

**Local Government Superannuation Scheme
Pool A**

Financial Report

For the Year Ended 30 June 2003

Local Government Superannuation Scheme Pool A

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2003

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Local Government Superannuation Scheme Pool A

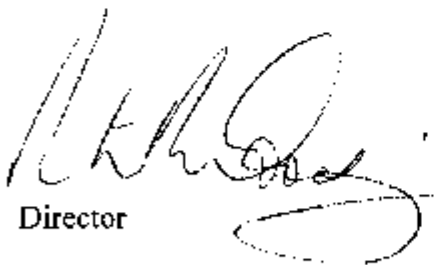
TRUSTEE STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

In the opinion of the Trustee of Local Government Superannuation Scheme Pool A:


1. The accompanying financial statements of the Local Government Superannuation Scheme Pool A are properly drawn up so as to present fairly the Financial Position of the Scheme as at 30 June 2003, the Operating Statement for the year ended 30 June 2003 and the Statement of Cash Flows for the year ended on that date;
2. The financial report has been prepared in accordance with the requirements of the Trust Deed; and
3. The accompanying financial statements have been drawn up in accordance with Australian Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views); and
4. The Scheme has been conducted in accordance with its constituent Trust Deed;
5. 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 Local Government Superannuation Scheme Pty Limited (ABN 68 078 003 497).

Signed at Sydney this 17th day of November 2003



Director



Director

Local Government Superannuation Scheme Pool A

OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

	Note	<u>2003</u> \$'000	<u>2002</u> \$'000
Investment Revenue			
Investment Revenue	10	37,011	17,460
Changes in Net Market Value of Investments	9	<u>(14,701)</u>	<u>(43,774)</u>
Total Investment Revenue		22,310	(26,314)
Investment Expenses		<u>(2,018)</u>	<u>(1,832)</u>
Net Investment Revenue		<u>20,292</u>	<u>(28,146)</u>
Contributions Revenue			
Employer Contributions	11	117,932	83,399
Member Contributions	11	8,028	10,972
Transfers In		<u>118,810</u>	<u>96,906</u>
Total Contribution Revenue		244,770	191,277
Other Revenue		64	-
Total Revenue		<u>265,126</u>	<u>163,131</u>
Expenses			
Superannuation Contributions Surcharge		(938)	(723)
Scheme Administration Expenses	1(e)	(7,116)	(1,722)
Insurance Premium		<u>(212)</u>	<u>(162)</u>
Total Expenses		<u>(8,266)</u>	<u>(2,607)</u>
Operating Result Before Income Tax		256,860	160,524
Income Tax Expense	5	<u>(16,359)</u>	<u>(8,503)</u>
Benefits Accrued as a Result of Operations		<u>240,501</u>	<u>152,021</u>

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

Local Government Superannuation Scheme Pool A

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003

	Note	2003 <u>\$'000</u>	2002 <u>\$'000</u>
Investments	1(b)		
Short Term Investments		14,995	36,244
Australian Fixed Interest		1,068	164,826
Australian Equities		-	202,294
International Investments		285	192,041
Property Trusts		-	41,280
Unit Trusts		832,956	-
Pooled Superannuation Trusts		10,644	25,825
Total Investments		<u>859,948</u>	<u>662,510</u>
Other Assets			
Cash	14(a)	9,058	23,655
Receivables	3	2,623	11,116
Deferred Tax Asset		7,397	3,989
Total Other Assets		<u>19,078</u>	<u>38,760</u>
Total Assets		<u>879,026</u>	<u>701,270</u>
Less:			
Liabilities			
Payables	4	953	4,201
Provision for Income Tax	5	5,503	1,370
Total Liabilities		<u>6,456</u>	<u>5,571</u>
Net Assets Available to Pay Benefits		<u>872,570</u>	<u>695,699</u>
Represented by:			
Liability for Accrued Benefits			
Funds Allocated to Members' Accounts	7	860,191	689,368
Funds Not Yet Allocated to Members' Accounts	6(b)	1,973	61
Administration Reserve	6(c)	528	571
Death or Invalidity Reserve	6(d)	4,423	4,495
Contribution Tax Reserve	6(e)	5,455	1,204
Total Liability for Accrued Benefits	6(a)	<u>872,570</u>	<u>695,699</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 2003

