

annual report **statutory
information**



BOX 12 GPO, SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

ENERGY INDUSTRIES SUPERANNUATION SCHEME POOL B

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

(A) Financial Statements

Scope

I have audited the accounts of the Energy Industries Superannuation Scheme Pool B for the year ended 30 June 1999. The superannuation Scheme's Trustees are responsible for the financial report consisting of the accompanying statement of net assets and statement of changes in net assets, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament and Trustees of the Scheme based on my audit as required by sections 34 & 45(1) of the *Public Finance and Audit Act 1983*.

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


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

Audit Opinion

In my opinion, the financial report of the Energy Industries Superannuation Scheme Pool B presents fairly in accordance with the applicable Accounting Standards and other mandatory professional reporting requirements, the net assets of the Scheme as at 30 June 1999 and the change in net assets for the year then ended.

(B) Compliance

Scope

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

(a) the relevant requirements of the following provisions (to the extent applicable) of the *Superannuation Industry (Supervision) Act 1993* and Regulations: sections 19(2), 19(3), 36, 65, 66, 67, 69-85, 86-93A, 95, 97, 98, 101, 103, 104, 105, 106, 107, 109, 111, 112, 113, 117, 118, 121, 122, 124, 125, 152, 153, 154, 163, 169

(b) 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

(c) adhered to the Guidelines for preparing risk management statements ("Guidelines") issued by Australian Prudential Regulation Authority in Circular II.D.7 on Derivatives (to the extent applicable) for the year ended 30 June 1999.

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

My procedures with respect to the Guidelines consisted of confirming whether any Risk Management Statement was to be prepared by the Scheme's Trustees under the Guidelines contained in Australian Prudential Regulation Authority 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 Scheme's Trustees. This has been prepared and is broadly consistent with the requirements of the Guidelines.

My procedures with respect to Regulation 6.17 included testing whether amounts identified by the Trustees 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 the restricted non-preserved amounts beyond a broad assessment of the apparent reasonableness of the calculations.

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

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

Qualification

Regulation 2.43(1) has not been complied with throughout the year as certain members were not supplied with the required details concerning their benefit entitlements within the required timeframe of 1 month.

Qualified Audit Opinion

In my opinion, except for the matter referred to in the qualification paragraph, the Trustees of the Energy Industries Superannuation Scheme Pool B have complied, in all material respects, with the requirements of the *Superannuation Industry (Supervision) Act 1993* and Regulations and applied the Guidelines specified above for the year ended 30 June 1999.



R J Sendt
Auditor-General

SYDNEY
30 December 1999

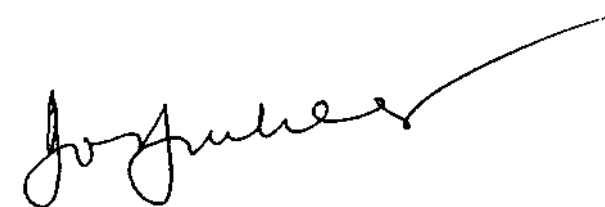
TRUSTEE DECLARATION TO THE MEMBERS FOR THE YEAR ENDED 30 JUNE 1999

The Directors of Energy Industries Superannuation Scheme Pty Limited being the Trustee of the Energy Industries Superannuation Scheme Pool B declare that:

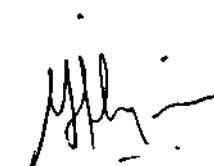
1. The accompanying financial report of the Energy Industries Superannuation Scheme Pool B presents fairly the net assets of the Scheme as at 30 June 1999 and the changes in net assets for the year ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;
2. The financial report has been prepared in accordance with the requirements of the Trust Deed;
3. The Scheme has been conducted in accordance with its constituent Trust Deed; and
4. In the Directors' 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 Energy Industries Superannuation Scheme Pty Limited (A.C.N. 077 947 285).

Signed at Sydney this 30th day of December 1999.



