

# CBH SUPERANNUATION FUND

## ANNUAL REPORT TO MEMBERS

For the year ended 31 October

# 2008



Weathering the storm in a rough year

- The corporate superannuation fund for CBH Group permanent employees -

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Cover Photograph by Greg Wilkinson

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## OVERVIEW

Several items are worthy of special mention this year:

**Investment Markets Slump.** Superannuation is all about the funding of retirement income during your working life and the accumulated value of your superannuation account is determined by two drivers – contributions and investment returns. 2008 was undoubtedly all about investment returns due to an unprecedented global economic crisis.

Although the Fund Trustee had anticipated that the strong stock market returns of recent years were due to end, like the vast majority of other investors, we were not fully prepared for the unrelenting falls in asset values that occurred and which resulted in the Fund recording its first negative investment earnings since the property market collapse of 1991/92.

The poor investment environment resulted in an interest rate of negative 16.53% being credited to members' accounts this year.

The importance of maintaining a diversified portfolio is demonstrated when one considers the below 5 year ASX 200 Index chart which illustrates the extent of the reversal of investment fortunes that occurred on the share market over the last year.



Unfortunately, the economic problems affecting the world appear to have much further to run and the Fund Trustee is not optimistic for the outcome during 2009.

Nevertheless, the Fund has maintained a high cash level that has enabled it to weather this investment storm better than most other superannuation funds and we believe that when the global financial crisis eventually abates and confidence returns, our investment portfolio will again generate positive returns to members.

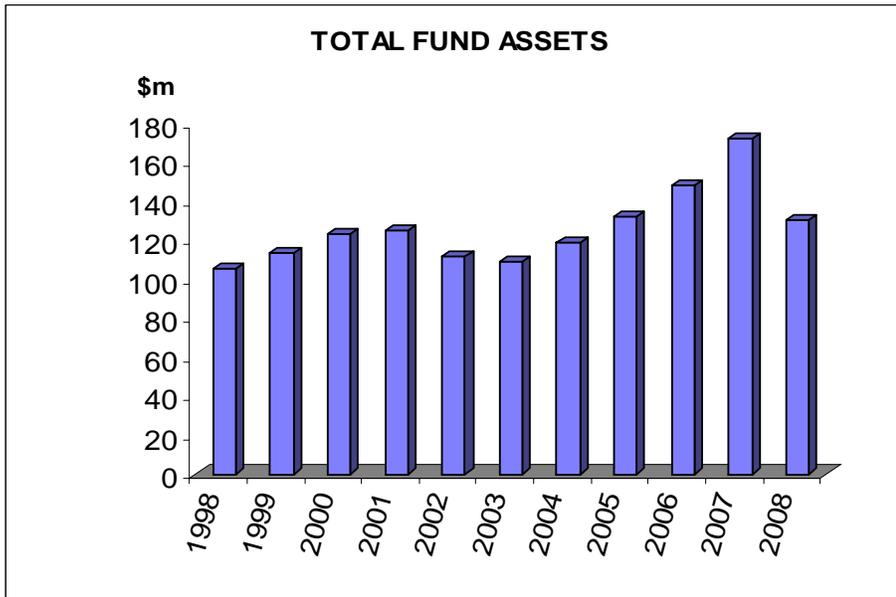
**Employer Support.** Despite the continuing consolidation of the Australian superannuation industry and the widespread decline of corporate funds, the CBH Group continues to support the CBH Superannuation Fund - and that support can be expected to continue for at least the duration of the contributions holiday period.

**Superannuation Intranet Site.** To assist those members who are located remotely from the Fund's office in Delhi Street, West Perth, a superannuation page has now been added to the CBH Group's intranet site. Apart from containing basic superannuation information relevant to CBH Group employees, the site also enables the downloading of Fund application, salary sacrifice and beneficiary nomination forms.

## INVESTMENT REPORT

2008 was a historic year from an investment perspective with the "sub-prime" US housing loans issue degenerating into a global credit crisis as the world's banking system froze following the collapse of Lehman Brothers Investment Bank. Regulators' endeavours to restore the financial markets have been largely unsuccessful as a loss of investor and consumer confidence has pushed the world into an economic downturn of yet to be determined severity.

Total Fund assets decreased from \$172 million to \$130 million due to a decline in the value of the Fund's portfolio of investments and net cash outflows arising from benefit payments. Unlike most other superannuation funds, this decline in assets was not offset by incoming contributions as the employer is not required to remit any contributions while the Fund continues to have a defined benefit surplus.



### INVESTMENT PERFORMANCE FOR THE YEAR

The Australian stock market fell 40.5% during the year, with the traditionally defensive sectors of industrials and financials declining by 51.6% and 45.3% respectively.

Despite undertaking some opportune selling early in the year, the relatively high exposure to financial and industrial stocks resulted in the Fund's investment portfolio providing an annual pre-tax return of negative 19.32%.

The Fund's annual investment earning rates for the last 5 years were:

2008	-19.32%
2007	28.11%
2006	18.81%
2005	15.18%
2004	14.05%

The return for the last 5 years is 11.37% pa and the 10 year average is 10.40%.

### Main Earnings Contributors

The State Government exercised an option to continue the lease of the 146-160 Colin Street, West Perth office building for a further 4 years and a substantial rent

increase resulted in this property's value increasing by 26% during the year. A major upgrade to the building's services and the successful negotiation of a new 10 year lease with the tenant after the year end should ensure that the property's value will be maintained despite a slowing economy.

