



The Super Money Eligible Rollover Fund

SMERF

Annual Report for the year
ending 30 June 2006

SMERF
SUPER MONEY ELIGIBLE ROLLOVER FUND

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The Super Money Eligible Rollover Fund ("Fund" or "SMERF"), ABN: 94 334 023 289 SFN: 511 787 055 RN No: R1001372.

The registered office of the Trustee is:
Trust Company Superannuation Services Limited

ABN: 49 006 421 638
AFSL: 235153
RSEL No.: L0000635
151 Rathdowne Street
Carlton South Vic 3053

Note: Neither the Trustee, nor any of its advisors or service providers guarantee the performance of the Fund. Any information contained in this document is general information only. We have not taken into account your individual investment objectives, financial position or needs. Before making a decision on the basis of the information contained in this document, you need to consider whether it is appropriate in light of your own circumstances and you should refer to our Product Disclosure Statement (PDS) issued on 1 July 2005. You may wish to consult an appropriately licensed or authorised financial adviser for advice on your particular needs.

The SMERF was established on 1 July 2005. The Fund was established on the "accumulation" principle. Such funds operate similarly to a bank account, in that contributions are allocated to specific accounts established for each member. These accounts are credited with amounts transferred to the Fund and investment earnings (after taking into account fees, costs and taxes deducted from the assets of the Fund before determining the Fund's crediting rate) and debited with withdrawals, amounts transferred from the Fund, any negative investment earnings and fees, costs and taxes deducted directly to a member's account.

Insured benefits are not available through the Fund. If you require life insurance, please contact your financial adviser.

Who manages the Fund?

The Fund's trustee is Trust Company Superannuation Services Limited (ABN 49 006 421 638, AFSL No. 235153, RSE L0000635); Address: 151 Rathdowne Street, Carlton South VIC 3053. Ph (03) 9665 0200.

The Trustee is responsible for the operation of the Fund and is legally obliged to operate the Fund in accordance with the Trust Deed and relevant law.

The directors of Trust Company Superannuation Services Limited for the period from 1 July 2005 to 30 June 2006 were; Jonathan Westaby Sweeney, Chairman, Luigi Mario Rodriguez, Nicholas Sette, John Michael Dinan, Assyat David (Resigned 29 March 2006) and Noel Albert Davis (Appointed 1 September 2005), Megan Elizabeth Bolton was appointed 26 July 2006.

The Trustee uses a range of specialist service providers to help look after the Fund and its investments as follows:

Auditors	Virgoe Crispin
Administration	Pillar Administration
Asset Consultant	Watson Wyatt Australia Pty Ltd
Fund Manager	State Street Global Advisers

The Trust Deed sets out the rules to govern the management of the Fund. It sets out how benefits are calculated, investments are made and how SMERF is managed. For a copy of the Trust Deed, phone 1800 114 380.

Trustee liability insurance

The superannuation law requires the Trustee to act in the best interests of the members at all times. The Trustee has liability insurance to protect it against certain losses arising as a result of a claim against it for a breach of trust (subject to the terms and conditions of the relevant insurance policy).

Investments

The Trustee has formulated an investment policy that governs the way the assets of the Fund are invested which includes the Fund's investment objective (see below) and strategy for achieving this objective (see benchmark asset allocations below). The Fund invests members' money in a single investment portfolio, with investments across various asset classes. An investment portfolio with a spread of asset classes is designed to reduce the volatility (variability) of the returns of the portfolio.

Benchmark asset allocation

The benchmark asset allocation is the Fund's target allocation to the different asset classes. The actual asset allocation of the Fund will be close to this benchmark, but will vary from time to time, as a result of the asset allocation decisions of the fund manager of the portfolio.

Asset class	Benchmark allocation
Australian shares	13.00%
International shares	11.00%
Property	6.00%
Total Growth Assets	30.00%
Australian fixed interest	25.00%
International fixed interest	25.00%
Cash	20.00%
Total Income Assets	70.00%
Total Assets	100.00%

Fund manager and investment funds

The fund manager of the primary investment fund in which the Fund invested as at 30 June 2006 is State Street Global Advisers. The underlying investment fund utilised at that date is the SSgA Indexed Conservative Trust.

