

ANNUAL REPORT 2003



COMBINED FUND

A Lifetime of Growth

Mission Statement



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:

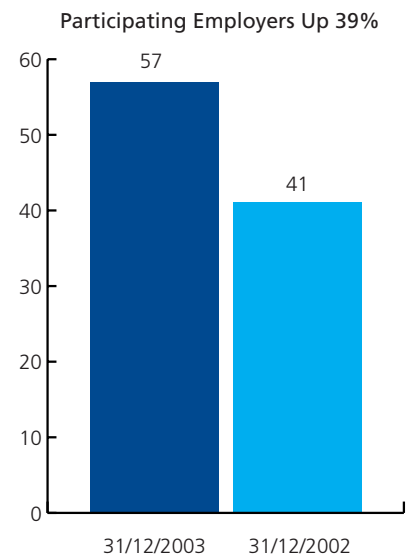
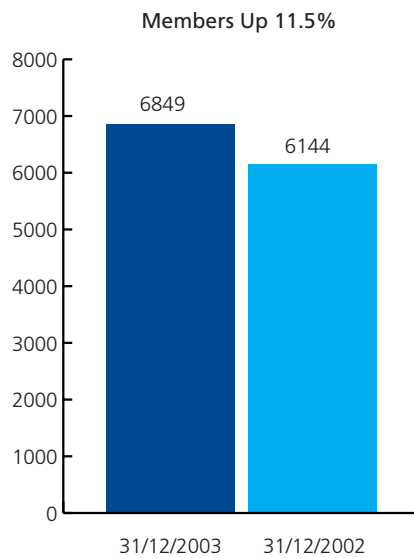
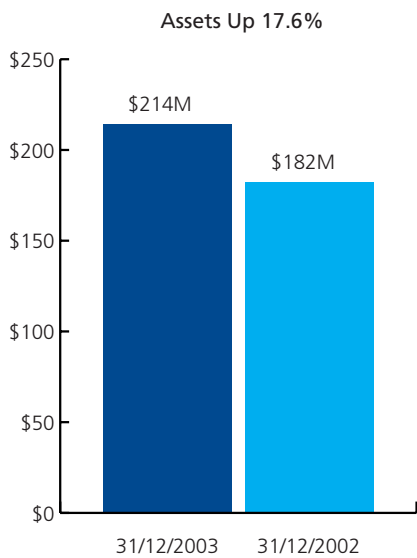
- innovative;
- member oriented;
- quality driven;
- well managed and controlled;
- low cost;
- market competitive; and
- conforming to all legal and regulatory requirements.

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

Contents

Consistent Manageable Growth	1
Chairman's Report	2
Investment Markets – A year of Recovery	4
Investment Options	5
General Information	9
Superannuation News	12
Financial Information	14
Who looks after your benefits?	15
Outsourced Services`	16
Participating Employers	17

Consistent Manageable Growth

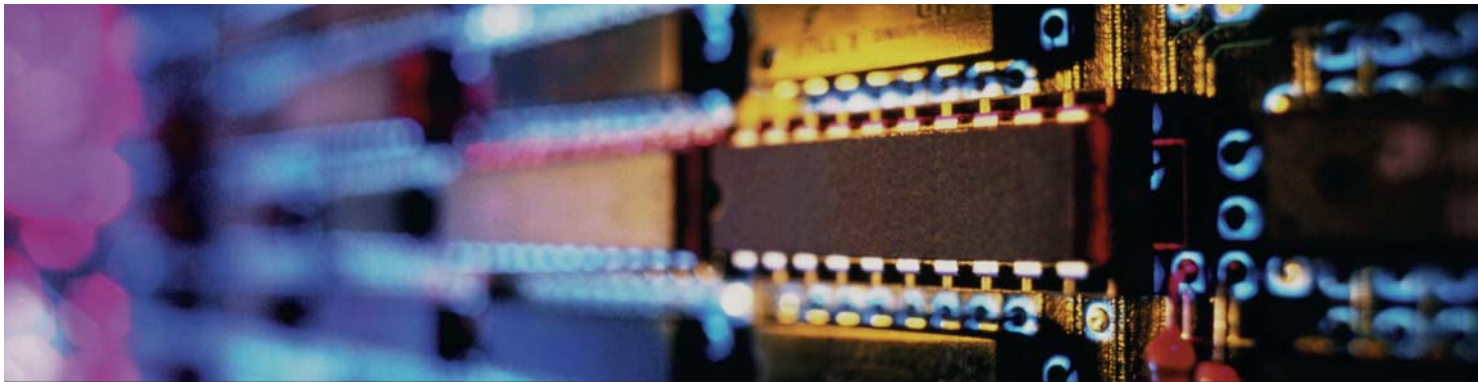


We welcome the following participating employers:

