

**Local Government Superannuation Scheme
Pool A**

Financial Report

For the Year Ended 30 June 2004

Local Government Superannuation Scheme Pool A

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

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Local Government Superannuation Scheme Pool A

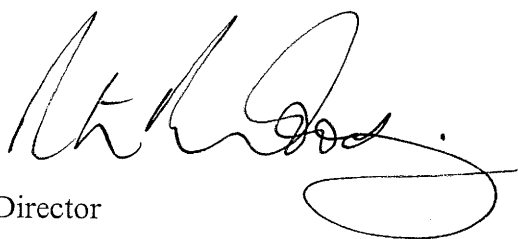
TRUSTEE STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

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 2004, the Operating Statement for the year ended 30 June 2004 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 Trustees' 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 (ABN 68 078 003 497).

Signed at Sydney this 20th day of October 2004



Director



Director

Local Government Superannuation Scheme Pool A

OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

	Note	<u>2004</u> \$'000	<u>2003</u> \$'000
Investment Revenue			
Investment Revenue	10	60,439	37,011
Changes in Net Market Value of Investments	9	<u>61,448</u>	<u>(14,701)</u>
Total Investment Revenue		121,887	22,310
Investment Expenses		<u>(3,151)</u>	<u>(2,018)</u>
Net Investment Revenue		<u>118,736</u>	<u>20,292</u>
Contributions Revenue			
Employer Contributions	11	136,248	117,932
Member Contributions	11	7,588	8,028
Transfers In		<u>118,157</u>	<u>118,810</u>
Total Contribution Revenue		261,993	244,770
Other Revenue		14	64
Total Revenue		<u>380,743</u>	<u>265,126</u>
Expenses			
Superannuation Contributions Surcharge		(1,079)	(938)
Scheme Administration Expenses	1(e)	(9,001)	(7,116)
Insurance Premium		<u>-</u>	<u>(212)</u>
Total Expenses		<u>(10,080)</u>	<u>(8,266)</u>
Operating Result Before Income Tax		370,663	256,860
Income Tax Expense	5	<u>(31,434)</u>	<u>(16,359)</u>
Benefits Accrued as a Result of Operations		<u>339,229</u>	<u>240,501</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 2004

	Note	2004 <u>\$'000</u>	2003 <u>\$'000</u>
Investments	1(b)		
Short Term Investments		21,597	14,995
Australian Fixed Interest		(102)	1,068
International Investments		279	285
Unit Trusts		1,102,705	832,956
Pooled Superannuation Trusts		<u>11,040</u>	<u>10,644</u>
Total Investments		<u>1,135,519</u>	<u>859,948</u>
 Other Assets			
Cash	14(a)	18,784	9,058
Receivables	3	501	2,623
Deferred Tax Asset		-	7,397
Total Other Assets		<u>19,285</u>	<u>19,078</u>
Total Assets		<u>1,154,804</u>	<u>879,026</u>
 Less:			
Liabilities			
Payables	4	5,408	953
Current Tax Liability	5	8,149	5,503
Deferred Tax Liability		3,000	-
Total Liabilities		<u>16,557</u>	<u>6,456</u>
 Net Assets Available to Pay Benefits		<u>1,138,247</u>	<u>872,570</u>
 Represented by:			
Liability for Accrued Benefits			
Funds Allocated to Members' Accounts	7	1,129,053	860,191
Funds Not Yet Allocated to Members' Accounts	6(b)	3,390	1,973
Administration Reserve	6(c)	777	528
Death or Invalidity Reserve	6(d)	4,469	4,423
Contribution Tax Reserve	6(e)	<u>558</u>	<u>5,455</u>
Total Liability for Accrued Benefits	6(a)	<u>1,138,247</u>	<u>872,570</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 2004

