

# ISPF Annual Report

## for year ending 30 June 2009

This is the Annual Report for The ISPF Eligible Rollover Fund (“ISPF”), RSE Registration Number R1068887, ABN 55 807 574 608. It provides information about the Fund for year ending 30 June 2009. Please read this Report in conjunction with ISPF’s Product Disclosure Statement (“PDS”), which provides important information about the Fund’s main features, costs, benefits and investments. This Report and the Member’s Annual Statement at 30 June 2009 together form ISPF’s annual reporting to members.

The information provided in this Report 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 an appropriately qualified financial adviser.

**The Trustee (or its related entities), the Founder, or the Administrator do not guarantee the performance of the Fund, or the repayment of capital, or any particular rate of return. See the last page for details about the Trustee, Founder and Administrator.**

### Investment Performance for Year Ended 30 June 2009

The 2009 year was another difficult year for superannuation funds generally. After several years of strong returns, funds with significant exposure to the share market suffered a second consecutive year of negative returns. Over five years up to 30 June 2009, however, ISPF has had an average crediting rate of 4.29% p.a. Conditions have however improved since March 2009 and at the time of writing, the Fund is once again experiencing positive returns.

A superannuation fund’s investment performance typically varies over time. Because superannuation is a long-term investment, longer term returns smooth out short-term results. Depending on the nature of a fund’s investments (including its risk profile), a fund may experience negative returns from time to time and it is generally not appropriate to assess the performance of an investment option by the return for a single year or other short term returns.

The table below shows the rate of earnings allocated to members taking into account the Fund’s reserving policy, compared with the actual investment earnings of the Fund, after the deduction of relevant taxes, fees and costs:

Financial Year Ended	Crediting Rate (%)	Fund Net Earning Rate (%)
30 June 2009	-6.5	-8.21
30 June 2008	-10.5	-13.3
30 June 2007	16.5	17.10
30 June 2006	14.0	13.72
30 June 2005	11.0	12.25
<b>Average*</b>	<b>4.29%</b>	<b>3.54%</b>

\* “Average” is the compound average of the net earning rates and crediting rates over the most recent 5 years (per annum). Past performance is not a reliable indicator of future performance. Future performance depends on various factors including the experience of the investment markets or underlying managers used from time to time. Current assets allocations or managers may be different to past allocations and managers.

### **Your benefits receive some protection from fees and costs**

ISPF is an Eligible Rollover Fund (“ERF”). Under Government legislation, ERFs cannot (generally) charge administration fees to members’ accounts in excess of earnings credited to those accounts. This means that the account balances of all members in ISPF are protected from erosion by fees or charges except 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 such periods, each member can be charged some administrative costs in accordance with Government legislation including costs of no more than an amount equal to their investment return plus \$10.

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 crediting rate is determined.

Any administration fees that are not able to be deducted from members’ accounts may be met from the assets of the Fund (including reserves). These excess administration fees are referred to as “member benefit protection costs”.

Any surcharge liability payable to the Australian Taxation Office (“ATO”) will be deducted from the relevant member’s account balance and remitted to the ATO. Although the surcharge tax was abolished from 1 July 2005, the ATO is still issuing assessments of surcharge liabilities in respect of amounts contributed to superannuation prior to 1 July 2005.

### **Portability of benefits**

You can request a transfer of some or all of your benefits to another superannuation fund at any time. Upon receipt of all necessary information, superannuation funds have a maximum of 30 days to transfer benefits where requested to do so by a member, however, a longer period may apply in the case of illiquid investments. Additional information may be required in the case of a request to transfer benefits to a self managed superannuation fund.

Any partial payment of superannuation benefits from superannuation must be withdrawn from the exempt (tax-free) and taxable components in proportion. For more information about tax, see the PDS or seek appropriately qualified advice.

### **Proof of identity**

As a result of Government reforms designed to counteract money laundering and terrorism financing you may be required to provide proof of identity prior to being able to access your benefits (lump sum or pension payments) or purchase a superannuation pension (called “customer identification and verification” requirements). These requirements may also be applied by the trustee from time to time in relation to the administration of your superannuation benefits as required or considered appropriate under the Government’s legislation. You will be notified of any requirements when applicable. If you do not comply with these requirements there may be consequences for you, for example, a delay in the payment of your benefits. As a result of these reforms the Trustee has become the subject of another regulatory body (called AUSTRAC) which has responsibility for the government’s legislation. The Trustee is required to provide yearly compliance reports to AUSTRAC and notify

AUSTRAC (from 12 December 2008) of suspicious transactions. This may involve the provision of personal information about you to AUSTRAC.

