, such as futures and options, may be used to facilitate trading or position a portfolio, but not to gear the Fund. The Fund's investment strategy is achieved by investing into the Cash Sector Trust via the Cash Feeder Fund.

[INSERT PIE CHART]

Defensive assets	100%
Cash	100%

CAPITAL STABLE FUND

Investment Strategy

The Capital Stable Fund primarily invests in Australian fixed interest securities and Australian cash with a combined exposure of no more than 20% in listed Australian shares and property trusts. Derivatives may be used to facilitate trading or position a portfolio but not to gear the Fund. The Fund's investment strategy is achieved by investing into the Sector Trusts via the Capital Stable Feeder Fund.

[INSERT PIE CHART]

Defensive assets	80%
Cash	30%
Australian fixed interest	50%
Growth assets	20%
Australian listed property trusts	5%
Australian equities	15%

Note: Asset allocations may vary from time to time.

BALANCED FUND

Investment strategy

The Balanced Fund invests in a broad range of Australian and overseas investments including Australian cash, fixed interest securities, listed property trusts, unit trusts and listed shares. Investments may include currency, futures and options contracts. Derivatives may be used to facilitate trading or position a portfolio but not to gear the Fund. The Fund's investment strategy is achieved by investing into the Sector Trusts via the Balanced Feeder Fund.

[INSERT PIE CHART]

Defensive assets	40%
Cash	5%
Enhanced cash	5%
Australian fixed interest	15%
International fixed interest (100% hedged to the AUD)	15%
Growth assets	60%
Listed property trusts	6%
Australian equities	27%
International equities (50*% hedged to the AUD)	27%

GROWTH FUND

Investment strategy

The Growth Fund is primarily invested in a broad range of Australian and overseas listed shares and Australian listed property trusts with some exposure to defensive assets such as Australian cash and Australian and overseas fixed interest. Investments may include currency, futures and options contracts. Derivatives may be used to facilitate trading or position a portfolio but not to gear the Fund. The Fund's investment strategy is achieved by investing into the Sector Trusts via the Growth Feeder Fund.

[INSERT PIE CHART]

Defensive assets	20%
Cash	2.5%
Enhanced cash	2.5%
Australian fixed interest	7.5%
International fixed interest (100% hedged to the AUD)	7.5%
Growth assets	80%
Listed property trusts	8%
Australian equities	36%
International equities (50*% hedged to the AUD)	36%

Note: Asset allocations may vary from time to time.

* From 1 July 2006, international equities were hedged to a benchmark of 50% (previously 40%) to the Australian dollar. As this is a target, the actual level of hedging may change from time to time.

ADDITIONAL INFORMATION

The State Super Retirement Fund has two divisions:

- Accumulation Division comprising the Personal Retirement Plan (PRP); and
- Pension Division comprising Allocated Pension Fund (APF) and Term Allocated Pension Fund (TAP)

From 20 September 2007 the State Super Term Allocated Pension Fund will be closed. The closure means is that we will not accept any applications for a Term Allocated Pension or non-commutable Term Allocated Pension on or after 20 September 2007.

State Super Financial Services Australia Limited is the trustee of the State Super Retirement Fund.

TOTAL FEES & CHARGES

There are no entry or exit fees, and currently no switching fees, for clients investing in the State Super Retirement Fund (the 'Retirement Fund').

The fees and charges applicable to each of the Funds comprising the State Super Personal Retirement Plan, the State Super Allocated Pension Fund and the State Super Term Allocated Pension Fund are:

- calculated on the basis of the net asset value of each Fund at the end of each day and paid monthly; and
- reflected in the declared unit price each day.