John Whelan OAM
Director



William Hilzinger
Director

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 1999

| | NOTE | 1999 \$'000 | 1998 \$'000 |
|--|-------|------------------|------------------|
| NET ASSETS AVAILABLE TO PAY BENEFITS AT BEGINNING OF THE YEAR | | 1,030,565 | – |
| CONTRIBUTIONS REVENUE | 8 | | |
| Employer Contributions | | 2,174 | 35,550 |
| Member Contributions | | 18,145 | 17,785 |
| | | <u>20,319</u> | <u>53,335</u> |
| INVESTMENT REVENUE | | | |
| Investment income | 6 | 37,784 | 48,701 |
| Changes in Market Values | 7 | 74,716 | 122,256 |
| | | <u>112,500</u> | <u>170,957</u> |
| Investment Expenses | | (3,865) | (3,551) |
| Net Investment Revenue | | <u>108,635</u> | <u>167,406</u> |
| Other Income/(Expenses) | | 94 | (2,747) |
| TOTAL REVENUE | | 129,048 | 217,994 |
| BENEFITS PAID | | (71,979) | (108,274) |
| SCHEME ADMINISTRATION EXPENSES | 9 | (1,986) | (3,677) |
| INCREASE IN NET ASSETS BEFORE ABNORMAL ITEMS AND INCOME TAX | | 55,083 | 106,043 |
| Abnormal Item | 2 | 5,466 | 948,115 |
| INCREASE IN NET ASSETS BEFORE INCOME TAX | | 60,549 | 1,054,158 |
| Income Tax Expense | 5 | (2,453) | (23,593) |
| Superannuation Contributions Surcharge | 1(h) | (381) | – |
| INCREASE IN NET ASSETS AFTER INCOME TAX | | <u>57,715</u> | <u>1,030,565</u> |
| NET ASSETS AVAILABLE TO PAY BENEFITS AT END OF THE YEAR | 10,11 | <u>1,088,280</u> | <u>1,030,565</u> |

The above Statement of Changes in Net Assets should be read in conjunction with the accompanying Notes.

STATEMENT OF NET ASSETS AS AT 30 JUNE 1999

| | NOTE | 1999 \$'000 | 1998 \$'000 |
|---|----------|------------------|------------------|
| INVESTMENTS | 1(c), 13 | | |
| Short term securities | | 35,099 | 42,979 |
| Australian fixed interest | | 118,005 | 122,927 |
| Australian equities | | 425,267 | 401,093 |
| International investments | | 399,809 | 388,598 |
| Property | | 124,600 | 120,201 |
| Total investments | | <u>1,102,780</u> | <u>1,075,798</u> |
| OTHER ASSETS | | | |
| Cash | | 3,054 | 707 |
| Receivables | 3 | 18,527 | 19,880 |
| Total other assets | | <u>21,581</u> | <u>20,587</u> |
| Total assets | | <u>1,124,361</u> | <u>1,096,385</u> |
| Less: | | | |
| LIABILITIES | | | |
| Reserve units | | 139 | 123 |
| Payables | 4 | 24,100 | 42,104 |
| Provision for income tax | 5 | – | 9,165 |
| Provision for deferred income tax | | 11,842 | 14,428 |
| Total liabilities | | <u>36,081</u> | <u>65,820</u> |
| NET ASSETS AVAILABLE TO PAY BENEFITS | 10,11 | <u>1,088,280</u> | <u>1,030,565</u> |

The above Statement of Net Assets should be read in conjunction with the accompanying Notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1999

1. STATEMENT OF ACCOUNTING POLICIES

(a) Description of Scheme

The Energy Industries Superannuation Scheme Pool B (the Scheme) consists of Energy Industries members transferred from the State Authorities Superannuation (SAS), the State Authorities Non-contributory Superannuation (SANCS) and the State Superannuation Schemes (SSS) in accordance with sections 127 and 128 of the Superannuation Administration Act, 1996 (the Act). Energy Industries Superannuation Scheme Pty Limited (ACN 077 947 285) acts as trustee and holds in trust all assets of the Scheme.

