

annual report **statutory
information**



BOX 12 GPO, SYDNEY NSW 2001
INDEPENDENT AUDIT REPORT

LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

To Members of the New South Wales Parliament and the Trustees of the Scheme

(A) Financial Statements

Scope

I have audited the accounts of the Local Government Superannuation Scheme Pool A for the year ended 30 June 1998. The preparation and presentation of the financial report consisting of the accompanying statement of financial position and operating statement, together with the notes thereto, and the information contained therein, is the responsibility of the Trustee of the Scheme. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament and Trustee of the Scheme based on my audit as required by sections 34 and 45(1) of the *Public Finance and Audit Act 1983*.

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements so as to present a view which is consistent with my understanding of the Scheme's financial position and results of its operations.

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

Audit Opinion

In my opinion, the financial report of the Local Government Superannuation Scheme Pool A presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements, the financial position of the Scheme as at 30 June 1998 and the results of its operations for the year then ended. ▶

(B) Compliance**Scope**

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

- (a) 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), 65, 66, 67, 69-85, 86-93A, 95, 97, 98, 102, 103, 104, 106, 107, 108, 109, 111, 112, 113, 117, 118, 122, 124, 125, 152, 153, 154, 169; and Regulations 2.10(1), 2.13(1), 2.21(3), 2.33(2), 2.43(1), 3.10, 4.08(3), 5.08, 9.09, 9.14, 9.29, 9.30, 13.14, 13.17, 13.17A; and
- (b) The Guidelines issued by the ISC on Risk Management Statements For Superannuation Entities Investing In Derivatives (to the extent applicable) for the year ended 30 June 1998.

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 that the relevant Risk Management Statements have been prepared and are broadly consistent with the requirements of the Guidelines. No opinion is expressed on the appropriateness of the Risk Management Statements or whether the Scheme has complied with the procedures set out in the Risk Management Statements.

These tests have not been performed continuously throughout the year, were not designed to detect all instances of non-compliance, and have not covered any other provisions of the *Superannuation Industry (Supervision) Act 1993*, Regulations and Guidelines apart from those specified. The Scheme Trustee is responsible for ensuring compliance with the requirements of the *Superannuation Industry (Supervision) Act 1993*, Regulations and Guidelines.

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

Audit Opinion

In my opinion, the Local Government Superannuation Scheme Pool A has complied, in all material respects, with the requirements of the *Superannuation Industry (Supervision) Act 1993*, Regulations and Guidelines specified above for the year ended 30 June 1998.



A C HARRIS

SYDNEY

24 December 1998

STATEMENT BY THE TRUSTEES FOR THE YEAR ENDED 30 JUNE 1998

Pursuant to Section 41C(1B) and (1C) of the Public Finance and Audit Act, 1983 and in accordance with a resolution of the Board of LGSS Pty Limited, we declare on behalf of the Board that in our opinion:

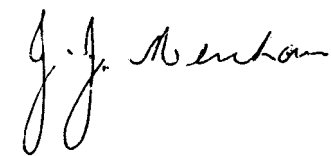
1. The financial statements present a true and fair view of the position of the Local Government Superannuation Scheme Pool A as at 30 June 1998 and transactions for the year then ended; and
2. The financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act, 1983, the Public Finance and Audit (Statutory Bodies) Regulation, 1995 and the Treasurer's directions.

Further, we are not aware of any circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 22nd day of December 1998.



Director



Director

**OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 1998**

	NOTE	1998 \$'000
Investment Revenue		
Short Term Investments		278
Australian Fixed Interest		937
Australian Equities		1,493
International Investments		1,447
Property Trusts		609
		<u>4,764</u>
Changes in Market Value of Investments		15,267
Total Investment Revenue	8	<u>20,031</u>
Investment Expenses	1(e)	(297)
Net Investment Revenue		<u>19,734</u>
Contribution Revenue		
Employer Contributions		42,193
Member Contributions		26,239
Total Contribution Revenue	9	<u>68,432</u>
Total Revenue		<u>88,166</u>
Benefits Paid		(12,302)
Scheme Administration Expenses	10	(881)
Insurance Premium		(75)
		<u>(13,258)</u>
Total Expenses		<u>(13,258)</u>
Operating Result Before Abnormal Item and Income Tax		74,908
Abnormal Item	2	161,589
Operating Result Before Income Tax		236,497
Income Tax Expense	6	(7,983)
Benefits Accrued as a Result of Operations		<u>228,514</u>

