



Part of your Community

# Prime Super

## annual report

for the year ended 30 June 2010



Red Earth Country - Inland  
North Eastern Australia

SELECTING  
SUPER  
QUALITY  
RATING  
**AAA**

Independently  
Researched  
by Rainmaker  
Information  
Lic: 20100322

asfa member

Issued by the Trustee:  
Prime Super Pty Ltd ABN 81 067 241 016 AFSL 219723  
Prime Super ABN 60 562 335 823

# important information about this report

This report is a summary. The rules governing Prime Super are contained in a Trust Deed and the relevant law. A copy of the Trust Deed can be made available on request. In the event of a dispute the Trust Deed and relevant law will prevail over this report. Information in this report was up to date at the time of preparation. However, information can change from time to time. You can obtain up to date and additional information or a copy of our current product disclosure statement by contacting us.

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## Prime Super has gone green

In an effort to reduce our carbon footprint, our annual report is now available online.

As we advised last year, we will no longer send a copy of our annual report with members' annual statements unless they specifically request it from us.

If you would like to receive a complimentary copy of our annual report in the mail, please let us know.

## Visit us online

Have you visited the Prime Super website lately? If not take the time to drop in and see some of the latest changes we've made. We've been working hard on our website and are pleased to introduce a fresh new look to the site.

Our website is a great way to keep track of your super or, if you're an employer, to manage your super obligations. Once you're registered for a secure online account you can check your balance, update your details, manage your investments, pay contributions and add new employees.

## We welcome your feedback

If you have feedback, suggestions or a query about anything appearing in this report or on our website please take the time to let us know. We value your feedback. Send us an email at [administration@primesuper.com.au](mailto:administration@primesuper.com.au) or if you prefer to have a chat, give us a call on 1800 675 839.

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# Message from the Chairman and CEO

It is with great pleasure that we are reporting to you on the performance of Prime Super for the last financial year. And what a year it's been.

Australia has survived the global financial crisis. We avoided recession and although the aftershocks of the GFC continue to be felt across the world, particularly in the European Union, the panic and shock of the last two years has largely been replaced with renewed, albeit cautious, optimism.

Of course volatility in global stock markets continues and the last few months of this financial year had some experts asking if we were about to experience GFC Mark II.

No-one is prepared to say one way or the other what the future holds.

This uncertainty was a key driver in our conservative approach to managing our investments this year. This approach has resulted in some underperformance when our returns are compared to the market over all. We believe however that this will place the fund in a position to be able to take advantage of future positive movements in the market.

Investment markets have always contained an element of unpredictability. Because superannuation is a long term strategy it is better placed than most other investment vehicles to ride out the storm. At Prime Super we remain cautiously optimistic that the future is again looking bright. We have worked hard to minimise the effects of fluctuating investment markets and have also looked for new opportunities for positive growth.

The strength of this approach has been reflected in a positive result across most of our investment options to 30 June 2010. During the course of the year we changed our asset allocation to have a longer term focus. Shifting our Balanced option to have a greater focus on growth assets places us in a better position to answer the long term super needs of our

members, the majority of whom have many years until retirement. We also deemed it appropriate to rename our Balanced option the Default option as it contains a higher portion of growth assets than would normally make up a typical Balanced option.

## Improving our member benefits

Another important part of our role is to help you become more involved in the management of your super.

We have worked hard to bring you new and improved benefits. We have significantly improved our insurance benefit, partnered with Industry Fund Financial Planning and have launched an online superannuation calculator.

We continue to recognise the value of face-to-face communication and have remained committed to providing every member and employer with access to a dedicated Regional Manager. This year we were pleased to expand our team of Regional Managers further with the appointment of a manager to service New South Wales.

You'll find more information on these great member benefits, as well as contact details for all of our Regional Managers in this report.

## Part of your community

We are proud to support the communities and industries in which we operate. We understand better than most that strong and vibrant community groups are a vital factor in influencing the health, wellbeing and economic prosperity of regional areas and we are always looking for new opportunities to lend a hand. Through our numerous community partnerships and sponsorships, we seek to elevate and promote members' awareness of superannuation as part of these essential local organisations and businesses. You can also read more about our community involvement in this report.

## Looking ahead

As we look towards 2011 the super industry is on the cusp of significant change. The greatly anticipated Cooper Report into super has outlined some dramatic recommendations to reform the super industry. These recommendations are being driven by a desire to see a more 'member focused' and engaged industry. As a not-for-profit super fund our priority has always been our members and we are confident that irrespective of what reforms the Government chooses to implement, we will be well positioned to respond swiftly.

Whilst in power the Labor Federal Government outlined a raft of changes to the superannuation industry as a part of

**Barry Cochran**  
**Chairman**

its 2010 Budget and its response to the Henry Tax Review. These changes have yet to be mandated but will provide for much interesting debate in the months to come. We've briefly outlined some of these proposed changes in this report and will continue to keep members informed as events unfold.

On behalf of the entire Prime Super team we would like to take this opportunity to thank you, our members and employers, for your ongoing support. We recognise that the strength of our Fund lies with you and we look forward to continuing to work with you in the future.

**Lachlan Baird**  
**Chief Executive Officer**



# The year in review

If 2008 and 2009 go down in history as the years of the Global Financial Crisis, then 2010 must surely be remembered as the year Australia avoided recession when almost all other advanced economies did not.

Of course it wasn't all smooth sailing. Domestic factors such as the uncertainty surrounding the government's proposed Resource Super Profits Tax; and global events, like the instability of Greece, continue to cause volatility in the markets, but overall Australia has fared better than most with many sectors showing early signs of recovery.

This resilience can be attributed to a number of factors including our strong banking sector and strong commodity exports.

The Reserve Bank of Australia was the first central bank in the G20 to lift interest rates post GFC. Our cash rate currently sits at 4.5% up from its low of 3.0% in April 2009. This economic strength has led to strong conditions in domestic financial markets, with the domestic share market a strong performer over the year, despite some high levels of volatility.

These favourable conditions have also positively impacted our dollar. In 2008-09 our dollar was buying an average of 0.75 US dollar, 0.54 Euro and 0.46 British pound. This financial year we averaged 0.88 US dollar, 0.64 Euro and 0.56 British pound. The strengthening of our dollar over the financial year has been due to strong domestic economic news, commodity price gains and rising interest rates.<sup>1</sup>

However the Australian dollar has experienced some volatility, due in part to problems in Europe and the strengthening of the US dollar.

## The global market

While Australia's economic performance has been unusually strong compared to other developed countries, some countries have also started showing signs of improvement, with a moderate recovery in the global economy commencing in mid-2009. This was partially due to low central bank interest rates and increased government spending which continues to provide favourable conditions for growth.

<sup>1</sup> Source: OzForex.com.au. OzForex is a subsidiary of Macquarie Bank Limited.



The US economy showed significant improvement and companies were reporting stronger profits. As a result, investors returned to riskier asset classes (such as shares) in early 2009.

The story is a lot more positive for developing nations who have been less affected by the GFC. In particular, share markets in developing countries have generally experienced very strong gains and many continue to have strong growth potential as they transform their economies. One of the reasons Australia fared so well is due to our strong trade

connection to these emerging economies. For example, China was our top export market in 2009 followed closely by other developing nations - South Korea and India - at third and fourth.

While this strong link has helped the Australian economy in recent times, we need to be mindful of the potential risk it could also pose. Any material slowdowns on the path of economic development for these countries could have a significant effect on the Australian economy.



Wilsons Promontory National Park

# Part of your community

## Helping Lifeline help the community

It's not uncommon to experience some form of stress, anguish or hardship at some point in our lives. This is especially true for those people living in rural and regional communities who live with the daily reminders of the drought. During these times it's important to remember that there is help available, all you have to do is ask. This is where Lifeline Australia can help. Lifeline links all Australians to quality mental health support services regardless of where they live.

For almost 50 years Lifeline has been providing communities throughout the country with access to counselling, self-care resources, personal support and information about community services and training. In addition to this, they operate a 24 hour counselling service, staffed by trained volunteers. Each year the service answers more than 450,000 calls from Australians seeking help and support in a time of need.