The Scheme's custodial activities are provided by State Street Australia Limited (State Street). As at 30 June 1999, investments were managed as follows:

| | |
|---------------------------------------|--|
| ■ Cash Portfolio | 100% – Deutsche Asset Management (Australia) Limited |
| ■ Australian Fixed Interest Portfolio | 100% – Deutsche Asset Management (Australia) Limited |
| ■ Australian Equity Portfolio | 11.1% – State Street Global Advisors Australia Limited 78.8% – Deutsche Asset Management (Australia) Limited 10.1% – Commonwealth Financial Services Limited |
| ■ International Equity Portfolio | 81.0% – Deutsche Asset Management (Australia) Limited 19.0% – Standish Ayer & Wood Inc |
| ■ Property Trust Portfolio | 100% – Deutsche Asset Management (Australia) Limited |

The Scheme consists of Division C and Division D which are defined benefit schemes whilst Division B comprises both a defined benefit component and a defined contribution component. All the schemes are closed to new members. The Scheme is the reporting entity for financial reporting purposes.

(b) Basis of Preparation

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

In addition, the financial report is prepared in accordance with Australian Accounting Standard AAS25 "Financial Reporting by Superannuation Plans", the Superannuation Industry (Supervision) Act 1993 and Regulations. The financial report is prepared using the accrual method of accounting.

(c) Investments

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

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

| | |
|---|--|
| Short Term Securities | Market rates |
| Australian and International Fixed Interest | Relevant fixed interest securities markets |
| Equities - Australian | Relevant stock exchange official quotation as at reporting date |
| - International | Valued at reporting date and translated into Australian dollars at current exchange rate |
| Property Trusts | Stock exchange official quotation |
| Real Estate Properties | Valuation by a registered valuer as at reporting date |

(d) Foreign Currency Transactions

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

(e) Income Tax

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

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

Future income tax benefits are not brought to account unless realisation of the benefits are assured beyond reasonable doubt.

(f) Management Expenses

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

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

Investment expenses are charged directly against investment revenue.

(g) Reserve Units

Reserve Units are units held by certain Division D Scheme members. They represent units purchased in advance at a rate which is the "rate for age" at the date purchased with an option to convert to full rate units in the Division D Scheme at any future date. On conversion they are no longer recognised as a liability but as part of member funds.

(h) Superannuation Contributions Surcharge

No provision has been made in these financial statements for the amount of the superannuation contributions surcharge which may be payable by the Fund under the Superannuation Contributions Tax (Assessment and Collection) Act 1997. The Trustee is unable to determine the amount of the surcharge until assessments are received from the Australian Taxation Office.

As the surcharge is levied based upon individual members' taxable income any surcharge for the year ended 30 June 1999 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) Comparatives

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

2. ABNORMAL ITEM

| | 1999 \$'000 | 1998 \$'000 |
|----------------------------------|----------------|----------------|
| Transfer to/from the Pooled Fund | 5,466 | 948,115 |
| Income tax effect | (369) | – |

On 1 July 1997 certain Energy Industry members were transferred to their own superannuation scheme known as Energy Industries Superannuation Scheme Pool B. All assets of the Fund were transferred in accordance with Trustee agreements.

The abnormal item for 1999 amounting to \$5,466,000 represents a net adjustment to the initial amounts transferred from the Pooled Fund in the prior year. This amount represents a net transfer from the Pooled Fund inclusive of the interest component.

