

This Annual Report and Member Handbook was prepared and issued on 1 December 2003 as the Product Disclosure Statement for the Independent Superannuation Preservation Fund (ISPF) ABN 55 807 574 608 by the Trustee of the Fund, National Custodian Limited (NCL) ABN 66 008 612 397.

This Handbook provides important information about the main features, costs, benefits and investments of ISPF. Further information about the Fund and the Trustee is available by contacting ISPF on 07 3238 1296 or by writing to ISPF at PO Box 1047 MILTON QLD 4064.

The information provided by ISPF is of a general nature and does not take into account your individual objectives, financial situation or needs. If you require such specific advice, you should contact a licensed Financial Adviser.

Superannuation is a long-term investment and the value of your investment may rise and fall. While ISPF must protect the benefits of members, in a poor investment period the Trustee may charge an amount equal to your investment return plus \$10. If you leave the Fund within a few years of joining you may get back less than the amount of contributions paid because of the level of investment returns earned by the Fund, taxation and the Fund's charges.

Enquiries & Complaints

The Trustee has a procedure to enable members to enquire into or complain about the operation or the management of ISPF as it relates to them. If a member has an enquiry they should first telephone the Fund on: (07) 3238 1296.

Alternatively, if the member has a complaint, they should write to:

The Complaints Manager
Independent Superannuation Preservation Fund
PO Box 1047
MILTON QLD 4064

All complaints will be dealt with within 90 days. If after receiving a response, the member is not satisfied, they can contact the Superannuation Complaints Tribunal (SCT). The SCT is an independent body established by the Federal Government to consider complaints about Trustee decisions that may be unfair or unreasonable.

The Tribunal may be able to assist the member but only if the member has firstly made a genuine effort to resolve the complaint through the Fund's own complaint process. If the Tribunal accepts the member's complaint it will attempt to resolve the matter through conciliation. Failing this, the matter will be referred to the Tribunal for a determination, which is binding on all parties.

The SCT can be contacted at:

Superannuation Complaints Tribunal
Locked Mail Bag 3060
MELBOURNE VIC 3000
Phone: 1300 884 114
Or visit the SCT website at: www.sct.gov.au

About Independent Superannuation Preservation Fund

The Independent Superannuation Preservation Fund (ISPF), was established by a trust deed dated 25 June 2002. ISPF can receive and protect benefits paid from other Superannuation Funds, Approved Deposit Funds (ADF), Retirement Savings Accounts (RSA), Superannuation Guarantee (SG) shortfall payments, and amounts paid from the Superannuation Holding Accounts Reserve (SHAR).

Trustee

The Trustee is National Custodian Limited (NCL) ACN: 008 612 397. NCL is a specialist trustee company within the Mellon group. Incorporated as a public company on 13 December 1985, NCL provides trustee services to superannuation funds and is an “Approved Trustee” under the Superannuation Industry (Supervision) Act 1993 (SIS).

Manager

The Manager is Independent Superannuation Preservation Fund Pty Ltd ACN 100 837 214 (Manager). The Manager provides recommendations to the Trustee on a number of matters relating to the strategic operation of the Fund but cannot interfere with the Trustee’s discretions. The Manager is also contracted to provide various services to the Trustee, principally the promotion of the Fund. The Manager will be paid a fee from ISPF for providing these services.

Fund Compliance

ISPF is a complying regulated superannuation fund. As such it complies with the Superannuation Industry (Supervision) Act 1993 and is eligible for concessional tax treatment.

Indemnity Insurance

In order to protect the Trustee company, the Trustee has taken out trustee liability insurance in respect of major legal claims made against it. The Trustee is not insured for dishonest, wilful or reckless acts.

Effective 27 June 2003, the Trustee held a Deed of Guarantee issued by JPMorgan Chase Bank. This document unconditionally guarantees the liabilities incurred by the Trustee up to \$5 million in order to meet the costs and expenses relating to the performance of its duties as a trustee of superannuation entities. The Deed of Guarantee is available for inspection at the registered office of the Trustee.

Administrator

The administration services for ISPF is provided by Independent Fund Administrators & Advisers Pty Ltd (IFAA), ABN 28 081 966 243. IFAA is an independently owned company specifically established to provide administration and consulting services to Queensland superannuation funds. IFAA will be paid a fee from ISPF for providing these administration services.

