

**Local Government Superannuation Scheme  
Pool B**

**Financial Report**

**For the Year Ended 30 June 2001**

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B

## FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2001

CONTENTS	PAGE
TRUSTEE DECLARATION TO MEMBERS	3
STATEMENT OF CHANGES IN NET ASSETS	4
STATEMENT OF NET ASSETS	5
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT	6 - 15
AUDITOR'S REPORT	

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B**


**TRUSTEE DECLARATION TO THE MEMBERS  
FOR THE YEAR ENDED 30 JUNE 2001**

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

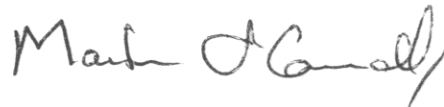
1. The accompanying financial report of the Local Government Superannuation Scheme Pool B presents fairly the net assets of the Scheme as at 30 June 2001 and the changes in net assets for the year then ended in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;
2. The financial report has been prepared in accordance with the requirements of the Trust Deed;
3. The Scheme has been conducted in accordance with its constituent Trust Deed; and
4. In the Directors' opinions there are reasonable grounds to believe that the scheme will be able to pay its debts as and when they fall due.

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

Signed at Sydney this *Twenty Ninth* day of October 2001.



Peter Woods OAM  
Director



Martin O'Connell  
Director

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B**

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2001**

	<b>Note</b>	<b>2001 \$'000</b>	<b>2000 \$'000</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS AT BEGINNING OF THE YEAR</b>		<u>2,880,437</u>	<u>2,520,674</u>
<b>CONTRIBUTIONS REVENUE</b>			
Employer Contributions	7	12,192	49,585
Member Contributions	7	41,680	46,283
Transfers In		<u>2,985</u>	<u>1,154</u>
		<u>56,857</u>	<u>97,022</u>
<b>INVESTMENT REVENUE</b>			
Investment Income	5	157,082	134,257
Changes in Net Market Value	6	<u>(53,517)</u>	<u>340,882</u>
		103,565	475,139
Investment Expenses		<u>(10,234)</u>	<u>(15,778)</u>
Net Investment Revenue		93,331	459,361
Other Revenue		<u>313</u>	<u>190</u>
<b>TOTAL REVENUE</b>		150,501	556,573
<b>BENEFITS PAID</b>		(162,437)	(164,856)
<b>INVESTMENT TRANSFERS OUT</b>		-	(132)
<b>SCHEME ADMINISTRATION EXPENSES</b>		(6,973)	(8,655)
<b>SUPERANNUATION CONTRIBUTIONS SURCHARGE</b>	1(g)	<u>(733)</u>	<u>(491)</u>
<b>TOTAL EXPENSES</b>		(170,143)	(174,134)
<b>INCREASE IN NET ASSETS BEFORE INCOME TAX</b>		(19,642)	382,439
Income Tax Expense	4	<u>(2,797)</u>	<u>(22,676)</u>
<b>INCREASE IN NET ASSETS AFTER INCOME TAX</b>		<u>(22,439)</u>	<u>359,763</u>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS AT END OF THE YEAR</b>		<u><u>2,857,998</u></u>	<u><u>2,880,437</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 2001**

	<b>Note</b>	<b>2001 \$'000</b>	<b>2000 \$'000</b>
<b>INVESTMENTS</b>			
Short Term Investments		157,330	134,636
Australian Fixed Interest		354,395	475,342
Australian Equities		1,415,774	1,374,233
International Investments		737,070	742,442
Property		234,948	221,868
Chifley		<u>103</u>	<u>-</u>
<b>TOTAL INVESTMENTS</b>		<u>2,899,620</u>	<u>2,948,521</u>
<b>OTHER ASSETS</b>			
Cash		7,708	15,622
Receivables	2	<u>174,046</u>	<u>36,585</u>
Total Other Assets		<u>181,754</u>	<u>52,207</u>
<b>TOTAL ASSETS</b>		<u>3,081,374</u>	<u>3,000,728</u>
Less:			
<b>LIABILITIES</b>			
Payables	4	193,168	63,789
Provision for Income Tax	3	-	16,768
Provision for deferred Income Tax		<u>30,208</u>	<u>39,734</u>
<b>TOTAL LIABILITIES</b>		<u>223,376</u>	<u>120,291</u>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>		<u>2,857,998</u>	<u>2,880,437</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 2001

### 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 (CSSL). The following Scheme managers perform the Schemes management activities:

▪ Cash Portfolio	100.0%	- Deutsche Asset Management (Australia) Limited
▪ Australian Fixed Interest Portfolio	100.0%	- Deutsche Asset Management (Australia) Limited
▪ Australian Equity Portfolio	81.9%	- Deutsche Asset Management (Australia) Limited
	8.6%	- Aberdeen Asset Management (Australia) Limited
	10.5%	- State Street Global Advisors Australia Limited
▪ International Investments Portfolio	50.3%	- Deutsche Asset Management (Australia) Limited
	28.7%	- Barclays Global Investors Australia Limited
	21.0%	- Standish Ayer & Wood Inc
	0.3%	- Internal Currency Hedge
▪ Property Trust Portfolio	100.0%	- Deutsche Asset Management (Australia) Limited
▪ Diversified Fixed Interest	100.0%	- Aberdeen Asset Management (Australia) Limited
▪ Inflation Linked Bonds	100.0%	- 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 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001**

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

**(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 2001 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.

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

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

#### (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) 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 2001 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.