With the stock market falling quickly and constantly throughout the year, the best returns were provided by the stocks such as Symbion and Amcor that were sold early.

The price of Origin Energy shares increased strongly due to a revaluation of its coal seam gas assets and Iluka Resources' stock price rose as the Australian dollar fell.

Telstra's share price also held up well as a consequence of its very strong cash flows - but the support for the stock dissipated after the Fund's year end as Telstra's management engaged in a fruitless war against the Federal Government.

Interest rates were high during most of the year as the Reserve Bank countered consumer credit and resource sector wage inflation. Consequently the return from cash and interest bearing deposits was a very healthy 6.88%.

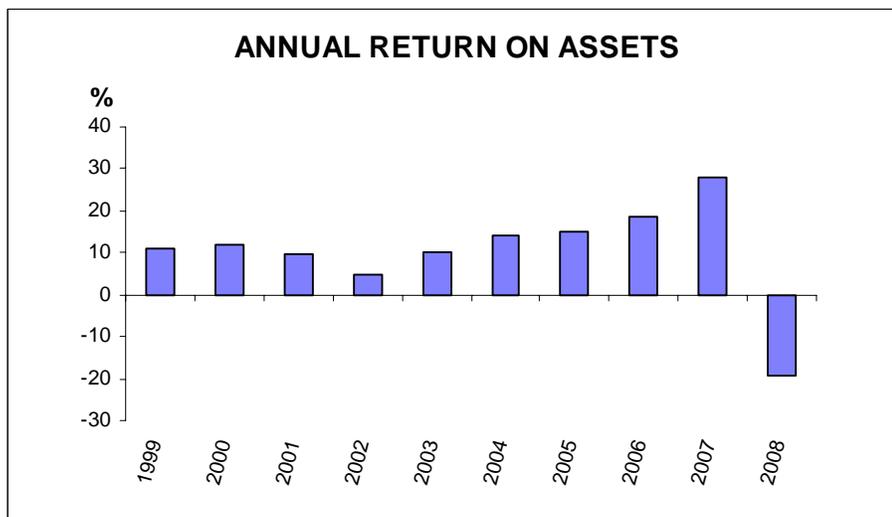
**Main Earnings Detractors**

The Listed Property Trust sector was shunned by investors concerned with debt renewal and servicing and the impact of the looming economic recession upon building vacancy levels and asset values. The Funds' listed property trust portfolio lost 52% of its value, with those trusts involved in property development losing up to 70-80% of their value.

Despite continuing to generate very good operating results, the value of the Perth Clinic investment was reduced by 27% after independent assessment, reflecting the worldwide revaluation of asset values.

In addition, the acceptance the various Babcock and Brown infrastructure trust stock through the 2007 Alinta takeover resulted in both realised and unrealised losses.

Substantial falls in the share prices of the Fund's major stock holdings, including the banks, West Australian Newspapers and Wesfarmers also affected the listed share portfolio's return which, after including the dividend franking credit contribution, was negative 26.47%.



*Note: Members should be aware that past performance should not be taken as an indication of future performance.*

CBH SUPERANNUATION FUND – 2008 ANNUAL REPORT

**MAJOR INVESTMENTS HELD AT 31 OCTOBER 2008**

<b>Asset</b>	<b>Number</b>	<b>Net Market Value</b>	<b>% of Assets</b>
<b>CASH ON DEPOSIT:</b>			
Commonwealth Bank		\$7,208,538	5.56%
<b>INTEREST BEARING INVESTMENTS:</b>			
ANZ CPS preference shares	10,000	\$940,393	0.72%
Commonwealth Bank Bills	5	\$22,541,849	17.36%
Westpac Term Deposit	1	\$1,000,000	0.77%
Commonwealth Bank PERLS 111	5,236	\$893,837	0.69%
Commonwealth Bank Floating Rate Notes	20,000	\$1,992,000	1.53%
HBOS Floating Rate Notes	20,000	\$1,570,100	1.21%
Coca-Cola Amatil Floating Rate Notes	10,000	\$992,500	0.76%
<b>ORDINARY SHARES IN AUSTRALIAN LISTED COMPANIES:</b>			
Ansell	70,880	\$886,389	0.68%
ANZ Banking Group	273,005	\$4,703,821	3.62%
Australian Foundation Investment Co	2,500,000	\$11,140,812	8.58%
BHP Billiton	237,744	\$6,604,546	5.09%
Boral	177,200	\$793,178	0.61%
Brambles	353,832	\$2,788,355	2.15%
Coca-Cola Amatil	127,000	\$1,014,682	0.78%
Commonwealth Bank	125,000	\$4,999,718	3.85%
CSL	67,500	\$2,438,572	1.88%
Djerriwarrh Investments	324,000	\$1,189,809	0.92%
National Australia Bank	210,000	\$5,000,115	3.85%
Origin Energy	121,734	\$1,896,889	1.46%
Telstra	343,577	\$1,404,920	1.08%
WA Newspapers Holdings	229,780	\$1,402,548	1.08%
Wesfarmers	115,971	\$2,471,223	1.90%
Westpac Banking Corporation	250,000	\$5,031,975	3.88%
Woodside Petroleum	36,686	\$1,524,886	1.18%
Woolworths	102,629	\$2,831,688	2.18%
<b>POOLED SUPERANNUATION TRUSTS:</b>			
Mercer Conservative Growth	830,338	\$1,367,981	1.05%
Mercer Growth	761,038	\$1,328,544	1.02%
<b>MISCELLANEOUS:</b>			
Perth Clinic Investment Trust	600,000	\$689,921	0.53%
<b>LISTED PROPERTY TRUSTS:</b>			
Aspen	1,446,002	\$990,258	0.76%
Bunnings Warehouse Property	533,334	\$860,167	0.66%
Stockland	175,000	\$689,539	0.53%
<b>DIRECT FREEHOLD PROPERTY:</b>			
146-166 Colin Street, West Perth (DSC)		\$19,424,085	14.96%
<b>PROPORTION OF TOTAL FUND ASSETS:</b>			<b>92.88%</b>

