

Australian Primary Superannuation Fund

Annual Report for the year to
June 30 2005 for Members of:

• Primary Essentials • Primary Choice



A not-for-profit Industry Fund



2004-2005
Annual Report

About this report

Australian Primary Superannuation Fund (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 June 30 2005.

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.

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Message from the Chairman

Another financial year has gone, leaving Australian Primary Super Fund stronger than ever.

We've grown to over \$750 million in assets and remain the largest superannuation fund designed to serve rural and regional Australia. Part of this growth came from merging the Australian Hardware & Timber Industry Superannuation (AHTIS) and HortSuper funds into Australian Primary, raising our membership to over 175,000.

Despite some disruption while these mergers were settled down, the overall effect has been to generate an economy of scale intended to benefit members and employers into the future.

But if last year was busy, the year ahead looks just as challenging.

New laws mean most workers can choose their own superannuation fund and Australian Primary is responding with better personal service and more efficient electronic transactions. Our field staff will make more calls to more regions than ever before to speak with more members and employers, so we can continue to deliver the super rural and regional Australia needs.

There's also a new licensing system for super funds to contend with.

But despite these changes, the Fund will continue to be a not for profit fund setup for the benefit of members and employers, not shareholders.



To make sure the Fund continues to thrive we've appointed a new Chief Executive Officer. Lachlan Baird joined us in March from one of the very large industry funds. An engineer and accountant with audit experience, Lachlan brings the unique set of technical and management skills needed to prosper in a cost sensitive business driven largely by information technology. Just as importantly, Lachlan is from a farming family and has a great affinity with our typical member and employer.

We've also increased our technical know how by appointing a Compliance Manager to make sure we meet the demands of new legal obligations. David Galloway has been a Director and Secretary of a superannuation Trustee for some years and completed a Master of Commercial Law degree in 2004.

The start of the 2005 - 2006 financial year finds Australian Primary looking to the future while remaining firmly focused on our roots. We will continue to support rural and regional organisations while contributing in other ways, such as our on farm occupational health and safety program. Most of all we will continue to be where our members and employers are.

A handwritten signature in dark ink, appearing to read 'J W Ferguson'. The signature is fluid and cursive, with a large, stylized 'J' and 'F'.

James W. Ferguson
Chairman of Directors

Year in Review

Over the last year we've been working hard to bring you new services and improve those we already offer. These are described in the "Additional Services" section (page 29), but here's a quick snap shot.

Saving you money

Members are eligible to use the Members Equity Bank, which offers:

- » Home loans that can save you real dollars;
- » Credit cards at low interest;
- » A savings account that earns real interest; and
- » One of Australia's lowest fixed rate personal loans.

For further information on Members Equity Bank for Australian Primary Super members call 13 15 63 or visit www.membersequitybank.com.au.

Members also have access to negotiated low rates on private health cover and other services through Manchester Unity. For further information call 1800 622 559.



More investment choices

From 1 January, 2006 all members with \$1,000 or more in their account will be able to choose from the 4 premixed and 5 sector investment strategies listed below:

Pre-mixed options:

- » Managed Equity
- » Balanced
- » Capital Stable
- » Cash Plus

Sector Options:

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

Please see the "Notice of Changes to the Fund" section for more information.

Improved insurance

A new set of insurance rates will soon be available that offer more competitive pricing to many members, especially white collar members. Please see the "Notice of Changes to the Fund" section for more information.



We're listening

Last year we conducted a survey of members and employers to find out what you want from your super fund and how we can improve. The results are discussed in the "We're Listening" section (page 31), but here's a snapshot of what you told us:

- ▶ You want more face to face contact;
- ▶ You want what we write to be more personal and easier to understand;
- ▶ You want investment options that can perform well, but still protect against losses;
- ▶ You want super that's easier to contribute to, understand and take from job to job;
- ▶ You want value for money.

We're working hard to provide what you've asked for and hope you'll notice a difference over the next year.