### **Additional tax where you have not provided your TFN**

Where you have not provided your TFN to the Fund, any taxable contributions such as employer contributions paid into the Fund by the ATO (superannuation guarantee shortfall amounts) (no-TFN contributions) may incur additional tax. The Trustee may (but is not obliged to) recover any additional tax paid by it in respect of your no-TFN contributions if the Fund is subsequently provided with your TFN (within 3 years after the year for which additional tax is assessed). The Trustee will make reasonable endeavours to recover such tax but does not guarantee it will do so in the event that a member has left the Fund prior to receiving the member's TFN.

You can provide your TFN by contacting the Fund (contact details on the back page).

Under the Superannuation Industry (Supervision) Act 1993, the Fund is authorised to collect your TFN, which will only be used for lawful purposes.

These purposes may change in the future as a result of legislative change. The Trustee may disclose your TFN to another superannuation provider, when your benefits are being transferred, unless you request in writing that your TFN not be disclosed to any other superannuation provider.

It is not an offence not to quote your TFN. However providing your TFN has a number of advantages (which may not otherwise apply) including:

- the tax on any contributions to your superannuation account/s will not increase;
- other than the tax that may ordinarily apply, no additional tax will be deducted when you start drawing down your superannuation benefits; and
- it will make it much easier to trace different superannuation accounts in your name so that you receive all your superannuation benefits when you retire.

### **ISPF's Investment Objectives**

The Trustee of ISPF aims to achieve a rate of return which is competitive against a peer group of other Eligible Rollover Funds through investment in a diverse range of assets whilst also maintaining sufficient liquidity to cover all operating costs of the Fund. The Fund aims to adopt investment policies that are reasonably close to the policies of trustees who have nominated ISPF as the eligible rollover fund into which benefits may be transferred (called "feeder funds"). Specifically, the objective of the Fund is to achieve earnings that exceed inflation by at least 2% averaged over rolling 5 year periods. However, despite this objective, there may be periods when the net returns, after relevant taxes, fees and costs, 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 requirements. The Fund's investments will be managed to ensure that there is sufficient liquidity to meet expected cash flow requirements.

The Fund's objectives are not a promise or guarantee of any particular benefit or return. It is used to measure the performance of the Fund.

## Investment Strategy

In seeking to achieve these objectives, the Trustee will adopt a diversified asset allocation which will contain *defensive* assets to ensure stability and 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 expected volatility of return 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 underlying fund managers and investment funds. The underlying fund managers and investment funds can change from time to time at the discretion of the Trustee. The international equity portfolio is fully hedged back to Australian Dollars but this may be changed at a later time. The Trustee regularly reviews the performance of the fund managers.

The Trustee does not specifically take into account labour standards or environmental, social and ethical considerations in the selection, retention or redemption of investments associated with this Fund.

## Asset Allocation

The following asset benchmark allocations and ranges have been adopted. Variations from these benchmarks or ranges may occur from time to time.

Asset Class	Benchmark %	Range %
Australian Equities	40%	30-40
International Equities*	40%	30-40
<b>Total Growth Assets</b>	<b>80%</b>	<b>60-80</b>
Enhanced Cash** & Cash at Bank	20%	20-40
<b>Total Defensive Assets</b>	<b>20%</b>	<b>20-40</b>

\* International Shares are fully hedged against currency risk.

\*\* Investments described as “Enhanced Cash” refer to managed funds that primarily invest in cash but redirect some investments to bank securities, asset backed securities and corporate securities to obtain some equity exposure.

The following tables show the types of investment assets held by the Fund at 30 June 2008 and 30 June 2009, including investments which constitute more than 5% of the Fund’s total assets.

Underlying Investment Fund	30 June 2009		30 June 2008		Type of Asset
	\$	%	\$	%	
NAB Corporate Cheque Account	2,203,762	13	730,645	7	Cash
Perennial Cash Enhanced Trust	1,965,277	11	1,860,177	17	Cash deposits, bank bills, & corporate securities
QIC Global Fixed Interest Alpha Fund	627,120	4	514,500	5	Cash deposits, bank bills, & corporate securities

Perennial Value Australian Shares Trust	4,191,781	24	3,913,181	36	Australian Shares
Solaris High Alpha Fund	3,983,498	23	0	0	Australian Shares
Aberdeen Fully Hedged International Shares	2,382,759	14	2,534,002	24	International Shares
Platinum Asia Fund	1,870,059	11	1,239,732	11	International Shares
<b>TOTAL</b>	<b>17,224,256</b>	<b>100</b>	<b>10,792,237</b>	<b>100</b>	

There are no investments made in any associated enterprise. The Fund's policy is not to invest in any derivative (futures and options) products however underlying fund managers are permitted to utilise derivatives to hedge against currency risk.