The fees and charges cover:

- the financial planning service
- administration and management
- ongoing monitoring and advice
- the funds management service (including the fees paid to the external investment managers as well as the operating expenses of the trusts, including those of the underlying Feeder Funds and Sector Trusts)
- the fee payable to the independent Custodian

The total fees and charges payable by clients investing in the Retirement Fund were:

As at 30 June 2007	Cash Fund % p.a.	Capital Stable Fund % p.a.	Balanced Fund % p.a.	Growth Fund % p.a.
State Super Personal Retirement Plan	0.99	1.35	1.50	1.60
State Super Allocated Pension Fund	0.99	1.35	1.50	1.60
State Super Term Allocated Pension Fund	0.99	1.35	1.50	1.60

As at 30 June 2006	Cash Fund % p.a.	Capital Stable Fund % p.a.	Balanced Fund % p.a.	Growth Fund % p.a.
State Super Personal Retirement Plan	0.99	1.39	1.55	1.75
State Super Allocated Pension Fund	0.99	1.39	1.55	1.75
State Super Term Allocated Pension Fund	0.99	1.39	1.55	1.75

Fee Reduction

There have been a number of fee reductions during 2005/06 and 2006/07

- From 1 July 2005, the fees for the Cash Fund and Capital Stable Fund in the State Super Personal Retirement Plan were reduced to 1.00% and 1.45% respectively; and
- From 1 January 2006, the fees for the Cash Fund, Capital Stable Fund, Balanced Fund and Growth Fund in the State Super Personal Retirement Plan, State Super Allocated Pension Fund and the State Super Term Allocated Pension Fund were reduced to 0.99%, 1.39%, 1.55% and 1.75% respectively.
- From 1 January 2007, the fees for the Capital Stable Fund, Balanced Fund and Growth Fund in the State Super Personal Retirement Plan, State Super Allocated Pension Fund and the State Super Term Allocated Pension Fund were reduced to 1.35%, 1.50% and 1.60% respectively.

UNIT PRICES AND VALUATIONS

Investments in each Fund are represented by units in that Fund. Unit prices are based on the net value of the assets (assets minus liabilities) of the relevant Fund(s). Any rise or fall in the value of a Fund's investments is reflected in a corresponding rise or fall in the unit price.

Each Fund is required to be valued at least weekly, however we currently value each Fund as at the close of each business day. We may change this practice without notice. The unit price based on that valuation is the applicable unit price for that day.

Income earned on each Fund's investments accumulates within the Fund and is reflected in the unit price. No distribution of investment income is made directly to investors.

Currently, the issue price of a unit is the same as the redemption price of a unit. Should this change in the future, we will provide you with 30 days notice.

For your convenience, the latest unit price information is available 24 hours a day on our charge free unit price hotline on 1800 060 061 or our Internet site at www.ssfs.com.au.

TRANSACTION PROCESSING APPLICATION, WITHDRAWAL AND SWITCH

TRANSACTIONS

We generally process application, withdrawal and switch requests each business day. If your application, withdrawal or switch request is received **before 5.00pm** Sydney time on any business day, it will be processed using the unit price applicable for that day. This price is not known until Business Day 2. It is important to consider this when making your transaction request.

The following table illustrates transaction processing timeframes and the applicable unit prices.

If received by 5.00pm Sydney time on Business Day 1	
Business Day on which processed	Business Day 2
Unit price used	Business Day 1

If we receive your application, withdrawal or switch request **after 5.00pm** Sydney time on a business day, or on a non-business day, we treat it as having been received before 5.00pm Sydney time on the next occurring business day and it will be processed using the unit price applicable for that next occurring business day.

Please note: if you ask for a unit price or investment valuation we can provide an historical unit price or investment valuation only.

At least two business days should be allowed after the processing of your withdrawal for the funds to be credited to your bank, credit union or building society account.

Please note that the Retirement Fund Trust Deed allows up to 30 days for the completion of any withdrawal request or switch.

ACCESSING INFORMATION ONLINE

Your Account Balance can be viewed online via our website located at www.ssfs.com.au. There is no charge for this service.

If you choose to use this service you will be issued with a unique password which in conjunction with your client code (provided to you by us at the time you first invested in the Retirement Fund), can be used to access your investment information at any time. Use of this service is subject to the terms and conditions listed on the www.ssfs.com.au website.

CHANGES TO SIMPLIFY AND STREAMLINE SUPERANNUATION

In the Federal Budget delivered on 9 May 2006, the Treasurer announced significant plans to simplify and streamline superannuation. These significant changes were introduced with effect from 1 July 2007. Details can be found in the Product Disclosure Statements and on our Internet site at www.ssfs.com.au.

As the changes are wide reaching, we recommend that you consult with your financial planner on these changes.

CONTRIBUTIONS

We can only accept contributions in accordance with superannuation law.