During the reporting period (18 May 2006) the underlying investment fund was changed from the SSgA Indexed Conservative Pooled Superannuation Scheme to the SSgA Indexed Conservative Trust.

This change in the underlying investment fund has had no adverse impact on the Fund as the SSgA Indexed Conservative Trust is the equivalent taxed vehicle as the untaxed SSgA Indexed Conservative Pooled Superannuation Scheme.

The Fund also held a small investment in the Trust Cash Management Fund, operated by Trust Company of Australia. The Fund invests in highly liquid short term securities which have a maturity date of not more than two years.

Trust Company of Australia is a related party of the Trustee. Investments in the Trust Cash Management Fund are made at arms length and any remuneration received by Trust Company of Australia is on commercial terms.

Investment objective

The investment objective of the Fund is to achieve the following investment returns by a combination of income and capital growth over rolling three year periods;

- > earn after tax returns of 4% per annum; and
- > earn a negative return no more than one year in every ten.

Past performance

Due to the Fund commencing on 1 July 2005, past performance figures are only available for the period 1 July 2005 to 30 June 2006.

Returns are calculated after the deduction of some (but not all) fees, costs and taxes. For more information about fees and costs deducted from your account and/or deducted from your investment, see your annual Member Benefit Statement and the Fund's current Product Disclosure Statement.

Past performance is not a reliable indicator of future performance.

Asset Allocation as at 30 June 2006

Australian shares	\$3,249,474	11.0%
International equities	\$2,724,080	9.2%
Emerging markets	-	0.0%
Australian listed property	\$973,597	3.3%
International listed property	\$510,454	1.7%
Australian fixed interest	\$6,108,014	20.6%
International fixed interest	\$6,115,484	20.7%
Cash and short term deposits	9,923,864	33.5%
Total	\$29,604,967	100.0%

Derivatives

The Trustee will not directly invest any of the assets of the Fund in derivative securities such as futures, options or swaps. The investment managers utilised by the Fund may however, utilise derivatives to manage the risk and liquidity of their portfolios. Derivatives are not used by the investment managers to gear the investment portfolio of the Fund or as speculative investments. Derivatives are carefully monitored by the Trustee in accordance with the investment policy for the Fund.

Performance monitoring by the Asset Consultant

The Trustee utilises an independent Asset Consultant to provide advice regarding the investments of the Fund. The Asset Consultant to the Fund is Watson Wyatt Australia Pty Ltd. The investments of the Fund are continuously monitored via regular investment reports which are reviewed by the Trustee. The investment managers utilised by the Fund are appointed and removed by the Trustee in accordance with the Fund's investment policy. Any decision to appoint/remove a manager is based upon an assessment of the fund manager's style and performance.

Member account balance

When you join the Fund your initial account balance is equal to the amount transferred into the Fund.

Your account balance as shown on your Member Statement at 30 June is the balance of your account after adding interest and deducting any applicable fees. Interest is calculated daily and applied to your account as at 30 June. The rate of interest earned by the Fund during the year is shown on your Member Statement. Interest may be positive or negative.

On exiting the Fund the withdrawal benefit paid from the Fund is your account balance at the date of withdrawal plus interest allocated at the interim crediting rate up to the date of withdrawal, less any applicable fees. The interim crediting rate is reviewed from time to time and is calculated based on what the Trustee believes is prudent to pay, taking account of a broad range of factors, such as current and expected market performance. The interim crediting rate can be positive or negative.

Operation of Fund Reserve

The Fund operates two reserve accounts. The reserves of the Fund are invested in accordance with the investment strategy of the Fund.

The administration reserve

Fees deducted from member's accounts are paid into this reserve and used to pay the costs of the Fund. Any surplus of this reserve after payment of all costs is applied to the benefit of members at the discretion of the Trustee.

