



A NOT-FOR-PROFIT SUPER FUND

## **PRIME SUPER**

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**formerly Australian Primary Superannuation Fund**

**Annual Report for the year to 30 June 2006**

# Welcome to the new look Prime Super!

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The Australian Primary Superannuation Fund has changed its name! We are now called Prime Super. We have also changed our logo to better reflect who we are: a truly national superannuation Fund for rural and regional Australians.

These changes signal our continued link with the past, while positioning the Fund to better meet the needs of our members across rural and regional Australia. We have also introduced a character to better reflect our brand values and personality. The sulphur crested cockatoo is a well known iconic Australian, just like us!

We are looking for a name for our cockatoo and invite you to enter a competition to provide that name. You could win a prize to the value of \$1000.

(Please see our website [www.primesuper.com.au](http://www.primesuper.com.au) for an entry form.)



And the changes go further. They include:

- the introduction of investment choice for all members, including three pre-mixed and five sector options;
- improved insurance benefits;
- the introduction of an Allocated Pension division, to help you in retirement;
- a new and comprehensive banking and finance package for members and employers;
- health Insurance coverage at competitive rates; and
- we are supporting your local community in association with Lifeline and Angel Flight.

We are striving to keep it simple. We aim to give you what you need; to make your super work for you, without all the other complications that just make it hard to understand.

Please read on for more information in relation to these changes.

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## About this Report

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Prime Super (the Fund) is a regulated and complying superannuation fund.

This report is intended to bring members up to date with the Fund for the year ending 30 June 2006.

The Trustee of the Fund is Farm Plan Pty Limited (ABN 81 067 241 016, AFSL No. 219723). The Trustee is ultimately responsible for the management of the Fund.

The Fund is governed by a Trust Deed which, amongst other things, sets out the entitlements of members and obligations of the Trustee.

The Fund is also regulated by various acts of Parliament and determinations made by government regulators.

This report is a summary. Should it conflict with policies of the Trustee, the Trust Deed, various acts of Parliament, determinations by Government regulators or similar, these will prevail over this summary.

## Message from the Chairman

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### Welcome to Prime Super.

The 2005/06 financial year has been a very exciting year for the Fund. Many changes have been introduced to ensure the Fund maintains its competitiveness, and continues to provide members and employers with a superannuation product that delivers quality products and services.

The most obvious changes can be seen with our new name, logo and look and feel of this publication. These changes have been made to maintain our links with the past, while positioning the Fund as the prime force in superannuation for rural and regional Australia.

The name of the Fund has been changed to ensure we are relevant to all rural and regional Australians, not just those from the farm.

The logo has evolved into a map of Australia, to help emphasise the fact that this is the only truly national fund for rural and regional Australians.

To help promote the new name and image of the Fund we launched a television and print campaign in late August. Keep a look out and you will see us on the small screen and in your local papers.

Originating from the bush, the Fund has maintained a strong connection with rural and regional Australia. Our commitment to country folk remains unchanged and is demonstrated by our sponsorship of a number of associations and events dedicated to the interests of country people.

This Annual Report sees the launch of our relationship with the Bananacoast Credit Union (BCU). BCU will initially offer a range of business banking and home loan products to members of Prime Super at very competitive rates. We have joined forces with BCU as they have similar origins to

Prime Super, and understand our membership. The products offered by BCU are tailored to the needs of rural and regional Australians.

The Fund currently sponsors a number of organisations that support rural and regional Australia. However, the Board feels that we could do more, and with this in mind the Fund has recently entered into arrangements with two respected charities with close ties to the rural and regional population:

- We are working with Lifeline Australia to develop a campaign that addresses mental health and suicide issues in rural and regional communities. We have entered into this arrangement as our demographics (young Australians living in regional areas), are the high risk category for such concerns. By raising the awareness of mental health and suicide we can give something back to the community;
- We have also entered into a sponsorship agreement with Angel Flight. This charity is operated by private pilots and aircraft owners who donate their time and the use of their aircraft to fly financially needy patients and compassionate carers from remote areas to receive medical attention. The service is provided at no charge to the patient or carer.

On the Regulatory front the Fund received its RSE license in September 2005.

As you can see it has been a year of big changes. I hope you like what we have done with your Fund, and that you will see some real improvements and benefits in maintaining your membership of Prime Super. As always I am happy to receive your thoughts and comments.

James W. Ferguson  
Chairman of Directors

## Highlights of the Year

### New Name, New Image, New Initiatives

The Fund has embarked on an image change that includes a change of name. Our image change was launched in August with a comprehensive advertising campaign in the regional areas of Victoria, New South Wales, Queensland and Western Australia. It is aimed at our membership and our potential membership; getting to know us better.

You will also notice a new look and feel to our communications material; all designed to try to keep things simple and easy to understand.

In addition we have introduced a series of innovations to enable members to tailor the Fund to their particular needs, not just at retirement but also throughout their working lives.

Other initiatives include the sourcing of complimentary products, outside superannuation, that can assist members with their daily financial lives and can save them money.

The Fund has also embarked on a number of sponsorships that directly assist the communities in which we live.



- Our new corporate logo

### Fund Improvements

We have enhanced several of the Fund's features to enable greater flexibility for our members. These include:

- enhanced Investment Choices – the introduction of three Pre-mixed and five Sector Options.
- changes to the Asset Mix of the Balanced Portfolio to bring its risk/reward profile more into line with the average structure of the balanced portfolio of other funds.
- changes to the Insurance structure – the value and cost of each unit has been changed to offer you a better deal.
- the introduction of voluntary Salary Continuance Insurance to assist you in protecting your income during prolonged periods of illness or injury.
- the introduction of an Allocated Pension Division to help with your retirement planning.
- because you no longer have to leave the Fund if you change employers the Insurance Continuation option has become redundant and has been cancelled.



- Our new retail logo

## Complimentary Products

- The Fund has had a good relationship with Manchester Unity for some time now and Fund members can access Manchester Unity health insurance products at concessional rates.
- The Fund has also sourced banking arrangements through Bananacoast Community Credit Union (BCU).

These arrangements enable both members and employers to access mortgage finance, business loans and credit facilities at very competitive rates.



## Sponsorships

Since its inception Prime Super has been a loyal sponsor of most of the major farming federations throughout Australia. In addition to its ongoing sponsorship of the National Farmers Federation and the various state bodies in New South Wales, Victoria, South Australia, Western Australia and Tasmania, we have supported other agricultural based associations such as Women in Agriculture and Women on Farms. This year, we are please to announce our sponsorship of Agforce in Queensland and that organisation's advertising initiative – “Every Family needs a Farmer”.

Prime Super also sponsors a number of other Primary Industry Associations such as Fisheries Industry Councils in several states, and organisations associated with the Horticulture and Hardware Industries.

## Community Based Activities

In keeping with our policy of support for regional communities, Prime Super has entered into sponsorship arrangements with Angel Flight and Lifeline Australia.

We have also launched our own newspaper, The Prime Tribune, which aims to give a voice to our rural and regional membership.



- Our new newspaper The Prime Tribune; a better way to communicate with our members. We bring you real stories about the human face and issues of rural and regional Australians.



## Advertising Activities

To herald our name change, we launched an advertising campaign across rural and regional television and newspapers. The television campaign commenced on 27 August (the day following our change of name) and was supported by press advertising in the weeks that followed.