#### (h) Roundings

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

#### (i) 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

	2001	2000
	\$'000	\$'000
Contributions Receivable	3,889	7,050
Other Receivables	1,558	99
Income tax refund receivable	14,192	-
Investment Sales	142,553	17,495
Investment Income due and receivable	11,854	11,941
	<u>174,046</u>	<u>36,585</u>



**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001**

**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>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Increase in net assets before income tax	<u>(19,642)</u>	<u>382,439</u>
Operating result before income tax @ 15%	(2,946)	57,366
<b>Permanent Differences</b>		
Transfers-in	(448)	(173)
Non-Assessable Contributions	(6,245)	(6,942)
Imputation and foreign tax credits	(16,286)	(14,069)
Superannuation Contributions Surcharge	110	74
Benefit Payments	24,365	24,728
Death or Invalidity Insurance Deduction	(848)	(731)
Investment Transfers Out	-	20
Non-Deductible Expenditure	7	8
Non-Assessable Pension Related Investment Income	(212)	(306)
Investment Revenue	<u>3,394</u>	<u>(35,353)</u>
	891	24,622
Under/(Over) Provision Last Year	<u>1,906</u>	<u>(1,946)</u>
<b>Income tax expense</b>	<u><u>2,797</u></u>	<u><u>22,676</u></u>
<b>Income Tax Calculated at 15% Comprises:</b>		
Current Income Tax Payable Before any Imputation and Foreign Tax Credits	26,703	38,644
Less: Imputation and Foreign Tax Credits	<u>(16,286)</u>	<u>(14,069)</u>
	10,417	24,575
Under/(Over) Provision Last Year	1,906	(1,946)
Deferred Income Tax Expense	<u>(9,526)</u>	<u>47</u>
<b>Income Tax Expense</b>	<u><u>2,797</u></u>	<u><u>22,676</u></u>
Current Income Tax Payable	10,417	24,575
Add: Tax payable for year ended 30 June 2000	13	-
Less: Installments Paid	<u>(24,622)</u>	<u>(7,807)</u>
<b>Provision for Income Tax/(Tax refund receivable)</b>	<u><u>(14,192)</u></u>	<u><u>16,768</u></u>

**LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001**

**4. PAYABLES**

	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Benefits Payable	14,271	21,348
Investment Purchases	171,816	28,499
Other Payables	7,081	13,942
	<u>193,168</u>	<u>63,789</u>

**5. INVESTMENT INCOME**

	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest	32,475	29,795
Dividends	71,600	44,970
Property Income	18,928	20,254
Other Investment Income	34,079	39,238
	<u>157,082</u>	<u>134,257</u>

**6. CHANGES IN NET MARKET VALUE**

**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>

**30 JUNE 2000**

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

# LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL B

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

### 7. 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% (2000: 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 2000 and 30 June 2001.

#### (b) Division C Scheme

**Member Contributions:** As the Scheme is 100% employer funded, there are no member contributions for years ended 30 June 2000 and 30 June 2001.  
**Employer Contributions:** Employers contribute on a fully funded basis as determined by the trustees based on actuarial advice for years ended 30 June 2000 and 30 June 2001.

#### (c) Division D Scheme

**Member Contributions:** Each member contributes on a “rate for age” basis to individual pension units which become available with salary increases. Members may elect to abandon units where total contributions payable would exceed 7% (2000: 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 2000 and 30 June 2001.

### 8. LIABILITY FOR ACCRUED BENEFITS

The value of accrued benefits has been determined by the actuary on the basis of the present value of expected future payments which arise from membership of the Scheme at the date of the actuarial review. The figure reported has been determined using assumed future salary levels, future Scheme earnings and other relevant actuarial assumptions used in the most recent actuarial review which was carried out as at 1 July 2000.