*Note: The Australian Foundation Investment Company is a listed investment company that provides low-cost exposure to an extensive range of investment grade companies listed on the Australian Stock Exchange. This stock provides broad diversification within the Australian share market.*

## ASSET CLASS ALLOCATION

The Trustee has been endeavouring to make the portfolio more defensive in nature over the last 2 years, reducing the proportion of “growth” investments (i.e. shares and property) from 78.29% in 2006 to 75.53% in 2007 and 67.53% in 2008.

The changes in the various asset classes over the year are detailed below:

<b>ASSET ALLOCATIONS</b>		
	<b>2008</b>	<b>2007</b>
Australian Shares	49.05%	58.99%
Overseas Shares	0.59%	0.55%
Direct Property	14.96%	8.96%
Listed Property Trusts	2.93%	7.03%
Australian Fixed Interest	8.15%	7.13%
Cash & Liquids	23.69%	16.69%
Other	0.63%	0.65%

### Disposals During the Year

In accordance with the Trustee’s 2008 investment strategy, some shareholdings were disposed of in order to maintain high cash levels while funding the substantial benefit payment requirements.

Unfortunately, due to the rapid decline in the share prices that occurred at the commencement of the 2008 year, the sale of bank stocks and ex-PBL shares were deferred pending more certainty of their share-price trends.

A takeover offer for the Symbion Health shares was accepted during the year. The Amcor and Paperlinx share holdings were sold due to doubts about their future prospects and the AGL shares were sold as the holding had become too small for proper management.

Part of the Iluka Resources and Origin Energy share holdings were sold to take advantage of high valuations and the net holdings of the ANZ Bank and Wesfarmers shares were both marginally decreased with the sale of share issues offsetting the take-up of rights issues.

With a poor prognosis for listed property trusts, the Dexus and Mirvac REIT holdings were disposed of, together with the Babcock and Brown Infrastructure and Power units that had been acquired through the previous year takeover of Alinta.

### Purchases During the Year

The proceeds from the maturity of ANZ and Wesfarmers fixed interest corporate paper were reinvested in new ANZ and Westpac fixed interest products.

The only other acquisition was the dividend reinvestment plan purchase of a small number of Woodside Petroleum shares.

## THE TRUSTEE’S INVESTMENT APPROACH

### Investment Philosophy

The Trustee believes that members’ interests are best served through the self-management of the investment portfolio and nothing has emerged from the recent investment turmoil to suggest that external investment managers actually provide any net outperformance.

The Trustee's investment philosophy is to purchase investments that are expected to generate good income flows (from interest, dividend or rent) and to hold those investments over the long term.

The share portfolio consists of mostly medium to large capitalisation Australian companies as the Trustee is not confident that Fund Secretariat has the resources to adequately research overseas, small capitalisation or unlisted investments.

Although the portfolio is continually monitored, and investments may be sold to realign changed risk levels either within the portfolio or affecting the investment itself, the Trustee does not attempt to time stock market movements.

In accordance with the Trustee's risk framework, before implementation, all investment decisions are assessed for both individual and portfolio risk, and the impact on Fund liquidity.

### **Use of Derivatives**

The Trustee seeks to minimise investment risk by maintaining an appropriately diversified portfolio of investments and currently does not use derivatives or other hedging tools to protect against market downturns.

### **Hedge Funds and Exotic Financial Instruments**

The Fund has no direct exposure to any collateral debt obligations (CDO) or hedge fund instruments.

However, the Fund does invest in hybrid securities, preference shares and corporate debt issued by major Australian companies and banks.

### **Socially Responsible Investing**

The Trustee does not specifically address labour standards, social, environmental or ethical issues when assessing investments. It believes that companies that have poor socially responsible standards are most likely to also fail other fundamental investment assessment criteria.

### **Member Investment Choice**

At this time the Fund offers only a single pooled investment and members do not have the option of nominating any investment preferences.

## **INVESTMENT STRATEGY FOR YEAR 2009**

Some of the identified major investment risks facing the Fund in the coming year are:

- The world economy may deteriorate more than expected, causing stock prices to fall further and for longer (this would also affect the value of the direct and indirect property holdings).
- There could be an unexpected increase in benefit withdrawals that could cause the Fund to have a need to obtain cash through selling assets at inopportune times, locking in losses.
- A deep recession could cause the collapse of a major Australian company, or several smaller companies, resulting in increased debt write-downs by the banks. Due to banks' exposure to the property sector, the collapse of some large developers could have the same affect.
- Further global financial turmoil, possibly originating from the (largely unregulated) derivatives markets.

- Obvious or excessive corruption of the secondary investment markets (such as collusion in short-selling) could cause a loss of investor confidence in the regulatory authorities.

