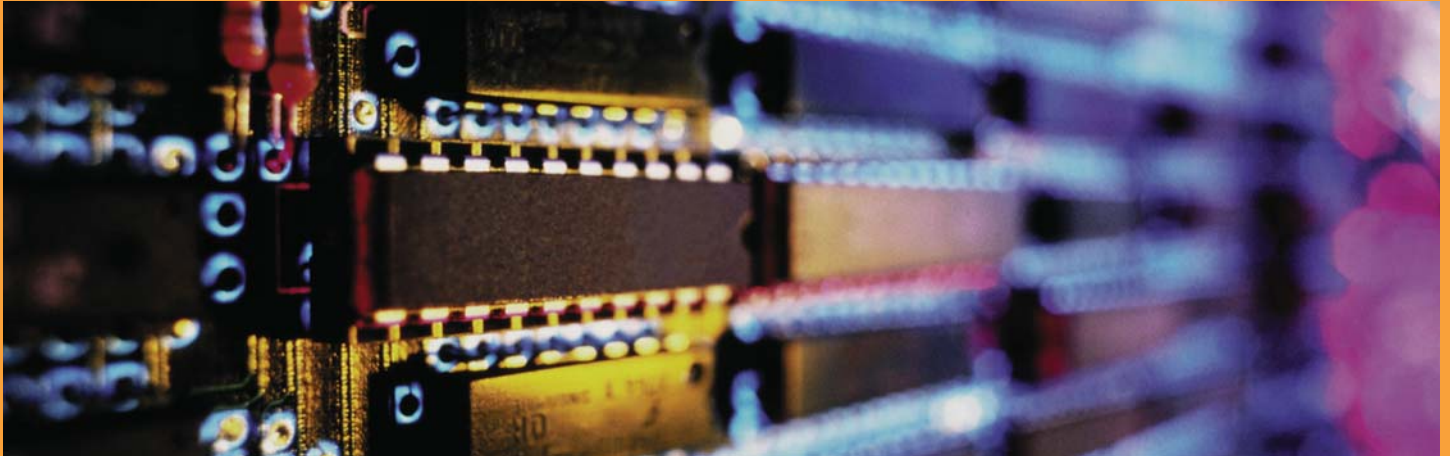


ANNUAL REPORT 2005 | MEMBER BOOKLET



THE PRODUCT DISCLOSURE STATEMENT
(PDS) FOR COMBINED FUND CONSISTS
OF THE FOLLOWING DOCUMENTS:

PART 1: Annual Report to 31 December 2005 and Member Booklet
PART 2: Benefit Summary

The PDS is issued by Combined Fund Pty Ltd as Trustee of Combined Fund (see back page for contact details).
RSE Licence No. L0000376 Registration No. R1000405



MISSION STATEMENT

Combined Fund (formerly the Combined Schools Superannuation Fund) is a major provider of superannuation services to the Private Education Sector, Charities, Religious Organisations, Non-profit Groups and Associations and other selected employers.

Established in 1959, Combined Fund has some 8500 Member accounts spread over more than 100 Employers and assets in excess of \$360 million at the time of preparing this report.

Our mission is to provide benefits to members and their families which will enhance their long term financial strength, well-being and security.

We will do this by providing superannuation and a range of other financial and finance-related services which are:

- innovative;
- member oriented;
- quality driven;
- well managed and controlled;
- low cost;
- market competitive; and
- conforming to all legal and regulatory requirements.

We are committed to deliver excellence in client service at all times.

Contents

Highlights of the year	1
Chairman's report	2
How Combined Fund works	4
Fund investments	8
General information	16
Superannuation news	18
Financial information	20
Fees and other costs	21
Taxes	25
Who looks after your benefits?	27
Outsourced services	29

Important Notice

This Product Disclosure Statement (PDS) was prepared by Group Benefits Pty Ltd ABN 83 082 989 142 (Australian Financial Services Licence 239636) on behalf of the Trustee of Combined Fund. Whilst every effort has been made to ensure that the information in this PDS is accurate, errors do sometimes occur and the Trustee reserves the right to correct them.

The Trustee does not hold an Australian Financial Services Licence and, therefore, cannot provide you with financial product advice. In any case, the PDS contains information of a general nature only and you should consult your financial adviser if you intend to make any financial or investment decisions based on this information.

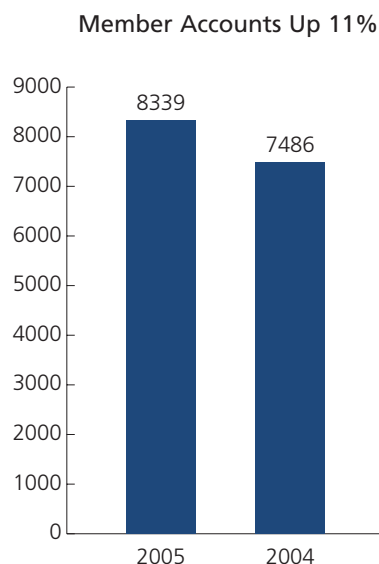
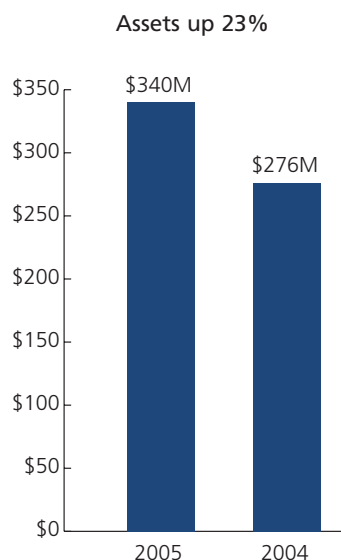
Information contained in this PDS may change from time to time. Unless the changed information is materially adverse to members, we may not always update or replace this PDS immediately to reflect the changed information.

Copies of any updated material will be posted on the Fund's website (www.combinedfund.com.au.) and will be available by telephoning the Fund on (03) 9691 2900 or Toll Free 1800 200 801.

HIGHLIGHTS OF THE YEAR

(Figures as at 31 December 2005)

Consistent, Manageable Growth



2005 Crediting Rates – see page 9 for more details.

NB: These are the rates of return actually credited to members' accounts for 2005 ie. after tax and all fees have been deducted.

Investment Option	Group, Personal Benefit and Spouse Members	Allocated Pension Members*
	% Return	% Return
Balanced	11.9	12.9
Australian Shares	16.6	18.0
International Shares	13.8	15.0
Ethical Shares	15.6	16.7
Property	8.8	9.3
Capital Stable	8.3	9.0
Fixed Interest	6.5	7.1
Cash	4.4	4.7
Growth (commenced 1 July 2005)	11.0**	12.1**

*The investment return on Allocated Pension assets is exempt from tax. This, combined with a different fee structure which applied up to 31 December 2005, means that the declared returns for our Allocated Pensioners are usually higher than the returns for our other members. Fees for Allocated Pensioners decreased from 1 January 2006.

**The Growth Option commenced 1 July 2005 so the return shown above is the actual return for this option for the 6 months to 31 December 2005.

2005/06 Rating – Combined Fund



CHAIRMAN'S REPORT

A year of change

2005 was a very busy year for Combined Fund.

Investments

Whilst all of our nine investment options continue to perform well, four have stood out over the past five years.

The independent SuperRatings survey of 74 of Australia's largest superannuation funds ranks each of our Australian Shares, International Shares, Fixed Interest and Capital Stable options in the top 10 of all funds for the five years to 31 December 2005.

Significant changes were made to the Fund's investments during the year with a view to producing ongoing healthy returns for our members for the long term.

Details of the changes made to the Fund's investments are provided in the Investment Section of this report.

Impact of Fund Choice

Fund Choice allows most members of superannuation funds to choose the fund they wish to use for future contributions.

Separate Portability legislation governs transfers of existing benefits between funds.

Prior to the introduction of Choice, predictions about the numbers of people who would want to change their superannuation fund varied from 2% up to 25% of the workforce.

After six months of Fund Choice, the numbers of people moving between funds have been quoted in the financial press as ranging from 2% up to 8% of the membership of those funds.

During those six months, only 42 of our members transferred to another fund under Fund Choice (0.5% of our membership). However, 681 new members joined the Fund during that same period.

SUPERRATINGS RANKS EACH OF OUR AUSTRALIAN SHARES, INTERNATIONAL SHARES, FIXED INTEREST AND CAPITAL STABLE OPTIONS IN THE TOP 10 OF ALL FUNDS FOR THE FIVE YEARS TO 31 DECEMBER 2005



A total of only \$1.3 million was transferred out of Combined Fund (9 of the 42 members transferred out less than \$1000 including 4 who transferred less than \$100) but, during that period, over \$20 million was transferred into the Fund.

Another Gold Rating!

Each year, the independent ratings group, SuperRatings, conducts a comprehensive analysis of Australian superannuation funds to determine value for money.

For 2005, SuperRatings looked at 125 superannuation funds covering in excess of \$100 billion in superannuation savings on behalf of nearly 10 million member accounts.

Only 20% of all funds can be awarded a Gold Rating and, for the second year running, Combined Fund has won Gold!

Combined Fund was rated above benchmark in Investment, Advice, Insurance and Governance.

SRI Certification

Combined Fund is one of only three superannuation funds to have been certified by the Ethical Investment Association under the SRI (Socially Responsible Investment) Certification Program in the category of Superannuation Fund.