Aussie Masters Swimming Australia
 Bayside Christian College
 Brace Education Training and Employment
 Camberwell Anglican Girls Grammar School
 Dandenong Ranges Steiner School
 Geelong Performing Arts Centre
 Group Benefits Pty Ltd
 Kardinia International College

Little St Margaret's Pre-School
 Melbourne Rudolf Steiner School
 Mercurius School Supplies
 Ozford College
 Strathcona Baptist Girls Grammar School
 The Goulburn Valley Division of General Practice Ltd
 The WaterWize Company Pty Ltd
 Werribee Baptist Church

Chairman's Report



A year of change and recovery

Investments

Following a rather gloomy start to the year (the worst quarter in 14 years), global sharemarkets began to turn around in mid-March of 2003.

The sharemarkets continued that recovery and, in a reversal of the trends of the previous two years:

- the former safe havens of fixed interest and property fell away (producing some negative returns during the second half of 2003); and
- sharemarkets provided most of the returns for the year.

However, some superannuation funds endured a third consecutive year of negative returns in 2003 and most have now had two consecutive years of negative returns in their Balanced/Growth funds.

Every one of our 8 investment options produced positive returns for 2003.

Despite a general expectation that Balanced Funds will produce, on average, a negative return every 7 years, our Balanced Fund has had only one year of negative returns in the last 9 years. In fact, since the Fund was established in 1959, the Balanced Fund has declared negative returns in only 2 of those 44 years.

For the past 3 years, the only negative returns from our 8 investment options were the International Share option in 2001 and the Share and Balanced options in 2002.

Our Fund has an excellent investment history and, with the investment changes which we made during the year, we have some reason to be optimistic that this performance will improve even further in the future. More details are provided later in this report.

Most investment managers are very positive about the prospects for 2004 and expect shares to again produce better returns than the other asset classes.

Legislative changes

In another busy year for superannuation funds, the Government introduced a range of improvements including:

- a reduction in the tax surcharge on contributions;
- a Government co-contribution of up to \$1000 pa to match personal contributions by lower income earners;
- a reduction in the rate of tax on benefits which exceed Reasonable Benefit Limits;
- a requirement for employers to pay the 9% Superannuation Guarantee contributions at least quarterly and to report details of those contributions to employees.

Whilst the Government has indicated its intention to allow splitting of employer contributions between the member and a spouse, enabling legislation has not yet been finalised.

Changing of the guard

During the year, Bruce Mason retired as Executive Officer of the Fund. Bruce has served the Fund loyally and well for the past 28 years. His dedication to the Fund has been greatly appreciated and we wish him well for the future.

Bruce is succeeded by Greg Taylor who has been with the Fund for 3 years and has 33 years of superannuation experience.

Change of name

In December 2003, the name of the Fund changed from Combined Schools Superannuation Fund to Combined Fund. This reflects the extension of the scope of the Fund to now include:

- other bodies involved in education and training;
- charities;
- religious organizations; and
- non-profit groups and associations.

The name of the Trustee Company was changed to Combined Fund Pty Ltd.

Responsibility for the administration of the Fund was transferred from Combined Schools Secretariat Pty Ltd to its associated company, Group Benefits Pty Ltd.

Changes to the Fund rules

The Trust Deed is the document which sets out the rules of the Fund. The Trust Deed has been amended to record the change of name of the Fund and the Trustee.

New services for members

We introduced two new services for members of the Combined Fund and their families:

- a Health Fund selection service which enables you to determine not only which Health Fund is the best for you but also which benefit table is the most appropriate for your circumstances; and
- a personalised mortgage and business loan advisory service.

These matters are covered in more detail in this Report.

J. R. Evans
Chairman

Investment Markets – A Year of Recovery

At this time last year, the sharemarkets – both international and Australian – were hitting rock bottom and many investors were vowing never to put a cent into shares again. There seemed to be no escape from the ravages of the sharemarket, as most superannuation funds were dragged into the red for a second year in a row (some for a third year).

