

**Local Government Superannuation Scheme  
Pool B**

**Financial Report**

**For the Year Ended 30 June 2000**

**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2000**

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# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B

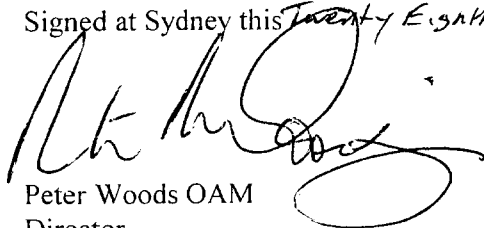
## TRUSTEE DECLARATION TO THE MEMBERS FOR THE YEAR ENDED 30 JUNE 2000

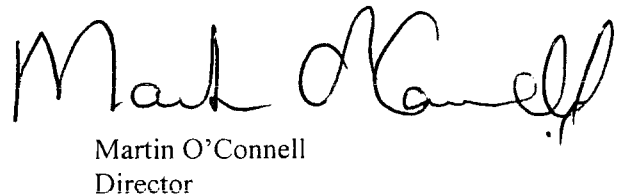
The Directors of LGSS Pty Limited (ABN 68 078 003 497) being the Trustee of the Local Government Superannuation Scheme Pool B declare that:

1. The accompanying financial report of the Local Government Superannuation Scheme Pool B presents fairly the net assets of the Scheme as at 30 June 2000 and the changes in net assets for the year then ended in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;
2. The financial report has been prepared in accordance with the requirements of the Trust Deed;
3. The Scheme has been conducted in accordance with its constituent Trust Deed; and
4. In the Directors' opinions there are reasonable grounds to believe that the scheme will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of the Directors of LGSS Pty Limited

Signed at Sydney this *Twenty Eighth* day of December 2000.

  
Peter Woods OAM  
Director

  
Martin O'Connell  
Director

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2000**

	Note	<b>2000 \$'000</b>	<b>1999 \$'000</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS AT BEGINNING OF THE YEAR</b>		<u>2,520,674</u>	<u>2,385,557</u>
<b>CONTRIBUTIONS REVENUE</b>			
Employer Contributions	8	49,585	65,082
Member Contributions	8	46,283	37,461
Transfers In		1,154	-
		<u>97,022</u>	<u>102,543</u>
<b>INVESTMENT REVENUE</b>			
Investment Income	6	134,257	86,341
Changes in Net Market Value	7	340,882	166,505
		<u>475,139</u>	<u>252,846</u>
Investment Expenses		(15,778)	(9,132)
Net Investment Revenue		<u>459,361</u>	<u>243,714</u>
Other Revenue		<u>190</u>	<u>185</u>
<b>TOTAL REVENUE</b>		556,573	346,442
<b>BENEFITS PAID</b>		(164,856)	(176,521)
<b>INVESTMENT TRANSFERS OUT</b>		(132)	-
<b>SCHEME ADMINISTRATION EXPENSES</b>		<u>(8,655)</u>	<u>(3,174)</u>
<b>INCREASE IN NET ASSETS BEFORE ABNORMAL ITEMS AND INCOME TAX</b>		382,930	166,747
Abnormal Item	2	-	(3,684)
<b>INCREASE IN NET ASSETS BEFORE INCOME TAX</b>		<u>382,930</u>	<u>163,063</u>
Income Tax Expense	4	(22,676)	(27,623)
Superannuation Contributions Surcharge	1(h)	(491)	(323)
<b>INCREASE IN NET ASSETS AFTER INCOME TAX</b>		<u>359,763</u>	<u>135,117</u>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS AT END OF THE YEAR</b>		<u>2,880,437</u>	<u>2,520,674</u>