# “At least my super’s sorted”

“When Australian Primary Super Fund said they were changing their name to Prime Super and supporting my community, the choice was easy.

That’s my super sorted.....now, I’ve got other things to sort out.”


This advertisement does not constitute an offer of insurance. You should consider the Product Disclosure Statement before making any investment decision. Prime Super is owned by Prime Super Pty Limited (ABN 61 187 201 276, 40/40, 200/200, Pitt Street, Sydney, NSW 1500) 610 610 610 is a Financial Products Statement.





## Call 1800 675 839

“No Bull” Super. Simple & straight forward  
[www.primesuper.com.au](http://www.primesuper.com.au)

- The new brand advertisement.



- Some of the people and the Friesian cow involved in bringing our television advertisement to life.





- The cocky screensaver (available on our website [www.primesuper.com.au](http://www.primesuper.com.au)).



## FUND IMPROVEMENTS

### Investment Choice

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From 1 January, 2006 all members with \$1,000 or more in the Fund were able to choose from four pre-mixed and five sector investment strategies, as detailed below:

#### Pre-mixed Options:

- Managed Equity
- Balanced
- Capital Stable
- Cash Plus\*\*\*

#### Sector Options:

- Australian Equities
- International Equities
- Property
- Diversified Fixed Interest
- Cash

\*\*\*Please note that, with effect from 1 November, 2006, the Cash Plus strategy will be closed. For details see page 17.

In the past, Prime Super has adopted a conservative approach to investment. This was reflected in the composition of the Balanced Strategy which held equity investments at levels considered to be at the lower end of the spectrum.

As a consequence of our conservative investment policy, our returns have been consistent, but relatively low, when compared with some of the more aggressive funds. This was in keeping with our 'no droughts, no floods' policy and the 'member selected' options, mentioned previously, were provided to enable members to easily dial up, or down, their degree of risk.

A member survey, conducted late in the financial year, indicated a preference among our younger members for a more aggressive approach to the Balanced Strategy. This was taken into consideration when the Board met in June 2006 to review the Fund's investment philosophy.

As a result of the high level review of the strategic asset allocations, mentioned previously, the Board has resolved to increase the growth asset exposure of the Balanced investment offering.

The average member of the Fund is 32 years of age. Many members therefore have around thirty years of work before retirement, and then potentially a further twenty years of retirement. Given such a long investment timeframe it is reasonable to invest a larger portion of the Fund's investments in growth type assets.

However, an increased asset allocation to growth assets leads to greater volatility in the return. Basically there will be higher highs and lower lows, but over the longer term you should see a higher average return.

The Balanced Option within the Fund currently has a strategic asset allocation of 65% to growth assets and 35% to income producing assets. Over the coming twelve months we will be phasing in a higher allocation to growth assets. The new strategic asset allocation will be as follows:

Asset Sector	Current Balanced Asset Allocation		New Balanced Asset Allocation	
	Target allocation	Ranges	Target allocation	Ranges
	(%)	(%)	(%)	(%)
Australian equities	19.5	15 - 24	24.0	15 - 35
International equities	19.5	15 - 24	24.0	15 - 35
Property	10.0	0 - 15	14.0	5 - 20
Private equity	5.0	2 - 8	5.0	4 - 12
Infrastructure	0.0	-	5.0	4 - 12
Other assets	11.0	4 - 18	16.0	4 - 20
<b>Total Return Seeking Assets</b>	<b>65.0</b>	<b>55 - 75</b>	<b>88.0</b>	<b>70 -100</b>
Australian fixed interest	20.0	15 - 25	7.0	0 - 15
International fixed interest	7.0	4 - 10	2.5	0 - 10
Inflation-linked	8.0	4 - 12	2.5	0 - 10
Cash	-	0 - 5	0.0	0 - 5
<b>Total Risk Reducing Assets</b>	<b>35.0</b>	<b>25 - 45</b>	<b>12.0</b>	<b>0 - 30</b>

Investment markets have seen strong growth over the last three years, with some jitters setting in at the end of the 2006 financial year. We will therefore move gradually to the higher asset allocation to growth assets. However, investment markets are very uncertain and it is not possible to time markets.

### What does this mean?

The change in asset allocation is simply a recognition of the investment needs of the vast majority of members. There will be more fluctuation over the term of the investment, but the longer term outcome should be better.

### What do I have to do?

You don't need to do anything. We will slowly evolve the asset allocation up to the new strategic asset allocation.

### What if this is too risky for me?

If you feel that the increased exposure to growth assets is too high, for example your situation may have changed and:

- you wish to retire in the next few years; or
- you are uncomfortable with more exposure to growth assets.

then you can change how your own funds are invested. The new investment choices offered allow each and every member to tailor their own investment allocation to an asset mix that best suits their own individual needs.

If you are nearing retirement, and you think that the Balanced Investment Option has too high an exposure to growth assets, you may move some or all of your account into another option.

For example you may wish to have any of the following account allocations:

- 75% balanced option and 25% cash option;
- 100% capital stable option;
- 60% balanced option and 40% capital stable option; or
- Any other mix you feel best meets your needs.

If you think our balanced option does not have enough invested in the share market you can allocate part of your investment to Australian Equities, International Equities, Property or Managed Growth. You can allocate your account and future contributions in any way you like, as long as you use whole percentages.

The Fund has deliberately chosen to limit its range of investment choices, giving members easily understood options to keep it simple.

*If this is all too hard, just leave it up to us, and we will invest your monies in the Balanced Option.*

### Product Offerings

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The Fund has four divisions. The division you are a member of is shown on your annual statement. From an investment point of view all divisions have essentially the same investment offerings, the one exception being that the Balanced Option in the Primary Essentials and AHTIS divisions (Essentials) maintains an investment reserve, while the others do not.

The investment reserve is used to smooth returns, that is, in years of high returns a portion of the earnings are held back, and in years of low returns some of the reserve is used to boost returns. The balance of the investment reserve is invested in line with the actual asset allocation of the Primary Essentials Balanced Option.

For more information on reserves see page 27.

### IMPROVED INSURANCE OPTIONS

The Trustee has renegotiated the terms of the Fund's insurance policy with its insurer, Metlife.

A new set of insurance rates came into effect during the year, improving the benefits paid upon making a claim for the same low weekly cost. We have also revamped the flexible insurance cover offering, where you can purchase a defined level of cover.

The new rates are competitive, especially for white collar members. A comprehensive review of the cover on offer to members follows:

#### Death and Total and Permanent Disablement Cover

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With effect from 1 December 2006, members will be provided with default cover of two units of Death and Total and Permanent Disablement cover.

Each unit will now cost \$1.50 per unit per week - **a reduction of fifty cents per week on the current premium.** For a total cost of \$3.00 per week (\$156 per year) members will receive cover at the following levels:

Age at date of Death or Disablement	Value of two units of cover
Age 34 or less	75,000
35	72,000
36	69,000
37	66,000
38	63,000
39	60,000
40	57,000
41	54,000
42	51,000
43	48,000
44	45,000
45	42,500
46	46,000
47	37,500
48	35,000
49	33,000
50	31,000
51	29,000
52	27,000
53	25,000
54	23,000
55	21,000
56	19,000
57	17,000
58	15,000
59	13,000
60	11,000
61	9,500
62	8,000
63	6,500
64	5,000
65 *	3,000
66 *	3,000
67 *	3,000
68 *	3,000
69 *	3,000
70	Nil

The Trustee has negotiated the increase in Insurance to ensure that levels of cover remain relevant in the current environment of high levels of household debt.