Many fund trustees grasped for any possibility to boost their returns – hedge funds, options and warrants and other investment products that promised low correlations with the ever diving sharemarket. But with the Iraq war looming, the threat of further terror strikes and the pall of corporate failures still hanging in the air, there seemed little joy on the horizon.

One exception was the residential property market, which kept rising from strength to strength, delighting homeowners across the country even while it confounded the experts and sent would-be first homebuyers further into despair.

It is now obvious in hindsight that there was a clear signal that the sharemarket was about to turn around. Nevertheless, in February 2003, the sharemarket bears (along with those who had no idea where the market was going) outnumbered the bulls by 10 to one, according to the Australian Investors' Association Investors Sentiment index.

Twelve months on and the wheel has turned. By the end of 2003, the Australian ASX/S&P 500 index of shares had risen nearly 20 per cent. The international sharemarkets had done even better – rising more than 30 percent since the market low in March 2003. (Unfortunately, most of these international gains were cancelled out by the fact that the Australian dollar rose around 30 per cent over the same period).

Meanwhile, the residential property market is finally showing signs of faltering – particularly the off-the-plan apartment investment market.

Listed Property Trusts still performed reasonably well for the year (8.8%) despite producing negative returns for June, August and September and a barely positive return for July 2003.

However, had listed property trusts not recovered in the December quarter, their return for the year would have been less than 1%. Their return for the previous year was 11.8%.

The Australian Fixed Interest market performed relatively poorly for the year with a return of just over 3%. The December quarter return was only 0.16%.

This was a significant drop from 2002's market return of 8.8%.

Investment managers now generally expect that most capital growth over the next 12 months is likely to be from global sharemarkets – finally, it seems, recovering from 3 years of poor returns. Currency is an issue, of course but it is generally expected that the Australian dollar's steady climb will reverse once the US Federal Reserve begins to increase official interest rates.



At this time
last year, the
sharemarkets –
both international
and Australian –
were hitting
rock bottom.

Investment Options

The Fund provides members with 8 Investment Options.

You can select one or more of the eight options (or any mix) for the investment of your Account Balance:

- Australian Shares
- International Shares
- Ethical Shares
- Property
- Balanced (default option)
- Capital Stable
- Fixed Interest
- Cash

You can alter your investment mix at any time, at no cost. It may be in your best interests to seek professional advice before making or changing your investment decision.

The selection of investment managers is made by an extensive search process based upon independent professional advice.

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

Earning rates which will be credited to members' accounts for the year ended 31 December 2003 are:

Australian Shares	12.40%	Balanced	6.64%
International Shares	4.20%	Capital Stable	5.20%
Ethical Shares	6.10%	Fixed Interest	4.00%
Property	3.30%	Cash	3.80%

Earning rates for Allocated Pension members were:

Australian Shares	13.8%	Balanced	8.0%
International Shares	3.2%	Capital Stable	5.4%
Ethical Shares	5.9%	Fixed Interest	4.1%
Property	3.4%	Cash	4.1%

The investment return on our Allocated Pension assets is exempt from tax. This, combined with a different fee structure, means that the declared returns for our Allocated Pensioners are not the same as the returns for our contributory members.

The following pages show details of each Investment Option, benchmark asset allocations and a five-year history of 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 volatility and that past returns should not be seen as indicative of what may be achieved in the future.

Our Allocated Pension commenced in 2001 so 5-year results are not available.

A copy of the Fund's complete Investment Strategy and Objectives may be obtained from the Inquiries Officer, Roy Freeman.

Investment Management

During the year, the Trustee carried 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 sector to fall below the minimum of the stated range should it become concerned at extreme asset valuations. The Trustee can increase the Fund's exposure to sectors that are undervalued and can protect the capital base by reducing exposure to over-valued sectors.

In June 2003, the Australian Shares and Fixed Interest mandates of Colonial First State and Macquarie Investment Management respectively were terminated. Tower Life's mandate for Ethical Australian Shares was also terminated. Specialist mandates were granted to:

- Paradise Cooper Investments (Australian Shares)
- Platinum Asset Management (International Shares)
- Glebe Asset Management (Ethical Australian Shares)
- Pimco Australia (International Fixed Interest)
- GMO Australia (Australian Shares)

In November 2003, all Fixed Interest investment mandates were terminated and reinvested in cash. This is under ongoing review.