What transfers does ISPF accept?

ISPF is an Eligible Rollover Fund which means that it will automatically accept eligible benefits that are rolled over by the Trustees of other complying Superannuation Funds, ADFs, RSAs, SG shortfall payments, and amounts paid from the SHAR.

ISPF does not accept other amounts such as member personal contributions, contributions from employers or amounts rolled over by a member from another superannuation fund.

Summary of Benefits Payable to Members

The rules governing ISPF are set out in a legal document called a Trust Deed. If a member wishes to obtain a copy of any of the rules of ISPF which affect their benefits or rights, they can contact ISPF (refer to Contact Details shown below). The Trustee can, with the consent of the Manager, amend the Trust Deed by deed of variation. Where any amendment is likely to adversely affect the rights of members, the prior approval of all affected members is necessary. There were no changes to the Trust Deed during the year ended 30 June 2003.

As an approved Eligible Rollover Fund, ISPF accepts the benefits of members transferred by the Trustees of other superannuation funds. An account is established for each member which is credited with monies received on behalf of the member. A weekly administration fee is levied against members' accounts.

Interest is calculated on your account balance on a daily basis after deductions for tax (if applicable) and administration fees. Interest is credited to your account as at 30 June each year.

The balance in a member's account is the member's benefit. ISPF protects members' account balances in accordance with Federal Government legislation (refer to Member Benefit Protection section for more information).

The Government has placed restrictions on when a person can have access to preserved benefits and that person generally cannot access benefits until they reach age 65 or retire after they reach their preservation age (see below for explanation of preservation age).

A member's account balance can be released from the Fund on:

- Retirement after attaining the preservation age
- Permanent Incapacity
- Death
- Transfer to another superannuation fund
- Departing Australia Superannuation Payment (available only on departure of some temporary residents)

Release of benefit on the grounds of Financial Hardship or Specified (compassionate) Grounds is not available.

Benefits will be paid in lump sum form.

Preservation Age

A member's preservation age depends on when the member was born. The following table explains this:

People born	Preservation Age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
After 30 June 1964	60

How to make a Claim

Simply call or write to ISPF to arrange a benefit quotation and forms to arrange the release of benefits from the Fund.

Unclaimed Moneys

Unclaimed monies are benefits which are due to be paid from ISPF as the member has reached the pensionable age, however the Trustee is unable to make the payment because after making reasonable efforts the Trustee is unable to contact the member and the member has not provided ISPF with payment instructions. In this case, the benefits will be paid to the Unclaimed Monies Section of the Public Trustee Queensland, 444 Queen Street, Brisbane Qld 4000. Telephone (07) 3213 9357.

Nominating a Beneficiary

When you joined your originating fund you were asked to nominate a "preferred beneficiary" to whom you want your benefit to be paid on your death. The Trustee however, has discretion as to whom any death benefit is paid. Death benefits can generally only be paid to your dependant or your legal personal representative. If you wish to update your nomination, please notify ISPF in writing at anytime.

How much tax will you pay?

Transfers from other superannuation funds

Generally, no tax will apply to amounts transferred into ISPF from other Superannuation accounts unless the amount transferred contains an “untaxed element” in the post June 1983 component (this is a termination payment made direct from an employer, or a payment from certain superannuation funds for government employees). We are required by law to deduct tax at 15% of the untaxed amount.

A further surcharge tax of up to 15% may also apply. The Australian Taxation Office (ATO) determines whether your contributions will be subject to surcharge tax. ISPF is required to deduct the surcharge tax from your account if an assessment is received on your behalf from the ATO.

Investment earnings

Your investment earnings and realised capital gains in the Fund are taxed at up to 15%.

Tax on benefits

Tax will not be payable if you rollover or transfer your benefits to another complying superannuation fund.

Tax may be payable when you make a lump sum withdrawal from the Fund. The amount of tax payable is dependent on the Eligible Termination Payment (ETP) components of your benefit and your age at the date of withdrawal.