Your safety matters

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

Change in fees

Fees will change on 1 January 2006 for the first time in seven years. Though the Fund continues to be a not for profit fund, the cost of providing superannuation rose last year so that an increase in charges could no longer be avoided. Please see the "Notice of Changes to the Fund" section. Any fees not used to pay costs will be used for the benefit of members through the Trustee Development Reserve.



Change in ERF

The Trustee has changed the Eligible Rollover Fund (ERF) used by the Fund. The new ERF is known as SMERF and offers lower costs to members who are transferred to an ERF. Please see the "Notice of Changes to the Fund" section for more information.

Investments markets

The year to 30 June 2005 was generally good for investors. Some of the highlights for each investment asset class are summarised on page 5.





International Shares

- » The US S&P 500 Index increased by 6.3% and the NASDAQ increased by 0.4% in local currency terms.
- » The UK and German share markets returned 18.7% and 10.1% respectively in local currency terms.

Australian Shares

- » The Australian share market rose by 26.0% measured by the S&P/ASX 300 Accumulation Index.
- » The best performing sectors were Energy (+63.5%), Information Technology (+42.3%) and Health (+36.6%).

Australian Fixed Interest & International Fixed Interest

- » Australian fixed interest returned 7.8% measured by the UBSA Composite All Maturities Bond Index.
- » Global fixed interest rose 11.6% measured by the Lehman Brothers Global Aggregate Bond Index (hedged into \$A).
- » The US 10-Year Government Bond yield began the financial year at 4.58% and fell to 3.99%.

Property

- » Australian Listed property yielded 18.4% measured by the S&P/ASX 300 Listed Property Index.
- » Unlisted property measured by the Mercer Unlisted Property Index rose 13.4% over the year.

Cash

- » The Reserve Bank of Australia increased the official cash rate by 0.25% in March, taking the official cash rate to 5.50%.

Australian Currency

- » The Australian dollar rose 9.0% against the US dollar, 9.8% against the UK pound and 10.6% against the Japanese yen.
- » The Australian dollar began the 2004/2005 financial year at US69.94c/AUD and finished at US76.20c/AUD.



Management of the Fund

About the Trustee

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 working on Fund matters.

Directors are nominated and appointed by the Board of the Trustee as independent Directors in accordance with 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

Virginia Collins

Appointed 2nd August, 2001

Trevor Dixon

Appointed 5th April 2004

Russell Wilson

Appointed 5th April 2004

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.



(from left to right) Alan Bowman, Russell Wilson, James Ferguson, Terrence O'Callaghan, Russell Higginbotham, Trevor Dixon, Barry Cochran and Virginia Collins.



About the Fund

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

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 2005 no policy committees existed. If you would like a policy committee established at your work place please contact the Trustee.

Advisory policy committee

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.

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.

1) Trustee Development 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.

2) 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 Trustee Development Reserve generally holds little money and in past years formed part of a general reserve that also included the Investment Reserve. To improve transparency, each reserve will be reported separately in future. Figures below for the Investment Reserve in past years include the value of the Trustee Development Reserve, though the dollar value would have been small in each case.

The balance of the reserve accounts at 30th June was:

Investment Reserve (Essentials only)

Year Ended	Closing reserves \$ (million)	% of net assets
30 June 2005	3.7	0.5
30 June 2004	2.8	0.7
30 June 2003	1.3	0.3

Trustee Development Reserve

Year Ended	Closing reserve
30 June 2005	\$54,786

Value of all reserves held at June 30 2005: \$3,776,040.



Like to know something?

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 before any cost is incurred.

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

Australian Primary Superannuation Fund
PO Box 2229
Wollongong NSW 2500
Freecall: 1800 675 839
Website: www.australianprimary.com.au
Email: administration@australianprimary.com.au

The Fund's website (www.australianprimary.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

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
Australian Primary Superannuation Fund
Level 15, 190 Queen Street
Melbourne VIC 3000
Fax: 03 8622 9380
Email: www.secretariate@australianprimary.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 Commonwealth 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.

Australian Primary Superannuation Fund
PO Box 2229 Wollongong NSW 2500
Freecall: 1800 675 839
Website: www.australianprimary.com.au
Email: administration@australianprimary.com.au

The main benefits paid by the Fund are:

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.

