

NORTHERN TERRITORY POLICE
SUPPLEMENTARY BENEFIT SCHEME

Annual Report

2006-07

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NORTHERN TERRITORY POLICE SUPPLEMENTARY BENEFIT SCHEME

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The Hon Syd Stirling MLA
Treasurer
GPO Box 3146
DARWIN NT 0801

Dear Treasurer

In accordance with the provisions of Clause 9 of the Northern Territory Police Supplementary Benefit Scheme Trust Deed, we are pleased to provide you:

- the report on the operations of the Northern Territory Police Supplementary Benefit Scheme for the financial year ending 30 June 2007; and
- the audited financial statements of the Northern Territory Police Supplementary Benefit Scheme for the financial year ending 30 June 2007.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark McAdie'.

Mark McAdie
Chairman of Trustees

A handwritten signature in black ink, appearing to read 'Gowan Carter'.

Gowan Carter
Trustee

A handwritten signature in black ink, appearing to read 'Anthony Stubbin'.

Anthony Stubbin
Trustee

28 September 2007

Report on Operations

Part A

Introduction

Welcome to the 2006-07 Northern Territory Police Supplementary Benefit Scheme Annual Report. The objective of this Annual Report is to provide information to members and other interested parties on the operations of the Northern Territory Police Supplementary Benefit Scheme, including the management, financial condition and investment performance of the fund, as well as on current superannuation issues.

The scheme was established under the Northern Territory Police Supplementary Benefit Scheme Trust Deed (the Trust Deed) dated 15 June 1984, as amended by Supplementary Deeds dated:

31 December 1987, 24 July 1989, 29 June 1992, 17 November 1995, 8 October 1998, 3 February 2000, 20 December 2002, 15 March 2006 and 15 March 2007.

The scheme supplements the pension payable from the Commonwealth Superannuation Scheme (CSS) for eligible members of the Northern Territory Police, Fire and Emergency Services.

The Northern Territory Government and Public Authorities' Superannuation Scheme replaced the CSS and the Northern Territory Police Supplementary Benefit Scheme for police recruited after 1 January 1988. The scheme has therefore been closed to new members.

Highlights

Crediting Rate

The 2006-07 crediting rate for the fund is 13.7 per cent.

The Australian Government Better Super Reforms

The 2006-07 Australian Budget included a proposal to reform superannuation and associated taxation. The reforms aimed to improve incentives for individuals to work and save, and to introduce greater flexibility in how superannuation can be drawn down in retirement. The majority of the reforms came into effect on 1 July 2007.

Trustee Appointment

On 25 June 2007, Mr Gowan Carter was re-appointed as a trustee of the scheme. His term expires on 24 June 2010.

Number of New Pensions Commenced

During the year, 10 former members commenced a supplementary police pension. At 30 June 2007, there were 131 former members and former members' spouses receiving a pension from the scheme.

Office Move

The Commissioner of Superannuation and the Northern Territory Superannuation Office undertake the day-to-day administration of the scheme.

In May 2007, the Northern Territory Superannuation Office moved and is now located at Level 1 Cavenagh House, 38 Cavenagh Street, Darwin.

New Developments

The Australian Government Better Super Reforms

The Northern Territory Superannuation Office is managing the implementation of the Australian Government Better Super reforms for the Territory's public sector schemes.

During 2006-07, staff of the Northern Territory Superannuation Office attended a number of seminars and met with representatives of the Australian Government to discuss implementation issues related to public sector superannuation schemes.

Substantial system program modifications have been integrated into the current superannuation administration system to ensure benefits paid from the scheme are processed under the new rules applying from 1 July 2007, and administrative processes have been changed to accommodate the superannuation reforms.

Appendix A provides a summary of the main changes and includes a detailed analysis of the impact on benefits paid from the scheme (see page 15).

Trust Deed Amendments

Clause 19 of the Trust Deed provides that the Territory and the Trustees may amend the Trust Deed. Amendments to the Trust Deed are made by deed under seal and must be executed by both parties. Amendments to the Trust Deed do not require gazettal or tabling in the Legislative Assembly.

During the year, the Trustees endorsed amendments to the Trust Deed to clarify that interest rates applied to member accounts can be positive or negative.

The Deed of Execution to amend the Trust Deed was signed by the Treasurer and the Trustees on 15 March 2007.

The Scheme

The Northern Territory Police Supplementary Benefit Scheme is a defined benefit scheme which pays two types of superannuation benefits:

- a lifetime pension for members who qualify for a supplementary benefit with the option to commute (cash) the pension to a lump sum; or
- a refund of member contributions and interest for members who do not qualify for a supplementary benefit from the scheme.

The scheme is unfunded, which means the Territory only finances a supplementary benefit at the time a member ceases employment. Members are required to contribute 1 per cent of their salary to the fund.

Appendix B provides more information on how the scheme works (see page 20).

Governance

Trustees

The Trustees are responsible for the operation of the scheme.

Trustee responsibilities include the collection of contributions from members, investment of monies, administration of the scheme and ensuring payment of the appropriate benefits to former members. The role of the Secretary to the Trustees is performed by the Commissioner of Superannuation and the scheme administration is undertaken by the Northern Territory Superannuation Office, a division of Northern Territory Treasury.

At 30 June 2007, the Trustees of the scheme were:



Mr Mark McAdie BEc M Pub Pol Grad Cert App Mgt

Chairman of Trustees

Assistant Commissioner, Crime and Support Command of the Northern Territory Police Force. Appointed Chairman of Trustees on 29 January 1997. Served on the executive of the Northern Territory Police Association, the committee of the Duke of Edinburgh Award (NT) (including several terms as Chair), Duke of Edinburgh Award Australian Coordinating Council and the Northern Territory Commissioned Officers' Association. Currently a board member of Northern Territory Police Legacy and President of the Northern Territory Police Museum and Historical Society.



Mr Gowan Carter

Trustee

Joined the Northern Territory Police Force in April 1975, and currently holds the rank of Sergeant. Long-term Executive Member of the Northern Territory Police Association. Appointed as a Trustee on 20 November 1997.



Mr Anthony Stubbin BA(Econ)

Trustee

Assistant Under Treasurer (Economic) of Northern Territory Treasury. Appointed as a Trustee on 29 May 2000. Joined Northern Territory Treasury in 1992, holding appointments as Director Economic Analysis and Senior Director Public Finance.

Trustee Appointments

Clause 4 of the Trust Deed provides that there are three Trustees of the scheme, all of whom are appointed by the Treasurer. The Trustees must consist of a police representative on the nomination of the Police Commissioner, a Treasury representative on the nomination of the Under Treasurer and a member representative on the nomination of the Northern Territory Police Association Inc (NTPA). The Treasurer appoints the Chairman. The current Trustees are:

Mr McAdie	Police representative (Chairman)
Mr Carter	Member representative
Mr Stubbin	Treasury representative

Northern Territory Police Supplementary Benefit Scheme

The Police and the Treasury representatives are appointed until they retire or resign from office. The member representative is appointed for a three year term. Clause 4(8) of the Trust Deed allows for a member representative to be nominated again.