Although the default level is two units of cover, members may, if they wish, elect to obtain only one unit of cover.

It should also be noted from the table that members can now obtain cover (for Death only) to age 70 if they wish.

Should they wish, members can obtain Death only cover (as opposed to Death and Total and Permanent Disablement). Death only rates are available on application to the Trustee.

Subject to the Insurer's underwriting requirements, cover levels above those quoted may also be available on application. Please contact the Administrator for further details.

### **Total & Permanent Disablement**

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The definition of Total and Permanent Disablement has now been improved to include people who have not been working for the two years prior to the date of disablement.

### **Income Protection (Salary Continuance) Insurance**

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The Trustee has also negotiated the inclusion of Salary Continuance cover for members. Cover is available on a voluntary basis for a period of two years and members can choose a waiting period of 30, 60 or 90 days to suit their particular circumstances.

Cover is available for monthly amounts up to 75% of your pre-disability income and premiums for this cover will depend on your occupation and gender. A quotation for your required cover can be obtained on application to the Administrator.

Members are encouraged to make full use of the new Insurance facilities. Please contact our Call Centre on 1800 675 839 for a Product Disclosure Statement or ask for a quote.

Full details of the new rates are available from the Prime Super Choice Product Disclosure Statement that is available on line at [www.primesuper.com.au](http://www.primesuper.com.au) or call 1800 675 839.

## ALLOCATED PENSION

From 1 July 2006 Prime Super is offering an Allocated Pension and a Non-Commutable Allocated Pension. An Allocated Pension lets you convert your superannuation into regular income in retirement, with tax advantages and easy access to your capital. With the introduction of these two products we can help you after you retire. You no longer need to leave the Fund when you retire. We can pay you a pension out of your total accumulated superannuation.

Membership isn't confined to members of Prime Super. Any Australian resident can join the Allocated Pension if he/she has:

- \$10,000 or more in superannuation funds to invest, and
- reached age 65, or has retired and reached their preservation age; or
- met another condition of release such as becoming totally and permanently disabled; or has an unrestricted non-preserved lump sum to invest.

### How does the Allocated Pension work?

All the money you pay into the Allocated Pension is placed into an account in your name and invested in the investment options you choose. Investment earnings, negative or positive, are paid into your account and pension payments are made from your account, which is also debited with any lump sum draw-downs you may chose to make, government taxes, and other fees and charges.

When you set up your account you choose your investment option or mix of options and you can change this later if you wish. You also choose the amount of pension you wish to receive and the frequency of regular payments which can be fortnightly, monthly, six monthly or yearly.

The amount of pension payment you choose must be within the minimum and maximum limits set by the Commonwealth government.

### Who can use a Non-Commutable Allocated Pension?

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A Non-Commutable Allocated Pension is similar to the Allocated Pension except:

- it can give you a tax-effective income stream while you're still working.
- there are restrictions on when you can make lump sum withdrawals (see further on).
- when you permanently retire or reach age 65, your Non-Commutable Allocated Pension will convert to an Allocated Pension. This means you can make lump sum withdrawals at any time.
- if you no longer want income from your Non-Commutable Allocated Pension, you can roll the balance of your account back to your superannuation fund.

### How does the Non-Commutable Allocated Pension work?

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If you have reached your preservation age you can rollover your preserved and non-preserved super money into the Non-Commutable Allocated Pension while continuing to work. This enables you to reduce your working hours without sacrificing lifestyle, since your salary is supplemented by regular pension payments. How you use the pension payments is up to you! There is no work test and no cap on the amount you can rollover to start your Non-Commutable Allocated Pension.

All the money you pay into the Non-Commutable Allocated Pension is placed into an account in your name and invested in the investment options you choose. Investment earnings, negative or positive, are paid into your account and pension payments are made from your account, which is also debited with any lump sum draw-downs you may be entitled to make, government taxes and other fees and charges.

When you set up your account you choose your investment option or mix of options and can change this later if you wish. You also choose the amount of pension you wish to receive and the frequency of regular payments which can be fortnightly, monthly, six monthly or yearly.

Full details of the Allocated Pension and the Non-Commutable Allocated Pension are located in the Product Disclosure Statement available on our website [www.primesuper.com.au](http://www.primesuper.com.au), or call us on 1800 675 839.

## INVESTMENTS

### Important Information about Investment Strategies

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Being a rural and regional Australian can involve high financial risks. You can lose your income if it rains, if doesn't rain, if government policy changes, if markets shift or for any number of reasons beyond your control. So how much risk do you want to take with your retirement nest egg?

There is a relationship between investment return and investment risk. In general, the higher the expected investment returns, the higher the risk of investment loss. Even low risk investments carry some risk, but knowing that higher returns and higher risk tend to go hand-in-hand is useful because it allows people to judge the amount of risk that suits them.

Investment risks can be expressed as names such as 'cash' (expect low risk and low return), 'capital stable' (expect a bit more of each), 'balanced' (expect more) and 'managed' (expect high risk and high reward). But investment risks and rewards can also vary a lot within these categories.

As a rule of thumb, an investment option with between 60% and 76% of money in growth investments will be classified as balanced; but there can be a big difference in the risks of investing in different balanced options. A balanced option with 75% of money in growth investments that are mostly shares would be expected to be a higher risk than a balanced option with 60% of money in growth investments that are spread between property and shares.

### Investment Performance and Crediting Rate Policy

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Interest is calculated daily and applied to your account each year as at 30 June. The rate of interest earned is shown on your annual Member Benefit Statement.



If you leave the Fund part way through a financial year, or after the end of the financial year, but before the Fund's crediting rate is declared, an interim crediting rate is used to calculate your benefit. The interim crediting rate is reviewed by the Trustee from time to time and is calculated based on what the Trustee believes is prudent to pay, taking account of a broad range of factors.

Once each year, as at 30 June, the Fund declares a 'crediting rate' based on the earning rate of the investments. The earning rate is the return achieved by the actual investment assets over the year (after tax, fees and charges). The crediting rate is the interest rate that is credited to your super account. For the Essentials Balanced option the two will not necessarily be the same in a particular year. Earning and crediting rates for the balanced investment strategy over the past five years are shown in the table below.

The performance of the default Primary Essentials Balanced Option relative to inflation for the last five years is as follows:

Year 30 June	Earning rate %	Crediting rate %	Inflation*%
2006	13.5	12.5	4.0
2005	11.8	10.50	2.5
2004	11.4	11.0	2.5
2003	0.9	1.50	2.7
2002	-4.2	-3.90	2.8
Average	Compound average over 5 years, 6.44% per annum. Mean average earnings over 5 years, 6.68% per annum.	Compound average over 5 years, 6.12% per annum. Mean average earnings over 5 years, 6.32% per annum.	Compound average over 5 years, 2.90% per annum. Mean average earnings over 5 years, 2.90% per annum.

**Please note:** past performance should not be taken as an indication of future performance. Earning and crediting rates are after payment of all taxes, fees and charges.