Contributions for which a tax deduction is claimed (either by your employer or, if you are eligible, by you) are called 'concessional contributions'. The amount of concessional contributions that can be made to your superannuation without being subject to additional tax will be capped at \$50,000 in the 2007/08 financial year. This limit will be indexed.

As a transitional measure, if an investor turns 50 at any time from 1 July 2007 to 30 June 2012, the investor's concessional contributions cap for the year in which the investor turns 50, and each subsequent year to 30 June 2012, is \$100,000 per year. This limit will not be indexed.

Concessional contributions in excess of these caps are subject to an additional 31.5% tax on top of the fund tax rate of 15%. They are called 'excess concessional contributions'.

Personal 'after-tax' contributions and excess concessional contributions will be called 'non-concessional contributions'. Importantly, this means that excess concessional contributions will count towards your non-concessional contributions cap.

Non-concessional contributions in excess of the non-concessional cap for that year will be subject to tax at 46.5%.

The non-concessional contributions cap for each financial year is three times the concessional contributions cap for that year. For example, it is \$150,000 for the 2007/08 financial year.

If you are under age 65 in the relevant financial year you will be able to 'bring forward' up to 2 years' worth of non-concessional contributions without exceeding the cap. For example, an investor could contribute \$450,000 in the 2007/08 financial year as a single lump sum, using up any allowable cap for that year and the following 2 years, without incurring additional tax. The 'bring forward' is automatically triggered as soon as non-concessional contributions exceed the non-concessional contributions cap for that year.

Where an excess concessional contribution or excess non-concessional contribution is made, the additional tax will be payable by the investor, not by the fund. In these circumstances the Australian Taxation Office ('ATO') will issue a release authority to the investor or, in some cases, directly to the Retirement Fund, allowing the withdrawal of an amount from your super account.

The Retirement Fund will pay the lesser of:

- the amount specified in the release authority;
- your account balance; or
- the amount requested by you,

within 30 days of receiving a valid release authority. Note that the Retirement Fund may pay the withdrawal amount after the tax liability is due to be paid to the ATO.

For further information please contact your financial planner.

PRESERVATION

Preservation of your contributions is determined by year of birth. The table below sets out the age your contributions will be considered as being subject to preservation.

When were you born?	Preservation age
before 1 July 1960	55
between 1 July 1960 and 30 June 1961	56
between 1 July 1961 and 30 June 1962	57
between 1 July 1962 and 30 June 1963	58
between 1 July 1963 and 30 June 1964	59
born after 30 June 1964	60

For further information please contact your financial planner.

SUPERANNUATION CONTRIBUTIONS TAX (SURCHARGE)

The Superannuation Laws amendment (Abolition of Surcharge) Act 2005 abolished this tax with effect from 1 July 2005. However, there are instances where surcharge may be payable after that time. Accordingly, while the surcharge has been repealed for payments made to superannuation funds on or after 1 July 2005, the Retirement Plan may be required to pay an amount assessed in respect of amounts paid prior to that date. In this case, your account will be reduced by the amount of the surcharge. In the case of the Allocated Pension Fund and Term Allocated Pension Fund, you will be required to pay the surcharge to the Tax Office directly from other monies. You may also be able to meet this tax liability by commuting part of your pension.

GOVERNMENT SUPERANNUATION CO-CONTRIBUTION SCHEME

If you are eligible and make personal superannuation contributions, the Government may match your contribution with a co-contribution up to certain limits. We have instituted procedures to administer the receipt of Government co-contributions which involve investing co-contributions in the Cash Fund.

Should the Australian Taxation Office pay a co-contribution to the Retirement Plan on your behalf pursuant to the Government's Superannuation Co-contribution Scheme, we will invest the co-contribution into the Cash Fund. You will then be issued a transaction confirmation and may switch the investment into one or more other Funds at any time.

To find out more about the Superannuation Co-contribution Scheme, ask your financial planner.

INTRODUCTION OF CONTRIBUTION SPLITTING

The Government allows you to split superannuation contributions with your spouse in certain circumstances. The main benefits of contribution splitting are that you can take advantage of 2 low tax lump sum caps and income splitting between partners for lower overall tax.