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.


Members leaving the Fund have the option to continue their death benefit insurance through the Fund's insurer. The option must be applied for within 60 days of leaving the fund.

Income protection benefit: Income protection benefits are no longer offered by the Fund to new members and existing members who did not choose to take this type of benefit in the past. This benefit can provide an income for up to two years if a member is unable to work due to an accident or illness.

Financial hardship & compassionate benefits

The Fund can also pay financial hardship and compassionate benefits. Criteria set by the Government for payment of these benefits are 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;
- ▶ 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

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

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



Consolidate your benefits and save

According to the Australian Prudential Regulation Authority, there were around 27 million superannuation accounts at 30 June 2004, that's around 3 for every working Australian.

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 Australian Primary Super Fund may reduce your overall fees.

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

Eligible rollover fund (ERF)

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 wish to leave the Fund but do not instruct the Trustee 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 had 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 NSW 2500
Free call: 1800 675 839
Free fax: 1800 023 662



Unclaimed benefits

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

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 can be obtained from our website, www.australianprimary.com.au, by telephoning 1800 675 839 or by writing to us at PO Box 2229, Wollongong NSW 2500. You may also request access to the personal information we hold about you, though a small fee may apply in some cases.





Investments

Important information about investment strategies

Just 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 lets people judge the amount of risk that suits them.

Investment risks can be expressed as names such as cash plus (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.



Because the income of rural and regional Australians can be uncertain, the Trustee takes the view that many rural and regional Australians want their super protected from unnecessary investment risk and invests at the lower risk end of cash plus, capital stable, balanced and managed. We expect this will produce lower investment returns during good years, but relatively higher investment returns in bad years. Over the longer term, members should receive a good investment return from each investment option with lower than average risk of making a loss compared to other investment options of the same type.

Product Offerings

The Fund offers two superannuation products, Primary Essentials and Primary Choice (previously known as Primary Plus). The product you are a member of is shown on your annual statement.



Primary Essentials Investments

Investments in Primary Essentials are held in a Balanced investment strategy.

Specific investment objectives

The Trustee's specific investment objectives for Primary Essentials are:

- » To achieve a return (net of tax and investment expenses) of at least 4% pa in excess of inflation (as measured by the Consumer Price Index (CPI)) over rolling 5 year periods; and
- » To limit the probability of a negative return over rolling 12 month periods (calculated each quarter) to 1 in 7 years.

Time horizon: This investment strategy should not generally be invested in for less than 5 years.

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.

The table below shows the strategic asset allocation and benchmark ranges for the investments of Primary Essentials.

Asset Sector	Target allocation (%)	Ranges (%)
Australian equities	19.5	15 - 24
International equities	19.5	15 - 24
Property	10.0	4 - 15
Private equity	5.0	2 - 8
Other assets	11.0	4 - 18
Total Return Seeking Assets	65.0	55 - 75
Australian Fixed Interest	20.0	15 - 25
International Fixed Interest	7.0	4 - 10
Inflation-linked	8.0	4 - 12
Cash	-	0 - 5
Total Risk Reducing Assets	35.0	25 - 45
Total Assets	100.0	

Investment performance and crediting rate policy

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. 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.

Year 30 June	Earning rate %	Crediting rate %	Inflation* %
2005	11.8	10.75	2.5
2004	11.4	11.00	2.5
2003	0.9	1.50	2.7
2002	-4.2	-3.90	2.8
2001	8.5	7.50	6.0
Average	Compound average over 5 years, 5.49% per annum. Mean average earnings over 5 years, 5.68% per annum	Compound average over 5 years, 5.21% per annum. Mean average over 5 years, 5.37% per annum.	Compound average over 5 years, 3.29% per annum. Mean average over 5 years, 3.30% per annum.

Please note that 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.

Primary Choice (formerly Primary Plus) Investments

Members of Primary Choice have a choice of four investment strategies. These are shown in the table below.