\* Based on the All Groups Consumer Price Index (CPI) as published by the Australian Bureau of Statistics.

The difference between the earning rate and the crediting rate is held in the Investment Reserve. Please see the 'Management of the Fund' section for further information.

## Investment Objectives

The investment objectives of each investment option are detailed in the following table:

	Cash Plus	Capital Stable	Balanced	Managed Growth
Purpose	<ul style="list-style-type: none"> <li>• To provide capital security by taking minimal investment risk.</li> </ul> <p><b>Please note:</b></p> <p><b>As of 1 November, 2006, this strategy will be closed. See page 19 for more details.</b></p>	<ul style="list-style-type: none"> <li>• To provide capital growth over the medium term and protect the value of a member's net investment.</li> </ul>	<ul style="list-style-type: none"> <li>• To invest in a broadly diversified range of investments that will achieve a better return than the Capital Stable Option over the medium to long term, accepting that yearly returns will vary quite widely, and be negative on occasions.</li> </ul>	<ul style="list-style-type: none"> <li>• To invest primarily in equities, such that it will achieve a better return than the Balanced Option over the medium to long term, accepting that yearly returns will vary more widely, with a greater chance of being negative.</li> </ul>
Specific Investment Objectives	<ul style="list-style-type: none"> <li>• To achieve a return (net of tax and investment expenses) that exceeds the increase in CPI by at least 1.5% p.a. over moving five year periods.</li> <li>• To prevent any negative returns over moving 1 year periods.</li> </ul>	<ul style="list-style-type: none"> <li>• To achieve a return (net of tax and investment expenses) that exceeds the increase in CPI by at least 3% p.a. over moving five year periods.</li> <li>• To limit the probability of achieving a negative return over moving 1 year periods to approximately 1 year in 10.</li> </ul>	<ul style="list-style-type: none"> <li>• To achieve a return (net of tax and investment expenses) that exceeds the increase in CPI by at least 4% pa over moving five year periods.</li> <li>• To limit the probability of achieving a negative return over moving 1 year periods to approximately 1 year in 7.</li> </ul>	<ul style="list-style-type: none"> <li>• To achieve a return (net of tax and investment expenses) that exceeds the increase in the CPI by at least 5% p.a. over moving five year periods.</li> <li>• To limit the probability of achieving a negative return over moving 1 year periods to approximately 1 year in 5.</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>• To invest largely in cash with a moderate allocation (about 20%) in fixed interest securities to provide some additional return.</li> </ul>	<ul style="list-style-type: none"> <li>• To invest largely in risk-controlling assets with the balance (about 30%) in equities, property and other return-seeking assets.</li> </ul>	<ul style="list-style-type: none"> <li>• To invest largely in equities, property and other return-seeking assets with the balance (about 30%) in risk-controlling assets.</li> </ul>	<ul style="list-style-type: none"> <li>• To invest solely in equities, property and other return-seeking assets.</li> </ul>
Time Horizon	Up to 5 years	Up to 5 years	5 years or more	5 years or more

	Cash	Fixed Interest	Property	International Shares	Australian Shares
Purpose	<ul style="list-style-type: none"> <li>Invests solely in a cash manager to provide a cash return on the sum invested.</li> </ul>	<ul style="list-style-type: none"> <li>Provides access to a range of investment managers investing in Australian and International fixed interest products.</li> </ul>	<ul style="list-style-type: none"> <li>Provides access to a range of investment managers investing in Australian and International property. Investment is through both listed and unlisted property vehicles.</li> </ul>	<ul style="list-style-type: none"> <li>Provides access to a range of investment managers investing in International listed companies. The managers utilise a range of investment styles which provides a greater range of diversification.</li> </ul>	<ul style="list-style-type: none"> <li>Provides access to a range of investment managers investing in Australian listed companies. The managers utilise a range of investment styles which provides a greater range of diversification.</li> </ul>
Specific Investment Objectives	<p>The benchmark for this sector options is:</p> <ul style="list-style-type: none"> <li>UBSA Warburg Bank Bill Index.</li> </ul>	<p>The benchmark for this sector options is:</p> <ul style="list-style-type: none"> <li>25% UBSA Composite bond index (all maturities);</li> <li>50% UBSA Government Bond Index; and</li> <li>25%Lehman Global Aggregate Hedged into Australian Dollars.</li> </ul>	<p>The benchmark for this sector options is:</p> <ul style="list-style-type: none"> <li>Rolling Australian 10 Year bond yield plus 3%.</li> </ul>	<p>The benchmark for this sector options is:</p> <ul style="list-style-type: none"> <li>90%MSCI World (ex Australia) Index, expressed in \$A terms with gross dividends reinvested (25% hedged); and</li> <li>10% MSCI World Emerging Markets Index, expressed in \$A terms with gross dividends reinvested (unhedged).</li> </ul>	<p>The benchmark for this sector options is:</p> <ul style="list-style-type: none"> <li>85% S&amp;P/ASX 300 Accumulation Index; and</li> <li>15% S&amp;P/ASX Small Ordinaries Accumulation Index.</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>These investment options allow members the flexibility to create their own investment strategy. The options can be used in any combination, and together with all other investment options, to create the investment profile that best suits an individual members needs. Note, the initial asset allocation must be based on whole percentages.</li> </ul>				
Time Horizon	Short term	Up to 5 years	5 years or more	5 years or more	5 years or more

## Closure of Cash Plus Strategy

The Cash Plus strategy within the Pre-mixed options has not proven to be popular with members because of its similarity in structure to the Cash strategy. With effect from 1st November, 2006, therefore, the Trustee has decided to wind up the Cash Plus strategy. Members currently investing in Cash Plus will be invited to transfer their Cash Plus investment to other available strategies. For members who do not elect to nominate an alternative investment before the wind up date, the Trustee will transfer their funds in Cash Plus to the Cash portfolio within the Sector options.

## Asset Allocation Benchmark Ranges

From time to time, the Trustee reviews the investment strategy to ensure it meets the investment objectives. The Trustee also sets an allocation to each class of investments. The Trustee may reallocate assets among investment managers to enhance diversification and control risk.

Members of Prime Super, with more than \$1,000 in their account, have a choice of four pre-mixed and five sector investment options. The tables below show the strategic asset allocations for each of these options:

Asset Sector	Capital Stable		Balanced*		Managed	
	Target allocation	Ranges	Target allocation	Ranges	Target allocation	Ranges
	(%)	(%)	(%)	(%)	(%)	(%)
Australian equities	9.0	6 – 12	24.0	15 - 35	30.0	25 – 35
International equities	9.0	6 – 12	24.0	15 - 35	30.0	25 – 35
Property	4.5	0 – 8	14.0	5 - 20	15.0	7 - 21
Private equity	2.5	0 – 5	5.0	4 - 12	8.0	7 - 21
Infrastructure	0.0	0.0	5.0	4 - 12	5.0	4 - 1
Other assets	5.0	0 - 10	16.0	4 – 20	12.0	9 – 25
<b>Total Return Seeking Assets</b>	<b>30.0</b>	<b>25 - 35</b>	<b>88.0</b>	<b>70 -100</b>	<b>100.0</b>	<b>95 – 100</b>
Australian fixed interest	40.0	35 - 45	7.0	0 -15	0.0	0.0
International fixed interest	14.0	11 - 17	2.5	0 -10	0.0	0.0
Inflation-linked	16.0	12 - 20	2.5	0 - 12	0.0	0.0
Cash	0.0	0 – 5	0.0	0 - 5	0.0	0 - 5
<b>Total Risk Reducing Assets</b>	<b>70.0</b>	<b>65 - 75</b>	<b>35.0</b>	<b>25 - 45</b>	<b>70.0</b>	<b>0 - 5</b>
<b>Total Assets</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\* Proposed new asset allocations, please see page 11 for details.

