

**PremiumChoice
Retirement Service**



Annual Report 2010/2011



Preparation Date: 1 December 2011

You should read this Annual Report with your Annual Member Benefit Statement.

PremiumChoice Retirement Service ('the Service') offers a Superannuation Service and a Pension Service (comprising an Account-based Pension).

Structure of the Service

The Service is a regulated superannuation fund that is governed by a Trust Deed dated 19 February 2002 as amended ('Trust Deed').

Trustee and Issuer

NULIS Nominees (Australia) Limited ABN 80 008 515 633 ('NULIS'), Australian Financial Services Licence Number ('AFSL No.')

 236465, is the Trustee of the Service and the issuer of interests in the Service.

In this Report references to 'Trustee', 'we', 'our' and 'us' refer to NULIS Nominees (Australia) Limited.

Sponsor

PremiumChoice Portfolio Services Limited ABN 16 097 636 023 AFSL 241255 is the Sponsor of this Service. In this Annual Report references to 'the Sponsor' are to PremiumChoice Portfolio Services Limited.

Administrator

Navigator Australia Limited ABN 45 006 302 987 ('Navigator') AFSL No. 236466 is the Administrator of the Service.

MLC Limited

MLC Limited ABN 90 000 000 402, AFSL No. 230694 is the underwriter and issuer of the Protection*first* insurance products. As a member of the Service, your insurance policy will be issued by MLC Limited to the Trustee and may only be enforced by the Trustee.

National Australia Bank Group

The Administrator, the Trustee and MLC Limited are part of the National Australia Bank Group ('NAB Group').

How to contact us



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Melbourne time



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Contents

A year in review	02
Looking out for your interests.....	03
About your account value.....	04
Some things you should know	05
How your money is invested	07
MLC Superannuation Fund Financial Report	08

A year in review

Why PremiumChoice?

PremiumChoice Portfolio Services Limited is the sponsor of a comprehensive portfolio service created to enable you, together with your financial adviser, to diversify your investment portfolio across a wide range of investment products. This is an exclusive service. It is not promoted directly to the public and is available only through Australian Financial Services licensees selected by the Sponsor.

The Service enables you to enjoy the convenience, flexibility and control of dealing with one quality provider, keeping you fully informed of your financial position.

A year in review

With the global events of the past year, you know how important it is for your money to be well-managed and working for you.

Recently, the Government announced reforms designed to make the super system stronger and more efficient, with the overall aim to maximise retirement income for Australians. These reforms are focused on creating better value, making it easier to consolidate super accounts and improving governance.

You can be assured that we place great emphasis on governance and that your interests are well-represented while these reforms are finalised by the Government.

Thank you for choosing us to help you achieve your retirement goals.



Geoff Webb

Chairman
NULIS Nominees (Australia) Limited

Looking out for your interests

The directors of the Trustee Board have a variety of work and life experiences which help them represent your interests.

Made up of executive and non-executive members who are personally responsible for any decisions they make, their duties include:

- providing investment choice
- ensuring your interests are maintained, and
- keeping you informed of any changes.

The Trustee is liable for its activities and has professional indemnity insurance.

The Trustee has appointed Navigator Australia Limited to carry out the day-to-day administration of the PremiumChoice Retirement Service.

Meet the Board

The directors are:

Geoff Webb – Chairman

B Ec (Hons) 1970,
AIA (UK),
AIAA (Australia),
FAICD, FAIM

Patrick Burroughs

BSSc (Hons) 1971,
FCA, FAICD

Michael Clancy

B Bus (Finance and Economics) 1992,
CFA 1997

Michael Fitzsimons

Diploma of Financial Services
ANZIIF

Peggy Haines

BA (Virginia) 1973,
JD (Virginia) 1976,
Diploma of Superannuation Management
(Macquarie) 1994,
FAICD
Appointed 14 February 2011

Richard Morath

BA 1968,
FIA (UK and Australia), ASIA

John Reid

B Sc. Mathematical Physics 1971,
FIA (UK and Australia)

Nicole Smith

BFA 1990, CA
GAICD

About your account value

How earnings are reflected in your account

Income from investments will be in the form of capital growth, dividends, interest and distributions and occurs at different times throughout the year.

Please refer to the relevant investment's disclosure document and the ASX (for listed securities) for details. Income received is usually net of fees and charges.

Income distributions will be allocated to your Cash Account after we receive them. All income distributions must be received as cash as we don't administer dividend and distribution reinvestment plans.

Interest earned on your Cash Account is paid after the end of each quarter.

How your account is valued

The value of your account is the sum of all the investments held in your account (including your Cash Account).

The value of your investments is based on:

- prices provided by the investment managers and the Australian Securities Exchange
- the number of units or shares you hold, and
- any fixed interest investments you have.

Prices are generally provided daily, however there may be times when we don't receive updated prices. This may occur when shares are delisted or assets can't be valued. In these circumstances we may have to use different valuation methods.

Some things you should know

Transfers to an Eligible Rollover Fund

We may transfer your account balance to an Eligible Rollover Fund if:

- you haven't made a contribution in the last 12 months and your balance falls below \$2000, or
- we lose contact with you and can't locate you.