An investment with Members Equity Limited was also redeemed. This resulted in the termination of the home loan facility (which has been replaced by our Home Loan Advisory Service with Lakeside Consulting).

The Trustee of the Fund is required to separately disclose the following investments as they 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 2003:

Investment	% of Total Assets
Bank of Ireland International Equities Fund	9.8%
Basis Capital Aust-Rim Opportunity Fund	6.0%
Deutsche Global Equity Opportunities Fund	5.5%
GMO Australian Long/Short Equity Trust	8.5%
HSBC Australia Private Property Trust	10.9%
Maple-Brown Abbott Australian Equity Trust	15.2%
Paradise Cooper Investors Australian Equity Trust	11.5%
Perennial Value Smaller Companies Trust	10.2%
Platinum International Fund	6.0%
UBS Credit Enhanced Cash Fund	9.9%



Option 1: Australian Shares Option

The Australian Shares Option seeks to provide an investment return which exceeds the growth of the Consumer Price Index (CPI) by 5-6% per annum (or more) over rolling 3-year periods.

Strategy

To invest in a variety of Australian Companies where the share price is expected to appreciate over time. The likelihood of a negative return in any year is estimated as one in five.

Investment Managers

Maple Brown Abbott
Perennial Investment Partners
Paradise Cooper Investments
GMO Australia

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

	CPI %	Return %
1999	1.8	17.1
2000	5.8	11.4
2001	3.1	15.5
2002	3.0	-6.8
2003	2.4	12.4
5 Year Average	3.21	9.56

Option 2: International Shares Option

The International Shares Option seeks to provide an investment return which exceeds CPI growth by 5-6% per annum (or more) over rolling 3-year periods.

Strategy

To invest in a variety of International Companies where the share price is expected to appreciate over time. The likelihood of a negative return in any year is estimated as one in five.

Investment Managers

Bank of Ireland Asset Management
Deutsche Asset Management (Hedge Fund)
Platinum Asset Management

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

	CPI %	Return %
1999	1.8	9.9
2000	5.8	7.1
2001	3.1	-10.2
2002	3.0	-22.8
2003	2.4	4.2
5 Year Average	3.21	-3.19

Option 3: Ethical Shares Option

The Ethical Shares Option seeks to provide an investment return which exceeds CPI growth by 4-5% per annum (or more) over rolling 3-year periods.

Strategy

To invest in a variety of Australian and International Companies where the share price is expected to increase over time but excluding those which are not regarded by the investment managers as socially responsible e.g. Alcohol, Tobacco, Gambling, Uranium Mining. The likelihood of a negative return in any year is estimated as one in five.

Investment Managers

Glebe Asset Management (Australian Shares)	65%
Bank of Ireland Asset Management (International Shares)	35%

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

	CPI %	Return %
1999	1.8	16.4
2000	5.8	5.5
2001	3.1	6.9
2002	3.0	-15.6
2003	2.4	6.1
5 Year Average	3.21	3.28

Option 4: Property Option

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

Strategy

To invest 50% in Direct Properties and 50% in Listed Property via Property Trusts. The likelihood of a negative return in any year is estimated as one in five.

Investment Manager

HSBC Asset Management

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

	CPI %	Return %
1999	1.8	4.2
2000	5.8	13.3
2001	3.1	9.8
2002	3.0	9.5
2003	2.4	3.3
5 Year Average	3.21	7.95

Option 5: Balanced Option (Default Option if you do not make an investment choice)

The Balanced Option seeks to provide an investment return which exceeds CPI growth by 3-5% per annum over the longer term.

Strategy

To invest in a cross-section of diversified assets with an emphasis on growth over the medium term and reduced risk. An Investment Fluctuation Reserve is maintained to assist in smoothing yields to Members.

The likelihood of a negative return in any year is estimated as one in seven.