While the above risks will be monitored, the Trustee expects that investor confidence will eventually return, and that the volume of cash being pumped into world financial systems will cause a gradual economic recovery and quite possibly a rapid ignition of asset price inflation.

Dividend receipts are expected to decline in 2009 as companies strive to preserve capital during the economic downturn and interest earnings are expected to decline dramatically as global rates are pushed close to zero. Consequently, only very modest investment returns are expected from 2009.

**The key features of the Trustee's investment strategy for 2009 are:**

- *to maintain the current asset allocation, as at this time the prospect of market recovery is equal to that of a further decline;*
- *to sell sufficient assets over the duration of the year to maintain cash liquidity levels taking into account the negative cash flow position expected to arise from the combination of the contribution holiday and an anticipated large amount of benefit payments;*
- *The asset sales will be achieved from a reduction in the size of shareholding in those companies in which the Fund has a large position and the total sale of the holdings of those stocks that are not expected to provide good returns in the near future.*
- *To acquire some new stocks in order to maintain a properly diversified portfolio provided such action does not affect liquidity levels.*

## MEMBERSHIP ISSUES

If you are a permanent employee of Co-operative Bulk Handling Limited or Bulkwest Engineering Pty Ltd then you are eligible for CBH Superannuation Fund membership.

The number of active members fell by 18 to 436 at year-end, due to the 65 members departing and only 47 new members joining during the year.

## TAX FILE NUMBERS

Any new membership application form that does not have the applicant's tax file number inserted is considered to be incomplete and will not be accepted.

## CREDITING RATES

Each year the Trustee sets an annual crediting rate based upon the Fund's net earning rate (being the net investment earning rate less administration expenses). The crediting rate is used in applying interest to all applicable members' accounts.

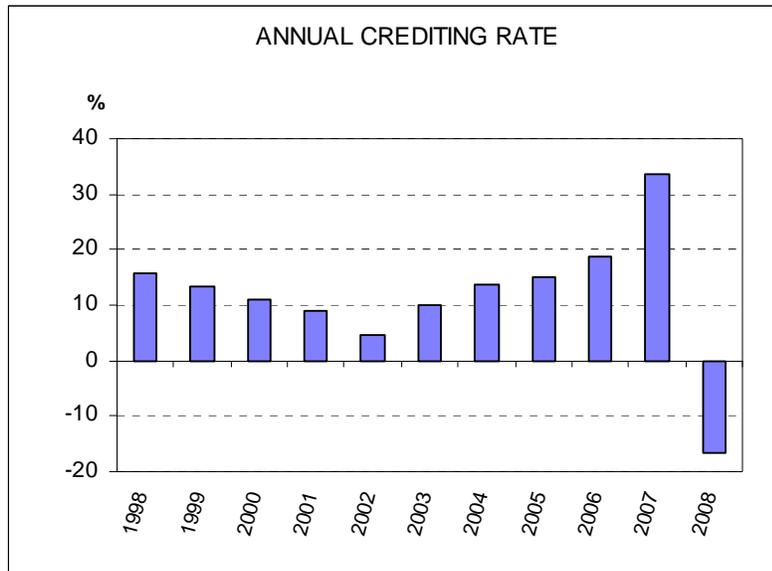
The 2008 Fund annual crediting rate was negative 16.53%.

It will be noted that the interest rate credited to member accounts for the year is better than the negative 19.32% earning rate of the investments during the same period. This anomaly is brought about by the decrease in asset values reducing the potential capital gains tax liability, enabling the release of some of amount that had been set aside for future capital gains tax.

The annual rate credited for the last 5 years were:

2008	-16.53%
2007	33.50%
2006	18.64%
2005	14.97%
2004	13.87%

Over the last 10 year period the Fund's crediting rate averaged 11.24% and the 5 year average is 12.89%. (These rates exclude the "surplus" amounts that were provided to members in 2001, 2005 and 2007 as the Fund's defined benefit liabilities were reduced – however, no additional "surplus" distributions will be made in future).



The Trustee also sets an interim rate for the calculation of the benefits payable to members who leave the Fund during the year. It is credited to the exiting member's account on a pro rata basis from the beginning of the Fund's financial year.

The interim rate is reviewed on a regular basis so as to avoid any cross-subsidy occurring between current and exiting members due to changing asset values.

## **CONTRIBUTIONS**

### **Employer (Concessional) Contributions**

Member accounts are credited with employer contributions of 9% of the member's ordinary time earnings.

Employer contributions are subject to the legislative cap of \$50,000 per annum for "concessional contributions". A transitional measure permits those over 50 years of age at 1 July 2007 to receive up to \$100,000 pa of concessional contributions until 2012.

### **Member (Non-Concessional) Contributions**

Accumulation members may effectively contribute up to the \$150,000 per annum cap from post-tax sources and those over 50 years of age at 1 July 2007 are able to make up to \$450,000 in a single year by bringing forward future year's entitlements.

These "after-tax" contributions create an entitlement to government co-contributions for those members below the income threshold.

### **Salary Sacrifice contributions**

Members may enter into an agreement with the employer for salary sacrificed contributions to be paid into their superannuation account.

Salary sacrifice contributions count with employer contributions towards the \$50,000 per annum concessional contributions cap.

Any Fund member considering salary sacrifice should seek financial advice as to its appropriateness in their circumstances.

### **Government Co-contributions**

The Federal Government's incentive scheme to encourage low income employees to contribute personal contributions to their superannuation remains in place.