The lump sum tax rates applicable to the various components of an ETP are set out in the following table:

ETP Components	Aged less than 55 years	Aged 55 years and over
Undeducted contributions	Tax free	Tax free
Post June 1994 Invalidation Component	Tax free	Tax free
CGT Exempt Component	Tax free	Tax free
Concessional and Pre 1 July 1983 Components	5% of the amount is assessable in your income tax return at your marginal tax rate (plus Medicare levy)	5% of the amount is assessable in your income tax return at your marginal tax rate (plus Medicare levy)
Post 30 June 1983 Component	Taxed at 20% (plus Medicare levy)	First \$117,576* is tax free. The remainder is taxed at 15% (plus Medicare levy)

*Applicable for 2003/04. This is a lifetime threshold and increases every year in line with average weekly ordinary time earnings (AWOTE).

If you make a cash withdrawal and have not advised us of your Tax File Number, the Pre 1 July 1983 and Post 30 June 1983 components of your withdrawal will be taxed at the top personal income tax rate (currently 47%) plus Medicare levy. **Tax rates will differ for payments made to departing non-residents.**

Reasonable Benefit Limits

The Government sets limits on the maximum amount you can receive from a superannuation fund that qualifies for tax at concessional rates.

These limits are known as Reasonable Benefit Limits (RBL) and from 1 July 2003 are:

- \$588,056 when you take over 50% of your benefit as a lump sum.
- \$1,176,106 when at least 50% of your benefit is taken as a complying pension or annuity.

Any superannuation benefit received that is above these levels is taxed at the highest personal income tax rate (currently 47%) plus the Medicare levy.

For more information about tax on Superannuation benefits, contact the Australian Taxation Office on 131 020.

Providing your Tax File Number (TFN)

ISPF is authorised to collect your TFN under taxation laws, the Superannuation Industry (Supervision) Act 1993 (SIS) and is governed by the Privacy Act. It is optional for you to provide your TFN. The Fund is required by law to properly safeguard it and only use it for legislatively approved superannuation purposes.

These purposes include:

- Advising the Australian Taxation Office (ATO) for taxation and Reasonable Benefit Limit purposes;
- Calculating tax on any benefit to which you may be entitled;
- Advising the relevant Authority if you turn 65 and we are unable to pay your benefit as we don't have your address;
- Allowing your TFN to be forwarded to another regulated fund if your benefit is rolled over or transferred unless you request in writing for this not to be done;
- Assist in searching for, and amalgamating superannuation benefits in the Fund for you; and
- Advising the ATO in accordance with Surcharge Legislation.

These lawful purposes may change as future legislation changes, as may the consequences listed below.

If you do not provide your TFN, we may be unable to properly administer your benefits. Providing your TFN is voluntary and it is not an offence if you do not provide it. However, if you choose **NOT** to provide your TFN:

- Benefits paid to you will be subject to tax at the top personal income tax rate (currently 47%) plus Medicare levy (this may be recovered after lodgement of your tax return); and
- ISPF may not be able to locate and amalgamate multiple benefits in the Fund for you.

Investments

The following sets out ISPF's Investment Objectives, Strategy, and Asset Allocation.

Investment Objectives

The Trustee aims to achieve a competitive rate of return through investment in a diversified range of assets whilst also maintaining sufficient liquidity to cover all operating costs of the Fund. However, despite this objective, there may be periods when the net returns, after tax and expenses, are negative.

In making decisions on the asset strategy, the Trustee will have regard to the protection of members' account balances, the Trust Deed provisions and will comply with all applicable legislative requirements. The Fund's investments will be managed to ensure that there is sufficient liquidity to meet expected cash flow requirements.

Investment Strategy

In seeking to achieve these objectives, the Trustee will adopt a diversified asset allocation which will contain *defensive* assets to ensure liquidity as well as *growth* assets which have the potential for higher returns over the longer period. *Defensive* assets include cash, bank bills and other securities which have a lower investment risk but usually offer lower returns in the longer run. *Growth* assets such as Australian and International shares carry a higher level of investment risk over shorter periods with the possibility of higher returns over the longer term.

The Trustee will invest the assets of the fund in a number of carefully selected specialist fund managers. However, the Trustee does not specifically take into account labour standards or environmental, social and ethical considerations in the selection of fund managers.

The Trustee regularly reviews the performance of the fund managers.

Asset Allocation

The following tables show the types of investment assets held by the Fund at 30 June 2003.