	Note	2003 \$'000	2002 \$'000
Cash Flows from Operating Activities			
Contributions Received from Employers		117,962	89,774
Contributions Received from Members		8,028	11,373
Transfers from Other Funds		118,810	95,854
Interest Received		36,916	354
Sundry Income Received		5,305	58
Benefits Paid		(63,630)	(48,644)
Investment Expenses Paid		(2,018)	(15)
Scheme Administration Expenses Paid	1(e)	(7,570)	-
Insurance Premiums Paid		(212)	(172)
Surcharge Paid		(938)	(723)
Income Tax Paid		<u>(15,111)</u>	<u>(17,251)</u>
Net Cash Provided from Operating Activities	14(b)	<u>197,542</u>	<u>130,608</u>
Cash Flows from Investing Activities			
Redemptions from Investments		74,882	34,558
Applications to Investments		<u>(287,021)</u>	<u>(149,833)</u>
Net Cash Used in Investing Activities		<u>(212,139)</u>	<u>(115,275)</u>
Cash Flows from Financing Activities			
Funding for Scheme Administration Expenses	1(e)	-	(4,592)
Net Cash Used in Financing Activities		-	<u>(4,592)</u>
Net Increase in Cash Held		(14,597)	10,741
Cash at the Beginning of the Financial Year		<u>23,655</u>	<u>12,914</u>
Cash at the End of the Financial Year	14(a)	<u>9,058</u>	<u>23,655</u>
Non-cash investing activities	14(c)	711,494	

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 2003

1. STATEMENT OF ACCOUNTING POLICIES

The following explains the significant accounting policies adopted in the preparation of the financial statements. Unless otherwise stated, such accounting policies were also adopted in the corresponding preceding reporting period.

(a) Basis of Preparation

The financial statements have been drawn up in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views, the provisions of the Trust Deed and relevant legislative requirements to the extent that they do not conflict with SIS legislation and AAS 25.

(b) Investments

DIVISION A & DIVISION F

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

The valuation of each class of investment as at 30 June 2003 is determined as follows:

Short Term Investments	Market rates
Unit Trusts	Redemption value of units based on market values of underlying assets as advised by the managers of the trusts
Australian and International Fixed Interest	Market rates
Equities - Australian	Stock exchange official quotation
- International	Valued at reporting date and translated in Australian dollars at current exchange rate
Property Trusts	Stock exchange official quotation.

On 30 November 2002, the Scheme transferred the majority of its investments into the Local Investment Fund (LIF) which is disclosed as Investments - Unit Trusts. This has created notable differences between the comparatives for the year ended 30 June 2003 and year ended 30 June 2002. At balance date certain investments continue to be held directly by the Scheme, namely short term investments.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(b) Investments (Continued)

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 Operating Statement, as changes in net market values. Corresponding investment management expenses are reflected in the unit redemption prices.

(c) Income Tax

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

The tax effect of the timing differences, which occur where items are allowed for income tax purposes in a period different from that in which they are recognised in the financial statements, is included as a deferred tax liability or deferred tax asset as applicable at current taxation rates.

Deferred tax assets attributable to timing differences are not brought to account unless realisation of the assets is assured beyond reasonable doubt. Deferred tax assets applicable to income tax losses are brought to account only where realisation is virtually certain.

(d) Contributions

Member and employer contributions were recorded on a cash basis.

Transfers from other funds are recognised on a cash basis. Amounts are recognised when transfer receipts are received by the Fund.

(e) Expenses

Scheme Administration Expenses includes all expenses of the fund for the year inclusive of expenses paid from the administration reserve and expense provisions that have been charged against investment returns.

Certain 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. Other administration expenses are also charged directly against investment returns to the member.

Scheme administration expenses are disclosed in the Statement of Cash Flows as part of the Scheme's operating activities.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(e) Expenses (Continued)

In the year ended 30 June 2002, the Scheme's administration expenses, with the exception of Group Life Premium, were funded by transfers out of the administration reserve and consequently the expenses were in the prior year disclosed in the Statement of Cash Flows as part of the Scheme's financing activities.

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

(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 at that date.

(h) 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. As there is insufficient information to provide a reliable indication of any outstanding surcharge liability, the Trustee is unable to determine the amount of the surcharge until assessments are received from the Australian Taxation Office. No assessed surcharge liability remains unpaid at year end.

