

ANNUAL REPORT TO MEMBERS 2000-2001

Australian Preservation Fund

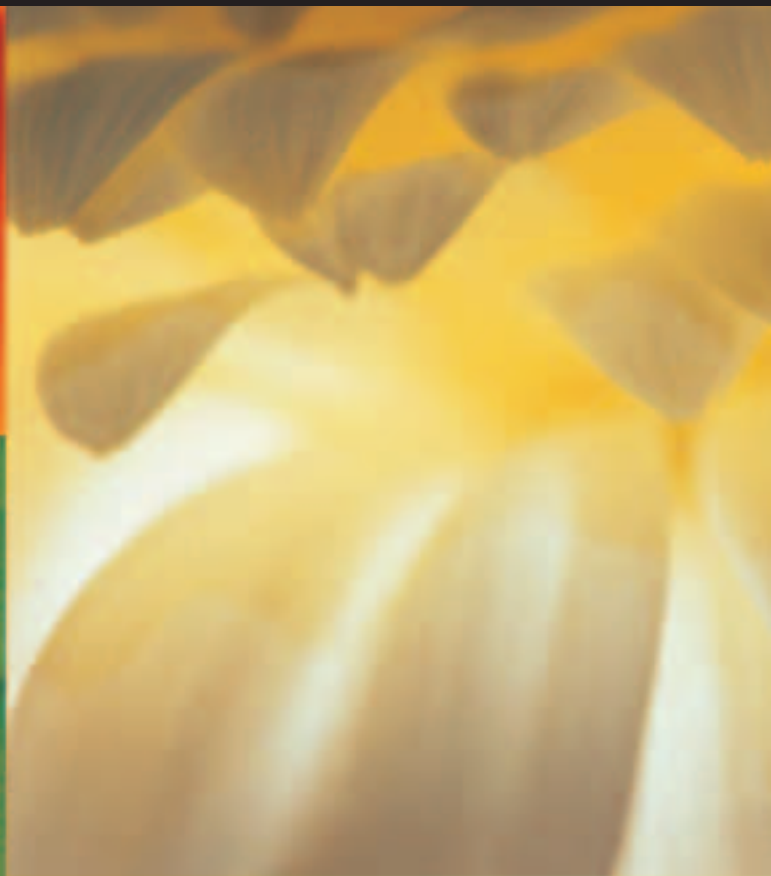




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annual report *to members* *2000/01*

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This annual report is produced by Industry Funds Investments Limited ACN 006 883 227. Members are welcome to write to the Fund at Level 29, 2 Lonsdale Street, Melbourne VIC 3000. The opinions expressed are those of the authors and not necessarily the official policy of the Fund. All care has been taken to ensure that the information contained herein is correct, but neither the Trustee, the Fund nor its officers or advisors accept responsibility for the content of the report, or any error or misprint, or for any person who acts on this information.

message from the chair

As Chair of APF, I am pleased to present the 2001 Annual Report to Members. Your annual report is an important document, which tells you about your retirement savings held in your fund.

During the year APF continued to operate two divisions, the APF Eligible Rollover Fund Division (ERF) and the IRIS Allocated Pension Division although in the near future we will be separating IRIS from the APF. This separation will not affect your superannuation benefits and will assist the running of the APF enabling us to concentrate on helping member get back with their savings.

This Report is designed for members of the ERF Division. If you would like more information on the IRIS Allocated Pension Division just let our administration office know and they will supply the information to you.

ERF Division.

In 2001 the Directors continued to focus on making APF a successful fund, servicing protected members usually with small inactive accounts. The fund continues to grow with over 1.2 million members at 30 June 2001.

Major initiatives have been undertaken during the year to put people back in touch with their savings. Work is progressing with Government through the ATO and other organisations to help find 'lost' members so they can, if they wish, consolidate their funds in an active superannuation account.

The Directors see this area as one of APF's major additional service areas.

Interest at a very pleasing 8.0% has been credited to your account. APF continues to provide returns which exceed inflation and deliver real growth.

In line with member protection requirements, all accounts are protected from erosion by fees and charges, although the amount credited as interest may be taken up in administration charges.