The government contributes \$1.50 per \$1 of personal contributions made by eligible persons earning \$30,342 or less, with a maximum co-contribution amount of \$1,500 available. The co-contribution amount progressively reduces as income increases and cuts out totally at \$60,342 pa.

The co-contribution amount put to the member's account is automatically calculated and remitted to the Fund by the Australian Taxation Office after the eligible person has submitted their annual income tax return.

### **Low Income Spouse Contributions**

A rebate of 18% is claimable on contributions of up to \$3,000 made on behalf of a spouse earning less than \$10,800 (maximum rebate \$540). Spouse contributions must be made from after-tax monies and will usually involve rollover to another super fund if the spouse is not also a CBH Group employee.

### **Employer Contribution Holiday**

A contribution holiday has been extended to the employer in relation to all concessional employer contributions and will continue while the Fund's net assets

remain surplus to that required to meet member benefit entitlements. While the contribution holiday arrangement remains in place the employer is not required to remit payment for its 9% superannuation guarantee and salary sacrifice contribution obligations.

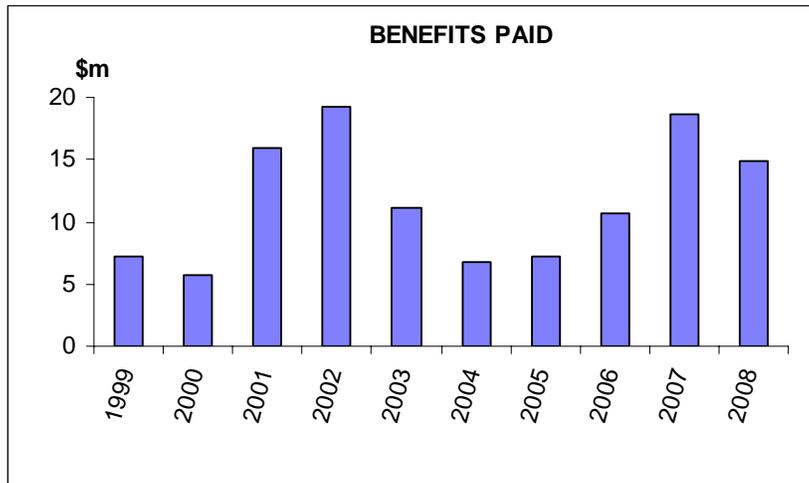
**PAYMENT OF BENEFITS**

Superannuation benefits become payable when a member ceases to be an employee of the CBH Group for any reason.

Benefit payments totalling \$14,857,694 were paid during the year. This includes 3 contributions split to spouses totalling \$285,800, a Family Law spouse split of \$14,722 and 2 voluntary withdrawal payments totalling \$701,142 made following Portability Act elections.

Upon leaving the Fund members have an entitlement to receive a benefit being the balance of their accumulation account at the time. The member’s account balance is determined by adding contributions, incoming transfers and credited interest (or debited if negative) to the opening balance, and deducting any insurance, taxes and administration expenses incurred during the year.

All the remaining active defined benefit member accounts were closed at year-end following a decision by the employer to cease contributing towards defined benefit accounts. The affected members were given to option of having their entitlement transferred to either an accumulation account within the Fund or to another superannuation fund.



Benefits cannot remain with the Fund after a member has ceased to be an employee of Co-operative Bulk Handling Ltd or an associated employer subsidiary.

If an exiting member fails to provide adequate instructions for the payment of a benefit then the due benefit will be transferred from the Fund as per the Fund’s unclaimed benefit policy following.

**Pension Benefits**

The Trustee no longer offers to pay any benefit (other than temporary disability benefits) in the form of a pension.

However, 10 retirement or surviving spouse beneficiaries still receive superannuation pensions that were initiated when the Fund still paid defined pension benefits. As the

youngest pensioner is now over 80 years old these pension liabilities present little risk to the Fund.

**Vested Benefits**

Vested benefits are the entitlements to which members would have been due in the event that they had terminated their Fund membership on the reporting date.

Total vested benefits decreased from \$133,246,749 at 31 October 2007 to \$103,400,833 at 31 October 2008.

**Death and Disability Benefits**

Death and disability benefit insurance cover is optional and only commences after an application has been assessed and accepted by the Fund's Group insurance provider.

In the absence of any additional cover, the member's current accumulation account balance is payable following receipt and verification of a valid death or permanent disability benefit claim.

**Preservation Rules**

All contributions and investment earnings received after 1 July 1999 are fully preserved. If you leave your employer for any reason other than retirement, you will generally have to roll over your benefit to another fund until you retire permanently from the workforce after you reach your preservation age. Your preservation age will depend on your date of birth, as shown below:

<b>Date of Birth</b>	<b>Preservation Age</b>
Before 01/07/1960	55
01/07/1960 – 30/06/1961	56
01/07/1961 – 30/06/1962	57
01/07/1962 – 30/06/1963	58
01/07/1963 – 30/06/1964	59
After 30/06/1964	60

If your benefit includes a non-preserved component then that part of the benefit may be paid to you upon employment termination prior to your preservation age - less any lump sum tax applicable.

**Identification Requirements for Benefit Payments**

Anti Money-Laundering & Counter Terrorism Financing Act provisions that come into effect on 12 December 2007 requires the Fund to obtain adequate member identification prior to making a benefit payment to ensure that the person receiving the payment is who they purport to be.