Mr Carter's term expired on 24 June 2007 and the NTPA re-nominated Mr Carter to continue as the member representative Trustee. Mr Carter was re-appointed on 25 June 2007, with his term expiring on 24 June 2010.

Trustee Meetings

The Trustees met on four occasions during the year to consider general business, amendments to the Trust Deed and investment decisions of the fund.

Trustee's Indemnity

Clause 11 of the Trust Deed provides for each Trustee to be indemnified by the fund against all liabilities incurred in the execution, attempted execution or non-execution of powers and discretions contained in the Trust Deed. No indemnity insurance has been taken out by the Trustees.

Conflict of Interest

This year, the Trustees resolved to formalise conflict of interest procedures as part of their best practice procedures.

At each meeting, Trustees must disclose if they have a direct or indirect pecuniary interest in any matter being considered unless:

- the interest stems from being a member of the scheme; or
- they are a member of a large company (but not a director).

At the commencement of each meeting, Trustees are required to sign a conflict of interest register with any disclosures to be recorded in the minutes of the meeting.

Where a disclosure is made in relation to a matter being considered, the Trustee cannot take part in deliberations or decisions made on that matter and the Trustee is disregarded for constituting a quorum on that matter.

Review of Decisions

The Trust Deed provides that any person who is dissatisfied with a decision of the Trustees or a delegate of the Trustees may within 30 days of being notified of the decision (or such further period as the Trustees allow) request the Trustees to reconsider the decision. The request should be in writing and set out the reasons for seeking reconsideration. The Trustees are required to reconsider the decision and to advise in writing their reasons for confirming, revoking or varying the decision. Reconsideration requests can be lodged with the Secretary.

Trustee Education

The Trustees are responsible for the operation of the scheme and attend seminars and information sessions to keep themselves informed on superannuation issues and industry practices.

On 21 March 2007, Mr Stubbin attended the ASFA Simpler Super Road Show.

Investments

Crediting Rate

The fund returned 13.7 per cent for the 2006-07 financial year.

Fund returns over last five years were as follows:

	Fund Return (Crediting Rate)	CPI	Real Rate of Return¹
	%	%	%
2002-03	-2.20	2.70	-4.77
2003-04	13.86	2.50	11.08
2004-05	13.45	2.50	10.68
2005-06	14.00	4.00	9.62
2006-07	13.70	2.10	11.36
Average	10.37	2.76	7.40

1. Real Rate of Return = $\frac{\text{Fund Return} - \text{CPI}}{1 + \text{CPI}}$

The favourable economic environment this year, both globally and in Australia, gave the fund its fourth year running of double-digit returns. The Australian share market returned 29.2 per cent, the fourth consecutive financial year where returns have been greater than 20 per cent. A key market driver has been China's demand for Australia's export commodities, which has enhanced actual and projected corporate profitability.

On a global scale, investors continue to enjoy a positive investment market environment, with global shares returning 24.7 per cent. Despite increased focus on China and India, all the world's major economies have grown solidly in recent years (including past poor performers).

The global demand for listed property remains firm and this has contributed to strong returns in property in most countries. Individual markets delivered exceptional returns, such as Singapore (73.7 per cent) and Japan (49.5 per cent) where limited supply and low vacancy rates allowed property owners to increase rents.

The fund also has exposure to debt markets, which achieved a return of around 5 per cent over the past year. Concerns over the United States (US) sub-prime housing markets affected returns in the second quarter of 2007. However, the global bond markets have benefited from the belief that the world's central banks, led by the US Federal Reserve, have inflation in check.

Looking forward, it is likely that markets will continue to be volatile, especially given concerns over the US sub-prime housing market and the effect it may have on global and local markets.

Crediting Rate Policy

The crediting rate policy of the Trustees is to fully distribute the earnings of the fund each year among members of the scheme.

Fund Overview

The scheme has been closed to new members since January 1988 and has reached a stage where the value of benefits paid from the fund to members exiting the scheme exceeds the value of compulsory contributions received into the fund from active members. This means the fund has a negative cash flow. In 2006-07, this resulted in

Northern Territory Police Supplementary Benefit Scheme

redemptions totalling \$350 000 from the fund's investment with the BT Institutional Diversified Balanced Pooled Superannuation Trust to meet benefit payments. However, the strong investment returns resulted in BT investment income totalling \$452 000.

Investment returns can be both positive or negative. With the current investment structure of the fund, the possibility of a negative annual crediting rate is not expected to exceed one in every four years, on average.

Investment Objective

The investment objective of the Trustees is to achieve a real rate of return (return after inflation) on fund assets measured over a five-year period with moderate to low volatility.

This investment objective has been implemented through an investment with the BT Institutional Diversified Balanced Pooled Superannuation Trust (PST). Under the BT funds management investment structure, BT invests in life policies issued by the BT Financial Group. The investment of the fund's assets through the BT life policies provides diversification of investments through a broad mix of Australian and international assets.

At the end of the financial year the fund had \$3.7 million in assets, of which \$3.5 million was invested with the BT PST, with the residual \$0.2 million in a bank account.

Fees

Investment management fees are charged by BT for the funds under management. The investment returns are net of these fees.

No administration or account keeping fees are deducted from member accumulation accounts, as the day-to-day running costs of the scheme are met by the Territory.

Investment Governance

In November 2004, the Trustees entered into an arrangement with BT Financial Management Group's Governance Advisory Service (GAS) for the provision of investment governance advice to the Trustees.

The role of GAS is to assist the Trustees in the management and protection of member investments by reducing the impact of social, environmental and corporate governance risks to the long-term value of the fund's investments.

During 2006-07, GAS engaged in discussions with 46 different companies listed on the ASX200 on the following environmental, social and corporate governance issues:

- conflict of interest;
- director share trading;
- externally managed entities;
- environmental risk;
- business ethics; and
- gaming.

In June 2007, Regnan was launched to replace GAS. Regnan is an independent entity owned by eight major superannuation entities. The Trustees have resolved not to continue the arrangement for the provision of investment governance advice through Regnan.

Scheme Membership

Contributions and Benefit Payments

Members finance a share of the scheme benefits by contributing 1 per cent of their salary to the fund.

During 2006-07, member contributions to the fund totalled \$111 144.

Total scheme benefits paid during the year as at 30 June are as follows:

	2007	2006
Benefits paid:	\$	\$
(a) By the Fund		
Refunds of accumulation accounts	–	60 398
Transfers to the Territory	445 206	392 456
	445 206	452 854
(b) By the Territory		
Pensions	1 090 558	935 070
Commuted pensions	481 329	90 821
	1 571 887	1 025 891

Changes in membership for the year ended 30 June are as follows:

	2007	2006
Members at beginning of period	135	153
Less		
Exits:		
Pension	10	14
Commuted pension	4	1
Refunds of accumulation accounts	–	3
Members as at 30 June	121	135

Total number of pensioners as at 30 June are as follows:

	2007	2006
Pensioners	120	110
Reversionary (spouse) pensioners	11	11
Postponed pensioners ¹	2	2
Total pensioners as at 30 June	133	123

1. Former members who have deferred the payment of their pension.

Membership Profile

Figure 1 illustrates the declining membership of the scheme since its closure on 1 January 1988.