	Note	2004 \$'000	2003 \$'000
Cash Flows from Operating Activities			
Contributions Received from Employers		136,248	117,962
Contributions Received from Members		7,588	8,028
Transfers from Other Funds		118,157	118,810
Income Received		60,457	36,916
Sundry Income Received		5,898	5,305
Benefits Paid		(76,830)	(63,630)
Investment Expenses Paid		(3,151)	(2,018)
Scheme Administration Expenses Paid		(5,047)	(7,570)
Insurance Premiums Paid		-	(212)
Surcharge Paid		(1,079)	(938)
Income Tax Paid		(18,392)	(15,111)
Net Cash Provided from Operating Activities	14(b)	<u>223,849</u>	<u>197,542</u>
Cash Flows from Investing Activities			
Redemptions from Investments		93,078	74,882
Applications to Investments		(307,201)	(287,021)
Net Cash (Used in) Investing Activities		<u>(214,123)</u>	<u>(212,139)</u>
Net Increase/(Decrease) in Cash Held		9,726	(14,597)
Cash at the Beginning of the Financial Year		<u>9,058</u>	<u>23,655</u>
Cash at the End of the Financial Year	14(a)	<u>18,784</u>	<u>9,058</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 2004

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 2004 is determined as follows:

Short Term Investments	Market rates
Unit Trusts and Pooled Superannuation 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 - International	Stock exchange official quotation 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.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

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 Scheme.

(e) Expenses

Scheme Administration Expenses includes all expenses of the Scheme 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.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(e) Expenses (Continued)

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 as is 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 2004 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 2004

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.

(l) Impact of Adopting Australian Equivalents of International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the fund must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the Fund's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The Fund has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the operations and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the Fund's financial reports in the future. The potential impacts on the Fund's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

The key potential implications of the conversion to IFRS on the Fund are as follows:

The key potential implications of the conversion to IFRS on the Fund are as follows:

- income tax will be calculated based on the "balance sheet" approach, which will impact on the Methodology and disclosures in the financial statements but should not impact the values reported in the financial statements.
- changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(I) Impact of Adopting Australian Equivalents of International Financial Reporting Standards

- financial assets and liabilities will be subject to recognition, measurement and disclosure requirements of AASB 132 and 139 to the extent that the requirements do not conflict with AAS 25. AAS 25 does not currently contain prescriptive measurement or disclosure criteria for liabilities, although it will continue to require assets to be measured at net market value.
- financial statement disclosures may be impacted by AASB 101 to the extent that AAS 25 is silent on disclosure requirements
- transitional rules set out in AASB 1 will apply to the first IFRS reporting period.

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). 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 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 E investments are managed by BT Funds Management Limited (BT). 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 fund manager.

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

Superannuation Services Company Pty Limited ceased providing secretariat services on 31 December 2003. FuturePlus Financial Services Pty Limited commenced secretariat service from 1 January 2004 onwards.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

3. RECEIVABLES	2004	2003
	\$'000	\$'000
Investment Income Due and Receivable	-	95
Other Receivables	501	2,528
Total Receivables	<u>501</u>	<u>2,263</u>

4. PAYABLES	2004	2003
	\$'000	\$'000
Other Payables	5,408	953
Total Payables	<u>5,408</u>	<u>953</u>

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.

In the prior year of 2003 deferred tax assets of \$3,698,539 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:

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

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

5. INCOME TAX (Continued)

	2004 \$'000	2003 \$'000
The calculation of tax provided for is as follows:		
Operating result before income tax	370,663	256,860
Prima facie tax @ 15%	55,599	38,529
Permanent Differences		
Non-assessable/deductible Investment Revenue/Losses	713	(495)
Non-assessable Contributions (includes Transfers)	(18,862)	(19,026)
Imputation and Foreign Tax Credits	(5,773)	(2,125)
Other Income	-	21
Anti Detriment Deduction	(144)	(105)
Current Pension Liability Exemption	(988)	(605)
Death or Invalidity Assurance	(256)	-
Contributions Surcharge	162	141
	<u>30,451</u>	<u>16,335</u>
Timing differences	391	-
	<u>30,842</u>	<u>16,335</u>
Under Provision for in prior year	592	24
Income Tax Expense	<u>31,434</u>	<u>16,359</u>
	2004 \$'000	2003 \$'000
Income Tax Expense calculated at 15% comprises:		
Current Tax Liability	26,218	21,867
Less: Tax Credits	(5,773)	(2,125)
Current Tax Liability	<u>20,445</u>	<u>19,742</u>
Prior Year Tax Refund	-	-
Under Provision in prior year	592	24
Deferred Income Tax Expense	10,397	(3,407)
Income Tax Expense	<u>31,434</u>	<u>16,359</u>
Current Tax Liability	20,445	19,742
Less: Instalment Paid	(12,296)	(14,239)
Current Tax Liability	<u>8,149</u>	<u>5,503</u>