Prime Super is the proud sponsor of the Lifeline Information Service. The Information Service provides all Australians with access to a variety of self-help toolkits with information about issues such as mental illness, depression and suicide prevention.

For more information visit [www.lifeline.org.au](http://www.lifeline.org.au) or to access Lifeline's 24 hour counselling service call 13 11 14.

## Prime Super Community Group of the Year Awards

Community groups across Australia play a vital role in stimulating the social, economic, commercial and environmental prosperity of their region. United by a strong community spirit they are often the back bone of local events, restoration projects, special community services, programs or projects and they work tirelessly to enhance the quality of life for current and future generations in their region. In an effort to recognise these unsung heroes, we have teamed up with



Awards Australia to sponsor the Prime Super Community Group of the Year awards in Victoria and Western Australia.

These awards provide much deserved recognition to those groups that are making a significant contribution to their community.

The winner of the Victorian award will be announced on 16 October 2010 and the Western Australian winner will be announced on 12 November 2010.

### **Prime Super Innovation Awards**

Without doubt business owners in rural and regional Australia face unique challenges. Through the 2010 Prime Super Northern Inland Innovation Awards we are once again proud to honour those businesses that are not only meeting these challenges but through creative and innovative thinking, actively demonstrate the many advantages to living and working in regional areas.

The Innovation Awards, run by the NSW Northern Inland Regional Development Board is in its fourth year and we are proud to once again be the major sponsor of the awards. The awards are designed to celebrate the power of creativity in business to bring about improvements in skills, products, methodologies and processes. They also give businesses at all levels the chance to demonstrate dynamic original thinking and recognise the valuable contribution regional businesses make to the economic prosperity and wellbeing of the communities in which they operate.

The winners of the awards will be announced on 13 November 2010.



Vineyard in the Yarra Valley, Victoria

# Important Fund news

## **New insurance arrangements provide members with extra cover at no extra cost**

Insurance is an important element of your super. It is the most assured means of protecting you and your family against the financial strain that serious illness, injury or death can cause. It's important to make sure you have the right amount of insurance for your circumstances and that you review your insurance arrangements regularly.

In that same vein, we decided to review our insurance arrangements and put our insurance contract out to tender. After a long and detailed tender process involving a number of leading insurance providers, MetLife Insurance Ltd, our current insurer, emerged a clear winner.

Not only did MetLife offer our members the best and most competitive insurance benefits, they demonstrated the strongest commitment to member education and innovation.

Our new insurance arrangements took effect on 1 May 2010 and apply to all eligible members. The changes are a

positive improvement for members and the rates we were able to negotiate with MetLife are industry leading.

## **We've increased your Death and TPD cover...**

From 1 May 2010 all eligible members with unitised cover enjoyed an increase in death and TPD cover at no extra cost.

We also took the opportunity to improve our benefits so that members get the most cover when they are likely to need it most. This means that the increase in cover for someone in their early 20's who may not have a mortgage or children will be less than someone in their late 30's who is likely to have more responsibilities and therefore need more cover.

The increase in cover was automatic for members who already had insurance. However, members were only entitled to the increase if they were working or capable of working on a full-time basis on 1 May 2010 (known as the "Active Employment test"). Members who did not meet this requirement were only entitled to limited cover. This will be assessed at time of claim.

## **At a glance - our improved benefit**

- An increase in Death and TPD cover for all eligible members. This means more cover at no extra cost.
- Reduced Income Protection premium rates for all members with the ability to increase your benefit to 85% of your salary (where you are insured over 75%, the extra 10% is paid into super.)
- Introduction of special "life stage" events. This means when you reach a special life stage like buying a house or having kids, we'll make it easier for you to apply for an additional unit of cover.
- If you've got cover through another super fund, we'll match it (up to certain maximums) if you consolidate your accounts into Prime Super.

## **Still to come**

- Online underwriting offering an easier and faster application process for new and additional cover.

We also broadened the definition of TPD for members on the Professional scale. Please refer to the Insurance Section of our PDS for further details.

Members with fixed cover also benefited as we reduced and simplified the premiums for our fixed insurance cover. This means it now costs less for your existing cover.

### ... and your Income Protection cover

As with our death and TPD cover, all members with Income Protection (IP) are now also better off. In addition to simplifying our rates, we've also increased the benefit you can apply for. Members can now apply for benefits of up to 85% of your monthly salary (previously 75%) where the extra 10% is paid into your super so you don't miss out on contributions while you're not working.

We also streamlined the Income Protection application process so now members may only be required to answer a few simple questions to qualify for cover.

And finally, we also broadened the definition of monthly income for members with IP cover and added a new Special Risk occupational profile to allow members access to IP cover where it would normally not be offered due to your occupation. Please refer to the Insurance Section of our current PDS for further details.

### We're introducing online underwriting

Traditionally the process of applying for insurance can be time consuming and complicated. In order to overcome this problem, we are working with MetLife to provide members with an easier and more simplified way of applying for, or increasing, cover.

Once implemented, our new online application will allow members to apply for new cover, or to increase their existing cover, online without the hassles of filling out mountains of paperwork. A process that was once time-consuming will become streamlined and reduce the amount of follow up that is generally required with paper applications.

To access the online application you'll need to be registered for our online member services.

### When you reach a milestone we'll make it easier for you to increase your cover

As your life changes, so do your insurance needs. When you're young with limited financial responsibilities you may not need much insurance cover. But as you purchase assets and increase your personal, financial and family commitments, you're likely to need more cover.

In an effort to make sure that our members have the most appropriate cover for their personal situation, we've made it easier for them to increase their insurance cover at various "life stages".

What do we mean by life stage?

- Getting married (or commencing a de facto relationship)
- Buying a house
- Having children

When a member passes one of these (or other) milestones they're entitled to request an increase in cover of one additional unit without having to complete the normal underwriting process.

This initiative should go a long way towards making sure our members are not part of the growing number of Australians who are underinsured and unprotected should the unexpected happen.

## If you've got cover somewhere else, we'll match it

When a member consolidates their super into Prime Super, we can match any insurance cover they hold in other funds (up to \$1 million of death & TPD or \$10,000 per month of Income Protection cover).

### Want more information?

For more information about our new insurance arrangements, including all of our new benefit scales, please refer to the Insurance section of our current PDS.

### Insurance cover issued in error

If insurance cover is allocated to you and we later find out that you were ineligible to receive the cover for any reason, any premiums you've paid will be refunded to your member account along with an allowance for any investment earnings.

Rarely, some members may be mistakenly set up with two accounts in the Fund and receive multiple units of default cover. Should this occur, any insurance cover incorrectly allocated will be invalid and any excess premiums paid will be refunded to your member account along with an allowance for any investment earnings.

### Financial planning partnership provides members with quality discounted financial advice

Knowing what your goals are and having a plan to achieve them is an important part of life. Whether it's something big like buying a house, finishing school or moving up the career ladder, or something as simple as planning your next holiday, it always pays to have a plan.

The same logic applies to your finances. If you want to build a strong and lasting financial future, it is a good idea to have a plan. That's where a financial planner can come in handy.

To help you plan for and reach your financial goals, we have partnered with Industry Fund Financial Planning Pty Ltd (ABN 54 007 016 195 ASFL 232514) to provide you with access to specialist financial planning advice at discounted rates.

Industry Fund Financial Planning is not your typical financial planning service. Established in 1999 by a group of industry super funds, their primary focus is the provision of financial services to members of industry and not-for-profit super funds. They share our philosophy and place importance on high quality, low cost advice, are committed to education and communication and most importantly, believe that all benefits should go to members.

The other key point of difference is that Industry Fund Financial Planning operate on a pure fee for service basis and do not accept commissions.\* This means you only pay for the advice you need rather than potential commissions many retail planners receive from product issuers for recommending their products.

Industry Fund Financial Planning can help you with a range of financial issues including:

- Retirement planning including transition to retirement
- Reducing debt
- Redundancy
- Budgeting and cash flow
- Tax planning
- Insurance

For an obligation free consultation, you can contact Industry Fund Financial Planning in the following ways:

- Call our customer service centre on 1800 675 839 or your regional manager and we'll take your details and arrange for a planner to give you a call when it suits you best.