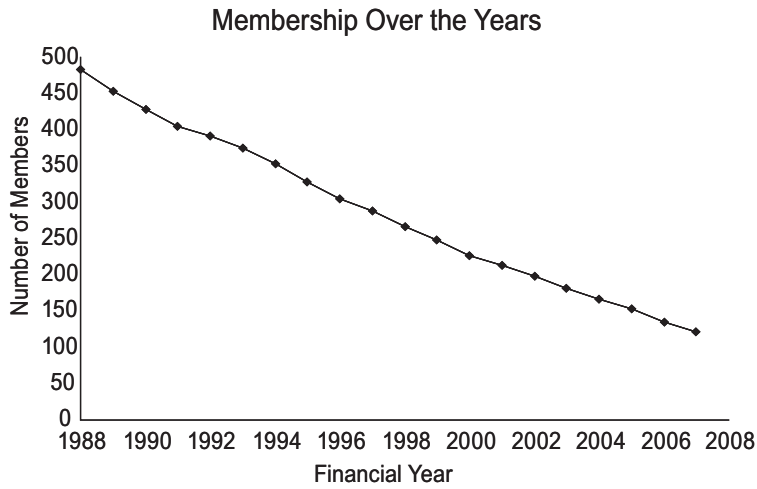


Figure 2 illustrates the age of active members of the scheme as at 30 June 2007.

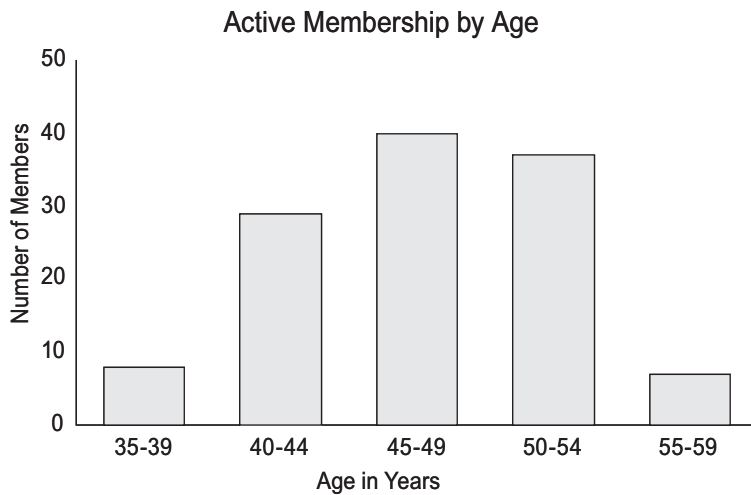
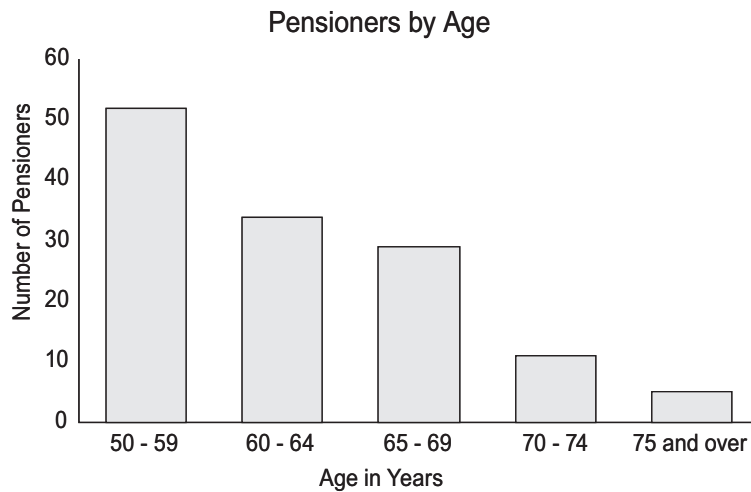


Figure 3 illustrates the age of scheme pensioners as at 30 June 2007.



Administration

Compliance and Taxation Status of the Scheme

The Northern Territory Police Supplementary Benefit Scheme is an exempt public sector superannuation scheme, which means it is not regulated under the Australian Government's *Superannuation Industry (Supervision) Act 1993* (SIS).

A Heads of Government Agreement provides that the scheme complies with the Australian Government retirement income policies and therefore conforms with the principles of SIS and certain other Australian superannuation legislation.

This means that while the scheme is subject to Australian superannuation legislation, such as the superannuation surcharge and family law, the scheme is specifically exempt from other legislation such as choice of fund.

A compliance audit of the scheme is undertaken each year, in conjunction with the annual financial statement audit, by the Auditor-General to ensure that the scheme complies with the principles of SIS. To date, no compliance issues have arisen from these audits.

The scheme is a complying fund for the purposes of part IX of the *Income Tax Assessment Act 1936* as amended. Consequently, income tax is assessable at 15 per cent on net investment earnings and net taxable contributions, and 10 per cent on realised capital gains.

Audit

An audit of the scheme was conducted by KPMG as at 30 June 2007. No compliance issues arose from the audit.

Actuarial Services

In March 2007, the Territory tendered for the provision of actuarial services to the Northern Territory Treasury and ad hoc actuarial advice to the Northern Territory Government. Following the evaluation process, panel contracts for a six year period commencing 1 July 2007 were awarded to Cumpston Sarjeant Pty Ltd, PricewaterhouseCoopers Securities Ltd and Bendzulla Actuarial Pty Ltd. Actuarial services to the scheme are provided by John Rawsthorne FIAA of Cumpston Sarjeant Pty Ltd.

Further Information

Members requiring any additional information should contact the Northern Territory Superannuation Office.

Northern Territory Superannuation Office

Postal Address: GPO Box 4675
Darwin NT 0801

Location: Level 1 Cavenagh House
38 Cavenagh Street, Darwin NT 0800

Phone: (08) 8901 4200

Free Call: 1800 631 630

Fax: (08) 8901 4222

Internet: www.nt.gov.au/ntt/super

Email: ntsuperannuation@nt.gov.au

Appendix A

Analysis of the Australian Government Better Super Reforms

The majority of the Australian Government Better Super reforms came into effect on 1 July 2007.

Non-Concessional Contribution Cap

Non-concessional contribution is a new term which generally incorporates any contribution made from after-tax income (for example, a member's compulsory contributions).

From 1 July 2007, an annual cap of \$150 000 applies to non-concessional contributions.

- Individuals under 65 years of age can bring forward two years of contributions, enabling \$450 000 to be contributed in one year, with no further contributions in the next two years.
- Individuals aged 65 to 74 must satisfy the work test to make non-concessional contributions and are not able to access the bring forward arrangements.
- Individuals 75 years or over are not eligible to make non-concessional contributions to a superannuation fund.

