

PremiumChoice Retirement Service

ABN 70 479 285 132

RSE R1004090



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STATEMENT OF FINANCIAL POSITION
As at 30 June 2010

	Notes	2010 \$	2009 \$
Assets			
Cash and cash equivalents	10(a)	6,882,201	11,356,001
Receivables			
Outstanding settlements		684,044	816,923
Investment revenue receivable		4,788,165	7,782,172
Compensation receivable		-	397
GST receivable		44,056	42,705
Investments			
Unlisted unit trusts		251,432,046	234,546,729
Investments held in Separately Managed Accounts		201,710	-
Units in the Cash Account Income Fund		31,223,652	21,223,652
Listed shares		12,274,792	5,749,999
Term deposits		12,173,647	12,238,281
Other			
Deferred tax asset	9	5,629,365	3,625,862
Total assets		325,333,678	297,382,721
Liabilities			
Payable - Navigator Australia Limited		549,793	549,352
Payable - Norwich Union Life Australia Limited		58,841	44,565
Outstanding settlements		133,488	283,593
Income tax payable		58,010	199,660
Pension and lump sum tax payable		911	9,917
Other payables		22,123	12,939
Total liabilities		823,166	1,100,026
Net assets available to pay benefits		324,510,512	296,282,695
Represented by:			
Liability for accrued benefits	4,5,6	324,510,512	296,282,695

OPERATING STATEMENT
For the financial year ended 30 June 2010

	Notes	2010 \$	2009 \$
Investment revenue			
Rebates		143,881	127,162
Dividends		328,450	251,347
Interest		214,937	299,547
Distributions		12,192,569	14,478,752
Changes in net market values	3	18,147,286	(51,993,627)
Net investment revenue		31,027,123	(36,836,819)
Contributions revenue			
Employers' contributions		11,243,300	15,089,506
Members' contributions		10,390,778	14,858,926
Transfers from other funds		14,230,422	20,107,235
Compensation to members		14,725	40,333
Total contribution revenue		35,879,225	50,096,000
Total revenue		66,906,348	13,259,181
Expenses			
Adviser review fees		281,420	224,458
Deferred entry fees		586,149	657,857
Entry fees		281,917	394,447
Insurance premiums		621,589	421,699
Management fees		4,857,844	4,393,947
Other		116,367	25,991
Superannuation contributions surcharge		3,348	7,089
Total expenses		6,748,634	6,125,488
Benefits accrued before income tax		60,157,714	7,133,693
Income tax (charge)/benefit		1,071,600	(2,500,018)
Benefits accrued as a result of operations		61,229,314	4,633,675

STATEMENT OF CASH FLOWS
For the financial year ended 30 June 2010

	Notes	2010	2009
		\$	\$
Cash flows provided by operating activities			
Employers' contributions received		10,390,778	15,089,506
Members' contributions received		11,243,300	14,858,926
Interest received		220,563	308,699
Distributions received		15,181,227	19,448,773
Dividends received		328,450	251,347
Rebates received		144,059	130,299
Transfers in received		13,557,512	19,788,921
Compensation received		15,121	40,930
Management fees paid		(4,831,922)	(4,425,764)
Entry fees paid		(288,489)	(393,281)
Deferred entry fees paid		(608,916)	(657,744)
Insurance premiums paid		(607,314)	(402,991)
Adviser review fees paid		(281,477)	(224,401)
Other		(113,980)	(43,947)
Redemptions paid		(26,736,795)	(21,298,757)
Pensions paid		(6,264,800)	(6,524,286)
Tax paid to ATO ((paid) / received)		(1,073,552)	(1,709,485)
Superannuation contributions surcharge paid		(3,348)	(7,089)
Net cash flows provided by operating activities	10(b)	10,270,417	34,229,656
Cash flows used in investing activities			
Purchase of investments		(118,088,232)	(102,454,250)
Proceeds on sale of investments		103,344,015	70,808,620
Net cash flows used in investing activities		(14,744,217)	(31,645,630)
Net increase/(decrease) in cash and cash equivalents		(4,473,800)	2,584,026
Cash and cash equivalents at beginning of the financial year		11,356,001	8,771,975
Cash and cash equivalents at end of financial year	10(a)	6,882,201	11,356,001

The Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of principal accounting policies

The principal accounting policies which have been adopted in the preparation of the financial statements are as follows:

(a) Basis of preparation

The financial statements of the PremiumChoice Retirement Service ("the Service") are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards including AAS 25 "Financial Reporting by Superannuation Plans" ("AAS 25") as amended by AASB 2005-13 "Amendments to Australian Accounting Standards (AAS25)", other accounting policies to the extent applicable, the Superannuation Industry (Supervision) Act 1993, and Regulations and the provisions of the Trust Deed. The Service is a superannuation fund domiciled in Australia.

The financial statements have been prepared in accordance with the historical cost convention, except for the valuation of investments which are measured at net market value. Changes in the net market value of investments are recognised in the Operating Statement in the periods in which they occur. The financial statements are presented in Australian Dollars, which is the functional currency of the Service.

The financial statements were approved by the board of the Trustee on 15 September 2010.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards. Since AAS 25 is the principal standard that applies to the financial statements, other standards are applied to the extent that AAS 25 is silent. International Financial Reporting Standards ("IFRS") form the basis of the Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB").

Application of accounting standards

The following Australian Accounting Standards and interpretations have recently been issued or amended but are not yet effective. They do not require any changes to accounting policy and therefore are not expected to have any impact.

AASB Amendment/ Standard	Title	Nature of change to accounting policy	Application date of standard	Application date for the Service
AASB 2009-5	Further Amendments to Australian Accounting Standard for the annual improvement project (AASB 5,8,101,107,117,118,136 & 139)	No change	1 January 2010	1 July 2010
AASB 9	Financial Instruments	No change	1 January 2013	1 July 2013
AASB 2009-11	Amendments to Australian Accounting Standard arising from AASB 9 (AASB, 1,3,4,5,7,101,102,108,112,118,121, 127,128,131,132,136,139,1023, & 1023 & 1038 interpretations 10 & 12)	No change	1 January 2013	1 July 2013
Revised AASB 124	Related party disclosure and AASB 2009-12 Amendment to Australian Accounting Standards	No change	1 January 2011	1 July 2011
AASB 1053	Application of Tiers of Australian Accounting Standards	No change	1 July 2013	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of principal accounting policies (continued)

(b) Statement of compliance

AASB Amendment/ Standard	Title	Nature of change to accounting policy	Application date of standard	Application date for the Service
AASB 1010-2	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	No change	1 July 2013	1 July 2013
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	No change	1 January 2011	1 July 2011

If these accounting standards had been adopted, we do not believe that there would have been a material impact to either the Operating Statement for the year to 30 June 2010 or the Statement of Financial Position as at 30 June 2010.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the financial report requires the making of estimates and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable in the circumstances.

(d) Investments

Investments and derivatives of the Service are initially recognised at cost, being the fair value of the consideration given excluding transaction costs.

After initial recognition, the investments and derivatives of the Service are included in the Statement of Financial Position at net market value as at reporting date and movements in the net market value of investments and derivatives are recognised in the Operating Statement in the financial year in which they occur.

Investments are maintained for the long-term purpose of providing benefits to members on their retirement, reaching a specified age, death or termination of employment.