As the surcharge is levied based upon individual members' taxable income any surcharge for the year ended 30 June 2003 subsequently levied against the Scheme will be charged to the relevant members' benefits or otherwise dealt with in accordance with the provisions of the Trust Deed and relevant legislation. The benefits of members not subject to the surcharge will be unaffected.

(i) Roundings

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

(j) 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 any GST recoverable from, or payable to, the Australian Taxation Office is included as an asset or liability in the Statement of Financial Position.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(j) Goods and Services Tax (GST) (Continued)

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(k) Benefits Paid and Payable

The Scheme recognises benefits on the date that they are paid to the member. Accordingly, benefits payable recognised in the Statement of Financial Position represent only those benefits where the payment has been processed by the Scheme but has not yet been issued to members.

2. DESCRIPTION OF THE 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). Local Government Superannuation Scheme Pty Limited acts as Trustee to the Scheme and holds in trust all assets of the Scheme. The Scheme is a reporting entity for accounting purposes.

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

The Scheme's custodial activities are provided by JP Morgan Chase bank (JP Morgan), from 23 May 2003. Prior to this date, custodial activities were performed by Commonwealth Custodial Services Limited.

Division F investments are managed by BT Funds Management Limited. Division E members have the option of investing in the investment strategies offered to the Division A and F members or maintaining BT as their funds manager.

Administration of the Scheme is conducted by Superannuation Services Company Pty Limited and Mellon Human Resources and Investor Solutions.

Secretariat Services are provided by Superannuation Services Company Pty Limited.

3. RECEIVABLES

	2003	2002
	\$'000	\$'000
Interest Income Receivable	-	30
Investment Income Due and Receivable	95	4,974
Investment Sales	-	393
Other Receivables	2,528	5,719
Total Receivables	2,623	11,116

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

4. PAYABLES	2003 \$'000	2002 \$'000
Investment Purchases	-	3,317
Other Payables	953	884
Total Payables	953	4,201

5. INCOME TAX

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

A rate of tax of 15% has been used on the assumption that the Scheme will continue to be a complying Scheme for the purposes of the Income Tax Assessment Act 1936, as amended.

Deferred tax assets of \$3,698,539 (2002: \$0) attributable to unrealised capital losses have not been recognised because the trustee does not believe that realisation of such assets is virtually certain.

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

- (a) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- (b) conditions from deductibility imposed by the law are complied with; and
- (c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

	2003 \$'000	2002 \$'000
The calculation of tax provided for is as follows:		
Operating result before income tax	256,860	160,524
Prima facie tax @ 15%	38,529	24,079
Permanent Differences		
Non-assessable/deductible Investment Revenue/Losses	(495)	2,055
Non-assessable Contributions (includes Transfers)	(19,026)	(16,167)
Imputation and Foreign Tax Credits	(2,125)	(363)
Other Income	21	-
Anti Detriment Deduction	(105)	(27)
Current Pension Liability Exemption	(605)	(434)
Death or Invalidity Assurance	-	(227)
Contributions Surcharge	141	108
Non-deductible Expenses	-	(5)
	16,335	9,019
Prior Year Tax Refund	-	(9)
Under/(Over) Provision for Last Year	24	(507)
Income Tax Expense	16,359	8,503