	Cash Plus	Capital Stable	Balanced	Managed Growth
Purpose	To provide capital security by taking minimal investment risk.	To provide capital growth over the medium term and protect the value of a member's net investment.	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.	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.
Specific Investment Objectives	To achieve a return (net of tax and investment expenses) that exceeds the increase in CPI by at least 1.5% pa over moving five year periods. To prevent any negative returns over moving 1 year periods.	To achieve a return (net of tax and investment expenses) that exceeds the increase in CPI by at least 3% pa over moving five year periods. To limit the probability of achieving a negative return over moving 1 year periods to approx. 1 year in 10.	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. To limit the probability of achieving a negative return over moving 1 year periods to approx. 1 year in 7.	To achieve a return (net of tax and investment expenses) that exceeds the increase in the CPI by at least 5% pa over moving five year periods. To limit the probability of achieving a negative return over moving 1 year periods to approx. 1 year in 5.
Strategy	To invest largely in cash with a moderate allocation (about 20%) in fixed interest securities to provide some additional return.	To invest largely in risk-controlling assets with the balance (about 30%) in equities, property and other return-seeking assets.	To invest largely in equities, property and other return-seeking assets with the balance (about 30%) in risk-controlling assets.	To invest solely in equities, property and other return-seeking assets.
Time Horizon	Up to 5 years	Up to 5 years	5 years or more	5 years or more

Asset allocation benchmark ranges

From time to time, the Trustee reviews the investment strategies to ensure they meet the investment objectives. The Trustee also sets an allocation for each class of investments. The Trustee may reallocate

assets among investment managers to enhance diversification and control risk.

The table below shows the strategic asset allocation and benchmark ranges for the four investment strategies.

	Cash Plus		Capital Stable		Balanced		Managed Growth	
Asset Sector	Target allocation (%)	Ranges (%)	Target allocation (%)	Ranges (%)	Target allocation (%)	Ranges (%)	Target allocation (%)	Ranges (%)
Australian equities	0.0	0.0	9.0	6 - 12	19.5	15 - 24	30.0	25 - 35
International equities	0.0	0.0	9.0	6 - 12	19.5	15 - 24	30.0	25 - 35
Property	0.0	0.0	4.5	0 - 8	10.0	4 - 15	15.0	7 - 21
Private equity	0.0	0.0	2.5	0 - 5	5.0	2 - 8	8.0	4 - 12
Other assets	0.0	0.0	5.0	0 - 10	11.0	4 - 18	17.0	9 - 25
Total Return Seeking Assets	0.0	0.0	30.0	25 - 35	65.0	55 - 75	100.0	95 - 100
Australian fixed interest	11.0	9 - 13	40.0	35 - 45	20.0	15 - 25	0.0	0.0
International fixed interest	4.0	2 - 6	14.0	11 - 17	7.0	4 - 10	0.0	0.0
Inflation-linked	5.0	3 - 7	16.0	12 - 20	8.0	4 - 12	0.0	0.0
Cash	80.0	78 - 82	0.0	0 - 5	0.0	0 - 5	0.0	0 - 5
Total Risk Reducing Assets	100.0	100	70.0	65 - 75	35.0	25 - 45	70.0	0 - 5
Total Assets	100.0	100	100.0	100	100.0	100	100.0	100



Investment performance

Members' account balances are expressed in "units" that reflect the value of the underlying investments of Primary Choice. Unit prices rise and fall in line with movements in investment markets and the value of the assets in the chosen investment portfolio. Units are valued at least monthly. Generally, each unit price is equal to the current net value of the investments in each investment option, less any applicable fees, expenses and taxes, divided by the total number of units on issue for that option on the date of valuation.

Your member statement shows the investment options you are invested in and the unit price of each as at 30 June 2005. The following table shows the historical rates of return for each investment strategy. The rates are net of all investment related costs such as fees charged by investment managers, investment expenses incurred by the Fund and investment earnings tax payable by the Fund.

To 30 June	Managed Equity	Balanced	Capital Stable	Cash Plus	CPI*
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
2001	8.30	7.50	N/a	4.70	6.0
Compound average	5 years 3.34% p/a	5 years 5.33% p/a	15 Months 5.64% p/a	5 years 3.44% p/a	5 years 3.29% 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.