APF wants to put you back in touch with your money, even if all we are holding is less than \$50. If you have an active superannuation fund we suggest you inform us so your benefits can be consolidated. If you are over 55 years of age and retired, you should claim your benefits in APF. Please read page 8 to see how you do this.

IRIS Division.

Our Allocated Pension Division has returned very good results this year, during a volatile period in domestic and international markets. The returns to each portfolio reflect the performance in the last twelve months as follows: Growth 10.0%, Stable 10.0% and Secure 9.0%. The Directors regularly monitor and review the performance of investment managers to ensure strong, consistent returns.

Summary.

This financial year has been very pleasing with total assets growing by 20% to over \$420 million, members increasing by 20% and improved returns to all members, while administration fees in the ERF Division remain at \$10 per annum.

On behalf of the Directors, I commend the Annual Report to you and recommend that you take the opportunity to read it.

Mavis Robertson
Chair

September 2001

operations and *structure*

Operations.

APF exists to provide retirement savings for members, to provide an efficient fund to protect members and, where practicable, provide an income for retired members. In working to maximise your savings, APF offers additional benefits in the form of access to home loans, member location and other services.

How APF Operates.

APF is designed to ensure your retirement savings are not only secure but carefully managed for continued growth. In general, retirement savings held by APF are rolled into it by participating superannuation funds.

Money rolled in is usually from inactive accounts most of which are quite small. Our mission is to protect accounts from fee erosion and where possible to return the inactive accounts to active accounts. Many of the million plus accounts in APF are between five cents and \$50 but it is a legal requirement to provide the owners of these accounts with all the information necessary for them to access their funds for retirement.

APF can maximise your retirement savings by:

- Placing assets in carefully selected investments; and
- Using the economies of scale arising from a large membership, to minimise the costs of managing your savings.

Management of APF.

APF is an eligible rollover fund which specialises in managing the retirement savings of participants requiring member protection and members requiring retirement incomes.

The Board of APF is made up of representatives of major participating industry funds. APF is governed by a legal document known as the Trust Deed. This sets out the rules for calculating benefits and the way in which the Fund must be managed and investments made. APF is managed by its trustee company, Industry Funds Investments Ltd ACN 006 883 227, which is responsible for ensuring that the Fund is managed in accordance with the Trust Deed and regulations set down under the Superannuation Industry (Supervision) Act.

APF is a regulated fund. Each year, as a regulated fund, APF is required to be audited and to lodge a return with the Australian Prudential Regulation Authority.

Who Provides Services to APF?

APF appoints professional advisers to assist in the daily conduct of APF. All professional advisers are appointed after a board review has been conducted.

Auditors:

PriceWaterhouseCoopers.

Administrators:

Jacques Martin Industry Funds Administration Pty Ltd.

Investment Advisors:

Frontier Asset Consulting Services Pty Ltd (previously Industry Fund Services Pty Ltd).

Legal Advisors:

IFS Fairley.

Custodian:

National Nominees Ltd.

The Directors of APF Pty Ltd comprise:

M. Robertson (Chairperson)
W. Kely (Appointed by STA Board)
I. Silk (Appointed by ARF Board)
H. Hewett (Appointed by C+BUS Board) replaced by **P. Gebert** (Appointed by C+BUS Board) December 2000
J. Linehan (HOST-PLUS)
J. Lloyd (Appointed by HESTA Board)

The Directors meet regularly to assess performance of APF and monitor activities of service providers who assist in the conduct of the Fund.

Executive Officer

D. Goodear B.Ec. ACA

new initiatives

During the year APF has continued to undertake initiatives to find lost members and members' lost money. The following processes have continued.

Lost Members.

- For members with whom we have lost contact, APF has been working with Industry Funds Credit Control to find members' new addresses through the Electoral Roll.
- APF publishes a list of lost members in the daily newspapers annually to try to regain contact with members.

Lost Money.

APF has undertaken a number of programs with participating industry funds and the Government in relation to finding members' lost money.

• Participating Funds.

Most APF members come from a variety of participating industry and public sector funds. APF works with participating funds to ensure that if you have an active account with a participating fund your retirement savings are combined in your active fund to save on costs and improve earnings.