The Eligible Rollover Fund we currently use is the Australian Eligible Rollover Fund and it can be contacted on **1800 677 424**.

We'll advise you in writing to your last known address if we intend to transfer your account balance and will proceed if you don't respond with instructions regarding an alternative super fund.

Please note, a transfer to an Eligible Rollover Fund may be detrimental to you as the Eligible Rollover Fund may have a different fee structure, different investment strategies and may not offer insurance benefits.

Transfers to the Australian Taxation Office

We're required by law to transfer your account balance to the Australian Taxation Office if:

- we've lost contact with you and your account balance is less than \$200, or

- your account has been inactive for five years and your account balance is less than \$200, or
- your account has been inactive for five years and with the information reasonably available to us we're satisfied that it will never be possible to pay the account balance to you, or
- you were a temporary resident and have departed Australia and you haven't claimed your benefit within six months of becoming eligible.

You will then need to contact the Australian Taxation Office to claim your benefit.

Surcharge assessment for prior years

The Superannuation Contributions Surcharge (surcharge) was removed in relation to contributions made from 1 July 2005. However, a surcharge liability may still arise in respect of relevant contributions made in prior years.

The surcharge assessment may be sent to the Fund, in which case, the amount will generally be deducted from your account (unless it's a pension account) and paid to the Australian Taxation Office.

If you've withdrawn your account balance (in whole or part) or commenced a pension, the Australian Taxation Office may send the surcharge assessment to your new super arrangement or directly to you.

Some things you should know

Where you receive the assessment directly, you'll be responsible for paying the surcharge to the Australian Taxation Office. If you have a pension account, you're generally able to ask us to pay you a lump sum in order to meet your surcharge liability.

If you have any questions about the surcharge please visit the Australian Taxation Office website at ato.gov.au or call **13 10 20**.

Illiquid investments and portability

When you ask us to roll over or transfer your account balance, we're required to respond to this within 30 days. There may be a delay in processing your request where part of your account balance is invested in an 'illiquid investment'.

What is an illiquid investment?

An investment is considered illiquid when you're unable to access your investment within the required 30 days, or if you do it would be at a materially lower price. This situation may arise when:

- a fund manager suspends transactions or closes their fund
- the normal redemption processing timeframe for a fund is greater than 30 days, or
- a listed investment is under administration, suspended or delisted.

Where we're unable to process your request within 30 days, we'll notify your financial adviser of this and provide details of the illiquid investments.

Suspended or terminated managed funds

Economic and financial market conditions over the last couple of years resulted in some investment managers suspending redemptions on their funds.

In some cases the managed fund may have been closed.

If you have some of these investments, we've already notified you about these changes.

You can find a summary of these managed funds, including details of their current status, on investinfo.com.au/premiumchoice

Resolving complaints

We can usually resolve complaints over the phone. If we can't, or you're not satisfied with the outcome, please write to us. We'll work to resolve your complaint as soon as possible.

If you're not satisfied with our decision you can get further advice from the Superannuation Complaints Tribunal by calling **1300 884 114**, or emailing info@sct.gov.au

More information is available on sct.gov.au

How your money is invested

The investment objective of the Fund is to give you a wide choice of investment options from which you and your financial adviser can select investment strategies to suit your investment needs.

You can choose investments from:

- over 300 managed investments offered by a variety of investment managers
- over 500 ASX-listed investments
- a variety of term deposits, and
- a Separately Managed Account (SMA) providing access to a range of direct share portfolios.

If you haven't chosen a particular investment option, or your instructions aren't clear, your money will be retained in your Cash Account until we receive a clear instruction.

The full list of investment options is contained in the Investment Allocation Authority. For specific information on an investment option, please refer to the company information or the relevant disclosure document for that investment option. All these documents are available from your financial adviser or from investinfo.com.au/premiumchoice

Asset allocation

This section details the assets that have a value in excess of 5% of the total assets of the Fund as at 30 June 2011.

NAB Cash Manager – 5.28%

Derivatives

Derivatives are a common tool used to enhance returns or manage risk.

They are contracts that have a value derived from an external reference (eg the level of a share price index).

There are many types of derivatives and they can be an invaluable tool for an investment manager.

However, they can also incur significant losses.

The Fund currently doesn't directly invest in or use financial derivatives except where financial derivatives are acquired as a result of a corporate action in relation to an investment within the fund.

Some of the available investment options may, however, invest in financial derivatives. How investment managers invest in derivatives is included in their Product Disclosure Statement on investinfo.com.au/premiumchoice

MLC Superannuation Fund Financial Report

This section shows the financial position of the MLC Superannuation Fund as at 30 June 2011.

The following abridged fund accounts are for the PremiumChoice Retirement Service. The Assets for the PremiumChoice Retirement Service is \$316 million.

The full audited financial statements and auditor's report will be available on investinfo.com.au/premiumchoice from December 2011.

You can also call Client Services on **1300 880 054** to receive a paper copy.