Investment Managers

The Balanced Option is invested with all of the managers used for the various options (except the managers used for the Ethical Shares Option). The benchmark asset allocation for the Balanced Option is:

Australian Shares	47.5%
International Shares	22.5%
Property	12.5%
Fixed Interest	15.0%
Cash	2.5%

The actual asset allocation for 2003 and 2002 was:

	2003 %	2002 %
Australian Shares	46	42
International Shares	23	20
Property	11	11
Fixed Interest	6	15
Cash	14	12

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

	CPI %	Return %
1999	1.8	9.0
2000	5.8	10.0
2001	3.1	5.1
2002	3.0	-4.4
2003	2.4	6.6
5 Year Average	3.21	5.13

Option 6: Capital Stable Option

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

Strategy

To invest in a cross-section of diversified assets, with an emphasis on security of capital. The likelihood of a negative return in any year is estimated as one in ten.

Investment Managers

The Capital Stable Option is invested with all of the managers used for the various options (except the managers used for the Ethical Shares Option). The benchmark asset allocation for the Capital Stable Option is maintained as:

Australian Shares	15%
International Shares	8%
Property	7%
Fixed Interest	50%
Cash	20%

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

	CPI %	Return %
1999	1.8	3.5
2000	5.8	8.4
2001	3.1	5.4
2002	3.0	2.1
2003	2.4	5.2
5 Year Average	3.21	4.89

Option 7: Fixed Interest Option

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

Strategy

To invest in a diversified mix (Australian and International) of fixed interest securities and bonds. The likelihood of a negative return in any year is estimated as one in ten.

Investment Managers

UBS Global Asset Management (Australian Bonds)
Basis Capital Funds Management (Hedge Fund)

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

	CPI %	Return %
1999	1.8	-0.1
2000	5.8	9.9
2001	3.1	4.6
2002	3.0	7.3
2003	2.4	4.0
5 Year Average	3.21	5.08

Option 8: Cash Option

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

Strategy

To invest in Cash Managed Funds. There is no likelihood of a negative return in any year.

Investment Manager

UBS Global Asset Management

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

	CPI %	Return %
1999	1.8	3.9
2000	5.8	4.5
2001	3.1	4.3
2002	3.0	3.1
2003	2.4	3.8
5 Year Average	3.21	3.91

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.

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:

- Uranium mining and/or the use of uranium.
- Gambling;
- Tobacco or Alcohol;
- Pornography;
- Armaments;
- Association with or support of oppressive regimes.

Combined Fund is one of only 7 Australian superannuation funds which belong to the Ethical Investors' Association.

Derivatives Policy

The Trustee has adopted a policy on derivatives that prohibits the Trustee from investment directly in derivatives in its own right. The policy allows derivatives (eg options, warrants, futures and swaps) to be utilized by the Fund's investment managers for the following purposes:

- to protect the value of the Fund's assets and reduce volatility of capital values and risk or to remove unwanted characteristics of securities;
- to efficiently alter the effective distribution of assets amongst investment sectors under the terms of appointment as a tactical asset allocation manager;
- to gain exposure to particular markets or companies in accordance with agreed investment management strategies;
- to achieve effective change in investment allocations and to reduce transaction costs and the effect of price movements; and
- to more effectively manage risk and duration exposure.

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.

Balanced Option Reserving Policy

The Trustee maintains an Investment Fluctuation Reserve in the Balanced Option for Division A and B members. This is used to smooth out the variations in year on year investment returns.

Having built up the Reserve to \$3.079 million by 31 December 2001, the Trustee allocated \$3.041 million to supplement the return credited to members' accounts in 2002.

For the year ended 31 December 2003, the Trustee credited \$883,000 to the Reserve. The total in the Reserve at 31 December 2003 was \$921,000.

Combined Fund is one of only
7 Australian superannuation funds
which belong to the Ethical
Investors' Association.

General Information

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 moved 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 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 can earn better returns because they are purchasing units at a time when unit prices have dropped.

Administration Charges

An administration charge of just 95 cents per week is deducted from Members' Accounts. Other operational costs are paid out of the earnings of the Fund. A benefit fee of \$61 is charged if a member leaves 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 is reasonably required to understand the operations of the Fund.

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 has in place procedures to deal with any complaint you may have.

Complaints about the Fund are 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 we then follow a formal complaints consideration procedure and respond 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 884 114.

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.

Eligible Rollover Fund (ERF)

When you leave your employment, you may ask to transfer your benefit to a Personal Benefit Account (PBA) in the Combined Fund or to another superannuation entity. If you do not or, if the nominated entity refuses to accept the payment, your benefit will be transferred to the PBA or the Eligible Rollover Fund (ERF).

