

**Local Government Superannuation Scheme  
Pool B**

**Financial Report**

**For the Year Ended 30 June 2002**

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B**

**FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2002**

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**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B**

**TRUSTEE STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2002**

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 2002 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 29<sup>TH</sup> day of OCTOBER 2002

X Mark O'Neill  
Director

X [Signature]  
Director

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B**

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2002**

	<b>Note</b>	<b>2002</b>	<b>2001</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS AT BEGINNING OF THE YEAR</b>		<u>2,857,998</u>	<u>2,880,437</u>
<b>INVESTMENT REVENUE</b>			
Investment Income	5	60,185	157,082
Changes in Net Market Value	6	<u>(246,455)</u>	<u>(53,517)</u>
		(186,270)	103,565
Investment Expenses		<u>(11,104)</u>	<u>(10,234)</u>
Net Investment Revenue		<u>(197,374)</u>	<u>93,331</u>
<b>CONTRIBUTIONS REVENUE</b>			
Employer Contributions	7	160	12,192
Member Contributions	7	41,691	41,680
Transfers In		<u>2,939</u>	<u>2,985</u>
		<u>44,790</u>	<u>56,857</u>
Other Revenue		<u>457</u>	<u>313</u>
<b>TOTAL REVENUE</b>		(152,127)	150,501
Benefits Paid		(158,664)	(162,437)
Scheme Administration Expenses	11	(12,033)	(6,973)
Superannuation Contributions Surcharge	1(h)	<u>(670)</u>	<u>(733)</u>
<b>TOTAL EXPENSES</b>		(171,367)	(170,143)
<b>DECREASE IN NET ASSETS BEFORE INCOME TAX</b>		(323,494)	(19,642)
Income Tax Benefit / (Expense)	3	<u>26,113</u>	<u>(2,797)</u>
<b>DECREASE IN NET ASSETS AFTER INCOME TAX</b>		<u>(297,381)</u>	<u>(22,439)</u>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS AT END OF THE YEAR</b>	8,9	<u><u>2,560,617</u></u>	<u><u>2,857,998</u></u>

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

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B**

**STATEMENT OF NET ASSETS  
AS AT 30 JUNE 2002**

	<b>Note</b>	<b>2002</b>	<b>2001</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>INVESTMENTS</b>	1(c), 12		
Short Term Investments		136,199	157,330
Australian Fixed Interest		303,823	354,395
Australian Equities		1,047,975	1,415,877
International Investments		741,284	737,070
Property		<u>304,143</u>	<u>234,948</u>
<b>TOTAL INVESTMENTS</b>		<u>2,533,424</u>	<u>2,899,620</u>
<b>OTHER ASSETS</b>			
Cash		14,429	7,708
Receivables	2	<u>62,412</u>	<u>174,046</u>
Total Other Assets		<u>76,841</u>	<u>181,754</u>
<b>TOTAL ASSETS</b>		<u>2,610,265</u>	<u>3,081,374</u>
Less:			
<b>LIABILITIES</b>			
Payables	4	48,433	193,168
Provision for Deferred Income Tax	3	<u>1,215</u>	<u>30,208</u>
<b>TOTAL LIABILITIES</b>		<u>49,648</u>	<u>223,376</u>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>	8,9	<u>2,560,617</u>	<u>2,857,998</u>

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

## LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

#### 1. STATEMENT OF ACCOUNTING POLICIES

##### (a) Description of Scheme

The Local Government Superannuation Scheme Pool B (the Scheme) consists of Local Government members and was established, 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 (CCSL). The following Scheme managers perform the Schemes management activities:

