



annual report **statutory  
information**

ARTHUR  
ANDERSEN

**INDEPENDENT REPORT BY APPROVED AUDITOR**

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

**(A) Financial Statements**

**Scope**

I have audited the financial statements of Local Government Superannuation Scheme Pool A for the year ended 30 June 1999 as set out on pages 21 to 37 attached. The fund'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 fund.

My audit has been conducted in accordance with Australian Auditing Standards issued by the Australian Accounting Research Foundation\* 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\*, and other mandatory professional reporting requirements, so as to present a view which is consistent with my understanding of the fund's financial position, the results of its operations and its cash flows.

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 financial position of Local Government Superannuation Scheme Pool A as at 30 June 1999 and the results of its operations and its cash flows for the year ended 30 June 1999. ▶

\* issued by the Australian Accounting Research Foundation on behalf of the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia.

**(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 A 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 1999.

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 the Guidelines consisted of confirming whether any Risk Management Statements was to be prepared by the fund's trustee under the Guidelines contained in APRA Circular II.D.7 at any time during the year of income.

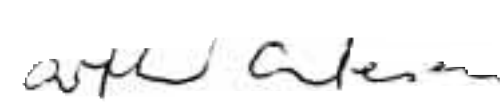
These procedures indicated that a Risk Management Statement is unnecessary under the Guidelines.

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 fund'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.

**Audit Opinion**

In my opinion, the trustee of Local Government Superannuation Scheme Pool A 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 1999.



Arthur Andersen  
Chartered Accountants



David N Coogan  
Partner

29 December 1999

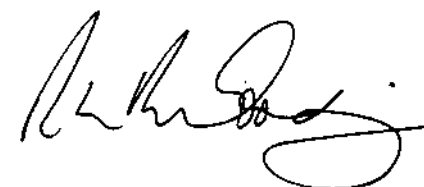
**TRUSTEE DECLARATION TO THE MEMBERS  
FOR THE YEAR ENDED 30 JUNE 1999**

The Directors of LGSS Pty Limited being the Trustee of the Local Government Superannuation Scheme Pool A declare that:

1. The accompanying financial report of the Local Government Superannuation Scheme Pool A presents fairly the Financial Position of the Scheme as at 30 June 1999 and the results from operations 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' opinion 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 Board of Directors of LGSS Pty Limited (A.C.N. 078 003 497)

Signed at Sydney this 29th day of December 1999.



Peter Woods OAM  
Director



Ian Robertson  
Director

## OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 1999

	NOTE	1999 \$'000	1998 \$'000
<b>Investment Revenue</b>			
Investment Income	8	11,945	4,764
Changes in Net Market Value of Investments	9	8,803	15,267
<b>Total Investment Revenue</b>		<b>20,748</b>	<b>20,031</b>
Investment Expenses	1(c)	(598)	(297)
<b>Net Investment Revenue</b>		<b>20,150</b>	<b>19,734</b>
<b>Contribution Revenue</b>			
Employer Contributions	10	52,804	42,193
Member Contributions	10	36,833	26,239
Transfers in		5,993	-
Other Income		3	-
<b>Total Contribution Revenue</b>		<b>95,633</b>	<b>68,432</b>
<b>Total Revenue</b>		<b>115,783</b>	<b>88,166</b>
<b>Expenses</b>			
Scheme Administration Expenses		(1,604)	(881)
General expenses		(5)	-
Insurance Premium		(104)	(75)
<b>Total Expenses</b>		<b>(1,713)</b>	<b>(956)</b>
<b>Operating Result Before Abnormal Item and Income Tax</b>		<b>114,070</b>	<b>87,210</b>
Abnormal Item	2	-	161,589
<b>Operating Result Before Income Tax</b>		<b>114,070</b>	<b>248,799</b>
Income Tax Expense	6	(9,400)	(7,983)
Contributions surcharge	1(i)	(280)	-
<b>Benefits Accrued as a Result of Operations</b>		<b>104,390</b>	<b>240,816</b>

The above Operating Statement should be read in conjunction with the accompanying Notes.