The SRI symbol is a Certification Program which signifies that an investment product or service combines individual values with financial requirements. For more details, see page 15.



APRA Licence Granted

In November last year, Combined Fund was one of the first fifty superannuation funds to be granted a licence by the Australian Prudential Regulation Authority (the Government regulator of superannuation funds).

Only those superannuation funds which have been granted a licence by 30 June 2006 will be permitted to continue to operate beyond that date (self-managed funds are exempted).

The rigorous compliance process which must be followed in order to obtain a licence demands a significant dedication of time and resources.

As a result, many superannuation funds have already closed over the past few years in the run-up to licensing. In its latest quarterly statistical summary, APRA reported that 1194 superannuation funds were still operating at September 2005. At September 2001, APRA reported that 3552 funds were operating.

The cut-off date for lodgement of a licence application was 17 February 2006 and APRA expects that only around 320 superannuation funds will be granted a licence. The rest will have to close or make alternative trusteeship arrangements.

Legislative changes provide opportunities for 2006

During the year, the Federal Government changed the rules to:

- provide access to preserved benefits for those over 55 who are still working
- allow members to gain the effect of making salary sacrifice contributions for their spouse by contribution splitting
- allow for expanded "family size" tax-free and concessional taxed benefits upon retirement
- provide access to pension benefits which are 50% exempt from the age pension assets test

To enable our members to take maximum advantage of these legislative changes, we introduced two new pension options during the year and a full contribution splitting facility is also available.

The Government's Co-contribution is still available to those who earn at least 10% of their income from employment and whose assessable income is less than \$58,000 pa. To take advantage of this facility, you must make your personal contribution to the Fund before 30 June 2006.

For more details of these exciting opportunities, see the later sections of this report, log on to our website at www.combinedfund.com.au or ring us on 1800 200 801.

J. R. Evans
Chairman

HOW COMBINED FUND WORKS

Contributions

Anyone between the ages of 18 and 65 may contribute to a superannuation fund – whether working or not.

Under age 18, you generally have to be in the workforce to make superannuation contributions.

After age 65, work tests apply to determine not only whether contributions can continue but also whether you can retain your benefits in the Fund.

We contact all members who are over age 65 and their employers to obtain updated employment details each year.

Contributions for You

Your employer will contribute a minimum of 9% of your Salary to the Fund as stipulated by Government Regulations (Superannuation Guarantee Legislation) or such other amount as arranged with your employer.

You may make additional contributions to the Fund from your pre-tax Salary (ie by reducing your taxable salary by the amount of contribution which you select). This is known as Salary Sacrifice and it enables you to obtain the equivalent of a tax deduction for the selected contribution.

Alternatively, you may make additional contributions from your after-tax salary if you prefer or if Award restrictions or your employer do not permit Salary Sacrifice.

You may also make after-tax contributions directly to the Fund by cheque or by periodical deduction from a bank account.

A Government co-contribution may be available in respect of after-tax contributions (see Superannuation News for more details).

Contributions for your Spouse

You may also make after-tax contributions to the Fund on behalf of your spouse. A tax rebate of 18% on up to \$3,000 of spouse contributions may be available. The maximum rebate of \$540 is available where your spouse's assessable income is \$10,800 or less. The rebate reduces gradually to zero where your spouse's assessable income is \$13,800 or more. The Fund can also provide an insurance benefit in the event of your spouse's death.

Members wishing to make spouse contributions should ring the Fund Administrator on 1800 200 801 (toll free) and ask for a Spouse Membership Product Disclosure Statement.

Under new arrangements which commenced on 1 January 2006, you may now arrange for contributions which have been paid to your account to be split with your spouse. (See Superannuation News for more details).

Member Investment Choice

This Product Disclosure Statement describes the nine investment options available to you including:

- a history of returns;
- the investment strategy and objectives of each option;
- the investment managers for each option; and
- how investment switches can be made.

Investment Units

All money credited to your Combined Fund account purchases units in your chosen investment options.

Unit prices for each investment option are calculated monthly and updated on the website. They are also advised each quarter in our newsletter and are available from the Fund Administrator upon request.

The unit prices are shown net of investment fees and other fees and investment taxes ie they reflect the actual return for each investment option.

At any time, your account balance in the Fund is determined by multiplying the number of units you hold by the current unit price(s) for your chosen investment option(s).

All contributions paid by you and on your behalf are credited to your account within 2-3 days of receipt by the Fund (well within the 28-day limit set by the Government).

Contributions received during a particular month purchase units at the unit price declared for the previous month.

Benefits Payable upon Leaving Service or Retirement

For most members of the Fund, the benefit payable upon leaving service or retirement is your total Account Balance.

Your Account Balance will comprise some or all of the following:

- your contributions; plus
- contributions made by your spouse to your account; plus
- employer contributions; plus
- government co-contributions; plus
- an amount transferred to your account under contribution splitting arrangements; plus
- transfers or roll-overs from other superannuation funds; plus
- an amount transferred to your account under a Family Law benefit split; plus
- investment earnings; less
- government taxes and administration and insurance costs.



However, the Government restricts how much of your benefits can be taken as a lump sum in cash as follows:

Preserved Benefits – cannot be taken as a cash lump sum until:

- you attain age 65 (whether still working or not);
- you leave the service of an employer at or after age 60;
- you retire from the workforce and have reached your **Preservation Age**;
- your account balance is less than \$200;
- you die;
- you suffer total and permanent disablement;
- you successfully apply to the Australian Prudential Regulation Authority (APRA) for the release of your benefits on specific grounds;
- you entered Australia under a temporary entry visa and are now leaving Australia permanently.

Preservation Ages

The Preservation Ages set by the Government are:

Persons born	Preservation Age
After June 1964	60
After June 1963 and before July 1964	59
After June 1962 and before July 1963	58
After June 1961 and before July 1962	57
After June 1960 and before July 1961	56
Before July 1960	55

Restricted Non-Preserved Benefits – cannot be taken as a cash lump sum until you leave the service of your employer.

Unrestricted Non-Preserved Benefits – can be taken as a cash lump sum at any time.

Your preserved and non-preserved benefits are shown on your benefit statement.

Special Facilities For Members Who Leave Service or Retire or “Semi-Retire”

To enable members to use Combined Fund as their “lifetime” fund, we provide the following facilities:

(1) Accumulation Phase – Personal Benefit Account

Members who leave the service of an employer can transfer to a Personal Benefit Account in their own name within Combined Fund which can be used to:

- receive ongoing contributions (personal or from a new employer);
- provide ongoing insurance cover;
- maintain or change your investment options;
- draw down non-preserved monies, if needed.

(2) Semi-Retirement Phase – Part Allocated Pension Account

Members who have attained age 55 but who are still working now have access to their superannuation benefits – as long as they are paid under the Government’s pension rules.

In this account:

- any investment income earned is quarantined and free from tax;
- the maximum and minimum levels of total pension payments which you may draw each year are set by the Government and are based on your age and Account Balance;
- you **cannot** make lump sum withdrawals in addition to your pension payments;
- there is generally some tax payable on these pension payments (see the Taxation Section of this PDS).

Ongoing employer and personal contributions can continue to be paid to your current account in Combined Fund.

(3) Retirement Phase – Allocated Pension Account

Members who retire after age 55 can transfer to an Allocated Pension Account in their own name within Combined Fund. In this account:

- any investment income earned is quarantined and free from tax;
- the maximum and minimum levels of total pension payments which you may draw each year are set by the Government and are based on your age and Account Balance;
- you may make lump sum withdrawals in addition to your pension payments;
- there is generally some tax payable on these pension payments.

(4) Retirement Phase – Term Allocated Pension Account

Members who retire after age 55 can also transfer to a Term Allocated Pension Account. In this account:

- any investment income earned is quarantined and free from tax;
- the level of total pension payments which you may draw each year is set by the Government based upon the term of pension payment years you select;
- you **cannot** make lump sum withdrawals in addition to your pension payments;
- there is generally some tax payable on these pension payments;
- 50% of the amount held in this account is exempt from the Government's assets test; and
- the Pension Reasonable Benefit Limit applies in respect of this account.

See the separate Benefit Summaries for Allocated Pensions for more details.

Death Benefits

In the event of your death, your account balance is payable. However, an insurance benefit may also be payable (refer to your Benefit Summary and your benefit statement for details of any insurance cover).

The death benefit is payable to one or more of your dependants or to your legal personal representative, as decided by the Trustee. You can nominate dependants to receive your death benefit on your Death Benefit Distribution form.

For legal and practical reasons, the Trustee has the discretion to decide which of your dependants receives the death benefit. The Trustee will take note of your wishes but will not be bound by them. The Trustee is bound by the Trust Deed and Trust Law to undertake a careful examination of your personal situation in the event of your death.

An up to date Will should help the Trustee to ascertain your wishes.

If you do not have any dependants, the Trustee will pay the death benefit to your legal personal representative. However, if the Trustee considers that no legal personal representative has been or will be appointed, it will pay the death benefit to any other person or persons permitted under Superannuation Law.

Dependants include your spouse (including de facto spouse), your children (including any adult children, adopted children, ex-nuptial children, foster children, a ward of you or your spouse or a person standing in loco parentis) and any person who was wholly or partially dependent on you at the time of your death.