☒ Cash Portfolio	100.00%	- Deutsche Asset Management (Australia) Limited
☒ Australian Fixed Interest Portfolio	74.23%	- Aberdeen Asset Management (Australia) Limited
	25.42%	- Superannuation Services Company Pty Limited
	0.35%	- Salomon Smith Barney
☒ Australian Equity Portfolio	80.60%	- Deutsche Asset Management (Australia) Limited
	10.06%	- Aberdeen Asset Management (Australia) Limited
	6.54%	- UBS Global Asset Management (Australia)
	1.92%	- Concord Capital
	0.84%	- Salomon Smith Barney
	0.04%	- State Street Global Advisors
☒ International Fixed Interest Portfolio	50.00%	- Loomis Sayles & Company LP
	50.00%	- Pacific Investment Management Company
☒ International Equity Portfolio	62.14%	- Deutsche Asset Management (Australia) Limited
	24.20%	- Standish Ayer & Wood Inc
	12.06%	- Salomon Smith Barney
	1.60%	- Barclays Global Investors
☒ Property Trust Portfolio	100.00%	- Superannuation Services Company Pty Limited
☒ Diversified Fixed Interest	100.00%	- Deutsche Asset Management (Australia) Limited
☒ Inflation Linked Bonds	85.32%	- Superannuation Services Company Pty Limited
	14.68%	- Salomon Smith Barney

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 divisions 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.

## LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

#### 1. STATEMENT OF ACCOUNTING POLICIES (Continued)

##### (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 2002 is determined as follows:

Short Term Investments	Market rates
Australian and International Fixed Interest	Market rates
Equities - Australian - International	Relevant stock exchange official quotation 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 during the reporting period

##### (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 at that date.

##### (e) Income Tax

The Scheme has adopted the liability method of tax-effect accounting in accordance with the provisions 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) Expenses

The Scheme's expenses are funded by capital transfers from both the Local Government Superannuation Scheme Pool A and Pool B.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

### 1. STATEMENT OF ACCOUNTING POLICIES (Continued)

#### (g) 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.

#### (h) Superannuation Contributions Surcharge

The superannuation contributions surcharge which may be payable by the Scheme under the Superannuation Contributions Tax (Assessment and Collection) Act 1997 is brought to account as a liability and an expense in the year when assessments are received from the Australian Taxation Office. 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 2002 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.

#### (i) Goods and Services Tax (GST)

Where applicable, GST incurred by the Scheme that is not recoverable from the Australian Taxation Office, has been recognised as part of the expenses to which it applies. Receivables and payables are stated with any applicable GST included in their carrying amounts.

The amount of any GST recoverable from, or payable to, the Australian Taxation Office is included as an asset or liability in the Statement of Financial Position.

#### (j) Roundings

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

#### (k) Comparatives

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

### 2. RECEIVABLES

	Note	2002 \$'000	2001 \$'000
Contributions Receivable		2,851	3,889
Other Receivables		3,400	1,558
Income Tax Refund Receivable	3	16,393	14,192
Investment Sales		28,103	142,553
Investment Income Due and Receivable		11,665	11,854
		<u>62,412</u>	<u>174,046</u>

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2002**

**3. 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>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Decrease in net assets before income tax	<u>323,494</u>	<u>19,642</u>
Prima facie tax @ 15%	48,524	2,946
<b>Permanent Differences</b>		
Transfers-in	441	448
Non-assessable Contributions	6,254	6,245
Imputation and Foreign Tax Credits	2,260	16,286
Contributions Surcharge	(100)	(110)
Benefit Payments	(23,800)	(24,365)
Death or Invalidity Insurance Deduction	835	848
Non-deductible Expenditure	79	(7)
Non-assessable Pension Related Investment Income	179	212
Non-assessable/deductible Investment Revenue/Losses	<u>(9,456)</u>	<u>(3,394)</u>
	25,216	(891)
(Under)/Over Provision Last Year	<u>897</u>	<u>(1,906)</u>
<b>Income Tax (Expense)/Benefit</b>	<u>26,113</u>	<u>(2,797)</u>
<b>Income Tax Calculated at 15% Comprises:</b>		
Current Income Tax Payable before Imputation and Foreign Tax Credits	(15,012)	(26,703)
Less: Imputation and Foreign Tax Credits	<u>11,235</u>	<u>16,286</u>
	(3,777)	(10,417)
(Under)/Over Provision Last Year	897	(1,906)
Deferred Income Tax Expense	<u>28,993</u>	<u>9,526</u>
<b>Income Tax (Expense)/Benefit</b>	<u>26,113</u>	<u>(2,797)</u>
Current Income Tax Payable	(3,777)	(10,417)
Add: Tax payable for year ended 30 June 2000	-	(13)
Less: Instalments Paid	<u>20,170</u>	<u>24,622</u>
<b>Income Tax Refund Receivable</b>	<u>16,393</u>	<u>14,192</u>