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 1999

	NOTE	1999 \$'000	1998 \$'000
<b>Investments</b>			
Short Term Investments		37,376	20,120
Australian Fixed Interest		37,933	32,570
Australian Equities		63,576	43,147
International Investments		61,930	46,268
Property Trusts		18,951	14,267
Pooled Superannuation Trusts		85,303	73,056
Investment in Transit		1,531	-
<b>Total Investments</b>	3	<b>306,600</b>	<b>229,428</b>
<b>Other Assets</b>			
Cash	14(a)	16,745	5,375
Receivables	4	2,839	2,971
<b>Total Other Assets</b>		<b>19,584</b>	<b>8,346</b>
<b>Total Assets</b>		<b>326,184</b>	<b>237,774</b>
Less:			
<b>Liabilities</b>			
Payables	5	3,908	1,277
Provision for Income Tax	6	4,930	6,243
Provision for Deferred Income Tax		1,986	1,740
<b>Total Liabilities</b>		<b>10,824</b>	<b>9,260</b>
<b>Net Assets Available to Pay Benefits</b>		<b>315,360</b>	<b>228,514</b>
Represented by:			
<b>Liability for Accrued Benefits</b>			
Funds Allocated to Members' Accounts		311,467	225,838
Funds Not Yet Allocated to Members' Accounts	7(b)	1,205	661
Death or Invalidity Reserve	7(c)	2,688	2,015
<b>Total Liability for Accrued Benefits</b>	7(a)	<b>315,360</b>	<b>228,514</b>

The above Statement of Financial Position should be read in conjunction with the accompanying Notes.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 1999

	NOTE	1999 \$'000	1998 \$'000
<b>Cash Flows from Operating Activities</b>			
Contributions Received from Employers		53,066	42,257
Contributions Received from Members		6,062	26,239
Transfers from other funds		36,833	161,589
Interest Received		220	1,168
Dividends Received		–	1,749
Benefits Paid		(17,544)	(12,302)
Scheme Administration Expenses Paid		(5)	(952)
Investment Expenses Paid		(70)	(137)
Insurance Premiums		(104)	(75)
Surcharge Paid		(280)	–
Income Tax Paid		(10,467)	–
Net Cash Provided from Operating Activities	14(b)	67,711	219,536
<b>Cash Flows from Investing Activities</b>			
Redemptions from investments		9,040	276,689
Applications to investments		(65,381)	(490,850)
Net Cash used in Investing Activities		(56,341)	(214,161)
<b>Net increase in Cash Held</b>		<b>11,370</b>	<b>5,375</b>
Cash at the Beginning of the Financial Year		5,375	–
<b>Cash at the End of the Financial Year</b>	<b>14(a)</b>	<b>16,745</b>	<b>5,375</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying Notes

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999

### 1. STATEMENT OF ACCOUNTING POLICIES

#### (a) Description of Scheme

The Local Government Superannuation Scheme Pool A (the Scheme) is an accumulation Scheme consisting of Local Government members transferred from the Pooled Fund which includes the First State Superannuation Scheme (FSS) and the Public Sector Executives Superannuation Scheme (PSES) in accordance with sections 127 and 128 of the Superannuation Administration Act, 1996 (the Act). Previously, all Scheme members were included in the FSS and PSES schemes and the assets were administered by the FSS Trustee Corporation (FTC) under the Act. The Scheme is a reporting entity for financial reporting purposes.

Local Government Superannuation Scheme Pool A consists of three divisions. Division A represents members transferred from FSS, Division E represents members transferred from PSES and Division F is an allocated pensions and rollover scheme.