Net market values of investments and derivatives have been determined as follows:

- i) Listed securities and listed unit trusts quoted on a recognised stock exchange are stated at the last sale price as at the close of business on reporting date.
- ii) Investments in Separately Managed Accounts are equity securities which are stated at the last sale price at the close of business on reporting date.
- iii) Net market value of units in unlisted unit trusts is valued at the ex-distribution redemption price, quoted by the investment manager, on the balance date.
 - a. Net market value of investments in frozen managed funds has been valued at the ex-distribution redemption price, quoted by the investment managers, on the balance date. Although redemptions have been suspended, recent distributions and regular updates in the unit price confirms the underlying investments are being regularly valued by the investment managers.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of principal accounting policies (continued)

(d) Investments (continued)

- iv) Term deposits are carried at cost, which approximates net fair value because of their short term to maturity.

Purchases and sales of investments and derivatives that require delivery of assets within the timeframe generally established by regulation and/or convention in the market place are recognised on the trade date i.e. the date that the Service commits to purchase the asset.

(e) Derivatives

Some of the Service's underlying investments are invested in externally managed funds which may invest in derivative financial instruments to hedge or partially hedge specific exposures or to create synthetic exposures.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Service and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Changes in the net market value of investments

Changes in net market value of investments are recognised as income and are determined as the difference between the net market value at the year end or consideration received (if sold during the year) and the net market value as at prior year end or cost (if the investment was acquired during the year).

Contributions and transfers in

Contributions and transfers in are recognised when control of the asset has been attained and are recorded gross of any tax, in the period to which they relate.

Interest

Interest income on cash at bank is recognised as interest accrues using the effective interest method. Interest on term deposits is recognised on receipt at maturity.

Distributions and dividends

Distribution and dividend income is recognised when the right to receive payment is established.

Rebates

Rebate income is recognised on receipt.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of principal accounting policies (continued)

(g) Income tax

The Service complies with the conditions of the Superannuation Industry (Supervision) Act 1993 and is entitled to concessional tax treatment. Income tax is payable at 15% of employer contributions and member contributions where a notice under Section 290-170 of the Income Tax Assessment Act 1997 is received. Income tax has been provided in the current year at the nominal rate of 15% as it is the expectation of the Trustee that the Service will be treated as a complying superannuation fund for the purposes of the provisions of the Income Tax Assessment Act. If the Service is subsequently deemed to be a non-complying fund for the current year, then income tax will be payable at a rate of 45% on the Service's taxable income.

Income tax on the Operating Statement for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Deferred income tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent it is not probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO") as a Reduced Input Tax Credit ("RITC"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of any GST recoverable from or payable to the ATO is included as a receivable or payable in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing activities, which are recoverable from, or payable to the taxation authority are classified as operating cash flows.

(i) Cash and cash equivalents

Cash and cash equivalents include deposits held at call with a bank. These investments are readily convertible to cash on hand at the manager's option and are used for the day to day management of the Service's cash requirements. For the purpose of the Statement of Cash Flows, cash is cash at bank.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of principal accounting policies (continued)

(j) Superannuation contributions (surcharge) tax

The Superannuation Laws Amendment (Abolition of Surcharge) Act 2005 abolishes both the superannuation contributions surcharge and the termination payments surcharge in respect of superannuation contributions and certain termination payments made or received on or after 1 July 2005. Assessments for surcharge in respect of contributions and payments for the year ended 30 June 2005 and prior years will continue to be issued and remain payable.

Superannuation contribution surcharge is levied on surchargeable contributions for a relevant year on the basis of the individual member's adjusted taxable income for that year. The liability for the Superannuation Contribution Surcharge is recognised when the assessment is received and agreed, as the Trustee considers this is when it can be reliably measured.

The superannuation surcharge liability recognised by the Service has been charged to the relevant members' accounts as an expense.

(k) Excess contribution tax

The ATO may issue release authorities to members of the Service relating to the relevant member's excess contributions tax that is payable in respect of the member's concessional and/or non-concessional contributions for a particular year. Where a member receives an excess contributions tax release authority, the member:

- may give the release authority relating to the member's concessional contributions to a fund for payment; and
- must give the release authority relating to the member's non-concessional contributions to a fund for payment.