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2002**

**4. PAYABLES**

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Benefits Payable	19,438	14,271
Investment Purchases	20,257	171,816
Other Payables	8,738	7,081
	<u>48,433</u>	<u>193,168</u>

**5. INVESTMENT INCOME**

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest	26,527	32,475
Dividends	41,323	71,600
Property Income	19,662	18,928
Other Investment Income	(27,327)	34,079
	<u>60,185</u>	<u>157,082</u>

**6. CHANGES IN NET MARKET VALUE**

**30 JUNE 2002**

	<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	367	79,172	79,539
Australian Fixed Interest	2,437	1,998	4,435
Property	12,631	1,627	14,258
Australian Equities	(79,911)	(41,888)	(121,799)
International Investments	(73,922)	(148,966)	(222,888)
	<u>(138,398)</u>	<u>(108,057)</u>	<u>(246,455)</u>

**30 JUNE 2001**

	<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	(45,048)	225,798	180,750
Australian Fixed Interest	5,106	(235,167)	(230,061)
Property	6,162	(3)	6,159
Australian Equities	65,937	(95,070)	(29,133)
International Investments	(2,107)	20,875	18,768
	<u>30,050</u>	<u>(83,567)</u>	<u>(53,517)</u>

## LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

#### 7. FUNDING ARRANGEMENTS

For years ended 30 June 2002 and 30 June 2001, member and employer contributions for each of the schemes are determined on the bases described below. Employers in Local Government Superannuation Scheme Pool B were on a contribution holiday for the financial year (1 July 2001 – 30 June 2002).

##### (a) Division B Scheme

<b>Member Contributions:</b>	Each member elects to contribute between 1% and 9% (2001: 1% to 9%) of salary.
<b>Employer Contributions:</b>	Employers contribute on a fully funded basis as determined by the trustees based on actuarial advice. However during 2001/2002 all employers were on a contribution holiday.

##### (b) Division C Scheme

<b>Member Contributions:</b>	As the Scheme is 100% employer funded, there are no member contributions.
<b>Employer Contributions:</b>	Employers contribute on a fully funded basis as determined by the trustees based on actuarial advice. However during 2001/2002 all employers were on a contribution holiday.

##### (c) Division D Scheme

<b>Member Contributions:</b>	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 6% (2001: 6%) of salary.
<b>Employer Contributions:</b>	Employers contribute on a fully funded basis as determined by the trustees based on actuarial advice. However during 2001/2002 all employers were on a contribution holiday.

#### 8. LIABILITY FOR ACCRUED BENEFITS

The value of accrued benefits has been determined 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 value of the accrued benefits was calculated by the actuary as part of the comprehensive actuarial review, which was performed as at 1<sup>st</sup> July 2000.

The figure reported has been determined using the assumed future salary increases, future Scheme earnings and other relevant actuarial assumptions used in the actuarial review.

	<b>2000</b>	<b>1997</b>
	<b>\$'000</b>	<b>\$'000</b>
Accrued Benefits as at 1 <sup>st</sup> July	<u>2,136,680</u>	<u>1,193,526</u>

## LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

#### 9. 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 2002.

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
As at 30 <sup>th</sup> June	<u>1,725,627</u>	<u>1,804,255</u>

#### 10. RELATED PARTY INFORMATION

##### 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<sup>th</sup> June 2002 are as follows:

<b>Employer representatives</b>	<b>Employee representatives</b>
Cr P Woods OAM	Mr I Robertson
Cr J Wearne	Mr J Ernst
Ms B O'Connor	Mr B Mason
Mr L Kelly	Mr M O'Connell

LGSS Pty Limited is also the Trustee for Local Government Superannuation Scheme – Pool A.