The investment reserve

The investment reserve is credited with all investment income of the Fund. The reserve is maintained to smooth the investment returns, crediting rates are rounded up during years of poor performance and rounded down during years of abnormally high performance. The Trustee manages this reserve to ensure excess Funds are not accumulated.

Annual crediting rate

As far as is practical, the annual crediting rate applied to member accounts balances effective 30 June each year is the rate that will distribute in full to members of the Fund the value of the reserve account as at 30 June each year. Small amounts may remain unallocated as a result of rounding, such amounts are maintained in the investment reserve. The annual crediting rate can be positive or negative.

The crediting rate for the year ending 30 June 2006 was 3.00%.

For more information regarding your account balance, crediting rates, the operation of the reserve account and the fees and costs paid by this account please refer to the Fund PDS.

Fee increase

The Trustee has approved of a change in some of the fees and costs applicable to SMERF effective 1 January 2007. This change affects the management costs in SMERF, in particular, management costs for account balances of more than \$5000 will increase. The change is outlined in the table below:

	Current	From 1 January 2007
Accounts less than \$200	2.95% p.a. of the account balance	2.95% p.a. of the account balance
Accounts from \$200 to \$5,000	\$9.00 p.a. plus 0.45%* p.a. of the account balance	\$9.00 p.a. plus 0.45%* p.a. of the account balance
Accounts more than \$5,000	\$9.00 p.a. plus 0.45%* p.a. of the account balance	0.165% p.a. plus 0.45%* p.a. of the account balance

*0.45% is the investment management fee which comprises part of the Management Costs of the Fund and is a reasonable estimate based on the actual investment management fees paid by the fund during the 2005/2006 period.

Other fees and costs may apply. For full details of the fees and costs applicable to you see the current PDS.

Example

Accounts Balance	Fees Payable	Calculation
\$100	\$2.95	(\$100 x 2.95%)
\$1000	\$13.50	\$9.00 plus \$4.50 (\$1,000 x 0.45%)
\$10,000	\$61.50	\$16.50 (\$10,000 x 0.165%) plus \$45 (\$10,000 x 0.45%)

APRA licensing

A number of changes to superannuation legislation were fully implemented as at 30 June 2006 to strengthen the prudential management of superannuation.

The changes required trustees and superannuation funds to be licensed and registered by the Australian Prudential Regulation Authority (APRA) in order to operate. The trustee licences are subject to conditions, including requirements for trustees to meet minimum standards of fitness and propriety and maintain risk management strategies governing the trustee's operations and risk management plans for each fund under the trustee's control.

The relevant changes came into affect from 1 July 2004, but there was a two year transitional phase in which to meet requirements and trustees were required to obtain the necessary licence and registrations by 30 June 2006.

The Trustee, Trust Company Superannuation Services Limited, was granted its RSE License by APRA in December 2005 and the Fund was registered shortly after that date.

Choice of Fund

Since 1 July 2005, many Australian workers have been able to choose which super fund they want their employer to pay Superannuation Guarantee contributions into as a result of the Federal Government's Choice of Fund legislation.

From 1 July 2006, the Federal Government's Workchoices industrial relations laws extended choice of fund to certain State award workers. Prior to this, those covered by State awards generally were not required to be offered Choice of Fund by their employer.

More information on Choice of Fund can be found from the Federal Government's Website www.superchoice.gov.au. You can also contact your employer for more information.

Transfer/Rollover of existing entitlements (Portability)

The Choice of Fund legislation referred to above specifically relates to which fund future contributions are to be sent by an employer. To compliment the Choice legislation, legislation also compels (in most but not all cases) superannuation funds to transfer existing entitlements to another fund if requested to do so by a member.

These 'portability' requirements came into effect from 1 July 2004, initially in a limited capacity - limited in that Trustees were only compelled to act on a request to transfer if no contribution had been received in the previous six months. Since 1 July 2005, the six month requirement no longer applies. This now allows a member to request the transfer of an existing entitlement at any time. This is however subject to the following conditions which a Trustee may apply if they wish to:

- > where the request is for a partial transfer/rollover of a benefit, the Trustee can refuse to transfer the requested amount if the transfer would result in the amount remaining in the fund being less than \$5,000; and
- > the Trustee can refuse to make the transfer when an amount has already been transferred out of the member's account in the last 12 months.