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

**STATEMENT OF NET ASSETS  
AS AT 30 JUNE 2000**

	<b>Note</b>	<b>2000</b>	<b>1999</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>INVESTMENTS</b>			
Short Term Investments		134,636	70,987
Australian Fixed Interest		475,342	400,240
Australian Equities		1,374,233	977,644
International Investments		742,442	947,012
Property		<u>221,868</u>	<u>198,350</u>
<b>TOTAL INVESTMENTS</b>		<u>2,948,521</u>	<u>2,594,233</u>
<b>OTHER ASSETS</b>			
Cash		15,622	3,491
Receivables	3	<u>36,585</u>	<u>43,496</u>
Total Other Assets		<u>52,207</u>	<u>46,987</u>
<b>TOTAL ASSETS</b>		<u>3,000,728</u>	<u>2,641,220</u>
Less:			
<b>LIABILITIES</b>			
Reserve Units		-	2
Payables	5	63,789	75,716
Provision for Income Tax	4	16,768	5,141
Provision for deferred Income Tax		<u>39,734</u>	<u>39,687</u>
<b>TOTAL LIABILITIES</b>		<u>120,291</u>	<u>120,546</u>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>		<u>2,880,437</u>	<u>2,520,674</u>

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

## 1. STATEMENT OF ACCOUNTING POLICIES

### (a) Description of Scheme

The Local Government Superannuation Scheme Pool B (the Scheme) consists of Local Government members transferred from the Pooled Fund in 1997, in accordance with sections 127 and 128 of the Superannuation Administration Act, 1996 (the Act). LGSS Pty Limited acts as trustee to the Scheme and holds in trust all assets of the Scheme.

The Scheme's custodial activities are provided by Commonwealth Custodial Services Limited (CSSL). The following Scheme managers perform the Schemes management activities:

- |                                       |  |
|---------------------------------------|--|
| ▪ Cash Portfolio                      | 100% - Deutsche Asset Management (Australia) Limited   |
| ▪ Australian Fixed Interest Portfolio | 100% - Deutsche Asset Management (Australia) Limited   |
| ▪ Australian Equity Portfolio         | 79.7% - Deutsche Asset Management (Australia) Limited<br>10.4% - Commonwealth Financial Services Limited<br>9.9% - State Street Global Advisors Australia Limited                  |
| ▪ International Investments Portfolio | 53.2% - Deutsche Asset Management (Australia) Limited<br>28.9% - Barclays Global Investors Australia Limited<br>17.6% - Standish Ayer & Wood Inc<br>0.3% - Internal Currency Hedge |
| ▪ Property Trust Portfolio            | 100% - Deutsche Asset Management (Australia) Limited   |

The Scheme consists of Division C and Division D which are defined benefit schemes, whilst Division B comprises both a defined benefit component and a defined contribution component. All the schemes are closed to new members. The Scheme is a reporting entity for financial reporting purposes.

### (b) Basis of Preparation

The financial report has been drawn up in accordance with Australian Accounting Standard AAS25 "Financial Reporting by Superannuation Plans", Urgent Issues Group Consensus Views, other applicable accounting standards, the provisions of the Trust Deed and other mandatory professional reporting requirements.

### (c) Investments

Investments are recorded at balance date at net market value, which comprises market value less estimated costs of disposal. Changes in net market value, representing gains or losses, are recognised in the Statement of Changes in Net Assets in the year in which they occur.

The valuation of each class of investment as at 30 June 2000 is determined as follows:

Short Term Investments	Market rates
Australian and International Fixed Interest	Relevant fixed interest securities markets
Equities – Australian	Relevant stock exchange official quotation as at reporting date
- International	Valued at reporting date and translated into Australian dollars at current exchange rate
Property Trusts	Stock exchange official quotation
Real Estate Properties	Valuation by a registered valuer as at reporting date

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2000**

**1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**(d) Foreign Currency Transactions**

Foreign currency transactions during the year are converted to Australian dollars at the rate of exchange applicable at the date of the transaction. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

**(e) Income Tax**

The Scheme has adopted the liability method of tax-effect accounting in accordance with the provision of Australian Accounting Standard AAS 3 "Accounting for Income Tax (Tax-effect accounting)". The income tax expense shown in the Statement of Changes in Net Assets is based on the operating surplus or deficit adjusted for any permanent differences.

The tax-effect of timing differences, which occur where items are allowed for income tax purposes in a period different from that in which they are recognised in the financial statements, is included as a provision for deferred income tax or future income tax benefit as applicable at current taxation rates.

Future income tax benefits are not brought to account unless realisation of the assets is assured beyond reasonable doubt.

**(f) Management Expenses**

Scheme administration expenses, other than expenses of administering the death or invalidity insurance provision of the Scheme, are charged directly to members' accounts to the extent permissible by legislation.

Death or invalidity insurance expenses are charged directly to the Death or Invalidity Reserve.

