

the  
hip  
annual report  
2002

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HIP's Chairman, Anthony Wallace

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## Chairman's message

The 2001/2002 financial year has been a particularly turbulent one with economic downturns, corporate collapses and political and social unrest. The international recession has altered the economic landscape, ending a run of bull markets which spanned more than a decade.

The tragic events of 11 September 2001 were a brutal reminder that globalisation has brought us, in the lucky country, a lot closer to the world stage. While the Australian economy was strong and outperformed its larger counterparts, it was still dragged into negative territory by overseas influences.

From an investment point of view, the world had recovered by the end of December when markets returned to their pre-11 September position. Investor confidence was then again shaken by corporate collapses and the uncertain world political scene.

Against this backdrop the Health Industry Plan (HIP), like most superannuation funds, has produced its first-ever negative return. It may surprise many of you to learn that HIP's crediting rates of 0.7% for the Capital Stable Option and negative 5.9% for the Growth Option still rate above the expected industry averages.

***"HIP has averaged a crediting rate of just over 10% per year since 1988"***

However, these results will be of concern to some members who have benefited from many years of strong performance. Let me reassure you by discussing lessons from investment history.

Superannuation is a long-term investment. Do not look at your returns in snap-shots. Even taking into account this year's lower return, HIP has averaged a crediting rate to members of just over 10% per year since inception in 1988. A record that any superannuation fund would be happy to boast.

Don't panic. It has all happened before. History shows that markets do bounce back. This is not a time to rush out and change your superannuation arrangements, but a time to really get to know how it all works. Do you know the fee structure, are you in the right investment strategy for your personal plans and time horizons, do you have other

superannuation funds that should be rolled into your HIP account, have you lost track of some super, should you make voluntary contributions, do you know the advantages of salary sacrifice, do you have enough insurance?

HIP can help you with all these questions and, in fact, much of the information you need is in this report and accompanying literature.

HIP's Trustee Directors work hard to look after the interests of members and participating employers. During the year, long-standing director, Kim Davis, left the Board when she resigned from the NSW Nurses Association to return to nursing. On behalf of the Board and members, I would like to thank Kim for her contribution and wish her well in the future.

I would also like to extend my thanks and appreciation to my fellow Directors for their support and ongoing commitment and contributions. My thanks to our CEO, Ross Bernays, for his progressive management and development of the Fund.

This year the Directors completed an extensive due diligence review of HIP's investment performance and processes. This produced a number of cost savings. HIP also added additional managers to both its Australian and international equities line-ups. More recently, HIP has undertaken a complete strategic review to ensure our undertaking of a long-term high growth strategy and a diversified Fund is met. HIP's investment options have also been expanded with the addition of a Cash Option to support the existing Capital Stable and Growth Options. And, members can now change their investment choice on a monthly basis rather than just twice a year. These changes together with HIP's ongoing commitment to member communication and education are aimed at achieving our mission: to provide members with the opportunity to achieve a financially secure retirement.

Please take the time to read this annual report and to review your superannuation commitment. Don't forget, if you have any questions call us or visit

[www.hipsuper.com.au](http://www.hipsuper.com.au)

Anthony Wallace  
Chairman

## Get a **grip** on your super

Right from the introduction of compulsory employer-paid superannuation in the late 1980s, many Australian workers started to do their dough.

I am not talking about excessive fees, agents' commissions or poor investment returns – but about people simply losing track of their super. As employees moved around the workforce many picked up multiple superannuation funds, particularly those in part-time and casual positions. In far too many cases this money became lost through the fund losing contact with the member, or the member simply not knowing the money was there.

### **BUT IS THIS MONEY REALLY LOST?**

Superannuation funds generally transfer out inactive accounts, particularly if the balance is under \$1,000, into what are called eligible rollover funds (ERFs). Around \$5 billion, yes that's right, five billion dollars is held in ERFs and by the Australia Tax Office (ATO). It is likely that in many thousands of cases this money will not get back to the member as they don't even know to chase it.

In May, HIP cross-referenced its database with one ERF, the Australian Preservation Fund, and found 2,000 members who had money held there. This money was rolled directly into the members' HIP accounts with the average deposit being approximately \$370. In some cases members benefited by HIP locating thousands of dollars they did not know they had.

### **So it's worth having a look and HIP will do it for you!**

The ATO has a matching service where members can ring and find out if they have any registered lost super entitlements. You can contact the ATO on 13 10 20. Or do it the easy way – let HIP do the search for you using Supermatch. HIP has direct access to the ATO's lost super records and can conduct a search for you once we have your authority. Included in this mail pack is the authority form for you to complete and return to HIP.

*“HIP can find any lost super entitlements for you.”*

If you have accounts with other superannuation funds that you would like to roll in, you can use this same form to authorise HIP to arrange the transfer of your funds. Just be careful that there are no penalties for withdrawing from your other fund.

A recent survey showed that 28% of HIP members have more than one superannuation account and half of these members have two, three, four, five or even six accounts. This does not necessarily mean that this investment is lost but super is easier to keep track of if it's in one place. By rolling your other superannuation funds into HIP you will save money on fees. Even if you are in another industry fund with low fees, you can still be paying more than you have to. **Less fees = more money in your account!**

### **MOVED HOUSE LATELY?**

Many members think that their employer will let HIP know if they move house. However, it is not your employers' responsibility, it's yours.

HIP recently took the time to complete a matching project with Australia Post which resulted in 2,400 addresses being updated. Please put HIP on the list of people you need to contact when you change address. If you lose contact with HIP, you lose contact with your money.

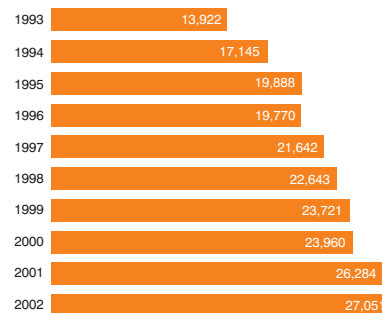
As you can see, HIP is committed to helping you make the most of your super. There is much more to running a super fund than just collecting and investing superannuation. Service, communication and education are paramount. At HIP we work hard to keep our eye on the ball in all areas.