Release authorities may be issued by the ATO from 1 July 2007 in relation to transitional non-concessional contributions received by the Service between 9 May 2006 and 30 June 2007. Further release authorities in relation to concessional and/or non-concessional contributions received from 1 July 2007 may be issued by the ATO from 1 July 2008.

The liability for the excess contributions tax will be recognised when the relevant release authorities are received from the members, as the Trustee considers this is when it can be reliably measured. The excess contributions tax liability recognised by the Service will then be charged to the relevant members' accounts as an expense.

(l) No-TFN contribution tax

Where a member does not provide their tax file number, the Service may be required to pay no-TFN contributions tax at a rate of 31.5%, which is in addition to the concessional tax rate of 15%, which applies to the Service's taxable income.

The no-TFN contributions tax liability recognised by the Service will be charged to the relevant members' accounts. Where a tax offset is obtained by the Service in relation to the members' no-TFN contributions tax, the tax offset will be included in the relevant members' accounts.

(m) Comparative figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

NOTES TO THE FINANCIAL STATEMENTS

2. Operation of the Service

The PremiumChoice Retirement Service is a defined contribution fund constituted by the Trust Deed dated 19 February 2002, (as amended). The Trustee at reporting date is NULIS Nominees (Australia) Limited ("NULIS") ABN 80 008 515 633. The Service is domiciled in Australia. The address of the registered office is 509 St Kilda Road, Melbourne. The Service is operated for the purpose of assisting members to invest and manage their superannuation and retirement benefits.

Administration of the Service is conducted by Navigator Australia Limited ABN 45 006 302 987.

In accordance with amendments to the Superannuation Industry (Supervision) Act 1993 the Service was registered with the Australian Prudential Regulation Authority on 1 March 2006 (registration no. R1004090).

The Service may terminate upon the occurrence of certain events as provided in the Trust Deed.

3. Changes in net market value of investments

	2010	2009
	\$	\$
Investments held at reporting date:		
Units held in unlisted unit trusts	13,676,259	(35,894,905)
Investment in Separately Managed Accounts	(17,152)	-
Listed shares	(161,703)	(897,487)
Investments realised during the financial year:		
Units held in unlisted unit trusts	4,163,283	(15,053,850)
Listed shares	486,599	(147,385)
Total changes in net market value of investments	18,147,286	(51,993,627)

4. 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 2010 are included in the liability for accrued benefits amount.

	2010	2009
	\$	\$
Liability for accrued benefits at beginning of the year	296,282,695	319,499,377
Plus: Benefits accrued as a result of operations	61,229,314	4,633,675
Less: Members' redemptions	(26,745,703)	(21,318,674)
Less: Pension payments	(6,255,794)	(6,531,683)
Liability for accrued benefits at the end of the year	324,510,512	296,282,695

NOTES TO THE FINANCIAL STATEMENTS

4. Liability for accrued benefits (continued)

Funding arrangements

Members investing in the Service must meet the eligibility requirements under the superannuation law. Given eligibility, investments in the Service can be in the form of lump sum contributions, regular contributions, spouse contributions and/or contributions rolled over from other superannuation or rollover funds. Allocated pension account contributions are restricted to members who have an Eligible Termination Payment (ETP) or by transferring eligible amounts from their complying superannuation fund.

5. Vested benefits

Vested benefits are benefits that are not conditional upon continued membership of the Service (or any factor other than resignation from the Service) and include benefits which members were entitled to receive had they terminated their Service membership as at the end of the year.

Whilst deferred tax assets are included in vested benefits collectively, individual members exiting may not receive their portion of their benefit relating to deferred tax assets. In the event of a winding up of the Service, members collectively would only receive benefits associated with the deferred tax assets to the extent that they could be used by the Service.

Vested benefits as at the end of the financial year

2010	2009
\$	\$
324,510,512	296,282,695

6. Guaranteed benefits

No guarantees have been made in respect of any part of the liability for accrued benefits.