3. RECEIVABLES

| | NOTE | 1999 \$'000 | 1998 \$'000 |
|--------------------------------------|------|----------------|----------------|
| Income tax refund receivable | 5 | 1,382 | – |
| Investment income due and receivable | | 4,049 | 4,516 |
| Investment sales | | 11,383 | 15,326 |
| Prepayments | | – | 9 |
| Other receivables | | 1,713 | 29 |
| | | <u>18,527</u> | <u>19,880</u> |

4. PAYABLES

| | 1999 \$'000 | 1998 \$'000 |
|----------------------|----------------|----------------|
| Benefits payable | 5,140 | 590 |
| Investment purchases | 16,476 | 14,643 |
| Other payables | 2,484 | 26,871 |
| | <u>24,100</u> | <u>42,104</u> |

5. INCOME TAX

Income tax expense in the Statement of Changes in Net Assets represents the tax on changes in net assets before tax, adjusted for permanent differences.

The calculation of tax provided for is as follows:

| | 1999 \$'000 | 1998 \$'000 |
|--|----------------|------------------|
| Increase in net assets before income tax | 60,549 | 1,054,158 |
| Permanent Differences | | |
| Transfer of member balances | – | (948,113) |
| Non-assessable contributions | (18,145) | (13,500) |
| Benefit payments | 71,979 | 108,273 |
| Death or Invalidity Insurance deduction | (2,840) | (3,033) |
| Anti-Detriment deduction | – | (133) |
| Non-deductible expenditure | 50 | 53 |
| Non-assessable pension related investment income | (2,491) | (9,940) |
| Adjustment on transfer of assets | (7,925) | 5,067 |
| Investment revenue | (4,402) | 3,980 |
| Other revenue | (5) | – |
| Provision for deferred income tax no longer required | (2,788) | – |
| | <u>33,433</u> | <u>(857,346)</u> |
| Base for determining tax expense | 93,982 | 196,812 |
| Timing differences | (19,099) | (96,185) |
| Base for determining tax payable | <u>74,883</u> | <u>100,627</u> |

Income tax calculated at 15% comprises:

| | | |
|--|----------------|---------------|
| Current income tax payable before any imputation and foreign tax credits | 11,232 | 15,094 |
| Less: Imputation and foreign tax credits | (7,419) | (5,929) |
| | 3,813 | 9,165 |
| Under provision last year | 1,226 | – |
| Deferred income tax provision | (2,586) | 14,428 |
| Income tax expense | <u>2,453</u> | <u>23,593</u> |
| Current income tax payable | 3,813 | 9,165 |
| Less: instalments paid | (5,195) | – |
| Provision for income tax / (Income tax refund) | <u>(1,382)</u> | <u>9,165</u> |

The New Business Tax System (Integrity and Other Measures) Act 1999 has amended the capital gains tax regime for superannuation funds. Provisions contained in the Act include measures to change the method of calculating the capital gains tax payable by Superannuation Funds. The current year Provision for Deferred Income Tax has been estimated as two-thirds of the capital gain without taking into account indexation, in accordance with the new method allowed under the Act.

6. INVESTMENT INCOME

| | 1999 \$'000 | 1998 \$'000 |
|-----------------|----------------|----------------|
| Interest | 7,087 | 12,779 |
| Dividends | 20,404 | 18,407 |
| Property income | 10,570 | 7,828 |
| Other | (277) | 9,687 |
| | <u>37,784</u> | <u>48,701</u> |

7. CHANGES IN NET MARKET VALUE

30 JUNE 1999

| | HELD AT REPORTING DATE GAIN/(LOSS) \$'000 | REALISED DURING THE YEAR GAIN/(LOSS) \$'000 | TOTAL \$'000 |
|---------------------------|--|--|-----------------|
| Short Term Investments | 178 | – | 178 |
| Australian Fixed Interest | (4,144) | 2,077 | (2,067) |
| Australian Equities | 41,865 | 13,760 | 55,625 |
| International Investments | 29,403 | (12,440) | 16,963 |
| Property | 4,017 | – | 4,017 |
| | <u>71,319</u> | <u>3,397</u> | <u>74,716</u> |