Prior to 10 May 2006, there was no limit on the amount of after-tax contributions that could be made to a superannuation fund.

Transitional arrangements allowed individuals to make up to \$1 million of non-concessional contributions between 10 May 2006 and 30 June 2007.

Any non-concessional contributions that exceed the caps are subject to additional tax of 46.5 per cent.

Members of the Northern Territory Police Supplementary Benefit Scheme are unable to make non-concessional contributions above the rate of 1 per cent of salary. At this rate, personal contributions made to the fund will be well below the \$150 000 annual cap.

Concessional Contribution Cap

Concessional contribution is a new term which incorporates any contribution made from before-tax income. This includes contributions made by employers, salary sacrifice contributions and contributions by the self-employed for which they can claim a tax deduction. These contributions are taxed at a lower concessional rate of 15 per cent.

From 1 July 2007, the complex age-based limits on employer and salary sacrifice contributions were removed and replaced with an annual concessional contribution cap of \$50 000. Transitional arrangements allow people aged 50 years and over to contribute up to an annual cap of \$100 000 from 1 July 2007 until 30 June 2012.

Concessional contributions that exceed the caps are subject to an additional tax of 31.5 per cent and the contribution is counted toward the individual's non-concessional contribution cap.

Northern Territory Police Supplementary Benefit Scheme

The \$50 000 cap will be indexed in line with the Australian Bureau of Statistics' Average Weekly Ordinary Time Earnings, and increased in increments of \$5000. The transitional \$100 000 cap is not indexed.

Untaxed schemes like the Northern Territory Police Supplementary Benefit Scheme have been specifically excluded from the \$50 000 limit. As the Territory-financed (employer) component is paid from an untaxed source on cessation of the member's employment with the Territory public sector, it is exempt from the annual caps.

Tax File Numbers (TFN)

From 1 July 2007, where a superannuation fund does not hold an individual's TFN:

- the fund cannot accept any non-concessional contributions from the individual; and
- the fund must deduct tax of 46.5 per cent on concessional contributions made (that is, 15 per cent standard contributions tax plus an additional no-TFN tax of 31.5 per cent). A \$1000 threshold applies for accounts opened before 1 July 2007.

Superannuation funds are not required to deduct the no-TFN tax until 30 June each year. Individuals who provide a TFN to their superannuation fund within four years of the liability arising will be reimbursed.

Compulsory Cashing of Benefits

From 10 May 2006, the compulsory cashing of superannuation was removed, allowing individuals to keep their benefits in a superannuation fund indefinitely.

Previously, individuals were required to claim their superannuation benefits at age 65 if they were not gainfully employed, or at age 75 regardless of their employment status.

Reasonable Benefit Limits (RBLs)

From 1 July 2007, RBLs applying on lump sum and pension benefits were removed.

Superannuation tax concessions are limited to a person's RBL. In 2006-07, RBLs were \$678 149 for a lump sum benefit and \$1 356 291 for a pension benefit.

New Taxation of Superannuation Benefits

From 1 July 2007:

- Tax is abolished on lump sum and pension benefits paid to individuals aged 60 and over from a taxed fund (where employer and employee contributions and investment earnings have already been taxed). Prior to 1 July 2007, lump sum benefits were taxed at varying rates depending on how the benefit was taken, and pension benefits were taxed at marginal tax rates with a 15 per cent tax offset for individuals aged 55 and over.
- Tax continues to be levied on lump sum and pension benefits paid to people aged 60 and over from an untaxed source (unfunded public sector schemes where employer contributions and investment earnings have not previously been taxed).

Northern Territory Police Supplementary Benefit Scheme

Lump sum benefits paid to those aged 60 and over will be taxed at a single reduced rate of 15 per cent up to \$1 million, and at the top marginal tax rate over \$1 million. Pension benefits will continue to be taxed at marginal rates but a 10 per cent tax offset has been introduced for those aged 60 and over.

- Preservation rules remain unchanged, meaning individuals able to access superannuation benefits before age 60 (that is, people born before 1 July 1964) can continue to do so. The tax on lump sum benefits paid to individuals aged 59 and under have been simplified and are lower in some cases. Pension benefit payments to this group continue to be taxed but when an individual turns 60 their pension is subject to the above mentioned concessional tax rates.

Impact of New Taxation on Pensions, Commutations and Refunds

The taxation implications of the Australian Government Better Super reforms for members of the Northern Territory Police Supplementary Benefit Scheme differ depending on whether:

1. a member qualifies for a supplementary benefit from the scheme and receives a lifetime indexed pension, or commutes the pension to a lump sum.

A supplementary benefit comprises two components:

- a member-financed benefit which is the notional amount of the pension or commuted lump sum that is funded from the member's account (determined by an actuary); and
 - a Territory-financed benefit which is the amount of the pension or commuted lump sum financed by the Territory; or
2. a member does not qualify for a supplementary benefit from the scheme and receives a refund of their member account, comprising contributions and interest.

Supplementary Pension Benefit

From 1 July 2007, members aged 60 and over receive the taxed component (member-financed benefit) of their pension tax free and a 10 per cent tax offset applies to the untaxed component (Territory-financed benefit) of their pension. Pensions paid to members who are aged under 60 continue to be taxed under the previous arrangements. When the member turns 60, their pension is subject to the above concessional rates.

Prior to 1 July 2007, supplementary pension benefits were taxed at marginal tax rates with an annual deductible amount applied where applicable. A pension tax offset of 15 per cent was applied to the taxed component where the pension was paid to individuals aged 55 and over.

Northern Territory Police Supplementary Benefit Scheme

The following table illustrates the effect the changes have on the taxation of pensions paid from the scheme:

Age	Component	Tax Treatment ¹ from 1 July 2007	Tax Treatment ¹ prior to 1 July 2007
55-59	Taxed	Marginal tax rates 15% pension tax offset Annual deductible amount	Marginal tax rates 15% pension tax offset Annual deductible amount
	Untaxed	Marginal tax rates	Marginal tax rates
60+	Taxed	Tax free	Marginal tax rates 15% pension tax offset Annual deductible amount
	Untaxed	Marginal tax rates 10% pension tax offset	Marginal tax rates

1. From 1 July 2007 the annual deductible amount is called the tax free component.

Committed Lump Sums and Refunds of Member Accounts

From 1 July 2007, where a supplementary benefit is commuted to a lump sum and paid to members aged 60 and over, the member-financed component of the lump sum is tax-free and the Territory-financed component of the lump sum is taxed at a single rate of 15 per cent up to \$1 million. Amounts in excess of \$1 million are taxed at the top marginal tax rate.

From 1 July 2007, a member over the age of 60 who does not qualify for a supplementary benefit receives a refund of their member account tax-free.