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

5. INCOME TAX (Continued)	2003 \$'000	2002 \$'000
Income Tax Expense calculated at 15% comprises:		
Current Income Tax Payable	21,867	16,659
Less: Tax Credits	<u>(2,125)</u>	<u>(1,796)</u>
Current Income Tax Payable	19,742	14,863
Prior Year Tax Refund	-	(9)
Under/(Over) Provision for Last Year	24	(507)
Deferred Income Tax Expense	<u>(3,407)</u>	<u>(5,844)</u>
Income Tax Expense	<u>16,359</u>	<u>8,503</u>
Current Tax Payable	19,742	14,863
Less: Instalment Paid	<u>(14,239)</u>	<u>(13,493)</u>
Provision for Income Tax	<u>5,503</u>	<u>1,370</u>
6. LIABILITY FOR ACCRUED BENEFITS		
	2003	2002
	\$'000	\$'000
(a) Changes in the Liability for Accrued Benefits		
Liability for Accrued Benefits – at Beginning of the Year	695,699	592,425
Add: Benefits Accrued as a Result of Operations	240,501	152,021
Less: Benefits Paid		
- Members' Accounts	(62,225)	(48,149)
- Death or Invalidity Reserve	(1,783)	(598)
- Net transfer to/(from) Reserve	378	-
Liability for Accrued Benefits - at End of Year	<u>872,570</u>	<u>695,699</u>
(b) Funds Not Yet Allocated to Members' Accounts	<u>1,973</u>	<u>61</u>
Funds not yet allocated to members' accounts relate mainly to:		
1. Timing differences between receipt of investment earnings & allocation to members in the unit price; and		
2. Timing differences between the receipt of Contributions and receipt of information required for allocation.		
	2003	2002
	\$'000	\$'000
(c) Movement in Administration Reserve		
Balance at the Beginning of the Year	571	566
Transfer from Members' Accounts	1,938	1,727
Administration Fee Paid	<u>(1,981)</u>	<u>(1,722)</u>
Balance at End of the Year	<u>528</u>	<u>571</u>

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

6. LIABILITY FOR ACCRUED BENEFITS (Continued)	2003	2002
	\$'000	\$'000
(d) Movement in Death and Invalidity Reserve		
Balance at the Beginning of the Year	4,495	3,622
Transfer from Members' Accounts	1,906	1,471
Death or Invalidity Benefits Paid	<u>(1,978)</u>	<u>(598)</u>
Balance at the End of the Year	<u>4,423</u>	<u>4,495</u>

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 2003 but have not been settled by that date.

(e) Movement in Contribution Tax Reserve		
Balance at the Beginning of the Year	1,204	92
Transfer from Members' Accounts	17,468	13,002
Contribution Tax Paid	<u>(13,217)</u>	<u>(11,890)</u>
Balance at the End of the Year	<u>5,455</u>	<u>1,204</u>

7. 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.

	2003	2002
	\$'000	\$'000
Vested benefits as at 30 June	<u>860,191</u>	<u>689,368</u>

8. GUARANTEED BENEFITS

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

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

9. CHANGES IN NET MARKET VALUE

30 JUNE 2003

	HELD AT REPORTING DATE \$'000	REALISED DURING THE YEAR \$'000	TOTAL \$'000
<i>Divisions A & F</i>			
Australian Fixed Interest	-	2,497	2,497
Australian Equities	19	(10,917)	(10,898)
International Investments	(156)	3,819	3,663
Unit Trusts	(10,260)	-	(10,260)
Property Trusts	-	793	793
	<u>(10,397)</u>	<u>(3,808)</u>	<u>(14,205)</u>
<i>Division E</i>			
BT Stable Capital Fund	345	97	442
BT Retirement Fund	(174)	(764)	(938)
	<u>171</u>	<u>(667)</u>	<u>(496)</u>
Total	<u>(10,226)</u>	<u>(4,475)</u>	<u>(14,701)</u>

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>

10. INVESTMENT INCOME

	2003 \$'000	2002 \$'000
Interest	6,225	7,326
Dividends	4,458	11,672
Unit Trusts	26,308	-
Other	20	(1,538)
Total Investment Income	<u>37,011</u>	<u>17,460</u>

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

11. 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 2002 to 30 June 2003 was 9% (2002: 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 may make voluntary contributions on behalf of their spouse, as defined in the Act, 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.

12. 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 nominate one of the investment strategies listed 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 2003

13. REMUNERATION OF AUDITORS

	2003	2002
	\$	\$
Remuneration for audit of the financial report of the Scheme		
Deloitte Touche Tohmatsu	8,712	8,745
	8,712	8,745

14. CASH FLOW INFORMATION

(a) Reconciliation of Cash

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

	2003	2002
	\$'000	\$'000
Cash at Bank	9,058	23,655

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

(b) Reconciliation of Benefits Accrued as a Result of Operations to Net Cash Flows provided by Operating Activities

