

**Local Government Superannuation Scheme
Pool A**

Financial Report

For the Year Ended 30 June 2002

Local Government Superannuation Scheme Pool A

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2002

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Local Government Superannuation Scheme Pool A

TRUSTEE STATEMENT FOR THE YEAR ENDED 30 JUNE 2002

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

1. The accompanying financial report of the Local Government Superannuation Scheme Pool A presents fairly the financial position of the Scheme as at 30 June 2002 and the results from operations for the year then ended in accordance with Australian Accounting Standards and other mandatory professional requirements;
2. The financial report has been prepared in accordance with the requirements of the Trust Deed;
3. The Scheme is conducted in accordance with its constituent Trust Deed;
4. In the Directors' opinion there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they fall due.

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

Signed at Sydney this 29th day of OCTOBER 2002

X Mark Kanel

Director

X [Signature]

Director

Local Government Superannuation Scheme Pool A

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2002

	Note	2002	2001
		<u>\$'000</u>	<u>\$'000</u>
Investment Revenue			
Investment Revenue	7	17,460	29,651
Changes in Net Market Value of Investments	6	<u>(43,774)</u>	<u>(6,903)</u>
Total Investment Revenue		(26,314)	22,748
Investment Expenses		<u>(1,832)</u>	<u>(1,042)</u>
Net Investment Revenue		<u>(28,146)</u>	<u>21,706</u>
Contributions Revenue			
Employer Contributions	8	83,399	78,451
Member Contributions	8	10,972	22,372
Transfers In		<u>96,906</u>	<u>80,512</u>
Total Contribution Revenue		191,277	181,335
Other Revenue		<u>-</u>	<u>14</u>
Total Revenue		<u>163,131</u>	<u>203,055</u>
Expenses			
Superannuation Contributions Surcharge		(723)	(768)
Scheme Administration Expenses	10	(1,722)	(2,685)
Insurance Premium		<u>(162)</u>	<u>(153)</u>
Total Expenses		<u>(2,607)</u>	<u>(3,606)</u>
Operating Result Before Income Tax		160,524	199,449
Income Tax Expense	4	<u>(8,503)</u>	<u>(12,828)</u>
Benefits Accrued as a Result of Operations		<u>152,021</u>	<u>186,621</u>

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

Local Government Superannuation Scheme Pool A

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2002

	Note	2002 \$'000	2001 \$'000
		<u> </u>	<u> </u>
Investments			
Short Term Investments		36,244	25,486
Australian Fixed Interest		164,826	153,812
Australian Equities		202,294	152,715
International Investments		192,041	158,852
Property Trusts		41,280	26,287
Pooled Superannuation Trusts		25,825	54,751
Total Investments		<u>662,510</u>	<u>571,903</u>
Other Assets			
Cash	13(a)	23,655	12,914
Receivables	2	11,116	17,313
Future Income Tax Benefit	4	3,989	-
Total Other Assets		<u>38,760</u>	<u>30,227</u>
Total Assets		<u>701,270</u>	<u>602,130</u>
Less:			
Liabilities			
Payables	3	4,201	5,596
Provision for Income Tax	4	1,370	2,254
Provision for Deferred Income Tax	4	-	1,855
Total Liabilities		<u>5,571</u>	<u>9,705</u>
Net Assets Available to Pay Benefits		<u>695,699</u>	<u>592,425</u>
Represented by:			
Liability for Accrued Benefits			
Funds Allocated to Members' Accounts	12	689,368	583,357
Funds Not Yet Allocated to Members' Accounts	5(b)	61	4,788
Administration Reserve	5(c)	571	566
Death or Invalidity Reserve	5(d)	4,495	3,622
Contribution Tax Reserve	5(e)	1,204	92
Total Liability for Accrued Benefits	5(a)	<u>695,699</u>	<u>592,425</u>