Investment expenses are charged directly against investment revenue.

**(g) Reserve Units**

Reserve Units are units held by certain Division D Scheme members. They represent units purchased in advance at a rate which is the "rate for age" at the date purchased with an option to convert to full rate units in the Division D Scheme at any future date. On conversion they are no longer recognised as a liability but as part of member Schemes.

**(h) Superannuation Contributions Surcharge**

No provision has been made in this financial report for the amount of the superannuation contributions surcharge which may be payable by the Scheme under the Superannuation Contributions Tax (Assessment and Collection) Act 1997. The Trustee is unable to determine the amount of the surcharge until assessments are received from the Australian Taxation Office.

As the surcharge is levied based upon individual members' taxable income any surcharge for the year ended 30 June 2000 subsequently levied against the Scheme will be charged to the relevant members' benefits or otherwise dealt with in accordance with the provisions of the Trust Deed and relevant legislation. The benefits of members not subject to the surcharge will be unaffected.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2000**

**1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**(i) Roundings**

All values reported in the financial statements have been rounded to the nearest thousand dollars, except where otherwise stated.

**(j) Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in the presentation of the financial report in the current year.

**2. ABNORMAL ITEM**

	<b>2000</b>	<b>1999</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Transfer (to) the Pooled Fund</b>	-	(3,684)
<b>Income tax effect</b>	-	(528)

The abnormal item for 1999 represents an adjustment to the initial amounts transferred from the Pooled Fund in 1998. This amount was transferred back to the Pooled Fund inclusive of the interest component.

**3. RECEIVABLES**

	<b>2000</b>	<b>1999</b>
	<b>\$'000</b>	<b>\$'000</b>
Contributions Receivable	7,050	535
Other Receivables	99	1,660
Investment Sales	17,495	29,969
Investment Income due and receivable	11,941	11,332
	36,585	43,496

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2000**

**4 INCOME TAX**

Income tax expense in the Statement of Changes in Net Assets represents the tax on changes in net assets before tax, adjusted for permanent differences.

The calculation of tax provided for is as follows:

	<b>2000</b>	<b>1999</b>
	<b>\$'000</b>	<b>\$'000</b>
Increase in net assets before income tax	382,930	163,063
<b>Permanent Differences</b>		
Transfers-in	(1,154)	-
Non-Assessable Contributions	(46,283)	(37,461)
Benefit Payments	164,856	176,521
Death or Invalidity Insurance Deduction	(4,872)	(5,169)
Investment Transfers Out	132	-
Non-Deductible Expenditure	56	18
Non-Assessable Pension Related Investment Income	(2,040)	(1,535)
Adjustment on Transfer of Assets	-	161
Investment Revenue	(235,689)	(5,570)
Other Revenue	-	(9)
	(124,994)	126,956
<b>Base for Determining Tax Expense</b>	<b>257,936</b>	<b>290,019</b>
<b>Movements in Timing Differences</b>		
Income from Investments	2,767	(51,464)
Employer Contributions	(3,167)	892
Payables	88	-
	(312)	(50,572)
<b>Base for Determining Tax Payable</b>	<b>257,624</b>	<b>239,447</b>
<b>Income Tax Calculated at 15% Comprises:</b>		
Current Income Tax Payable Before any Imputation and Foreign Tax Credits	38,644	35,917
Less: Adjustment – Prior year’s Timing Differences not reversed	-	(1,914)
Less: Imputation and Foreign Tax Credits	(14,069)	(16,444)
	24,575	17,559
Under/(Over) Provision Last Year	(1,946)	2,478
Deferred Income Tax Expense	47	7,586
<b>Income Tax Expense</b>	<b>22,676</b>	<b>27,623</b>
Current Income Tax Payable	24,575	17,559
Less: Installments Paid	(7,807)	(12,418)
<b>Provision for Income Tax</b>	<b>16,768</b>	<b>5,141</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2000**

**5 PAYABLES**

	<b>2000</b>	<b>1999</b>
	<b>\$'000</b>	<b>\$'000</b>
Benefits Payable	21,348	22,868
Investment Purchases	28,499	48,279
Other Payables	13,942	4,569
	63,789	75,716

**6. INVESTMENT INCOME**

	<b>2000</b>	<b>1999</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest	29,795	25,585
Dividends	44,970	47,154
Property Income	20,254	14,345
Other Investment Income / (loss)	39,238	(743)
	134,257	86,341