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

6. LIABILITY FOR ACCRUED BENEFITS

	2004	2003
	\$'000	\$'000
(a) Changes in the Liability for Accrued Benefits		
Liability for Accrued Benefits – at Beginning of the Year	872,570	695,699
Add: Benefits Accrued as a Result of Operations	339,229	240,501
Less: Benefits Paid		
- Members' Accounts	(72,594)	(62,225)
- Death or Invalidation Reserve	(2,105)	(1,783)
- Net transfer to/(from) Reserve	(2,131)	378
Transfer in Unit Price Equalisation reserve	3,278	-
Liability for Accrued Benefits - at End of Year	1,138,247	872,570
(b) Funds Not Yet Allocated to Members' Accounts	3,390	1,973

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.
3. The Scheme operates a Unit Pricing Fluctuation Reserve for the purpose of allowing reimbursement to Member's who have been disadvantaged by an error or anomaly to the unit price they have been allocated and that amount cannot be recovered from external sources. The maximum amount that will be maintained in this reserve for this purpose is 0.3% of assets. If the reserve exceeds this figure for any reason that excess amount will be credited to earnings and distributed to Members

	2004	2003
	\$'000	\$'000
(c) Movement in Administration Reserve		
Balance at the Beginning of the Year	528	571
Transfer from Members' Accounts	2,867	1,938
Administration Fee Paid	(2,618)	(1,981)
Balance at End of the Year	777	528

	2004	2003
	\$'000	\$'000
(d) Movement in Death and Invalidation Reserve		
Balance at the Beginning of the Year	4,423	4,495
Transfer from Members' Accounts	1,746	1,906
Death or Invalidation Benefits Paid	(1,700)	(1,978)
Balance at the End of the Year	4,469	4,423

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

6. LIABILITY FOR ACCRUED BENEFITS (Continued)

	2004 \$'000	2003 \$'000
(e) Movement in Contribution Tax Reserve		
Balance at the Beginning of the Year	5,455	1,204
Transfer from Members' Accounts	20,154	17,468
Contribution Tax Paid	(20,299)	(13,217)
Transfer to funds not yet allocated to members	(4,752)	-
Balance at the End of the Year	558	5,455

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.

	2004 \$'000	2003 \$'000
Vested benefits as at 30 June	1,129,053	860,191

8. GUARANTEED BENEFITS

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

9. CHANGES IN NET MARKET VALUE

30 JUNE 2004

	HELD AT REPORTING DATE \$'000	REALISED DURING THE YEAR \$'000	TOTAL \$'000
<i>Divisions A & F</i>			
Unit Trusts	56,479	-	56,479
Australian Fixed Interest	-	2,171	2,171
International Investments	1,766	35	1,801
	58,245	2,206	60,451
<i>Division E</i>			
BT Stable Capital Fund	58	333	391
BT Retirement Fund	69	537	606
	127	870	997
Total	58,372	3,076	61,448

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

9. CHANGES IN NET MARKET VALUE (Continued)

30 JUNE 2003

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

10. INVESTMENT INCOME

	2004 \$'000	2003 \$'000
Interest	1,086	6,225
Dividends	-	4,458
Unit Trusts	59,276	26,308
Other	77	20
Total Investment Income	60,439	37,011

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 2003 to 30 June 2004 was 9% (2003: 9%).

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.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

11. FUNDING ARRANGEMENTS (Continued)

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.

13. REMUNERATION OF AUDITORS

	2004	2003
	\$	\$
Remuneration for audit of the financial report of the Scheme		
Deloitte Touche Tohmatsu	35,859	8,712
	<u>35,859</u>	<u>8,712</u>

Note: In the current year, the allocation of the audit fee has been charged as 30% for LGSS Pool A and 70% for LGSS Pool B (2003: 10% for LGSS Pool A and 90% for LGSS Pool B).