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

Local Government Superannuation Scheme Pool A

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2002

	Note	2002 \$'000	2001 \$'000
Cash Flows from Operating Activities			
Contributions Received from Employers		89,774	77,205
Contributions Received from Members		11,373	22,580
Transfers from Other Funds		95,854	80,780
Interest Received		354	601
Sundry Income Received		58	1
Benefits Paid		(48,644)	(36,487)
Investment Expenses Paid		(15)	(146)
Scheme Administration Expenses Paid		-	(2,913)
Insurance Premiums Paid		(172)	(139)
Surcharge Paid		(723)	(768)
Income Tax Paid		(17,251)	(19,469)
Net Cash Provided from Operating Activities	13(b)	<u>130,608</u>	<u>121,245</u>
Cash Flows from Investing Activities			
Redemptions from Investments		34,558	40,959
Applications to Investments		(149,833)	(159,875)
Net Cash used in Investing Activities		<u>(115,275)</u>	<u>(118,916)</u>
Cash Flows from Financing Activities			
Funding for scheme administration expenses	1(f)	(4,592)	-
Net Cash used in Financing Activities		<u>(4,592)</u>	<u>-</u>
Net Increase in Cash Held		10,741	2,329
Cash at the Beginning of the Financial Year		<u>12,914</u>	<u>10,585</u>
Cash at the End of the Financial Year	13(a)	<u>23,655</u>	<u>12,914</u>

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

Local Government Superannuation Scheme Pool A

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Description of Scheme

The Local Government Superannuation Scheme Pool A (the Scheme) is an accumulation Scheme established in accordance with sections 127 and 128 of the Superannuation Administration Act 1996 (the Act) and consists of Local Government members. LGSS Pty Limited acts as Trustee to the Scheme and holds in trust all assets of the Scheme. The Scheme is a reporting entity for financial reporting purposes.

Local Government Superannuation Scheme Pool A consists of three divisions. Divisions A & E consist of Accumulation Funds, whilst Division F is an allocated pension and rollover scheme.

The Scheme's custodial activities are provided by Commonwealth Custodial Services Limited. The following fund managers perform the Schemes management activities:

⌘ Cash Portfolio	98.55% - Deutsche Asset Management (Australia) Limited 1.45% - Salomon Smith Barney
⌘ Australian Fixed Interest Portfolio	97.87% - Superannuation Services Company Pty Limited 0.95% - Salomon Smith Barney 0.94% - Norwich Investment Management Limited 0.24% - BT Funds Management Limited
⌘ International Fixed Interest Portfolio	59.70% - Pacific Investment Management Company 27.94% - Goldman Sachs Australia 11.64% - Loomis Sayles & Company LP 0.59% - Merrill Lynch Mercury Asset Management Ltd 0.13% - Salomon Smith Barney
⌘ Australian Equity Portfolio	53.91% - Deutsche Asset Management (Australia) Limited 32.81% - Concord Capital 10.36% - UBS Global Asset Management (Australia) 1.86% - Salomon Smith Barney 0.57% - Westpeak Investment Advisors 0.48% - Credit Suisse Asset Management Australia Limited 0.01% - HSBC Asset Management
⌘ International Equity Portfolio	73.00% - State Street Global Advisors 23.03% - Salomon Smith Barney 2.01% - Capital International S.A. 1.65% - Putnam Investments 0.31% - Lazard Freres Asset Management Limited
⌘ Property Trust Portfolio	97.90% - Superannuation Services Company Pty Limited 2.10% - Salomon Smith Barney
⌘ Inflation Linked Bonds	94.29% - Superannuation Services Company Pty Limited 5.66% - Salomon Smith Barney 0.05% - Credit Suisse Asset Management

Division E investments are managed by BT Funds Management Limited. Division E members have the option of investing in the above structure or maintaining BT as their funds manager.

Local Government Superannuation Scheme Pool A

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of Preparation

The financial report has been drawn up in accordance with Australian Accounting Standard AAS25 'Financial Reporting by Superannuation Plans', Urgent Issues Group Consensus Views, other applicable accounting standards, the provisions of the Trust Deed and other mandatory professional reporting requirements.

(c) Investments

DIVISION A & DIVISION F

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

The valuation of each class of investment as at 30 June 2002 is determined as follows:

Short Term Investments	Market rates
Australian and International Fixed Interest	Market rates
Equities - Australian - International	Relevant stock exchange official quotation Valued at reporting date and translated in Australian dollars at current exchange rate
Property Trusts	Stock exchange official quotation.