You will be able to split with your spouse any concessional contributions that are made to your account in the Retirement Plan.

The maximum amount that can be split is the lesser of:

- 85% of concessional contributions for a financial year; and
- the concessional contributions cap for the financial year.

Contributions can generally be split after the conclusion of the financial year in which they are made. Accordingly, contributions made between 1 January 2007 and 30 June 2007 can be split from 1 July 2007 onwards and contributions made from 1 July 2007 to 30 June 2008 can be split from 1 July 2008 onwards and so on.

For further information please contact your financial planner.

CHANGES TO MAXIMUM AND MINIMUM LIMITS FOR ALLOCATED PENSIONS

The Government has changed the minimum and maximum payment limits for allocated pensions.

The amount you choose from an Allocated Pension or Pre-Retirement Allocated Pension must meet the minimum annual payment amount. The minimum and maximum pension amounts are calculated on initial deposit then re-calculated as at 1 July every year thereafter and are based on:

- your age; and
- your Account Balance in the Allocated Pension

as at the date of each calculation.

Your Account Balance will vary depending on factors such as:

- the amount of pension payments paid to you during the year;
- the net earnings of the Fund(s) in which you are invested; and
- any lump sum withdrawals made by you.

When a pension commences on a day other than 1 July, the minimum payment in the first year is to be applied proportionately to the number of days remaining in the financial year that include and follow the commencement date.

You must receive at least one pension payment every financial year. If you invest on or after 1 June in any financial year, there is no minimum pension amount for that financial year, although a payment may be made by 30 June of that year.

If your minimum pension amount for a financial year has not been reached by the date of the last payment due to be made to you in the financial year, an additional payment will be made to ensure the minimum amount is paid.

If the maximum pension amount is reached during the financial year, the relevant payment will be reduced to ensure the maximum amount is not exceeded. No further pension payments can be made to you for that financial year.

As the calculation of pension minimum and maximum payment limits can be complex, we recommend that you consult with your financial planner on these changes.

CHANGES TO FEATURES OF TERM ALLOCATED PENSIONS

From 20 September 2007 the State Super Term Allocated Pension Fund will be closed. The closure means is that we will not accept any applications for a Term Allocated Pension or non-commutable Term Allocated Pension on or after 20 September 2007. If any applications for the State Super Term Allocated Pension Fund are received on or after that date, the application form will be rejected and we will not accept your application monies. The closure of the State Super Term Allocated Pension Fund will not affect any Term Allocated Pensions or non-commutable Term Allocated Pensions issued before that date.

Details can be found on our Internet site at www.ssfs.com.au. For further information please contact your financial planner.

ESTATE PLANNING MATTERS

DEATH BENEFITS AND NOMINATIONS

The following provides a summary of the current position on this matter as it relates to the Retirement Fund.

WHAT HAPPENS TO YOUR BENEFIT ON YOUR DEATH?

In the event of your death, your Account Balance will generally be paid as a lump sum (from the State Super Personal Retirement Plan) or as a lump sum and/ or a pension (from the State Super Allocated Pension Fund or State Super Term Allocated Pension Fund) to either:

- your dependants; and/or
- the executor of your Estate.

PAYMENT TO YOUR NOMINATED BENEFICIARIES

If you wish to nominate beneficiaries, they must be a dependant or the executor of your estate. The following are dependants for this purpose:

- your spouse of the opposite sex (legal or de facto); or
- your children (natural, adopted, step, ex nuptial); or
- a person who is financially dependent on you; or
- a person with whom you have an interdependency relationship, which is generally a close personal relationship between two people who live together, where one or both provides the other with financial support and where one or both provides the other with domestic and personal support.

To nominate one or more beneficiaries, you will need to complete the beneficiary nomination form

available by contacting your nearest office of the Trustee.

You may change any aspect of your beneficiary nomination at any time by completing and lodging a new beneficiaries nomination form.

BINDING NOMINATIONS

You can indicate that your nomination(s) are to be binding on the trustee. Provided your binding nomination is current and valid at the time of your death, the trustee **is bound** to pay to the beneficiaries you have nominated the specified percentage of your Account Balance. Please note that special conditions apply in order for your binding nomination(s) to be valid. These include:

- a binding nomination must be witnessed and signed by two persons over age 18 who are not your nominated beneficiaries for this investment;
- a binding nomination is only valid for 3 years from the date it became effective, after which time it lapses. After that time, you must provide a fresh nomination to bind the trustee;
- your binding nominated beneficiaries must survive you;
- nominated beneficiaries must be dependants at the time of your death.