7. Risk management

(a) Risks and mitigations

The Service's principal financial instruments consist of units in unlisted unit trusts, investments in Separately Managed Accounts, units in the Cash Account Income Fund ("CAIF"), listed shares and cash and short term deposits. The main purpose of these instruments is to generate a return on investment.

The Service also has various other financial instruments such as receivables and payables which arise directly from its operations and are current in nature.

The Service's activities expose it to a variety of financial risks: credit risk, market risk (including price risk, foreign exchange risk and interest rate risk), and liquidity risk. However, the Service itself is not directly exposed to significant financial risk since all investment activities, other than those involving cash and units in the Cash Account Income Fund, are undertaken in accordance with the members' instructions and are limited to approved investments included in the Investment Allocation Authority.

NOTES TO THE FINANCIAL STATEMENTS

7. Risk management (continued)

(a) Risk and mitigations (continued)

The Service's overall risk management program therefore focuses on diversification and members' risk appetites. The Trustee has determined upper limits on investment options in some investment strategies. Risk management is performed internally and is regularly reported on by the Platform Investment Committee ("PIC"). The PIC is a sub-committee which is delegated with certain Trustee responsibilities. These responsibilities extend to approving, removing and monitoring investments offered in the Service, on a regular basis through the provision of extensive investment analysis and reporting carried out by the Investment Policy Team ("IPT").

The investment managers of the collective investment vehicles held by the Service invest in a variety of financial instruments, including derivatives, which expose the Service's investments to a variety of investment risks, including market risk, credit risk, interest risk and currency risk.

The Trustee seeks information from the Trustee and/or manager of each proposed collective investment and may also seek independent advice from other qualified persons prior to determining its suitability as an investment for the Service. The information acquired is used to determine the nature and extent of any risks and the expected returns that are associated with each investment. This includes receipt of a formal Risk Management Statement from each investment manager as required by the Australian Prudential Regulation Authority.

(b) Credit risk exposure

Credit risk represents the risk that counterparties to the financial instrument will fail to discharge an obligation and cause the Service to incur a financial loss. Credit risk is not considered to be significant to the Service.

Excluding cash, there were no significant concentrations of credit risk to counterparties to 30 June 2010. No individual investment exceeded 9.6% (2009: 7.14%) of the total net assets attributable to members at 30 June 2010 and this investment was the Cash Account Income Fund (2009: the Cash Account Income Fund). The second largest individual investment holding amounted to 8.14% of net assets attributable to members at 30 June 2010 (2009: 6.86%). All directly held assets exposed to credit risk are in Australian dollars.

The Service holds no collateral as security or any other credit enhancements.

All transactions by the Service in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

The PIC monitors the credit quality of investments in unit trusts and shares. Prior to the purchase of NULIS by NAB, the credit quality of all investments was monitored by the Approved Investments Meeting ("AIM") by means of credit ratings, research house information, investment manager reports and due diligence procedures.

NOTES TO THE FINANCIAL STATEMENTS

7. Risk management (continued)

(b) Credit risk exposure (continued)

The carrying amount of financial assets best represents the maximum credit risk exposures at the balance date. Credit risk is minimised through ensuring counterparties are appropriately monitored.

The following table details the credit risk for the Service in relation to cash and term deposits. The rating table excludes any rating categories applicable to the underlying assets of the unlisted unit trusts.

2010

Direct Investments	AAA to AA- \$	A+ to A- \$	BBB+ to B+ \$	B to CCC \$	Total \$
Cash and cash equivalents	6,882,201	-	-	-	6,882,201
Term deposits	7,253,382	-	4,920,265	-	12,173,647
Total	14,135,583	-	4,920,265	-	19,055,848

2009

Direct Investments	AAA to AA- \$	A+ to A- \$	BBB+ to B+ \$	B to CCC \$	Total \$
Cash and cash equivalents	11,356,001	-	-	-	11,356,001
Term deposits	11,058,675	-	1,179,606	-	12,238,281
Total	22,414,676	-	1,179,606	-	23,594,282

The underlying assets of the unlisted unit trusts and the CAIF which are held by the Service can have credit ratings that extend from AAA through to unrated, and any financial losses due to credit risk may be reflected in the unit prices of the unlisted unit trusts.