Investment Portfolio	30 June 2003		
	\$	%	Type of Asset
NAB Corporate Cheque Account	1,158,502	21	Cash
NAB Business Investment Account	128,974	3	Cash
Colonial First State Premium Cash Enhanced Fund	4,180,142	76	Cash deposits, bank bills, & corporate securities
Total	5,467,618	100.0	

There are no investments made in any associated enterprise. The Fund has not invested in any derivative products.

Effective from 1 July 2003, the following asset benchmark allocations are to be implemented:

Asset Class	Benchmark %
Australian Equities	30%
International Equities*	30%
Total Growth Assets	60%
Enhanced Cash & Cash at Bank	40%
Total Defensive Assets	40%

* International Shares are fully hedged against currency risk

Effective from 1 July 2003 the Trustee will progressively move to a new asset allocation (as outlined above) and intends to make investments through the following managers and products. The Fund will only use derivatives (futures and options) to hedge against currency risk.

Manager/Product	%
Credit Suisse International Shares (fully hedged)	30 %
Perennial Australian Value Shares Trust	30 %
Perennial Cash Enhanced Trust	35 %
NAB Business Investment Account	4 %
NAB Cheque Account	1 %
Total	100 %

Crediting Rate Policy (including Interim Rate)

At the end of each financial year, the Trustee will determine an interest rate which will be credited in arrears to members' account balances for the financial year ended 30 June. This rate may not be the same as the Fund's investment return and will be determined by the Trustee having regard to the actual investment return on the Fund's assets after tax and all expenses and any amount held in the reserves.

The effect of extreme fluctuations in returns will be cushioned by the use of reserves.

An interim crediting rate will be determined from time to time by the Trustee for the purpose of crediting to exiting members. This interim rate will be determined on the same basis as the final crediting rate.

Reserving Policy

In order to provide members with a greater exposure to growth assets and a greater capacity for higher longer term returns on investments, the Trustee will from time to time retain a reserve. The level of reserves will not exceed 5% of the Fund's assets.

The reserve consists of any surplus from administration fees deducted from members' accounts over operating costs together with any difference between investment earnings and the amount of interest credited to members' accounts.

Investment Returns, Crediting Rate and Level of Reserves

For the year ended 30 June 2003, ISPF has credited interest to member's accounts at the rate of 2.0 % p.a.

The table below shows the interest rate credited to members, compared with the earning rate, after tax and fees.

Financial Year Ended	Interest % Credited to Members	Fund Earning Rate %
30 June 2003	2.0	3.9

Note: The Fund commenced on 8 July 2002, as a result it has no past history of crediting rates except for the year ended 30 June 2003 as shown above.

Level of Reserves

The level of reserves at 30 June 2003 were as follows:

Year Ended	\$,000	% of Member's funds
30 June 2003	109	2.19

Administration Fees

A weekly administration fee of \$0.25 is deducted from each member's account, (subject to member benefit protection - see below).

The Fund pays management fees to investment managers for the day-to-day administration costs of investing. These fees are at wholesale rates, set by the investment managers, and range between 0.28% and 2.00% (maximum) of the value of funds under management. These fees are deducted from investment returns before interest is calculated and credited to members' accounts and are not subject to member benefit protection – see below.

Type of Fee	Amount
Administration Fee	
Account Keeping Fee - deducted each week from each members' account	25 cents
Transfers In	No Fee
Benefit Payment Fee	No Fee
Family Law Fees (on divorce or separation – not subject to member benefit protection)	
- Request for Information in Family Law Act form	\$110
- Splitting of a member's benefit*	\$100

* Divided equally between member and spouse in most instances

Member Benefit Protection

Member protection legislation prohibits trustees of superannuation funds from charging administration fees in excess of interest earned on member balances of less than \$1000. This protection does not apply to government taxation or indirect fees. Indirect fees (such as the management fees paid to the investment managers) are deducted before the interest crediting rate is determined. Unlike other superannuation funds, Eligible Rollover Funds must protect all members' account balances, even if they exceed \$1000. This means that the account balance of a member in ISPF must be protected from erosion by fees or charges, That is, fees or charges cannot exceed the amount of interest credited to a member's account in any reporting period. The only exception to this is for periods where the Fund's total investment earnings to be distributed to members are insufficient to cover the total administration costs to be debited to members' benefits. In this case, each protected member can be charged no more than an amount equal to their investment return plus \$10.00.