A dependant can also be a person with whom you live and have a close personal relationship. One of you must rely on the other for financial support and one of you must provide the other with domestic support and personal care. This person is known as an Interdependant.

Your nomination may be changed at any time and should be updated if your circumstances change - especially if your nominated dependant dies.

Total Disablement Benefits

The Fund offers two separate insurance benefits on disablement:

- a monthly income benefit on total disablement (even if temporary); and
- a lump sum benefit on total and permanent disablement.

NB: You should refer to your Benefit Summary and your benefit statement as you may not be provided with both benefits.

Disablement insurance benefits are generally not available for Spouse Members.

(1) Monthly Income Benefit (Salary Continuance Insurance)

This insurance benefit is payable on total disablement (whether temporary or permanent) if you:

- have been absent from work for a continuous period of 90 days due to an accident or sickness; and
- are unable to perform at least one of the duties of your occupation necessary to produce income; and
- are not working in any occupation; and
- are under the care of a Medical Practitioner.

The benefit payable is 75% of your salary at the previous 1 January and is payable by monthly instalments in arrears. The benefit payments stop at the end of 2 years or at age 65, depending on the insurance option selected, or earlier if you:

- get better; or
- go back to work; or
- reach age 65; or
- die.

The benefit may be reduced if you receive other sickness or accident benefits, including Workcover but excluding sick leave.

No benefit will be payable when disability is caused directly or indirectly by:

- any self-inflicted injury or attempted suicide; or
- pregnancy, unless the disability continues for more than 3 months after the end of the pregnancy in which case the end of pregnancy will be deemed to be the commencement of the period of disability.

The Salary Continuance Benefit is not available if you are working less than 20 hours per week for your employer or if you are a Casual employee.

Partial Disability Benefit

If, following the payment of a total disability benefit, you return to work and you are under the care of a Medical Practitioner but, as a result of the disability, your salary is less than 80% of your pre-disability salary, a partial disability benefit may be payable.

Recurrent Disability

The 90-day waiting period may be waived in the event of recurrent total disability that the insurance company considers has arisen from the same or related cause(s).

Effect of Monthly Income Benefit on Other Benefits

While you are receiving the Monthly Income Benefit, you remain eligible to receive all other benefits from the Fund. You may also continue to pay contributions while you are receiving this benefit. Unless you are continuing to receive a salary (including sick pay) from your employer, there would be no employer contributions while you are receiving the monthly income benefit.

If you are assessed to be Totally and Permanently Disabled while receiving the Monthly Income Benefit, you may also receive the Lump Sum Benefit as described below and continue to receive your Monthly Income Benefit.

(2) Lump Sum Total and Permanent Disablement (TPD) Benefit

The total and permanent disablement benefit is payable if:

- you have been absent from work due to injury or illness for six consecutive months; and
- in the opinion of the Trustee, after consideration of medical evidence, you are unable to follow your usual occupation by reason of accident or disease and you are unlikely ever to be able to follow your usual occupation or any other occupation for which you could be reasonably considered qualified by education, training or experience.

However, the benefit will be payable immediately if you lose the sight of both eyes, lose both hands or feet, lose one hand and foot or lose the sight of one eye as well as losing one hand or foot.

(Note: This definition should be used as a guide only. The full definition is contained in the Fund's Trust Deed and Insurance Policy).

Evidence of Good Health

If it is necessary for you to be medically examined or provide other evidence of good health before insurance cover is granted, the Trustee reserves the right to impose special provisions or limits on your Death and/or Total and Permanent Disablement benefits and/or Salary Continuance Insurance if the insurance company does not subsequently offer insurance on standard terms.

Insurance After You Leave Service

If you have insurance cover and you leave the service of your employer for reasons other than retirement from the workforce, you may apply to the insurance company to purchase a personal insurance policy without having to provide some or all of the evidence of good health which would normally be required.

If you qualify for this offer, the insurance company may temporarily maintain the level of insurance cover (but not salary continuance cover) described above, subject to the same conditions and restrictions which apply to you prior to leaving service, at no cost to you. This temporary cover will apply for up to 30 days after your termination of employment.

You must decide whether or not to take advantage of the personal insurance offer for the death, total and permanent disablement and salary continuance cover within 30 days of leaving service.

To obtain more details of this offer, contact the Fund – see the back page of this Product Disclosure Statement.

If you transfer to a Personal Benefit Account in the Fund, you may maintain your insurance cover for death and total and permanent disablement or elect a death only insurance benefit and premiums will continue to be deducted from your account.

If you do not specify your ongoing insurance requirements, a standard level of death only insurance cover will be provided and premiums will be deducted from your account.

You may terminate the insurance cover at any time by notifying the Fund Administrator in writing (see back page).

Insurance if you transfer to another Fund

If you transfer your total accumulated benefits out of Combined Fund to another superannuation fund, all insurance cover provided by Combined Fund will cease.

FUND INVESTMENTS

Investment Options

Since January 1999, Combined Fund has offered members Investment Choice (not to be confused with Choice of Fund which took effect from 1 July 2005).

You can select one or more of nine options for the investment of your Account Balance:

- Australian Shares
 - International Shares
 - Ethical Shares
 - Property
- } *commonly known as Growth assets*
- Fixed Interest
 - Cash
- } *commonly known as Defensive assets*
- Balanced (70/30) – the default option if you do not make an investment choice
 - Growth (80/20)
 - Capital Stable (30/70)

The figures shown in brackets represent the allocations to Growth and Defensive assets. For example, 70/30 means that, if you invest in the Balanced Option, around 70% of your investment will be in Growth assets (Shares and Property) and around 30% will be in Defensive assets (Fixed Interest, Cash and Absolute Return investment funds).

You can alter your investment mix at any time and at no cost. You can even arrange a different investment mix for future contributions. It may be in your best interests to seek professional advice before making or changing your investment decision.

The Trustee has determined that the assets of Combined Fund will be invested in collective investment funds managed by professional, external investment managers.

The selection of investment managers for the Fund is made by an extensive search process based upon independent professional advice. Since 1 January 2005, investment advice to the Trustee has been provided by JANA Investment Advisers.

The performance of the investment managers is continuously monitored and the Trustee may make changes, as deemed necessary, from time to time.

The following pages show details of each Investment Option, benchmark asset allocations and a five-year history of returns (including compound average returns). **These are the actual returns credited to your account ie after tax and all fees have been deducted.** Bear in mind that higher returns generally mean higher risk and volatility (variations between returns each year) and that past returns should not be seen as indicative of what may be achieved in the future.

For Allocated Pensioners, returns are shown separately. Our Allocated Pension commenced in July 2001 so results for only 4½ years are shown.

A copy of the Fund's Investment Strategy and Objectives may be obtained from the Fund Administrator (see back page).



Option 1: Australian Shares Option

The Australian Shares Option seeks to provide an investment return which exceeds the changes in the Consumer Price Index (CPI) by 5-6% per annum (or more) over rolling 5-year periods.

Strategy

Assets held in this option are invested in a range of Australian share investment trusts. There have been nine negative returns in the last 30 years.¹

Investment Managers

Invesco Australia
Maple Brown Abbott
Paradise Cooper Investors PM Capital
UBS Global Asset Management

The performance history of this Australian Shares Option for the last five calendar years has been:

	CPI %	Return %
2005	2.8	16.6
2004	2.6	27.7
2003	2.4	12.4
2002	3.0	-6.8
2001	3.1	15.5
5-Year Compound Average	2.8	12.5
3-Year Compound Average	2.6	18.7

Option 2: International Shares Option

The International Shares Option seeks to provide an investment return which exceeds CPI changes by 5-6% per annum (or more) over rolling 5-year periods.

Strategy

Assets held in this option are invested in a range of International share investment trusts. There have been four negative returns in the last 30 years.¹

Investment Managers

Alliance Bernstein Investment Management
Bank of Ireland Asset Management
MFS Investment Management
Platinum Asset Management

The performance history of this International Shares Option for the last five calendar years has been:

	CPI %	Return %
2005	2.8	13.8
2004	2.6	7.1
2003	2.4	4.2
2002	3.0	-22.8
2001	3.1	-10.2
5-Year Compound Average	2.8	-2.5
3-Year Compound Average	2.6	8.3

Option 3: Ethical Shares Option

The Ethical Shares Option seeks to provide an investment return which exceeds CPI changes by 5-6% per annum (or more) over rolling 5-year periods.

Strategy

Assets held in this option are invested in share trusts which exclude companies which are not regarded by the investment managers as socially responsible e.g. Alcohol, Tobacco and Gambling. There have been five negative returns in the last 30 years.¹

Investment Managers

The benchmark asset allocation for the Ethical Shares Option is:

Australian Shares	60%
International Shares	40%

The actual asset allocations for 2005 and 2004 were:

	2005 %	2004 %
Glebe Asset Management (Australian Shares)	66	65
Bank of Ireland Asset Management (International Shares)	34	35

The performance history of this Ethical Shares Option for the last five calendar years has been:

	CPI %	Return %
2005	2.8	15.6
2004	2.6	17.6
2003	2.4	6.1
2002	3.0	-15.6
2001	3.1	6.9
5-Year Compound Average	2.8	5.4
3-Year Compound Average	2.6	13.0

Option 4: Property Option

The Property Option seeks to provide an investment return which exceeds CPI changes by 3-4% per annum (or more) over rolling 3-year periods.