You may only give the trustee direction regarding the percentage of your account balance to be paid to your beneficiary(s). You cannot give directions as to the form of payment (that is, pension or lump sum). The form of the payment to your nominated beneficiaries will be at the trustee's absolute discretion.

NON BINDING NOMINATIONS

If you do not wish your nominations to be binding on the trustee, then the final decision as to whom your Account Balance will be paid rests entirely with the trustee. In making its decision, the trustee will take into account your non-binding nomination(s) but it is not obliged to pay any amount in accordance with your nomination(s).

COMBINED BINDING AND NON BINDING NOMINATIONS

You may combine binding and non-binding beneficiary nominations for your investment provided the percentages to be paid to all nominated beneficiaries add up exactly to 100%. In this case, provided the binding nomination is current and valid at the time of your death, the trustee is bound to pay that portion of your Account Balance to the nominated beneficiary(s). For the percentage of your Account Balance allocated to non-binding beneficiaries, the trustee will take into account your nomination, but the final decision as to whom that portion of your Account Balance will be paid, rests with the trustee.

TRUSTEE DISCRETION

The trustee has **absolute discretion** to pay your Account Balance to *any* of your dependants and/or to your Estate in *any* proportion to the extent that:

- you do not make any beneficiary nomination; or
- you make a non-binding nomination; or
- your binding nomination has lapsed or is otherwise invalid at the time of your death; or
- for the State Super Term Allocated Pension Fund, your nominated reversionary pensioner predeceases you.

COOLING OFF CHANGES

There has been a change to the start of the 14 day cooling off period. Accordingly if you change your mind about joining the Retirement Fund, you have a cooling off period to tell us in writing. This starts from the earlier of:

- the day you receive confirmation of your initial investment; or
- the end of the 5th business day after the day on which we issue units in the Retirement Fund to you.

Please refer to the Product Disclosure Statement for further information.

ENQUIRIES AND COMPLAINTS PROCEDURES

Arrangements for dealing with enquiries and complaints from clients are as follows:

- enquiries should be directed to a Client Service Officer at the nearest office of the Company.
- any complaint should be made in writing and sent to: The General Manager – Financial Planning, State Super Financial Services Australia Limited, GPO Box 5336, Sydney NSW 2001.

The Company will respond to your complaint as quickly as possible and will make every effort to resolve your complaint within 45 days.

All complaints are referred to the Company's Enquiries and Complaints Committee.

Any complainant who, at the end of 90 days after lodging a complaint in the above manner, remains dissatisfied may contact the Superannuation Complaints Tribunal from anywhere in Australia on 1300 78 08 08.

The Government has established the Tribunal:

- to provide a mechanism for the resolution of complaints about decisions of trustees of superannuation funds which relate to a member (as distinct from decisions of trustees which relate to the management of the fund as a whole); and
- to resolve the complaint by conciliation, and where unsuccessful, to review the decision of the trustee to which the complaint relates.

PRIVACY

The Company respects the confidentiality of your personal information. The way we handle personal information is regulated by the National Privacy. If you ask us we will provide you with the personal information we hold about you, although there are some limited situations where we may not provide this information.

Why Do We Collect Personal Information?

The personal information we collect from you is used to establish and administer your account with us. We also use this information to enable us to provide you with financial planning advice and ongoing service.

FAMILY LAW

Family Law legislation allows for the splitting and 'flagging' of superannuation interests.

An interest in the State Super Retirement Fund may be split when parties to a marriage separate. The law sets down how superannuation assets will be valued and split for these purposes. Superannuation assets may also be 'flagged' which prevents the Trustee from making certain payments while these assets are flagged. Splitting or flagging can be achieved by an appropriately executed agreement between the parties to a marriage or by court order.

INDEMNITY INSURANCE COVER

The Company maintains professional indemnity insurance against liabilities incurred as a result of a breach of duty as Trustee of the State Super Retirement Fund.