You can request the transfer of your benefit in SMERF at any time or, if you meet legislative criteria, payment of your benefit in SMERF can be requested at any time.

Closure of SHA special account

The Federal Government has closed the SHA special account (previously known as the superannuation holding accounts reserve) to new contributions with effect from 30 June 2006.

The SHA special account, administered by the Australian Taxation Office, was originally established to receive small superannuation amounts from employers who could not find a superannuation fund to accept small amounts. Employers who previously paid superannuation guarantee contributions to the SHA special account must now make alternative arrangements with a complying superannuation fund or retirement savings account to meet their superannuation guarantee and choice of fund obligations.

Superannuation guarantee changes

The Federal Government recently legislated changes to the superannuation guarantee legislation in respect of the:

- > late payment of superannuation guarantee (SG) contributions, and
- > payment of SG contributions for backdated wage payments made to former employees.

Prior to these changes an SG contribution paid after the due date could not be used to offset the corresponding SG charge for the quarter in question.

Effective from 1 January 2006 (for the quarter ending 31 December 2005 and subsequent quarters), employers who make SG contributions late can either use the contribution for a future period or alternatively can offset the late payment against certain components of the SG charge liability.

The new provisions allow a late paid SG contribution to a complying superannuation fund to be offset as outlined above, provided:

- > the SG contribution is paid before the end of the 28th day of the second month after the end of the SG quarter; and
- > the employer makes an irrevocable election to have the late contribution offset against the SG charge.

In regard to SG contributions for backdated wage payments, the legislation was previously unclear as to whether employers had an SG liability in respect of salary or wages payable to a former employee following the termination of the employment relationship. Back payment of salary or wages to a former employee may arise from:

- > correction of a previous underpayment, or
- > payment of a backdated salary increase (eg. an award increase having a retrospective effect).

The amendments make it clear that employers are required to make SG contributions for former employees in these circumstances and will apply to payments made on or after 1 January 2006.

Changes to preservation laws – transition to retirement

The Federal Government has made changes to preservation rules to make the superannuation system more flexible in a person's transition phase from full employment to full retirement. The preservation rules are prescribed in superannuation legislation and limit the circumstances in which a person can access their benefit in cash. For more information see the Fund's current Product Disclosure Statement.

From 1 July 2005, a person who has reached their preservation age*, but wishes to continue to work, may access preserved amounts in the form of a non-commutable income stream such as a pension or annuity. Prior to the change, access to preserved amounts was generally only available on permanent retirement, or at the very least ceasing employment after reaching preservation age.

SMERF does not offer non-commutable pensions. We recommend you seek advice about this product from an appropriately licensed or authorised financial adviser.

*The 'preservation age' is currently 55 years but increases on a gradual basis to 60 years for people born between 1 July 1960 and 30 June 1964.

Contributions surcharge tax abolished

The contributions surcharge tax which was payable by high income earners on employer contributions and termination payments was abolished for amounts received by funds on or after 1 July 2005.

While it has been abolished for the 2005/06 and future years, as surcharge is assessed up to 6 months in arrears, further assessments for the 2004/05 and earlier years may still be received by members and will be reflected in your Member Benefit Statement if applicable. Any surcharge is deducted directly from your account.

Definition of dependant – interdependency relationships

From 1 July 2004, Federal Government legislation broadened the definition of a 'dependant' for superannuation and taxation purposes. The aim of the change was to extend the tax concessions on superannuation death benefits to those deemed to have had an interdependent relationship with the deceased. Previously the definition of dependant only included a spouse, child or other person who was financially dependent on the member. In November 2005 additional changes to superannuation legislation were made which aim to provide more clarity and further guidance to Trustees in how to apply the interdependency provisions when assessing potential death benefit beneficiaries.