Divisions A and F's custodial activities are provided by State Street Australia Limited. The following fund managers perform the Scheme's management activities:

■ Cash Portfolio	100%	– Deutsche Asset Management (Australia) Limited
■ Australian Fixed Interest Portfolio	50%	– BT Funds Management Limited
	50%	– Norwich Investment Management Limited
■ International Fixed Interest Portfolio	100%	– Rothschild Funds Management Limited
■ Australian Equity Portfolio	50%	– HSBC Asset Management Australia Limited
	50%	– Deutsche Asset Management (Australia) Limited
■ International Equity Portfolio	100%	– State Street Global Advisors Australia Limited
■ Property Trust Portfolio	100%	– Macquarie Investment Management Limited

Division E investments are managed by BT Funds Management Limited and Westpac Banking Corporation. From 1 July 1999, Division E members have the option of investing in the above structure or maintaining BT or Westpac as their funds manager.

#### (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***Division A and Division F*

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

The valuation of each class of investment as at 30 June 1999 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.

*Division E*

Investments are recorded at balance date at net market value.

Net contributions received from members are invested into pooled superannuation trusts managed by BT Funds Management Limited and into a Cash Management Bank Account with Westpac at the end of each month. Movements in unit redemption values in the pooled superannuation trusts are brought to account in the Operating Statement as changes in net market values. Corresponding investment management expenses are reflected in the unit redemption prices.

**(d) 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 Operating Statement is based on the operating surplus or deficit adjusted for any permanent differences.

The tax effect of the 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 in the 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.

**(e) Contributions**

Member and employer contributions are recorded on a cash basis and do not include amounts relating to the period which may be received subsequent to balance date.

**(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 through legislation.

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

Investment expenses are charged directly against investment revenue.

**(g) Liability for Accrued Benefits**

The liability for accrued benefits is the present obligation to pay to members and beneficiaries represented by the carrying amount of the Net Assets Available to Pay Benefits.

**(h) 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.

**(i) Superannuation Contributions Surcharge**

No provision has been made in these financial statements 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 1999 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.

**(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 in the current year.

**2. ABNORMAL ITEM**

	1999 \$'000	1998 \$'000
Transfer of FSS members to the Scheme	–	100,457
Transfer of FSS Death or Invalidity Reserve to the Scheme	–	1,335
Total Transfer from FSS to the Scheme	–	101,792
Total Transfer of PSES members to the Scheme	–	59,797
<b>TOTAL TRANSFER TO THE SCHEME</b>	–	161,589
Income Tax Effect	–	–

Effective from 1 July 1997 and in accordance with a government policy decision, certain Local Government members were transferred from FSS and PSES to their own superannuation scheme known as LGSS Pool A.

All costs associated with the transfer have been paid by LGSS Pool B Employer reserves.

All assets of the Scheme were transferred in accordance with Trustee agreements.

## 3. INVESTMENTS

## Investments Held – Division A and F

	INVESTMENTS 1999					
	CASH PLUS \$'000	CAPITAL GUARDED \$'000	BALANCED \$'000	DIVERSIFIED \$'000	HIGH GROWTH \$'000	TOTAL
\$'000						
Short Term Investments	20,936	1,739	2,490	8,119	263	33,547
Australian Fixed Interest	–	3,900	9,570	24,316	147	37,933
Australian Equities	–	1,599	8,070	51,520	2,387	63,576
International Investments	–	2,194	8,480	48,708	2,548	61,930
Property Trusts	–	496	2,415	15,209	831	18,951
<b>Total</b>	<b>20,936</b>	<b>9,928</b>	<b>31,025</b>	<b>147,872</b>	<b>6,176</b>	<b>215,937</b>

## Investments Held – Division E

	Unit Price \$	Number of Units	Redemption Value \$'000	Increase in Unit Price %
BT Stable Capital Scheme	3.9540	9,390,536	37,130	6.46%
BT Retirement Scheme	57.7610	834,003	48,173	7.94%
Short Term Investments			3,829	
Investment in transit			1,531	
<b>Total</b>			<b>90,663</b>	