- Contact them directly on 1300 138 848 and be sure to mention you're a Prime Super member or employer.
- Contact them online at [www.iffp.com.au](http://www.iffp.com.au) to request a consultation.

*\* If commissions are received by Industry Fund Financial Planning they are rebated to your account.*

*Please note that all financial planning information and advice obtained through this service is provided by Industry Fund Financial Planning and not Prime Super. We have negotiated this service as a benefit for members to use should they choose and we do not receive any payment or a commission of any kind from Industry Fund Financial Planning. Prime Super is not liable for any advice provided by Industry Fund Financial Planning.*

## New super calculator can help answer your super questions

Will I have enough super to retire? Is my super on track to give me the retirement lifestyle I want? Am I going to be able to retire when I want to? Is my super going to last?

When we think of our super, these are some of the most common questions that come to mind. After working so hard for so many years we all want to make sure that when we call it a day on our working lives, we'll have enough in our super to live out the retirement lifestyle we imagined.

### Our new super calculator can help

Launched in August 2010 our Super Calculator is a handy tool that can help you calculate how much super you're likely to have when you retire, as well as how long your money is likely to last you when you do retire. It will also show you how contributing more or less to your super can affect your overall balance.

The Commonwealth Government estimates you need to save 12% of your annual income for the 40 years

of your working life to give yourself an income equivalent to 40% of your pre-retirement salary.

For many people relying solely on employer 9% contributions (which let's face it, most of us do) it will not be enough to guarantee the same quality of life during retirement that they enjoyed while working.

So why not jump online now to see how your super is shaping up? If it's not what you were expecting or you were planning on a little more, you can also use the calculator to see how extra contributions can make a real impact on the longevity of your super in retirement.

Even the smallest of extra contributions now can make a huge difference later.

## BPAY is here!

Prime Super members and employers can now pay their super contributions online using BPAY. BPAY offers an easy and convenient way to contribute to your super without having to leave the comfort of your chair!

Launched in November 2009, BPAY allows you to:

- Make after-tax contributions to your super.
- If self-employed, make deductible or voluntary contributions to your Prime Super account.
- If an employer, contribute to an employee's super account.
- Contribute to your spouse's account.

For BPAY payment details, log on to your secure online member or employer account or call us on 1800 675 839.

To find out more about making BPAY payments, visit [www.bpay.com.au](http://www.bpay.com.au) or contact your financial institution.

# Make your super work harder for you

Your super is one of the most tax effective ways to save for retirement. So it makes sense to make the most of it while you can.

## Contribute a little now for a lot later

Contributing a little more to your super now can make a real difference to the size of your balance come retirement. It's long been known that we need more than the legislated 9% super guarantee for an adequate retirement. Contributing more to your super over the course of your working life will leave you with a larger balance come retirement.

If you are inclined to put a little extra into your super account, it's a good idea to speak to a qualified financial planner about the best way to contribute. A planner can help you determine whether it's more tax effective to salary sacrifice into your super or whether you'd benefit from contributing from after-tax income and potentially taking advantage of a government co-contribution.

## How should I invest my super balance?

Prime Super offers members a choice of nine investment options to choose from. If you are close to retirement and want to protect your capital you may prefer a low-risk/lower-return option. On the other hand if you have the majority of your working life ahead of you, you may feel comfortable in a strategy with higher risk but with the potential for higher returns. However the key to deciding where to invest your super (or any money for that matter) will depend on your own personal circumstances.

If you're unsure about where to invest your super, it's a good idea to speak to a financial planner before making a decision. A planner can help you work out your financial goals and help you choose an option that satisfies your appetite for risk and your expected returns.

## Consolidate, consolidate, consolidate

If you've changed jobs in your lifetime, lived in different places or had a career change, there's a good chance you will have more than one super account.

Getting your super together in the one place makes sense. Not only will it make your super easier to manage, it will also mean:

- you stop paying multiple sets of fees,
- you only have to make one investment decision, and
- you will have a larger base from which to grow your retirement savings.

Consolidating your super accounts is easier than you might think.

1. Track down all your different super accounts. If you've lost contact with your old funds, try the ATO's Super Seeker website - [www.ato.gov.au/superseeker](http://www.ato.gov.au/superseeker), or contact your old employer(s). They may be able to point you in the right direction.
2. Fill in a separate consolidation form for each super account you want to transfer to Prime Super. You'll find our Rollover form on our website.
3. Send your completed forms back to us with certified copies of your identification and we'll do the rest!

# Our investment strategy

We strive to provide our members with strong long term returns whilst also seeking to minimise the impact of volatility in investments markets. Regardless of the short term effects of market volatility our long term objectives remain the same. Underpinning all of our policy decisions is our commitment to our long term goals and return targets. With these goals in mind we will continue to develop and tailor our investment strategy in response to changing market conditions.

There is more information about the Fund's investments later in this report. Further information about our investment policy is also available at [www.primesuper.com.au](http://www.primesuper.com.au)

## Our investment approach

The nine investment options offered to members are managed according to a strategy devised by the Trustee and its asset consultant to produce strong returns over the long term, with a moderate level of risk through investing in a diverse range of assets in two distinct investment portfolios - a market return portfolio (consisting of listed investments such as shares, bonds and cash) and a target return portfolio (consisting of alternative investments such as infrastructure and direct property).

Historically the market return portfolio has been a reliable long term means of building wealth. Its reliability stems from a diversification of investments across asset classes. This approach means that investors are primarily exposed to the risk of the health and growth of the economy rather than the performance of individual investment managers. Although economic cycles will continue, the long term trend reflects positive growth.

In contrast, the target return portfolio involves active risk taking and contains non-traditional investments such as infrastructure, private equity, hedge funds, timber production, agriculture and credit opportunities. Some investments are so diverse in nature that they may sit across two or more of these categories.

Generally, these investments are directly negotiated, sometimes in conjunction with other large investors, to confer significant contractual rights and benefits. They are true wholesale investments that offer a higher rate of return, often underwritten by governments or major corporations.

As investments within the target return portfolio are inherently more risky than an investment in the general market it is important to balance the risk associated with any one investment to the risk of the portfolio as a whole. The overall risk of the target return portfolio is therefore managed through diversification across a number of different individual investments and across a number of different asset clusters (infrastructure, direct property, private equity, hedge funds, natural resources and credit opportunities). By maintaining a maximum liquidity limit, the portfolio is not overly exposed to any one individual investment or asset cluster.

This investment approach allows us to take advantage of the risk and return benefits that are likely to result from investing in unlisted assets. It also differs from the approaches of most other superannuation funds that tend to have higher allocations to their respective listed market portfolios.

The target return portfolio consists of a diversified portfolio of alternative investments and is designed to deliver:

- attractive returns in light of the risks taken;
- returns that are dominated by long term annuity cash flows; and
- a relatively low correlation with the performance of listed shares.

The GFC was a testing time for many superannuation funds. We have taken the lessons learnt from the GFC to enhance our investment strategy in our Default investment option (formerly the Balanced option).

We have moderately increased the exposure to fixed interest investments and cash. In addition, we've also reduced our allocation to shares and target return portfolio investments. Our investment strategy continues to be positioned to benefit from investing in the target return portfolio which should lead to a more resilient portfolio in times of market stress.

We believe these changes position us to harness growth opportunities and the enhancements made to the asset allocation of the Default option will provide greater protection from adverse investment environments.

### What we're investing in

The target return portfolio consists of many assets. One of Prime Super's most significant investments this past financial year was in the Peninsula Link Freeway in Victoria.

Peninsula Link completes the gap in the Mornington Peninsula Freeway corridor from Eastlink to Mount Martha. Formerly known as the Frankston Bypass, it will be a 25 kilometre freeway that will provide the region with a continuous and balanced road network into the future.

The investment was made through a Public Private Partnership (PPP) with the State of Victoria under a 25 year Build-Own-Operate-Transfer concession arrangement. In exchange for the project company designing, constructing, operating and maintaining the road, the State Government will provide a regular income stream provided that the road is available for use. Importantly for Prime Super, because the road won't be tolled, income will not be dependent on traffic numbers. This means investors will not be exposed to demand risk. This arrangement is called an 'availability charge PPP' as payment is made simply for the road being made available for use.