HIP's CEO, Ross Bernays

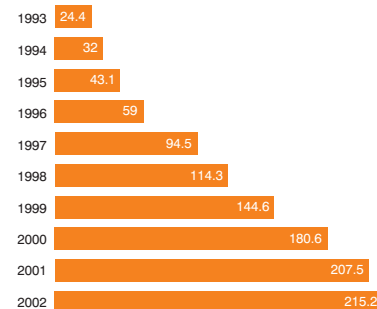
## Membership

### Number of members



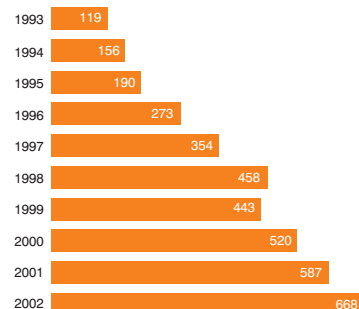
## Fund assets

### Assets (\$m)



## HIP employers

### Participating HIP employers



## Presenting a **rollover account**

Lots of members know they should get around to rolling their super together. But what actually makes them call HIP for the form? We asked two members, Kim Conlan and Anne Harris, who recently rolled their money into HIP.

When Kim Conlan began work at the newly-opened Holy Spirit Northside Hospital, Queensland, in the Endoscopy Unit, HIP gave a presentation on the benefits of the Fund and rolling super together. Kim, who had accumulated five accounts from casual nursing work, decided to consolidate her super into HIP and one other fund relating to her agency work.

"HIP provided a rollover form which was one page and very easy to complete. I decided to do it because with the government's current policy, each time you start a new job you have to get a new account relevant to that employer, so you are at a disadvantage if you don't roll them all together at some point and pay less in fees," Kim said.

Anne Harris, a clinical nurse specialist in oncology at Murray Valley Private Hospital in Victoria, rolled three accounts into HIP. At her presentation, HIP explained the benefits of consolidating funds and the need to check any exit fees or penalties before making a decision.



Anne Harris

"Two or three funds came to present to staff, but I knew HIP well so I chose them. I took the form and information home, thought about it and decided it was a good thing. Each fund had a fee so it seemed silly to have three funds. I had been with HIP for about ten years, and I could understand their yearly statement – some are quite ambiguous to understand."

Even though they are only in their 40s, both women agree that they rolled their super together to get into a better position for retirement, which Anne said she thinks about "all the time."

"I am constantly thinking about my retirement plans," said Kim. "I know that if I don't take some responsibility I am not going to have anything at the end."

> **Kim and Anne share their stories with HIP.**

A yoga teacher for pregnant women, small business owner and medical worker, Kim is also a mother of two who tries to instil savings habits in her children.

"I encourage the kids to put away money each month. They need to get into good habits because they might have to support the baby boomers one day!"

Both women have recommended rolling super together to people they know and feel that it has been a positive step.

When Anne retires, she plans to travel and live comfortably, doing the occasional bushwalk or playing golf. She supplements her super account by making weekly voluntary contributions.

Ideally, when she retires, Kim would like more time for her yoga teaching and alternative medicine interests and more travel. After a family holiday to Italy in 1999 they all have the travel bug. Si si!



Kim Conlan

## Who said **rolling your super together wasn't easy?**

Super accounts are similar to bank accounts in that to administer them you are charged administration fees. Most of us are smart with our money and only use one or two banks to minimise the amount we pay in fees. Shouldn't you be as smart with your super? It will be your spending money one day.

If you have more than one super fund, it may be in your best interests to join your super together by moving (or rolling in) all your benefits into one account with HIP. Not only will you save money in fees, but it makes it easier to keep track of how your super is performing.

Take a look why Kim Conlan and Anne Harris decided to roll their benefits over into HIP.

HIP does not charge you to roll over benefits from other superannuation funds. However, you should be mindful that some funds charge exit fees. Also, if any part of the benefit you choose to roll over is currently preserved, it will continue to be preserved in HIP.

Rolling over into HIP is easy – you just need to fill out the form provided in this mail pack and we will do everything for you.

If you have any questions, call HIP on **1300 654 099**.

## A little now, a lot later

It's not necessarily the size of the contribution, it's the timeframe that counts. The saying that it's better to contribute a little bit over a long time than a lot in a short time is proven in superannuation daily. Three HIP members making their own contributions share their stories.

### DESMOND BYLUND

Desmond Bylund, aged 28, contributes \$100 a fortnight through salary sacrifice.

"I have made additional contributions for my entire career, nine or ten years now, with all of my employers. The reason being that **the superannuation guarantee is not enough for a comfortable retirement,**" said Desmond.

"The beauty of compound interest is that small contributions compound into something much bigger, compared to larger amounts deposited later.

"I'm planning for my financial future now to be able to do what I want in retirement. My hobbies may change over time, but my perceptions of money will not change."

Desmond has even recommended voluntary contributions to others. "I have held discussions with my family and friends encouraging them to do it too," he said.

### ASHLEY FELSHAW

Ashley has been making voluntary contributions for the last two years, contributing \$50 per fortnight.

"I watch a lot of the financial TV shows and they are constantly saying that people had better make a move or be left behind. So I called HIP and got a direct debit form."

As a father of two it is hard to save money in super, so Ashley direct debits his contributions.

"Having the money direct debited is the best way to go. There is no point sending it in when you can, otherwise you never do it and the money gets spent elsewhere," said Ashley.

"Knowing that I am contributing is a positive experience. I want something there when I retire and I feel reassured that I am helping my super to grow. **Even a little bit over the next twenty years will turn out to be a lot. I'm just doing what I can.**"

Ideally, when he retires, Ashley would like to have the money to do a bit of travelling and purchase a golf membership each year.

### SHIREEN POWER

Shireen Power wishes she had known more about voluntary contributions when she began her working career.

"**If I knew then what I know now I would have contributed personally to my super when I was younger.** I think that every little bit helps and people should start saving small when they are young. But super wasn't promoted back then, otherwise I would have started making my own contributions in the 1960s," said Shireen.

Shireen has been making voluntary contributions since the option was introduced to her in 1991 with another employer. Since 2000, she changed to paying her voluntary contributions pre-tax via salary sacrifice.

"This year I stopped making voluntary contributions to my other private super fund. So I've been able to contribute more to HIP."

Now she is making up for lost time by paying in \$500 a fortnight. "Over time I increased my contributions until I was paying \$369 a fortnight, but I elected to have the last pay rise we received under enterprise bargaining go directly into my super."

To go about contributing to her super, Shireen called the Fund and it was organised between HIP and her pay office. She acknowledges that it is tough because the money is not hers to spend yet, but believes it will be worth it for herself and her husband when they retire. "The years go past quicker when you get older," Shireen mused. "I think you need sound financial planning to look ahead. What you save is what you'll be living on when you retire."

"It has definitely been a good decision. For me it means security and independence when I retire."

Shireen plans to enjoy more time to herself and not having to watch the clock when she retires. Her favourite pastimes will be travelling, gardening and shopping! All of the things she can't do working 9 to 5.