**7. CHANGES IN NET MARKET VALUE**

**30 JUNE 2000**

	<b>HELD AT REPORTING DATE GAIN/(LOSS) \$'000</b>	<b>REALISED DURING THE YEAR GAIN/(LOSS) \$'000</b>	<b>TOTAL  \$'000</b>
<b>Total Revenue</b>			
Short Term Investments	218	(15,845)	(15,627)
Australian Fixed Interest	6,714	(842)	5,872
Property	13,055	514	13,569
Australian Equities	172,355	12,722	185,077
International Investments	125,989	26,002	151,991
	318,331	22,551	340,882

**30 JUNE 1999**

	<b>HELD AT REPORTING DATE GAIN/(LOSS) \$'000</b>	<b>REALISED DURING THE YEAR GAIN/(LOSS) \$'000</b>	<b>TOTAL  \$'000</b>
<b>Total Revenue</b>			
Short Term Investments	63	-	63
Australian Fixed Interest	(15,264)	4,889	(10,375)
Property	10,262	-	10,262
Australian Equities	96,397	28,043	124,440
International Investments	69,496	(27,381)	42,115
	160,954	5,551	166,505

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2000**

**8. FUNDING ARRANGEMENTS**

Member and Employer contributions for each of the schemes are determined on the bases described below.

**(a) Division B Scheme**

**Member Contributions:** Each member elects to contribute between 1% and 9% (1999: 1% to 9%) of salary.

**Employer Contributions:** Employers contribute on a fully funded basis as determined by the trustees based on actuarial advice for years ended 30 June 1999 and 30 June 2000.

**(b) Division C Scheme**

**Member Contributions:** As the Scheme is 100% employer funded, there are no member contributions for years ended 30 June 1999 and 30 June 2000.

**Employer Contributions:** Employers contribute on a fully funded basis as determined by the trustees based on actuarial advice for years ended 30 June 1999 and 30 June 2000.

**(c) Division D Scheme**

**Member Contributions:** Each member contributes on a "rate for age" basis to individual pension units which become available with salary increases. Members may elect to abandon units where total contributions payable would exceed 7% (1999: 6%) of salary.

**Employer Contributions:** Employers contribute on a fully funded basis as determined by the trustees based on actuarial advice for years ended 30 June 1999 and 30 June 2000.

**9. LIABILITY FOR ACCRUED BENEFITS**

The value of accrued benefits has been determined by the actuary on the basis of the present value of expected future payments which arise from membership of the Scheme at the date of the actuarial review. The figure reported has been determined using assumed future salary levels, future Scheme earnings and other relevant actuarial assumptions used in the most recent actuarial review which was carried out as at 1 July 1997.

	<b>1997</b>
	<b>\$'000</b>
As at 1 July 1997	<u>1,193,526</u>

**10. VESTED BENEFITS**

Vested benefits are benefits, which are not conditional upon continued membership of the scheme and include the benefits which members would be entitled to receive had they terminated their membership as at 30 June 2000.

<b>2000</b>	<b>1999</b>
<b>\$'000</b>	<b>\$'000</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2000**

As at 30 June 1,726,099 1,478,369

**11. RELATED PARTY INFORMATION**

**(a) Identification of Related Parties**

The Trustee of the Scheme is LGSS Pty Limited. The names of the directors of LGSS Pty Limited in office during the year ended 30 June 2000 are as follows:

<b>Employer representatives</b>		<b>Employee representatives</b>	
Cr P Woods OAM		Mr I Robertson	
Cr J Wearne		Mr G De Courcey	Resigned 22/10/99
Ms B O'Connor	Appointed 8/9/99	Mr J Ernst	Appointed 18/10/99
Mr L Kelly	Appointed 8/9/99	Mr B Mason	Appointed 18/10/99
Cr D Campbell	Resigned 31/8/99	Mr M O'Connell	Appointed 22/10/99
Cr E Carolan	Resigned 8/9/99	Mr G Humphries	Resigned 8/9/99
		Mr J Merchant	Resigned 8/9/99
		Mr W Smith	Appointed 8/9/99 resigned 18/10/99
		Ms S Terpstra	Appointed 8/9/99 resigned 18/10/99