If your benefit is transferred to the ERF, your membership of the Fund will cease. You can withdraw your benefit from the ERF at any time, subject to the Government's preservation requirements. The contact details of the ERF are:

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



Privacy Policy

The Trustee has agreed to be 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 the members' entitlements under the Fund. The Trustee will not collect any personal information that it does not require to administer members' 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 Trustee's office.

Independent Reviews of the Fund

In March 2003, the Trustee commissioned the specialist accounting firm, TAG Partners, to carry out an independent Prudential Review of the Fund's operations.

The Australian Prudential Regulation Authority carries out regular reviews of all large superannuation funds. It commenced its review of the Combined Fund in 2003.

Group Insurance Review

With the 3-year premium rate guarantee due to expire on 31 December 2003, the Trustee sought submissions from the present insurer, Tower Life and several other leading group risk insurers in August 2003.

The terms and conditions offered by Tower were considered to be superior to those offered by the other insurers and Tower was reappointed.

As a consequence of this review of group insurances:

- there is no change to the death and total and permanent disablement premium rates for those members whose premiums are based on their age;
- for those members whose premium is based on a standard rate regardless of age, the premium rates have reduced for death only and death and total and permanent disablement cover; and
- salary continuance (disability income) insurance premiums have increased for all members who have this cover.

Full details of these changes are advised to members separately.

Superannuation News

Superannuation Guarantee Rate

On 1 July 2003, the minimum employer Superannuation Guarantee (SG) contributions set by the Government increased to 9% of Ordinary Time Earnings up to a maximum quarterly contribution of \$2750.40.

A Bonus for Lower Income Earners Backdated to 1 July 2003

Employees earning up to \$27,500 pa will be eligible for a matching Government co-contribution when they make personal contributions of up to \$1000 pa. This is subject to:

- the employee already receiving employer superannuation support (e.g. Super Guarantee contributions); and
- the employee's contribution must be from after-tax salary.

The co-contribution will cut-out at \$40,000 assessable income as shown in the table below:

Whilst this may not be of direct interest or benefit to you, if your assessable income will exceed \$40,000 this financial year, it could be of great benefit to other members of your family.

Want to Share Your Contributions?

Legislation which will allow you to split employer contributions (including Salary Sacrifice) with your spouse has been introduced into Parliament.

Whilst this proposed legislation is unlikely to benefit those with significant years of pre-1983 service, it could prove to be very valuable in reducing the tax on retirement benefits for younger members.

We will advise more details once the legislation is finalised.

Concessional Taxation of Benefits Transferred to Australia

The Government has announced its intention to modify the taxation treatment of superannuation benefits accumulated overseas and transferred into an Australian superannuation fund.

Under the new rules, benefits transferred into Australia within two years of taking up residency will be tax free, an extension of the current six-month limit.

However, transfers made after that time will be treated as a taxable contribution into a superannuation fund and taxed at 15%.

Assessable income plus reportable fringe benefits	Matching Government contribution	Assessable income plus reportable fringe benefits	Matching Government contribution
\$27,500 or less	\$1,000	\$34,000	\$480
\$28,000	\$960	\$35,000	\$400
\$29,000	\$880	\$36,000	\$320
\$30,000	\$800	\$37,000	\$240
\$31,000	\$720	\$38,000	\$160
\$32,000	\$640	\$39,000	\$80
\$33,000	\$560	\$40,000 or more	\$0



Superannuation and Divorce

The Family Law Legislation Amendment (Superannuation) Act sets out procedures for dividing superannuation benefits in divorce cases.

The Act allows couples to make binding agreements about the division of superannuation on separation. It also gives the Family Court the power to divide superannuation benefits.

The Act came into force from 28 December 2002 and, although many cases have since been settled between divorcing couples, relatively few have involved a division of superannuation benefits.

Member Choice of Fund

The Government's original draft Choice of Superannuation Fund Legislation was rejected by Labor and Democrat Senators in August 2001.

Whilst the Government has now introduced new draft legislation for Fund Choice, it is likely that this legislation will again be opposed by Labor and Democrat Senators.

The Choice of Fund draft Legislation only applies to new contributions. Separate Portability Regulations were gazetted by the Government in respect of existing account balances but these regulations have been disallowed by the Senate and, therefore, have no effect.