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 1998**

	NOTE	1998 \$'000
Investments		
Short Term Investments		20,120
Australian Fixed Interest		32,570
Australian Equities		43,147
International Investments		46,268
Property Trusts		14,267
Pooled Superannuation Trusts		73,056
Total Investments	3	<u>229,428</u>
Other Assets		
Cash	13	5,375
Receivables	4	2,971
Total Other Assets		<u>8,346</u>
Total Assets		<u>237,774</u>
Less:		
Liabilities		
Creditors	5	1,277
Provision for Income Tax	6	6,243
Provision for Deferred Income Tax	6	1,740
Total Liabilities		<u>9,260</u>
Net Assets Available to Pay Benefits		<u>228,514</u>
Represented by:		
Liability for Accrued Benefits		
Funds Allocated to Members' Accounts		225,838
Funds Not Yet Allocated to Members' Accounts	7(b)	661
Death or Invalidity Reserve	7(c)	2,015
Total Liability for Accrued Benefits	7(a)	<u>228,514</u>

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 1998

		1998	
	NOTE	\$'000	<u>INFLOWS/(OUTFLOWS)</u>
Cash Flows from Operating Activities:			
Contributions Received -			
Employers		42,257	
Members		26,239	
Transfers from other funds		161,589	
Interest Received		1,168	
Dividends Received		1,749	
Benefits Paid		(12,302)	
Scheme Administration Expenses Paid		(952)	
Investment Expenses Paid		(137)	
Insurance Premiums		(75)	
Net Cash Flow from Operating Activities	13	<u>219,536</u>	
Cash Flows from Investing Activities:			
Proceeds from Sales of Short Term Investments		72,541	
Proceeds from Sales of Australian Fixed Interest		123,524	
Proceeds from Sales of Australian Equities		75,167	
Proceeds from Sales of International Investments		2,511	
Proceeds from Sales of Property Trusts		573	
Redemption from Pooled Superannuation Trusts		2,373	
Purchases of Short Term Investments		(92,051)	
Purchases of Australian Fixed Interest		(155,182)	
Purchases of Australian Equities		(118,602)	
Purchases of International Investments		(39,059)	
Purchases of Property Trusts		(14,565)	
Application to Pooled Superannuation Trusts		(71,391)	
Net Cash used in Investing Activities		<u>(214,161)</u>	
Net Increase in Cash Held		5,375	
Cash at the Beginning of the Financial Year		<u>-</u>	
Cash at the End of the Financial Year	13	<u>5,375</u>	

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 1998

1. STATEMENT OF ACCOUNTING POLICIES

The Local Government Superannuation Scheme Pool A ("the Fund") was established under a trust deed and commenced operations on 1 July 1997. It is an accumulation fund and is a superannuation scheme of the LGSS Pty Limited ("LGSS"). LGSS acts as Trustee and holds in trust all assets of the Fund. It consists of Local Government members transferred from the First State Superannuation Fund ("FSS") and the Public Sector Executives Superannuation Fund ("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 Funds and the assets were administered by the FSS Trustee Corporation ("FTC") under the Act. The Fund is a reporting entity for accounting and taxation purposes.

Local Government Superannuation Scheme Pool A consists of two divisions. Division A represents members transferred from FSS and Division E represents members transferred from PSES.

Scheme administration services for the Fund were performed by the Superannuation Administration Authority of New South Wales ("SAA"). SAA ceased to act as administrators on 30 June 1998. Buck Consultants commenced administration services effective 1 July 1998.