### **Crediting Rate Policy (including Interim Rate)**

Earnings are calculated on a daily basis, after taking into account the Fund's reserving policy and deductions for relevant fees, costs and tax. At the end of each financial year, the Trustee will determine a crediting rate which will be allocated in arrears to members' account balances at 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 relevant taxes, fees and costs and any amount held in the reserves. For information about the fees and costs deducted prior to the determination of the crediting rate, see the Fund's PDS which is available on request by contacting the Administrator (see last page for details). Information about the fees and costs that affect your investment is also shown in your Annual Member Statement.

The effect of extreme fluctuations in returns may be cushioned by the use of reserves. However the Trustee does not guarantee the crediting rate will always be positive and the value of your benefit may rise or fall.

An interim crediting rate will be determined from time to time by the Trustee for the purpose of allocating earnings to members who leave the Fund during the year (that is, prior to 30 June). This interim rate will be determined on the same basis as the final crediting rate. The interim rate can be positive or negative.

### **Reserving Policy**

In order to provide members with an exposure to growth assets and therefore 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 vested members' benefits. The level of reserves will be monitored regularly by the Trustee in the prudential management of the Fund and in accordance with the crediting rate policy outlined above.

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 earnings credited to members' accounts. Member benefit protection costs may also be paid from the reserve.

## Level of Reserves

The levels of reserves at 30 June were as follows:

Year Ended	\$,000	% of Vested Members' Benefits
30 June 2009	72	0.42
30 June 2008	81	0.66
30 June 2007	81	0.62

## Trust Deed changes

The Fund's Trust Deed was amended in May 2009 to cater for legislative changes arising from a number of Commonwealth laws including the Same-Sex Relationships (Equal Treatment in Commonwealth Laws – Superannuation) Act 2008 and changes to the treatment of temporary residents under superannuation legislation.

Under the changes to temporary residents' superannuation, a former temporary resident's superannuation benefit must be paid to the Australian Taxation Office as unclaimed money where it has been at least six months since you departed Australia and your visa has lapsed and the Australian Taxation Office issues a notice to the Fund requesting your benefits be paid to the Australian Taxation Office. If this happens, you can claim your super money directly from the Australian Taxation Office (subject to the applicable tax rates). Also, you will not be notified by the Fund of the transfer of your benefit to the Australian Taxation Office (under Government guidelines which recognise that superannuation funds may have difficulty in locating a former temporary resident's address details).

Other recent changes include:

- An increase in the tax rate (from 30% to 35%) applicable to the taxable portion of a superannuation benefit paid to a temporary resident as a Departing Australia Superannuation Payment (DASP);
- Removal of some of the circumstances in which temporary residents can access their superannuation in cash. For example, temporary residents can no longer access their superannuation on grounds of financial hardship or on retirement.

Further information can be obtained from the Australian Taxation Office website ([www.ato.gov.au](http://www.ato.gov.au)) or by contacting the Fund Administrator on 1300 977 857.

## Abridged Financial Reports

The financial information shown below has been extracted from the Fund's audited accounts for the year ended 30 June 2009. Members are entitled to additional information to help them understand their investment and the management of the Fund including the following documents on request to the Trustee: Full Financial Statements, The Auditor's Report, Trust Deed provisions relating to the member, Australian Prudential Regulation Authority Annual Returns.