<b>Asset Sector</b>	<b>Australian Equities</b>	<b>International Equities</b>	<b>Property</b>	<b>Fixed Interest</b>	<b>Cash</b>
	(%)	(%)	(%)	(%)	(%)
Australian equities	100.0	0.0	0.0	0.0	0.0
International equities	0.0	100.0	0.0	0.0	0.0
Property	0.0	0.0	100.0	0.0	0.0
Private equity	0.0	0.0	0.0	0.0	0.0

### **Total Return**

<b>Seeking Assets</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>
Australian fixed interest	0.0	0.0	0.0	*	0.0
International fixed interest	0.0	0.0	0.0	*	0.0
Inflation-linked	0.0	0.0	0.0	0.0	0.0
Cash	0.0	0.0	0.0	0.0	100.0

### **Total Risk**

<b>Reducing Assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
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- Split in accordance with the actual asset allocation at the time, with 100% of the portfolio invested in fixed interest products.

### **Investment Performance**

To June 30	Managed Equity	Balanced	Capital Stable	Cash Plus	CPI •
	%	%	%	%	%
2006	15.03	10.76	6.53	4.11	4.0
2005	12.27	10.50	8.66	4.32	2.5
2004	17.50	11.90	2.70	4.40	2.5
2003	-7.00	1.50	N/a	1.70	2.7
2002	-11.30	-3.90	N/a	2.10	2.8
Compound average	5 years 4.59% p/a	5 years 5.96% p/a	27 Months* 5.94% p/a	5 years 3.32% p/a	5 years** 2.90% p/a

• All Groups Consumer Price Index (CPI) published by the Australian Bureau of Statistics.

\* The Capital Stable Portfolio was first offered to members in March 2004.

\*\* Mean average figure

## Fund Investments

The Trustee employs a professional asset consultant to advise it on investments. Most investments are managed by professional investment managers. Investments and investment managers used at 30 June, 2005, are shown below. Investments that make up 5% or more of the value of the Fund are indicated with an asterisk (\*).

Investment Managers	Value (\$'000 AUD)
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### Cash and Short Term Deposits

Liquidity	6,500
Macquarie Currency Overlay Account	453
BNP Paribas Nominees	11,192
Barclays Australian Cash	*46,504
QIC GBL MAC FD	16,350
Macquarie Prism Cash Pool Trusts	91
<b>Total Cash and Short Term Deposits</b>	<b>81,090</b>

### Other Interest Bearing Securities

Vanguard Australian Fixed Interest Index Fund	26,566
Colonial First State Inflation Linked Bonds	*78,368
SMHL Original Fund No.3	1,132
Pimco Global BD Fund	29,936
Pimco Extended Markets Fund	32,319
Perennial Australian Core Plus Bond Trust	-
<b>Total Other Interest Bearing Securities</b>	<b>168,321</b>

### Australian Equities

Agricultural Company Of Australia Pty Ltd	32,779
Maple-Brown Abbott Australian Equity Trust	43,625
United Customer Management	5
Macquarie PRISM	646
Schroder Australian Equity Fund	*70,357
Investors Mutual Future Goal Fund	15,096
JFCP Aust Shares Super Trust	*51,840
GMO Australian Long/Short Equity Trust	29,402
Acorn Capital Wholesale Micro-Cap Trust	10,879
<b>Total Australian Equities</b>	<b>254,629</b>

### International Equities

Bernstein Global Value Trust	41,193
Alliance Capital Global	42,423
Credit Suisse Asset Management International Shares fund	*57,533
Zurich Managed International Share Fund	*58,658
Colonial First State Wholesale Global Emerging Markets Fund	22,636
Warakirri Alternative Strategies Fund	10,654
BGI Total Return Multi- Opportunity Fund	15,186
SMHL Origination Fund No.3	-

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<b>Total International Equities</b>	<b>248,283</b>
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### Property Investments

AMP Global Listed Property Sec Fund	4,695
AMP Wholesales Office Fund	5,001
Macquarie Goodman Wholesale Fund	6,220
Perennial Global Property Sec Fund	4,543
Lazard 's Global Listed Infrastructure Fund	27,865
ICA Property Development Fund	2,266
Deutsche Wholesale Property Fund	12,679
Vanguard Property Sec Index Fund	*77,172
BNP Paribas Nominees	-
Lend Lease Prime Property Retail Trust	12,046
Lend Lease Prime Property Industrial Wholesale Trust	14,653

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<b>Total Property Investments</b>	<b>167,140</b>
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### Property Investments

Direct property holding : Help St Chatswood	970
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### Other

Security Deposit Held in Trust by Farm Plan Pty Ltd	26
Intellectual Property – Patent/Registered Design	1
Other Investment	316
Rental Bond	27

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370

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<b>Total Investments</b>	<b>920,803</b>
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### Fund Derivatives Policy

The Trustee will not directly buy or sell derivative instruments such as futures and options, but permits investment managers to use them to assist with effective investment management. Investment managers may not use derivatives for gearing or speculative purposes. Derivatives are carefully monitored and appropriate Risk Management Statements have been prepared by the Trustee.



## COMPLIMENTARY PRODUCTS

### **Saving You Money!**

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In keeping with our commitment to continually seek to improve the facilities available to members, the Fund is proud to announce that it has entered into an association with the Bananacoast Community Credit Union (BCU) to provide a range of financial products on very competitive terms.

### **Why BCU?**

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BCU is one of Australia's largest and most successful regional community credit unions. BCU grew out of the needs of a small group of regional New South Wales farmers who decided to form their own credit union 36 years ago after they found it difficult to get loans through the banks.

BCU, like Prime Super, grew from the needs of rural and regional Australians and continues to focus primarily on those very same communities. We entered into the association with BCU, rather than any other bank or financial institution, because they, like us, understand your needs and can provide the range of products and services you want.

As further confirmation that BCU is the right provider of banking products to our members and employers, they recently topped the Cannex ratings across all four business lending categories. The following is a quote from InvestorDaily.com:

*"For all those small businesses that expect the big five to stand out when it comes to business lending, Cannex ratings show a regional credit union from northern New South Wales stands out when it came to performing across the board.*

*Bananacoast Community Credit Union (BCU), from the North Coast of NSW, was the only lender in Australia that earned*

*Cannex five star ratings across all four lending categories, covering term loans and overdrafts, both secured and unsecured.*

*BCU has approximately 20 branches from Port Macquarie to Tweed Heads and service members across Australia through remote banking services."*

Don't think that BCU being based in regional NSW and South East Queensland will limit the service you receive from BCU. Loans can be facilitated in most regions of Australia. If it's a savings account you want, Internet and phone banking fees are free. The first ten transactions a month on your account from **any** ATM in the country are free.