Division A's custodial activities are provided by State Street Australia Limited. The following fund managers perform the funds management activities:

■ Cash Portfolio	100%	– Morgan Grenfell (Australia) Limited (formerly Axiom Funds Management 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%	– Morgan Grenfell (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. G.I.O. Australia manages the Death or Invalidity Insurance.

SAA, State Street and BT charge management fees for the services provided.

The significant accounting policies which have been adopted in the preparation of the financial statements are set out below.

(a) General System of Accounting Underlying the Financial Statements

The financial statements form a general purpose financial report and are prepared in accordance with the Public Finance and Audit Act, 1983, section 41B of the Public Finance and Audit (Statutory Bodies) Regulation, 1995, and the Treasurer's directions. They also comply with applicable Australian Accounting Standards, and other professional reporting requirements (for example, Urgent Issues Group Consensus Views).

The financial statements are prepared in accordance with AAS 25 "Financial Reporting by Superannuation Plans", the Superannuation Industry (Supervision) Act 1993 and Regulations.

The financial statements are prepared using the accrual method of accounting.

(b) Investments*Division A:*

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

Short Term Investments:	Market rates.
Fixed Interest:	Relevant fixed interest securities markets.
Equities:	Relevant stock exchange official quotation or if unlisted, last sale price.
Property Trusts:	Stock exchange official quotation.

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.

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.

Investment requests for the pooled superannuation trusts are effected by purchasing units in the relative trusts based on investment mixes nominated by members. Amounts realised on unit redemptions from complying pooled superannuation trusts are exempt from the capital gains tax provisions of the Income Tax Assessment Act. This is reflected in the unit redemption prices.

(c) Income Tax

LGSS has adopted the liability method of tax effect accounting whereby income tax is regarded as an expense and is calculated on the operating result after allowing for permanent differences.

To the extent that timing differences occur between the time items are recognised in the accounts and when items are taken into consideration in determining taxable income, the net related taxation benefit or liability calculated at current rates is disclosed as a Future Income Tax Benefit or Provision for Deferred Income Tax.

Future Income Tax Benefits are not brought to account unless their realisation is assured beyond reasonable doubt. The amount of these benefits is based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Fund will derive sufficient future assessable income to enable the benefit to be realised and will comply with the conditions of deductibility imposed by law.

(d) Contributions

Member and employer contributions comprise sums received at balance date and do not include amounts relating to the period which may be received subsequent to balance date.

(e) Management Expenses

Scheme Administration expenses, other than expenses of administering the death or invalidity insurance provision of the fund, 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 Benefit Management Reserve.

Investment Expenses are charged directly against investment revenue.

(f) Liability for Accrued Benefits

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

(g) 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.

(h) 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 Fund 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.

(i) Year 2000 Software Modification Costs

LGSS has ensured that it has a strategy in place to assess if and to what extent the date change from 1999 to 2000 may affect its activities. LGSS has established a programme to help ensure that the impact of the transition to the year 2000 on LGSS and its members is minimised by seeking to ensure that its significant/core computer hardware, software and/or systems are year 2000 compliant. LGSS does not expect its activities to be significantly impacted by the date change.

(j) Roundings

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

(k) Cash Flows

For the purpose of the Statement of Cash Flows, cash represents cash at bank.

(l) Comparative Figures

The Fund commenced as an entity on 1 July 1997; consequently no comparative figures are available.

2. ABNORMAL ITEM

	1998
	<u>\$'000</u>
Transfer of FSS members to the Fund	100,457
Transfer of FSS DorI Reserve to the Fund	<u>1,335</u>
Total Transfer from FSS to the Fund	101,792
Total Transfer of PSES members to the Fund	<u>59,797</u>
TOTAL TRANSFER TO THE FUND	<u>161,589</u>
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 Local Government Superannuation Scheme Pool A.