Strategy

Assets held in this option are currently invested in Unlisted Property Trusts. There have been four negative returns in the last 30 years.¹

Investment Managers

Investa Property Group
Lend Lease Real Estate Investments

The performance history of this Property Option for the last five calendar years has been:

	CPI %	Return %
2005	2.8	8.8
2004	2.6	15.6
2003	2.4	3.3
2002	3.0	9.5
2001	3.1	9.8
5-Year Compound Average	2.8	9.3
3-Year Compound Average	2.6	9.1

Option 5: Fixed Interest Option

The Fixed Interest Option seeks to provide an investment return which exceeds CPI changes by 2% per annum (or more) over rolling 3-year periods.

Strategy

Assets held in this option are invested in a diversified mix of Australian and International fixed interest investment trusts. There have been two negative returns in the last 30 years.¹

Investment Managers

UBS Global Asset Management (Enhanced Cash)
Basis Capital Funds Management
Perennial Investment partners

The performance history of this Fixed Interest Option for the last five calendar years has been:

	CPI %	Return %
2005	2.8	6.5
2004	2.6	5.6
2003	2.4	4.0
2002	3.0	7.3
2001	3.1	4.6
5-Year Compound Average	2.8	5.6
3-Year Compound Average	2.6	5.3

Option 6: Cash Option

The Cash Option seeks to provide an investment return which exceeds CPI changes over rolling 3-year periods.¹

Strategy

Assets held in this option are invested in Cash Managed Funds. There have been no negative returns in the last 30 years.

Investment Manager

UBS Global Asset Management

The performance history of this Cash Option for the last five calendar years has been:

	CPI %	Return %
2005	2.8	4.4
2004	2.6	4.7
2003	2.4	3.8
2002	3.0	3.1
2001	3.1	4.3
5-Year Compound Average	2.8	4.1
3-Year Compound Average	2.6	4.3

Option 7: Growth Option

The Growth Option commenced on 1 July 2005 and seeks to provide an investment return which exceeds CPI changes by 4-5% over rolling 5-year periods.

Strategy

This option invests in a cross section of diversified assets with an emphasis on growth over the medium term. There have been three negative returns in the last 30 years.¹

Investment Managers

The Growth Option is invested with all of the managers used for the investment sector options (except the managers used for the Ethical Shares Option) and with Absolute Return managers.

The investment return for the Growth Option for the six months to 31 December 2005 was 11.0%. The change in CPI during that period was 1.5%.

The Benchmark Asset Allocation for the Growth Option and the ranges within which this option would normally be invested are:

Growth Assets

Benchmark	Investment Ranges
42%	Australian Shares 27-57%
28%	International Shares 15-41%
10%	Property 0-20%
80%	77-90%

Defensive Assets

Benchmark	Investment Ranges
10%	Fixed Interest 0-20%
10%	Absolute Return 0-20%
0%	Cash 0-5%
20%	10-23%

Absolute Return Investments

Since 2003, the Balanced Option has included investments in Absolute Return funds as a defensive mechanism to offset the impact of market downturns. Whilst Fixed Interest and Cash investments have traditionally been used as defensive mechanisms, Fixed Interest can suffer periods of negative returns – particularly when interest rates are rising.

A further defensive alternative is to use an investment strategy that aims to generate returns in both rising and falling investment markets. Absolute Return funds are investment funds whose objective is to achieve an absolute or fixed return target rather than the usual target of outperforming a recognised benchmark index.

With an increased allocation to such Absolute Return investment funds in both the Balanced and Growth Options, we are formally recognising these investments as a separate asset class – rather than continuing to include them simply as defensive components of the share and fixed interest sectors.

Investment Managers

Basis Capital Funds Management
Deutsche Asset Management
Warakirri Asset Management

Option 8: Balanced Option (Default Option if you do not make an investment choice)

The Balanced Option seeks to provide an investment return which exceeds CPI changes by 3-5% per annum over rolling 3-year periods.

Strategy

This option invests in a cross-section of diversified assets with an emphasis on growth over the medium term and reduced risk. There have been three negative returns in the last 30 years.¹

Investment Managers

The Balanced Option is invested with all of the managers used for the investment sector options (except the managers used for the Ethical Shares Option) and with Absolute Return managers.

The Benchmark Asset Allocation for the Balanced Option and the ranges within which this option would normally be invested are:

Growth Assets

Benchmark	Investment Ranges
35% Australian Shares	20-50%
23% International Shares	10-36%
12% Property	2-22%
70%	60-76%

Defensive Assets

Benchmark	Investment Ranges
18% Fixed Interest	8-28%
10% Absolute Return	0-20%
2% Cash	0-20%
30%	24-40%

The actual asset allocations for 2005 and 2004 were:

	2005 %	2004 %
Australian Shares	34	49
International Shares	23	23
Property	11	8
Fixed Interest	16	14
Cash	7	6
Absolute Return	9	-

The performance history of the Balanced Option for the last five calendar years has been:

	CPI %	Return %
2005	2.8	11.9
2004	2.6	16.6
2003	2.4	6.6
2002	3.0	-4.4
2001	3.1	5.1
5-Year Compound Average	2.8	6.9
3-Year Compound Average	2.6	11.6

Option 9: Capitable Stable Option

The Capital Stable Option seeks to provide an investment return which exceeds CPI changes by 2-3% per annum (or more) over rolling 3-year periods.

Strategy

This option invests in a cross-section of diversified assets with an emphasis on security of capital. There has been one negative return in the last 30 years.¹

Investment Managers

The Capital Stable Option is invested with all of the managers used for the investment sector options (except the managers used for the Ethical Shares Option) and with Absolute Return managers.

The Capital Stable Option is invested with all of the managers used for the investment sector options (except the managers used for the Ethical Shares Option and the Absolute Return managers).

The Capital Stable Option is invested with all of the managers used for the investment sector options (except the managers used for the Ethical Shares Option and the Absolute Return managers).

The Benchmark Asset Allocation for the Capital Stable Option and the ranges within which this option can be invested are:

Growth Assets

Benchmark	Investment Ranges
15% Australian Shares	5-25%
8% International Shares	0-18%
7% Property	2-12%
30%	20-40%

Defensive Assets

Benchmark	Investment Ranges
50% Fixed Interest	8-28%
20% Cash	10-40%
70%	60-80%

The performance history of the Capital Stable Option for the last five calendar years has been:

	CPI %	Return %
2005	2.8	8.3
2004	2.6	9.5
2003	2.4	5.2
2002	3.0	2.1
2001	3.1	5.4
5-Year Compound Average	2.8	6.1
3-Year Compound Average	2.6	7.7

¹ Based on a simulation, prepared by JANA Investment Advisers, of the past returns using market returns before December 1999 adjusted using estimates of tax and expenses and using actual returns since December 1999.

Allocated Pension Investment Returns

Investment earnings for the Allocated Pension division of Combined Fund are exempt from tax. This, combined with a different fee structure until 31 December 2005, means that the declared returns for our Allocated Pensioners are usually higher than the returns for our other members.

From 1 January 2006, fees for Allocated Pensioners were reduced (see page 21 for the new fee arrangements).

Australian Shares	CPI %	Return %
2005	2.8	18.0
2004	2.6	30.0
2003	2.4	13.8
2002	3.0	-8.8
1/7/01-31/12/01	1.5	5.4
4½-Year Average	2.7	12.2
3-Year Average	2.6	20.4

Fixed Interest	CPI %	Return %
2005	2.8	7.1
2004	2.6	5.7
2003	2.4	4.1
2002	3.0	7.9
1/7/01-31/12/01	1.5	2.9
4½-Year Average	2.7	6.2
3-Year Average	2.6	5.6

International Shares	CPI %	Return %
2005	2.8	15.0
2004	2.6	7.3
2003	2.4	3.2
2002	3.0	-25.7
1/7/01-31/12/01	1.5	-6.8
4½-Year Average	2.7	-2.76
3-Year Average	2.6	8.4

Cash	CPI %	Return %
2005	2.8	4.7
2004	2.6	4.8
2003	2.4	4.1
2002	3.0	3.0
1/7/01-31/12/01	1.5	1.7
4½-Year Average	2.7	4.1
3-Year Average	2.6	4.5

Ethical Shares	CPI %	Return %
2005	2.8	16.7
2004	2.6	19.0
2003	2.4	5.9
2002	3.0	-17.0
1/7/01-31/12/01	1.5	1.6
4½-Year Average	2.7	4.9
3-Year Average	2.6	13.7

Growth	CPI %	Return %
6-month return	1.5	12.1
1/7/05-31/12/05		

Property	CPI %	Return %
2005	2.8	9.3
2004	2.6	16.9
2003	2.4	3.4
2002	3.0	9.8
1/7/01-31/12/01	1.5	5.0
4½-Year Average	2.7	9.8
3-Year Average	2.6	9.7

Balanced	CPI %	Return %
2005	2.8	12.9
2004	2.6	17.3
2003	2.4	8.0
2002	3.0	-7.3
1/7/01-31/12/01	1.5	1.3
4½-Year Average	2.7	6.8
3-Year Average	2.6	12.7

Capital Stable	CPI %	Return %
2005	2.8	9.0
2004	2.6	10.1
2003	2.4	5.4
2002	3.0	1.8
1/7/01-31/12/01	1.5	2.4
4½-Year Average	2.7	6.3
3-Year Average	2.6	8.2

Investment Management

At least once a year, the Trustee carries out a review of the Fund's investment strategy. The Trustee has in place a process to actively manage the investment strategy and may allow the allocation to a specific investment sector to fall below the minimum of the stated range should it become concerned at extreme asset valuations. The Trustee can also increase the Fund's exposure to sectors that are undervalued and can protect the capital base by reducing exposure to over-valued sectors.