The initial launch of the BCU product to members and employers includes a competitive home loan, and business banking options. For more information on the great deals available from BCU see the enclosed flyer, or give them a call on 1300 228 228 or visit our website [www.primesuper.com.au](http://www.primesuper.com.au).

## Health Insurance

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Members of Prime Super have access to special rates on private health cover as well as other services through Manchester Unity. Like Prime Super, Manchester Unity is a not-for-profit organisation with strong ties to the rural and regional community.

Manchester Unity was established in 1840 and remains an Australian owned organisation dedicated to providing value and peace of mind through the delivery of its services.

Health insurance cover available includes packages designed to suit members at different ages and stages of life.

Additional benefits offered by Manchester Unity include:

- health dollars and loyalty rewards;
- retrenchment cover for twelve months;
- benefits for expenses associated with the treatment of disfigurement as the result of an accident;
- travel insurance;
- benefits to members for approved weight loss programs and other health programs approved by a doctor;
- member support programs include both a maternity and a recovery option, providing our members with support when they need it most; and
- healthy Living Programs and Health Management Benefits.

For details please contact Manchester Unity by calling 1800 622 559.

## COMMUNITY ACTIVITIES

### Participation in the Rural and Regional Community

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Whilst the Fund has always been closely involved in rural and regional affairs through its sponsorship of a number of employer associations, we recognise there are some very important social issues that must be addressed. The Fund has therefore committed to two very worthwhile causes that have special relevance to those Australians that live outside the major metropolitan areas.

### Mental Health and Suicide

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Statistics on mental health and suicide show that rural and regional Australia have a much higher rate of suicide, and attempted suicide, than urban and metropolitan areas. Our Fund statistics appear to support this.

This is a serious concern, and for this reason we have entered into an agreement with Beyond Blue and Lifeline Australia to develop a mental health and suicide awareness campaign that the Fund can promote. The Trustee is strongly committed to this campaign which seeks to highlight a problem that, especially in rural Australia, often remains hidden.

The campaign will initially concentrate on recognition of the signs and symptoms of depression, and a guide to specialist services that can offer practical assistance to victims of depression and their loved ones.

Lifeline will also offer practical assistance to families who believe they may have a member who is contemplating or who has attempted, suicide.

We have chosen to work with Lifeline and Beyond Blue because both are well respected organisations who have received funding and endorsement by national and state governments.

Lifeline is primarily known for its 24 hour telephone counselling service, yet recently it has diversified to offer a range of community support services. These include:

- **Lifeline Just Look** - a comprehensive, accessible on-line database of low cost or free health and community services throughout Australia;
- **Lifeline Works** - a suicide awareness and prevention program; and
- **Lifeline Just Ask** - a rural mental health information line specialising in self help approaches to mental health.

In addition to the literature being produced for the Fund, Lifeline will attend a number of speaking engagements on behalf of the Fund to assist in getting the message across.

Beyond Blue is a national independent not-for-profit organisation working to address issues associated with depression, anxiety and related substance abuse in Australia. It is a bi-partisan initiative of the Commonwealth and state governments.

### **Angel Flight**

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The Fund has also entered into a sponsorship agreement with Angel Flight. Angel Flight was established in 2003 as a charity that co-ordinates non-emergency flights for financially and medically needy people. All flights are free and assist patients or compassionate carers travelling to or from medical facilities anywhere in Australia.

The service provided by Angel Flight is critical to a large number of Australians that cannot get to much needed medical treatment as needed. Through our association with Angel Flight we hope to raise awareness of their services and so help others that may be in need of their assistance.

Angel Flight pilots do not carry aeromedical staff or ambulance equipment, and therefore do not act as an alternative to the Flying Doctor(RFDS) or air ambulance.

### **Your Safety Matters!**

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Throughout last year, the Fund continued to sponsor and support initiatives to make working on the land safer and we will continue to do so in the year ahead.

## MANAGEMENT OF THE FUND

### About the Trustee

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The Directors of the Trustee meet regularly to discuss management of the Fund and act on your behalf in implementing policies and procedures. Directors receive fees and travelling expenses for attending board and committee meetings and are paid for any additional time spent in relation to work performed on Fund matters.

Directors are nominated and appointed by the Board of the Trustee in accordance with a various laws and the Constitution of Farm Plan Pty Limited.

The Directors of the Trustee during the 2004/2005 Financial Year were:

#### **James Ferguson (Chairman)**

Appointed 7th December, 1994

#### **Alan Bowman (Deputy Chairman)**

Appointed 26th January, 2001

#### **Barry Cochran**

Appointed 24th July, 1997

#### **Terrence O'Callaghan AM**

Appointed 11th November, 2002  
Retired 30 June 2006

#### **Virginia Collins**

Appointed 2nd August, 2001

#### **Trevor Dixon**

Appointed 5th April 2004

#### **Russell Wilson**

Appointed 5th April 2004  
Retired 31 December 2005

#### **Russell Higginbotham**

Appointed 5th April 2004

The Trustee has taken out professional liability insurance to protect against losses arising out of a claim for a breach of duty or similar civil action. The Trustee has not had any penalties imposed on it under section 38A of the Superannuation Industry (Supervision) Act 1993.

### About the Fund

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The Fund is governed by a Trust Deed, which sets out your entitlements as a member of the Fund. The Trust Deed also sets out the obligations and responsibilities of the Trustee in managing the Fund.

The Fund is a complying superannuation fund under the Superannuation Industry (Supervision) Act 1993 (Cth), which makes it eligible for certain tax concessions that benefit members.

### Policy Committees

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If your employer is a sponsoring employer of the Fund you may be able to have a policy committee established.

Policy committees consider the operations and performance of the Fund and communicate the views of members and sponsoring employers to the Trustee. Policy committees must be made up of an equal number of member and employer representatives and are the best way for you to make your views known to the Trustee. At 30 June, 2006, no policy committees exist. If you would like a policy committee established at your work place please contact the Trustee.

### Advisory Policy Committee

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Because the Fund contains a high proportion of casual, part-time and itinerant members, the Trustee has formed an Advisory Policy Committee consisting of equal representation from rural employer and employee organisations. The Advisory Policy Committee considers policy issues and provides feedback to the Trustee.

## Fund Compliance

The Trustee is satisfied the Fund complies with requirements of the relevant law and continues to be eligible for concessional tax treatment.

## Advisors and Service Providers

The Trustee has overall responsibility for management of the Fund but uses specialist advisors and service providers to help. These include:

### Investment Managers

Most of the assets of the Fund are invested through professional investment managers selected for their reputation and ability. The Trustee may, at its discretion, remove or appoint new investment managers and uses a combination of investment managers to help to reduce investment risk. Investment managers used by the Trustee are identified in the “Investments” section.

### Administrator

The administrator is Pillar, a specialist superannuation fund administrator established by the New South Wales government. The Administrator processes data and maintains many of the Fund’s records, including financial and membership records.

## Administration Reserve

Year Ended	Closing reserves \$
30 June 2006	542,000
30 June 2005	54,786

## Investment Reserve (Essentials only)

Year Ended	Closing reserves \$ (million)
30 June 2006	3.4
30 June 2005	3.7
30 June 2004	2.8
30 June 2003	1.3

## Custodian

The Custodian is BNP Paribas. The custodian holds the assets of the Fund to provide additional protection against the prospect of fraud or other loss. All advisors and service providers are appointed by the Trustee and may be dismissed by the Trustee.