If you have other super you wish to combine just call us to arrange a transfer. By transferring out of APF to your active fund you will save on administration charges.

ATO Supermatch.

The APF has been working closely with the ATO and the introduction of their new Supermatch online service that enables us to search for money on your behalf and transfer that money to your active account with the APF or your current participating fund.

• Lost Members Register.

This is a register maintained by the Australian Taxation Office (ATO) of all lost members from superannuation funds around the country, with details of the funds currently holding money for lost members.

APF searches this register to identify money held on behalf of APF members in other funds. Should we locate money held on your behalf we will transfer it in to your APF account and advise you. This reduces your fees by consolidating duplicate accounts and increases the earning potential of your savings.

• Superannuation Holding Account Reserve.

This is a fund run by the ATO that receives Super Guarantee payments from employers on an infrequent, ad hoc basis usually without the members ever knowing their money has been deposited.

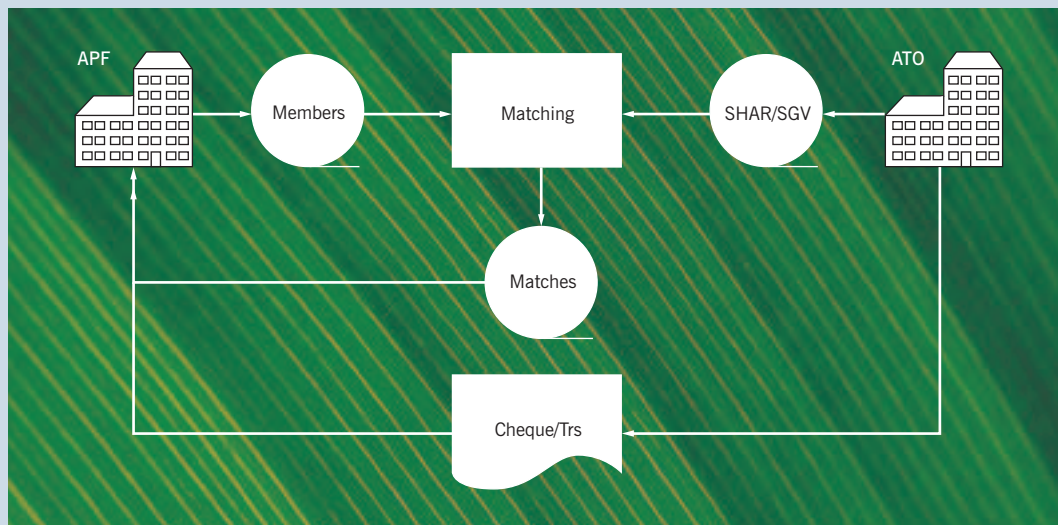
APF searches this fund looking for members' money and consolidating it into their APF account.

• Super Guarantee Vouchers.

When the ATO finds an employer who has not made the required Super Guarantee (SG) payments, they will levy a fine on the employer equivalent to the unpaid super plus penalties. The ATO then sends the individual member a SG voucher. If members do not claim their vouchers to deposit them in their active superannuation fund, they are recorded on this register.

APF will shortly commence a program to search this register for any unclaimed vouchers belonging to APF members.

The diagram below outlines the process APF undertakes on behalf of members.



investments

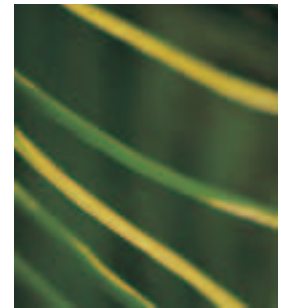


Investment Objectives.

1. Money should be invested to give security to members' funds over the medium term.
2. The asset mix should be structured with the aim of minimising the possibility of negative returns in any one financial year.
3. A positive rate of return is targeted on a rolling three-year basis.
4. An investment reserve is managed to assist in the smoothing of returns to members and to lower the possibility of a negative return.
5. A long-term asset mix should be selected to take account of the above risk constraints and allow the highest possible return for an agreed level of risk.
6. The investment process should be cost efficient.
7. The long-term investment strategy should be reviewed at least annually.