Local Government Superannuation Scheme Pool A and B are related parties as they are both controlled by LGSS Pty Limited.

Superannuation Services Company Pty Limited, which provides secretariat services to the Scheme, is a related party as LGSS Pty Limited holds 50% of the share capital.

Cr P Woods OAM, L Kelly, J Ernst & I Robertson are directors of LGSS Pty Limited and also Superannuation Services Company Pty Limited.

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2002**

**10. RELATED PARTY INFORMATION (Continued)**

	2002	2001
	\$	\$
<b>(a) Remuneration Received:</b>		
Due and Receivable by Directors of LGSS Pty Ltd (for both Pool A and Pool B) during the financial year payable directly or indirectly, by LGSS Pty Limited or by any related party. A number of directors have their emoluments paid to their sponsoring shareholder. In 2002 the gross amount for all payments to directors and/or their employers have been included. In the 2001 comparative only payments made to directors have been included. Payments made to sponsoring shareholders amounted to \$197,290 in 2001.	<u>301,294</u>	<u>104,004</u>
<b>(b) Number of Directors whose total income falls within each relevant \$10,000 band of income:</b>	<b>Numbers</b>	
\$ 0 - \$9,999	-	5
\$30,000 - \$39,999	7	3
\$50,000 - \$59,999	<u>1</u>	<u>-</u>
	<u>8</u>	<u>8</u>

**(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 Limited, and for the reimbursement of administration costs incurred by the directors whilst attending to Trustee business.

**11. REMUNERATION OF AUDITORS**

	2002	2001
	\$'000	\$'000
<b>Remuneration for audit of the financial report of the Scheme</b>		
Andersen	1	45
Deloitte Touche Tohmatsu	77	-
<b>Remuneration for other services</b>		
Andersen	<u>36</u>	<u>8</u>
	<u>114</u>	<u>53</u>

## LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

#### 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). The Scheme's monies are invested in a variety of financial instruments included in the asset classes summarised in Note 1.

##### (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 counter-party 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 and forward rate agreements.

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 authorized limits.

At 30 June 2002, the nominal principal amounts and net fair value of derivatives held by the Scheme are as follows:

<b>30 June 2002</b>	<b>Notional Principal Amounts \$'000</b>	<b>Net Market Value \$'000</b>
Australian Fixed Interest Futures	7,991	(71)
Australian Share Price Index Futures	1,499	21
	<u>9,490</u>	<u>50</u>

  

<b>30 June 2001</b>	<b>Notional Principal Amounts \$'000</b>	<b>Net Market Value \$'000</b>
Australian Exchanged Traded Options	(8,810)	139
Australian Fixed Interest Futures	10,868	1
Australian Share Price Index Futures	2,870	(18)
	<u>4,928</u>	<u>122</u>

## LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

#### 12. FINANCIAL INSTRUMENTS (Continued)

##### (iv) Currency Risk Exposures

The exposure at 30 June 2002 to foreign exchange rate movements on international investments is shown below:

30 June 2002	EUR \$'000	USD \$'000	OTHER \$'000	TOTAL \$'000
International Investments	96,657	371,574	197,985	666,216
Amount Effectively Hedged	(284)	(44)	539	211
Net Exposure	<u>96,373</u>	<u>371,530</u>	<u>198,524</u>	<u>666,427</u>
30 June 2001	EUR \$'000	USD \$'000	OTHER \$'000	TOTAL \$'000
International Investments	120,153	-	593,772	713,925
Amount Effectively Hedged	(3)	-	(753,683)	(753,686)
Net Exposure	<u>120,150</u>	<u>-</u>	<u>(159,911)</u>	<u>(39,761)</u>

##### (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.

The Scheme's investment at 30 June 2002 involve cash and cash equivalents, longer dated fixed interest investments and equities. Longer dated fixed interest investments result in the Scheme having exposure to interest rate movements.