During the year, several changes were made to the Fund's investment arrangements:

- the benchmark asset allocation for our Ethical Shares Option was changed from a 65/35 split between Australian and International Shares to a 60/40 split;
- the redemption of the HSBC property investment and reinvestment with Lend Lease and Investa Property Group which began in 2004 continued into 2005 and was completed by April 2005 (Property Option);
- the investment in Perennial's Australian Small Companies Share Fund was progressively redeemed between April and mid-November 2005 (Australian Shares Option);
- the investments in the Basis Aust-Rim Opportunity Fund and the Deutsche Global Equity Opportunities Fund were recognised as Absolute Return investments in June 2005 (having previously formed part of the Fixed Interest and International Shares Options respectively).
- New investments were made with:
 - Alliance Bernstein Global Style Fund June 2005 (International Shares Option);
 - Perennial Diversified Fixed Interest Fund June 2005 (Fixed Interest Option);
 - Basis Capital Yield Fund July 2005 (Fixed Interest Option);
 - Warakirri Alternative Strategies Fund August 2005 (Absolute Return investment);
 - MFS Global Equity Trust September 2005 (International Shares Option);
 - Invesco Wholesale Small Companies Fund October 2005 (Australian Shares Option);
 - UBS Australian Share Fund November 2005 (Australian Shares Option).

The Trustee of the Fund is required to disclose any individual investments or the total investments with any one organisation which represent 5% or more of the Fund's total assets based on the net market value as recorded in the Fund's financial statements for the year ended 31 December 2005:

Investment	% of Total Assets
Alliance Bernstein Global Style Fund	5.5
Bank of Ireland International Equities and Ethical Funds	5.2
Basis Capital Aust-Rim Opportunity and Capital Yield Funds	5.4
Investa Commercial Property fund	5.5
Lend Lease Prime Property Retail Fund	5.4
Maple-Brown Abbott Australian Equity Trust	8.6
MFS Global Equity Trust	5.0
Cooper Investors Australian Equity Fund	16.7
Perennial Diversified Fixed Interest Fund	6.5
Platinum International Fund	5.8
PM Capital Australian Opportunities Fund	5.2
UBS Credit Enhanced Cash Fund and Australian Share Fund	11.1

Unit Prices

Every contribution or rollover which is credited to your account is used to purchase units in the investment option(s) you have chosen.

Your account balance in the Fund at any time is simply the number of units you have in each option multiplied by the unit prices for those options at that time.

Unit prices move up and down as a result of changes in the market value of investments and investment income (interest, dividends, rents etc). Tax and Fund expenses are also taken into account in determining unit prices.

The movement in unit prices from 1 January to 31 December each year determines the annual return for each investment option.

Accordingly, the amount in your account at the start of each year will be credited with the return for the full year.

Subsequent contributions and rollovers will have different returns based upon the unit price at the time that they were received by the Fund.

Thus, whilst none of us like to see downturns in investment markets, any contributions or rollovers you make during such periods can earn better returns because they are purchasing units at a time when unit prices have dropped ie you purchase more units than you would when the investment markets are performing better.

ANY CONTRIBUTIONS OR ROLLOVERS YOU MAKE DURING PERIODS OF MARKET DOWNTURN CAN EARN BETTER RETURNS BECAUSE YOU ARE PURCHASING MORE UNITS THAN YOU WOULD WHEN INVESTMENT MARKETS ARE PERFORMING BETTER



Ethical Investments Policy

In keeping with its policy of appointing investment managers to invest Fund assets but not interfering with the investment processes of those managers, the Fund Trustee does not take into account labour standards or environmental, ethical or social considerations and does not have a predetermined view of such considerations or how far they should be taken into account when investing on behalf of members.

Our Ethical Shares Option investment managers, Glebe Asset Management (Australian Shares) and Bank of Ireland (International Shares) both exclude or restrict investments in companies whose activities are considered harmful to the environment and/or involve:

- gambling;
- tobacco or Alcohol;
- pornography;
- armaments;
- association with or support of oppressive regimes.



TM Combined Fund is one of only 3 superannuation funds in Australia to have been certified by the Ethical Investment Association (EIA) under the SRI Symbol Certification Program in the category of Superannuation Fund.

The SRI Symbol is a Certification Program which signifies that an investment product or service takes environmental, social, ethical and governance considerations into account along with financial returns.

Developed in response to investor requests for help in making more informed choices, the SRI Symbol promotes consistent, standardised disclosure and education about Ethical Investment and Sustainable Responsible Investment (SRI).

The SRI Symbol is the first Certification Program of its kind in the world and is owned and managed by the Ethical Investment Association (EIA). The SRI Symbol was created in partnership with the NSW Department of Environment and Conservation and the Victorian Government.

To be licensed to use the SRI Symbol, Combined Fund had to demonstrate that we satisfied the strict eligibility requirements for the category of superannuation funds. Combined Fund was independently reviewed and key details regarding our Certification are available through the EIA's website at www.eia.org.au or by calling the EIA on 02 8224 0314.

The SRI Symbol is a Trade Mark owned and managed by the EIA and there are currently four categories: Fund Manager, Superannuation Fund, Dealer Group and Financial Adviser.

The SRI Symbol does not constitute financial advice by the EIA.

Derivatives Policy

Derivates are financial contracts whose values depend on or are derived from assets, liabilities or indices. They include options, warrants, futures, swaps and forwards.

The Trustee has determined that it will not invest in derivatives directly in its own right.

The Trustee agrees to use investment managers, appointed under an individual mandate or via collective investments, investing in derivatives under the terms of appointment set out in a mandate or collective investment offer document.

The Trustee requires each of its investment managers to provide each quarter a statement of compliance with its own derivatives policy.

The Trustee has received the appropriate Risk Management Statements from each Investment Manager. These statements summarise the Managers' principles, policies and procedures relating to the use of derivatives. The Trustee is satisfied that these are in keeping with the Fund's Investment Policies.

Significant Risks

Investors in any superannuation fund are exposed to a certain level of risk. Such risks can include:

- Investment Risk – the possibility that your chosen investment option may produce a negative or lower than expected return for a period of time. This risk is higher for "Growth" assets such as Australian and international shares and property than it is for "Defensive" assets such as fixed interest and cash.
- Legislative Risk – the risk that the Government will change rules relating to superannuation (eg rules dealing with tax on benefits or access to benefits). It should be noted that no changes made to superannuation rules so far have been retrospective.
- Termination Risk – Trustees of superannuation funds reserve the right to modify or terminate a superannuation fund at any time. If this should happen, any benefits which have been secured for you by contributions made up to the date of change will be maintained and transferred to a fund of your choice. Combined Fund has been operating since 1959 and is not expected to close in the foreseeable future.

GENERAL INFORMATION

Annual Report and Member Benefit Statement

The Fund is reviewed annually as at 31 December. Around 31 March each year, you will receive a benefit statement covering transactions for the previous year to 31 December. This will be accompanied by a Product Disclosure Statement which includes the latest Annual Report and the Member Booklet.

You will also receive a benefit statement when you leave the Fund.

Fund Documents

Any document which the Trustee is required to make available to members will be provided to you within one month of your request, including the Trust Deed, Fund Financial Statements and the Auditor's Report. The Inquiries Officer will also provide, on request, any information that you may reasonably require to understand the operations of the Fund.

Web Site

Our web site, at www.combinedfund.com.au, contains a range of information in respect of the Fund, including the latest Unit Prices.

By use of a pin number allocated to you, you can access full information related to your account, including current Account Balance, Nominated Beneficiaries, personal details, check/change address, check/change investment choice, check/change level of insurance cover, etc.

Additional Services

Membership of the Combined Fund confers other privileges including:

- an enhanced range of hospital and ancillary benefits if you join the MBF health fund;
- a free health fund advisory service which determines not only which health fund provides the best benefits for your personal and family circumstances but also which benefit table in that health fund is the most appropriate; and
- a free home/investment loan advisory service which will review your present loan arrangements and advise on and implement alternatives.
- a financial planning service provided independently of Combined Fund by Oracle Financial Services.
- a discounted entry fee for a Home Equity Release loan (Reverse Mortgage) with Australian Seniors Finance. This is available to you and your parents.

Further details of these services can be obtained from the Fund Administrator or via our website at www.combinedfund.com.au.

Personal Communication

Staff from the Fund Administrator are available to address Common Rooms/Staff Meetings as required. At these meetings, time is always set aside for personal, face to face discussion for those Members who have specific queries.

Members are also invited to visit the office of the Fund Administrator at any time for a personal discussion on any matter related to superannuation.

Enquiries and Complaints

Feedback is very helpful to us so, if you have a question or a comment, feel free to contact us (see back page for details). The Fund also has in place procedures to deal with any complaint you may have.

Complaints about the Fund are extremely rare and can usually be resolved promptly. However, if you are unhappy with the response, you may write to the Fund's Inquiries Officer.

Superannuation regulations stipulate that the Trustee then follows a formal complaints consideration procedure and responds to you within 90 days.