	2003	2002
	\$'000	\$'000
Benefits Accrued as a Result of Operations	240,501	152,021
Benefits Paid	(63,630)	(48,747)
Movement in Net Market Value of Investments	14,701	28,597
	191,572	131,871
Changes in Assets and Liabilities		
Decrease / (Increase) in Receivables	8,493	6,197
Decrease / (Increase) in Deferred Tax Asset	(3,408)	(3,989)
Increase / (Decrease) in Creditors	(3,248)	(1,395)
Increase / (Decrease) in Provision for Income Tax	4,133	(884)
Increase / (Decrease) in Deferred Tax Liability	-	(1,855)
Non-operating Receivables/Payables/Transfers	-	663
	5,970	(1,263)
Net Cash Flow from Operating Activities	197,542	130,608

(c) Non-cash investing activities

During the year, the following investments were transferred into the Local Investment Fund from Local Government Pool A (refer to note 1b)

	711,494
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Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

15. FINANCIAL INSTRUMENTS

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

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

(i) Credit Risk Exposures

The net market value of financial assets, including derivatives, included in the Statement of Financial Position 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. The underlying assets of the Scheme's investment in the Local Investment Fund are managed by a number of unrelated investment managers.

(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.

(iii) Derivatives

Derivatives are used by the unit trust managers in managing portfolios as 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.

The Scheme has no direct exposure to derivatives.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

15. FINANCIAL INSTRUMENTS (Continued)

(iv) Currency Risk Exposures

The Scheme's exposure to foreign exchange rate movements on its international investments as at the reporting date is as follows:

30 June 2003	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	285	-	-	-	-	-	285
Amount Effectively Hedged	-	-	-	-	-	-	-
NET EXPOSURE	285	-	-	-	-	-	285

30 June 2002	Currency Risk Exposure						
	Others A\$'000	USD A\$'000	EUR A\$'000	JPY A\$'000	GBR 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

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

15. 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 investments at 30 June 2003 involve cash and cash equivalents, longer dated fixed interest investments and equities. Longer dated fixed interest investments result in the Scheme having exposure to interest rate movements.

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

2003	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	9,058	-	-	-	-	3.61	9,058
Cash and Cash Equivalents - International	-	14,995	-	-	-	4.90	14,995
Short Term Securities	-	-	-	-	832,956	-	832,956
Unit Trust	-	-	-	-	1,068	-	1,068
Australian Fixed Interest	-	-	-	-	-	-	-
Australian Equities	-	-	-	-	10,644	-	10,644
Pooled Superannuation Trusts	-	-	-	-	285	-	285
International Equity	-	-	-	-	2,623	-	2,623
Receivables	-	-	-	-	-	-	-
Total Financial Assets	9,058	14,995	-	-	847,576		871,629
Liabilities							
Payables	-	-	-	-	953	-	953
Provisions	-	-	-	-	5,503	-	5,503
Total Financial Liabilities	-	-	-	-	6,456		6,456

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

15. FINANCIAL INSTRUMENTS (Continued)

(v) Interest Rate Risk (Continued)

2002	FLOATING INTEREST RATE	INTEREST RATE MATURING			NON- INTEREST BEARING	WEIGHTED AVG INTEREST RATE	TOTAL
		WITHIN 12 MONTHS	1 - 5 YRS	OVER 5 YRS			
	\$'000	\$'000	\$'000	\$'000	\$'000	%	\$'00
Assets							
Cash & Cash Equivalent - Australia	39,704	-	-	-	-	4.43	39,70
Cash & Cash Equivalents - International	3,071	-	-	-	-	0.18	3,07
Short Term Securities	-	16,925	-	-	-	4.94	16,92
Australian Fixed Interest	-	10,174	47,985	109,299	-	5.05	167,45
Australian Equities	-	-	-	-	243,574	-	243,57
International Equity	-	-	-	-	192,040	-	192,04
Other Assets	-	-	-	-	26,025	-	26,02
Receivables	-	-	-	-	8,484	-	8,48
Total Financial Assets	42,775	27,099	47,985	109,299	470,123		697,28
Liabilities							
Payables	-	-	-	-	4,201	-	4,20
Provisions	-	-	-	-	1,370	-	1,37
Total Financial Liabilities	-	-	-	-	5,571		5,57

(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 2003

16. RELATED PARTY INFORMATION

(a) The Trustee of the Scheme is Local Government Superannuation Scheme (LGSS) Pty Limited. The names of the directors of LGSS Pty Limited in office during or since the end of the year ended 30th June 2003 are as follows:

Employer representatives	Employee representatives
Mr P Woods OAM	Mr I Robertson
Mr J Wearne	Mr J Ernst
Mr L Kelly	Mr B Mason
Ms B O'Connor (resigned 1 September 2003)	Mr M O'Connell
Ms B Giegerl (appointed 1 September 2003)	

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

The above Directors are also directors of LIF Pty Limited a wholly owned subsidiary of the Trustee. LIF Pty Limited is the Trustee of the Local Investment Fund, which the scheme has an investment in, of \$832,956,000 at 30 June 2003 (2002: Nil).