Maximum Deductible Contributions

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

For the year ending 30 June 2004, these limits are:

Age 35 and under	\$13,233
35 to 49	\$36,754
50 and over	\$91,149

Reasonable Benefit Limits (RBLs)

The Government's limits on concessional tax superannuation benefits are indexed annually. RBLs for the year ending 1 July 2004 are:

- Benefit taken as a lump sum \$588,056
- At least 50% of benefit taken as a complying pension \$1,176,106

Benefits which exceed these limits will be taxed at a maximum rate of 39.5% (down from 48.5% in previous tax years).

The Superannuation Contribution Surcharge

The Superannuation Surcharge is an extra tax on Superannuation contributions which is aimed at high income earners.

The Surcharge is based on Adjustable Taxable Income (ATI) which includes:

- all taxable income including your salary, investment income and any other earnings;
- employer superannuation contributions (including Salary Sacrifice); and
- any reportable fringe benefits.

For the year ending 1 July 2004, the Surcharge applies once your ATI reaches \$94,691. It is phased in from nil at \$94,691 to the full 14.5% surcharge applying at an ATI of \$114,981 and above (down from 15% previously).

The Surcharge rate applies to all employer and salary sacrifice contributions paid on your behalf. Each year, the Tax Office advises the amount of surcharge (if any) to be deducted from your account.

The top rate of surcharge reduced from 15% to 14.5% from July 2003. This rate will reduce to 12.5% by 1 July 2005.

Financial Information

The Financial Statements of Combined Fund for the year ended 31 December 2003 are summarised below. 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 2004. This will then be available for inspection by the Members.

Operating Statement for the year ended 31 December 2003

	2003 \$	2002 \$
Revenue		
Employer contributions	24,302,980	19,704,650
Member contributions	2,182,980	2,517,207
Transfers from other funds	6,617,878	20,987,683
Investment	17,625,090	-11,639,135
Insurance claims	436,750	579,410
TOTAL REVENUE	51,165,678	32,149,815
Expenditure		
Administration	624,048	636,410
Audit	32,300	25,037
Leaving Service Fees	60,268	59,600
Directors fees	100,219	96,466
Insurance premiums	1,126,385	929,804
Insurance claims	436,750	579,410
Investment management	134,295	107,447
Secretarial	407,550	342,700
Other operating	623,405	477,551
TOTAL EXPENDITURE	3,545,220	3,254,425
Benefits accrued before tax	47,620,458	28,895,390
Surcharge deducted	207,022	133,551
Income tax expense	5,121,755	1,053,278
Benefits accrued after tax	42,291,681	27,708,561
Less Benefits paid/payable	9,991,781	10,719,918
Benefits accrued as a result of operations	32,299,900	16,988,643
Plus Members' Funds at beginning of year	182,114,492	165,125,849
MEMBERS' FUNDS AT END OF YEAR	214,414,392	182,114,492

Statement of Net Assets as at 31 December 2003

	2003 \$	2002 \$
Investments	209,741,225	176,241,176
Other assets		
Cash	7,660,820	10,776,249
Contributions receivable	1,185,189	703,820
Revenue receivable	331,881	500,150
Future Income Tax Benefit	0	157,998
Other	239,209	69,340
TOTAL ASSETS	219,158,324	188,448,733
Less liabilities		
Expenditure payable	105,321	164,312
Benefits payable	1,818,429	5,326,681
Current income tax	2,106,917	843,248
Deferred income tax	713,265	0
TOTAL LIABILITIES	4,743,932	6,334,241
NET ASSETS	214,414,392	182,114,492

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.

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

At the end of their 3-year term, the position is 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).

During the year, Bert Stewart from The Geelong College retired as a Member Representative Director and, following an election, was replaced for the remainder of his 3-year term by George Kogios of Heathdale Christian College.

As at 31 December 2003, the following Directors' terms expired and all were re-elected for 3 years:

Member Representative

Rob Daniel
George Kogios

Employer Representative

John Evans
Peter Trewin

Current Directors

John Evans (Chairman)
Terry Wills Cooke (Dep. Ch.)
Clovis Bonner
Brian Collins*
Ted Collins*
Rob Daniel*
Keith Doery
George Kogios* – Elected 7/03
Frank Reid*
Richard Sait*
Bert Stewart* – Retired 6/03
Peter Trewin
Doug Watson