NEED MORE INFORMATION?

Clients should contact a Client Service Officer at the nearest office of the Company should any other information regarding the operations of the State Super Retirement Fund be required.

FINANCIAL INFORMATION

The Operating Statements, Statements of Financial Position and Statements of Cash Flow for each Fund are set out on the following pages.

You should be aware that the Auditors have issued an unqualified Audit Report for the Financial Statements of the State Super Retirement Fund. Should you wish to obtain a full copy of the Financial Report including the Auditor's Report, you may do so by either:

- visiting our website at www.ssfs.com.au and going to **Company Information**, selecting **Funds Management Service**, selecting **Financial Reports of the Trusts** and finally, selecting **State Super Retirement Fund (comprising PRP, APF and TAPF)**; or
- calling your nearest office of the Trustee, and a copy will be sent to you free of charge.

TRUSTEE STATEMENT

The Directors of State Super Financial Services Australia Limited state that in their opinion:

- The financial statements for the State Super Retirement Fund (the “Retirement Fund”) as set out on pages 25 to 41, have been drawn up so as to present fairly the financial position of the Retirement Fund and the results of its operations and its cash flows for the year ended 30 June 2007;
- The financial statements are drawn up in accordance with Australian Accounting Standards, and the provisions of the Trust Deed (dated 23 November 1993) as amended and all legislative requirements;
- The Retirement Fund has operated in accordance with the provisions of its Trust Deed and in compliance with the requirements of the Superannuation Industry (Supervision) Act 1993, its accompanying Regulations, the Corporations Act 2001 and its Regulations and such Guidelines as are relevant, during the year ended 30 June 2007; and
- At the date of this report there are reasonable grounds to believe that the funds comprising State Super Retirement Fund will be able to pay their debts as and when they fall due.

Signed in accordance with a resolution of the directors on behalf of the directors.

Peter McKillop
Managing Director
23 August 2007

FINANCIAL INFORMATION

ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2007

RETIREMENT FUND BY DIVISION

	Pension Division		Accumulation Division		Total	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Investments	3,580,101	2,718,245	2,793,019	2,523,762	6,373,120	5,242,007
Other Assets	385,705	201,985	332,743	225,260	718,448	427,245
Total Assets	3,965,806	2,920,230	3,125,762	2,749,022	7,091,568	5,669,252
Liabilities	10,793	(4,133)	108,228	46,436	119,021	42,303
Net Assets Available to Pay Benefits	3,955,013	2,924,363	3,017,534	2,702,586	6,972,547	5,626,949
Liability for Accrued Members' Benefits	3,955,013	2,924,363	3,017,534	2,702,586	6,972,547	5,626,949

RETIREMENT FUND BY INVESTMENT OPTIONS

	Cash		Capital Stable		Balanced		Growth		Total	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Investments	691,478	573,994	1,177,344	954,779	1,976,277	1,636,253	2,528,021	2,076,981	6,373,120	5,242,007
Other Assets	65,232	29,329	88,533	48,897	237,551	132,780	327,132	216,239	718,448	427,245
Total Assets	756,710	603,323	1,265,877	1,003,676	2,213,828	1,769,033	2,855,153	2,293,220	7,091,568	5,669,252
Liabilities	18,232	6,597	17,494	4,943	35,797	12,355	47,498	18,408	119,021	42,303
Net Assets Available to Pay Benefits	738,478	596,726	1,248,383	998,733	2,178,031	1,756,678	2,807,655	2,274,812	6,972,547	5,626,949
Liability for Accrued Members' Benefits	738,478	596,726	1,248,383	998,733	2,178,031	1,756,678	2,807,655	2,274,812	6,972,547	5,626,949

ABRIDGED STATEMENT OF THE FINANCIAL POSITION (CON'T) AS AT 30 JUNE 2007

PENSION DIVISION (Allocated Pension Fund and Term Allocated Pension Fund)