30 JUNE 1998

| | HELD AT REPORTING DATE GAIN/(LOSS) \$'000 | REALISED DURING THE YEAR GAIN/(LOSS) \$'000 | TOTAL \$'000 |
|---------------------------|--|--|-----------------|
| Short Term Investments | 135 | 7,381 | 7,516 |
| Australian Fixed Interest | 949 | – | 949 |
| Australian Equities | (1,392) | (456) | (1,848) |
| International Investments | 79,535 | 28,378 | 107,913 |
| Property | 7,726 | – | 7,726 |
| | <u>86,953</u> | <u>35,303</u> | <u>122,256</u> |

8. FUNDING ARRANGEMENTS

For years ended 30 June 1999 and 30 June 1998, member and employer contributions for each of the schemes are determined on the bases described below. Employers in Energy Industries Superannuation Scheme Pool B were on a contribution holiday during 1998/99 with the exception of one employer whose contribution holiday ceased from 1 January 1999.

(a) Division B Scheme

Member Contributions: Each member elects to contribute between 1% and 9% of salary.

Employer Contributions: Employers contribute on a fully funded basis as determined by the trustees based on actuarial advice.

(b) Division C Scheme

Member Contributions: As the Scheme is 100% employer funded, there are no member contributions.

Employer Contributions: Employers contribute on a fully funded basis as determined by the trustees based on actuarial advice.

(c) Division D Scheme

Member Contributions: Each member contributes on a "rate for age" basis to individual pension units which become available with salary increases. Members may elect to abandon units where total contributions payable would exceed 6% of salary.

Employer Contributions: Employers contribute on a fully funded basis as determined by the trustees based on actuarial advice.

9. SCHEME ADMINISTRATION EXPENSES

Included in Scheme Administration Expenses is the following item:

| | 1999 \$'000 | 1998 \$'000 |
|------------|----------------|----------------|
| Audit fees | <u>37</u> | <u>53</u> |

10. LIABILITY FOR ACCRUED BENEFITS

The value of accrued benefits has been determined by the actuary on the basis of the present value of expected future payments which arise from membership of the Scheme up to 30 June 1999. The figure reported has been determined using the assumed future salary levels, future scheme earnings and other relevant actuarial assumptions used in the most recent actuarial review, which was carried out effective 1 July 1997.

| | 1999 \$'000 | 1998 \$'000 |
|---------------|----------------|----------------|
| As at 30 June | <u>900,981</u> | <u>845,228</u> |

11. 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 the reporting date.

| | 1999 \$'000 | 1998 \$'000 |
|---------------|----------------|----------------|
| As at 30 June | <u>645,786</u> | <u>655,658</u> |

12. RELATED PARTY INFORMATION

(a) Identification of Related Parties

The Trustee of the Scheme is the Energy Industries Superannuation Scheme Pty Limited. The names of the directors of Energy Industries Superannuation Scheme Pty Limited in office during the year ended 30 June 1999 are as follows:

| Employer representatives | Employee representatives |
|---|--------------------------|
| Mr W Hilzinger | Mr J Whelan OAM |
| Mrs M Browne | Mr C Hodges |
| Mr C Murray | Mr B Riordan |
| Mr J Byrne (resigned 15 February 1999) | Mr W Tomlins |
| Mr D Croft (appointed 15 February 1999) | |

Energy Industries Superannuation Scheme Pty Limited is also the Trustee for Energy Industries Superannuation Scheme – Pool A.

Energy Industries Superannuation Scheme Pool B and Pool A are related parties as they are both controlled by Energy Industries Superannuation Scheme Pty Limited.

Superannuation Services Company Pty Limited, which provides secretarial services to the Scheme, is a related party as Energy Industries Superannuation Scheme Pty Limited holds 50% of the share capital. Superannuation Services Company Pty Limited receives management fees directly from the Trustee of the Scheme for these services.

W Hilzinger and J Whelan OAM are directors of Energy Industries Superannuation Scheme Pty Limited and also Superannuation Services Company Pty Limited.