## A little bit of saving goes a long way



Desmond Bylund  
Computer programmer, Mayne Health



Ashley Felshaw, Theatre orderly,  
Warners Bay Private Hospital



Shireen Power,  
Clinical Nurse Manager, Noosa Hospital

## Investment options

HIP offers three investment choice options to suit a variety of investor types. The Growth, Capital Stable and Cash Options are described here or in more detail in the investment choice booklet (available by calling HIP).

You are invited to choose an option once you have more than \$1,000 in your HIP account. If you have more than \$20,000 in your account you may invest in a combination of the options. This way you can spread the risk, but also possibly the reward.

You may change your investment strategy at the beginning of any month subject to five working days notice. If you choose not to elect an investment option your superannuation will be invested in the Growth Option.

HIP expects that over time, returns from the Growth Option will be higher than returns from the Capital Stable and Cash Options due to its greater investment weighting in growth assets.

The return objectives and risk statements have been revised this year following a review of the current investment environment.

	<b>Growth Option</b>	<b>Capital Stable Option</b>	<b>Cash Option</b>																																																																
<b>Designed for members who</b>	are seeking a high level of growth over the long term.	are risk averse or seeking security of their superannuation in the short term.	are seeking security of their superannuation in the short term.																																																																
<b>Objective</b>	To achieve investment returns that exceed inflation <sup>1</sup> by at least 6% per year over most rolling five-year periods.	To achieve investment returns that exceed inflation <sup>1</sup> by at least 3% per year over most rolling five-year periods.	To achieve investment returns that exceed inflation <sup>1</sup> by at least 1% per year over most rolling five-year periods.																																																																
<b>Risks</b>	Likelihood of a negative return no more than one year in any five-year period.	Likelihood of a negative return no more than one year in any 10.5-year period.	The Cash Option is not expected to produce a negative return (please note this is not guaranteed).																																																																
<b>Crediting rate for the 2001/2002 financial year</b>	-5.9%	0.7%	N/A																																																																
<b>Asset allocation of the Fund's assets as at 30 June 2002</b>  (30 June 2001 allocations are shown in brackets)																																																																			
<b>Amount invested 30 June 2002</b> (30 June 2001)	\$214.4 million (\$206.7 million)	\$0.8 million (\$0.8 million)	N/A																																																																
<b>Returns vs objectives</b>	<p>The Growth Option<sup>2</sup> has exceeded inflation by 3.1% over the five-year period to 30 June 2002. This return is 2.9% below the objective of 6% in most rolling five-year periods.</p> <table border="1"> <thead> <tr> <th>Financial year</th> <th>Crediting rate (%)</th> <th>CPI<sup>1</sup> (% pa)</th> <th>Real growth (%)</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>-5.9</td> <td>2.8</td> <td>-8.7</td> </tr> <tr> <td>2001</td> <td>6.1</td> <td>6.3</td> <td>-0.2</td> </tr> <tr> <td>2000</td> <td>13.0</td> <td>3.2</td> <td>9.8</td> </tr> <tr> <td>1999</td> <td>9.0</td> <td>1.1</td> <td>7.9</td> </tr> <tr> <td>1998</td> <td>8.5</td> <td>0.7</td> <td>7.8</td> </tr> <tr> <td><b>3-year compound average<sup>2</sup></b></td> <td>4.1</td> <td>4.1</td> <td>0.0</td> </tr> <tr> <td><b>5-year compound average<sup>2</sup></b></td> <td>5.9</td> <td>2.8</td> <td>3.1</td> </tr> </tbody> </table>	Financial year	Crediting rate (%)	CPI <sup>1</sup> (% pa)	Real growth (%)	2002	-5.9	2.8	-8.7	2001	6.1	6.3	-0.2	2000	13.0	3.2	9.8	1999	9.0	1.1	7.9	1998	8.5	0.7	7.8	<b>3-year compound average<sup>2</sup></b>	4.1	4.1	0.0	<b>5-year compound average<sup>2</sup></b>	5.9	2.8	3.1	<p>The Capital Stable Option<sup>2</sup> has exceeded inflation by 3.2% over the five-year period to 30 June 2002. This return has exceeded the objective of 3% in most rolling five-year periods.</p> <table border="1"> <thead> <tr> <th>Financial year</th> <th>Crediting rate (%)</th> <th>CPI<sup>1</sup> (% pa)</th> <th>Real growth (%)</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>0.7</td> <td>2.8</td> <td>-2.1</td> </tr> <tr> <td>2001</td> <td>8.0</td> <td>6.3</td> <td>1.7</td> </tr> <tr> <td>2000</td> <td>8.8</td> <td>3.2</td> <td>5.6</td> </tr> <tr> <td>1999</td> <td>5.5</td> <td>1.1</td> <td>4.4</td> </tr> <tr> <td>1998</td> <td>7.1</td> <td>0.7</td> <td>6.4</td> </tr> <tr> <td><b>3-year compound average<sup>2</sup></b></td> <td>5.8</td> <td>4.1</td> <td>1.7</td> </tr> <tr> <td><b>5-year compound average<sup>2</sup></b></td> <td>6.0</td> <td>2.8</td> <td>3.2</td> </tr> </tbody> </table>	Financial year	Crediting rate (%)	CPI <sup>1</sup> (% pa)	Real growth (%)	2002	0.7	2.8	-2.1	2001	8.0	6.3	1.7	2000	8.8	3.2	5.6	1999	5.5	1.1	4.4	1998	7.1	0.7	6.4	<b>3-year compound average<sup>2</sup></b>	5.8	4.1	1.7	<b>5-year compound average<sup>2</sup></b>	6.0	2.8	3.2	<p>N/A</p> <p>A three or five-year average is not possible to calculate given the recent introduction of the option.</p> <p>As at 30 June 2002 there were no members invested in the Cash Option. However, since then a number of elections have been received.</p>
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<sup>1</sup> As measured by the movement of the Consumer Price Index (CPI).

<sup>2</sup> The Balanced Option ceased on 31 January 1998 with the introduction of investment choice. The Growth Option and Capital Stable Option commenced on 1 February 1998. Annual and average returns shown reflect the Balanced Option up to 31 January 1998, then the Growth Option and Capital Stable Option respectively.

<sup>3</sup> Consumer Price Index. The 2001 CPI figure takes into account the inflationary impact of the GST.

Paul Clitheroe is a founding director of ipac, HIP's investment consultant, host of Channel Nine's 'Money' show and chief commentator for Money Magazine. He is also the author of investment books.