Superannuation Complaints Tribunal

If you are not satisfied with the Trustee's handling of your complaint or its decision, you may contact the Superannuation Complaints Tribunal. The Tribunal is an independent body set up by the Federal Government to assist members or beneficiaries to resolve certain types of complaints with fund trustees.

If the Tribunal accepts your complaint, it will attempt to resolve the matter through conciliation, which involves assisting you and the Fund to come to a mutual agreement. If conciliation is unsuccessful, the complaint is referred to the Tribunal for review and it may make a determination which is binding.

If you wish to find out whether the Tribunal can handle your complaint and the type of information you would need to provide, phone the Superannuation Complaints Tribunal, for the cost of a local call anywhere in Australia, on 1300 780 808.

Eligible Rollover Fund

When you leave your employment, you may ask to transfer your benefit to a Personal Benefit Account in Combined Fund or to another superannuation entity.

If you do not, your benefit will be transferred to a Personal Benefit Account or, if your account balance is less than \$1500, to an Eligible Rollover Fund (ERF). A Withdrawal Fee of \$67 will be deducted from your benefit before it is transferred out of Combined Fund. This fee is waived if you remain with Combined Fund in a Personal Benefit Account.

If your benefit is transferred to an ERF, your membership of Combined Fund and your insurance cover from the Fund will cease.

In the ERF, your benefits are generally protected from erosion against those administration costs that are charged to your account. This protection does not extend to taxation, insurance premiums (if any) and administration costs which are applied before the earnings of the ERF are allocated to members.

You should be aware that an ERF is not generally considered to be a suitable long term investment vehicle for your superannuation benefits. This is because ERFs usually invest in assets that do not have much potential for longer term growth.

You can withdraw your benefit from the ERF at any time, subject to the Government's preservation requirements. The contact details of the ERF currently used by Combined Fund are:

The Manager
Supertrace
Locked Bag 5429
Parramatta NSW 5429
Telephone 1300 788 750

Privacy Policy

The Trustee is bound by the National Privacy Principles set out in the Federal Privacy Act. The Act regulates the way the Trustee and the Fund Administrator collect, hold and use members' personal information.

This personal information is collected to enable the Trustee and the Administrator to administer members' entitlements under the Fund. The Trustee will not collect any personal information that it does not require to administer such entitlements.

Members' personal information is stored in secure facilities and data bases and is only accessible to authorised personnel. Members are entitled to access their personal information (subject to some exceptions set out in the Trustee's Privacy Policy Document) and to request changes to any details that are incorrect or out of date. Other organisations may also have access to members' personal information. They are:

- Insurance companies – to assist in the administration of any death and disablement insurance;
- Actuaries – to review defined benefit members;
- Auditors and Government Regulators;
- Mailing company – to do mailings for the Fund;
- Archiving company – to ensure that old documents are stored in a secure environment;
- Promotion company – to assist in promoting the benefits of the Fund to members.

Members can obtain a copy of the Trustee's Privacy Policy Document from the Inquiries Officer (see back page).

Family Law

The Family Law Legislation Act (Superannuation) 2001:

- allows a Member's spouse access to details of the Member's superannuation benefits; and
- provides for superannuation benefits to be treated as property which can be divided on the breakdown of a marriage.

On the breakdown of a marriage, spouses can make an agreement or a Family Court can order:

- a payment split, that sets out how the superannuation benefit or interest is to be split between the spouses; or
- a payment flag, which requires the Trustee to notify each spouse within 14 days after a benefit becomes payable.

All requests for information must be made in writing to the Trustee and accompanied by a fee of \$80 payable to the Fund Administrator. The Trust Deed has been amended to enable the Trustee to comply with the provisions of agreements between Members and their spouses and the Family Court.

SUPERANNUATION NEWS

Co-contributions

For the year ending 30 June 2006, members who earn 10% or more of their income from employment may be eligible for a Government co-contribution if they make personal contributions (from after-tax salary) of up to \$1000 pa.

The Government co-contribution will cut-out at \$58,000 Assessable Income as shown in the following table. Assessable income includes Reportable Fringe Benefits.

Assessable Income \$	Optimum Personal Contribution \$	Government Co-Contribution \$	Assessable Income \$	Optimum Personal Contribution \$	Government Co-Contribution \$
28,000	1,000	1,500	44,000	467	700
29,000	967	1,450	45,000	433	650
30,000	935	1,400	46,000	400	600
31,000	900	1,350	47,000	367	550
32,000	867	1,300	48,000	333	500
33,000	833	1,250	49,000	300	450
34,000	800	1,200	50,000	267	400
35,000	767	1,150	51,000	233	350
36,000	733	1,100	52,000	200	300
37,000	700	1,050	53,000	167	250
38,000	667	1,000	54,000	133	200
39,000	633	950	55,000	100	150
40,000	600	900	56,000	67	100
41,000	567	850	57,000	33	50
42,000	533	800	58,000	Nil	Nil
43,000	500	750			

For more details, contact the Fund's administration team (see back page for details).

Maximum Deductible Contributions

Each year, the Government sets limits upon the amount of contribution which can be paid by an employer on your behalf and claimed as a tax deduction (including Salary Sacrifice contributions).

For the year ending 30 June 2006, these limits are:

• Age 35 and under	\$14,603
• 35 to 49	\$40,560
• 50 and over	\$100,587

Pension Changes

Under recent Government changes, you can begin drawing upon your superannuation savings after age 55 whether you have retired or not.

This is only one of many recent rule changes which the Government has introduced in order to make superannuation pensions even more attractive.

Using one or a combination of Combined Fund's three Allocated Pensions, you can now:

- convert your retirement savings into an account which earns tax-free investment income;
- gain access to generous tax concessions on your pension payments including the possibility of a tax-free component for life;
- choose how frequently you receive your pension payments (monthly, quarterly, yearly);
- determine the amount that you withdraw from your pension account(s) each year (subject to a low minimum amount set by the Government);



- choose the allocation of your pension investments between shares, property, fixed interest and cash and switch those investments at any time and at no charge;
- nominate which assets you wish to draw your pension from (for example, during a downturn in the sharemarket, you may prefer to draw pension payments from fixed interest or cash holdings);
- be eligible for even greater tax concessions under the Pension Reasonable Benefit Limit (RBL) which is twice the standard limit for tax-concessional status;
- enhance your eligibility for Centrelink benefits with only 50% of your retirement savings being counted for the assets test and your pension income being income-test friendly;
- ensure that your pension income continues for the long term – even if you live to be 100;
- arrange for the pension payments to continue to be paid to your spouse when you die; or
- if you prefer, arrange for the balance in your account to be paid as a tax-free lump sum to your dependants when you die.

Combined Fund's pensions offer you flexibility, excellent tax-free investment returns and great service. In addition, significant fee reductions at 1st January 2006 place our pensions among the most competitively priced in Australia.

Please feel free to contact us to discuss your options. Remember, Combined Fund's pensions are also available to your wife, husband or partner.

Contribution Splitting – a way to reduce your tax bill?

Recently passed legislation enables superannuation funds to offer members splitting of certain superannuation contributions with their spouse. This could result in significant tax savings, particularly for those who have already accrued substantial superannuation benefits.

After 1 July 2006, you will be able to nominate how much (if any) of your benefits arising from contributions made to the Fund between 1 January 2006 and 30 June 2006 is to remain in your account and how much you wish to split with your spouse.

Contributions that can be split include:

- personal after-tax contributions;
- Salary Sacrifice contributions; and
- contributions paid by your employer.

From the start of each new financial year after 1 July 2006, you can make a new splitting nomination in respect of benefits arising from contributions paid during the previous financial year.

If you have significant superannuation savings but your spouse does not (or vice versa), then transferring benefits between your superannuation account and your spouse's account could result in a considerable tax saving at retirement.

For more details, see our website at www.combinedfund.com.au or our January 2006 Newsletter No. 28.

FINANCIAL INFORMATION

The Financial Statements of Combined Fund for the year ended 31 December 2005 are summarised below. This information is an abbreviated version of the full financial report. At the time this report was prepared, BDO Chartered Accountants were completing their audit. If there is any material change to these accounts, a separate advice will be forwarded to all Combined Fund Members. The audit of the Fund is expected to be completed and the accounts signed before 30 April 2006. The accounts will then be available for inspection by the Members.