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

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

3. INVESTMENTS

Investments Held – Division A

	1998					TOTAL \$'000
	CASH PLUS \$'000	CAPITAL GUARDED \$'000	BALANCED \$'000	DIVERSIFIED \$'000	HIGH GROWTH \$'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
	8,272	7,963	23,169	109,692	3,967	153,063

Included in the above investments are the following unlisted investments:

	1998 \$'000
Short Term Investments	16,214
Australian Fixed Interest	19,938
Australian Equities	1,100
International Investments	46,268
Property Trusts	14,266
	97,786

Investments Held – Division E

	1998			
	Unit Price \$	Number of Units	Redemption Value \$'000	Increase in Unit Price %
BT Stable Capital Fund	3.714	8,141,053	30,236	5.60
BT Retirement Fund	53.514	800,171	42,820	6.47
Short Term Investments			3,309	
			76,365	

Unit prices are the redemption prices at Balance Date and represent the Net Market Value at that date.

4. RECEIVABLES

	1998 \$'000
Accrued Income	2,000
Investment Sales	899
Amount Receivable – LGSS	71
Other Receivables	1
	2,971

5. CREDITORS

	1998 \$'000
Refunds & Unclaimed Monies	43
Investment Purchases	1,058
Other Creditors	176
	1,277

6. INCOME TAX

The prima facie tax on the Operating Result is reconciled to the Income Tax Expense as follows:

Prima facie tax on the Operating Result at 15%	35,475
(Less)/Plus net tax effect of permanent differences:	
Non-assessable Contributions (includes transfers)	(28,169)
Benefits Paid	1,845
Non-assessable PST Income	(614)
Death or Invalidation Insurance Deduction	(145)
Gross-up of Franked Dividends and WHT	72
Exempt Income	(1)
Eligible Infrastructure Bonds	(1)
Prima facie tax adjusted for permanent differences	8,462
Imputation and Foreign Tax Credits	(479)
Income Tax Expense	7,983

The Income Tax Expense comprises:

Current Income Tax Provision	6,243
Deferred Income Tax Provision	1,740
	7,983

7. LIABILITY FOR ACCRUED BENEFITS

	1998 \$'000
(a) Changes in the Liability for Accrued Benefits	
Liability for Accrued Benefits – at Beginning of the Year	-
Add: Increase in Accrued Benefits	79,227
Add: Transfers in from FSS and PSES	160,254
– Members' Accounts	
– Death or Invalidation Reserve	1,335
Less: Benefits Paid	(12,010)
– Members' Accounts	
– Death or Invalidation Reserve	(292)
Liability for Accrued Benefits – at End of the Year	228,514
(b) Funds Not Yet Allocated to Members' Accounts	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	-
Transfer from FSS	1,335
Transfer from Members' Accounts	972
Death or Invalidation Benefits Paid	(292)
Balance at the End of the Year	2,015

The consulting actuary, William M. Mercer has stated that there is a strong probability that the Death or Invalidation Reserve at 30 June 1998 is adequate to meet the claims which have arisen prior to that date but had not been settled by 30 June 1998.

8. INVESTMENT REVENUE

Division A

	1998 CHANGES IN NET MARKET VALUES			
	INCOME/(LOSS)	HELD AT REPORTING DATE	REALISED DURING THE YEAR	TOTAL
	\$'000	GAIN \$'000	GAIN/(LOSS) \$'000	\$'000
Total Revenue				
Short Term Investments	210	50	320	580
Australian Fixed Interest	937	1,100	369	2,406
Australian Equities	1,493	390	(1,000)	883
International Investments	1,447	9,439	278	11,164
Property Trusts	609	252	31	892
	4,696	11,231	(2)	15,925

Investment Revenue from each investment strategy comprises:

Cash Plus	651	20	142	813
Capital Guarded	(647)	310	48	(289)
Balanced	1,584	1,417	45	3,046
Diversified	3,514	9,074	(224)	12,364
High Growth	(406)	410	(13)	(9)
	4,696	11,231	(2)	15,925

Investment Revenue from each class of investment strategy comprises:

Cash Plus				
Short Term Investments	651	20	142	813
	651	20	142	813
Capital Guarded				
Short Term Investments	(8)	4	25	21
Australian Fixed Interest	(336)	113	38	(185)
Australian Equities	(188)	11	(25)	(202)
International Investments	(80)	175	9	104
Property Trusts	(35)	7	1	(27)
	(647)	310	48	(289)
Balanced				
Short Term Investments	(124)	6	34	(84)
Australian Fixed Interest	504	260	89	853
Australian Equities	538	63	(119)	482
International Investments	516	1,058	38	1,612
Property Trusts	150	30	3	183
	1,584	1,417	45	3,046

	1998 CHANGES IN NET MARKET VALUES			
	INCOME/(LOSS)	HELD AT REPORTING DATE	REALISED DURING THE YEAR	TOTAL
	\$'000	GAIN \$'000	GAIN/(LOSS) \$'000	\$'000
Diversified				
Short Term Investments	(302)	20	116	(166)
Australian Fixed Interest	781	724	241	1,746
Australian Equities	1,316	298	(828)	786
International Investments	1,173	7,826	221	9,220
Property Trusts	546	206	26	778
	3,514	9,074	(224)	12,364
High Growth				
Short Term Investments	(7)	-	3	(4)
Australian Fixed Interest	(12)	3	1	(8)
Australian Equities	(173)	18	(28)	(183)
International Investments	(162)	380	10	228
Property Trusts	(52)	9	1	(42)
	(406)	410	(13)	(9)

Investment revenue includes earnings on unlisted investments as shown below:

	1998
	\$'000
Short Term Investments	55
Australian Fixed Interest	108
Australian Equities	105
International Investments	133
Property Trusts	542
	943

Division E

	1998 CHANGES IN NET MARKET VALUES			
	INCOME	HELD AT REPORTING DATE	REALISED DURING THE YEAR	TOTAL
	\$'000	GAIN \$'000	GAIN \$'000	\$'000
Short Term Investments	68	-	-	68
BT Stable Capital Fund	-	186	1,340	1,526
BT Retirement Fund	-	258	2,254	2,512
	68	444	3,594	4,106

9. EMPLOYER AND MEMBER CONTRIBUTIONS

Compulsory Employer Contributions

The percentage of salary or wages of employees prescribed as the rate of compulsory employer (Superannuation Guarantee) contributions between 1 July 1997 to 30 June 1998 was 6%.

Optional Employer Contributions

Employers may make additional contributions to the Fund 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 Fund 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.

Investment Strategy Selection

Division A

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	MEMBERS AGE GROUP
High Growth	No automatic allocation. Must be selected by members.
Diversified	Members aged 18 - 45
Balanced	Members aged 46 - 55
Capital Guarded	Members aged 56+
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.

10. SCHEME ADMINISTRATION EXPENSES

	1998 \$'000
Included in Scheme Administration Expenses is the following item:	
Audit Fees	52

11. GUARANTEED BENEFITS

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

12. VESTED BENEFITS

Benefits not conditional upon continued membership of the scheme, that is, benefits which members were entitled to receive had they terminated their scheme membership as at 30 June 1998 were \$226,500,375.

13. 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:

	1998 \$'000
Cash at Bank	5,375

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

	INFLOWS/(OUTFLOWS)
(b) Reconciliation of Benefits Accrued as a Result of Operations to Net Cash Flow from Operating Activities	
Benefits Accrued as a Result of Operations	228,514
Less: Changes in Net Market Values	15,267
	213,247
Changes in Assets and Liabilities:	
Increase in Receivables	(2,971)
Increase in Creditors	1,277
Increase in Provision for Income Tax	6,243
Increase in Provision for Deferred Income Tax	1,740
	219,536
Net Cash Flow from Operating Activities	219,536

14. CONTINGENT LIABILITIES

In managing the investment portfolio the fund managers enter into various types of investment contracts that can give rise to contingent liabilities. These contracts are detailed in Note 16.

15. SEGMENT REPORTING

The Fund operates in the superannuation and investment management industry in New South Wales.

16. 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 Fund'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

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 Fund. 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.