The following table illustrates the effect the changes will have on the taxation of lump sum superannuation benefits paid from the scheme:

Age	Component	Tax Treatment ¹ from 1 July 2007	Tax Treatment ¹ prior to 1 July 2007
< 55	Tax Free Component		
	Non-concessional contributions (Member contributions)	Exempt	Exempt
	Pre July 1983	Exempt	5% taxed at marginal tax rates
	Taxable Component		
	Post June 1983 Taxed (Investment interest)	20%	20% to RBL 38% on excess over RBL
	Post June 1983 Untaxed (Territory-financed benefit)	30% up to \$1 million Excess over \$1 million taxed at top marginal tax rate	30% to RBL Excess over RBL taxed at top marginal tax rate

(continued)

Northern Territory Police Supplementary Benefit Scheme

Age	Component	Tax Treatment ¹ from 1 July 2007	Tax Treatment ¹ prior to 1 July 2007
55-59	Tax Free Component		
	Non-concessional contributions (Member contributions)	Exempt	Exempt
	Pre July 1983	Exempt	5% taxed at marginal tax rates
	Taxable Component		
	Post June 1983 Taxed (Investment interest)	0% to low tax threshold 15% on excess over low tax threshold	0% to low tax threshold 15% over low tax threshold up to RBL 38% on excess over RBL
	Post June 1983 Untaxed (Territory-financed benefit)	15% to low tax threshold 30% over low tax threshold up to \$1 million Excess over \$1 million taxed at top marginal tax rate	15% to low tax threshold 30% over low tax threshold up to RBL Excess over RBL taxed at top marginal tax rate
60+	Tax Free Component		
	Non-concessional contributions (Member Contributions)	Exempt	Exempt
	Pre July 1983	Exempt	5% taxed at marginal tax rates
	Taxable Component		
	Post June 1983 Taxed (investment interest)	Tax free	0% to low tax threshold 15% over low tax threshold up RBL 38% on excess over RBL
	Post June 1983 Untaxed (Territory financed benefit)	15% up to \$1 million Excess over \$1 million taxed at top marginal tax rate	15% to low tax threshold 30% over low tax threshold up to RBL Excess over RBL taxed at top marginal tax rate

1. Plus Medicare Levy (1.5%).

Note: 2006-07 low tax threshold – \$135 590; 2007-08 low tax threshold – \$140 000

2006-07 Reasonable Benefit Limit (RBL) – lump sum \$678 149, pension \$1 356 291; 2007-08 top marginal tax rate – 45 per cent.

Appendix B

The Scheme and How it Works

Contributions

Members finance a share of the scheme benefits by contributing 1 per cent of their salary to the fund, which is managed by the Trustees. Each member has an accumulation account in the fund representing their contributions and interest earnings.

Qualifying for a Supplementary Benefit

For a member of the Northern Territory Police Supplementary Benefit Scheme to qualify for a supplementary benefit they must:

- be at least 50 years of age or have at least 25 years CSS contributory service when ceasing to be a member of the supplementary scheme; and
- be entitled to a CSS age retirement pension, early retirement pension, deferred pension or a postponed pension on or after ceasing to be a member of the supplementary scheme.

Where a member qualifies for a supplementary benefit, their accumulation account balance will be transferred to the Territory and the Territory will pay the supplementary benefit.

The supplementary benefit is based on the amount of the member's CSS employer-financed pension and their age when they cease to be a member of the Police Force or when they cease to be a CSS contributor, whichever occurs later (for CSS and supplementary scheme purposes, a member attains a particular age on the day before their birthday).

The supplementary benefit is calculated as follows:

Member's age (yrs)	Supplementary benefit (%) ¹
55	25.00
56	21.69
57	18.69
58	15.94
59	13.43
60 or more	11.11

1. Supplementary benefit expressed as a percentage of the CSS employer-financed pension.

The supplementary benefit is paid as a lifetime indexed pension and commences when the CSS employer-financed pension begins to be paid. If a member defers or postpones their CSS pension, their supplementary pension commences when the deferred or postponed CSS pension commences. Members may elect to commute the supplementary pension to a lump sum equal to 10 times the annual amount of supplementary pension payable at the time the pension commences.

If the member is able to commute their CSS indexed pension to a lump sum and elects to do so (for example, an involuntary retirement lump sum or a deferred benefit converted to a transfer value), the supplementary benefit will be a lump sum equal to the employer-financed lump sum paid from the CSS multiplied by the percentage in the above

Northern Territory Police Supplementary Benefit Scheme

table applicable to the member's age when they ceased to be a member of the Police Force or they ceased to be a CSS contributor, whichever occurs later.

ComSuper will separately issue members with an information statement about their CSS entitlements as at 30 June 2007. If members require more information on their CSS benefit, they can contact the CSS by phoning 1300 000 277 or visit the website at: www.css.gov.au

No Entitlement to a Supplementary Benefit

A supplementary benefit will not be payable to a member if:

- the member is under 50 years of age and has less than 25 years CSS contributory service when they cease to be a member of the supplementary scheme; or
- the member's only CSS benefit is an amount equal to their CSS member contributions with interest (member elects for an immediate CSS cash resignation benefit in lieu of the CSS employer-financed benefit); or
- the member is entitled to a CSS invalidity retirement benefit on ceasing to be a CSS contributor; or
- the member's estate or dependants are entitled to a CSS benefit as a consequence of their death while they were still a CSS contributor.

Where any of the above circumstances apply to a member, their accumulation account will be paid to them, to their nominated superannuation or rollover fund or to their personal representative.

Death Benefit

In the event of a member's death while they are still a CSS contributor, their accumulation account balance will be paid to their estate. If the member has deferred or postponed their CSS and supplementary pensions, a supplementary pension will be paid to their dependants. Where a former member receiving a supplementary pension dies, a reversionary (spouse's) supplementary pension is payable to dependants.

Preserved Benefit

The Australian Government's preservation rules came into effect on 1 July 1998 and apply to lump sum superannuation benefits. A benefit in the form of a lifetime pension, such as the pension payable from this scheme, is not subject to the preservation rules and may commence at any age.

If a member receives a lump sum from the scheme before their preservation age, any preserved benefits must remain in a superannuation fund until the member has reached their relevant preservation age and has permanently retired from the workforce.

A member's relevant preservation age is indicated in the following table:

Date of Birth	Preservation Age
Before 1 July 1960	55
1 July 1960 to 30 June 1961	56
1 July 1961 to 30 June 1962	57
1 July 1962 to 30 June 1963	58
1 July 1963 to 30 June 1964	59
after 30 June 1964	60

Northern Territory Police Supplementary Benefit Scheme

Members who joined the fund before 1 July 1999 had a non-preserved benefit calculated at 30 June 1999. A member can cash their non-preserved benefit from the fund if they leave the scheme before reaching their preservation age. The non-preserved amount remains constant and any superannuation contributions (includes both employer and employee contributions) and interest earned after 1 July 1999 are subject to the preservation rules.