**Unclaimed Benefits Policy**

The Trustee is required to transfer due benefits into an Eligible Rollover Fund (ERF) if the exiting member does not provide the Fund with adequate benefit payment instructions.

If a benefit is transferred to an ERF then all Fund membership entitlements, including any death or disability benefit cover, will cease.

The Fund's current ERF is The Australian Eligible Rollover Fund and it may be contacted at Locked Bag 5429, Parramatta NSW 2124 (telephone 1800 677 424).

The Australian Taxation Office (ATO) operates a superannuation helpline on telephone 13 10 20 and maintains a record of all lost superannuation benefits. If you think that you may have superannuation owing to you from previous employers or

other superannuation funds, then it could be in your interest to check the lost member register by contacting the helpline or by going to the "superseeker" page on their website at [www.ato.gov.au](http://www.ato.gov.au) .

### **PORTABILITY AND VOLUNTARY WITHDRAWALS**

Any member who is dissatisfied with the Fund may elect to have their account balance transferred to a regulated superannuation fund of their choice. This will be done within 30 days of submission of the appropriate documentation, including any identification requirements.

In order to protect Fund assets against arbitrage "switching" the Trustee may refuse to accept rollovers into the Fund by members who have previously made a portability withdrawal election.

### **ADMINISTRATION**

The Trustee believes that good member communications is essential for a corporate fund and therefore all contributions receipts, rollover, benefit payments and member enquiries are handled personally by the Fund Secretary.

However, to obtain access to cost-effective compliance and reporting computer technology, member records administration is outsourced to Mercer (Australia) Pty Ltd. Mercers are a global corporation with a long history of providing superannuation fund administration in Australia.

While Mercers calculate all member benefit amounts, the Fund Secretary also verifies the correctness of benefit amounts prior to any payment being made.

### **FEES AND EXPENSES**

The general administration expenses for the year were \$204,391, a 29% decrease on 2007. Greater administration efficiencies were achievable due to a reduced level of regulatory changes affecting superannuation during a Federal election year.

The employer meets the salary of the Fund Secretary and provides office and other facilities to enable the Fund to operate.

While there are certain costs such as APRA Levies, audit fees and the cost of actuarial and legal advice which are unavoidable, the Trustee endeavours to keep other expenses to a minimum by retaining in-house every function that it is practical and possible to do so.

Consequently minimal use is made of investment managers and no asset consultants or custodians are engaged.

#### **Management Expense Ratio**

The annualised management expense ratio (being the ratio of total non-tax expenses to total assets) for the financial year ended 31 October 2008 was 0.30%.

The expense ratio comprises 0.07% for investment expenses and 0.11% for administration expenses that are drawn against Fund earnings.

The balance is attributable to benefit insurance costs and administration fees that are recouped from the relevant members' account.

### **Application of Charges to Member Accounts**

The Trustee endeavours to apply any expenses against the account of the individual member on whose behalf the expense was incurred. The aim is that members should not indirectly pay for services or benefits that are either received by another member or which the member does not require.

An administration fee of \$80 per annum per member account is charged to partly recoup the cost of external administration services.

Any death or disability insurance premiums are also debited against the member's account.

In addition, when a member leaves the Fund, a single amount of \$98 is deducted from their benefit amount to cover the cost to the Fund of the external administration work involved in preparing the payment documentation.

A splitting fee of \$150 applies where a benefit is split to a non-member spouse under the Family Law Act provisions and a \$200 fee applies to a contributions split to a spouse account and for the processing a partial portability withdrawal.

### **Effect of Fees & Expenses on Member Account Balances**

Fund operating and investment expenses are deducted from earnings prior to the determination of the interest rate to be credited to member accounts. Therefore investment and administration expenses incurred have the effect of reducing the potential amount of earnings that can be distributed to members.

For a member with a \$50,000 account balance, the total of the Fund expenses incurred against earnings and the administration fee that is deducted from the member account balance, but excluding any insurance premiums, is approximately \$170 per annum.

### **Contributions Tax**

A tax of 15% is paid on all employer contributions, including salary sacrifice member contributions is debited against that member's account. This tax applies regardless of whether the contribution is actually remitted by the employer or whether it is funded through the contribution holiday.

## TRUSTEE INFORMATION

The Trustee of CBH Superannuation Fund, CBH Superannuation Holdings Pty Ltd (ACN 008 684 268), is responsible for managing the Fund on behalf of the members in accordance with the Trust Deed and relevant legislation.

The Directors of the Trustee Company are drawn equally from members and the employer, meet regularly and have equal voting rights.

While all Trustee Directors have a duty to act in the best interests of Fund members and beneficiaries, the employer nominated Directors also have a conflicting duty to ensure that the Trustee does not act detrimentally to the interests of the employer.

To ensure that neither the employer representatives nor the member representatives can impose their will upon the other, any Trustee resolution requires a 2/3 majority to be passed.

The day to day running of the Fund is undertaken by the Fund Secretary, reporting to, and acting in accordance with the instructions of the Trustee.

As the Trustee does not hold an Australian Financial Services licence neither the Trustee Directors nor the Fund Secretary may provide any financial advice to members.

All Fund assets are held in the Trustee's name and consequently, with no investments related to the employer, the assets supporting member benefits are secure against any employer action including takeover or financial failure.

### **Appointment and Removal of Member Representatives**

The role of the member representatives on the Trustee Board is to safeguard the interests of the general membership and benefit recipients.

Member representatives are elected for a 5-year term by a ballot of all active members.