## Reserving Policy

The Trustee operates two reserves.

### The Administration Reserve

Fees charged are paid into this reserve and used to pay costs. Because the Trustee and Fund operate in a not for profit basis, any surplus after payment of costs is applied to the benefit of members at the Trustee’s discretion.

### The Investment Reserve

The Investment Reserve is used for Primary Essentials only to smooth investment returns. Crediting rates are rounded up during years of poor performance and rounded down during years of abnormally high performance. This reduces the volatility of investment returns paid to members.

The balance of the reserve accounts at 30 June was:

### Like to Know Something?

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The Trustee will assist you with any questions you may have about the Fund and your membership. If you want more information you may contact the Fund at the contact details below. In certain unusual circumstances, the provision of some information may be subject to a charge. If this occurs you will be advised of the charge prior to application.

Information available includes documents such as the Trust Deed, audited financial accounts, investment policy information, information on inquiries and complaints procedures and the risk management plan.

Prime Super  
PO Box 2229  
Wollongong DC NSW 2500  
Freecall: 1800 675 839  
Website: [www.primesuper.com.au](http://www.primesuper.com.au)  
Email: [administration@primesuper.com.au](mailto:administration@primesuper.com.au)

The Fund's website ([www.primesuper.com.au](http://www.primesuper.com.au)) also contains information that might be of interest including investment information and downloadable publications such as Product Disclosure Statements, forms, an Employer Guide and Super Updates.

### Enquiries and Complaints

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The Trustee has established a procedure for dealing with enquiries and complaints. You can make an initial enquiry by phoning us on Freecall 1800 675 839 or by contacting:

The Enquiries and Complaints Officer  
Prime Super  
Level 15, 190 Queen Street  
Melbourne VIC 3000  
Fax: 03 8622 9380  
Email: [www.secretariat@primesuper.com.au](mailto:www.secretariat@primesuper.com.au)

Most enquiries can be dealt with on the spot. Complaints will be recorded in a register and will be responded to within 14 days of receipt. You will receive a reply to your complaint within 90 days. If you are not satisfied with the outcome you may be able to have your complaint heard by the Superannuation Complaints Tribunal (SCT).

The SCT is an independent body set up by the Federal Government to hear complaints by members and beneficiaries against certain types of decisions made by trustees of superannuation funds. The SCT can only consider your complaint if you have already approached the Trustee. You can contact the SCT on 1300 884 114.

## BENEFITS

Your annual statement shows the value and type of benefits you are entitled to. You can obtain additional information about your benefits by contacting the call centre:

Prime Super  
PO Box 2229  
Wollongong DC NSW 2500  
Freecall: 1800 675 839  
Website: [www.primesuper.com.au](http://www.primesuper.com.au)  
Email: [administration@primesuper.com.au](mailto:administration@primesuper.com.au)

The main benefits paid by the Fund are:

### Death and Total & Permanent Disablement Benefit

If a member dies or becomes totally and permanently disabled, subject to any legislative restrictions that may apply, the Member Account will become payable. In addition, any insured benefit may also become payable provided the insurer admits a claim made for payment.

### Withdrawal Benefit

When you leave the Fund we will pay the Withdrawal Benefit, which is the value of your Member Account. Payment cannot be made until all outstanding contributions have been received or we are advised no further contributions are payable. Withdrawal Benefits are generally paid by cheque. The benefit may have to be rolled over into another superannuation fund.

### Retirement Benefit

When you retire as a member of the Fund we will pay the Retirement Benefit, which is the value of your Member Account. Payment cannot be made until all outstanding contributions have been received or we are advised no further contributions are payable. You will also be asked to provide evidence of having retired.

### Income Protection Benefit

Income protection benefits are available on a voluntary basis to new members and existing members. This benefit can provide an income for up to two years if a member is unable to work due to an accident or illness. See page 13 for details.

### Financial Hardship & Compassionate Benefits

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The Fund can also pay financial hardship and compassionate benefits. Criteria set by the Government for payment of these benefits is strict.

### Financial Hardship Benefit

To be considered for a Financial Hardship benefit you must have been in receipt of a specified Commonwealth income support payment (such as Newstart Allowance) for a continuous period of 26 weeks and be unable to meet immediate family living expenses.

Financial Hardship benefits cannot exceed \$10,000 (gross) in any one year. Only one payment can be made every 12 months.

Applications can be lodged with the Trustee, which must assess each case on its own merits according to the relevant law. Approval is not automatic.

### Compassionate Benefit

Applications may be submitted to the Australian Prudential Regulation Authority for payment on Compassionate Grounds to pay or meet the expense of:

- treatment and transport for you or a dependant concerning life threatening illness or injury, acute or chronic pain or acute or chronic mental disturbance; or
- modifying your home or motor vehicle if you or a dependant has a severe disability; or



- palliative care for you or a dependant, or the death, funeral or burial of a dependant; or
- mortgage payments to prevent your lender selling your home; or
- similar grounds.

To apply for a compassionate benefit please contact the Australian Prudential Regulation Authority.

### **Restrictions on When Benefits Can be Paid**

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The government has placed restrictions on when you can claim superannuation benefits, these are known as preservation rules. Preservation rules are complex but generally divide benefits into the two categories shown below:

- (1) Preserved Benefits: Generally, a preserved benefit can only be taken in certain circumstances that depend on a range of factors including your age, employment status, health and personal financial circumstances.
- (2) Non-Preserved Benefits: Non preserved benefits can be further divided into two categories, these are:
  - (i) Unrestricted Non-preserved Benefits, which can be taken at any time.
  - (ii) Restricted Non-preserved Benefits, which generally cannot be cashed until you leave service with your current employer.

The value of your preserved and non preserved benefits is shown on your annual member statement.

### **How to Claim Benefits**

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To claim a benefit please phone us on freecall 1800 675 839 to obtain a claim.

### **Consolidate your Benefits and Save**

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Government statistics indicate that, on average, every working Australian has three superannuation accounts. For many people, this constitutes a waste of money as each account is probably debited with fees by the relevant fund.

If you have more than one superannuation account you should consider whether you are paying too much in fees. Consolidating your other superannuation accounts into the Prime Super Fund may reduce your overall fees.

To arrange for your superannuation to be consolidated into Prime Super please call us on 1800 675 839.

## Eligible Rollover Fund (ERF)

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In special circumstances, the Trustee may transfer your benefit to an Eligible Rollover Fund (ERF) without your permission, in accordance with superannuation law. This usually occurs if you cannot be located or if you have a small account balance that has been inactive for 18 months or more.

If you have left employment and have not instructed the Trustee on how to pay your benefit, the Trustee may pay your benefit to the ERF after 90 days. If you have left employment and the Trustee is satisfied you have not received the last annual statement at your last known address, the Trustee may pay your benefit to the ERF.

If your benefit is transferred to the ERF you will no longer be a member of the Fund and any insurance cover you may have held will cease. Instead, you will become a member of the ERF and be subject to its governing rules.