## Investments Held – Division A

	INVESTMENTS 1998					
	CASH PLUS \$'000	CAPITAL GUARDED \$'000	BALANCED \$'000	DIVERSIFIED \$'000	HIGH GROWTH \$'000	TOTAL
\$'000						
Short Term Investments	8,272	1,203	1,653	5,527	156	16,811
Australian Fixed Interest	–	3,535	8,076	20,849	110	32,570
Australian Equities	–	1,153	5,430	35,133	1,431	43,147
International Investments	–	1,675	6,210	36,665	1,718	46,268
Property Trusts	–	397	1,800	11,518	552	14,267
<b>Total</b>	<b>8,272</b>	<b>7,963</b>	<b>23,169</b>	<b>109,692</b>	<b>3,967</b>	<b>153,063</b>

## Investments Held – Division E

	Unit Price \$	Number of Units	Redemption Value \$'000	Increase in Unit Price %
BT Stable Capital Scheme	3.714	8,141,053	30,236	5.60
BT Retirement Scheme	53.514	800,171	42,820	6.47
Short Term Investments			3,309	
<b>Total</b>			<b>76,365</b>	

## 4. RECEIVABLES

	1999 \$'000	1998 \$'000
Investment Income Due and Receivable	1,466	2,000
Investment Sales	1,346	899
Other Receivables	27	72
<b>Total Receivables</b>	<b>2,839</b>	<b>2,971</b>

## 5. PAYABLES

	1999 \$'000	1998 \$'000
Refunds & Unclaimed Monies	22	43
Investment Purchases	2,013	1,058
Other Payables	1,873	176
<b>Total Payables</b>	<b>3,908</b>	<b>1,277</b>

## 6. INCOME TAX

Income tax expense in the Operating Statement represents the tax on net changes for the year before tax, adjusted for permanent differences.

The calculation of tax provided for is as follows:

	1999 \$'000	1998 \$'000
Operating result before income tax	114,070	248,799
<b>Permanent differences</b>		
Non-assessable investment revenue	(6,810)	(3,628)
Non-assessable contributions (includes transfers)	(42,425)	(187,793)
Death or invalidity deduction	(1,070)	(967)
	<b>(50,305)</b>	<b>(192,388)</b>
<b>Base for determining tax expense</b>	<b>63,765</b>	<b>56,411</b>
<b>Movement in timing differences</b>		
Income from investments	(1,634)	(11,600)
	<b>62,131</b>	<b>44,811</b>
<b>Base for determining tax payable</b>		
Income tax expense calculated at 15% comprises:		
Current income tax payable before tax credits	9,319	6,722
Less: tax credits	(897)	(479)
Current income tax payable	8,422	6,243
Under-provision for last year	732	–
Deferred income tax expense	246	1,740
<b>Income tax expense</b>	<b>9,400</b>	<b>7,983</b>
Current tax payable	8,422	6,243
Less: instalment paid	(3,492)	–
<b>Provision for income tax</b>	<b>4,930</b>	<b>6,243</b>

## 7. LIABILITY FOR ACCRUED BENEFITS

	1999 \$'000	1998 \$'000
<b>(a) Changes in the Liability for Accrued Benefits</b>		
Liability for Accrued Benefits – at Beginning of the Year	228,514	–
Add: Benefits Accrued as a Result of Operations before Abnormal Item	104,390	79,227
Add: Transfers in from FSS and PSES – Members' Accounts	–	160,254
– Death or Invalidation Reserve	–	1,335
Less: Benefits Paid – Members' Accounts	(17,217)	(12,010)
– Death or Invalidation Reserve	(327)	(292)
<b>Liability for Accrued Benefits – at End of Year</b>	<b>315,360</b>	<b>228,514</b>
<b>(b) Funds Not Yet Allocated to Members' Accounts</b>		
	1,205	661

Funds not yet allocated to members' accounts relates mainly to:

1. Timing differences between the receipt of cash and receipt of information required for allocation; and
2. Timing differences between investment earnings & investment distribution.

*Division A***(c) Movement in Death or Invalidation Reserve**

Balance at the Beginning of the Year	2,015	–
Transfer from FSS	–	1,335
Transfer from Members' Accounts	1,000	972
Death or Invalidation Benefits Paid	(327)	(292)
<b>Balance at the End of the Year</b>	<b>2,688</b>	<b>2,015</b>

The Scheme's actuary, Martin Stevenson of William M Mercer, has stated that there is a strong probability that the Death or Invalidation Reserve at 30 June 1999 is adequate to meet the claims which have arisen prior to that date but had not been settled by 30 June 1999.