Northern Territory Supplementary Superannuation Scheme

In addition to a member's CSS and supplementary benefit, they are entitled to a 3 per cent productivity benefit from the Northern Territory Supplementary Superannuation Scheme (NTSSS). The NTSSS benefit is paid as a lump sum at the rate of 3 per cent of final salary for each year of employment since 1 October 1988. The final salary for NTSSS purposes is 130 per cent of the member's current salary plus Northern Territory Allowance. Assuming a member has not taken leave without pay, the NTSSS benefit at 30 June 2007 for all types of cessation was approximately 56.25 per cent of their final salary (56.25 per cent = 18 years 9 months since 1 October 1988 at 3 per cent per year).

Where a member does not qualify for a CSS employer-financed benefit (for example, through taking a CSS cash resignation benefit), their NTSSS benefit will be increased to approximately 119.25 per cent of final salary at 30 June 2007 to satisfy superannuation guarantee requirements.

The NTSSS is an unfunded scheme (that is, the Territory only finances the benefit at the time a member ceases Territory public sector employment). The NTSSS benefits are paid through the Northern Territory Superannuation Office and are subject to preservation rules.

The Northern Territory Superannuation Office issues NTSSS statements separately as at 30 June 2007.

Superannuation Surcharge

The superannuation surcharge was a tax on employer superannuation contributions for high income individuals with an adjusted taxable income above the surcharge income threshold. The superannuation surcharge commenced on 21 August 1996 and was abolished with effect from 1 July 2005.

Although the surcharge has been abolished, members who have previously incurred a surcharge debt are still liable to pay their surcharge debt. Members can:

- pay the debt to the fund, which will then pay the debt to the Australian Taxation Office (ATO); or
- continue to accumulate the debt with interest at the 10-year bond rate (6.25 per cent as at 30 June 2007).

Members who wish to continue to accumulate the debt are not required to do anything. The total of their surcharge debt plus interest will be deducted from their benefit when they cease membership of the scheme and will be paid to the ATO.

Financial Statements

Part B



Independent Auditor's Report to the Trustees

Northern Territory Police Supplementary Benefit Scheme

AUDITOR-GENERAL for the year ended 30 June 2007

I have audited the accompanying financial report of the Northern Territory Police Supplementary Benefit Scheme, which comprises the Trustees' statement, statement of changes in net assets, statement of net assets and accompanying notes to the financial statements for the year ended 30 June 2007.

The Responsibility of the Trustees for the Financial Report

The Trustees of the Northern Territory Police Supplementary Benefit Scheme are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustees, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Opinion

In my opinion, the financial report presents fairly, in all material respects, the net assets of the Northern Territory Police Supplementary Benefit Scheme as of 30 June 2007, and its changes in net assets for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) .

A handwritten signature in black ink, appearing to read 'F. McGuinness'.

F McGuinness

Auditor-General for the Northern Territory

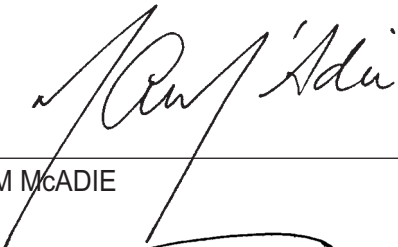
Darwin, Northern Territory

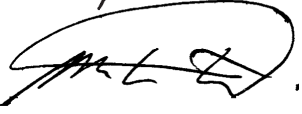
8 October 2007

Trustees' Statement

In the opinion of the Trustees:

- a. the accompanying financial statements consisting of a Statement of Changes in Net Assets, Statement of Net Assets and Notes to the Financial Statements are drawn up to present fairly the financial position of the Northern Territory Police Supplementary Benefit Scheme as at 30 June 2007 and the results of its operations for the year then ended in accordance with Australian Accounting Standards and other mandatory reporting requirements;
- b. the financial statements have been prepared in accordance with the requirements of the Northern Territory Police Supplementary Benefit Scheme Trust Deed as amended; and
- c. the Trust has been operated in accordance with the provisions of the Northern Territory Police Supplementary Benefit Scheme Trust Deed and in compliance with the requirements of the *Superannuation Industry (Supervision) Act 1993* during the year ended 30 June 2007.

Chairman of Trustees  Date 28/9/2007
M McADIE

Trustee  Date 28/9/2007
G R CARTER

Trustee  Date 28/9/2007
A J STUBBIN

Statement of Changes in Net Assets

for the year ended 30 June 2007

	Note	2007	2006
		\$	\$
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE FINANCIAL YEAR		3 367 497	3 200 333
<i>Add:</i>			
INVESTMENT REVENUE			
Interest	2	11 405	11 708
Changes in net market value of investments	3	451 689	447 799
		463 094	459 507
CONTRIBUTION REVENUE			
Member contributions		111 144	110 207
Surcharge debts paid		7 208	4 872
		118 352	115 079
TOTAL REVENUE		581 446	574 586
<i>Less:</i>			
EXPENSES			
Benefits			
Refunds of accumulated contributions	5(a)	150 748	1 736
Payment of accumulated contributions to the Territory	5(a)	445 206	392 456
Other expenses		1 667	1 673
Superannuation surcharge contributions tax		4 473	10 049
TOTAL EXPENSES		602 094	405 914
TOTAL REVENUE LESS EXPENSES BEFORE TAX		(20 648)	168 672
Income tax expense	6(a)	1 461	1 508
TOTAL REVENUE LESS EXPENSES AFTER TAX		(22 109)	167 164
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE FINANCIAL YEAR		3 345 388	3 367 497

The accompanying notes form part of the financial statements.

Statement of Net Assets

as at 30 June 2007

	Note	2007	2006
		\$	\$
INVESTMENTS			
Units in pooled superannuation trust	4	3 532 270	3 430 581
TOTAL INVESTMENTS		3 532 270	3 430 581
OTHER ASSETS			
Cash at bank		165 623	141 906
Deferred tax asset	6(d)	247	247
TOTAL OTHER ASSETS		165 870	142 153
TOTAL ASSETS		3 698 140	3 572 734
<i>Less:</i>			
LIABILITIES			
Benefits payable	5(b)	307 048	156 300
Sundry liabilities		1 650	1 650
Provision for surcharge contributions tax		43 116	45 782
Current tax liability	6(c)	938	1 505
TOTAL LIABILITIES		352 752	205 237
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE FINANCIAL YEAR		3 345 388	3 367 497

The accompanying notes form part of the financial statements.

Notes to the Financial Statements for the year ended 30 June 2007

1. STATEMENTS OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The financial statements are general purpose statements which have been drawn up in accordance with Australian Accounting Standards including AAS25 Financial Reporting Superannuation Plans (AAS25) as amended by AASB 2005-13 "Amendments to Australian Accounting Standards [AAS25]", other applicable Accounting Standards and the requirements of the *Superannuation Industry (Supervision) Act 1993* and Regulations and the provisions of the Northern Territory Police Supplementary Benefit Scheme Trust Deed.

The Scheme is a superannuation fund domiciled in Australia. The financial statements are presented in Australian dollars, which is the functional currency of the Scheme.

The financial statements were approved by the Board of the Trustee on 28 September 2007.