(b) Identification of Related Parties

The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all directors of Energy Industries Superannuation Scheme Pty Limited, directly or indirectly, by Energy Industries Superannuation Scheme Pty Limited or by any related party.

| 1999 | 1998 |
|---------|---------|
| \$'000 | \$'000 |
| 292,666 | 281,383 |

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

| | Numbers | |
|-----------------------|----------|----------|
| \$ 0 - \$ 9,999 | 2 | 2 |
| \$ 10,000 - \$ 19,999 | 1 | - |
| \$ 20,000 - \$ 29,999 | - | 1 |
| \$ 30,000 - \$ 39,999 | 4 | 4 |
| \$ 40,000 - \$ 49,999 | - | 1 |
| \$ 50,000 - \$ 59,999 | 1 | - |
| \$ 60,000 - \$ 69,999 | - | 1 |
| \$ 70,000 - \$ 79,999 | 1 | - |
| | <u>9</u> | <u>9</u> |

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

There have been no transactions between these directors set out in note (a) and for the Scheme, except for the payment of director fees as set out in note (b) and for the reimbursement of administration costs incurred by the directors whilst attending to Trustee business.

(d) Other related parties transactions

Administration expenses totalling \$138,635 were paid by the Energy Industries Superannuation Scheme – Pool B on behalf of the Energy Industries Superannuation Scheme – Pool A. The amount, which is to be reimbursed by Pool A, is included in the receivables figure in Note 3 of the accounts.

13. FINANCIAL INSTRUMENTS

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

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

(i) Terms, Conditions and Accounting Policies

The Scheme's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instruments, both recognised and unrecognised, at the balance date, are:

| Financial Assets | | | |
|-----------------------------------|-----------------------|---|---|
| Recognised Financial Instruments | Financial Report Note | Accounting Policies | Terms & Conditions |
| Cash and Cash Equivalents | | Reflects in Australian dollars the sum of all currencies held. Cash equivalents are short term interest bearing securities held at call. | The weighted average interest rate was 2.46% (1998: 1.57%). |
| Short Term Investments | | Short term interest bearing securities held at a fixed or indexed interest rate valued at net fair value. | Investments represent deposits at call, which have no fixed maturity date. The effective interest rates are between 4.81% and 5.01% (1998: 4.51% and 8.58%). |
| Fixed Interest Investments | | Longer term interest bearing securities held at a fixed or indexed interest rate valued at net fair value. | Effective interest rates are between 4.89% and 5.81% (1998: 4.51% and 5.43%). |
| Forwards | 13(v) | Unrealised gains and losses on forward foreign exchange contracts are recognised at reporting period. Realised gains and losses are brought to account in the period in which they occur. | The contracts are entered into to hedge certain purchase and sale commitments denominated in foreign currencies. The objective is to match the anticipated future cash flows in foreign currencies and to protect the Scheme against future loss from exchange rate fluctuations. |
| Derivatives | 13(v) | Derivatives are measured at net fair value at reporting date. Any unrealised gains or losses are recognised in that reporting period. Realised gains or losses on termination of derivative positions are brought to account in the period in which they occur. | Derivatives are used to gain access to and allow flexibility in the financial markets in order to manage and structure the Scheme's investment portfolio. |
| Receivable for Investments Sold | 3 | Records the total proceeds from sales physical assets that have been processed, but have not been settled as at balance date. | Sales of investments are settled shortly after the execution of the trade, according to the market convention. Total value of receivables \$11,382,487 (1998: \$15,325,996). |
| Receivable for Currency Exchanged | | Records the total proceeds from currency sales (foreign exchange contracts) that have been processed, but have not been settled as at balance date. | Foreign exchange contracts are entered into to hedge purchase and sale commitments denominated in foreign currencies. Total value \$612,764 (1998: \$177,689,659). |
| Dividends Receivable | 3 | Dividend income due but not yet received on equities/trusts from the date the dividend was announced (ex-date). | Total value \$2,489,972 (1998: \$2,656,290). |
| Interest Receivable | 3 | Interest income, net of withholding tax and tax refunds, due but not yet received on interest bearing securities. | Total value \$1,341,819 (1998: \$1,735,461). |
| Unlisted investments | 13(ii) | The basis of valuation is the last sale price or calculated underlying value adjusted for transaction costs. | |