Operating Statement for the year ended 31 December 2005	2005	2004
	\$	\$
Revenue		
Employer contributions	32,305,598	27,130,030
Member contributions	2,735,339	2,214,820
Transfers from other funds	18,426,545	13,172,543
Investment	41,604,144	41,432,373
Insurance claims	481,627	586,878
TOTAL REVENUE	95,553,253	84,536,644
Expenditure		
Administration Service Fees	805,868	689,077
Administration Tender Costs	43,500	0
APRA Levies	171,876	80,804
APRA License Costs	116,830	0
Audit Fees	34,750	36,887
Leaving Service Fees	56,749	59,597
Directors fees	251,242	113,508
Net Insurance premiums	1,774,108	1,239,633
Insurance claims	481,627	586,878
Investment Management	3,834	72,747
Investment Consulting	196,670	64,030
Compliance & Secretarial Fees	516,615	446,150
Other Operating Expenses	615,757	588,438
TOTAL EXPENDITURE	5,069,426	3,977,749
Benefits accrued before tax	90,483,827	80,558,895
Surcharge deducted	426,201	232,265
Income tax expense	7,675,383	6,268,882
Benefits accrued after tax	82,382,243	74,057,748
Less Benefits paid/payable	18,630,414	12,459,177
Benefits accrued as a result of operations	63,751,829	61,598,571
Plus Members' Funds at beginning of year	276,012,963	214,414,392
MEMBERS' FUNDS AT END OF YEAR	339,764,792	276,012,963

Statement of Net Assets as at 31 December 2005	2005	2004
	\$	\$
Investments	329,385,557	268,371,944
Investments in Transit	0	4,018,142
Other assets		
Cash	15,029,419	7,288,773
Contributions receivable	1,314,163	608,682
Revenue receivable	2,079,117	1,604,409
Other	352,846	71,626
TOTAL ASSETS	348,161,102	281,963,576
Less liabilities		
Expenditure payable	92,961	78,007
Benefits payable	2,252,710	1,428,707
Current income tax	2,106,741	1,417,649
Deferred income tax	3,943,898	3,026,250
TOTAL LIABILITIES	8,396,310	5,950,613
NET ASSETS	339,764,792	276,012,963

FEES AND OTHER COSTS

Fees for all Allocated Pension Accounts reduced from 1 January 2006. Fees for all other Member Accounts reduce from 1 April 2006. (See Tables 1 and 2 for details).

The Australian Securities and Investment Commission (ASIC) changed the reporting requirements for superannuation funds with effect from 1 July 2005.

These changes include the Consumer Advisory Warning below and example calculations of fees based upon an assumed account balance and ongoing contributions.

Consumer Advisory Warning

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100, 000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

TO FIND OUT MORE

If you would like to find out more or see the impact of the fees based on your own circumstances, the ASIC website (www.fido.asic.gov.au) has a superannuation calculator to help you check out different fee options.

This Product Disclosure Statement shows fees and other costs that you may be charged. These fees and costs may be deducted from your account, from the returns on your investment or from the Fund assets as a whole.

Taxes and insurance costs are set out in other parts of the Product Disclosure Statement and Benefit Summary. You should read all of the information about fees and costs because it is important to understand their impact on your investment.

NB: It is important to note that the investment returns shown in this Product Disclosure Statement are the net returns on your account i.e. these are the returns after all taxes, administration and investment fees and other fund expenses have been deducted.

Any tax benefits accruing to the Fund are passed on to members through reductions in amounts charged to your account or through the earning rates credited to your account in the Fund.

Most members of Combined Fund are **Group Account members** ie they joined the Fund through their employer.

If you join the Fund as the spouse of a Member, contributions and any rollovers will be credited to your **Spouse Account**.

Those who retire and wish to commence an income stream can transfer to a **Pension Account**.

Those members who have left the service of their employer but wish to remain in the Fund may transfer to a **Personal Benefit Account (PBA)**. The fee arrangements for PBA and Spouse members for whom an employer makes ongoing Superannuation Guarantee Contributions (**SG Members**) are the same as the fees for **Group Account** members. Until 31 March 2006, a different fee applies for PBA and Spouse members who do not receive ongoing Superannuation Guarantee contributions from an employer (**Non-SG Members**).

The fee arrangements for each type of account are summarised in the two tables which follow. Table 1 shows the fees which apply until 31 March 2006. Table 2 shows the fees which apply from 1 April 2006.

There are no fees or commissions paid by Combined Fund to advisers who may recommend the Fund for your superannuation investment.

The Management costs shown in the tables are deducted from your account quarterly.

The Investment Managers' fees are deducted by the managers before the Unit Prices for each investment option are declared each month.

Expense Recovery occurs by deduction from the assets of the Fund which relate to your Account and is reflected in the Unit Prices declared each month. Thus, the rate of return credited to your Account is declared after recovery of all expenses.

Withdrawal Fees are only deducted from your account if you withdraw money in a lump sum from the Fund or if you split contributions with your spouse. The Withdrawal Fee does not apply to pension payments.

Table 1: Fees which apply up to 31 March 2006

Type of Fee or Cost	Amount		
	Group Account and Pension Account Members	Personal Benefit Account Members	Spouse Account Members
Fees when your money moves in or out of the fund			
Establishment fee The fee to open your account	Nil	Nil	Nil
Contribution fee The fee on each amount contributed to your account – either by you or your employer	Nil	Nil	Nil
Withdrawal fee The fee on each amount you withdraw from your account as a lump sum (including amounts you split with your spouse under Contribution Splitting arrangements). This fee does not apply to regular pension payments.	\$67	\$67	\$67
Termination fee The fee to close your account	Nil	Nil	Nil
Management costs			
The Administration fees for managing your account Investment Managers' fees (ie. the amount you pay for specific investment options) are shown on the next page.	\$52 (\$1 per week)	SG Members \$52 (\$1 per week) Non-SG Members \$28.60 (\$0.55 per week) plus 0.07% of assets per quarter	SG Members \$52 (\$1 per week) Non-SG Members \$28.60 (\$0.55 per week)
Expense Recovery			
Other expenses of operating the Fund which are not deducted from your account. For 2006, these expenses are estimated to be 0.462% pa (0.0385% per month) of the total net assets of the Fund after allowing for the expenses which are deducted from your account. This allows for the fee reduction from 1 April 2006.	0.0385% per month	0.0385% per month	0.0385% per month
Additional service fees			
Investment switching fee The fee for changing investment options	Nil	Nil	Nil

Table 2: Fees which apply to all Members from 1 April 2006

Type of Fee or Cost	Amount
Fees when your money moves in or out of the fund	
Establishment fee The fee to open your account	Nil
Contribution fee The fee on each amount contributed to your account – either by you or your employer	Nil
Withdrawal fee The fee on each amount you withdraw from your account as a lump sum (including amounts you split with your spouse under Contribution Splitting arrangements). This fee does not apply to regular pension payments.	\$67
Termination fee The fee to close your account	Nil
Management costs	
The Administration fees for managing your account investment Managers' fees (ie. the amount you pay for specific investment options) are shown on the next page.	\$52 (\$1 per week)
Expense Recovery	
Other expenses of operating the Fund which are not deducted from your account. For 2006, these expenses are estimated to be 0.462% pa (0.0385% per month) of the total net assets of the Fund after allowing for the expenses which are deducted from your account. This allows for the fee reduction from 1 April 2006.	0.0385% per month
Additional service fees	
Investment switching fee The fee for changing investment options	Nil

Example of annual fees and costs for a Balanced investment option for 2006

The following table gives an example of how the fees and costs in the Balanced investment option can affect your superannuation investment over a one year period. What it actually costs you will depend on the investment option(s) you choose. You should use this table to compare the fees for your account in the Fund with other superannuation products.

In addition to the fees shown in these examples, a withdrawal fee of \$67 will be deducted from your account if you withdraw money from the Fund in a lump sum or if you split contributions with your spouse under Contribution Splitting arrangements. This fee does not apply to pension payments.

Example – All Members of the Fund		Balance of \$50,000 with Total Contributions of \$5,000 during year
Contribution Fees	Nil	For every \$5,000 you put in, there will be no charge
PLUS Management Costs (including Expense Recovery and Investment Manager Fees)	\$52 (\$1 per week) plus 0.462% plus 0.74%	And, for every \$50,000 you have in the Fund, you will be charged \$601 each year plus, regardless of your balance, \$52 in administration fees.
EQUALS Cost of fund		If you put in \$5,000 during a year and your balance was \$50,000, then, for that year, you will be charged fees of \$653.

The Trustee will not increase the Administration fees without telling you at least one month before any increase becomes effective.

The Expense Recovery and Investment Managers' Fees reflect the actual costs paid by the Fund and may change from time to time. If this happens, we will tell you in the next Annual Report.

In fact, the Fund's Expense Recovery Fee will reduce from 1 April 2006 as a result of a reduction in administrative costs. We estimate that the Expense Recovery Fee for 2006 will reduce to 0.462% pa of total net assets of the Fund. For the year ended 31 December 2005, the Expense Recovery Fee was 0.662%. However, this included a number of costs to the Fund which will not be repeated in 2006. For example, the cost of obtaining an APRA Licence which totalled \$117,000. (In fact, with some licence costs being paid in 2004, the total cost of obtaining the licence was \$124,372).

If the total balance in your Account in the Fund at any time is less than \$1000 and includes mandatory employer contributions, Government regulations limit the fees which can be deducted from your Account to the investment return credited to your Account.

This protection does not apply to tax and insurance premiums nor does it apply to the Expense Recovery or Investment Manager fees.

Fees for Investment Options

The Fund's investment managers deduct asset fees from the investments that they manage. Those fees are deducted before the investment return is credited to the Fund by each manager:

• Australian Shares	0.70%
• International Shares	0.95%
• Ethical Shares	0.81%
• Property	0.81%
• Fixed Interest	0.58%
• Cash	0.09%
• Growth	0.80%
• Balanced	0.74%
• Capital Stable	0.54%

These fees will vary slightly depending on the proportion of assets invested with each investment manager.

The example shown above includes the investment manager fees for the Balanced Option ie 0.74%.

TAXES

Tax File Numbers

Under current legislation, the Trustee is required to invite you to provide your Tax File Number (TFN). Your TFN may only be used by the Trustee for certain purposes and penalties apply should the Trustee misuse the information.

Choosing not to provide your TFN is not an offence but it may mean that you pay tax at the top marginal rate when your benefit is paid to you.