DIVISION E

Net contributions are invested into pooled superannuation trusts managed by BT Funds Management Limited. Investments are recorded at balance date, at net market value by reference to the redemption value of units as advised by the investment manager. Movements in the unit redemption values are brought to account in the Statement of Financial Performance, as changes in net market values. Corresponding investment management expenses are reflected in the unit redemption prices.

Local Government Superannuation Scheme Pool A

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Income Tax

The Scheme has adopted the liability method of tax effect accounting in accordance with the provision of Australian Accounting Standard AAS 3 "Accounting for Income Tax (Tax-effect accounting)". The income tax expense shown in the Statement of Financial Performance is based on the operating surplus or deficit adjusted for any permanent differences.

The tax effect of the timing differences, which occur where items are allowed for income tax purposes in a period different from that in which they are recognised in the financial statements, is included 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.

(e) Contributions

Member and employer contributions were recorded on an accrual basis for 2001 year. In the year ending 30 June 2002 there has been a change in accounting policy in that contributions are being brought to account on a cash basis to ensure a direct correlation between the net assets of the Scheme and the liability for accrued benefits recorded as at the reporting date.

If the same accounting policy was applied in the current year the amount of contributions receivable would have been \$6,458,258.

(f) Expenses

The Scheme's expenses with the exception of group life premium are funded by capital transfers from both Pool A and the Local Government Superannuation Scheme Pool B.

This amount is disclosed in the Statement of Cash Flow as part of the Scheme's financing activities.

(g) Management Expenses

Scheme administration expenses, other than expenses of administering the death or invalidity insurance provision of the Scheme, are charged directly to members' accounts to the extent permissible through legislation.

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

Investment expenses are charged directly against investment revenue.

(h) Liability for Accrued Benefits

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

Local Government Superannuation Scheme Pool A

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Foreign Currency Transactions

Foreign currency transactions during the year are converted to Australian dollars at the rate of exchange applicable at the date of the transaction. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange at that date.

(j) Superannuation Contributions Surcharge

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

As the surcharge is levied based upon individual members' taxable income any surcharge for the year ended 30 June 2002 subsequently levied against the Scheme will be charged to the relevant members' benefits or otherwise dealt with in accordance with the provisions of the Trust Deed and relevant legislation. The benefits of members not subject to the surcharge will be unaffected.

(k) Roundings

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

(l) Comparatives

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

(m) Goods and Services Tax (GST)

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

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

2. RECEIVABLES	2002 \$'000	2001 \$'000
Interest Income Receivable	30	34
Contributions Receivable	-	6,776
Investment Income Due and Receivable	4,974	5,342
Investment Sales	393	4,957
Other Receivables	5,719	204
Total Receivables	<u>11,116</u>	<u>17,313</u>

Local Government Superannuation Scheme Pool A

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

3. PAYABLES	2002 \$'000	2001 \$'000
Investment Purchases	3,317	4,521
Other Payables	884	1,075
Total Payables	4,201	5,596

4. INCOME TAX

Income tax expense in the Statement of Financial Performance represents the tax on the operating result before income tax, adjusted for permanent differences.

	2002 \$'000	2001 \$'000
The calculation of tax provided for is as follows:		
Operating result before income tax	(160,524)	(199,449)
Prima facie tax @ 15%	(24,079)	(29,917)
Permanent Differences		
Non-assessable/deductible Investment Revenue/Losses	(2,055)	(539)
Non-assessable Contributions (includes Transfers)	16,167	15,398
Imputation and Foreign Tax Credits	363	1,977
Other Income	-	1
Anti Detriment Deduction	27	54
Current Pension Liability Exemption	434	99
Death or Invalidity Assurance	227	210
Contributions Surcharge	(108)	(115)
Non-deductible Expenses	5	(2)
	(9,019)	(12,834)
Prior Year Tax Refund	9	-
(Under)/Over Provision for Last Year	507	6
Income Tax (Expense)/Benefit	(8,503)	(12,828)
Income Tax Expense calculated at 15% comprises:		
Current Income Tax Payable	(16,659)	(15,611)
Less: Tax Credits	1,796	1,977
Current Income Tax Payable	(14,863)	(13,634)
Prior Year Tax Refund	9	-
(Under)/Over Provision for Last Year	507	6
Deferred Income Tax Expense	5,844	800
Income Tax (Expense)/Benefit	(8,503)	(12,828)
Current Tax Payable	(14,863)	(13,634)
Less: Instalment Paid	13,493	11,380
(Provision for Income Tax)/Tax Refund Receivable	(1,370)	(2,254)