| Financial Liabilities | | | |
|-----------------------------------|-----------------------|---|---|
| Recognised Financial Instruments | Financial Report Note | Accounting Policies | Terms & Conditions |
| Payable for Investments Purchased | 4 | Records the total payments for the purchase of physical assets that have been processed but have not settled as at balance date. | Purchases of investments are settled shortly after the execution of the trade, according to market convention. Total value of payables \$16,475,525 (1998: \$14,642,501). |
| Payable for Currency Exchanged | | Records the total payments for the purchase of currency (foreign exchange contracts) that have been processed, but have not settled as at balance date. | Foreign exchange contracts are entered into the hedge purchase and sale commitments denominated in foreign currencies. Total value \$612,764 (1998: \$177,689,659). |
| Tax | 5 | The liability for taxation is accounted for in accordance with AAS 3. | The income tax liability is calculated using a tax rate of 15%. |

ENERGY INDUSTRIES SUPERANNUATION SCHEME POOL B
(ii) Unlisted investments

Included in the investments are unlisted investments with a market value of \$6,681,486 (1998: \$40,562,735).

(iii) Credit Risk Exposures

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

The Scheme does not have any significant exposure to any individual counterparty or industry. Its assets are invested by individual investment managers and in specific investment trusts.

(iv) 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.

(v) Derivatives

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

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

At 30 June 1999, the nominal principal amounts and net fair value of derivatives held by the Scheme are as follows:

| 30 JUNE 1999 | Notional Principal Amounts \$'000 | Net Market Value \$'000 |
|--------------------------------------|--|------------------------------------|
| Australian Fixed Interest Futures | 0 | (8) |
| Australian Share Price Index Futures | 670 | 2 |
| | <u>670</u> | <u>(6)</u> |
| 30 JUNE 1998 | Notional Principal Amounts \$'000 | Net Market Value \$'000 |
| Australian Fixed Interest Futures | (594) | (2) |
| Australian Share Price Index Futures | 943 | 35 |
| | <u>349</u> | <u>33</u> |

(vi) Currency Risk Exposures

The exposure at 30 June 1999 to foreign exchange rate movements on international investments is shown below:

| 1999 | USD \$'000 | EUR \$'000 | OTHER \$'000 | TOTAL \$'000 |
|---------------------------|----------------|---------------|-----------------|-----------------|
| International investments | 222,826 | 66,946 | 115,947 | 405,719 |
| Amount effectively hedged | 610 | 0 | (610) | (0) |
| | <u>223,436</u> | <u>66,946</u> | <u>115,337</u> | <u>405,719</u> |

ENERGY INDUSTRIES SUPERANNUATION SCHEME POOL B

| 1998 | USD \$'000 | EUR \$'000 | OTHER \$'000 | TOTAL \$'000 |
|---------------------------|----------------|---------------|-----------------|-----------------|
| International investments | 188,342 | 0 | 202,038 | 390,380 |
| Amount effectively hedged | (181) | 0 | 259 | 78 |
| | <u>189,161</u> | <u>0</u> | <u>202,297</u> | <u>390,458</u> |

Pending Spot Foreign Currency Contracts as at 30 June 1999

| | USD \$'000 | OTHER \$'000 | TOTAL \$'000 |
|---------------------------|---------------|-----------------|-----------------|
| Foreign Exchange Purchase | 610 | – | 610 |
| Foreign Exchange Sale | – | (610) | (610) |
| Net Exposure | <u>610</u> | <u>(610)</u> | <u>0</u> |