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

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:

	2004 \$'000	2003 \$'000
Cash at Bank	<u>18,784</u>	<u>9,058</u>

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

	2004 \$'000	2003 \$'000
Benefits Accrued as a Result of Operations	339,229	240,501
Benefits Paid	(76,830)	(63,630)
Movement in Net Market Value of Investments	<u>(61,448)</u>	<u>14,701</u>
	<u>200,951</u>	<u>191,572</u>
Changes in Assets and Liabilities		
Decrease / (Increase) in Receivables	95	8,493
Decrease / (Increase) in Deferred Tax Asset	11,025	(3,408)
Increase / (Decrease) in Creditors	9,761	(3,248)
Increase / (Decrease) in Current Tax Liability	2,017	4,133
	<u>22,898</u>	<u>5,970</u>
Net Cash Flow from Operating Activities	<u>223,849</u>	<u>197,542</u>

(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)

	<u>-</u>	<u>711,494</u>
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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 2004

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 2004

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 2004	Currency Risk Exposure						
	Others AS'000	USD AS'000	EUR AS'000	JPY AS'000	GBP AS'000	CHF AS'000	Total AS'000
Gross Investment Amounts denominated in foreign currency	279	-	-	-	-	-	279
Amount Effectively Hedged	-	-	-	-	-	-	-
NET EXPOSURE	279	-	-	-	-	-	279

30 June 2003	Currency Risk Exposure						
	Others AS'000	USD AS'000	EUR AS'000	JPY AS'000	GBR AS'000	CHF AS'000	Total AS'000
Gross Investment Amounts denominated in foreign currency	285	-	-	-	-	-	285
Amount Effectively Hedged	-	-	-	-	-	-	-
NET EXPOSURE	285	-	-	-	-	-	285

(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 2004 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.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

2004	INTEREST RATE MATURING				NON-WEIGHTED 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	18,784	-	-	-	-	4.66	18,784
Short Term Securities	-	10,000	-	-	11,597	5.33	21,597
Unit Trust	-	-	-	-	1,102,705	-	1,102,705
Australian Fixed Interest	-	-	-	-	(102)	-	(102)
Pooled Superannuation Trusts	-	-	-	-	11,040	-	11,040
International Equity	-	-	-	-	279	-	279
Receivables	-	-	-	-	501	-	501
Total Financial Assets	18,784	10,000	-	-	1,126,020		1,154,804
Liabilities							
Payables	-	-	-	-	5,408	-	5,408
Provisions	-	-	-	-	-	-	-
Total Financial Liabilities	-	-	-	-	5,408		5,408

2003	INTEREST RATE MATURING				NON-WEIGHTED 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 & Cash Equivalent –							
Australia	9,058	-	-	-	-	3.61	9,058
Short Term Securities	-	14,995	-	-	-	4.90	14,995
Unit Trust	-	-	-	-	832,956	-	832,956
Australian Fixed Interest	-	-	-	-	1,068	-	1,068
Australian Equities	-	-	-	-	-	-	-
International Equity	-	-	-	-	285	-	285
Pooled Superannuation Trusts	-	-	-	-	10,644	-	10,644
Receivables	-	-	-	-	2,623	-	2,623
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

(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.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

(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.

16. RELATED PARTY INFORMATION

(a) The Trustee of the Scheme is LGSS Pty Limited (ABN 68 078 003 497). The names of the Directors of LGSS Pty Limited in office during or since the end of the year ended 30 June 2004 are as follows:

Employer representatives

Mr P Woods OAM
Mr J Wearne
Mr L Kelly
Ms B O'Connor (resigned 1 September 2003)
Ms B Giegerl (appointed 1 September 2003)

Employee representatives

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.

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 \$1,103 million at 30 June 2004 (2003:\$833 million). Revenue earned from the Local Investment Fund was \$115.755 million (2003 \$16.048 million).

(b) Remuneration received:

Remuneration due and receivable by the Directors of LGSS Pty Limited during the financial year payable directly or indirectly, by LGSS Pty Limited. A number of directors have their emoluments paid to their sponsoring shareholder.

	2004	2003
	\$	\$
	<u>369,584</u>	<u>304,084</u>

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	2004	2003
Number of Directors whose total income falls within each successive \$10,000 band of income:	\$	\$
\$0 - \$9,999	1	-
\$ 30,000 - \$39,999	1	7
\$40,000 - \$49,999	6	-
\$50,000 - \$ 59,999	-	1
\$60,000 - \$69,999	1	-
	9	8
	9	8

(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.