An ERF is a fund designated by the Australian Prudential Regulation Authority to receive and invest the entitlements of superannuation members in certain circumstances. The ERF will send you a PDS once you are transferred. The Trustee charges members a fee of \$10 for a transfer to the ERF. The ERF chosen by the Trustee is SMERF, which can be contacted at:

PO Box 2229  
Wollongong DC, 2500  
Free call: 1800 675 839  
Free fax: 1800 023 662

## Unclaimed Benefits

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Unclaimed benefits consist of money the Fund must pay out where the Trustee cannot locate a person entitled to receive the payment.

Circumstances in which a benefit may be declared unclaimed include where the member reaches age 65 and no contribution has been made for two years and the member cannot be contacted. Before declaring a benefit unclaimed the Trustee makes reasonable efforts to contact the beneficiary.

The Trustee must pay an unclaimed benefit to the Victorian Office of State Revenue. The benefit still belongs to you, but to claim it you must contact the Victorian Registrar of Unclaimed Monies at State Trustees on (03) 9667 6444.

## Privacy Statement

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Privacy laws regulate the way we collect, use, disclose, keep secure and give you access to your personal information.

You and your employer may provide personal information about you to the Fund for the primary purpose of establishing and administering your membership of the Fund. The Fund may use this information for related purposes and may disclose your personal information to ensure the efficient management of the Fund.

The Trustee has a Privacy Policy which you can be obtain from our website [www.primesuper.com.au](http://www.primesuper.com.au), or call 1800 675 839 or write to us at:

PO Box 2229  
Wollongong DC  
NSW 2500.

You may also request access to the personal information we hold about you, although a small fee may apply in some cases.

## FINANCIAL STATEMENTS

### Abridged statement of Financial Position as at 30 June 2006

Prime Super	2006 000\$	**2005 000\$
<b>Current Assets</b>		
Cash and cash equivalents	6,817	10,416
Trade and other receivables	184	204
Deferred tax asset	2,324	6,314
	9,325	16,934
<b>Non-Current Assets</b>		
<b>Investments</b>		
Cash and short term deposits	81,090	36,310
Other interest bearing securities	168,321	254,698
Australian equities	254,629	230,730
International equities	248,283	174,412
Property unit trusts	167,140	64,665
Property Investments	970	1,605
Other	370	49
<b>Total Investments</b>	920,803	762,469
Property Plant and Equipment	143	194
<b>Total Non-Current Assets</b>	920,946	762,663
<b>Total Assets</b>	930,271	779,597
<b>Current Liabilities</b>		
Trade and other payables	2,639	3,988
Current tax liabilities	13,936	11,360
Deferred tax liabilities	9,558	9,702
<b>Total Current Liabilities</b>	26,133	25,050
<b>Net Assets Available To Pay Benefits</b>	904,138	754,547
Represented by:		
<b>Liabilities For Accrued Benefits</b>		
Allocated to members' accounts	891,077	742,251
Unallocated to members' accounts	9,238	8,520
Reserve	3,823	3,776
	904,138	754,547

\*\* The Fund Accountant has made minor changes to the abridged figures at 30 June 2005 to reflect inconsequential amendments.

**Abridged Operating Statement for the period to 30 June 2006**

<b>Prime Super</b>	<b>2006 000\$</b>	<b>**2005 000\$</b>
<b>Investment Revenue</b>		
Interest	278	312
Distributions from unit trusts	93,464	31,121
Changes in market values	13,671	52,254
Other investment income	-	14
Property Rentals	199	142
<b>Net Investment Revenue</b>	<b>107,612</b>	<b>83,843</b>
<b>Contribution Revenue</b>		
Employer contributions	115,878	113,728
Members' contributions and roll-ins	25,457	21,332
<b>Total Contribution Revenue</b>	<b>141,335</b>	<b>135,060</b>
<b>Other Revenue</b>		
Group life insurance proceeds	6,952	6,321
Other	25	22
<b>Total Other Revenue</b>	<b>6,977</b>	<b>6,343</b>
<b>Total Revenue</b>	<b>255,924</b>	<b>225,246</b>
<b>Less Expenses:</b>		
Direct Investment Expenses	2,090	349
General administration expenses	10,169	11,847
Group Life Insurance Premiums	7,531	7,777
Surcharge expense	197	238
<b>Total Expenses</b>	<b>19,987</b>	<b>20,211</b>
<b>Benefits accrued as a result of operations before income tax</b>	<b>235,937</b>	<b>205,035</b>
Less income tax expense	25,800	24,907
<b>Benefits accrued as a result of operations after income tax</b>	<b>210,137</b>	<b>180,128</b>

\*\* The Fund Accountant has made minor changes to the abridged figures at 30 June 2005 to reflect inconsequential amendments.

## CHANGES TO LEGISLATION

For most members, the only really important new legislative developments to happen over the past year came in the Federal Budget.

While most of the budget proposals remain mere proposals, the government seems committed to implementing them as announced or in a way close to what was announced. The key proposals are summarised below in general terms.

### A Cut in Personal Income Tax

This proposal was implemented on 1 July, 2006. The new income tax rates are shown below (excluding Medicare levy):

\$0 on taxable income up to \$6,000  
 5% tax on taxable income \$6,001 - \$25,000  
 30% tax on taxable income \$25,001 - \$75,000  
 40% tax on taxable income \$75,001 – 150,000  
 45% tax on taxable income \$150,001 and over.

### Simplification of Superannuation from 1 July, 2007

The list of proposals below were announced to apply from 1 July, 2006, although no legislation is in place and some amendments seem sure to be made. In general the key proposals are:

- superannuation benefits paid from a taxed fund (like Prime Super) to be tax free for people aged 60 and over;
- people aged 55 and over to have greater access to their superannuation while working;
- reasonable benefit limits to be abolished, allowing people to use their money more efficiently in retirement;
- members to get greater flexibility on how and when to draw down their superannuation with no forced payment of benefits;
- age-based limits on tax deductibility of superannuation contributions to be scrapped and replaced with a simpler set of rules yet to be finalised;
- self-employed people are to be able to claim a full deduction for their superannuation contributions up to the new limits;
- the ability to make deductible superannuation contributions is to be extended up to age 75;
- the pension assets test taper rate is to be reduced as an incentive to save (not to apply until September 2007).

## How the Proposed Changes Can Work for You

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### Example 1:

A member aged 55 or over and still working is to be permitted to draw down on their super. Because the tax charged on deductible superannuation contributions is only 15% and tax on benefits for people aged less than 60 looks as though it will remain low (for those 60 or over the tax rate should be zero), members should be able to save tax by salary sacrificing into Prime Super and drawing down what they need as income.

Tax saved will depend on the member's personal tax rate and the rate at which benefits are taxed. However, members earning above \$25,001 and less than \$75,000 could save 15 cents tax on every dollar of income above \$25,001 they salary sacrifice into Prime Super. Members earning more than \$75,000 would save more tax.

It will remain difficult to give members clear facts until the proposals are in law. However you can get updates by calling Prime Super on 1800 675 839 or visit the Treasury website at <http://simplersuper.treasury.gov.au>.

### Example 2:

Under the current rules a contribution by a self employed member is generally deductible at 100% on the first \$5,000 then 75% after, up to a limit. Under the new rules the entire contribution would be 100% deductible up to a limit, resulting in a greater tax deduction for the same contribution for most self employed members.

## CONTACT US

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Madgwicks Lawyers

### Insurer

MetLife Insurance Limited







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