Tax on contributions to a superannuation fund

The Fund must pay tax of 15% on deductible contributions. Deductible contributions are:

- Contributions your employer makes on your behalf; and
- Contributions paid from income on which tax has not been paid. This is usually contributions paid through a salary sacrifice arrangement with your employer.

No tax is payable on undeducted contributions you make to the Fund. These are contributions from income on which you have already paid tax (ie from after-tax income). There is also no tax on any Government co-contribution made on your behalf.

The Superannuation Surcharge

The Superannuation Surcharge was an extra tax on superannuation contributions which was aimed at high income earners. The Surcharge was withdrawn by the Government from 1 July 2005 but still applies in respect of contributions received before then.

Tax on investment earnings

Tax relating to investment earnings is paid by the Fund. The rate of tax payable by superannuation funds is usually no more than 15% but may be less due to the effect of taxation credits and rebates.

Tax on benefit payments

Before any benefit is paid to you from the Fund, the Trustee will arrange for the appropriate tax (if any) to be deducted as required by law.

The amount of tax payable on your benefit depends on several matters including:

- The type of benefit payable (lump sum or pension);
- Your age at the time the benefit is paid;
- Whether or not the benefit includes contributions from previous employers which you rolled-over to this fund.

Benefit Component	Age at date of lump sum payment	
	Under Age 55	55 and Over
Undeducted contributions and Government Co-contributions	Tax free	Tax free
Concessional component	5% is included in your taxable income and taxed at your marginal tax rate	5% is included in your taxable income and taxed at your marginal tax rate
CGT exempt component	Tax free	Tax free
Pre 1 July 1983 component	5% is included in your taxable income and taxed at your marginal tax rate	5% is included in your taxable income and taxed at your marginal tax rate
Post 30 June 1983 taxed element	20% tax	Up to \$129,751 – tax free. Balance – 15% tax
Post 30 June 1994 invalidity component	Tax free	Tax free
Excessive component	38% tax	38% tax

Notes:

- The Medicare levy will be added to whichever rate is applicable but not where the benefit is tax free.
- The \$129,751 threshold for the Post 30 June 1983 component is applicable for the 2005/2006 year. The threshold is indexed at 1 July each year.
- The concessional component represents bona fide redundancy, approved early retirement scheme and invalidity payments made prior to 1 July 1994.
- The Post 30 June 1994 invalidity component represents invalidity payments which meet certain criteria and were made on or after 1 July 1994.
- The Excessive component is the amount in excess of your Reasonable Benefit Limit (see below).
- The taxation may differ for temporary residents permanently departing Australia.

No tax is payable by you if you elect to roll-over your benefit to another superannuation fund, an approved deposit fund, retirement savings account or other approved superannuation institution. Payment of tax by you is deferred until such time as the benefit is paid to you in cash.

If you elect to take your benefit as a pension, the regular payments are taxed as income but undeducted contributions and Government Co-contributions are returned tax-free over the life of the pension and a 15% tax rebate will generally apply.

Reasonable Benefit Limit (RBL)

Government regulations limit the amount of superannuation benefit you may receive which is concessionally taxed.

The RBL is a fixed dollar amount which is increased each year in line with the growth of Average Weekly Ordinary Time Earnings. If you take your benefit as a lump sum before 1 July 2006, your RBL is \$648,946. An RBL of \$1,297,886 applies if at least 50% of your benefit is taken as a complying pension or annuity.

Higher transitional limits will apply depending if you were over age 45 at 1 July 1994.

Any benefit paid in excess of the RBL is taxed at 39.5%. Whilst it is unlikely that your benefits in the Fund will exceed your RBL, you should check your position more closely as you approach retirement.

Spouse rebate

If your spouse's assessable income is less than \$10,800, an 18% tax offset is available to you on after-tax contributions you make to an account in your spouse's name up to \$3,000, with a maximum offset of \$540. The rebatable contribution limit reduces by \$1 for every \$1 by which your spouse's assessable income is above \$10,800, so that the offset cuts out completely when your spouse's assessable income reaches \$13,800. Reportable Fringe Benefits are included in the calculation of assessable income.

WHO LOOKS AFTER YOUR BENEFITS?

The Trustee of the Fund is responsible for all aspects of the Fund's operations. The Trustee Company, Combined Fund Pty Ltd (ACN 064 976 138) has equal numbers of member-representative and employer-representative directors and can also appoint an independent trustee director.

Election of Trustee Directors

To be a Trustee Director, you must first be nominated to the Member Representative Electoral College by your fellow members of the Fund or to the Employer Representative College by a Participating Employer in the Fund. You must also satisfy certain eligibility requirements.

Directors are elected by the members of their Member Representative and Employer Representative Colleges and serve a term of 3 years.

At the end of their 3-year term, the positions are declared vacant and a further election is held. Outgoing directors may be considered for re-election. A further election is also held if a casual vacancy arises.

Full details of election procedures may be obtained from the Fund's Inquiries Officer, Roy Freeman (see back page).

In May 2005, Alan Williamson was elected Employer Director to fill the casual vacancy arising following the death of Keith Doery in February 2005

As at 31 December 2005, the following Directors' terms expired and all were re-elected for a further 3 years:

Member Representative	Employer Representative
Ted Collins	Clovis Bonner
Richard Sait	Alan Williamson

In February 2006, Frank Reid was re-elected Employee Director to fill the casual vacancy arising when he left Haileybury College. He is now the Employee Representative for The Knox School.

Current Directors	Meetings Attended	Nominating Employer
Clovis Bonner	4/4	Overnewton Anglican Community College
Brian Collins*	4/4	Braemar College
Ted Collins*	4/4	Gippsland Grammar
Rob Daniel*	3/4	Caulfield Grammar School
John Evans (Chairman)	4/4	Caulfield Grammar School
George Kogios*	4/4	Heathdale Christian College
Frank Reid*	4/4	The Knox School
Richard Sait*	4/4	Taylors College
Peter Trewin	3/4	Haileybury College
Doug Watson	3/4	Yarra Valley Grammar School
Alan Williamson	2/2	The Geelong College
Terry Wills Cooke (Dep. Chair)	4/4	Christian College, Highton

* Member Representatives



In addition to their duties as trustees of the Fund, each director serves on at least one of three committees. A fourth committee (the APRA Licensing Committee) was formed in late 2004. The Fund Chairman, John Evans, serves on each committee in an ex officio capacity. In order to continue operating beyond 1 July 2006, superannuation funds must be granted a licence by the Australian Prudential Regulation Authority. This new committee was set up specifically to work towards lodgement of a licence application in 2005. The Fund's APRA Licence and Registration were granted in November 2005.

Executive & Investment Committee	
Brian Collins	7/9
John Evans	7/9
Frank Reid	8/9
Doug Watson	9/9
Terry Wills Cooke (Chairman)	9/9
Legal Committee	
Ted Collins	2/3
Keith Doery	1/1
John Evans	3/3
Richard Sait (Chairman)	3/3
Alan Williamson	2/2
Finance & Audit Committee	
Clovis Bonner (Chairman)	4/4
Rob Daniel	4/4
John Evans	2/4
George Kogios	4/4
Peter Trewin	4/4
APRA Licensing Committee	
Clovis Bonner (Chairman)	12/12
Brian Collins	12/12
Rob Daniel	10/12
Keith Doery	1/1
John Evans	7/12
George Kogios	12/12
Peter Trewin	10/12

Trustee Indemnity Insurance

As an added protection to Members, the Trustee has secured insurance to cover the Fund, the Trustee and the Directors of the Trustee against liability arising in the operation of the Fund.

The Fund Rules

The Trust Deed is the document which sets out the rules of the Fund. An amendment to the Trust Deed which provides for members who are over age 55 but still working to access their superannuation benefits in pension form was executed on 25 November 2005.

A further amendment is being made to allow members to split contributions with their spouses after 1 January 2006.

OUTSOURCED SERVICES

Whilst the Trustee retains responsibility and liability for all aspects of the Fund's operations, it outsources some aspects of the Fund to certain specialist groups.

Administration

Group Benefits Pty Ltd

Following a comprehensive tender in respect of the administration of the Fund, Group Benefits Pty Ltd was reappointed Administrator in December 2005. The tender was managed by the independent ratings group, SuperRatings Pty Ltd.

Audit

BDO

Investment Advice

JANA Investment Advisers

Group Life and Disability Insurance

Tower Life

Legal Advice

(Allens Arthur Robinson)

Investment Management

Alliance Bernstein Institutional Investment Management
Basis Capital Funds Management Ltd
BIAM Australia Pty Ltd (Bank of Ireland)
Deutsche Asset Management (Australia) Ltd
Glebe Asset Management Ltd
Invesco Australia Ltd
Investa Property Group
Lend Lease Real Estate Investments
Maple-Brown Abbott Ltd
MFS Investment Management
Paradise Cooper Investors (Melbourne) Pty Ltd
Perennial Investment Partners Ltd
Platinum Asset Management Ltd
PM Capital Limited
UBS Global Asset Management (Australia) Ltd
Warakirri Asset Management Pty Ltd

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Fund Secretary

Doug Watson

Under Secretary/Inquiries Officer

Roy Freeman

Manager Client Services

Jane Hargreaves

Fund Accountant

Peter Braun

Fund Administrator

Craig Mason

Compliance Officer

Julie Guettler