	<b>2000 \$'000</b>	<b>1999 \$'000</b>
<b>Remuneration Received or Due and Receivable by Directors of LGSS Pty Ltd (for both Pool A and Pool B):</b>	127,916	161,587

**(b) Number of Directors included in these figures are shown in their relevant income bands:**

	<b>Numbers</b>	
Remuneration (including superannuation contributions) of:		
\$ 0 - \$9,999	11	3
\$10,000 - \$19,999	1	-
\$20,000 - \$29,999	2	2
\$30,000 - \$39,999	1	2
\$40,000 - \$49,999	-	1
	15	8

**(c) Transactions entered into during the year with Directors and their related entities**

There have been no transactions between these directors and the Scheme, except for the payment to the directors for services rendered in relation to their duties as directors of LGSS Pty Ltd, and for the reimbursement of administration costs incurred by the directors whilst attending to Trustee business.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2000**

**12. FINANCIAL INSTRUMENTS**

The information pertaining to financial instruments set out below is made in accordance with the provisions of AAS33 "Presentation and Disclosure of Financial Instruments".

For the purpose of these financial statements, a financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments include both primary instruments (such as receivables, payables and equity securities) and derivative instruments (such as financial options, foreign exchange transactions, forward rate agreements and interest rate and currency swaps).

**(i) Credit Risk Exposures**

The net market value of financial assets, including derivatives, included in the financial accounts represents the Scheme's exposure to credit risk in relation to those assets.

The Scheme does not have any significant exposure to any individual counterparty or industry. Its assets are invested by individual investment managers and in specific investment trusts.

**(ii) Liquidity Risk Exposures**

Liquidity risk is the risk that there are insufficient liquid assets available to pay the beneficiaries of the Scheme. This risk is managed by assessing on both a short term and long term basis, the Scheme's cash flow requirements.

**(iii) Derivatives**

Derivatives are used in managing portfolios as a hedge against market movements in the values of physical assets and as a means of effecting a change in the asset mix of the investment portfolio of the Scheme. Derivative instruments currently used are futures contracts, exchange traded options, forward rate agreements and foreign exchange contracts.

All derivative contracts are written against cash, physical securities or other specific commitments and are not leveraged. Derivatives are not used for speculative purposes. These activities are undertaken within authorised and clearly defined limits.

At 30 June 2000, the nominal principal amounts and net fair value of derivatives held by the Scheme are as follows:

<b>30 June 2000</b>	<b>Notional Principal Amounts</b>	<b>Net Market Value</b>
	<b>\$'000</b>	<b>\$'000</b>
Australian Exchanged Traded Options	19,259	1,335

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2000**

Australian Fixed Interest Futures	(40,543)	(18,839)
Australian Share Price Index Futures	3,319	(58)
	(17,965)	(17,562)

**12. FINANCIAL INSTRUMENTS (Continued)**

<b>30 June 1999</b>	<b>Notional Principal Amounts \$'000</b>	<b>Net Market Value \$'000</b>
Australian Fixed Interest Futures	-	(5)
Australian Share Price Index Futures	1,563	5
	1,563	0

**(iv) Currency Risk Exposures**

The exposure at 30 June 2000 to foreign exchange rate movements on international investments is shown below:

<b>30 June 2000</b>	<b>EUR \$'000</b>	<b>USD \$'000</b>	<b>ECU \$'000</b>	<b>OTHER \$'000</b>	<b>TOTAL \$'000</b>
International Investments	-	359,891	-	378,669	738,560
Amount Effectively Hedged	-	1,699	-	-	1,699
Net Exposure	-	361,590	-	378,669	740,259
<b>30 June 1999</b>	<b>EUR \$'000</b>	<b>USD \$'000</b>	<b>ECU \$'000</b>	<b>OTHER \$'000</b>	<b>TOTAL \$'000</b>
International Investments	158,661	528,538	0	274,155	961,354
Amount Effectively Hedged	0	1,420	1,420	(2,840)	(0)
Net Exposure	158,661	529,958	1,420	271,315	961,354

**(v) Interest Rate Risk**

The Scheme invests in financial assets for the primary purpose of obtaining a return on investments on behalf of its members. The Scheme'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.