There are no significant financial assets that are past due or impaired.

(c) Market risk

Market risk represents the risk that a financial instrument's value or future cash flows of financial instruments will fluctuate as a result of changes in the market, such as interest rate changes, foreign exchange rate changes and equity prices changes. Market risk is minimised through ensuring that all investment activities are undertaken in accordance with established limits, investment strategies and members instructions.

These changes might be caused by factors specific to the individual asset or its issuer or factors affecting all assets in the market.

NOTES TO THE FINANCIAL STATEMENTS

7. Risk management (continued)

(c) Market risk (continued)

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the foreign exchange rates. The Service is indirectly exposed to foreign exchange risk through its investments in unlisted unit trusts.

Whilst the Service invests in unlisted unit trusts that are registered in Australia, some of these trusts hold international debt and equity securities. The impact of changes to foreign exchange rates may be reflected in the unit prices of the unlisted unit trusts held by the Service.

ii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Service is directly exposed to interest rate risk through its cash, term deposits and holdings in the CAIF. The Service is also indirectly exposed to interest rate risk through its investment in unlisted unit trusts. This indirect risk affects the price of the Service's holding in these investment options. The sensitivity to such price movements is discussed under 'Price risk'.

The Service addresses exposure to interest rate risk through its diverse investment menu. Some of the underlying unlisted unit trusts use derivative financial instruments, such as interest rate swaps to provide flexibility to manage the risks arising from changes in the interest rates.

The following table demonstrates the sensitivity of the Service's Operating Statement to a reasonably possible change in interest rates. The sensitivity of the Operating Statement is the effect of the assumed changes in the interest rates to the interest income for one year, based on the floating rate financial assets held at 30 June 2010. The table includes interest income related to direct investments in cash and cash equivalents, term deposits and the investments in the CAIF, but excludes any change to the interest income of the underlying assets of the unlisted unit trusts held by the Service.

2010

			Effect on accrued benefits attributable to members	
Change in annual return			Sensitivity of interest income \$	
	+	-	+	-
AUD	100 bps	-100 bps	502,795	(502,795)

2009

			Effect on accrued benefits attributable to members	
Change in annual return			Sensitivity of interest income \$	
	+	-	+	-
AUD	50 bps	-50 bps	176,018	(176,018)

NOTES TO THE FINANCIAL STATEMENTS

7. Risk management (continued)

(c) Market risk (continued)

iii) Price risk

Price risk is the risk that the fair value of the Service's holdings in listed shares, investments in Separately Managed Accounts and unlisted unit trusts decrease or increase as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. Price risk exposures arise from the members' investment portfolios.

To limit the price risk, the Trustee diversifies the investments included in the Investment Allocation Authority. The majority of the listed equity investments are of a high quality and are publicly traded on the Australian Stock Exchange ("ASX"). The majority of unlisted unit trusts are also high quality and are selected and monitored taking into consideration various industry research.

The Trustee has a diversification guideline on the percentage of a member's account that can be invested in various investment categories.

The effect on the current financial year's Operating Statement and the Statement of Financial Position due to reasonably possible changes in market factors on the Service's directly held listed shares based on historical ASX All Ordinaries index data over a 5 year period, with all other variables held constant, is indicated in the table below. This table includes comparative values for 2009, calculated on the administrator's estimation of reasonably possible changes at 30 June 2009.

The table excludes any effect on the Operating Statement resulting from changes to the underlying assets of the unlisted unit trusts held by the Service.