(b) Basis of Preparation

The Australian Accounting Standards, adopted by the Australian Accounting Standards Board (AASB), are based on International Financial Reporting Standards (IFRS). These are known as the Australian equivalent to IFRS (AIFRS). Since AAS25 is the principal standard that applies to the financial statements, other standards, including AIFRS, are also applied where necessary except to the extent that they differ from AAS25.

The accounting policies set out below have been applied consistently in these financial statements.

The fund elected the early adoption of the following accounting standards and amendments:

- AASB 101 Presentation of Financial Statements (October 2006)
- ED 151 Additions to and deletions from IFRS

Other accounting standards and amendments available for early adoption have not been applied either because they do not have any impact or are not applicable to superannuation funds.

The financial statements have been prepared in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(c) Use of Estimates and Judgements

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires the Trustee to exercise its judgement in the process of applying the entity's accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Notes to the Financial Statements for the year ended 30 June 2007

1. STATEMENTS OF SIGNIFICANT ACCOUNTING POLICIES (continued)

There are no critical accounting estimates and judgements contained in these financial statements other than those used to determine the liability for accrued benefits, which are not brought to account but disclosed by way of note.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

(d) Description of the Scheme

The Northern Territory Police Supplementary Benefit Scheme (ABN 64 563 356 970) is established under the Northern Territory Police Supplementary Benefit Scheme Trust Deed and Rules (as amended). The Scheme incorporates a member accumulation and a defined benefit component and operates for the purpose of providing benefits for or in relation to eligible employees under the *Northern Territory Police Administration Act*. Administration of the Scheme is conducted by the Northern Territory Superannuation Office on behalf of the Trustees.

A report by the actuary giving an actuarial valuation of the fund was made on 30 June 2006 (Cumpston Sarjeant Pty Ltd).

(e) Investments

Investments of the fund are initially recognised at cost, being the fair value of the consideration given.

After initial recognition assets of the fund are recorded at net market value after allowing for costs of realisation, as at the reporting date, and changes in the net market value of assets are recognised in the Statement of Changes in Net Assets in the periods in which they occur.

Net Market Values have been determined as follows:

- Pooled Superannuation Trusts: based on the redemption price of the units as notified by the investment managers.
- Where material, estimated costs of realisation have been deducted.
- The net fair values of investments are considered to be equal to the net market value.

(f) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the fund and can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Changes in net market value of investments

Changes in net market value of investments are recognised as income in the Statement of Changes in Net Assets in the periods in which they occur. Changes in net market values are determined as the difference between the net market value at balance date or consideration received (if sold during the year) and the net market value at the previous balance date or the cost (if the investment was acquired during the year).

Notes to the Financial Statements for the year ended 30 June 2007

1. STATEMENTS OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest

Interest revenue is recognised when the fund has established its right to receive the interest.

Contribution Revenues

Member contributions are recognised when received and are recorded in the period to which they relate.

Under Rule 2 of the Schedule of Rules to the Trust Deed, members contribute at the rate of 1 per cent of salary. Member contributions and interest thereon are accumulated in the fund.

The Territory does not make direct contributions to the fund. Under Clauses 16 and 17 of the Trust Deed, when a pension or commuted pension benefit comes payable the member's accumulation account is transferred to the Territory, which has covenanted to pay the pension or commuted pension benefits and any reversionary entitlements in accordance with the directions of the Trustees.

Where a member ceases membership without pension entitlement, the member's accumulation account balance is paid to the member directly from the fund.

(g) Income Tax

The contributory superannuation scheme established under the Northern Territory Police Supplementary Benefit Scheme Trust Deed is an exempt public sector superannuation scheme under the *Superannuation Industry (Supervision) Act 1993* and is deemed to be a complying superannuation fund for the purposes of Part IX of the *Income Tax Assessment Act 1936* as amended. Accordingly, the concessional tax rate of 15 per cent has been applied.

Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

Notes to the Financial Statements for the year ended 30 June 2007

1. STATEMENTS OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the fund intends to settle its current tax assets and liabilities on a net basis.

(h) Benefits Payable

Benefits payable include benefits in respect of members who ceased to be members prior to year end but had not been paid by that date.

(i) Receivables and Other Payables

Receivables are carried at nominal amounts due, which approximate fair value.

Other payables are recognised when the fund is obligated to make future payments for services received and are carried at the net market value of the amount payable.

(j) Liability for Accrued Benefits

The liability for accrued benefits is the fund's present obligation to pay benefits to members and beneficiaries and has been calculated on the basis of the present value of expected future payments arising from membership of the Scheme up to the reporting date.

In accordance with Clause 14 of the Trust Deed, an actuarial review of the Scheme was carried out as at 30 June 2006 and the results were presented in a report dated 1 September 2006. The next triennial review is due to be conducted in 2009. The Territory's liability for accrued benefits has been determined by reference to expected future salary levels, a market-based risk-adjusted discount rate and other relevant actuarial assumptions.

(k) Vested Benefits

Vested benefits are benefits that are not conditional upon continued membership of the Scheme and include benefits which members are entitled to receive had they terminated their membership of the Scheme at the reporting date. Vested benefits at a particular date represent the present value of benefits payable in respect of former members and the benefits payable to current members on voluntary withdrawal from Scheme membership at that date.

(l) Superannuation Contributions Surcharge

The superannuation contribution surcharge is levied on notional surchargeable contributions in relation to periods from 21 August 1996 to 30 June 2005. The Australian Taxation Office (ATO) assesses the amount of surcharge based upon each member's adjusted taxable income and level of surchargeable contributions and periodically sends grouped assessments to the fund. The liability to pay the surcharge rests with the holder of the surchargeable contribution at the time the surcharge assessment is received from the ATO.

Notes to the Financial Statements for the year ended 30 June 2007

1. STATEMENTS OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The superannuation surcharge was abolished with effect from 1 July 2005 by the passing of the *Superannuation Laws Amendment (Abolition of Surcharge) Act 2005*. The last reporting of contributions for surcharge purposes will be in respect of contributions made up to and including 30 June 2005.

In accordance with Interpretation 1019, provision for the assessments received, together with interest debited to members' surcharge debt accounts, has been made in the financial statements for the amount of the surcharge which may be payable by the fund under the surcharge legislation.

No provision has been made in the financial statements for assessments not yet received, as the Trustees are unable to reliably determine the amount of surcharge until the assessments are received from the ATO.

(m) Goods and Services Tax (GST)

The fund is not registered for GST. Revenues and expenses and assets are recognised inclusive of GST where applicable. Receivables and payables in the Statement of Net Assets are also shown inclusive of GST.

(n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank, demand deposits and short term, highly liquid investments that are readily converted to known amounts of cash.