## 8. INVESTMENT INCOME

	1999 \$'000	1998 \$'000
<i>Division A</i>		
Interest	1,883	1,385
Dividends	9,942	3,313
Other investment income/(loss)	(7)	(2)
<b>Total</b>	<b>11,818</b>	<b>4,696</b>
<i>Division E</i>		
Interest	127	68
<b>Total investment revenue</b>	<b>11,945</b>	<b>4,764</b>

## 9. CHANGES IN NET MARKET VALUE

	HELD AT REPORTING DATE \$'000	REALISED DURING THE YEAR \$'000	TOTAL \$'000
<b>30 JUNE 1999</b>			
<i>Division A and Division F</i>			
Short Term Investments	96	683	779
Australian Fixed Interest	(3,262)	(210)	(3,472)
Australian Equities	6,596	(252)	6,344
International Investments	546	9	555
Property Trusts	(664)	–	(664)
	3,312	230	3,542
<i>Division E</i>			
BT Stable Capital Scheme	1,859	120	1,979
BT Retirement Scheme	3,157	125	3,282
	5,016	245	5,261
<b>Total</b>	<b>8,328</b>	<b>475</b>	<b>8,803</b>

**30 JUNE 1998**

	HELD AT REPORTING DATE \$'000	REALISED DURING THE YEAR \$'000	TOTAL \$'000
<i>Division A and Division F</i>			
Short Term Investments	50	320	370
Australian Fixed Interest	1,100	369	1,469
Australian Equities	390	(1,000)	(610)
International Investments	9,439	278	9,717
Property Trusts	252	31	283
	11,231	(2)	11,229
<i>Division E</i>			
BT Stable Capital Scheme	186	1,340	1,526
BT Retirement Scheme	258	2,254	2,512
	444	3,594	4,038
<b>Total</b>	<b>11,675</b>	<b>3,592</b>	<b>15,267</b>

**10. FUNDING ARRANGEMENTS****Compulsory Employer Contributions**

The percentage of salary or wages of employees prescribed as the rate of compulsory employer (Superannuation Guarantee) contributions between 1 July 1998 to 30 June 1999 was 7% (1998: 6%).

**Optional Employer Contributions**

Employers may make additional contributions to the Scheme for employees in respect of whom compulsory employer contributions are being made.

**Optional Member Contributions**

Employees as defined in the Act, may make voluntary contributions to the Scheme in the form of periodical payments or single payments. Payments include benefits transferred or rolled over from another superannuation fund, approved deposit fund, or retirement savings account.

**11. INVESTMENT STRATEGY SELECTION***Division A and Division F*

Members can choose from five different options in determining their investment strategy. If a member subject to member protection has not chosen a particular investment strategy the account balance is invested in the Cash Plus strategy. If a member with an account balance greater than \$1,000 has not chosen a particular investment strategy, an automatic investment strategy selection will be made on the basis of the member's age as shown below.

INVESTMENT STRATEGY	MEMBER'S AGE GROUP
High Growth	No automatic allocation. Must be selected by members.
Diversified	Members aged 18 – 45
Balanced	Members aged 46 – 54
Capital Guarded	Members aged 55 and over
Cash Plus	Automatic strategy for accounts under \$1,000 (subject to 'member protection'). Must be selected by other members.

*Division E*

Members must elect to invest in BT or Westpac Cash Management. Members electing BT are able to nominate the proportion to be invested in either the BT Stable Capital Fund or BT Retirement Fund.

From 1 July 1999, Division E members will have the option of investing in the same investments strategy options as Division A and F members.

**12. GUARANTEED BENEFITS**

No guarantees have been made in respect of any future payments to members concerning accrued benefits.