*"...ignore some of the more alarmist comments..."*

Your superannuation is a long-term investment, and many HIP members will have at least 20 years before they retire. With this sort of time frame it makes sense to have a significant weighting to growth assets like Australian and international shares, which are likely to deliver higher returns than defensive assets like fixed interest and cash.

Getting a better long-term number means accepting the short-term downturns that go with investing in growth assets. Let's face it, last year was an investment shocker and these come along historically once or twice a decade, the last really poor year being 1994.

But if you took some of the recent dramatic headlines too seriously you could do some permanent damage to your financial future. Switching your super to a lower-risk profile and taking on a high exposure to cash and interest-bearing securities would certainly smooth your returns and you would have less bad years but you would also sacrifice the much higher long-term returns on growth assets.

My advice is to ignore some of the more alarmist comments being written about the investment returns earned by super funds in the financial year to 30 June 2002 and focus on the longer term. However, I do encourage you to think about your superannuation and make sure you are in the right investment option. For HIP members with a long-term time frame, it makes sense to be in an investment option with a good allocation to growth assets like shares.

## Paying attention pays off

History provides some comfort and diversification some logic for Health Industry Plan members who might be questioning the benefits of having an international share component in their portfolio.

A look at the performance of different share markets around the world tells the story. In the two years to the end of June 2002, the US share market fell by more than 17% per year, and the UK, Japanese and German markets were also seriously negative.

It's no surprise then that international shares have been the worst performing asset class for the last two financial years. This recent disappointing performance means HIP members in the Growth Option have been looking at some pretty low numbers recently.

Look, I won't pretend that I can predict the future but there are good reasons for investing across a range of asset classes, including international shares.

While the Australian share market is important to local investors, it represents less than 2% of the value of the world's companies. That means 98% of all share market opportunities lie beyond our shores.

Investing internationally means your money is spread across a far greater mix of countries, industries and companies than would be possible if you invested entirely in the Australian share market. This provides you with greater protection from the impact of poor performance in any one market.

Looking back over the past 20 years, international shares have also produced better returns than Australian shares, and have often done well when Australian shares haven't, making the case for investing in international shares even stronger.

International share markets, like all markets, can experience dramatic changes in market value. History suggests that periods of poor returns are typically followed by periods of good returns, giving a solid, long-term average rate of return.

## Recent changes in investments

Over the past year, HIP has made two significant changes to expand the flexibility offered by investment choice. The introduction of the Cash Option means that there is now a very low-risk option available for those with a low tolerance for risk in their investments.

The times at which you can change your investment option have also been expanded from six-monthly to monthly. Please notify HIP within five working days before month end if you wish to change your option.

**Note: the objectives and risks have recently been revised to better reflect the current investment environment.**

- > HIP has introduced a Cash Option
- > You can change your investment option monthly
- > If you have \$20,000 or more in your HIP account, you can choose multiple investment options

## The big picture on your super investment

Looking at the performance of your superannuation for the 2001/2002 financial year, you may be feeling disappointed and anxious. You are not alone in your concerns. Many individual investors have been hit hard by the difficult investment environment, and most superannuation funds have recorded negative returns for the first time.

Over the course of the year, large falls in share markets were driven by the global economic slowdown and disappointing corporate profits. Meanwhile, the September 11 terrorist attacks affected confidence, as did the collapse of several large companies like Enron and HIH. International shares fell by 23.5% over the financial year, while in Australia, where the domestic economy remained strong, the share market fell by a more moderate 4.5%.

Despite these challenging market conditions, HIP's diversified investment strategy and the generally good performance of the fund managers helped to protect members from the worst extremes of the market. HIP credited 0.7% to members in the Capital Stable Option, while members in the Growth Option experienced a negative 5.9% result for the financial year ended 30 June 2002.

However, it must be remembered that superannuation is a long-term investment and that we should not look at our superannuation in short-term snapshots. Over the longer term, HIP's return to members has been strong. Members in both the Capital Stable and Growth Options have received on average over 10% per annum since the Fund's inception in 1988. An enviable track record indeed.

With its large investment in growth assets, including Australian and international shares and global emerging markets, the Growth Option has been particularly affected by the recent slump in share markets. The Capital Stable Option, which has a larger investment in defensive assets like cash and bonds, has been cushioned from falls in share markets. Boosted by the cautious attitude of investors, defensive assets

produced strong returns over the financial year, with listed property rising by 15.4%, Australian bonds up 6.2% and international bonds up 7.7%.

Your fund managers have worked hard to avoid the worst of the losses on Australian and international share markets. Amongst Australian share managers, BGI was the most impressive, delivering a return almost 4% ahead of the Australian shares index, while closely managing risk. Amongst international share managers, long-standing manager Wellington produced a return just short of the international shares index for the year, while newly appointed manager Bernstein has so far produced strong returns.

### NEW INVESTMENT MANAGERS

HIP has been greatly concerned about the significant downturn in international and Australian equity markets, and the impact on members. As a result, HIP has made a number of changes to the Fund during the financial year. These changes included the termination of Australian share manager Jardine Fleming, the appointment of two new Australian share managers, Maple-Brown Abbott and AMP Henderson, and two new international share managers, Dresdner RCM and Bernstein Investment Research and Management.

HIP's Trustee Directors continually review the Fund's investment structure and have recently added further diversification to the Growth Option

### Things to note:

- > new cash investment option
- > monthly switching option
- > new fund managers introduced

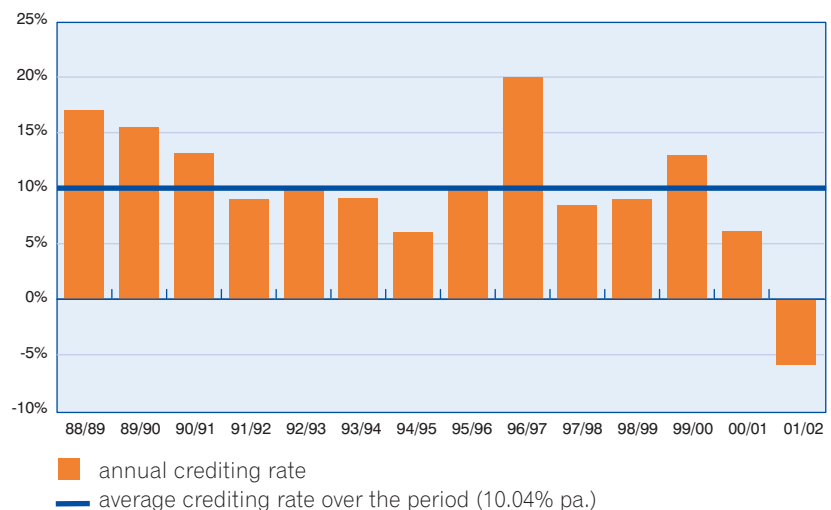
asset class structure by increasing the commitment to Private Equity through Harborvest and introducing an investment in a long/short hedge fund facility managed by BGI.