The Fund'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 and Conditions
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.	The average interest rate was 3.75%
Short Term Investments	3	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 4.25% and 5.49%.
Forward Exchange Contracts	16	Unrealised gains and losses on forward foreign exchange contracts are recognised at reporting period. 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 Fund against future loss from exchange rate fluctuations.
Derivatives	16	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 Fund's investment portfolio.
Receivable for Investments Sold	3	Records that total proceeds from sales 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. Total value of receivables \$898,727.30.
Receivable for Currency Exchanged		Records the total proceeds from currency sales (foreign exchange contracts) that have been processed, but have not been settled as at balance date.	Foreign exchange contracts are entered into to hedge purchase and sale commitments denominated in foreign currencies. Total value \$0.
Dividends Receivable	4	Dividend income due but not yet received on equities/trusts from the date the dividend was announced (ex-date).	Total value \$1,560,697.52.
Interest Receivable	4	Interest income, net of withholding tax and tax refunds, due but not yet received on interest bearing securities.	Total value \$439,277.00.
Investments in Pooled Super 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.	
Unlisted Shares	3	The basis for their valuation is the last sale price or calculated underlying value adjusted for transaction costs.	

Financial Liabilities			
Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
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. Total value of payables \$1,058,682.62.
Payable for Currency Exchanged		Records the total payments for the purchase of currency (foreign exchange contracts) that have been processed, but have not settled as at balance date.	Foreign exchange contracts are entered into to hedge purchase and sale commitments denominated in foreign currencies. Total value \$0.
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 Fund's exposure to credit risk in relation to those assets.

The Fund 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 Fund. This risk is managed by assessing, on both a short term and long term basis, the Fund's cash flow requirements.

(iv) Currency Risk Exposures

Exposure to foreign exchange rate movements at 30 June 1998 is contained in the International Investment Trusts.

(v) Interest Rate Risk Exposures

The Fund invests in financial assets for the primary purpose of obtaining a return on investments on behalf of its members. The Fund'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 Fund's exposure to interest rate risk and the effective interest rates on financial instruments at 30 June 1998 are shown as follows. All other financial assets and liabilities are non-interest bearing.

	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	
Assets						
Cash	5,375	-	-	-	-	5,375
Short Term Investments	11,880	10,666	-	-	-	22,546
Receivables	-	-	-	-	2,971	2,971
Bonds	-	-	6,434	8,204	-	14,638
Investment Trusts	-	-	-	-	119,188	119,188
Pooled Superannuation Trusts	-	-	-	-	73,056	73,056
Total Financial Assets	17,255	10,666	6,434	8,204	195,215	237,774
Weighted Average Effective Interest Rate	4.19%	5.05%	5.29%	5.49%	N/A	
Liabilities						
Creditors	-	-	-	-	1,277	1,277
Tax Payable	-	-	-	-	7,983	7,983
Total Financial Liabilities	-	-	-	-	9,260	9,260

(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.

17. RELATED PARTY INFORMATION

The Trustee of the Fund is the LGSS Pty Limited. The names of the directors of LGSS Pty Limited in office during the year ended 30 June 1998 are as follows:-

Mr D Campbell	(appointed 26.3.97)
Mr E Carolan OAM	(appointed 26.3.97)
Mr J Wearne	(appointed 26.3.97)
Mr P Woods OAM	(appointed 26.3.97)
Mr G De Courcey	(appointed 26.3.97)
Mr G Humphries	(appointed 26.3.97)
Mr J Merchant	(appointed 26.3.97)
Mr I Robertson	(appointed 26.3.97)

1998
\$'000

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

Directors **295,747**

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

	Numbers
Remuneration (including superannuation contributions) of:	
\$30,000-\$39,999	7
\$50,000-\$59,999	1
	8

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

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

(d) Transactions with Other Related Parties:

Superannuation Services Company Pty Limited, a company owned 50% by LGSS in trust for the Fund, received from LGSS, administrative support on a cost basis which is included as part of Scheme Administration Expense in the Statement of Changes in Net Assets.

- End of Audited Financial Statements -