	Cash		Capital Stable		Balanced		Growth		Total	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Investments	392,717	319,364	706,852	529,366	1,089,287	838,347	1,391,245	1,031,168	3,580,101	2,718,245
Other Assets	29,601	11,411	46,631	22,393	130,264	64,656	179,209	103,525	385,705	201,985
Total Assets	422,318	330,775	753,483	551,759	1,219,551	903,003	1,570,454	1,134,693	3,965,806	2,920,230
Liabilities	1,645	776	3,097	(130)	2,747	(1,628)	3,304	(3,151)	10,793	(4,133)
Net Assets Available to Pay Benefits	420,673	329,999	750,386	551,889	1,216,804	904,631	1,567,150	1,137,844	3,955,013	2,924,363
Liability for Accrued Members' Benefits	420,673	329,999	750,386	551,889	1,216,804	904,631	1,567,150	1,137,844	3,955,013	2,924,363

ACCUMULATION DIVISION (Personal Retirement Plan)

	Cash		Capital Stable		Balanced		Growth		Total	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Investments	298,761	254,630	470,492	425,413	886,990	797,906	1,136,776	1,045,813	2,793,019	2,523,762
Other Assets	35,631	17,918	41,902	26,504	107,287	68,124	147,923	112,714	332,743	225,260
Total Assets	334,392	272,548	512,394	451,917	994,277	866,030	1,284,699	1,158,527	3,125,762	2,749,022
Liabilities	16,587	5,821	14,397	5,073	33,050	13,983	44,194	21,559	108,228	46,436
Net Assets Available to Pay Benefits	317,805	266,727	497,997	446,844	961,227	852,047	1,240,505	1,136,968	3,017,534	2,702,586
Liability for Accrued Members' Benefits	317,805	266,727	497,997	446,844	961,227	852,047	1,240,505	1,136,968	3,017,534	2,702,586

ABRIDGED OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

RETIREMENT FUND BY DIVISION

	Pension Division		Accumulation Division		Total	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Investment Revenue	455,171	319,531	377,548	343,927	832,719	663,458
Contribution Revenue	1,571,788	1,101,070	1,895,012	1,584,516	3,466,800	2,685,586
	<u>2,026,959</u>	<u>1,420,601</u>	<u>2,272,560</u>	<u>1,928,443</u>	<u>4,299,519</u>	<u>3,349,044</u>
General Administration Expenses - Trustee fees	43,588	34,142	34,993	35,952	78,581	70,094
Benefits accrued as a result of operations before tax	1,983,371	1,386,459	2,237,567	1,892,491	4,220,938	3,278,950
Income tax (expense)/benefit	11,217	9,310	(38,374)	(38,788)	(27,157)	(29,478)
Benefits accrued as a result of operations after tax	<u>1,994,588</u>	<u>1,395,769</u>	<u>2,199,193</u>	<u>1,853,703</u>	<u>4,193,781</u>	<u>3,249,472</u>

RETIREMENT FUND BY INVESTMENT OPTIONS

	Cash		Capital Stable		Balanced		Growth		Total	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Investment Revenue	40,390	31,273	94,010	65,860	273,021	212,453	425,298	353,872	832,719	663,458
Contribution Revenue	1,071,205	958,525	600,830	446,565	823,061	608,524	971,704	671,972	3,466,800	2,685,586
	<u>1,111,595</u>	<u>989,798</u>	<u>694,840</u>	<u>512,425</u>	<u>1,096,082</u>	<u>820,977</u>	<u>1,397,002</u>	<u>1,025,844</u>	<u>4,299,519</u>	<u>3,349,044</u>
General Administration Expenses - Trustee fees	6,220	5,348	13,869	11,491	24,430	21,859	34,062	31,396	78,581	70,094
Benefits Accrued as a Result of Operations Before Tax	1,105,375	984,450	680,971	500,934	1,071,652	799,118	1,362,940	994,448	4,220,938	3,278,950
Income tax (expense)/benefit	(4,547)	(3,899)	(3,821)	(2,864)	(8,473)	(8,842)	(10,316)	(13,873)	(27,157)	(29,478)
Benefits accrued as a result of operations before tax	<u>1,100,828</u>	<u>980,551</u>	<u>677,150</u>	<u>498,070</u>	<u>1,063,179</u>	<u>790,276</u>	<u>1,352,624</u>	<u>980,575</u>	<u>4,193,781</u>	<u>3,249,472</u>

ABRIDGED OPERATING STATEMENT (CON'T) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

PENSION DIVISION (Allocated Pension Fund and Term Allocated Pension Fund)