We have also reviewed the international fixed interest strategy and will be implementing a number of changes to improve the reliability of returns in this sector.

The Fund has also recently added the Cash Option as an alternative choice for members who require security of return in the short term, and has extended the opportunity to switch your investment option from twice a year to monthly.

The Trustee Directors have also overhauled HIP's investment in the Australian fixed interest sector, appointing active manager Credit Suisse, and terminating index manager Westpac. These and other changes are designed to make the Fund more robust and better able to deliver reliable returns across a variety of market conditions. You can expect further changes to the Fund as conditions demand.

### HIP's crediting rates since the start (average 10.04% pa)



- This chart reflects crediting rates in the Balanced Option up to 31 January 1998 (the date this option ceased operating) and crediting rates in the Growth Option since 1 February 1998.
- Past performance is not a reliable indicator of future performance.

## SUPER IS LONG TERM

History tells us that share markets invariably rise over the long term, although they can be incredibly volatile over shorter periods of time. Each time international share markets have fallen over the past 30 years, they have later recovered and continued to climb. While the last two years have been pretty grim, they appear as a moderate downturn interrupting the otherwise rising trend.

At times like these, it's important to stay focused on the long term, and not be distracted by short-term downturns. Research shows that investors who stay focused on long-term objectives during difficult periods will be rewarded over time.

As can be seen from the graph on page 8, HIP has provided good long-term results. Even taking into account this year's negative return, the Fund has delivered an average crediting rate of just over 10% per annum since inception in 1988.

These positive signs are tempered somewhat at the moment by uncertain international politics surrounding events in the Middle East and the war against terrorism. As prospects improve, share valuations should move higher and returns to investors should improve. The Fund, with its focus on high-quality investments, and its broad diversification across eight asset classes, 12 hand-picked fund managers and thousands of high-quality individual securities, is well positioned to participate strongly when share markets recover.

The message from investment analysts and commentators is quite clear and consistent: Don't panic. Instead use this time of lower returns as a catalyst to review and understand your superannuation and establish time-based expectations for selecting the most appropriate investment option or combination of options for you.

HIP's Trustee Board is actively reviewing the Fund's investment structures to try to minimise the effects of the current volatility in investment markets.

# Investments

## POLICY

The Fund's investment strategy is to have a higher exposure to growth assets, such as shares and property. This is because the majority of members have well over 15 years until their retirement. While growth assets may fluctuate in value over the short term, they are likely to provide much better retirement benefits for members in the longer term.

The Fund's investment advisers, ipac portfolio management, assist the Fund to continuously review the Fund's investments. The Fund uses a combination of specialist investment managers for each asset class, such as shares, bonds, and property. The appointment of specialist managers ensures there are experts working for you in each sector. Over the longer term, the Trustee expects this strategy will result in increased benefits to members.

Subject to strictly controlled limits, HIP's policy allows investment managers to use derivatives (such as options, futures and forward exchange contracts) to reduce HIP's exposure to market fluctuations, but not to leverage the Fund or place it in a position where it is short an asset class.

## STRATEGY

The Trustee, together with ipac, monitors the Fund's investment managers and other investment opportunities. After considering a number of alternative asset classes, the Trustee made a number of changes to the Fund this year, detailed in "The big picture on your super investment" at left. During the year the Trustee Directors took the decision to move from direct mandates to single manager investment trusts managed by ipac. This move was undertaken to save costs in the area of custodian services. The new arrangement does not affect the Fund's flexibility to change investment managers and/or investment allocations as economic conditions dictate.

The Trustee will continue to monitor the current investments and explore new investment opportunities with a view to delivering superior investment returns to members.

## INTEREST CREDITED

When setting the crediting rates, the Trustee considers the total investment return for each option, less taxes and investment management fees. Interest is credited to your account at the end of each financial year and is shown on your benefit statement.

Interest is calculated based on when contributions were received and banked by the Fund. For example, if you were a member of HIP for the full year but contributions were not made on your behalf until later in the year, interest on those contributions will be calculated from when the contributions were received.

The interest credited to your account may not match the crediting rates shown in this report and on the front of your benefit statement. The crediting rates shown assume money was invested in the relevant option for the full year. So, if you joined HIP in June 2002, you will be credited only with the June monthly interest rate. Also, if you changed investment options, for example from the Capital Stable Option to the Growth Option, you will be paid interest for the months you were invested in each option.

## RESERVES

It is HIP's policy not to carry forward an investment reserve from year to year. However, HIP does have other small reserves.

The administration reserve is held to support the cost of administering the Fund. It shall not exceed 1% of the Fund's assets and currently stands at \$1.03 million.

A small insurance reserve is held to cover any additional administration costs arising from the provision of member insurance and currently stands at \$43,958.

The balancing amount that is left over after the crediting interest rate has been determined, to one decimal point, goes into the crediting rate allocation reserve and currently stands at \$127,885. This reserve clearly belongs to the members and will be included in future crediting rate calculations.

## Managing the Fund

HIP is managed by the Trustee company, Private Hospitals Superannuation Pty. Ltd. ACN 006 792 749.

The company has two shareholders, the nominee of the NSW Nurses' Association representing members' interests, and the nominee of the NSW Private Hospitals Association representing employers' interests.

The two shareholders can each appoint one or more Directors, as long as the Board has the same number of Directors representing members and employers. Likewise, they have the power to remove their appointees.

For their work in relation to the Fund, Directors are paid \$1,500 for each trustee meeting, up to a maximum of \$9,000 per year, with the Chairman paid an additional \$6,000. Directors also receive superannuation contributions in line with the minimum level required by the Superannuation Guarantee legislation.

Directors are expected to attend at least six Board meetings a year as well as an annual three-day strategic planning conference and various other meetings and conferences.

Once appointed, Directors can hold office for up to two years and are eligible for re-appointment.

Member representative Kim Davis resigned on 29 September 2001. She was replaced by Stephen Ross, Industrial Office Queensland Nurses' Union. Mr Ross subsequently left employment with the Union and resigned from his position on the Board on 22 February 2002. He was replaced by Catherine Thorpe (see right for details).

### TRUSTEE INSURANCE

The Trustee has taken out trustee indemnity insurance to protect the Trustee, the Directors and the Fund. The policy provides for payment of legal costs and for replacement of Fund assets in the event of a successful claim.