Member Statements

An annual statement will be mailed to all members, where the Fund has a current address, following the declaration of interest by the Trustee, each financial year end. The statement will show all transactions which have been applied to a member's account in the financial year including administration fees deducted and interest credited. If member benefit protection applies, the statement will show a refund of administration fees as "Member Benefit Protection Refund".

Insurance

There are no insurance benefits provided to members of ISPF. The amount payable on death or permanent incapacity of a member is the accumulated account balance.

Directors of Trustee Company

The following Directors were appointed for the whole of the year ended 30 June 2003:

John Lewis Crocker
Gerald Dominic Gallagher
Martin Frank Horan
Stephen John Taylor
John Neville Toms
Arthur James Weston

There were no penalties imposed on the Trustee under section 38A of the SIS Act.

Contact Details

The contact details of relevant parties are as follows:

Trustee

National Custodian Limited
Level 12, Central Plaza One
345 Queen Street
BRISBANE QLD 4000
Telephone: 07 3246 7000

Manager

ISPF Pty Ltd
Level 1, 424 Upper Roma Street
BRISBANE QLD 4000
Telephone 07 3238 1200

Administrator

IFAA Pty Ltd
Level 1, 424 Upper Roma Street
BRISBANE QLD 4000
Telephone 07 3238 1296

ISPF may be contacted at:

Telephone: 07 3238 1296
Facsimile: 07 3236 0555
Email: ispf@ifaa.com.au
Post: Independent Superannuation
Preservation Fund
PO Box 1047
MILTON QLD 4064

Privacy

National Custodian Limited (NCL), ABN 66 008 612 397, is the Trustee of ISPF. NCL has outsourced the administration of the Fund to Independent Fund Administrators & Advisers Pty Ltd (IFAA), ABN 28 081 966 243. This includes all information processing, record keeping and claims management.

The administrator collects information about members on behalf of NCL. The information passed from your originating superannuation fund will be retained by IFAA as the administrator.

You will be able to access information IFAA holds about you on request, and update any information which is inaccurate or out-of-date. In addition, ISPF's privacy policy will be provided to you on request.

Disclaimer

The Trustee, the Manager, the Administrator, or their Directors do not guarantee the performance of the Fund, or the repayment of capital, or any particular rate of return.

Abridged Financial Reports

The financial information shown below has been extracted from the Fund’s audited accounts for the year ended 30 June 2003. Members are entitled to the following documents on written application to the Trustee: Full Financial Statements, The Auditor’s Report, Trust Deed provisions relating to the member, Australian Prudential Regulation Authority Annual Returns.

**STATEMENT OF FINANCIAL POSITION
AS AT JUNE 2003**

ASSETS	\$
Investments	4,309,116
Cash at Bank	1,158,589
RECEIVABLES	
Future Income Tax Benefit	60,892
Other Receivables	424
TOTAL ASSETS	<u>5,529,021</u>
LIABILITIES	
Payables	415,055
Provision for Income Tax	22,798
TOTAL LIABILITIES	<u>437,853</u>
NET ASSETS	<u>5,091,168</u>
Represented by :	
LIABILITY FOR ACCRUED BENEFITS	
Members’ Funds	4,981,947
General Reserve	109,221
	<u>5,091,168</u>
Reserves as % of Members’ Funds	2.19%

**OPERATING STATEMENT
FOR YEAR ENDED 30 JUNE 2003**

INVESTMENT - REVENUE	\$
Interest	109,276
Direct Investment Expense	<u>(160)</u>
	109,116
CONTRIBUTIONS - REVENUE	
Transfers from other Funds	5,474,942
OTHER - REVENUE	
Bank Interest	<u>66,226</u>
TOTAL REVENUE FROM ORDINARY ACTIVITIES	<u>5,650,284</u>
GENERAL EXPENSES	
Expenses – General Reserve	<u>452,085</u>
BENEFITS ACCRUED BEFORE INCOME TAX	<u>5,198,199</u>
Income Tax Expense /(Credit)	<u>(38,094)</u>
BENEFITS ACCRUED AFTER INCOME TAX	<u>5,236,293</u>
Represented by:	
Movement in Members’ Funds	4,981,947
Movement in General Reserve	109,221
Benefits Paid	<u>145,125</u>
	<u>5,236,293</u>