	Cash		Capital Stable		Balanced		Growth		Total	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Investment Revenue	23,973	16,645	55,162	34,915	147,823	103,157	228,213	164,814	455,171	319,531
Contribution Revenue	366,429	279,635	299,967	208,967	398,561	283,761	506,831	328,707	1,571,788	1,101,070
	390,402	296,280	355,129	243,882	546,384	386,918	735,044	493,521	2,026,959	1,420,601
General Administration Expenses - Trustee fees	3,706	2,857	8,166	6,149	13,317	10,365	18,399	14,771	43,588	34,142
Benefits accrued as a result of operations before tax	386,696	293,423	346,963	237,733	533,067	376,553	716,645	478,750	1,983,371	1,386,459
Income tax (expense)/benefit	50	(2)	1,301	1,049	3,706	3,080	6,160	5,183	11,217	9,310
Benefits accrued as a result of operations after tax	386,746	293,421	348,264	238,782	536,773	379,633	722,805	483,933	1,994,588	1,395,769

ACCUMULATION DIVISION (Personal Retirement Plan)

	Cash		Capital Stable		Balanced		Growth		Total	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Investment Revenue	16,417	14,628	38,848	30,945	125,198	109,296	197,085	189,058	377,548	343,927
Contribution Revenue	704,776	678,890	300,863	237,598	424,500	324,763	464,873	343,265	1,895,012	1,584,516
	721,193	693,518	339,711	268,543	549,698	434,059	661,958	532,323	2,272,560	1,928,443
General Administration Expenses - Trustee fees	2,514	2,491	5,703	5,342	11,113	11,494	15,663	16,625	34,993	35,952
Benefits accrued as a result of operations before tax	718,679	691,027	334,008	263,201	538,585	422,565	646,295	515,698	2,237,567	1,892,491
Income tax (expense)/benefit	(4,597)	(3,897)	(5,122)	(3,913)	(12,179)	(11,922)	(16,476)	(19,056)	(38,374)	(38,788)
Benefits accrued as a result of operations after tax	714,082	687,130	328,886	259,288	526,406	410,643	629,819	496,642	2,199,193	1,853,703

IMPORTANT CLIENT INFORMATION

AS A CLIENT OF STATE SUPER FINANCIAL SERVICES YOU RECEIVE:

Advice to Meet Your Objectives

The Company's services are exclusive to all past and present NSW Public Sector and Commonwealth Public Sector employees and their families. Always acting in the best interests of clients by providing:

- Peace of mind
- Security of capital
- Money to live on

Complete Service

- Financial Planning
- Investment Management
- On-going monitoring and reporting

Diversification of Investments

Four (4) of the Company's investment products, namely, State Super Personal Retirement Plan, State Super Allocated Pension Fund, State Super Term Allocated Pension Fund and State Super Investment Fund, provide:

- Spread of Investments
- Diversification of Investment Managers
- Flexibility of switching between Funds

Competitive Fees

- No entry, exit or switching fees
- One management fee covering all services

Regular Reporting

- A personalised report every six months

STATE SUPER FINANCIAL SERVICES AUSTRALIA LIMITED DIRECTORY

TRUSTEE

State Super Financial Services Australia Limited
ABN 86 003 742 756
Level 7, 83 Clarence Street
SYDNEY NSW 2000

DIRECTORS OF THE TRUSTEE

Bruce Hogan *AM, BEc (Hons), FAICD*

Chairman

c/- Level 7, 83 Clarence Street
SYDNEY NSW 2000

Peter McKillop *BEc, FCA, CFP*

Director

Managing Director

State Super Financial Services Australia Limited
Level 7, 83 Clarence Street
SYDNEY NSW 2000

Helen Brown *FAICD*

Director

c/- Level 7, 83 Clarence Street
SYDNEY NSW 2000

Ron Davis *FAPf, FASFA*

Director

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Eileen Doyle *BMath(Hons), MMath, Ph.D., FAICD*

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Michael Egan *BA, FAICD*

Director

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Winsome Hall *BA*

Director

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Peter Reynolds *BComm, BA, CPA, ACIS*

Director

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Brian Scullin *BEc*

Director

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CUSTODIAN

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