8. The short-term investment strategy should be controlled by adjusting cash flow between investments as the investment environment dictates, whilst remaining within the longer-term strategy.

Consistent with this, the Trustee acknowledges that occasional negative returns may be incurred for the purpose of making longer-term gains. The above objectives are intended to be consistent with any applicable legislation and regulations which, from time to time, may regulate the manner of investment of the Fund and may be modified accordingly.



Investment Strategy.

To achieve our objectives the Trustee has implemented the following strategy. Assets will be invested in accordance with the following ranges although temporary variations may occur.

Asset Class	Benchmark %	Ranges %
Australian Equities	25	10 - 35
International Equities	10	5 - 15
Property	10	0 - 15
Australian Fixed Interest	36	20 - 50
International Fixed Interest	9	0 - 15
Cash	10	0 - 30

Investment of your Retirement Savings.

Consistent with the objectives the following allocations were in place at 30 June 2001.

	30 June 2001		Total	%2001	%2000
Perpetual Australian Share Fund	\$36,978,939				
State Street Global Advisors	\$74,823,385				
		Total Aust. Equities	\$111,802,324	26.61	26.64
Scudders International Equity Trust	\$43,448,500				
		Total Overseas Equity	\$43,448,500	10.34	11.02
Industry Superannuation Property Trust	\$45,061,833				
		Total Property	\$45,061,833	10.73	8.88
Portfolio Partners	\$143,587,220				
Super Member Home Loans	\$1,002,846				
		Total Aust. Fixed Int.	\$144,590,066	34.42	35.99
PIMCO Global	\$36,993,703				
		Total International Fixed Interest	\$36,993,703	8.81	8.91
National Australia Bank	\$38,046,464				
		Total Cash	\$38,046,464	9.06	8.52
IFBT	\$170,000		\$170,000	0.04	0.04
Total Investments	\$419,765,833		\$420,112,890	100	

For the twelve months ended 30 June 2001, APF credited 8.0% interest. Last year 6.0% was credited.

Compound crediting rate over the past 3 years has been 6.33% and over the last 5 years, 6.19%.

APF crediting rate is after tax and charges* – ie. tax has already been paid by APF on your behalf.

APF has always credited interest at a rate greater than inflation, so your savings experience real growth!

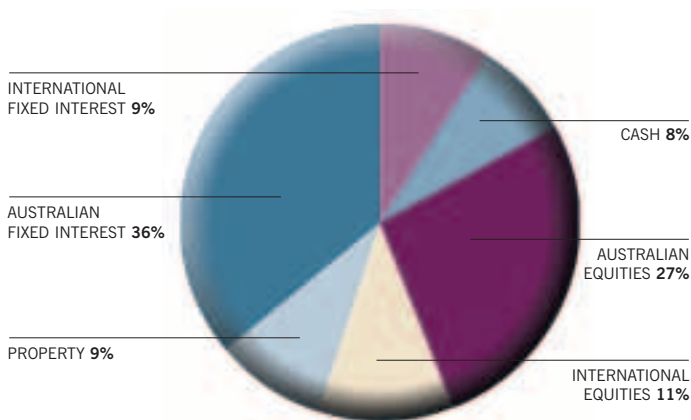
What are Reserves?

Reserves are fund earnings, which are used to ensure the crediting rate for members is reasonably stable from year to year, and to reduce the possibility of declaring a negative crediting rate.

Reserves in the last 3 years are 2001 \$20.7m, 2000 \$17.8m and 1999 \$18.4m.

Reserves include monies unable to be allocated to an individual account.

APF Investments June 2001.