**13. VESTED BENEFITS**

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

	1999 \$'000	1998 \$'000
Vested benefits as at 30 June	311,467	226,500

**14. CASH FLOW INFORMATION****(a) Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash represents cash at bank. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	1999 \$'000	1998 \$'000
Cash at Bank	16,745	5,375

The Scheme does not have any credit standby arrangements or loan facilities.

**(b) Reconciliation of Benefits Accrued as a Result of Operations to Net Cash Flow from Operating Activities**

Benefits Accrued as a Result of Operations	104,390	240,816
Benefits paid	(17,544)	(12,302)
Investment revenue	(20,000)	(15,267)
Non-bank other income	(3)	–
Benefits paid from investment	229	–
	67,072	213,247
<b>Changes in Assets and Liabilities</b>		
Decrease / (Increase) in receivables	132	(2,971)
Increase / (Decrease) in creditors	2,631	1,277
Increase / (Decrease) in provision for income tax	(1,313)	6,243
Increase / (Decrease) in provision for deferred income tax	246	1,740
Increase / (Decrease) in investment receivables	(64)	–
Decrease / (Increase) in investment payables	(993)	–

<b>Net Cash Flow from Operating Activities</b>	<b>67,711</b>	<b>219,536</b>
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15. 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 3.

(i) Terms, Conditions and Accounting Policies

The Scheme's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instruments, both recognised and unrecognised, at the balance date, are:

Financial Assets			
Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms & Conditions & Objectives
Cash, Cash Equivalents and Short Term Investments	14	Reflects in Australian dollars the sum of all currencies held. Cash equivalents are short term interest bearing securities held at call.	The average interest rate was 3.13%. (1998: 3.75%).
Fixed Interest	3	Short and longer term interest bearing securities held at a fixed or indexed interest rate valued at net fair value.	Investments represent deposits at call which have no fixed maturity date. The effective interest rates are between 4.84% and 6.12% (1998: 4.25% and 5.49%).
Forward Exchange Contracts	15	Unrealised gains and losses on forward foreign exchange contracts are recognised at reporting date. Realised gains and losses are brought to account on the date in which they occur.	The contracts are entered into to hedge certain purchase and sale commitments denominated in foreign currencies. The objective is to match the anticipated future cash flows in foreign currencies and to protect the Scheme against future loss from exchange rate fluctuations.
Derivatives	15(v)	Derivatives are measured at net fair value at reporting date. Any unrealised gains or losses are recognised in that reporting period. Realised gains or losses on termination of derivative positions are brought to account in the period in which they occur.	Derivatives are used to gain access to and allow flexibility in the financial markets in order to manage and structure the Scheme's investment portfolio.
Receivable for Investments Sold	4	Records the total proceeds from sales of physical assets that have been processed, but have not been settled as at balance date.	Sales of investments are settled shortly after the execution of the trade, according to the market convention.
Dividends Receivable	4	Dividend income due but not yet received on equities/trusts from the date the dividend was announced (ex-date).	Total value \$1,170,845 (1998: \$1,560,697).
Interest Receivable	4	Interest income, net of withholding tax and tax refunds, due but not yet received on interest bearing securities.	Total value \$295,447 (1998: \$439,227).
Investments in Pooled Superannuation Trusts	3	Investments in Pooled Super Trusts are carried at net market value. The basis for their valuation is the closing unit redemption price as at the close of business on the last day of the period. Income is recognised when earned.	BT Retirement Fund's objective is to grow the value of the Scheme's investment over periods of five years or more by investing in a range of investment types with higher exposure to growth investments. In contrast, BT Stable Capital Fund's objective is to provide a return on the Scheme's investment higher than the returns available from cash or bonds over periods of three years or more.

Financial Liabilities			
Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms & Conditions & Objectives
Payable for Investments Purchased	5	Records the total payments for the purchase of physical assets that have been processed, but have not settled as at balance date.	Purchases of investments are settled shortly after the execution of the trade, according to market convention.
Tax	6	The liability for taxation is accounted for in accordance with AAS 3.	The income tax liability is calculated using a tax rate of 15%.

(ii) 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.

(iii) 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.