Abridged Financial Information – Statement of Financial Position

As at 30 June 2011

	2011	2010
	\$	\$
Assets		
Cash and cash equivalents	10,213,612	6,882,201
Receivables		
Outstanding settlements	5,153,600	684,044
Investment revenue receivable	7,498,578	4,788,165
Compensation receivable	273	-
GST receivable	64,322	44,056
Investments		
Investment in the Cash Management Account	23,370,750	-
Listed shares	14,124,937	12,274,792
Investment held in Separately Managed Accounts	1,942,233	201,710
Units in the Cash Account Income Fund	9,352,902	31,223,652
Unlisted unit trusts	237,356,863	251,432,046
Term deposits	16,444,393	12,173,647
Other		
Income tax receivable	263,794	-
Deferred tax asset	4,797,891	5,629,365
Total assets	330,584,148	325,333,679
Liabilities		
Payable – Navigator Australia Limited	469,666	549,793
Payable – MLC Limited	78,247	58,841
Outstanding settlements	909,940	133,488
Outstanding settlements – Pension & Lump sum tax payable	8,481	911
Other payables	44,460	22,123
Income tax payable	-	58,010
Total liabilities (excluding net assets available to pay benefits)	1,510,794	823,167
Net assets available to pay benefits	329,073,354	324,510,512
Represented by:	329,073,354	324,510,512
Total Liability for Accrued Benefits	329,073,354	324,510,512

Abridged Financial Information – Operating Statement

As at 30 June 2011

	2011	2010
	\$	\$
Investment income		
Rebates	85,407	143,881
Dividends	612,822	328,450
Interest	1,186,121	214,937
Distributions	15,178,476	12,192,569
Changes in net market values	4,887,589	18,147,287
Net investment revenue	21,950,415	31,027,124
Contributions revenue		
Employers' contributions	12,307,947	11,243,300
Members' contributions	8,843,578	10,390,778
Transfers from other funds	14,444,984	14,230,422
Compensation to members	2,549	14,725
Total contributions revenue	35,599,058	35,879,225
Total revenue	57,549,473	66,906,349
Expenses		
Adviser review fees	402,028	281,420
Deferred entry fees	364,996	586,149
Entry fees	250,417	281,917
Insurance premiums	755,833	621,589
Management fees	4,873,753	4,857,844
Other fees	110,234	116,367
Superannuation contributions surcharge/ (refund)	3,846	3,348
Total Expenses	6,761,107	6,748,636
Benefits accrued as a result of operations before income tax	50,788,366	60,157,714
Income tax expense attributed to benefits accrued as a result of operations	(1,354,976)	1,071,600
Benefits accrued as a result of operations	49,433,390	61,229,314

Liability for accrued benefits

The liability for accrued benefits is the Service's present obligation to pay benefits to members and beneficiaries arising from their investing in the Service up to reporting date. It is measured as the difference between the carrying amounts of total assets and liabilities as at reporting date. Benefits in respect of members who ceased with the Service prior to reporting date and whose benefits were unpaid as at 30 June 2011 are included in the liability for accrued benefits amount.

	2011	2010
	\$	\$
Liability for accrued benefits at beginning of the year	324,510,512	296,282,695
Add: Benefits accrued as a result of operations	49,433,390	61,229,314
Less: Members' redemptions	(38,109,474)	(26,745,703)
Less: Pension payments	(6,761,074)	(6,255,794)
Liability for accrued benefits at the end of the financial year	<u>329,073,354</u>	<u>324,510,512</u>

Abridged Financial Information – Cash Flow Statement

For the year ended 30 June 2011

	2011	2010
	\$	\$
Cash flows provided by operating activities		
Employers' contributions received	12,307,947	10,390,778
Members' contributions received	8,843,578	11,243,300
Interest received	1,172,424	220,563
Distributions received	12,481,574	15,181,227
Dividends received	612,822	328,450
Rebates received	85,240	144,059
Transfers in received	12,939,263	13,557,512
Compensation received	2,276	15,121
Management fees paid	(4,897,947)	(4,831,922)
Entry fees paid	(262,391)	(288,489)
Deferred entry fees paid	(429,566)	(608,916)
Insurance premiums paid	(736,427)	(607,314)
Adviser review fees paid	(402,028)	(281,477)
Other	(68,662)	(113,980)
Redemptions paid	(38,122,817)	(26,736,795)
Pensions paid	(6,758,698)	(6,264,800)
Tax received from the ATO	(845,307)	(1,073,552)
Superannuation contributions surcharge paid	(3,846)	(3,348)
Net cash flows used in operating activities	(4,082,565)	10,270,417
Cash flows from investing activities		
Purchase of investments	(106,154,446)	(118,088,232)
Proceeds on sale of investments	113,568,422	103,344,015
Net cash flows from investing activities	7,413,976	(14,744,217)
Net increase/(decrease) in cash and cash equivalents	3,331,411	(4,473,800)
Cash and cash equivalents at beginning of the financial year	6,882,201	11,356,001
Cash and cash equivalents at end of financial year	10,213,612	6,882,201