(vii) Interest Rate Risk

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

The Scheme's exposure to interest rate risk and the effective interest rates on financial instruments at 30 June 1999 are shown as follows. All other financial assets and liabilities are non-interest bearing.

| 1999 | MARKET VALUE FIXED INTEREST RATE MATURING | | | | | TOTAL \$'000 |
|---|---|-------------------------------|-------------------|-------------------------|-----------------------------------|------------------|
| | FLOATING INTEREST RATE \$'000 | WITHIN 12 MONTHS \$'000 | 1-5 YRS \$'000 | OVER 5 YRS \$'000 | NON-INTEREST BEARING \$'000 | |
| Assets | | | | | | |
| Cash and cash equivalents – Australia | 7,060 | – | – | – | – | 7,060 |
| Cash and cash equivalents – International | 5,891 | – | – | – | – | 5,891 |
| Short Term Securities | – | 22,658 | – | – | 739 | 23,397 |
| Australian Fixed Interest | – | 1,000 | 38,131 | 78,380 | – | 117,511 |
| Convertible Notes – Australia | – | – | 127 | – | – | 127 |
| International Fixed Interest | – | – | 770 | – | – | 770 |
| Australian Equities | – | – | – | – | 548,966 | 548,966 |
| International Equity | – | – | – | – | 399,058 | 399,058 |
| Cash | – | – | – | – | 3,054 | 3,054 |
| Receivables | – | – | – | – | 18,527 | 18,527 |
| Total Financial Assets | <u>12,951</u> | <u>23,658</u> | <u>39,028</u> | <u>78,380</u> | <u>970,344</u> | <u>1,124,361</u> |
| Weighted average interest rate | 2.46% | 4.94% | 5.80% | 4.89% | | |
| Liabilities | | | | | | |
| Benefits payable | – | – | – | – | 5,140 | 5,140 |
| Payables | – | – | – | – | 18,960 | 18,960 |
| Reserve Units | – | – | – | – | 139 | 139 |
| Provisions | – | – | – | – | 17,293 | 17,293 |
| Total Financial Liabilities | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>41,532</u> | <u>41,532</u> |

ENERGY INDUSTRIES SUPERANNUATION SCHEME POOL B

| 1998 | MARKET VALUE FIXED INTEREST RATE MATURING | | | | | TOTAL \$'000 |
|---|---|-------------------------------|-------------------|-------------------------|-----------------------------------|------------------|
| | FLOATING INTEREST RATE \$'000 | WITHIN 12 MONTHS \$'000 | 1-5 YRS \$'000 | OVER 5 YRS \$'000 | NON-INTEREST BEARING \$'000 | |
| Assets | | | | | | |
| Cash and cash equivalents – Australia | 3,517 | – | – | – | – | 3,517 |
| Cash and cash equivalents – International | 1,782 | – | – | – | – | 1,782 |
| Short Term Securities | – | 33,745 | – | – | 4,385 | 38,130 |
| Australian Fixed Interest | – | 15,299 | 18,771 | 88,857 | – | 122,927 |
| Convertible Notes – Australia | – | – | 219 | 925 | – | 1,144 |
| Australian Equities | – | – | – | – | 519,700 | 519,700 |
| International Equity | – | – | – | – | 388,598 | 388,598 |
| Cash | 707 | – | – | – | – | 707 |
| Receivables | – | – | – | – | 19,880 | 19,880 |
| Total Financial Assets | 6,006 | 49,044 | 18,990 | 89,782 | 932,563 | 1,096,385 |
| Weighted average interest rate | 1.57% | 5.20% | 5.47% | 4.53% | N/A | |
| Liabilities | | | | | | |
| Payables | – | – | – | – | 42,104 | 42,104 |
| Reserve Units | – | – | – | – | 123 | 123 |
| Provisions | – | – | – | – | 23,593 | 23,593 |
| Total Financial Liabilities | – | – | – | – | 65,820 | 65,820 |

(viii) 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.

- End of Audited Financial Statements -