A member representative may be removed from office in the following circumstances:

- Expiry of term of office;
- Retiring from office by giving written notice;
- Ceasing to be a Fund member;
- Removal by resolution passed at a meeting of members;
- Death;
- Failure to satisfy the Trustee's "Fit & Proper" standards; or
- Becoming a disqualified person or disqualified by law.

The process for appointing member representatives to the Trustee is an election held by secret ballot of all contributing members. All candidates must satisfy the eligibility requirements of the Trustee as provided for in the Fund's "Fit and Proper" Policy to ensure that Trustee Directors have the appropriate propriety, skills and knowledge to manage other people's money in a superannuation environment.

Casual Trustee Director vacancies may remain unfilled, or may be filled by a nominee of the Trustee, provided the period of the vacancy does not exceed the 90-day limit.

### **Appointment and Removal of Employer Directors**

The employer Directors are selected by Co-operative Bulk Handling Limited and may be removed from the Trustee at any time by the employer.

They may also be removed by the Trustee Board should they become a “disqualified person” under law or otherwise fail to satisfy the Trustee’s “Fit & Proper” Policy standards.

### **Fund “Fit & Proper” Governance**

The Trustee has adopted a Fit & Proper Policy that sets out the minimum standards of competency and probity to be met by Trustee Directors and the Fund Secretary to ensure that the Fund is managed in an honest and competent manner.

Any person seeking to hold office with the Fund will have to demonstrate that they have the integrity and skills to do so. In addition to consenting to bankruptcy and Federal Police checks, all Trustee Directors and the Fund Secretary are required to undertake training courses necessary to develop or maintain their skills and knowledge to the level that members would expect for managing a superannuation Fund. They must also attend industry seminars and conferences as reasonably required.

### **Trustee Remuneration**

All the Directors of the Fund Trustee are either employees or Directors of the CBH Group and receive no remuneration from the Fund for their services.

### **Trustee Indemnity Insurance**

The CBH Superannuation Fund, its Trustee and Directors and Officers of the Trustee are covered by liability insurance underwritten by QBE Insurance. This covers against claims and legal action arising from the management and operation of the Fund and is limited to \$5 million for any one claim and \$10 million in the aggregate.

### **Trust Deed Changes**

The Trust Deed is the governing document for the Fund. It sets out the entitlements of Fund members and states the obligations and duties of the Trustee.

The Trust Deed was amended during the year to provide the Trustee with the capacity to restructure the Fund in circumstances other than the employer ceasing business.

When making changes to the Trust Deed, the Trustee must act in the best interest of members and no amendment can be made without the agreement of Co-operative Bulk Handling Limited.

### **Actuarial Investigation**

Although all active members have accumulation accounts, the Fund is still classified as a defined benefit fund and total assets are not aligned fully with member benefit liabilities.

Consequently there is a legal requirement for the Fund to undergo actuarial reviews every three years to confirm its viability.

The latest actuarial investigation was undertaken as at 31 October 2006, when the Actuary found that the Fund was in a very strong financial position, with a considerable surplus remaining from the defined benefit operations.

In addition, the Trustee obtains a financial position report from the Actuary each year to ensure that there are sufficient assets available to fund the defined benefit pensions and to enable the continuation of the employer contributions holiday without impacting upon member accounts.

## **REGISTRABLE SUPERANNUATION ENTITY LICENSING & FUND COMPLIANCE**

The CBH Superannuation Fund is registered to provide corporate superannuation services and the Trustee is licensed by APRA to manage the Fund.

Registrable Superannuation Entity licensing is a valuable tool that the government regulator uses to improve the safety of superannuation fund assets and protect members.

The Trustee is committed to retaining its license and is not aware of any matter that would cause the Fund to lose its complying status.

## **ENQUIRIES AND COMPLAINTS**

### **Enquiries**

Any enquiries regarding member benefits or any other aspect of the operation of the Fund should be directed to the Fund Secretary, Rob Burns (telephone 08 9237 9707 or email [rob.burns@cbh.com.au](mailto:rob.burns@cbh.com.au)). Your member-elected Trustee Directors may also assist you with any enquiries.

Written enquiries may either be forwarded through Co-operative Bulk Handling Limited's internal mail system or be posted to "The Secretary", CBH Superannuation Fund at GPO Box L886, Perth, WA 6842.

### **Complaints**

The CBH Superannuation Fund responds quickly and sensitively to members' complaints, but if we are unable to help you to your satisfaction you may make a formal complaint in writing to "The Complaints Officer", CBH Superannuation Fund at GPO Box L886, Perth, WA 6842. You can expect a reply within 28 days, although sometimes the maximum period of 90 days may elapse where complicated issues are involved.

If you are dissatisfied with the response you receive then you may ask the complaint to be reviewed by the Trustee acting as Complaints Committee. The Trustee will review your complaint and respond within 90 days.

### **Superannuation Complaints Tribunal**

If you have followed the complaints procedure as set out above and are still not satisfied with the outcome, you may be able to take the matter to the Superannuation Complaints Tribunal; an independent body set up by the Federal Government to help members and beneficiaries to resolve certain types of superannuation disputes.

