



annual report **statutory
information**

ARTHUR
ANDERSEN

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 1999 as set out on pages 41 to 52 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 B 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 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 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.

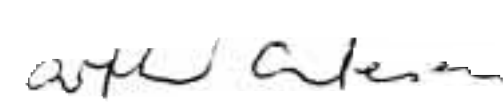
These procedures indicated that a Risk Management Statement is unnecessary under the Guidelines.

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 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 1999.



Arthur Andersen
Chartered Accountants



David N Coogan
Partner

29 December 1999

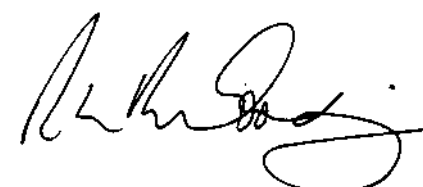
**TRUSTEE DECLARATION TO THE MEMBERS
FOR THE YEAR ENDED 30 JUNE 1999**

The Directors of LGSS Pty Limited being the Trustee of the Local Government Superannuation Scheme Pool 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 1999 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' 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 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

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 1999

	NOTE	1999 \$'000	1998 \$'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT BEGINNING OF THE YEAR		<u>2,385,557</u>	–
CONTRIBUTIONS REVENUE			
Employer Contributions	8	65,082	97,147
Member Contributions	8	37,461	42,157
Contribution Revenue		<u>102,543</u>	<u>139,304</u>
INVESTMENT REVENUE			
Investment Income	6	86,341	98,877
Changes in Net Market Value	7	166,505	249,341
		<u>252,846</u>	<u>348,218</u>
Investment Expenses		(9,132)	(7,774)
Net Investment Revenue		<u>243,714</u>	<u>340,444</u>
Other Revenue		<u>185</u>	<u>8,077</u>
TOTAL REVENUE		<u>346,442</u>	<u>487,825</u>
BENEFITS PAID		(176,521)	(176,749)
SCHEME ADMINISTRATION EXPENSES		<u>(3,174)</u>	<u>(7,743)</u>
INCREASE IN NET ASSETS BEFORE ABNORMAL ITEMS AND INCOME TAX		<u>166,747</u>	<u>303,333</u>
Abnormal Item	2	(3,684)	2,136,696
INCREASE IN NET ASSETS BEFORE INCOME TAX		<u>163,063</u>	<u>2,440,029</u>
Income Tax Expense	4	(27,623)	(54,472)
Contributions Surcharge	1(h)	(323)	–
INCREASE IN NET ASSETS AFTER INCOME TAX		<u>135,117</u>	<u>2,385,557</u>
NET ASSETS AVAILABLE TO PAY BENEFITS AT END OF THE YEAR		<u>2,520,674</u>	<u>2,385,557</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 1999

	NOTE	1999 \$'000	1998 \$'000
INVESTMENTS			
Short Term Securities		70,987	180,183
Australian Fixed Interest		400,240	402,603
Australian Equities		977,644	839,079
International Investments		947,012	873,670
Property		<u>198,350</u>	<u>187,036</u>
TOTAL INVESTMENTS		<u>2,594,233</u>	<u>2,482,571</u>
OTHER ASSETS			
Cash		3,491	29
Receivables	3	43,496	22,325
Total Other Assets		<u>46,987</u>	<u>22,354</u>
TOTAL ASSETS		<u>2,641,220</u>	<u>2,504,925</u>
Less:			
LIABILITIES			
Reserve Units		2	16
Payables	5	75,716	64,880
Provision for income tax	4	5,141	22,370
Provision for deferred income tax		<u>39,687</u>	<u>32,102</u>
TOTAL LIABILITIES		<u>120,546</u>	<u>119,368</u>
NET ASSETS AVAILABLE TO PAY BENEFITS		<u>2,520,674</u>	<u>2,385,557</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 1999

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 which includes the State Authorities Superannuation (SAS), the State Authorities Non-contributory Superannuation (SANCS) and the State Superannuation Schemes (SSS) 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 State Street Australia Limited (State Street). The following Scheme managers perform the Scheme's 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
	10.4%	– Commonwealth Financial Services Limited
	9.9%	– State Street Global Advisors Australia Limited
■ International Investments Portfolio	81.0%	– Deutsche Asset Management (Australia) Limited
	19.0%	– Standish Ayer & Wood Inc
■ 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 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
Real Estate Properties	Valuation by a registered valuer as at reporting date

(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 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.

(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

	1999 \$'000	1998 \$'000
Transfer (to) / from the Pooled Fund	(3,684)	2,136,696
Income tax effect	(528)	–

On 1 July 1997 certain Local Government members were transferred from the Pooled Fund to their own superannuation scheme known as Local Government Superannuation Scheme Pool B. All assets of the Fund were transferred in accordance with the Trust Deed. The Scheme also paid for costs associated with the transfer of assets into Local Government Superannuation Scheme Pool A.