### Changes to proxy voting

In an effort to be a good corporate citizen, Prime Super will carry out proxy voting on directly held shares on matters which we regard as important to members. Proxy voting is an important but time consuming process that is best handled by our equity managers. However where and when we wish to exercise a vote in a particular direction that is different to what the manager intends, we have the ability to do so. This flexibility allows us to focus our voting attentions on the matters we believe are most important to members.

# Investment performance

The table below shows historical rates of return for each investment option for the five years to 30 June 2010. The rates are net of all investment related costs such as fees charged by investment managers, investment expenses incurred by the Fund and any applicable tax.

## Super Fund

Investment Options	2010	2009	2008	2007	2006	Compound Averages
<b>Pre-mixed options</b>						
Default <sup>1</sup>	4.16%	-15.62%	-6.92%	15.20%	12.50%	1.18% p.a. over 5 years
Managed Growth	-3.18%	-23.04%	-7.85%	15.94%	15.03%	-1.74% p.a. over 5 years
Conservative <sup>2</sup>	2.93%	-11.64%	-2.56%	6.63%	6.53%	0.13% p.a. over 5 years
Target Return Portfolio	-4.09%	-25.30%	-6.03%	-	-	-12.35% p.a. over 3 years <sup>3</sup>
<b>Sector options</b>						
Australian Equities	9.83%	-20.58%	-12.57%	25.92%	7.83%	2.23% p.a. over 4.5 years <sup>4</sup>
International Equities	2.16%	-20.25%	-14.76%	14.05%	3.05%	-3.40% p.a. over 4.5 years <sup>4</sup>
Property	-4.56%	-22.16%	8.49%	17.81%	7.19%	1.76% p.a. over 4.5 years <sup>4</sup>
Fixed Interest	7.19%	4.80%*	4.79%	2.49%	0.63%	4.09% p.a. over 4.5 years <sup>4</sup>
Cash	3.22%	4.36%	5.66%	4.93%	2.12%	4.49% p.a. over 4.5 years <sup>4</sup>

<sup>1</sup> The Default option was previously known as the Balanced option.

<sup>2</sup> The Conservative option was previously known as the Capital Stable option.

<sup>3</sup> Target Return Portfolio first opened to members on 1 July 2007.

<sup>4</sup> 54 month returns as options first offered on 1 January 2006.

\* The annual return for 2009 was incorrectly reported as 4.84%. The correct crediting rate of 4.80% was applied to members' accounts.

Please note that past performance should not be taken as an indication of future performance.

## Income Stream

The Prime Super allocated income stream and the non-commutable allocated income stream both commenced on 1 July 2006. The investment returns shown below are net of all investment related costs such as fees charged by investment managers, investment expenses incurred by the Fund and any applicable tax. No income tax is levied on an income stream account.

Investment Options	2010	2009	2008	2007	Compound Averages
<b>Pre-mixed options</b>					
Default <sup>1</sup>	5.40%	-18.24%	-8.44%	12.69%	-2.89% p.a over 4 years
Managed Growth	-3.71%	-27.04%	-9.29%	17.95%	-6.89% p.a over 4 years
Conservative <sup>2</sup>	3.50%	-13.53%	-3.05%	7.52%	-1.72% p.a over 4 years
Target Return	-4.74%	-28.45%	-6.89%	-	-14.06% p.a over 3 years <sup>3</sup>
<b>Sector Options</b>					
Australian Equities	11.00%	-21.87%	-13.92%	28.46%	-1.04% p.a over 4 years
International Equities	2.89%	-21.36%	-16.80%	16.33%	-5.93% p.a over 4 years
Property	-5.20%	-24.50%	9.26%	20.00%	-1.58% p.a over 4 years
Fixed Interest	8.25%	5.68%	5.44%	2.89%	5.55% p.a over 4 years
Cash	3.83%	5.31%	6.70%	5.89%	5.43% p.a over 4 years

<sup>1</sup> The Default option was previously known as the Balanced option.

<sup>2</sup> The Conservative option was previously known as the Capital Stable option.

<sup>3</sup> Target Return Portfolio first opened to members on 1 July 2007.

Please note that past performance should not be taken as an indication of future performance

## How are investment earnings allocated to members accounts?

Investment earnings are calculated on members' account balances on a monthly basis after deductions for insurance premiums (if applicable) and all applicable taxes, fees and charges.

Investment earnings are allocated to members' accounts as at 30 June each year or upon exit from the Fund. Investment gains or losses are reported to you in dollars. The total investment gains or losses added to your account equals the compound effect of monthly investment earnings less all applicable taxes, fees and charges.

The actual amount that is allocated to members' accounts at the end of the financial year is determined by the Trustee after taking into account the actual investment return of the Fund's assets after tax and expenses.

## What if a member leaves the Fund?

If a member leaves the Fund during the financial year, interest is calculated based on the available monthly crediting rate up to the date of exit. The crediting rate is based on the monthly movement in asset values for each investment option for the previous month, after the deduction of all applicable tax and other costs.

Monthly crediting rates are posted on the Prime Super website.






# Investment options

All members have access to a range of investment choice options. They can choose any combination of these options and can direct future contributions into the same options or a different combination of options.

## Prime Super's Investment Options (as at 30 June 2010)

Investment Options	Overview	Asset Allocation <sup>#</sup>	Risk						
<b>Pre-mixed options</b>									
<b>Conservative<sup>1</sup></b>	<p>For members who value security over returns. This option invests primarily in defensive assets with the aim of protecting the value of a member's net investment.</p> <p><b>Objective:</b> To outperform (after tax and investment expenses) CPI by at least 3% per annum over the medium term. To limit the likelihood of a negative return to approximately 1 in 10 years.</p> <p><b>Time horizon:</b> 3 or more years</p>	<table border="1"> <tr> <th>Asset Type</th> <th>Percentage</th> </tr> <tr> <td>Growth Assets</td> <td>36%</td> </tr> <tr> <td>Defensive Assets</td> <td>64%</td> </tr> </table>	Asset Type	Percentage	Growth Assets	36%	Defensive Assets	64%	Low - Medium
Asset Type	Percentage								
Growth Assets	36%								
Defensive Assets	64%								
<b>Default<sup>2</sup></b>	<p>For members who want moderate to high returns over the medium to long term and are prepared to accept some fluctuation in returns over the short term. This option invests in a diversified range of investments.</p> <p><b>Objective:</b> To outperform (after tax and investment expenses) CPI by at least 4% over the medium term. To limit the likelihood of a negative return to approximately 1 in 7 years.</p> <p><b>Time horizon:</b> 5 or more years</p>	<table border="1"> <tr> <th>Asset Type</th> <th>Percentage</th> </tr> <tr> <td>Growth Assets</td> <td>20%</td> </tr> <tr> <td>Defensive Assets</td> <td>80%</td> </tr> </table>	Asset Type	Percentage	Growth Assets	20%	Defensive Assets	80%	Medium - High
Asset Type	Percentage								
Growth Assets	20%								
Defensive Assets	80%								
<b>Managed Growth<sup>3</sup></b>	<p>For members who want moderate to high returns over the medium to long term and are prepared to accept some fluctuation in returns over the short-term. This option has a higher exposure to alternative investments including infrastructure and property investments than the Default option.</p> <p><b>Objective:</b> To outperform (after tax and investment expenses) CPI by at least 5% over the medium term. To limit the likelihood of a negative return to approximately 1 in 5 years.</p> <p><b>Time horizon:</b> 6 or more years</p>	<table border="1"> <tr> <th>Asset Type</th> <th>Percentage</th> </tr> <tr> <td>Growth Assets</td> <td>21%</td> </tr> <tr> <td>Defensive Assets</td> <td>79%</td> </tr> </table>	Asset Type	Percentage	Growth Assets	21%	Defensive Assets	79%	Medium - High
Asset Type	Percentage								
Growth Assets	21%								
Defensive Assets	79%								
<b>Target Return</b>	<p>For members who want strong returns over the long term. This option invests primarily in unlisted assets and as such investment performance is not expected to closely follow listed equity markets.</p> <p><b>Objective:</b> To outperform (after tax and investment expenses) CPI by 7% over the long term. To limit the likelihood of a negative return to approximately 1 in 5 years.</p> <p><b>Time horizon:</b> 6 or more years</p>	<table border="1"> <tr> <th>Asset Type</th> <th>Percentage</th> </tr> <tr> <td>Growth Assets</td> <td>32%</td> </tr> <tr> <td>Defensive Assets</td> <td>68%</td> </tr> </table>	Asset Type	Percentage	Growth Assets	32%	Defensive Assets	68%	Medium - High
Asset Type	Percentage								
Growth Assets	32%								
Defensive Assets	68%								