Two people are defined as having an interdependent relationship if:

- > they have a close personal relationship;
- > they live together*;
- > one or each of them provides the other with financial support*;
- > one or each of them provides the other with domestic support and personal care*.

* If two persons (whether or not related by family) have a close relationship, but do not satisfy the requirements outlined above because either or both of them suffer from a physical, intellectual or psychiatric disability, they are considered to have an interdependency relationship.

Dollar disclosure

Legislation effective 1 July 2005 generally requires the disclosure of fees and costs by superannuation funds in a standard dollar based format. In addition to this, Annual Member Statements for the 2005/06 and future years, and exit statements issued from 1 July 2006 need to inform members of the dollar value of all fees and costs attributable to the member's account over the preceding period, including a notional dollar value of any amounts deducted from fund assets before the earnings are credited to member accounts. As a result, the 30 June 2006 Annual Member Statement and exit statements issued for SMERF will be in a format that complies with these mandatory requirements. See your Member Statement for more details.

Compulsory cashing of benefits on reaching certain ages

One of the measures announced as part of the 2006 Federal budget (which are further detailed below) was the removal of the compulsory cashing of benefit requirements. The compulsory cashing requirements meant that a person's superannuation monies had to be paid out of a fund when that person reached certain ages (from 65 on) and did not meet certain work tests.

The superannuation industry made submissions to the Government to the effect that the new measure announced should be introduced immediately. As a result, the superannuation legislation was modified on 29 June 2006 so that benefits can remain in superannuation funds until a member's death.

2006 – Federal Budget

The 2006 Federal Budget announced major changes to superannuation and taxation rules. A summary of the announcements, based on information available as at the date of preparation of this report, is included below. Most of these changes are expected to take effect from 1 July 2007.

These changes are not yet law and are subject to the necessary legislation being firstly drafted and then passed by the Parliament. For this reason we recommend you seek appropriately licensed or authorised financial advice before relying on the summary provided below and to determine the status and impact of the changes on your personal circumstances.

Taxation of benefits

The measures announced in regard to the taxation of benefits are proposed to be effective from 1 July 2007. From that time, all benefits taken after a person reaches age 60 are to be tax free. This includes both pensions (irrespective of whether it commenced before or after the person's 60th birthday), and lump sum payments.

Benefits can still be taken prior to this age subject to normal preservation rules, and in general the current tax rates will continue to apply to these payments, although there will be some minor modifications, mainly in regard to the taxation of any pre July 83 component.

Reasonable benefit limits are to be abolished. Thus there will be no excessive components in future – amounts in excess of a person's reasonable benefit limit are currently taxed at 38% generally.

Simplification of contribution rules

1. From 1 July 2007, age based deduction limits for taxable contributions (for example, employer contributions, deductible contributions by self employed persons) are to be abolished. Previously employers could claim a tax deduction for contributions on behalf of employees up to a maximum amount, with the maximum deduction being dependent on the age of the employee. In future employers will be able to claim a deduction for any amount contributed on behalf of an employee.

However, a change will be made so that the amount of taxable contributions that will be subject to contributions tax at the concessional rate of 15% will be limited to \$50,000 pa per member. A transitional period will apply for people who are aged 50 and above to allow those planning to retire soon to make larger contributions.

Contributions in excess of the \$50,000 limit will be able to be accepted by superannuation funds but they will attract contributions tax at the top marginal rate rather than the concessional rate of 15%.

Failure to supply a member's tax file number may result in the concessional contributions tax rate of 15% not being applied.

2. There is to be an annual cap of \$150,000 on after-tax personal contributions (for which a tax deduction is not available). The Government will however allow the cap to be averaged over three years to allow people to accommodate any larger one-off payments. Basically this means that it would be possible for a member to contribute \$450,000 of post tax contributions in a single financial year. However, if a member chooses to do this, no further contributions could be made in the next two financial years.

This measure will apply, if legislated, from Budget night – 9 May 2006.