### TRUST DEED

The Trust Deed is the legal document governing how the Fund operates and what benefits can be paid to members. During the year the Trust Deed was not amended.



## Current member directors (date of appointment)



**Anthony Wallace**  
Chairman  
(Sep 1994)  
General Manager,  
Sydney Southwest  
Private Hospital



**Arthur Brotherhood**  
(Aug 1999)  
Director,  
Innovative Business  
Improvement  
Systems Pty Ltd



**Harry Maratheftis**  
(Sep 1995)  
Industrial Relations  
Officer,  
NSW Nurses'  
Association



**Catherine Thorpe**  
(June 2002)  
Principal Advisor,  
Industrial Relations  
Service Industry  
Advisory Group

## Current employer directors (date of appointment)



**Dane Huxley**  
Deputy chairman  
(Oct 1994)  
CEO, Mildura  
Base Hospital



**Lucy Fisher**  
(Aug 1999)  
Executive Director,  
Private Hospitals'  
Association of  
Queensland



**Michael Rahilly**  
(Jan 2001)  
Barrister, Victorian  
Hospitals'  
Industrial  
Association



**George Toemoe**  
(Jan 2000)  
CEO, St Luke's  
Hospital NSW

HIP also has a **Chief Executive Officer, Ross Bernays**, who is responsible for the secretarial duties of the Trustee company, the Fund's marketing and other day-to-day issues on behalf of the Directors. Leah McLean is HIP's Program Manager (see top right).


 30 June 2002

## Investment managers

### Australian cash

State Street Australia Limited

### Australian bonds

Credit Suisse Asset Management (Australia) Limited

### International bonds

Credit Suisse Asset Management (Australia) Limited

### Property securities

Deutsche Asset Management (Australia) Limited

### Australian shares

Barclays Global Investors Australia Limited  
Maple-Brown Abbot Limited  
AMP Henderson

### Private equity

Macquarie Specialised Asset Management

### International shares

Dresdner RCM Global Investors Australia Limited  
Bernstein Investment Research and Management  
Wellington Management Company LLP

### Global emerging markets

Nicholas-Applegate Capital Management, LP

## Service providers

### Administrator

Superpartners (formerly Jacques Martin Industry Funds Administration)

### Auditor/Tax agent

Deloitte Touche Tohmatsu

### Bank

National Australia Bank

### Investment consultant

ipac portfolio management limited

### Debt collection

Industry Funds Credit Control

### Insurer

ING (formerly Mercantile Mutual)

### Custodian

State Street Australia Limited

## 2002 Financial summary

The following information has been taken from HIP's draft abridged accounts for 2001/2002. The annual audit is expected to be completed by the end of October 2002 and the accounts are not expected to be qualified in any way by the auditor.

The 2001 results shown are from the final audited accounts.

Contact the HIP Administrator if you would like a copy of the audited accounts for 2001/2002, or a copy of the auditor's report.



Leah McLean  
Program Manager, HIP

### Statement of change in net assets

	2002 \$000's	2001 \$000's
<b>Opening balance at 1 July</b>	<b>207,567</b>	<b>180,648</b>
<b>Plus income</b>		
Contributions received – employers	34,048	32,116
Contributions received – members	1,633	2,586
Transfers	6,541	4,984
Investment income and increases	(16,724)	6,445
Other income	575	1,050
<b>Total income</b>	<b>26,073</b>	<b>47,181</b>
<b>Less expenses</b>		
Government taxes	519	3,304
Insurance costs	2,848	2,860
Administration costs	1,748	1,612
Benefits paid	13,244	12,486
<b>Total expenses</b>	<b>18,359</b>	<b>20,262</b>
<b>Equals net assets at 30 June</b>	<b>215,281</b>	<b>207,567</b>

### Statement of assets and liabilities

	2002 \$000's	2001 \$000's
Investments	211,067	209,352
Current assets	7,500	3,070
<b>Total assets</b>	<b>218,567</b>	<b>212,422</b>
Benefits payable	451	251
Taxation	2,212	3,697
Other liabilities	623	907
<b>Total liabilities</b>	<b>3,286</b>	<b>4,855</b>
<b>Net assets at 30 June</b>	<b>215,281</b>	<b>207,567</b>

## New program manager

In June, Leah McLean was appointed to the new position of Program Manager.

Leah is responsible for expanding the delivery of a wide range of programs designed for HIP's members and their employers. For assistance or on-site support, Leah can be reached on 02 9375 7710.

## Don't forget our website

For those of you who regularly go online, don't forget that the HIP website is a great source of information on your superannuation. At [www.hipsuper.com.au](http://www.hipsuper.com.au) you will find current information on the Fund, a facility for account enquiries and five calculators to help you sort out your superannuation and your savings.

## Insurance... did you know?

HIP provides you with insurance, at a low cost, to protect you if you become disabled or die.

### DEATH COVER

On your death, the Trustee must distribute your benefit according to superannuation law. Nominated beneficiaries will be considered when determining the distribution.

- > **Death cover still only costs you \$1 a week**
- > **If you have taken out extra insurance this cost will be higher**

This table is a guide to the amount of cover provided for one unit of insurance which depends on your exact age.

Age	Death cover	Age	Death cover
up to 35	\$100,000	55	\$25,000
40	\$82,000	60	\$13,000
45	\$60,000	65	\$2,000
50	\$42,000		

### INCOME PROTECTION

For the practical benefits of income protection read Margaret Blair's story opposite. Income protection covers you 24 hours a day, seven days a week. Your insurance may provide a monthly benefit of up to 75% of your pre-disablement income for up to 24 months.

One unit of income protection insurance provides a monthly benefit of \$515. How many units you are eligible for depends on how much you earn with units still only costing 91 cents each. Remember, you should review your income protection each time your salary varies as changes do not happen automatically.

Below we've shown you how many units you need for different levels of cover. This is a guide and it will depend on your exact income and on your employer making contributions on your behalf on time.

Income	Number of units	Cover per year
\$25,000	3	\$18,540
\$33,000	4	\$24,720
\$42,000	5	\$30,900
\$50,000	6	\$37,500
\$58,000	7	\$41,250

> **You can check your current amount of cover on your Benefit Statement. The death cover stated includes your account balance.**

### ELIGIBILITY

All members have automatic death cover of one unit which may be increased on application. Please note that an increase in death cover may be subject to a satisfactory health check.

Automatic income protection cover is provided on your joining HIP if:

- > **you are a permanent (ie full-time or part-time) employee,**
- > **you have an income of more than \$10,000 per year,**
- > **you are not over age 65,**
- > **you are at work on the day you complete your Member Application, and**
- > **your Member Application is received within three months of commencing employment with your HIP employer.**

Please note casual employees are not eligible for income protection insurance. If your employment status alters you should advise HIP Administration immediately to review your insurance options.