2010				2009			
Change in listed equity price %		Effect on accrued benefits attributable to members \$		Change in listed equity price %		Effect on accrued benefits attributable to members \$	
+	-	+	-	+	-	+	-
23		2,869,595		24		1,379,999	
	-17		(2,121,005)		-24		(1,379,999)

The following table reflects the effect on the Operating Statement due to reasonably possible changes in the unit prices across the unlisted unit trusts held by the Service based on historical data over a 5 year period, with all other variables held constant. This table includes comparative values for 2009 calculated on the administrator's estimation of reasonably possible changes at 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS

7. Risk management (continued)

(c) Market risk (continued)

iii) Price risk (continued)

2010				2009			
Change in unlisted unit trust price %		Effect on accrued benefits attributable to members \$		Change in unlisted unit trust price %		Effect on accrued benefits attributable to members \$	
+	-	+	-	+	-	+	-
17		42,743,448		25		56,372,177	
	-16		(40,229,127)		-25		(56,372,177)

Direct holdings, as reflected in the Service's Statement of Financial Position, comprise unlisted unit trusts, investments in Separately Managed Accounts, units in the CAIF, listed shares, term deposits and cash and cash equivalents. The tables above in the price risk note cover the direct holdings in listed shares, investments in Separately Managed Accounts and unlisted unit trusts. The table in the interest rate risk note covers the direct holdings in cash and cash equivalents, term deposits and the holding in CAIF.

(d) Liquidity risk

Liquidity risk is the risk that the Service will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Service's listed securities are considered readily realisable, as they are listed on the ASX. In addition, the underlying investments of the Service's unlisted unit trusts are significantly invested in liquid markets.

Liquidity risk is currently heightened in certain sub-categories such as mortgage funds, property funds and hedge funds.

The Service's significant financial liabilities are benefits payable to members. In relation to contractual maturity of vested superannuation benefits these would be considered on demand. On demand payments comprise of the entire vested benefit portion of the Service. The Service considers it highly unlikely that all members will seek to withdraw their benefits at the same time. The members accept the time taken to convert their assets to cash to meet their obligations when called upon. The unlisted unit trusts of the Service may suspend or impose restrictions on redemptions from time to time.

NOTES TO THE FINANCIAL STATEMENTS

7. Risk management (continued)

(d) Liquidity risk (continued)

Other financial liabilities of the Service comprise payables which are current in nature.

8. Fair value of financial instruments

(a) Classification of Financial Instruments under the Fair Value Hierarchy

AAS 25 requires investments to be measured using net market value. The following table shows financial instruments recorded at net market value, analysed between those whose net market value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market and those where the valuation technique involves the use of non-market observable inputs that are significant to the determination of net market value. Net market value is considered a reasonable approximation of fair value, and for the purposes of the "fair value hierarchy", estimated costs of disposal have been disregarded for Level 1 financial assets.

The level in which instruments are classified in the hierarchy is based on the lowest level input that is significant to the net market value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the instrument. Disclosure of the methods and assumptions applied in determining the net market value for each class of financial assets are included in Note 1(d).

Level 1 of the hierarchy consists of the last sale price as quoted at the close of business or the reporting date of listed equity and investments held in Separately Managed Accounts.

Level 2 of the hierarchy consists of the fair value of units in unlisted managed investment schemes and units in the Cash Account Income Fund. Fair value is determined by reference to published bid prices at the close of business on the reporting date, being the redemption price as established by the underlying scheme's Responsible Entity.

Level 3 of the hierarchy consists of equities that are subject to long term suspension, in liquidation or in receivership and units in unlisted unit trusts which have not had a redemption withdrawal during the financial year to 30 June 2010. While these unlisted unit trusts have not had a redemption withdrawal during the financial year to 30 June 2010 they are being regularly priced and the majority of these funds have continued to make regular distributions. On this basis valuation is considered reasonable.