<sup>#</sup>Asset Allocation ● Growth Assets ● Defensive Assets

Investment Options	Overview	Asset Allocation <sup>#</sup>	Risk
<b>Sector options</b>			
<b>Cash</b>	<p>For members who place the security of their assets over returns. This option invests solely in low risk fixed interest securities and is expected to produce returns that are moderately higher than inflation.</p> <p><b>Objective:</b> To match the UBS Australian Bank Bill Index.</p> <p><b>Time horizon:</b> Any time period</p>		Low
<b>Fixed Interest</b>	<p>For members who seek moderate returns for a low level of risk. Losses however are still likely to occur over some periods.</p> <p><b>Objective:</b> To achieve a rate of return (after tax and investment expenses) broadly in line with major Australian and International Bond Indices.</p> <p><b>Time horizon:</b> 1 or more years</p>		Low - Medium
<b>Property</b>	<p>For members who have a preference for seeking moderate to high returns through investing in property. Investment is through listed and unlisted property vehicles.</p> <p><b>Objective:</b> To outperform (after tax and investment expenses) CPI by at least 6% over the long term.</p> <p><b>Time horizon:</b> 6 or more years</p>		Medium - High
<b>Australian Equities</b>	<p>For members who want strong returns over the long term and are prepared to accept a higher level of risk to achieve this. This option invests in Australian listed companies and returns are expected to vary significantly year to year.</p> <p><b>Objective:</b> To achieve a return (before tax and investment expenses) broadly in line with the ASX 300 Accumulation Index.</p> <p><b>Time horizon:</b> 7 or more years</p>		High
<b>International Equities</b>	<p>For members who want strong returns over the long term and are prepared to accept a higher level of risk to achieve this. This option invests in International listed companies and returns are expected to vary significantly year to year.</p> <p><b>Objective:</b> To receive a pre-hedged return (before tax and investment expenses) broadly in line with the MSCI World Index.</p> <p><b>Time horizon:</b> 7 or more years</p>		High

<sup>#</sup>Asset Allocation ● Growth Assets ● Defensive Assets

<sup>1</sup> The Conservative option was previously known as the Capital Stable option.

<sup>2</sup> The Default option was previously known as the Balanced option.

<sup>3</sup> The Managed Growth investment option has a higher investment return objective, despite having exposure to less growth assets than the Default option. This is due to differences in asset allocations. The Managed Growth option has a higher weighting to Target Return Portfolio assets (which includes some defensive assets) and a lower weighting to Australian and International Equities when compared to the Default option. The higher exposure to Target Return Portfolio assets brings with it a higher return expectation while the lower weighting to listed equities reduces volatility.

## Asset Allocation

Each of our investment options are derived from different exposures to the market return and target return portfolios. These asset allocations apply to both our super fund and income stream products.

### Strategic Asset Allocation (1 July 2009 to 28 February 2010)

Pre-mixed options					Sector options				
Target Asset Allocation	Default Option(%)	Managed Growth (%)	Conser-vative (%)	Target Return (%)	Australian Equities (%)	Intl Equities (%)	Property (%)	Fixed Interest (%)	Cash (%)
<b>Target Return Portfolio</b>	42.5	75.0	30.0	100.0	0.0	0.0	100.0*	0.0	0.0
<b>Market Return Portfolio</b>									
Cash	1.0	0.0	35.0	0.0	0.0	0.0	0.0	0.0	100.0
Aust Fixed Interest	0.0	0.0	5.5	0.0	0.0	0.0	0.0	66.7	0.0
Overseas Fixed Interest	0.0	0.0	5.5	0.0	0.0	0.0	0.0	33.3	0.0
Australian Equities	31.0	13.0	14.0	0.0	100.0	0.0	0.0	0.0	0.0
International Equities	23.5	10.0	10.0	0.0	0.0	100.0	0.0	0.0	0.0
Emerging Markets	2.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</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>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\*The Property investment choice option is invested 100% in property investment within the Target Return Portfolio.

On 1 March 2010 our asset allocation was redefined. While the asset allocation for our Balanced option was based on the needs of the average member of our Fund, the super industry as a whole has moved to define a balanced option as one with a slightly different asset allocation. Further, given the recent economic turmoil it was appropriate that we reconsidered the classification of what are growth and defensive assets. After a thorough review, it was deemed appropriate to rename our Balanced option to the Default option as it contains a higher portion of growth assets than would normally make up a typical Balanced option.

## Current Strategic Asset Allocation

Pre-mixed options					Sector options				
Target Asset Allocation	Default Option(%)	Managed Growth (%)	Conser-vative (%)	Target Return (%)	Australian Equities (%)	Intl Equities (%)	Property (%)	Fixed Interest (%)	Cash (%)
<b>Target Return Portfolio</b>	40.5	55.0	25.0	100.0	0.0	0.0	100.0*	0.0	0.0
<b>Market Return Portfolio</b>									
Cash	3.0	3.0	32.0	0.0	0.0	0.0	0.0	0.0	100.0
Aust Fixed Interest	2.5	0.0	16.0	0.0	0.0	0.0	0.0	66.7	0.0
Overseas Fixed Interest	1.5	0.0	8.0	0.0	0.0	0.0	0.0	33.3	0.0
Australian Equities	30.0	24.5	11.5	0.0	100.0	0.0	0.0	0.0	0.0
International Equities	19.5	15.0	7.5	0.0	0.0	100.0	0.0	0.0	0.0
Emerging Markets	3.0	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</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>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\* The Property investment choice option is invested 100% in property investment within the Target Return Portfolio.

## Asset allocation ranges

To increase efficiency and decrease transaction costs across all investment options, cash flow for all investment options is managed through the Default investment option. The asset allocation range for the Default and Target Return Portfolio investment options are shown below.

### Asset allocation for the Default option

Asset Allocation	Asset Allocation Ranges (%)	Actual Asset Allocation as at 30 June 2010 (%)
<b>Target Return Portfolio</b>		
Property	0.0 - 20.0	8.57
Private Equity	0.0 - 15.0	5.02
Natural Resources	0.0 - 5.0	0
Credit Opportunities	0.0 - 10.0	5.41
Infrastructure Investments	0.0 - 20.0	8.35
	<b>25.0 - 55.0</b>	<b>27.35</b>
<b>Market Return Portfolio</b>		
Cash	0.5 - 15.0	11.50
Aust Fixed Interest	0.0 - 15.0	3.94
Overseas Fixed Interest	0.0 - 15.0	1.97
Australian Equities	5.0 - 35.0	31.53
International Equities	5.0 - 35.0	20.73
Emerging Markets	0.0 - 5.0	2.98
	<b>45.0 - 75.0</b>	<b>72.65</b>
<b>Total</b>		<b>100.00</b>

### Asset Allocation for the Target Return Portfolio option

Asset Allocation	Asset Allocation Ranges (%)	Actual Asset Allocation as at 30 June 2010 (%)
<b>Target Return Portfolio</b>		
Property	0.0 - 45.0	39.98
Private Equity	0.0 - 27.0	11.24
Natural Resources	0.0 - 9.0	0
Credit Opportunities	0.0 - 18.0	14.03
Infrastructure Investments	0.0 - 45.0	34.75
<b>Total</b>		<b>100.00</b>

# Investment policies

## The use of derivatives

The Trustee may directly buy or sell derivative instruments and permits investment managers to use them. However, derivative investments may not be used by the Trustee or investment managers for speculative purposes. Use of derivatives is monitored and a risk management statement has been prepared by the Trustee that limits use of derivatives to reducing costs, risk and arbitrage and for other defensive purposes.