### INSURE YOURSELF FOR PEACE OF MIND

We all accept car and home insurance as a way of life, but what about insuring yourself? You are, after all, your most important asset. If you are paying off a mortgage or another loan, who will pay it if you die? You may need more money than you think.

At HIP you can get extra death cover and extra income protection cover, on top of the basic cover you get automatically by being a member of the Fund. The cost of this insurance comes out of your super account, not your pay. And you can change your insurance any time you want.

To apply for extra cover call the HIP Administrator on 1300 654 099. Besides filling out the form, you will also need to tell the insurer about your health (and this may affect your application).

## Relax and let your money do the work

Retirement is a time for role reversal. Rather than you working hard at your job each day, your superannuation benefit must do the hard work to provide the lifestyle that you worked so long for.

You have a number of options available: a lifetime pension or annuity, rolling into an allocated pension, or using a non-superannuation investment that pays a regular income.

Like super, investing in pensions or annuities is straightforward and continues to provide you with certain tax benefits – it may even be the most tax-effective way of receiving your retirement income. Your benefit doesn't even have to be very big for you to enjoy tax concessions. A regular income will also help you to enjoy your retirement and provide security for you for years to come.

Before making any financial decision HIP recommends that you talk to a professional financial planner.

And remember, you can leave your money with HIP after leaving work up until age 65. Also, prior to age 65, you can make partial withdrawals.

## Protect your income with your super

What started as just another day for Margaret Blair at Hills Private Hospital was soon to become life altering to her work and retirement plans for the next two years. Margaret slipped over in the labour ward and required a knee joint replacement. After surgery she could not return to work, as the impact of walking on the hard cement floors of the hospital was detrimental, and consequently was medically retired.

While this may sound like an unfortunate story, it actually has a silver lining and a few important messages for HIP members. Fortunately, Margaret had taken out income protection insurance when she joined HIP which provided her a wage for two years following the accident.

"I just hope people read my story and use the income protection insurance available," said Margaret. "It makes a difference to your whole quality of life.

"I thought of income protection as a form of security, but never for one moment thought I would need it. My accident was never expected. Initially when I chose the insurance plan I still had children living at home and my husband travelled with his employment. The income protection insurance was a form of guaranteed income in the event of a serious injury.

"I think it's a must-have, especially for single mums and those nurses who may be the main source of family income due to retrenchment or illness of a partner. Income protection insurance can make a difference to your ultimate quality of life. It helped me remain independent with my own personal income which after working for 30 years I was accustomed to."

HIP's income protection provides up to 75% of pre-disablement salary, depending on the units of cover you choose (see table on page 10). One unit costs 91 cents and provides \$515 a month. This money comes out of your super account each month, not your pay, so there is no hip pocket affect.

Margaret received the maximum 24 months of payments, which subsidised her income until the workers' compensation payment was settled in 2002. She even took out a little bit more than the standard four units of cover.

*"I just hope people read my story and use the income protection insurance available."*

Making the claim was simple. "HIP sent me a claim form and, after submitting medical documentation, payment of my monthly cheque commenced within six to eight weeks.

"PAYG tax was deducted and I received my group certificates at the end of the financial year. I knew the cheque would arrive promptly each month. They handled the whole thing very professionally."

Now in early retirement Margaret is benefiting from years of making voluntary contributions. In preparation for her retirement, at 55 years Margaret doubled her level of voluntary contributions from \$200 to \$400 per month.

"After going to a retirement investment broker I increased my voluntary contributions as this was a tax-free form of saving. Now that I've turned 62 and am retired I receive a monthly annuity. It gives me independence from my husband's income and it allows us to have a lifestyle that we enjoy."

Margaret spent 20 years in the state system before spending six years at Hills Private Hospital where she invested in HIP until her retirement.

In retirement Margaret keeps busy with painting, ceramics, sewing and patchwork. Margaret maintains interest in her former speciality – Intravenous Therapy – as an active member of the NSW Intravenous Nurses Society and is currently Treasurer. She has established the society's new website [www.insnswinc.com](http://www.insnswinc.com) and participates in the PICC and vascular website network.

Margaret misses work, her patients and professional colleagues but feels she is continuing to make a contribution.



Margaret Blair  
Castle Hill NSW

## Your employer pays you more

Did you notice that as of 1 July this year your super contributions increased?

The Superannuation Guarantee (SG), which is the amount your employer is required to contribute to super on your behalf, rose from 8% to 9% of Ordinary Time Earnings (OTE).

An extra 1% is a nice boost to your super. For example if you earn \$40,000 (in OTE) your SG contributions will be an extra \$400 over the year.

## HIP is saving money for you

Are you a 'frequent flyer'? Do you collect different reward points? Good deals for consumers are everywhere, even through your super fund.

### HEALTH INSURANCE MADE EASY!

MBF offers HIP members access to a corporate membership, meaning fantastic rates for cover. Just call MBF Corporate Member Services on 1300 653 525.

### HOME OR INVESTMENT LOAN?

HIP has established a partnership with Macquarie Mortgages to provide home and investment loans at highly competitive rates. Call 1800 007 722.

### GREAT DEALS ON CARS

CarNet provides HIP members with a best price search facility for the purchase of new cars, and access to a substantial pool of former corporate and government fleet vehicles to choose from if you're after a quality used car. The HIP Car Buying Service can also help source finance and insurance. Call 1300 137 741.

### IT'S HIP TO CONNECT TO THE NET

HIP has teamed with Virtual Communities to let you buy computer and Internet packages at discounted prices. They'll even deliver and install the PC. Call 1300 131 789.

**Disclaimer:** These products and services are offered to Health Industry Plan (HIP) members through the external service providers shown and are separate to HIP. Any contractual arrangements or obligations are directly between the member and the service provider.

This guide is designed to help you understand your statement, so you can see how your superannuation is performing.

#### 1 Your details

This information is HIP's current record of your details. Please make sure this information is right. If anything is wrong please contact the Administrator, Superpartners, on **1300 654 099**.

#### 2 Preferred beneficiaries

The nominated beneficiaries you would like to receive your benefit in the Fund if you die. It is important that you keep your nominated beneficiaries up-to-date.

#### 3 Preserved amount

The member and employer contributions to your account that are preserved – meaning they must generally be kept in an approved super fund until you reach your preservation age.