Local Government Superannuation Scheme Pool A

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

5. LIABILITY FOR ACCRUED BENEFITS

	2002 \$'000	2001 \$'000
(a) Changes in the Liability for Accrued Benefits		
Liability for Accrued Benefits – at Beginning of the Year	592,425	442,307
Add: Benefits Accrued as a Result of Operations	152,021	186,621
Less: Benefits Paid - Members' Accounts	(48,149)	(35,575)
- Death or Invalidity Reserve	(598)	(928)
Liability for Accrued Benefits - at End of Year	695,699	592,425
(b) Funds Not Yet Allocated to Members' Accounts	61	4,788

Funds not yet allocated to members' accounts relate 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 Administration Reserve

Balance at the Beginning of the Year	566	1,779
Transfer from Members' Accounts	1,727	1,163
Administration Fee Paid	(1,722)	(2,376)
Balance at the End of the Year	571	566

(d) Movement in Death and Invalidity Reserve

Balance at the Beginning of the Year	3,622	3,162
Transfer from Members' Accounts	1,471	1,388
Death or Invalidity Benefits Paid	(598)	(928)
Balance at the End of the Year	4,495	3,622

On the basis of the above, the Scheme's actuary, Martin Stevenson of Mercer Human Resources Consulting Pty Limited, advises that there is a strong probability that the Death and Invalidity Reserve is adequate to meet the claims which have arisen prior to 30 June 2002 but have not been settled by that date.

(e) Movement in Contribution Tax Reserve

Balance at the Beginning of the Year	92	-
Transfer from Members' Accounts	13,002	11,210
Tax Provision Write Back	-	(1,055)
Contribution Tax Paid	(11,890)	(10,063)
Balance at the End of the Year	1,204	92

Local Government Superannuation Scheme Pool A

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

6. CHANGES IN NET MARKET VALUE

30 JUNE 2002

	HELD AT REPORTING DATE \$'000	REALISED DURING THE YEAR \$'000	TOTAL \$'000
<i>Divisions A & F</i>			
Short Term Investments	102	12,100	12,202
Australian Fixed Interest	(1,211)	4,884	3,673
Australian Equities	(10,830)	(10,242)	(21,072)
International Investments	653	(39,738)	(39,085)
Property Trusts	(1,065)	2,563	1,498
	<u>(12,351)</u>	<u>(30,433)</u>	<u>(42,784)</u>
<i>Division E</i>			
BT Stable Capital Fund	62	(2)	60
BT Retirement Fund	(724)	(326)	(1,050)
	<u>(662)</u>	<u>(328)</u>	<u>(990)</u>
Total	<u>(13,013)</u>	<u>(30,761)</u>	<u>(43,774)</u>

30 JUNE 2001

	HELD AT REPORTING DATE \$'000	REALISED DURING THE YEAR \$'000	TOTAL \$'000
<i>Divisions A & F</i>			
Short Term Investments	(826)	(4,304)	(5,130)
Australian Fixed Interest	(5,915)	8,925	3,010
Australian Equities	17,769	(4,446)	13,323
International Investments	(17,122)	(1,723)	(18,845)
Property Trusts	26	(84)	(58)
	<u>(6,068)</u>	<u>(1,632)</u>	<u>(7,700)</u>
<i>Division E</i>			
BT Stable Capital Fund	620	183	803
BT Retirement Fund	(54)	48	(6)
	<u>566</u>	<u>231</u>	<u>797</u>
Total	<u>(5,502)</u>	<u>(1,401)</u>	<u>(6,903)</u>

7. INVESTMENT INCOME

	\$'000	\$'000
<i>DIVISIONS A & F</i>		
Interest	7,326	16,465
Dividends	11,672	9,744
Other	(1,538)	3,309
Total	<u>17,460</u>	<u>29,518</u>
<i>DIVISION E</i>		
Interest	-	133
Total Investment Income	<u>17,460</u>	<u>29,651</u>

Local Government Superannuation Scheme Pool A

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

8. FUNDING ARRANGEMENTS

Compulsory Employer Contributions

The percentage of salary or wages of employees prescribed as the rate of compulsory employer (Superannuation Guarantee) contributions between 1 July 2001 to 30 June 2002 was 8% (2001: 8%).