<b>STATEMENT OF FINANCIAL POSITION</b>		
	30 June 2009	30 June 2008
<b>ASSETS</b>	<b>\$</b>	<b>\$</b>
Investments	15,020,494	10,061,592
Other Assets	2,650,604	2,298,546
<b>Total Assets</b>	<b>17,671,098</b>	<b>12,360,138</b>
<b>Less LIABILITIES</b>		
PAYG Payable	1,103	770
Sundry Creditors	383,224	96,841
<b>Total Liabilities</b>	<b>384,327</b>	<b>97,611</b>
<b>Net Assets Available to Pay Benefits</b>	<b>17,286,771</b>	<b>12,262,527</b>
<b>Represented by: Liability for Accrued Benefits</b>		
Vested benefits allocated to members	17,214,321	12,181,030
Not yet allocated	347	-
Total Reserves	72,103	81,497
<b>Net Assets Available to Pay Benefits</b>	<b>17,286,771</b>	<b>12,262,527</b>
<b>OPERATING STATEMENT</b>		
	30 June 2009	30 June 2008
<b>REVENUE</b>	<b>\$</b>	<b>\$</b>
Transfer from other Funds	8,343,665	1,789,065
Co-contributions	10,731	12,686
Investment Revenue	(1,188,936)	(1,069,181)
Other Revenue	-	95
<b>Total Revenue</b>	<b>7,165,460</b>	<b>732,665</b>
<b>EXPENSES</b>		
Investment	22,264	3,461
General Administration	1,198,523	1,283,572
Superannuation Contributions Surcharge	552	836
<b>Total Expenses</b>	<b>1,221,339</b>	<b>1,287,869</b>
<b>Benefits Accrued as a result of Operations before Income Tax</b>	<b>5,944,121</b>	<b>(555,204)</b>
Income Tax Expense	(111,086)	(70,951)
<b>Benefits Accrued as a Result of Operations</b>	<b>6,055,207</b>	<b>(484,253)</b>

### Commonwealth Government Budget Changes

The Federal Budget of 12 May 2009 contained a number of proposals relevant to superannuation including reduction of the concessional contributions cap, changes to the Government co-contribution and changes to the income definition when assessing eligibility for the Government co-contribution, tax deductible personal contributions and the spouse contributions tax offset. Proposals were also announced regarding the treatment of lost members' superannuation.

The Government has passed legislation implementing the changes to concessional contributions cap, Government co-contributions and income thresholds effective from 1 July 2009. If you would like more information about this, go to [www.ato.gov.au](http://www.ato.gov.au) or contact the Administrator (refer to the contact details on the last page).

The Government's proposals in relation to the treatment of lost members' superannuation have not yet been legislated. The proposals envisage that from the 2010-11 year onwards, accounts of lost

members with a balance of less than \$200 will be transferred by superannuation trustees to the Australian Taxation Office (ATO) as unclaimed money. In addition, where accounts of any size have been inactive for five years and it is not reasonably possible to identify the owner of the account, such accounts will also be transferred to the ATO as unclaimed money. Former holders of these accounts will still be able to reclaim their money from the ATO at any time.

### **Trustee of ISPF**

The Trustee of ISPF is Trust Company Superannuation Services Limited ABN: 49 006 421 638. The Trustee is a specialist trustee company that provides trustee services to numerous superannuation funds and has been granted a Registered Superannuation Entity Licence (No. L0000635) under the Superannuation Industry (Supervision) Act 1993 (SIS). The Trustee also holds an Australian Financial Services (AFS) Licence – AFS Licence No: 235153.

### **Indemnity Insurance**

The Trustee has taken out professional indemnity insurance in respect of major legal claims made against it. The Trustee is not insured for dishonest, wilful or reckless acts.

### **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**

In the year ending 30 June 2009, the following Directors were on the Board:

- Jonathan Westaby Sweeney (resigned 1 January 2009)
- David Roko Grbin (Appointed 17 December 2008)
- Luigi Mario Rodriquez
- Noel Davis
- Vicki Allen
- Nicholas Sette is the Secretary

### **Contact Details**

The contact details of relevant parties are as follows:

#### **Trustee**

Trust Company Superannuation Services Limited  
Level 3, 530 Collins Street  
Melbourne VIC 3000  
*Telephone: 03 9665 0200*

#### **Administrator**

IFAA Pty Ltd  
AFSL Number: 238507  
Level 1, 424 Upper Roma Street  
Brisbane QLD 4000  
*Telephone: 1300 977 857*

#### **ISPF may be contacted at:**

Telephone: 1300 977 857  
Facsimile: (07) 3236 0721  
Email: [ispf@ifaa.com.au](mailto:ispf@ifaa.com.au)  
Post: ISPF  
PO Box 1047  
MILTON QLD 4064

#### **Founder**

ISPF Pty Ltd  
Level 1, 424 Upper Roma Street  
Brisbane QLD 4000  
*Telephone: (07) 3238 1200*

The Founder's role is to advise and make recommendations to the Trustee regarding the management of ISPF. The Trustee has ultimate responsibility for the management of ISPF.