**(vi) Net Fair Values Disclosures**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2000**

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

*Cash, cash equivalents and short term investments:* The carrying amounts approximate fair value because of their short term maturity.

*Non-current investments/securities:* For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset, adjusted for transaction costs necessary to realise the asset. For investments where there is no quoted market price, the last sale price or calculated underlying value is used, adjusted for transaction costs.

**Independent Report by Approved Auditor**

To the Trustee and Members of  
Local Government Superannuation Scheme Pool B

**A) Financial statements**

Scope

I have audited the financial statements of Local Government Superannuation Scheme Pool B for the year ended 30 June 2000 as set out on pages 3 to 14 attached. The scheme's trustee is responsible for the financial statements. I have conducted an independent audit of the financial statements in order to express an opinion on them to the trustee and members of the scheme.

My audit has been conducted in accordance with Australian Auditing Standards issued by the Australian Accounting Research Foundation on behalf of CPA Australia and the Institute of Chartered Accountants in Australia to provide reasonable assurance whether the financial statements are free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards issued by the Australian Accounting Research Foundation on behalf of CPA Australia and the Institute of Chartered Accountants in Australia, and other mandatory professional reporting requirements, so as to present a view which is consistent with my understanding of the scheme's net assets and change in net assets.

The financial statements audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In my opinion, the financial statements present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements, the net assets of Local Government Superannuation Scheme Pool B as at 30 June 2000 and the changes in net assets for the year ended 30 June 2000.

**B) Compliance**

Scope

I have conducted tests in accordance with Australian Auditing Standards as necessary to provide reasonable assurance whether the trustee of the Local Government Superannuation Scheme Pool B has, in all material respects:

- a) complied with the relevant requirements of the following provisions (to the extent applicable) of the Superannuation Industry (Supervision) Act 1993 and Regulations:

sections 19(2), 19(3), 36, 65, 66, 67, 69-85, 86-93A, 95, 97, 98, 101, 103, 104, 105, 106, 107, 109, 111, 112, 113, 117, 118, 121, 122, 124, 125, 152, 153, 154, 163, 169;

regulations 2.10(1), 2.13(1), 2.21(3), 2.33(2), 2.43(1), 3.10, 4.08(3), 5.08, 6.17, 7.04, 7.05, 9.09, 9.14, 9.29, 9.30, 13.14, 13.17, 13.17A; and

- b) adhered to the Guidelines for preparing Risk Management Statements ("Guidelines") issued by APRA in Circular II.D.7 on Derivatives (to the extent applicable)

for the year ended 30 June 2000.

My procedures included examination, on a test basis, of evidence supporting compliance with those requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations.

My procedures with respect to regulation 6.17 included testing whether amounts identified by the trustee as preserved and restricted non-preserved have been cashed or transferred only in accordance with the requirements of Part 6 of the regulations. These procedures did not include testing of the calculation of the preserved and restricted non-preserved amounts beyond a broad assessment of the apparent reasonableness of the calculations.

My procedures with respect to the Guidelines consisted of confirming whether any Risk Management Statements was to be prepared by the scheme's trustee under the Guidelines contained in APRA Circular II.D.7 at any time during the year of income. These procedures indicated that only a Part A Risk Management Statement should be prepared by the scheme's trustee. This has been prepared and is broadly consistent with the requirements of the Guidelines.

These tests have not been performed continuously throughout the period, were not designed to detect all instances of non-compliance, and have not covered any other provisions of the Superannuation Industry (Supervision) Act 1993 and Regulations or Guidelines apart from those specified. The scheme's trustee is responsible for complying with the Superannuation Industry (Supervision) Act 1993 and Regulations and appropriately applying the Guidelines.

The opinion on compliance expressed in this report has been formed on the above basis.

Qualification

The following requirement of the Superannuation Industry (Supervision) Act and regulations have not been complied with during the year for the following reasons:

- Under S.36 an approved return must be lodged with APRA within four months following the year end. This year's return was not lodged until January 2001.

Qualified audit opinion

In my opinion, except for the matter referred to in the qualification paragraph, the trustee of Local Government Superannuation Scheme Pool B has complied, in all material respects, with the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations and applied the Guidelines specified above for the year ended 30 June 2000.