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% of more of the value of the fund are indicated with an asterisk (*)

Investment	\$
Cash and Short Term Deposits	
Liquidity	20,758,049
Macquarie Currency Overlay Fund	14,328,846
BNP Paribas Nominees	515,812
Macquarie Prism Cash Pool Trusts	707,686
Total Cash and Short Term Deposits	36,310,393
Other Interest Bearing Securities	
Vanguard Australian Fixed Interest Index Fund*	49,990,459
Colonial First State Inflation Linked Bonds*	54,476,389
Pimco Global BD Fund*	46,441,809
Pimco Extended Markets Fund	14,450,010
Perennial Australian Core Plus Bond Trust*	89,339,006
Total Other Interest Bearing Securities	254,697,673
Australian Equities	
Agricultural Company Of Australia Pty Ltd	30,396,767
Maple-Brown Abbott Australian Equity Trust*	49,526,834
Schroder Australian Equity Fund*	62,349,090
Investors Mutual Future Goal Fund	14,787,292
JFCP Aust Shares Super Trust*	40,692,151
GMO Australian Long/Short Equity Trust	24,038,610
Acorn Capital Wholesale Micro-Cap Trust	8,939,583
Total Australian Equities	230,730,327



Investment	\$
International Equities	
Bernstein Global Value Trust	26,339,535
Alliance Capital Global	28,179,806
Credit Suisse Asset Management International Shares fund	36,225,940
Zurich Managed International Share Fund	34,716,927
Colonial First State Wholesale Global Emerging Markets Fund	14,370,299
Warakirri Alternative Strategies Fund	20,970,381
BGI Total Return Multi Opportunity Fund	12,506,419
SMHL Origination Fund No.3	1,102,395
Total International Equities	174,411,702
Property Investments	
ICA Property Development Fund	2,433,600
Deutsche Wholesale Property Fund	10,431,602
Vanguard Property Securities Index Fund	27,694,978
Direct property holding : Help St Chatswood	1,604,993
BNP Paribas Nominees	35,124
Lend Lease Prime Property Retail Trust	10,709,428
Lend Lease Prime Property Industrial Wholesale Trust	13,360,788
Total Property Investments	66,270,513
Other	48,614
Total Investments	762,469,222

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.

Abridged Financial Statements

Abridged statement of financial position as at 30 June 2005

Australian Primary Superannuation Fund	2005 \$	2004 \$
Other Assets		
Cash	10,415,592	5,605,573
Other receivables	204,690	900,952
Office furniture & computer equipment	163,671	123,940
Motor vehicles	29,949	149,421
Deferred tax asset	6,314,228	5,647,940
	17,128,130	12,427,826
Investments		
Cash and short term deposits	34,131,802	62,579,074
Other interest bearing securities	254,697,673	142,031,328
Australian equities	230,987,196	217,074,130
International equities	176,333,424	143,439,082
Property investments	66,270,513	58,811,049
Other	48,614	47,044
	762,469,222	623,981,707
Total Assets	779,597,352	636,409,533
Liabilities		
Other payables	3,987,466	3,002,862
Current tax payable	11,359,907	3,853,468
Deferred tax liabilities	9,702,243	5,815,873
Total Liabilities	25,049,616	12,672,203
Net Assets Available To Pay Benefits	754,547,736	623,737,330
Represented by:		
Liabilities For Accrued Benefits		
Allocated to members' accounts	742,250,982	606,923,382
Unallocated to members' accounts	8,520,714	13,978,959
Reserve	3,776,040	2,834,989
	754,547,736	623,737,330