#### 4 Non-preserved amount

Non-preserved contributions are classified as either restricted or unrestricted. Generally, restricted contributions can be withdrawn prior to preservation age only when you cease employment with the employer paying your SG contributions. All contributions after 30 June 1999 are preserved, so you will only have non-preserved contributions if they were made before 1 July 1999.

#### 5 Death benefit

This figure is the amount of your insurance cover as at 30 June 2002. It should be noted that this amount includes your account balance. You have the option to add to this benefit by buying extra insurance.

#### 6 Income protection units

This is the number of income protection units you have. This insurance will help you manage financially if you become disabled.

You may have the option to add to this amount by buying extra insurance.

#### 7 Transaction date

The date the Fund received your member or employer contributions.

#### 8 Description

The name of your employer who made the contributions to your super account.

#### 9 Payment period

The dates you worked with the employer who made the contributions.

#### 10 Administration fees

These are the only fees taken from your account. You do not pay any other fees, commission, entry, exit, or asset fees with HIP.

#### 11 Government taxes

Contributions tax (currently 15%) is a compulsory tax that applies to employer-paid contributions to all super funds. The surcharge tax also applies to employer contributions for high-income earners only or, in some circumstances, where a member has not supplied their Tax File Number.

#### 12 Interest credited

This figure is the total interest applied to your account for the year ended 30 June 2002.

#### 13 Account balance

Your account balance is the total amount of your benefit at 30 June 2002, including all contributions and less any fees, insurance premiums and Government taxes.

**Note:** If you have a superannuation surcharge liability, this amount will be shown as a deduction from your account balance.

## More information

Your benefit statement, this report and your member booklet provide important information about your benefits and HIP. Other documents you can ask to see include the Fund's trust deed, investment policy and risk management statements, audited accounts and reports, Australian Prudential Regulation Authority annual returns, rules for the appointment and removal of member Trustee Directors, and enquiries and complaints procedures. If you would like more information about your benefits, the Fund, or accessing information about your account balance, you can visit [www.hipsuper.com.au](http://www.hipsuper.com.au)

### ENQUIRIES AND COMPLAINTS

If you wish to make an enquiry about the Fund, or if you have any concerns about its operation or management, please contact the Customer Service Department of the HIP Administrator on 1300 654 099. If you phone, in most cases you'll receive an immediate reply, but in some cases issues may need further investigation. The HIP Administrator will promptly acknowledge any written enquiry or concern and in most cases respond within 28 days.

HIP strives to provide good service to its members. However, if you are not satisfied that your enquiry or complaint has been satisfactorily answered you should write to the Complaints Officer at the HIP Administrator's office. You can then expect a decision from the Trustee within 90 days.

### SUPERANNUATION COMPLAINTS TRIBUNAL

If you are not satisfied with the Trustee's decision on your complaint, you may be able to take the matter further by writing to the Superannuation Complaints Tribunal (SCT). The SCT is an independent body set up by the Government to help members and their beneficiaries resolve superannuation complaints. You must follow the Fund's complaints procedure set out above before you can take your complaint to the SCT.

You should then ring the SCT to find out whether they can handle your complaint and what information you will need to provide.

If the SCT accepts your complaint, it will try to help you and the Trustee reach an agreement. If this is not successful, the SCT will make a decision that is binding on all parties.

For more information, contact the Superannuation Complaints Tribunal, Locked Bag 3060, GPO Melbourne VIC 3001. Phone 1300 884 114.

### FEES AND CHARGES

HIP prides itself on being able to provide one of the lowest levels of administration fees among superannuation funds.

- > **Administration fee of \$1 a week** (may be less for accounts under \$1,000, see *Protecting your balance below*)
- > **Death insurance of \$1 for one unit a week**
- > **Income protection insurance of 91 cents for one unit a week**
- > **\$20 for any additional investment choice switch after your first switch in the same year.**

### PROTECTING YOUR BALANCE

HIP protects your account balance, if it is less than \$1,000, from being eroded by administration fees. If the administration fees are more than the interest paid to your account, the difference is credited back to your account as a rebate. This does not include deductions for tax or insurance premiums.

### CHANGE OF ADDRESS

We need your current address details so that we can keep you informed about your super by sending you your benefit statements, Fund reports, and your benefit when you leave. Call the HIP Administrator, Superpartners, on 1300 654 099 whenever you change your address.

*Don't forget our website*  
[www.hipsuper.com.au](http://www.hipsuper.com.au)



## Lost and found

If you leave HIP, make sure you tell the Trustee how and where to pay or transfer your benefit. If you become a lost member, your balance may have to be transferred out of the Fund.

If your account has not received a contribution in the last two years, and your account balance is less than \$500, your benefit may be transferred to an Eligible Rollover Fund (ERF).

HIP uses the Australian Preservation Fund (APF), Locked Bag 999, Carlton South VIC 3053. The APF Administrator can be contacted on 1300 361 798.

HIP has instigated a program of cross-matching data to recover money for existing members previously forwarded to the APF. The APF takes a low annual fee of \$10 per year. However, the APF has no death or disability cover. If your benefit is transferred to an ERF, you will no longer be a member of, or have any rights under, HIP.



[www.hipsuper.com.au](http://www.hipsuper.com.au)

## Health Industry Plan

### Health Industry Plan (HIP) Administrator

#### Superpartners

**Phone 1300 654 099** anywhere in Australia for the cost of a local call

#### Victoria

Locked Bag 999  
Carlton South VIC 3053  
Level 2, Casselden Place  
2 Lonsdale Street, Melbourne  
Fax (03) 9200 4424

#### New South Wales

Locked Bag 20  
Grosvenor Place NSW 1216  
Level 3, 220 George Street, Sydney  
Fax (02) 9375 7878

#### ACT

PO Box 2780  
Canberra ACT 2601  
Unit 6, Ground Floor  
33 Allara Street, Canberra  
Fax (02) 6217 7333

#### Queensland

PO Box 329  
Spring Hill QLD 4004  
Level 11, 120 Edward Street, Brisbane  
Fax (07) 3210 0088

#### South Australia and Northern Territory

PO Box 2468  
Kent Town SA 5071  
174 Fullarton Road, Dulwich  
Fax (08) 8205 4990

#### Western Australia

PO Box 828  
West Perth WA 6872  
88 Colin Street, West Perth  
Fax (08) 9278 7099

#### Tasmania

Suite 21, 33 Salamanca Place  
Hobart TAS 7004  
Fax (03) 6223 7003

#### Chief Executive Officer

Ross Bernays  
PO Box R105, Royal Exchange  
Sydney NSW 1225

Level 7, 220 George Street  
Sydney NSW 2000  
Phone (02) 9375 7757  
Fax (02) 9375 7758