The Scheme's exposure to interest rate risk and the effective interest rates on financial instruments at 30 June 2002 are shown as follows. All other financial assets and liabilities are non-interest bearing.

2002	INTEREST RATE MATURING				NON- INTEREST BEARING \$'000	WEIGHTED AVG INTEREST RATE %	TOTAL \$'000
	FLOATING INTEREST RATE \$'000	WITHIN 12 MONTHS \$'000	1 - 5 YRS \$'000	OVER 5 YRS \$'000			
<b>Assets</b>							
Cash and Cash Equivalents							
- Australia	94,012					3.84	94,012
Cash and Cash Equivalents							
- International	5,109					0.08	5,109
Short Term Securities		25,659	1,506	2,219		0.05	29,384
Australian Fixed Interest		9,271	109,936	188,866		0.05	308,073
Australian Equities, Property Trusts and Cash Trusts					1,373,053		1,373,053
International Equity					741,283		741,283
Other Assets					1,214		1,214
Receivables					58,137		58,137
<b>Total Financial Assets</b>	<u>99,121</u>	<u>34,930</u>	<u>111,442</u>	<u>472,235</u>	<u>1,892,537</u>	<u>0.78</u>	<u>2,610,265</u>
<b>Liabilities</b>							
Provisions					1,215		1,215
Payables					48,433		48,433
<b>Total Financial Liabilities</b>					<u>49,648</u>		<u>49,648</u>

## LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

#### 12. FINANCIAL INSTRUMENTS (Continued)

2001	INTEREST RATE MATURING					TOTAL \$'000
	FLOATING INTEREST RATE \$'000	WITHIN 12 MONTHS \$'000	1 – 5 YRS \$'000	OVER 5 YRS \$'000	NON- INTEREST BEARING \$'000	
<b>Assets</b>						
Cash and Cash Equivalents						
- Australia	86,086					86,086
Cash and Cash Equivalents						
- International	5,969					5,969
Short Term Securities		82,248	12,254	8,132		102,634
Australian Fixed Interest			127,435	220,780		348,215
International Fixed Interest		310	13,699	8,982		22,991
Australian Equities					1,668,511	1,668,511
International Equity					708,551	708,551
Australian Convertible Notes					6,816	6,816
Other Assets					(42,445)	(42,445)
Receivables					174,046	174,046
<b>Total Financial Assets</b>	92,055	82,558	153,388	237,894	2,515,479	3,081,374
Weighted Avg Interest Rate	3.44%	5.09%	5.53%	4.46%	0.00%	0.86%
<b>Liabilities</b>						
Provisions					30,208	30,208
Payables					193,168	193,168
<b>Total Financial Liabilities</b>					223,376	223,376

#### (vi) Net Fair Values of Financial Assets and Liabilities

The Scheme's financial assets and liabilities are included in the Statement of Net Assets at amounts that approximate net fair value.

#### (vii) Net Fair Values Disclosures

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.

## **LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B**

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002**

#### **13. SEGMENT INFORMATION**

##### **Primary Segment**

##### ***Business Segments***

The Scheme operates solely to provide benefits to its members in accordance with the Trust Deed and provisions of SIS.

##### **Secondary Segment**

##### ***Geographical Segments***

The Scheme operates in Australia and the primary assets it invests in on behalf of its members are managed and administered in Australia. The members of the Scheme are based in Australia.

#### **14. SUBSEQUENT EVENTS**

As described in Note 1, the Scheme values its investments at net market values prevailing at the reporting date and reflects all changes in net market values during the year in the Statement of Changes in Net Assets for that year. Since the balance date there has been a significant increase in the volatility of investment markets.

Consequently, it is possible that there have been significant changes in the reported values of the Scheme's investments since that date. These movements may have a material adverse impact on the reported financial performance of the Scheme during the subsequent financial reporting periods.