Abridged statement of financial position as at 30 June 2005

Australian Primary Superannuation Fund	2005 \$	2004 \$
Investment Revenue		
Interest	311,858	213,378
Distributions from unit trusts	31,121,303	22,567,877
Changes in market values	52,254,056	41,565,768
Other investment income	155,874	85,585
Direct investment expenses	(348,518)	(492,472)
Net Investment Revenue	83,494,573	63,940,136
Contribution Revenue		
Employer contributions	113,728,358	81,155,916
Members' contributions and roll-ins	21,331,500	13,508,184
- AHTIS transfer *	-	66,347,239
- HORT transfer **	-	36,772,262
Total Contribution Revenue	135,059,858	197,783,601
Other Revenue		
Group life insurance proceeds	6,320,900	2,997,400
Other	22,140	10,459
Total Other Revenue	6,343,040	3,007,859
Total Revenue	224,897,471	264,731,596
Less:		
General administration expenses	11,846,499	11,377,060
Group Life Insurance Premiums	7,777,206	6,194,280
Surcharge expense	238,324	39,863
Total Expenses	19,862,029	17,611,203
Benefits accrued as a result of operations before income tax	205,035,442	247,120,393
Less income tax expense	24,907,026	15,349,322
Benefits accrued as a result of operations after income tax	180,128,416	231,771,071



Changes to Legislation

There were many changes to legislation during the year. Those expected to affect members most are summarised below.

Removal of the contributions surcharge tax

The Contributions Surcharge Tax has been abolished. Until 30 June 2005, the surcharge tax was payable on most contributions for persons with an adjustable taxable income (salary, employer sponsored superannuation and fringe benefits) exceeding \$99,710. Surcharge tax assessments will continue to be received for some time. If the Australian Taxation Office sends the Fund a Surcharge Tax Assessment it will be debited to your account with the Fund.

Choice of fund

In general, from 1 July 2005 all employees must be offered choice of fund except where the employer is required to contribute to any of the following:

- ▶ A nominated fund in a collective Certified Agreement or individual Australian Workplace Agreement.
- ▶ An arrangement specified under a State industrial award.
- ▶ An unfunded public sector scheme where the employer is a statutory or Government body.
- ▶ The Commonwealth Superannuation Scheme or Public Sector Scheme until such time as amendments are made to enable employees in these arrangements to choose a fund.

More information is available from the Australian Taxation Office. The Trustee has also produced a "Choice of Fund" flyer, which can be obtained by calling 1800 804 675 or from the website at www.australianprimary.com.au.

Superannuation guarantee changes

Generally, employers must make Superannuation Guarantee (SG) contributions for employees within 28 days of the SG due date. If there is a shortfall in the amount contributed employers can be held liable for the entire amount, not just the shortfall. This means employers could be harshly penalised for small oversights. This will no longer be the case from 1 January 2006, when employers will only be liable for a penalty on the shortfall, and not the entire contribution.

Reforms announced in the Budget will allow SG to apply to back payment of wages and salary where an employee has ceased employment. This has particular relevance for disputed payments ordered by a court or tribunal.

APRA licensing

A new Trustee licensing system has been introduced by the government to be administered by the Australian Prudential Regulation Authority. Trustees will be subject to more rigorous conditions affecting how they operate and manage the risks faced by superannuation funds.



Government co-contribution

The Commonwealth Government has extended its co-contribution scheme to make it available to more people. Subject to some restrictions, the government will make a co-contribution of \$1.50 for every \$1 of personal after-tax contributions paid into a super fund.

For those earning under \$28,000 in a financial year, the maximum co-contribution available for the year is \$1,500. This reduces by 5 cents for each dollar earned in excess \$28,000 and cuts out at \$58,000.

To qualify for the co-contribution, you must:

- ▶ be less than age 71 at the end of the financial year;
- ▶ not be a temporary resident;
- ▶ make personal after-tax contributions;
- ▶ receive at least 10% of your assessable income plus reportable fringe benefits from eligible employment; and
- ▶ lodge an income tax return.

Change in the definition of dependent

The definition of a 'dependent' for superannuation purposes has been broadened to include people in an interdependency relationship. Generally, people will be in an interdependent relationship if:

- ▶ They have a close personal relationship;
- ▶ They live together;
- ▶ One or each of them provides the other with financial support; and
- ▶ One or each of them provides the other with domestic support and personal care.