Optional Employer Contributions

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

Optional Member Contributions

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

Optional Spouse Contributions

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

9. INVESTMENT STRATEGY SELECTION

Division A & F

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

INVESTMENT STRATEGY	MEMBERS AGE GROUP
----------------------------	--------------------------

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

Division E

Members must elect to invest in BT or one of the investment strategies outlined above. Members electing BT are able to nominate the proportion to be invested in either the BT Stable Capital Fund or BT Retirement Fund.

Local Government Superannuation Scheme Pool A

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

10. REMUNERATION OF AUDITORS

	2002 \$'000	2001 \$'000
Remuneration for audit of the financial report of the Scheme		
Andersen	20	46
Deloitte Touche Tohmatsu	10	-
Remuneration for other services		
Andersen	87	-
	<u>117</u>	<u>80</u>

11. GUARANTEED BENEFITS

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

12. VESTED BENEFITS

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

	2002 \$'000	2001 \$'000
Vested benefits as at 30 June	<u>689,368</u>	<u>583,357</u>

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:

	2002 \$'000	2001 \$'000
Cash at Bank	<u>23,655</u>	<u>12,914</u>

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

Local Government Superannuation Scheme Pool A

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

13. CASH FLOW INFORMATION (Continued)

	\$'000	\$'000
Benefits Accrued as a Result of Operations	152,021	186,621
Benefits Paid	(48,747)	(36,503)
Investment Revenue	28,597	(21,252)
	131,871	128,866
Changes in Assets and Liabilities		
Decrease / (Increase) in Receivables	6,197	(7,944)
Decrease / (Increase) in FITB	(3,989)	-
Increase / (Decrease) in Creditors	(1,395)	4,365
Increase / (Decrease) in Provision for Income Tax	(884)	(5,841)
Increase / (Decrease) in Provision for Deferred Income Tax	(1,855)	(800)
Non-operating Receivables/Payables/Transfers	663	2,599
	(1,263)	(7,621)
Net Cash Flow from Operating Activities	130,608	121,245

14. FINANCIAL INSTRUMENTS

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

For the purpose of these financial statements, a financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments include both primary instruments (such as receivables, payables and equity securities) and derivative instruments (such as financial options, foreign exchange transactions, forward rate agreements and interest rate and currency swaps). The Scheme's monies are invested in a variety of financial instruments included in the asset classes summarised in Note 1.

(i) Credit Risk Exposures

The net market value of financial assets, including derivatives, included in the financial report 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.

Local Government Superannuation Scheme Pool A

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

14. FINANCIAL INSTRUMENTS (Continued)

(iii) Derivatives

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

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

As at the reporting date, the Scheme did not hold any open positions in derivatives. The nominal principal amounts and net fair value of derivatives held by the Scheme at 30 June 2001 are as follows:

30 June 2001	Notional Principal Amounts \$'000	Net Market Value \$'000
Australian Fixed Interest Futures	285	2
Australian Share Price Index Futures	1,479	(10)
	1,764	(8)

(iv) Currency Risk Exposures

The Scheme's exposure at 30 June 2002 to foreign exchange rate movements on its international investments through the Units in the pooled superannuation trust were as follows:

30 June 2002	Currency Risk Exposure						
	Others A\$'000	USD A\$'000	EUR A\$'000	JPY A\$'000	GBP A\$'000	CHF A\$'000	Total A\$'000
Gross Investment Amounts denominated in foreign currency	7,404	79,160	21,315	13,560	14,692	5,192	141,323
Amount Effectively Hedged	-	-	-	-	-	-	-
NET EXPOSURE	7,404	79,160	21,315	13,560	14,692	5,192	141,323

30 June 2001	Currency Risk Exposure						
	Others A\$'000	EUR A\$'000	JPY A\$'000	GBP A\$'000	SEK A\$'000	SGD A\$'000	Total A\$'000
Gross Investment Amounts denominated in foreign currency	22,994	10,857	4,615	4,194	710	569	43,939
Amount Effectively Hedged	(30,859)	(149)	(124)	-	-	-	(31,132)
NET EXPOSURE	(7,865)	10,708	4,491	4,194	710	569	12,807

Local Government Superannuation Scheme Pool A

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

14. FINANCIAL INSTRUMENTS (Continued)

(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 market interest rates.