(iv) Currency Risk Exposures

Exposure to foreign exchange rate movements at 30 June 1999 is contained in the International Investment Trusts.

(v) 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 reporting date, the nominal principal amounts and net fair value of derivatives held by the Scheme are as follows:

	Notional Principal Amounts \$'000	Net Market Value \$'000
Australian Fixed Interest Futures	4,956	(4)
Australian Share Price Index Futures	372	(1)
	5,328	(5)

There were no derivatives held by the Scheme for year ended 30 June 1998.

(vi) Interest Rate Risk Exposures

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 exposure to interest rate risk and the effective interest rates on financial instruments at 30 June 1999 are shown as follows. All other financial assets and liabilities are non-interest bearing.

	1999					TOTAL
	MARKET VALUE FIXED INTEREST RATE MATURING					
	FLOATING INTEREST RATE \$'000	WITHIN 12 MONTHS \$'000	1-5 YRS \$'000	OVER 5 YRS \$'000	NON-INTEREST BEARING \$'000	
<b>Assets</b>						
Cash	16,745	-	-	-	-	16,745
Short Term Investments	21,400	13,857	-	-	-	35,257
Receivables	-	-	-	-	2,839	2,839
Fixed Interest	-	1,999	9,649	9,270	-	20,918
Investment Trusts	-	-	-	-	163,591	163,591
Pooled Superannuation Trusts	-	-	-	-	86,834	86,834
<b>Total Financial Assets</b>	<b>38,145</b>	<b>15,856</b>	<b>9,649</b>	<b>9,270</b>	<b>253,264</b>	<b>326,184</b>
Weighted Average Effective Interest Rate	3.17%	4.98%	5.59%	6.12%	N/A	
<b>Liabilities</b>						
Payables	-	-	-	-	3,908	3,908
Tax Payable	-	-	-	-	6,916	6,916
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,824</b>	<b>10,824</b>

	1998					TOTAL
	MARKET VALUE FIXED INTEREST RATE MATURING					
	FLOATING INTEREST RATE \$'000	WITHIN 12 MONTHS \$'000	1-5 YRS \$'000	OVER 5 YRS \$'000	NON-INTEREST BEARING \$'000	
<b>Assets</b>						
Cash	5,375	-	-	-	-	5,375
Short Term Investments	11,880	10,666	-	-	-	22,546
Receivables	-	-	-	-	2,971	2,971
Fixed Interest	-	-	6,434	8,204	-	14,638
Investment Trusts	-	-	-	-	119,188	119,188
Pooled Superannuation Trusts	-	-	-	-	73,056	73,056
<b>Total Financial Assets</b>	<b>17,255</b>	<b>10,666</b>	<b>6,434</b>	<b>8,204</b>	<b>195,215</b>	<b>237,774</b>
Weighted Average Effective Interest Rate	4.19%	5.05%	5.29%	5.49%	N/A	
<b>Liabilities</b>						
Payables	-	-	-	-	1,277	1,277
Tax Payable	-	-	-	-	7,983	7,983
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,260</b>	<b>9,260</b>

(viii) 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.

16. RELATED PARTY INFORMATION

The Trustee of the Scheme is LGSS Pty Limited. The names of the directors of LGSS Pty Limited in office during the past 2 years are as follows:

Employer representatives	Employee representatives
Cr P Woods OAM	Mr G De Courcey
Cr E Carolan OAM	Mr I Robertson
Cr J Wearne	Mr J Merchant
Cr D Campbell	Mr G Humphries

	1999 \$'000	1998 \$'000
(a) Remuneration Received or Due and Receivable by Directors of LGSS Pty Limited (for both Pool A and Pool B)	161,587	295,747

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

Remuneration (including superannuation contributions) of:	Numbers	
\$ 0 – \$ 9,999	3	-
\$ 20,000 – \$ 29,999	2	-
\$ 30,000 – \$ 39,999	2	7
\$ 40,000 – \$ 49,999	1	-
\$ 50,000 – \$ 59,999	-	1
	<b>8</b>	<b>8</b>

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

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

- End of Audited Financial Statements -