Persons who do not live together may still be interdependent in some cases.

Splitting superannuation contributions

The government has indicated it will legislate to allow eligible couples to split their employer and personal superannuation contributions so as to share superannuation tax concessions between couples. Draft legislation is not yet available but the new rules are expected to be in place before June 2006.





Notice of Changes to the Fund

Increase in fees

As a result of increased regulatory costs and expansion of services, fees charged by the Fund will increase from 1 January 2006 for the first time in seven years. Fees not used

to pay costs will continue to accumulate in the Trustee Reserve for the benefit of members. Old and new fees are shown below:

	Active Member Fee (per member per week)	Inactive Member Fee (per member per week)	Asset Fee
Primary Essentials new fees	\$1.00	\$1.00	0.50%
Primary Essentials old fees	\$0.70	0.45	0.50%
Primary Choice new fees	\$1.10	\$1.10	0.50%
Primary Choice old fees	\$1.00	\$1.00	0.34%

For active Essentials members, the Member Fee increase over a year is \$15.60.

For inactive Essentials members, the Member Fee increase over a year is \$28.60.

For active and inactive Choice members, the Member Fee increase over a year is \$5.20.

For active and inactive Choice members, the Asset Fee increase over a year is \$1.60 for every thousand dollars invested.

Increased regulatory costs include costs imposed by legislation and the indirect costs of complying with licensing requirements of the Australian Securities and Investments Commission and the Australian Prudential Regulation Authority.

Australian Primary Superannuation Fund remains a not for profit fund. Fees not used to pay costs will be used for the benefit of members through the Trustee Development Reserve.

Enhancements to member benefits include:

- » The introduction of investment choice for all members;
- » The expansion of the range of investment choice options;
- » Improvement in insurance benefits available to members; and
- » An increase in the level of servicing.





More investment choices

Everyone's investment needs are different and change throughout our working lives. From 1 January 2006 all members with an account balance of at least \$1,000 will have access to the following investment choice options so they can establish and manage their own investment strategy:

Pre-mixed options:

- » Managed Equity
- » Balanced
- » Capital Stable
- » Cash Plus

Sector Options:

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

This will allow you to increase or reduce your exposure to particular types of investment. For example, you could select to invest 70% of your account in the Balanced option and 30% in the Australian Equities option, while directing future contributions into Property. Over time it may be beneficial for you to change how your super is invested. You could change your investment allocations each year or more frequently if required, (bearing in mind that only the first switch each year will be free).

You don't have to make a choice about which investment options to use. If your account balance is below \$1,000 or you don't make a choice your super will be invested in the Balanced option.

Change to switching fee

From 1 January 2006 a switching fee will be introduced. One free investment switch will be permitted each year and a fee of \$60 will be charged for additional switches. A switch is when you elect to transfer the balance or part of the balance of your superannuation from one investment option within the Fund to another. A change in the allocation of future contributions is not a switch and will not incur a charge

This fee has been introduced to coincide with the expansion of investment choice. Short-term switching between investment options is generally not in the best interest of members.





Change in ERF

The Trustee has changed the Eligible Rollover Fund (ERF) used by the Fund. The new ERF is known as SMERF and can be contacted at:

Wollongong NSW 2500

Free call: 1800 675 839

Free fax: 1800 023 662

The change in ERF will result in members transferred to an ERF paying significantly lower fees than in the past.

Better access

Our call centre is open for extended hours from 8am and 10pm EST for any enquiries you may have.

Improved insurance benefits

Because we are an Industry Fund for Regal & Regional Australians, insurance rates have always assumed a very high proportion of manual workers in hazardous or semi-hazardous occupations; yet the Fund also contains many clerical, management and professional members.

From January 2006, new and more flexible insurance options will be available to members that will offer more choices to members and provide a lower cost of cover for members in non hazardous occupations.

An information pack will be sent to members in late December or early January to explain the new options.



Additional Services



As a member of Australian Primary you have access to some great additional services including:

Low cost banking products

The Fund has an affiliation with Members Equity Bank, which allows you access to a range of low cost banking products



Members Equity Bank was created to provide low cost banking services and is 100% owned by some of Australia's leading industry superannuation funds.