Meetings Attended

5/5
5/5
5/5
5/5
4/5
4/5
5/5
2/2
5/5
5/5
2/3
5/5
4/5

Nominating Employer

Caulfield Grammar School
Christian College, Highton
Overnewton Anglican Community College
Braemar College
Gippsland Grammar
Caulfield Grammar School
The Geelong College
Heathdale Christian College
Haileybury College
Taylors College
The Geelong College
Haileybury College
Yarra Valley Grammar School

* Member Representatives

In addition to their duties as trustees of the Fund, each director serves on one of three committees:

Executive & Investment Committee

Terry Wills Cooke (Chairman) 5/5
Brian Collins – Appointed 7/03 2/2
Frank Reid 5/5
Bert Stewart – Retired 6/03 2/3
Doug Watson 5/5
John Evans 4/5

Legal Committee

Keith Doery 1/1
Ted Collins 1/1
Richard Sait 1/1
John Evans 1/1

Finance & Audit Committee

Clovis Bonner (Chairman) 5/5
Brian Collins – Retired 7/03 3/3
Rob Daniel 5/5
George Kogios – Appointed 7/03 1/1
Peter Trewin 5/5
John Evans 1/5

Following Bert Stewart's retirement, Brian Collins moved from the Finance and Audit Committee to the Executive/Investment Committee. George Kogios was appointed to the Finance and Audit Committee.

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
(Previously Combined Schools Secretariat Pty Ltd)
Level 9, 155 Queen Street
Melbourne Vic 3000
GPO Box 4559, Melbourne Vic 3001
Telephone: (03) 9691 2900
Facsimile: (03) 9640 0787
Toll Free: 1800 200 801

Investment Management

Basis Capital Funds Management Ltd
Bank of Ireland Asset Management
Deutsche Asset Management Ltd
Glebe Asset Management
GMO Australia
HSBC Asset Management
Maple-Brown Abbott Ltd
Paradise Cooper
Perennial Investment Partners Ltd
Platinum Asset Management
UBS Global Asset Management Ltd
Top Quartile Management Ltd

Audit

BDO

Investment Advice

Lindsay Cutler MEd, FIAA, FIA
(Mitchell and Co Pty Ltd)

Group Life and Disability Insurance

Tower Life

Legal Advice

Mark Cerché
(Allens Arthur Robinson)



Participating Employers



Aitken College
Aussie Masters Swimming Australia
Bacchus Marsh Grammar School
Ballarat & Clarendon College
Ballarat Grammar School
Bayside Christian College
Beaconhills College
Belgrave Heights Christian School
Billanook College
Brace Education Training & Employment
Braemar College
Camberwell Anglican Girls Grammar School
Canberra Grammar School
Caulfield Grammar School
Christ Church Grammar School
Christian College, Highton
Cranbourne Christian College
Dandenong Ranges Steiner School
Flinders Christian Community College
Geelong Grammar School
Geelong Performing Arts Centre

Gippsland Grammar
Goulburn Valley Grammar School
Group Benefits Pty Ltd
Haileybury College
Heathdale Christian College
Kardinia International College
Launceston Church Grammar School
Leibler Yavneh College
Little St Margaret's Pre-School
Macedon Grammar School
Mercurius School Supplies
Melbourne Rudolf Steiner School
Melton Christian College
MLC School, Burwood - NSW
Mountain District Christian School
Mowbray College
Newhaven College
Overnewton Anglican Community College
Ozford College
Rossbourne School
Sophia Mundi Rudolf Steiner School
St Andrews Christian College
Strathcona Baptist Girls Grammar School
Sunshine Christian College

Taylors College
The Cass Foundation Limited
The Geelong College
The Goulburn Valley Division of General Practice Ltd
The Knox School
The Village School
The WaterWise Company Pty Ltd
Trinity College
Trinity Grammar School – Summerhill, NSW
Werribee Baptist Church
Westernport Christian College
Yarra Valley Grammar School



Level 9, 155 Queen Street
Melbourne Victoria 3000
GPO Box 4559
Melbourne Victoria 3001

Toll Free 1800 200 801
Telephone 03 9691 2900
Facsimile 03 9640 0787

Email: super@combinedfund.com.au
Website: www.combinedfund.com.au

Executive Officer

Greg Taylor

Secretary/Inquiries Officer

Roy Freeman

Manager Client Services

Jane Hargreaves

Accountant

Peter Braun

Assistant Secretary

Craig Mason

Compliance Officer

Julie McBean