Note: SMERF cannot accept any employer or after tax personal contributions

SMERF'S FINANCIAL STATEMENTS

Simplification of pension rules

1. The rules for when superannuation can be voluntarily accessed would not change. Individuals would still be able to access their superannuation once they reach preservation age and have retired, and from age 65 even if they have not retired. Transition to retirement measures from age 55 would also continue to operate.

However, as detailed above, effective from 29 June 2006, individuals will no longer be compelled to access their superannuation once they reach a particular age. They would be free to draw on it as and when they want as either lump sums or pensions. Currently, for amounts to remain in super past the age of 65 a work test must be met – 240 hours in the most recent financial year. If over 75, benefits must be paid.

2. Pensions would continue to receive favourable tax treatment. However, the rules defining a pension would be greatly simplified – if a person chooses to take a pension, they would be able to take out as much as they like when they like, provided a minimum amount is taken each year.

Note: different rules will continue to apply to non-commutable income streams used in the transition to retirement phase.

Other points

Other measures announced include:

- > self employed persons will be able to receive full deductibility for contributions. Currently there are certain limits imposed on deductibility.
- > eligibility for the Government co-contribution is to be extended to the self employed.
- > the ability to make deductible superannuation contributions will be extended to age 75.
- > employer Eligible Termination Payments will not be able to be rolled over into a superannuation fund.

Further information about the Budget changes is available at www.treasury.gov.au.

Once again, all these matters are subject to the passing of the legislation to implement the plan, and we will keep you informed about further developments as they become available.

SMERF's Statement of Financial Position at 30 June 2006

ASSETS	\$
Cash Assets	
Cash at Bank	1,048
Investments	
Cash & Short Term Deposits	4,704,786
Other Investments	24,900,181
Other Assets	
Receivables	691,374
Tax Assets	
Deferred Tax Assets	67,899
TOTAL ASSETS	30,365,288
LIABILITIES	
Payables	
Other liabilities	80,266
Tax Liabilities	
Current Tax Liabilities	62,143
TOTAL LIABILITIES	142,409
NET ASSETS AVAILABLE TO PAY BENEFITS	30,222,879
Represented by:	
LIABILITY FOR ACCRUED BENEFITS	
Allocated to Members' Accounts	22,493,338
Not Yet Allocated	7,685,674
Reserve	43,867
	30,222,879

STATEMENT OF FINANCIAL PERFORMANCE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

NET ASSETS AT THE BEGINNING OF THE YEAR	\$
REVENUE	
Interest	97,974
Distribution from unit trusts	681,951
Changes in market values	(457,294)
Transfers In	30,892,369
TOTAL REVENUE	31,215,000
EXPENDITURE	
General administration expenses	142,153
Benefits Paid	855,724
Income taxes	(5,756)
TOTAL EXPENDITURE	992,121
NET ASSETS AT THE END OF THE YEAR	30,222,879

Would you like further information on financial statements?

An audited financial statement will be available by November 2006. To obtain a full copy of the audited accounts, write to:

Executive Officer
SMERF,
151 Rathdowne Street,
Carlton South VIC 3053.

As a regulated fund, SMERF is audited each year and a return is lodged with the Australian Prudential Regulation Authority (APRA).

The Fund will be happy to assist you with any questions you may have about the Fund or your account. If you want more information please contact the Fund at the contact details below.

SMERF

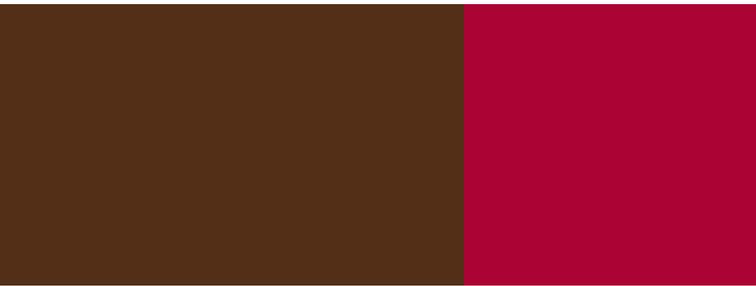
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SMERF
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