## Administration and Investment reserves

The Trustee operates two reserves, the administration reserve and the investment fluctuation reserve, both of which are invested in the Default investment option.

All member fees are paid into the administration reserve and used to pay costs. Because the Trustee and Fund operate on a not-for-profit basis, any surplus after payment of current costs is applied to the benefit of members at the Trustee's discretion.

## The balance of the administration reserve account at 30 June 2010:

Year Ended	Value
2010	\$715,000
2009	\$818,000
2008	\$884,000

Investment returns earned by the Fund for all investment options are held in an investment fluctuation reserve between the time they are received by the Fund and the time they are credited to members. This reserve was introduced during early 2007 for the sole purpose of holding investment earnings until they are distributed.

Any earnings, positive or negative, of the investment fluctuation reserve are investment earnings of the Fund and will also be distributed to members. Due to rounding of investment returns to whole cents and occasional unexpected investment distributions or tax liabilities, it may not be practical to entirely distribute the investment fluctuation reserve from time to time. Should this occur any carry forward balance is likely to be between zero and around \$3 million which will be distributed to members at the earliest practical opportunity.

## The balance of the investment fluctuation reserve account at 30 June 2010:

Year Ended	Value
2010	\$3,281,000
2009	\$3,529,000
2008	\$1,752,000



An Australian Outback gravel road

# Investments of the Fund

The investments of the Fund as at 30 June 2010 are as follows. Investments that make up more than 5% or more of the value of the Fund are indicated with an asterisk (\*).

Portfolio/Asset Class/Fund Manager	As at 30 June 2010		As at 30 June 2009	
	Market Value (\$M)	% of total Fund	Market Value (\$M)	% of total Fund
<b>Market Return Portfolio</b>				
<b>Australian Equities</b>				
BGI Australia*	189,306	18.78	148,532	16.37
BlackRock*	124,486	12.35	98,094	10.81
<b>Total</b>	<b>313,792</b>	<b>31.13</b>	<b>246,626</b>	<b>27.18</b>
<b>International Equities</b>				
AQR Global Enhanced Equities*	68,818	6.83	-	-
BGI International Alpha Equities	-	-	87,330	9.63
FX Hedge and Transition Account	(3,616)	(0.36)	-	-
MFS Global Equity	31,963	3.17	-	-
PanAgora Dynamic Global Equity Fund*	70,961	7.04	-	-
Realindex Global Equities	31,248	3.10	-	-
SSGA Global Index Plus	-	-	78,156	8.62
Wellington Emerging Markets	29,206	2.90	18,499	2.04
<b>Total</b>	<b>228,580</b>	<b>22.68</b>	<b>183,985</b>	<b>20.29</b>
<b>Cash</b>				
CBA Operational Bank Account	4,553	0.45	6,682	0.74
ANZ Cash Plus Fund	5,171	0.51	20,611	2.27
CFS Wholesale Premium Cash Fund*	119,340	11.84	124,916	13.77
<b>Total</b>	<b>129,064</b>	<b>12.80</b>	<b>152,209</b>	<b>16.78</b>
<b>Target Return Portfolio</b>				
<b>Property</b>				
1 King William	20,244	2.01	-	-
AMP Wholesale Office Fund	6,171	0.61	5,970	0.66
Blackstone Real Estate Part VI	4,430	0.44	4,058	0.45
Deutsche Wholesale Property Trust	-	-	13,125	1.45
FKP Core Plus 2 Fund	3,408	0.34	3,485	0.38
GPT Wholesale Trust	-	-	11,197	1.23
Gresham Property Fund No 3	8,186	0.81	6,735	0.74
ICA Property Development Fund 3	300	0.03	915	0.10
Lend Lease Australian Prime Property Fund - Industrial	-	-	21,008	2.32
Lend Lease Australian Prime Property Fund - Retail	-	-	7,217	0.80
Lend Lease Communities Trust	4,285	0.43	4,608	0.51

Portfolio/Asset Class/Fund Manager	As at 30 June 2010		As at 30 June 2009	
	Market Value (\$M)	% of total Fund	Market Value (\$M)	% of total Fund
Macquarie Goodman Wholesale Fund	25,596	2.54	27,235	3.00
Macquarie Real Estate 7	7,455	0.74	5,677	0.63
Spirit Finance Corporation	4,242	0.42	3,562	0.39
Tata Realty Initiatives Fund 1	4,567	0.45	2,357	0.26
<b>Total</b>	<b>88,884</b>	<b>8.82</b>	<b>117,149</b>	<b>12.92</b>
<b>Private Equity</b>				
Agriculture Company of Australia Pty Ltd	39,434	3.90	30,575	3.37
Agriculture Income Trust No 1	72	0.01	106	0.01
CCSL Limited	2,692	0.27	1,871	0.21
CM Capital Venture Trust 4	2,192	0.22	1,807	0.20
ING Private Capital Fund	174	0.02	209	0.02
Quadrant Private Equity Fund	4,886	0.48	3,203	0.35
<b>Total</b>	<b>49,450</b>	<b>4.90</b>	<b>37,771</b>	<b>4.16</b>
<b>Credit Opportunities</b>				
Autobahn Tank & Rast	10,661	1.06	14,788	1.63
Dryden VII CDO	2,309	0.23	126	0.01
IFM Super Loans Trust	1,455	0.14	1,371	0.15
ITS Technologies & Logistics	7,199	0.71	7,961	0.88
LBC Subordinated Debt	26,753	2.65	30,180	3.33
Macquarie	178	0.02	178	0.02
Muir Grove CDO	2,952	0.29	553	0.06
Standfield Arnage CDO	1,794	0.18	410	0.05
<b>Total</b>	<b>53,301</b>	<b>5.28</b>	<b>55,567</b>	<b>6.13</b>
<b>Fixed Interest</b>				
Barclays Overseas Bond Index Fund	20,222	2.01	1,003	0.11
Vanguard Aust Fixed Interest Index Fund	40,582	4.03	1,983	0.22
<b>Total</b>	<b>60,804</b>	<b>6.04</b>	<b>2,986</b>	<b>0.33</b>
<b>Infrastructure</b>				
Angel Trains	13,150	1.30	23,428	2.58
Carrix Inc.	6,824	0.68	26,939	2.97
Gasvalpo	25,242	2.50	26,689	2.94
Pisco EMIF LP	2,449	0.24	3,323	0.37
Southern Water Cap Ltd	22,291	2.21	30,347	3.35
Southern Way	14,153	1.40	-	-
<b>Total</b>	<b>84,109</b>	<b>8.33</b>	<b>110,726</b>	<b>12.21</b>
<b>Other</b>	<b>174</b>	<b>0.02</b>	<b>2</b>	<b>0.00</b>
<b>TOTAL FUND</b>	<b>1,008,158</b>	<b>100.00</b>	<b>907,021</b>	<b>100.00</b>

# Abridged financial statements

Abridged unaudited financial statements for the year ending 30 June 2010 are provided in the following section. The audit of the financial statements is planned to be completed by the end of October 2010 and will be available to members upon request after that date.