(b) Remuneration received:

	2003	2002
	\$	\$
Remuneration due and receivable by the directors of Local Government Superannuation Scheme Pty Limited during the financial year payable directly or indirectly, by Local Government Superannuation Scheme Pty Limited. A number of directors have their emoluments paid to their sponsoring shareholder.	<u>304,084</u>	<u>301,294</u>

Number of Directors whose total income falls within each successive \$10,000 band of income:

\$ 30,000 - \$ 39,999	7	7
\$ 50,000 - \$ 59,999	1	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 their related entities, except for the directors fees as set out in note 16(b) 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 2003

17. SEGMENT INFORMATION

Primary Segment

Business Segments

The Scheme operates solely to provide benefits to its members in accordance with the Trust Deed and relevant legislative requirements.

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.

18. SUBSEQUENT EVENTS

No significant events have occurred since balance date which would impact on the financial position of the Scheme as disclosed in the Statement of Financial Position as at 30 June 2003 or on the results and cash flows of the Funds for the year ended on that date.

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LOCAL GOVERNMENT SUPERANNUATION SCHEME POOL A

INDEPENDENT REPORT BY APPROVED AUDITOR TO THE MEMBERS

(A) Financial Statements

Scope

I have audited the financial statements of Local Government Superannuation Scheme Pool A for the year ended 30 June 2003 as set out on pages 4 to 22. The superannuation entity'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 members of Local Government Superannuation Scheme Pool A.

My audit has been conducted in accordance with Australian Auditing and Assurance Standards 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 and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with my understanding of the superannuation entity's financial position, the results of its operations and its cash flows.

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

Audit Opinion

In my opinion the financial statements present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of Local Government Superannuation Scheme Pool A as at 30 June 2003 and the results of its operations and its cash flows for the year ended 30 June 2003.

(B) Compliance

Scope

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

- (a) complied with the relevant requirements of the following provisions (to the extent applicable) of the *Superannuation Industry (Supervision) Act 1993* and Regulations:

Sections 19(2), 19(3), 36, 65, 66, 67, 69 to 85, 86 to 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) the relevant requirements of the following provisions (to the extent applicable) of the *Corporations Act 2001* and Regulations:

Sections 1012A, 1012B, 1012C, 1012F, 1012G(3), 1012H(2), 1012I, 1013D, 1013K(1) or (2), 1016A(2) or (3), 1017B(1), 1017B(5), 1017C(2), 1017C(3) or (5), 1017D(1), 1017D(3), 1017D(3A), 1017DA(3), 1017E(2), 1017E(3) or (4), 1020E(8) or (9); and

Regulation 7.9.32(3); and

- (c) adhered to the Guidelines for preparing risk management statements ("Guidelines") issued by APRA in Circular ILD.7 on Derivatives (to the extent applicable)

for the year ended 30 June 2003.

My procedures included examination, on a test basis, of evidence supporting compliance with those requirements of the *Superannuation Industry (Supervision) Act 1993* and Regulations and *Corporations Act 2001* 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 Statement was to be prepared by the superannuation entity's trustee under the Guidelines contained in APRA Circular ILD.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 superannuation entity'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 or the *Corporations Act 2001* and Regulations apart from those specified. The superannuation entity's trustee is responsible for complying with the *Superannuation Industry (Supervision) Act 1993* and Regulations and the *Corporations Act 2001* and Regulations and appropriately applying the Guidelines.

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

Audit Opinion

In my opinion the trustee of Local Government Superannuation Scheme Pool A has complied, in all material respects, with the requirements of the *Superannuation Industry (Supervision) Act 1993* and Regulations and the *Corporations Act 2001* and Regulations and applied the Guidelines specified above for the year ended 30 June 2003.



DELOITTE TOUCHE TOHMATSU



Richard Rassi

Partner

Chartered Accountants

17 November 2003