	<b>2000</b>	<b>1997</b>
	<b>\$'000</b>	<b>\$'000</b>
As at 1 July 2000	<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 2001**

**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 2001.

	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
As at 30 June	<u>1,804,255</u>	<u>1,726,099</u>

**10. RELATED PARTY INFORMATION**

**(a) Identification of Related Parties**

The Trustee of the Scheme is LGSS Pty Limited. The names of the directors of LGSS Pty Limited in office during the year ended 30 June 2001 are as follows:

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

	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Remuneration Received or Due and Receivable by Directors of LGSS Pty Ltd (for both Pool A and Pool B):</b>	<u>104,004</u>	<u>127,916</u>

**(b) Number of Directors whose total income falls within each relevant \$10,000 band of income:**

	<b>Numbers</b>	
\$ 0 - \$9,999	5	11
\$10,000 - \$19,999	-	1
\$20,000 - \$29,999	-	2
\$30,000 - \$39,999	<u>3</u>	<u>1</u>
	<u>8</u>	<u>15</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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001**

**11. REMUNERATION OF AUDITORS**

**Remuneration for audit of the financial report of the Scheme**

	<b>2001</b>	<b>2000</b>
	<b>\$'000</b>	<b>\$'000</b>
Andersen	45	74
<b>Remuneration for other services</b>		
Andersen	8	23
	53	97

**12. FINANCIAL INSTRUMENTS**

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

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

**(i) Credit Risk Exposures**

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

The Scheme does not have any significant exposure to any individual 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001**

**12. FINANCIAL INSTRUMENTS (Cont.)**

**(iii) Derivatives**

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

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

At 30 June 2001, the nominal principal amounts and net fair value of derivatives held by the Scheme are as follows:

<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>

<b>30 June 2000</b>	<b>Notional Principal Amounts \$'000</b>	<b>Net Market Value \$'000</b>
Australian Exchanged Traded Options	19,259	1,335
Australian Fixed Interest Futures	(40,543)	(18,839)
Australian Share Price Index Futures	3,319	(58)
	<u>(17,965)</u>	<u>(17,562)</u>

**(iv) Currency Risk Exposures**

The exposure at 30 June 2001 to foreign exchange rate movements on international investments is shown below:

<b>30 June 2001</b>	<b>EUR \$'000</b>	<b>USD \$'000</b>	<b>ECU \$'000</b>	<b>OTHER \$'000</b>	<b>TOTAL \$'000</b>
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>-</u>	<u>(159,911)</u>	<u>(39,761)</u>
<b>30 June 2000</b>	<b>EUR \$'000</b>	<b>USD \$'000</b>	<b>ECU \$'000</b>	<b>OTHER \$'000</b>	<b>TOTAL \$'000</b>
International Investments	-	359,891	-	378,669	738,560
Amount Effectively Hedged	-	1,699	-	-	1,699
Net Exposure	<u>-</u>	<u>361,590</u>	<u>-</u>	<u>378,669</u>	<u>740,259</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

**12. FINANCIAL INSTRUMENTS (Cont.)**

**(v) Interest Rate Risk**

The Scheme invests in financial assets for the primary purpose of obtaining a return on investments on behalf of its members. The Scheme's investments are subject to interest rate risks and the return on the investments will fluctuate in accordance with movements in the market interest rates.

**(vi) Net Fair Values Disclosures**

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.

**13. SUBSEQUENT EVENTS**

As described in Note 1, the Scheme values its investments at market values and reflects all gains and losses in these values in the Statement of Changes in Net Assets. Since the balance date, there has been a significant increase in the volatility of the investment markets.

Consequently, it is likely that there have been significant changes in the reported values of the Scheme's investments since balance date.

These movements may have a materially adverse impact on the reported financial performance of the Scheme during subsequent financial reporting periods.

Due to investment market volatility, it is not practicable to determine the impact on the valuation of the Scheme's reported investment balances as at the date of signing these financial statements.

The Scheme's solvency is based upon actuarial assumptions which include projected investment returns and contribution rates.

Therefore, a material adverse investment performance will impact the projected fund solvency. The employer will increase contributions in line with actuarial recommendations to compensate for falling investment returns, thereby ensuring that the Scheme maintains an adequate solvency level.

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 2001 as set out on pages 3 to 15 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 on behalf of CPA Australia and The Institute of Chartered Accountants in Australia to provide reasonable assurance whether the financial statements are free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards issued by the Australian Accounting Research Foundation on behalf of CPA Australia and The Institute of Chartered Accountants in Australia, and other mandatory professional reporting requirements, so as to present a view which is consistent with my understanding of the fund's net assets and change in net assets.

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

**Audit opinion**

In my opinion, the financial statements present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements, the net assets of Local Government Superannuation Scheme - Pool B as at 30 June 2001 and the changes in net assets for the year ended 30 June 2001.



**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 2001.

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

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

My procedures with respect to the Guidelines consisted of confirming whether any Risk Management Statements was to be prepared by the 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 only a Part A Risk Management Statement should be prepared by the fund's trustee. This has been prepared and is broadly consistent with the requirements of the Guidelines.

These tests have not been performed continuously throughout the period, were not designed to detect all instances of non-compliance, and have not covered any other provisions of the *Superannuation Industry (Supervision) Act 1993* and Regulations or Guidelines apart from those specified. The 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 2001.



Arthur Andersen  
Chartered Accountants



Jonathan Pye  
Partner  
Sydney, 29 October 2001