## Statement of financial position as at 30 June 2010

	2010 \$'000	2009 \$'000
<b>Assets</b>		
Trade and other receivables	283	190
Prepayments	12	5
Deferred tax assets	41,405	36,758
Fixed assets	161	145
Other	354	377
	<b>42,215</b>	<b>37,475</b>
<b>Investments</b>		
Cash and short term deposits	129,064	152,209
Other interest bearing securities	114,279	58,555
Australian equities	363,242	284,397
International equities	228,580	183,985
Property	88,884	117,149
Infrastructure	84,109	110,726
	<b>1,008,158</b>	<b>907,021</b>
<b>Total Assets</b>	<b>1,050,373</b>	<b>944,496</b>
<b>Liabilities</b>		
Trade and other payables	3,826	3,099
Tax liabilities	11,916	(2,733)
<b>Total Liabilities</b>	<b>15,742</b>	<b>366</b>
<b>Net Assets Available to Pay Benefits</b>	<b>1,034,631</b>	<b>944,130</b>
<b>Represented by: Liabilities For Accrued Benefits</b>		
Allocated to members' accounts	1,023,558	932,754
Unallocated to members' accounts	6,977	6,929
Reserve	4,096	4,447
	<b>1,034,631</b>	<b>944,130</b>

## Operating statement as at 30 June 2010

	2010 \$'000	2009 \$'000
<b>Investment Revenue</b>		
Interest	256	329
Distributions from unit trusts	46,761	63,101
Changes in market values	(10,850)	(249,386)
Direct investment expenses	(2,550)	(3,224)
<b>Total Investment Revenue</b>	<b>33,617</b>	<b>(189,180)</b>
<b>Contributions Revenue</b>		
Employer contributions	126,259	125,620
Members' contributions and roll-ins	18,982	15,058
<b>Total Contributions Revenue</b>	<b>145,241</b>	<b>140,678</b>
<b>Other Revenue</b>		
Group life insurance proceeds	9,905	8,299
Other	3	3
<b>Total Other Revenue</b>	<b>9,908</b>	<b>8,302</b>
<b>TOTAL REVENUE</b>	<b>188,766</b>	<b>(40,200)</b>
<b>Expenses</b>		
General administration expenses	11,053	11,668
Group life insurance premiums	14,966	15,191
Surcharge expenses	(2)	(6)
<b>TOTAL EXPENSES</b>	<b>26,017</b>	<b>26,853</b>
<b>Benefits accrued as a result of operations before income tax</b>	<b>162,749</b>	<b>(67,053)</b>
Less income tax expense	16,849	(4,790)
<b>BENEFITS ACCURED AS A RESULT OF OPERATIONS AFTER INCOME TAX</b>	<b>145,900</b>	<b>(62,263)</b>

# Important information about your membership in Prime Super

## Changes to Superannuation law

A number of changes (proposed and mandated) were made to the law affecting super over the last year. The most important of these are summarised below. You can obtain more information by calling us on 1800 675 839.

## 2010 Federal Budget - proposed changes to superannuation

The following are proposed changes to superannuation from the 2010 Federal budget. These changes have not yet been passed by Parliament.

### Super Guarantee (SG)

The Labor government has proposed an increase in the SG from 9% to 12% by 2020. The increase will be incrementally phased in from 1 July 2013.

### Increase in SG age limit

Currently employers are only required to make SG contributions on behalf of employees who are under 70 years of age. From 1 July 2013 the age limit is proposed to be increased to 75 years.

### Refund of contributions tax to low income earners

The Labor government is planning to refund the 15% contributions tax paid by low income earners who earn less than \$37,000. This could potentially mean an extra payment of up to \$500.

### Increase in the concessional contributions cap for over 50's

Currently, people aged 50 or over have a transitional cap of \$50,000 per year on their concessional contributions. From 30

June 2012 the cap will reduce to \$25,000. However over-50's with superannuation balances under \$500,000 will retain the \$50,000 concessional contributions cap

### Reduction to the co-contribution matching rate

In 2009 the Labor government announced it would temporarily reduce the co-contribution matching rate from 150% (where you received \$1.50 for every \$1.00 you contributed to your super) to 100% (dollar-for-dollar) until 2011-12.

The government will also impose a two year freeze on the indexation of the income threshold for the co-contribution. This means the current thresholds of \$31,920 and \$61,920 will remain in place until 2011-12.

As part of the 2010 Budget the Labor government proposed to make the reduced matching rate of 100% permanent from 2013 onwards.

### Payment of small and insoluble lost member accounts to the Tax Office

From 1 July 2010, superannuation providers are required to transfer the following accounts to unclaimed monies:

- lost accounts with balances of less than \$200 (small accounts).
- lost accounts which have been inactive for a period of five years and have insufficient records to identify the owner of the account (insoluble accounts).

Former account holders will be able to reclaim their money from the Tax Office at any time.

## Stopping illegal early release of super - ATO

From January 2010, changes were made to both the self-managed super fund (SMSF) registration process and the Super Fund Lookup (SFLU) facility as part of ongoing improvements to address illegal early release of superannuation.

Changes include:

- Checks on new SMSFs before they are added to the SFLU. These checks will take seven days. SMSFs will not be able to receive rollovers until they appear in the SFLU.
- The ATO uses 3 different status types to describe SMSFs: Registered - status not determined, Complying and Non-complying.
- New SMSFs will be identified on the SFLU as Registered - status not determined until they receive a Notice of Compliance.
- SMSFs that have received a Notice of Compliance and meet the *Superannuation Industry (Supervision) Act 1993* (SIS Act) standards will have their status changed to Complying.
- SMSFs that do not meet the SIS Act standards will have a Non-complying status.

Due to these changes, large funds may take more time to complete checks before transferring money to new SMSFs.

## Super for same-sex couples and their children

Changes to the law mean same-sex partners can now have their relationship recognised by their superannuation fund. The changes amend tax and super laws affecting death benefits, death

benefit termination payments, making contributions for your spouse and other aspects of the super system.

The result is that:

- the definitions of 'spouse', 'child' and 'relative' in the super laws include same-sex partners and their children.
- the definitions of 'dependant' and 'spouse' in the income tax laws include same-sex partners and their children.
- same-sex partners and their children under 18 years are treated as dependants for the purposes of taxing super death benefits and death benefit termination payments.

## Income stream minimum drawdown relief extended

The Government has extended the 50% reduction in the minimum payment amounts for account-based, allocated and market linked pensions for a further 12 months. This means the reduced draw down amounts that were in place for 2008-09 and 2009-10 will continue to apply for the 2010-11 financial year.

## The Cooper Review

The Cooper Review has been investigating the governance, efficiency, structure and operation of the super system, seeking an outcome that maximises retirement incomes for all Australians. On 5 July 2010, Chris Bowen, the then Minister for Financial Services, Superannuation and Corporate Law released the final report of the Cooper Review.

The report is divided into ten chapters with recommendations in each. The following is a brief overview of some of the main recommendations of the Cooper Review.

## MySuper

MySuper sits at the heart of the Review's recommendations. It is essentially a new low-cost default fund that is designed to boost the retirement savings of disengaged super members by cutting fees and commissions.

### Trustee Governance

The report proposes a new class of 'trustee directors' with greater duties and powers that will need to be clearly defined in the *Superannuation Industry (Supervision) Act 1993*. Further to this, it suggests that trustees must be able to demonstrate on a yearly basis that it has the collective skill set to govern the fund.

The report also favours a shift from traditional equal representation boards to boards with at least one third of the directors being 'non-associated' (i.e. independent).

### Investment Governance

Trustees would be required to weigh the expected returns of any investment strategy against considerations of liquidity, risk and cost. Further, APRA would create standards relating to performance fees charged by investment managers.

### Insurance in Superannuation

Trustees would be required to develop an insurance strategy. Default insurance should be tailored for members who do not consider their insurance needs, and who rely on the trustee's judgement for adequate insurance. In addition, the report recommends banning all commissions on insurance products in super.

## Retirement

MySuper should include a single type retirement income stream product provided by the fund or in conjunction with another provider. Trustees should also consider a separate investment strategy for income stream products that account for longevity and inflationary risks.

### Self Managed Super Funds

The Review Panel found that on the whole, the Self Managed Super Fund sector is largely successful and well functioning, and that significant changes are not required.

### SuperStream

The report recommends a change to the back office system - called SuperStream - which would see greater use of Tax File Numbers and e-commerce to reduce costs and lost accounts.

Labor has shown early support for the MySuper and SuperStream recommendations while the Coalition has yet to announce its position.

For more information on the Cooper Review, including the MySuper and SuperStream proposals please visit the review website [www.supersystemreview.gov.au](http://www.supersystemreview.gov.au).

### Superannuation Clearing House for Employers

The Labor government has established a superannuation clearing house service which began on 1 July 2010.

## Transfer to an Eligible Rollover Fund (ERF)

In special circumstances, the Trustee may transfer your benefit to an ERF without seeking your permission. This usually occurs if you:

- Cannot be located;
- You have a small member account balance that has been inactive for more than 18 months;
- Request a benefit payment but do not provide payment instructions that the Trustee can follow;
- Have left employment and the Trustee is satisfied that you have not received your last Annual Statement at your last known address, or
- If the Trustee is required to pay your benefit to an ERF to comply with the law.