Arthur Andersen  
Chartered Accountants



Jonathan Pye  
Partner

Sydney, 28 December 2000

**Independent Report by Approved Auditor**

To the Trustee and Members of  
Local Government Superannuation Scheme Pool B

**A) Financial statements**

Scope

I have audited the financial statements of Local Government Superannuation Scheme Pool B for the year ended 30 June 2000 as set out on pages 3 to 14 attached. The scheme's trustee is responsible for the financial statements. I have conducted an independent audit of the financial statements in order to express an opinion on them to the trustee and members of the scheme.

My audit has been conducted in accordance with Australian Auditing Standards issued by the Australian Accounting Research Foundation on behalf of CPA Australia and the Institute of Chartered Accountants in Australia to provide reasonable assurance whether the financial statements are free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards issued by the Australian Accounting Research Foundation on behalf of CPA Australia and the Institute of Chartered Accountants in Australia, and other mandatory professional reporting requirements, so as to present a view which is consistent with my understanding of the scheme's net assets and change in net assets.

The financial statements audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In my opinion, the financial statements present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements, the net assets of Local Government Superannuation Scheme Pool B as at 30 June 2000 and the changes in net assets for the year ended 30 June 2000.

## B) Compliance

### Scope

I have conducted tests in accordance with Australian Auditing Standards as necessary to provide reasonable assurance whether the trustee of the Local Government Superannuation Scheme Pool B has, in all material respects:

- a) complied with the relevant requirements of the following provisions (to the extent applicable) of the Superannuation Industry (Supervision) Act 1993 and Regulations:

sections 19(2), 19(3), 36, 65, 66, 67, 69-85, 86-93A, 95, 97, 98, 101, 103, 104, 105, 106, 107, 109, 111, 112, 113, 117, 118, 121, 122, 124, 125, 152, 153, 154, 163, 169;

regulations 2.10(1), 2.13(1), 2.21(3), 2.33(2), 2.43(1), 3.10, 4.08(3), 5.08, 6.17, 7.04, 7.05, 9.09, 9.14, 9.29, 9.30, 13.14, 13.17, 13.17A; and

- b) adhered to the Guidelines for preparing Risk Management Statements ("Guidelines") issued by APRA in Circular II.D.7 on Derivatives (to the extent applicable)

for the year ended 30 June 2000.

My procedures included examination, on a test basis, of evidence supporting compliance with those requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations.

My procedures with respect to regulation 6.17 included testing whether amounts identified by the trustee as preserved and restricted non-preserved have been cashed or transferred only in accordance with the requirements of Part 6 of the regulations. These procedures did not include testing of the calculation of the preserved and restricted non-preserved amounts beyond a broad assessment of the apparent reasonableness of the calculations.

My procedures with respect to the Guidelines consisted of confirming whether any Risk Management Statements was to be prepared by the scheme's trustee under the Guidelines contained in APRA Circular II.D.7 at any time during the year of income. These procedures indicated that only a Part A Risk Management Statement should be prepared by the scheme's trustee. This has been prepared and is broadly consistent with the requirements of the Guidelines.

These tests have not been performed continuously throughout the period, were not designed to detect all instances of non-compliance, and have not covered any other provisions of the Superannuation Industry (Supervision) Act 1993 and Regulations or Guidelines apart from those specified. The scheme's trustee is responsible for complying with the Superannuation Industry (Supervision) Act 1993 and Regulations and appropriately applying the Guidelines.

The opinion on compliance expressed in this report has been formed on the above basis.

Qualification

The following requirement of the Superannuation Industry (Supervision) Act and regulations have not been complied with during the year for the following reasons:

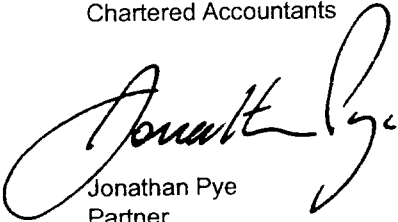
- Under S.36 an approved return must be lodged with APRA within four months following the year end. This year's return was not lodged until January 2001.

Qualified audit opinion

In my opinion, except for the matter referred to in the qualification paragraph, the trustee of Local Government Superannuation Scheme Pool B has complied, in all material respects, with the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations and applied the Guidelines specified above for the year ended 30 June 2000.



Arthur Andersen  
Chartered Accountants



Jonathan Pye  
Partner

Sydney, 28 December 2000