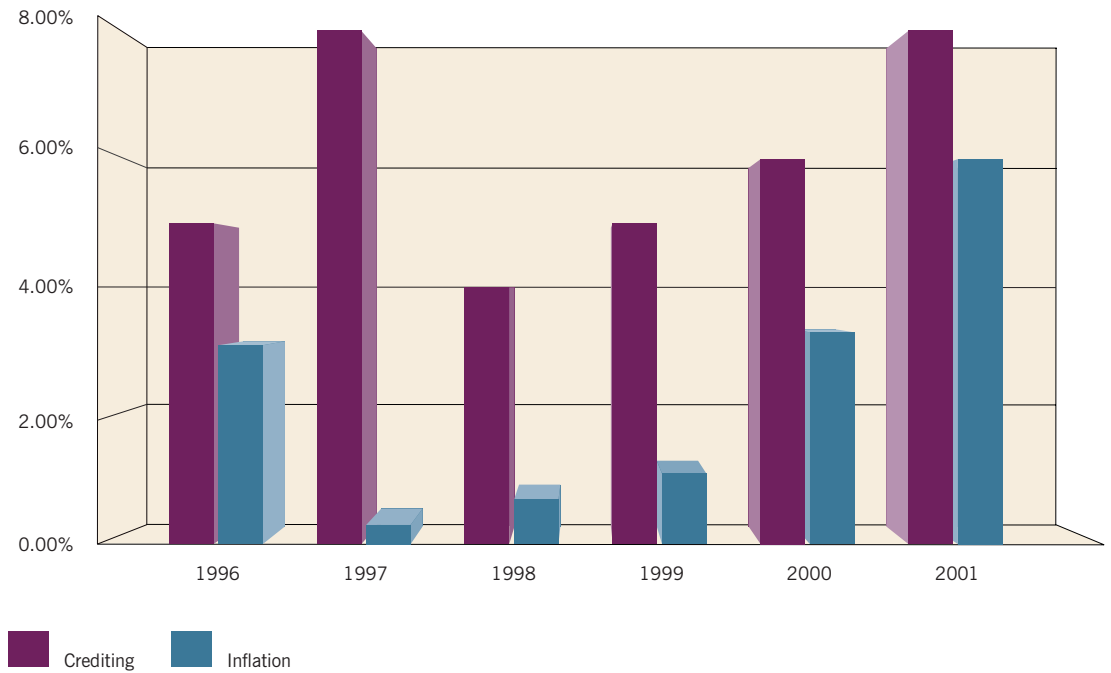


* Charges in APF cannot erode the initial balance transferred into APF even if it is as low as five cents. The reserves also assist to pay for administration thus avoiding erosion of small balances through charges.

Historical earnings and crediting levels are as follows:

APF	Earning %	Crediting %	Inflation %
1996	6.4	5.0	3.1
1997	11.6	8.0	0.3
1998	4.3	4.0	0.7
1999	6.6	5.0	1.1
2000	9.5	6.0	3.3
2001	6.8	8.0	6.0

The average compound earning rate over the last 5 years has been 7.7% while the average compound crediting rate after tax is 6.19%.



financial *statements*

The financial statements as summarised below are derived from the 2001 annual accounts. A clear audit opinion is expected to be issued. Any member wishing to receive a full copy of the audited accounts should write to: The Executive Officer, Level 29, 2 Lonsdale Street, Melbourne VIC 3000.



Statement of Financial Position at 30 June 2001

	2001	2000
Investments	\$420,112,890	\$348,632,798
Other Assets	\$1,093,810	\$1,097,482
Total Assets	\$421,206,700	\$349,730,280
Total Liabilities	(\$7,618,341)	(\$5,719,325)
Net Assets Available	\$413,588,359	\$344,010,955
Represented by:		
Members funds - Eligible Rollover Fund	\$302,769,657	\$294,216,859
Members funds - IRIS Allocated Pension Fund	\$47,199,273	\$18,339,923
Reserves & Unallocatable	\$63,619,430	\$31,454,173
Liability for Accrued Benefits	\$413,588,359	\$344,010,955

Operating Statement for the Year Ended 30 June 2001

	2001	2000
Total Investment Revenue	\$28,361,012	\$30,544,935
Revenue - Contributions		
Employer	\$403,107	\$296,869
Member	\$98,124	\$137,470
Transfers	\$42,841,420	\$72,868,422
IRIS Allocated Pension Fund	\$29,119,456	\$11,768,977
Total Contribution Revenue	\$72,462,107	\$85,071,738
Total Other Revenue	\$102,920	\$83,717
Total Revenue	\$100,926,039	\$115,700,390
Administration Expenditure	(\$8,913,839)	(\$8,059,304)
Total Expenditure	(\$8,913,839)	(\$8,059,304)
Benefits Accrued Before Tax	\$92,012,200	\$107,641,086
Income Tax Expense	(\$622,774)	(\$2,017,496)
Benefits Accrued After Tax	\$91,389,426	\$105,623,590

other *information*

Fees and Charges.