(o) Derecognition of Financial Assets and Liabilities

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the fund transfers substantially all the risks and rewards of ownership of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

	2007	2006
	\$	\$

2. INTEREST INCOME

Bank account	11 405	11 708
	11 405	11 708

3. CHANGE IN NET MARKET VALUE OF INVESTMENTS

Investments held at reporting date		
Units in pooled superannuation trust	430 651	459 601
Investments realised during the period		
Units in pooled superannuation trust	21 038	(11 802)
Total Changes in Net Market Value	451 689	447 799

Notes to the Financial Statements for the year ended 30 June 2007

	2007	2006
	\$	\$
4. INVESTMENTS		
Units in pooled superannuation trust		
BT Balanced Fund:		
Opening balance	3 430 581	3 142 782
Redemptions	(350 000)	(160 000)
Change in net market value	451 689	447 799
Closing balance	3 532 270	3 430 581
5. BENEFITS PAID AND PAYABLE		
(a) Benefits paid		
Refunds of accumulated contributions	150 748	1 736
Payment of accumulated contributions to the Territory	445 206	392 456
Total benefits paid	595 954	394 192
(b) Benefits payable		
Refunds of accumulated contributions	307 048	156 300
Total benefits payable	307 048	156 300
6. INCOME TAX		
(a) Major components of tax expense		
Current income tax		
Current tax charge	1 461	1 505
Adjustment to current tax for prior period	–	3
Deferred income tax		
Relating to the origination and reversal of temporary differences	–	–
Income tax expense	1 461	1 508
(b) Income tax expense		
Total revenue less expenses before tax	(20 648)	168 673
Tax applicable at the rate of 15%	(3 097)	25 301
Tax effect of expenses that are not deductible in determining taxable income		
Refunds of accumulated contributions	22 612	260
Payments of contributions to the Territory	66 781	58 868
Superannuation contributions surcharge	671	1 507
Tax effect of income that is not assessable in determining taxable income		
Investment income	(67 753)	(67 170)
Member contributions and transfers in	(16 672)	(16 531)
Surcharge payments received	(1 081)	(730)
Tax effect of other adjustments		
Overprovision prior period	–	3
Income tax expense	1 461	1 508

Notes to the Financial Statements for the year ended 30 June 2007

	2007	2006
	\$	\$
6. INCOME TAX (continued)		
(c) Current tax liabilities		
Balance at beginning of year	1 505	271
Income tax paid – current period	(523)	–
Income tax paid – prior periods	(1 505)	(274)
Current years income tax provision	1 461	1 505
Under/(over) provision prior period	–	3
	938	1 505
(d) Deferred tax asset		
The amount of deferred tax assets recognised in the Statement of Net Assets at reporting date is made up as follows:		
Accrued expenses	247	247

7. LIABILITY FOR ACCRUED BENEFITS

The valuation of accrued benefits was undertaken by the actuary as part of a comprehensive actuarial review undertaken during 2006. Accrued Benefits as at 30 June 2006 were \$29 439 000 and were \$21 914 000 as at 30 June 2003.

8. VESTED BENEFITS

Vested Benefits	31 450 000	31 945 000
-----------------	------------	------------

9. FINANCIAL INSTRUMENTS**(a) Interest Rate Risk**

The fund's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Floating Interest Rate		Non Interest Bearing		Total	
	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000
Financial Assets						
Cash at Bank	166	142	–	–	166	142
Units in PSTs	–	–	3 533	3 431	3 533	3 431
Total	166	142	3 533	3 431	3 699	3 573
Financial Liabilities						
Benefits Payable	307	156	–	–	307	156

Weighted Average Interest Rate 2007: 5.7%; 2006: 5.4%

The fund return applied to Benefits Payable for 2007: 13.7%; 2006: 14.0%

Notes to the Financial Statements for the year ended 30 June 2007

9. FINANCIAL INSTRUMENTS (continued)

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets. The fund does not have any significant exposure to any individual counterparty or industry.

The fund does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the fund.

(c) Net Fair Values

The net fair value of the assets approximates their carrying value. No financial assets are readily traded on organised markets in standardised form.

(d) Investments in Pooled Superannuation Trusts or Similar Investment Products

Investments of the fund (other than cash held for liquidity purposes), comprise units in collective investment products such as life office investment policies and pooled superannuation trusts. The Trustees have determined that this type of investment is appropriate for the fund and is in accordance with the fund's investment strategy.

The investment managers of the collective investment products will have invested in a variety of financial instruments, including derivatives which expose the fund's investments to a variety of investment risks, including market risk, credit risk, interest rate risk and currency risk.

The investment managers provide regular reports on the fund's investments to the Trustee Board. This includes receipt of a formal Risk Management Statement from each investment manager.

10. AUDITORS' REMUNERATION

Audit services are provided by the Northern Territory Auditor-General's Office at no cost to the fund.

11. CONTINGENT LIABILITIES

The Scheme has no contingent liabilities as at 30 June 2007 (2006: Nil).

Notes to the Financial Statements for the year ended 30 June 2007

12. RELATED PARTY TRANSACTIONS

(a) Employer

The employer is the Northern Territory Government. The employer provides free of charge to the Scheme, staff and administrative services, accommodation and the use of office equipment.

(b) Trustees

The Trustees of the fund who held office during the year are:

Mr M McAdie	Chairman of Trustees
Mr G R Carter	Trustee (Member Representative)
Mr A J Stubbin	Trustee (Treasury Representative)

The Trustees received no remuneration from the fund or employer in connection with the management of the Scheme. Where a Trustee is a member of the Scheme, contributions were in accordance with the normal terms and conditions of the Northern Territory Police Supplementary Benefit Scheme Trust Deed and Rules. No retirement benefits were paid to Trustees or relatives of the Trustees during the reporting period.

13. SEGMENT REPORTING

The superannuation scheme operates in one business and geographical segment, being the provision of superannuation benefits for members in the Northern Territory of Australia.

Summary of the Report of the Actuarial Investigation of the Scheme

as at 30 June 2006

The triennial actuarial investigation of the scheme was carried out as at 30 June 2006 by John Rawsthorne FIAA, of Cumpston Sarjeant Pty Ltd, and the results were presented in his report dated 1 September 2006.

The scheme was closed to members from 1 January 1988. Members contribute 1 per cent of salaries to an account which accumulated with the earnings of the scheme. On leaving, the account balance is paid to members who are not eligible to receive Territory-financed benefits, or otherwise to the Territory. Benefit payments are made directly by the Territory.

The report focuses on Territory liabilities, examining recent experience, calculating the present value of total liabilities and projecting both emerging costs and liabilities for accrued benefits.

The contributing membership continues to decline as members reach retirement age, and now stands at 135 members. The number of pensioners has increased rapidly, with 121 pensioners currently receiving benefits, up from 87 three years ago. The pensioner population will peak in about ten years, after which it will gradually decline.

Accrued liabilities at 30 June 2006 were \$29.4 million compared to \$21.9 million at 30 June 2003. High investment earnings on members' CSS accumulation accounts in recent years have been a significant driver of liability increases.

Emerging costs are expected to be about \$0.96 million in 2006-07, and will continue to increase in real terms to about \$1.5 million per annum (\$2.5 million per annum in inflated terms) until about 2022, after which they will decline gradually. The accrued liability is expected to remain stable in real terms for about 10 years, after which it will decline gradually as pensioners are paid.

John Rawsthorne FIAA
Cumpston Sarjeant Pty Ltd