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

	1999 \$'000	1998 \$'000
Contributions receivable	535	2,801
Other receivables	1,660	2
Investment sales	29,969	7,527
Investment income due and receivable	11,332	11,978
Prepayments	–	17
	<u>43,496</u>	<u>22,325</u>

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:

	1999 \$'000	1998 \$'000
Increase in net assets before income tax	163,063	2,440,029
Permanent Differences		
Transfer of member balances	–	(2,136,696)
Non-assessable contributions	(37,461)	(36,153)
Benefit payments	176,521	176,749
Death or Invalidity Insurance deduction	(5,169)	(5,327)
Anti-Detriment deduction	–	(1,733)
Non-deductible expenditure	18	107
Non-assessable pension related investment income	(1,535)	(5,800)
Adjustment on transfer of assets	161	6,227
Investment revenue	(5,570)	10,507
Other revenue	(9)	–
	<u>126,956</u>	<u>(1,992,119)</u>
Base for determining tax expense	<u>290,019</u>	<u>447,910</u>
Movements in timing differences		
Income from investments	(51,464)	(212,781)
Employer contributions	892	(1,229)
	<u>(50,572)</u>	<u>(214,010)</u>
Base for determining tax payable	<u>239,447</u>	<u>233,900</u>
Income tax calculated at 15% comprises:		
Current income tax payable before any imputation and foreign tax credits	35,917	35,084
Less: Adjustment – prior year's timing differences not reversed	(1,914)	–
Less: Imputation and foreign tax credits	(16,444)	(12,714)
	<u>17,559</u>	<u>22,370</u>
Under provision last year	2,478	–
Deferred income tax expense	7,586	32,102
Income tax expense	<u>27,623</u>	<u>54,472</u>
Current income tax payable	17,559	22,370
Less: instalments paid	(12,418)	–
Provision for income tax	<u>5,141</u>	<u>22,370</u>

5. PAYABLES

	1999 \$'000	1998 \$'000
Benefits payable	22,868	5,040
Investment purchases	48,279	32,221
Other payables	4,569	27,619
	<u>75,716</u>	<u>64,880</u>

6. INVESTMENT INCOME

	1999 \$'000	1998 \$'000
Interest	25,585	35,696
Dividends	47,154	39,093
Property income	14,345	14,266
Other investment income/ (loss)	(743)	9,822
	<u>86,341</u>	<u>98,877</u>

7. CHANGES IN NET MARKET VALUE

30 JUNE 1999

	HELD AT REPORTING DATE GAIN/(LOSS) \$'000	REALISED DURING THE YEAR GAIN/(LOSS) \$'000	TOTAL \$'000
Total Revenue			
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
	<u>160,954</u>	<u>5,551</u>	<u>166,505</u>

30 JUNE 1998

	HELD AT REPORTING DATE GAIN/(LOSS) \$'000	REALISED DURING THE YEAR GAIN/(LOSS) \$'000	TOTAL \$'000
Total Revenue			
Short Term Investments	455	12,806	13,261
Australian Fixed Interest	897	–	897
Property	16,576	–	16,576
Australian Equities	202	(1,017)	(815)
International Investments	163,141	56,281	219,422
	<u>181,271</u>	<u>68,070</u>	<u>249,341</u>

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% (1998: 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 1998 and 30 June 1999.

(b) Division C Scheme

Member Contributions: As the Scheme is 100% employer funded, there are no member contributions for years ended 30 June 1998 and 30 June 1999.

Employer Contributions: Employers contribute on a fully funded basis as determined by the trustees based on actuarial advice for years ended 30 June 1998 and 30 June 1999.

(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 6% (1998: 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 1998 and 30 June 1999.

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 up to 30 June 1999. 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 effective 1 July 1997.

	1999 \$'000	1998 \$'000
As at 30 June	1,965,488	1,891,682

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 1999.

	1999 \$'000	1998 \$'000
As at 30 June	1,478,369	1,475,442

11. 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

(a) Remuneration Received or Due and Receivable by Directors of LGSS Pty Limited
(For both Pool A and Pool B)

	1999 \$'000	1998 \$'000
	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
	<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 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.