Members Equity Bank has grown to become a significant financial institution with over \$13 billion in assets under management, 150,000 customers and 630 staff.

Members Equity Bank provides:

- » Competitive home loans
- » One of Australia's cheapest credit cards
- » A savings account that earns real interest
- » One of Australia's lowest fixed rate personal loans

For information on the products offered by Members Equity Bank to members of the Australian Primary Superannuation Fund see the flyer enclosed with your annual statement, call 13 15 63 or visit www.membersequitybank.com.au.



Special rates on private health insurance

Members of Australian Primary have access to low rates on private health cover as well as other services through Manchester Unity.

Like Australian Primary Superannuation Fund, 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 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.
- ▶ Healthy Living Programs and Health Management Benefits

For details please contact Manchester Unity by calling 1800 622559.





We're Listening

The last 12 months brought significant changes at Australian Primary Superannuation Fund.

While each change will improve the Fund moving forward, there was a short term drop in service levels that came through loud and clear in our recently completed customer satisfaction survey. Some of the criticisms we received included:

"Personal contact we used to have has been lost"

"A visit from a rep now and then would be good"

Our strategy for addressing these concerns is to get out and about more, to allow you face to face interaction with your superannuation fund. Our regional managers will be knocking on more doors than ever before to talk about your concerns, provide education sessions and ensure your comments get back to the Trustee.

Another criticism that stood out was

"Correspondence is not personal enough"

this is a problem for the entire superannuation industry. Superannuation is complex and the *Corporations Act* limits what and how we can communicate to you. We know you want easy to read documentation, but sometimes this is difficult to provide. Over the coming year we will rewrite almost all of our publications with the aim of making them as

easy to understand as possible, while still meeting legal requirements. We'll also increase the volume of communication through regular Super Update bulletins and more frequent articles in industry publications.

But the survey wasn't all bad news. A high percentage of employer sponsors were satisfied with Fund performance, despite the problems caused by recent growth; while numerous positive comments were made about improvements in the call centre.

On balance though, the message was that we could be doing better all round and we've taken it to heart with significant improvements planned over the next 12 months.

In particular, requests for greater flexibility in investment and insurance options will be met from 1 January 2006 and our call centre is now open for extended hours for the benefit of members who do not work standard shift times.

Many service problems mentioned by employers and members can be reduced or eliminated by ecommerce. To encourage increased use of ecommerce, a booklet and CD have been produced for employers that shows how to save time and money by using our ecommerce facilities. Both can be obtained by calling 1800 675 839 or by writing to us at PO Box 2229, Wollongong NSW 2500.

Contact Us

If you would like more information of the Fund or your benefits please contact:

Australian Primary Superannuation Fund

PO Box 2229

Wollongong NSW 2500

Freecall: 1800 675 839

Freefax: 1800 023 662

Email: administration@australianprimary.com.au

Website: www.australianprimary.com.au

Alternatively you may like to contact one of our Regional Managers:

Felix Sher

Victoria, South Australia, Tasmania

Phone: (03) 8622 9375

Mobile: 0439 030 150

Email: fsher@primarysuper.com.au

Paul Meredith

Queensland and Northern Territory

Phone: (07) 3249 3355

Mobile: 0407 777 449

Email: pmeredith@primarysuper.com.au

Ken Peters

NSW and Hort Super Australia wide

Phone: (02) 9411 4077

Mobile: 0418 207 022

Email: kpeters@primarysuper.com.au

New appointment being made

Western Australia

Details soon to appear on the web site





Directory

Trustee	Farm Plan Pty Ltd
Fund Administrator	Pillar Administration
Auditor	Ernst & Young
Asset Consultant	Watson Wyatt Australia Pty Ltd
Custodian	BNP Paribas Fund Services Australia Pty Limited
Legal Advisor	Freehills Lawyers Madgwicks Lawyers
Insurers	MetLife Insurance Limited (previously known as Citicorp Life Insurance Limited)