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

2002	INTEREST RATE MATURING				NON-INTEREST BEARING	WEIGHTED AVG INTEREST RATE	TOTAL
	FLOATING INTEREST RATE	WITHIN 12 MONTHS	1 – 5 YRS	OVER 5 YRS			
	\$'000	\$'000	\$'000	\$'000	\$'000	%	\$'000
Assets							
Cash and Cash Equivalents - Australia	39,704					4.43	39,704
Cash and Cash Equivalents - International	3,071					0.18	3,071
Short Term Securities		16,925				4.94	16,925
Australian Fixed Interest		10,174	47,985	109,299		5.05	167,458
Australian Equities					243,574		243,574
International Equity					192,040		192,040
Other Assets					30,013		30,013
Receivables					8,484		8,484
Total Financial Assets	42,775	27,099	47,985	109,299	474,112	0.02	701,270
Liabilities							
Payables					4,201		4,201
Provisions					1,370		1,370
Total Financial Liabilities					5,571		5,571

Local Government Superannuation Scheme Pool A

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

14. FINANCIAL INSTRUMENTS (Continued)

2001	INTEREST RATE MATURING				NON- INTEREST BEARING \$'000	TOTAL \$'000
	FLOATING INTEREST RATE \$'000	WITHIN 12 MONTHS \$'000	1 – 5 YRS \$'000	OVER 5 YRS \$'000		
Assets						
Cash & Cash Equivalent – Australia	18,202					18,202
Cash & Cash Equivalents – International	220					220
Short Term Deposits		8,140				8,140
Australian Fixed Interest			36,058	17,975		54,033
Australian Equities					279,866	279,866
International Equity					158,853	158,853
Other Assets					65,503	65,503
Receivables					17,313	17,313
Total Financial Assets	18,422	8,140	36,058	17,975	521,535	602,130
Weighted Average Interest Rate	4.36%	5.06%	5.85%	6.08%	0.00%	0.73%
Liabilities						
Payables					5,596	5,596
Provisions					4,109	4,109
Total Financial Liabilities					9,705	9,705

(vi) Net Fair Values of Financial Assets and Liabilities

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

(vii) Net Fair Values Disclosures

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Cash, cash equivalents and short term investments: The carrying amounts approximate fair value because of their short term maturity.

Non-current investments/securities: For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset, adjusted for transaction costs necessary to realise the asset. For investments where there is no quoted market price, the last sale price or calculated underlying value is used, adjusted for transaction costs.

Local Government Superannuation Scheme Pool A

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

15. 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 year ended 30th June 2002 are as follows:

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

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

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

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

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

(a) Remuneration received:	2002	2001
Due and receivable by directors of LGSS Pty Limited (for both Pool A and Pool B) during the financial year payable directly or indirectly, by LGSS Pty Limited or by any related party. A number of directors have their emoluments paid to their sponsoring shareholder. In 2002 the gross amount for all payments to directors and/or their employers have been included. In the 2001 comparative only payments made to directors have been included. Payments made to sponsoring shareholders amounted to \$197,290 in 2001.	\$	\$
	<u>301,294</u>	<u>104,004</u>

(b) Number of Directors whose total income falls within each successive \$10,000 band of income:		
\$ 0 - \$ 9,999	-	5
\$ 30,000 - \$ 39,999	7	3
\$ 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 as directors of LGSS Pty Limited, and for the reimbursement of administration costs incurred by the directors whilst attending to Trustee business.

Local Government Superannuation Scheme Pool A

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

16. SEGMENT INFORMATION

Primary Segment *Business Segments*

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

Secondary Segment *Geographical Segments*

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

17. SUBSEQUENT EVENTS

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

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