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) 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 Net Assets Notes	Accounting Policies	Terms & Conditions & Objectives
Cash and Cash Equivalents		Reflects in Australian dollars the sum of all currencies held. Cash equivalents are short term interest bearing securities held at call.	Effective interest rates are between 0.99% and 4.27% (1998: -0.27% and 4.75%).
Short Term Investments		Short 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 4.83% and 5.00% (1998: 5.07% and 5.23%).
Fixed Interest Investments		Longer term interest bearing securities held at a fixed or indexed interest rate valued at net fair value.	Effective interest rates are between 4.10% and 8% (1998: 4.53% and 5.41%).
Forward exchange contracts	12	Unrealised gains and losses on forward foreign exchange contracts as at reporting date. Realised gains and losses are brought to account in the period 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	12 (iv)	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	3	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.
Receivable for Currency Exchanged	12	Records the total proceeds from currency sales (foreign exchange contracts) that have been processed, but have not been settled as at balance date.	Offset payable for currency exchanged due to the nature of the contracts.
Dividends Receivable	3	Dividend income due but not yet received on equities/trusts from the date the dividend was announced (ex-date).	Total value \$5,858,193 (1998: \$5,661,638).
Interest Receivable	3	Interest income, net of withholding tax and tax refunds, due but not yet received on interest bearing securities.	Total value \$4,980,920 (1998: \$6,050,077).

Financial Liabilities			
Recognised Financial Instruments	Statement of Net Assets 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.
Payable for Currency Exchanged	12	Records the total payments for the purchase of currency (foreign exchange contracts) that have been processed, but have not been settled as at balance date.	Offset receivable for currency exchanged due to the nature of the contracts.
Tax	4	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) 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:

30 JUNE 1999	Notional Principal Amounts	Net Market Value
	\$'000	\$'000
Australian Fixed Interest Futures	0	(5)
Australian Share Price Index Futures	1,563	5
	<u>1,563</u>	<u>0</u>
30 JUNE 1998	Notional Principal Amounts	Net Market Value
	\$'000	\$'000
Australian Share Price Index Futures	1,886	71

(v) Currency Risk Exposures

The exposure at 30 June 1999 to foreign exchange rate movements on international investments is shown below:

30 June 1999	EUR \$'000	USD \$'000	ECU \$'000	OTHER \$'000	TOTAL \$'000
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

30 June 1998	EUR \$'000	USD \$'000	ECU \$'000	OTHER \$'000	TOTAL \$'000
International investments	0	431,295	0	446,628	877,923
Amount effectively hedged	0	1,976	0	(3,059)	(1,083)
Net Exposure	0	433,271	0	443,569	876,840

(vii) 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 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.

30 JUNE 1999	MARKET VALUE FIXED INTEREST RATE MATURING					TOTAL
	FLOATING INTEREST RATE \$'000	WITHIN 12 MONTHS \$'000	1-5 YRS \$'000	OVER 5 YRS \$'000	NON-INTEREST BEARING \$'000	
Assets						
Cash and cash equivalents – Australia	25,585	–	–	–	–	25,585
Cash and cash equivalents – International	14,297	–	–	–	–	14,297
Short Term Deposits – Australia	–	34,614	–	–	–	34,614
Australian Fixed Interest	–	1,013	109,494	289,752	–	400,259
International Fixed Interest	–	–	1,826	–	–	1,826
Australian Equities & Property	–	–	269	–	1,175,643	1,175,912
International Equities	–	–	–	–	945,231	945,231
Receivables	–	–	–	–	43,496	43,496
Total Financial Assets	39,882	35,627	111,589	289,752	2,164,370	2,641,220
Weighted average interest rate	2.95%	4.98%	5.90%	4.92%		
Liabilities						
Payables	–	–	–	–	75,716	75,716
Reserve Units	–	–	–	–	2	2
Provisions	–	–	–	–	44,828	44,828
Total Financial Liabilities	–	–	–	–	120,546	120,546

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B

30 JUNE 1998	MARKET VALUE FIXED INTEREST RATE MATURING					TOTAL
	FLOATING INTEREST RATE \$'000	WITHIN 12 MONTHS \$'000	1-5 YRS \$'000	OVER 5 YRS \$'000	NON-INTEREST BEARING \$'000	
Assets						
Cash and cash equivalents – Australia	46,663	–	–	–	–	46,663
Cash and cash equivalents – International	4,257	–	–	–	–	4,257
Short Term Deposits – Australia	–	121,229	–	–	–	121,229
Australian Fixed Interest	–	42,341	102,903	257,364	–	402,608
International Fixed Interest	–	–	–	247	–	247
Australian Equities & Property	–	–	470	1,946	1,031,762	1,034,178
International Equities	–	–	–	–	873,418	873,418
Receivables	–	–	–	–	22,325	22,325
Total Financial Assets	50,920	163,570	103,373	259,557	1,927,505	2,504,925
Weighted average interest rate	4.33%	5.09%	5.40%	4.56%		
Liabilities						
Payables	–	–	–	–	64,880	64,880
Reserve Units	–	–	–	–	16	16
Provisions	–	–	–	–	54,472	54,472
Total Financial Liabilities	–	–	–	–	119,368	119,368

(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.

- End of Audited Financial Statements -