To find out if they can consider your complaint, you should contact the Superannuation Complaints Tribunal by:

Post :            Locked Bag 3060, GPO Melbourne VIC 3001  
Phone:           1300 780 808  
Website:        [www.sct.gov.au](http://www.sct.gov.au)

### **Privacy**

The Trustee has implemented a Privacy Policy in accordance with the National Privacy Principles. The personal information that we collect from you when you join or at other times during your membership is treated strictly in accordance with the Privacy Laws. You should contact the Fund Secretary to obtain a copy of the Fund's Privacy Policy or to view the information on your superannuation file.

## ABRIDGED FINANCIAL STATEMENTS

The following is a summary of the CBH Superannuation Fund's accounts for the year ended 31 October 2008.

### STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 October 2008

	2008	2007
	\$	\$
<b>Investment Revenue</b>		
Interest	2,692,153	1,997,909
Dividends	3,795,684	3,677,683
Trust distributions	986,053	1,014,649
Gross rental income	1,733,997	930,811
Changes in net market value	(38,474,942)	32,087,261
Direct investment expenses	(105,685)	(82,709)
	<b>(29,372,740)</b>	<b>39,625,604</b>
<b>Contributions Revenue</b>		
Employer contributions	8,018	6,051
Members' contributions	293,619	709,050
Transfers In	1,192,965	2,394,141
	<b>1,494,602</b>	<b>3,109,242</b>
<b>Total Revenue</b>	<b>(27,878,138)</b>	<b>42,734,846</b>
Less:		
General Administration Expenses	204,391	286,663
Group Life and Salary Continuance Premiums	156,833	156,089
Contribution Surcharge	(8,019)	10,573
Benefits Paid	14,857,694	18,678,804
<b>Total Expenses</b>	<b>15,210,899</b>	<b>19,132,129</b>
<b>Changes in Net Assets before Income Tax</b>	<b>(43,089,037)</b>	<b>23,602,717</b>
Income Tax expense/(benefit)	(3,921,977)	2,823,975
<b>Change In Net Assets after Tax</b>	<b>(39,167,060)</b>	<b>20,778,742</b>
Net assets available to pay benefits at beginning of year	161,753,081	140,974,339
<b>Net assets available to pay benefits at end of year</b>	<b>122,586,021</b>	<b>161,753,081</b>

**STATEMENT OF NET ASSETS**

as at 31 October 2008

	<b>2008</b>	<b>2007</b>
	\$	\$
<b>Investments</b>		
Interest Bearing Deposits	29,014,364	28,598,719
Unsecured Notes & Preference Shares	9,409,335	10,918,161
Pooled Superannuation Trusts	2,696,527	3,227,685
Unit Trusts	4,342,332	12,873,992
Securities in Listed Companies	63,198,170	100,904,841
Direct Property	19,424,085	15,410,240
	<b>128,084,813</b>	<b>171,933,638</b>
<b>Other Assets</b>		
Cash at Bank	1,736,319	169,329
Receivables & Accrued Income	166,239	174,788
Prepayments	-	2,424
Tax Assets	199,023	16,136
	<b>2,101,581</b>	<b>362,677</b>
<b>Total Assets</b>	<b>130,186,394</b>	<b>172,296,315</b>
Less:		
<b>Liabilities</b>		
Benefits Payable	2,705,020	414,321
Creditors and Accrued Expenses	299,810	123,013
Provision for construction costs	20,000	20,000
Current tax liabilities	-	1,397,087
Provision for Deferred Income Tax	4,575,543	8,588,813
<b>Total Liabilities</b>	<b>7,600,373</b>	<b>10,543,234</b>
<b>Net Assets Available to Pay Benefits</b>	<b>122,586,021</b>	<b>161,753,081</b>

*Note: Members may request a copy of the audited financial statements by contacting the Fund Secretary.*

**DISCLAIMER**

This Annual Report, issued by the Trustee of the CBH Superannuation Fund, is a regulated document that summarises the Fund's performance over the past year.

The Trustee does not guarantee any particular rate of return or return of capital from the CBH Superannuation Fund.

The information contained in this Annual Report does not provide personal financial product advice and does not take into account any member's personal needs, objectives, risk profile or financial position.

You should assess your financial position and personal objectives before making any decision based on this information.

## CBH SUPERANNUATION FUND CONTACT DIRECTORY

Trustee	CBH Superannuation Holdings Pty Ltd
A.B.N.	84 433 159 328
Trustee RSE Licence Number	L0001625
Fund Registration Number	R1005165
Superannuation Fund Number (SFN)	1583 449 42
Location	30 Delhi St, West Perth
Postal Address	GPO Box L886, Perth WA 6842
<b>TRUSTEE DIRECTORS:</b>	
Company Appointed	Imre Mencshelyi Neil Wandel Allyn Wasley - alternate director for Imre Mencshelyi
Member Elected	Terry Cunningham - Chairman Michael Thorne Ron Silvestri - alternate director for Michael Thorne
Fund Secretary	Rob Burns
Auditors	PricewaterhouseCoopers
Accountant	Sharyn Long Chartered Accountants
Actuary	Kathryn Daniels, Mercer (Australia) Pty Ltd
Group Insurer	MLC Limited
Enquiries - Telephone	08 9237 9707
- Facsimile	08 9322 3942
- email	<a href="mailto:rob.burns@cbh.com.au">rob.burns@cbh.com.au</a>
Documents Available on Request from the Fund Secretary.	Product Disclosure Statement, Trust Deed & Rules, Audited Financial Statements, APRA Annual Return, Actuarial Review Report, Investment Strategy, Privacy Policy Statement, Fit & Proper Policy, Risk Management Plan, AML/CTF program.