(d) Other Related Party Transactions

During the period 01 July 2003 to 31 December 2003, Superannuation Services Company Pty Limited was paid investment management and administration fees of \$5,573,448 (2003: \$9,979,16), for Local Government Superannuation Scheme Pool A and Pool B.

During the period 01 January 2004 to 30 June 2004, FuturePlus Financial Services Pty Limited was paid investment management and administration fees of \$8,925,971 (2003 : \$1,874,219)), for Local Government Superannuation Scheme Pool A and Pool B.

Local Government Superannuation Scheme holds 50% of the share capital of Future Plus Financial Services Pty Limited, which provides management, and administrative services, financial planning and post retirement planning services to the Local Government Superannuation Schemes. Superannuation Services Company is a wholly owned subsidiary of Future Plus Financial Services Pty Limited. Included within the investments of Local Government Superannuation Scheme Pool B is the value of this 50% holding \$6,900,000 (2003 : \$4,480,000).

Included within the liabilities of Local Government Superannuation Scheme Pool A is an amount owing to Future Plus Financial Services Pty Ltd For \$252,210 (2003 : Nil).

Local Government Superannuation Scheme holds 33.33% of the share capital of Chifley Financial Services Limited, which provides management, and administrative services, financial planning and post retirement planning services to the Local Government Superannuation Schemes. Included within the investments of Local Government Superannuation Scheme Pool B is the value of this 33.33% holding \$4,983,000 (2003 : \$6,352,500).

Included within the Investments of Local Government Superannuation Scheme Pool A are amounts held with Chifley Investment Fund \$11,576,987 (2003 : Nil). Revenue earned from the Chifley Investment Fund was \$76,987 (2003 : Nil). Chifley Financial Services Limited is the trustee of the Chifley Investment Fund.

Local Government Superannuation Scheme Pool A

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

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 Net Assets as at 30 June 2004 or on the results for the year ended on that date.

Independent Report by Approved Auditor to the Members of Local Government Superannuation Scheme Pool A

(A) Financial Statements

Scope

I have audited the financial statements of Local Government Superannuation Scheme Pool A for the year ended 30 June 2004 as set out on pages 4 to 24 attached. 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 2004 and the results of its operations and its cash flows for the year ended 30 June 2004.

(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, 121A, 122, 124, 125, 152, 153, 154;
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) complied with the Reporting Standards made under section 13 of the *Financial Sector (Collection of Data) Act 2001* that are subject to audit (to the extent applicable); and

- (c) complied with the relevant requirements of the following provisions (to the extent applicable) of the *Corporations Act 2001* and Regulations:
Sections 1012A, 1012B, 1012F, 1012G(3), 1012H(2), 1012I, 1013D, 1013K(1), 1013K(2), 1016A(2), 1016A(3), 1017B(1), 1017B(5), 1017C(2), 1017C(3), 1017C(5), 1017C(8), 1017D(1), 1017D(3), 1017D(3A), 1017DA(3), 1017E(2), 1017E(3), 1017E(4), 1020E(8) and 1020E(9); and
Regulation 7.9.32(3); and
- (d) adhered to the Guidelines for preparing risk management statements (“Guidelines”) issued by APRA in Circular II.D.7 on Derivatives (to the extent applicable)
for the year ended 30 June 2004; and
- (e) complied with the requirement to prepare and lodge the respective returns comprising the APRA Annual Return.

My procedures included examination, on a test basis, of evidence supporting compliance with those requirements of the *Superannuation Industry (Supervision) Act 1993* and Regulations, the *Financial Sector (Collection of Data) Act 2001* 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 trustees under the Guidelines contained in APRA Circular II.D.7 at any time during the year of income. These procedures indicated that only a Part A Risk Management Statement should be prepared by the superannuation entity’s trustees. 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, the *Financial Sector (Collection of Data) Act 2001* 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, the *Financial Sector (Collection of Data) Act 2001* 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, the Reporting Standards made under section 13 of the *Financial Sector (Collection of Data) Act 2001* and the *Corporations Act 2001* and Regulations and applied the Guidelines specified above for the year ended 30 June 2004.

DELOITTE TOUCHE TOHMATSU



Richard Rassi
Partner
Chartered Accountants

22 October 2004