If your benefit is paid to an ERF you will no longer be a member of the Fund and all insurance cover will cease. Instead you will become a member of the ERF and your benefit will be subject to its governing rules.

An ERF is a fund designated by APRA to receive and invest the entitlements of super members in certain circumstances. If you are transferred to an ERF you will be sent its Product Disclosure Statement or you can request one at any time. A fee of \$10 is charged to members by the Trustee for a transfer to an ERF.

The ERF that has been chosen by the Trustee for this purpose is:

SMERF  
Locked Bag 8840  
Wollongong NSW 2500  
Free call: 1800 114 380  
Free fax: 1800 118 307  
Email: [administration@smerf.com.au](mailto:administration@smerf.com.au)

If your benefit is transferred to the SMERF you should consider whether it is appropriate for you.

## Unclaimed benefits

A benefit may become unclaimed if:

- The member has reached eligibility age (currently 65);
- We have not received a contribution for the member for at least two years; and
- We have not had contact with the member for five years despite making reasonable efforts to do so.

In addition, a benefit can also be considered unclaimed in situations where a member dies and we cannot find a person to pay the benefit to, or if the payment has to be made because of a divorce but the person or their legal representative cannot be located, or if a temporary resident has left Australia.

From 1 July 2007 these benefits are sent to the ATO and may be claimed by contacting the ATO on 13 10 20.

Before 1 July 2007 these benefits were sent to the Victorian State Revenue Office (SRO) and may be claimed by contacting the SRO on 13 21 61.

## Lost members

It is important that you let us know when you change your address. We cannot send you important information about the Fund and your membership if we do not have your current address. If you do not keep in touch and we are unable to contact you, you may be designated as a 'lost member'. We are required to report lost members to the ATO Lost Member Register.

## Privacy laws protecting your personal information

You or your employer will provide personal information about you to the Fund for the primary purpose of establishing and administering your membership of the Fund. Australian privacy laws regulate the way we collect, use, disclose, keep, secure and give access to that personal information.

The Trustee may use this information for related purposes and may disclose a member's personal information to ensure the efficient management of the membership of the Fund.

Full details are provided in a Privacy Policy published by the Trustee. A summary of the Privacy Policy can also be found in the PDS. Copies of the Privacy Policy and the PDS can be obtained from our website or by contacting us.

## Superannuation surcharge

If the Trustee receives a superannuation surcharge assessment from the ATO regarding your past contributions to Prime Super then the Trustee will be required to deduct the surcharge from your member account and pay it to the ATO.

# About your Trustee and the Fund's compliance

## The role of the Directors

The Trustee, Prime Super Pty Ltd, is responsible for managing the Fund. The Directors of the Trustee meet regularly to discuss management of the Fund and determine important policies and procedures. The current Directors are:

Barry Cochran	Chairman, Appointed to the board 24 July 1997
Alan Bowman	Deputy Chairman, Appointed to the board 26 January 2001
James Ferguson	Appointed to the board 7 December 1994
Virginia Collins	Appointed to the board 2 August 2001
Trevor Dixon	Appointed to the board 5 April 2004
Russell Higginbotham	Appointed to the board 5 April 2004
David Cooper	Appointed to the board 1 July 2009
Bradley Crofts	Appointed to the board 4 January 2010
Duncan Fraser	Appointed to the board 25 August 2010

Directors receive fees and are reimbursed for travelling expenses for attending board and committee meetings. The Trustee has a constitution containing rules for the appointment and removal of Directors.

## The Trust Deed

The Fund is governed by a Trust Deed which, amongst other things, sets out the entitlements of members and obligations of the Trustee. From time to time we may need to make changes to the Trust Deed. When this occurs we will communicate to you any changes that may affect you.

There were no changes made to the Trust Deed in the financial year ending 30 June 2010.

## Trustee name change

Effective 31 December 2009, the trustee of Prime Super changed its name from Farm Plan Pty Limited to Prime Super Pty Ltd. The change is in name only and does not change the way Prime Super is governed.

## Important legislation

The Fund is regulated as a complying public offer super fund under Commonwealth legislation, principally the *Superannuation Industry (Supervision) Act 1993* and the *Corporations Act 2001*.

## Anti-money laundering and counter terrorism financing

The Trustee is obligated to comply with the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (Cth) (AML/CTF). In this regard, the Trustee is required to maintain a program that identifies, mitigates and manages money laundering and counter-terrorism risks associated with its business. As a result:

- We may require you to provide additional information in order to verify your identity before providing services to you.
- Transactions may be delayed or refused where there are reasonable grounds to believe that the transaction breaches AML/CTF or any other Australian law.
- Where transactions are delayed or refused, we are not, subject to applicable law, liable for any loss you suffer howsoever caused.

From time to time, we may be legally required to disclose the information provided by you to regulatory and law enforcement agencies, including the Australian Transaction Reports and Analysis Centre. When undertaking such actions, the Trustee will ensure that members' privacy is respected.

## Policy committees for the benefit of employers and members

If your employer is a participating 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 participating 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 2010 no policy committees exist. If you would like a policy committee established at your work place please contact us.

### Advisory policy committee

The advisory policy committee considers policy issues and provides feedback to the Trustee. Members have the right to call a meeting of the advisory policy committee to consider any issues relating to the Fund. For more information on the advisory policy committee, please contact us.

## Trustee liability insurance

Superannuation law requires the Trustee to act in the best interests of members at all times. The Trustee has liability insurance to protect it and the Directors against any losses arising as a result of a claim against them for a breach of their duty.

## Wholly owned companies

James Ferguson, Russell Higginbotham, Alan Bowman, Barry Cochran, Virginia Collins, Trevor Dixon, David Cooper, Bradley Crofts and Duncan Fraser are all Directors of the Agricultural Company of Australia Pty Ltd (AGRICO), a company established and owned by the Fund to invest a small proportion of fund assets in primary industry. David Cooper was appointed to the AGRICO board on 1 July 2009, Bradley Crofts was appointed on 4 January 2010, and Duncan Fraser was appointed on 25 August 2010.

James Ferguson and Alan Bowman are directors of CCSL Limited, a company owned by the Fund as an investment in the Financial Services Industry.

The Directors have established procedures to ensure that any conflict of interest is disclosed and appropriately dealt with.

## Compliance statements

To receive concessional tax treatment, the Trustee must operate in accordance with superannuation law. The Trustee lodges a return each year with APRA, indicating the Fund's compliance with the law. The Trustee is not aware of any matter which would cause the Fund to lose its complying status. No penalties under section 38A of the SIS legislation have been imposed.

# How to contact us

The Trustee will assist you with any questions you may have about the Fund and your membership. Information available includes, but is not limited to, documents such as the Trust Deed, audited financial accounts, auditor's reports, investment policy information, information on enquiries and complaints procedures, insurance policies and the risk management plan.

You can request information and answers to any questions by contacting us by mail, phone, fax or email.

Post	Prime Super PO Box 2229 Wollongong NSW 2500
Phone	Freecall 1800 675 839 (8am-8pm EST Monday - Friday) Overseas +61 2 4298 6008
Fax	Freefax 1800 023 662
Email	<a href="mailto:administration@primesuper.com.au">administration@primesuper.com.au</a>
Web	<a href="http://www.primesuper.com.au">www.primesuper.com.au</a>

# Our Regional Managers



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# A summary of fund advisors and service providers

The Trustee uses a range of specialists to look after the Fund and its investments. In summary, the key parties, including service providers, who participated in managing the Fund at 30 June 2010, were:

<b>Trustee</b>	<b>Prime Super Pty Ltd</b>
<b>Fund Administrator</b>	Pillar Administrator
<b>Auditor</b>	Ernst & Young
<b>Asset Consultant</b>	Access Capital Advisers Pty Ltd
<b>Custodian</b>	National Australian Bank Limited
<b>Legal Advisor</b>	Madgwicks
<b>Insurer</b>	MetLife Insurance Limited



**Part of your Community**

## Prime Super

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