APF Division administration fees are simple and straightforward. Fees are a set dollar amount and are not calculated as a percentage of your account balance. There are no entry fees, no agents' commission and no exit fees.

APF Division administration fees are: \$10 per year or part thereof.

Protection of Small Account Balances.

APF has protected balances less than \$1,000 from erosion due to administration costs. This means administration costs (excluding insurance premiums and government taxes) cannot exceed the interest credited in the same period. In the event that the Funds' investment earnings are less than the total administration fees for all members, administration fees will be deducted from the funds' reserves.

How to Consolidate or Claim a Benefit.

Just call your APF state Administrator's Office as detailed on the back cover of this report and we will arrange either to have your benefit paid, consolidated with your active fund or to have your other funds consolidated into APF.

Who is Eligible for the Death Benefit?

APF can only pay death benefits to either a financial dependant or your legal personal representative. Your dependants are people who were financially dependent upon you at the date of your death, eg. spouse, children. It is very important that you maintain an up-to-date Will, as this also helps the Trustee to decide how the death benefit is distributed. Your nomination is not binding on the Trustee, who is legally responsible for deciding who will receive the death benefit, within the alternatives permitted by the Trust Deed and SIS. The nomination will, however, be a guide when the Trustee determines how a death benefit is to be distributed. You may want to change your nomination if you marry, divorce or have children, or your circumstances change in other ways. Please write to the Fund Administrator, Jacques Martin Industry Funds Administration, if you want to change your nominated beneficiary.

Additional Information.

- The Trustee has taken out a trustee liability indemnity insurance policy.
- A copy of the Trust Deed and audited accounts can be obtained by contacting the Administrator.
- No changes were made to the Trust Deed during the year ended 30 June 2001.

Enquiries/Complaints.

If you wish to make enquiries about any aspect of your retirement benefit, or about any aspect of APF's operations, you should ring your state Administrator's Office. Contact details are provided on the back cover of this report.

If you wish to make a complaint the process is as follows:

1. Write to the Complaints Officer at your state Administrator's Office.
2. The Complaints Officer will investigate and assess your complaint (if necessary, the complaint may be referred to the Trustee).
3. On completion of the investigation the Complaints Officer will write to you advising the result – usually within a couple of weeks.
4. If you are not satisfied with the Complaints Officer's response you may contact the Superannuation Complaints Tribunal (SCT) but you must first have used APF's internal complaints process.
5. The SCT is an independent body set up by the Federal Government to resolve certain types of superannuation complaints.
6. The SCT is not able to consider all complaints so you should first call them: to ensure your complaint is within their jurisdiction; and to find out what information you need to provide.
7. If the SCT is able to deal with your complaint it will attempt to resolve the complaint through conciliation, by assisting the parties to come to a mutual agreement.
8. You can call the SCT on **13 14 34** in any state.



Contact Details.

APF Administration Offices

NEW SOUTH WALES
Level 3, 220 George Street
Sydney NSW 2000

VICTORIA
Level 2, 2 Lonsdale Street
Melbourne VIC 3000

AUST. CAPITAL TERRITORY
Unit 6, 33 Allara Street
Canberra ACT 2600

SOUTH AUSTRALIA /
NORTHERN TERRITORY
174 Fullarton Road
Dulwich SA 5065

QUEENSLAND
1st Floor, 135 Wickham Terrace
Spring Hill QLD 4004

WESTERN AUSTRALIA
2nd Floor, 88 Colin Street
West Perth WA 6872

TASMANIA
Level 2, 119 Macquarie Street
Hobart TAS 7004

**All Correspondence Should
be Sent to:**

**APF Administration
PO Box 2468
Kent Town SA 5071**

All Telephone and Fax Enquiries

Phone: 1300 361 798

Fax: 1300 366 233

**For the cost of a local call from
anywhere in Australia.**