NOTES TO THE FINANCIAL STATEMENTS

8. Fair value of financial instruments (continued)

Financial Instruments	2010			Total
	Level 1 Valued at quoted market price	Level 2 Market observable inputs	Level 3 Non-market observable inputs	
	\$	\$	\$	
Listed equity securities and investments held in the SMA	12,476,106	-	396	12,476,502
Unlisted unit trusts and term deposits	-	256,603,577	7,002,116	263,605,693
Units in the Cash Account Income Fund	-	31,223,652	-	31,223,652
Total	12,476,106	287,827,229	7,002,512	307,305,847

(b) Level 3 Financial Instruments Transactions

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

	Listed shares and other assets	Unlisted unit trusts	Total
Opening balance	-	8,576,306	8,576,306
Total realised/unrealised gains and losses	-	(1,574,190)	(1,574,190)
Purchases	-	-	-
Sales	-	-	-
Transfers into level 3	396	-	396
Transfers out of level 3	-	-	-
Closing balance	396	7,002,116	7,002,512

Comparative information has not been provided as permitted by the transitional provision of AASB 7.

9. Income tax

(a) Major components of the income tax charges for the years ended 30 June 2010 and 30 June 2009:

Operating Statement

Current tax expenses

Current income tax charge	(1,163,054)	(2,175,771)
Adjustments in respect of current income tax of prior year	231,151	56,076

Deferred tax expenses

Relating to origination and reversal of temporary differences	2,003,503	(380,323)
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	2010 \$	2009 \$
	1,071,600	(2,500,018)

NOTES TO THE FINANCIAL STATEMENTS

9. Income tax (continued)

	2010	2009
	\$	\$
(b) Reconciliation between income tax (charge)/benefit and the accounting profit/(loss) before income tax multiplied by the applicable tax rate is as follows:		
Benefits accrued before income tax	60,157,714	7,133,693
Prima facie tax payable @ 15%	(9,023,657)	(1,070,054)
Non taxable income	198,751	123,666
Contributions not subject to tax	3,167,522	4,440,287
Gross up of franking credits	(155,156)	(185,591)
Gross up of foreign income tax	(11,444)	(17,241)
Claim of franking credits	1,396,836	1,623,189
Claim of foreign income tax offsets	76,299	114,941
Difference between realised accounting gains/losses and taxable capital losses	697,482	(2,280,185)
Difference between unrealised accounting gains/losses and taxable capital losses	4,099,074	(5,846,663)
Net exempt pension income	394,394	474,332
Superannuation contributions surcharge	(502)	(1,063)
Anti-detriment payments	850	68,288
Over provision of prior year	231,151	56,076
Income tax (charge)/benefit reported in the Operating Statement	1,071,600	(2,500,018)
Deferred income tax		
Deferred tax at 30 June relates to the following:		
Deferred income tax asset		
Unrealised losses on investments subject to CGT	3,452,711	2,805,570
Capital losses carried forward	2,176,654	820,292
Gross deferred tax asset	5,629,365	3,625,862
Income tax (payable)		
Current Income tax (charge)	(1,163,054)	(2,175,769)
Instalments paid	1,105,043	1,976,109
Gross income tax (liability)	(58,010)	(199,660)

NOTES TO THE FINANCIAL STATEMENTS

10. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2010	2009
	\$	\$
Cash and cash equivalents	6,882,201	11,356,001

Cash at bank earns interest at floating rates based on daily bank deposit rates.

(b) Reconciliation of benefits accrued as a result of operations to net cash provided by operating activities:

	2010	2009
	\$	\$
Benefits accrued from ordinary activities after income tax	61,229,314	4,633,675
Members' redemptions	(26,745,703)	(21,318,674)
Pension payments	(6,255,794)	(6,531,683)
In-species transfers	(672,909)	(318,318)
Declared bonuses	-	1
Changes in net market values of investments	(18,147,286)	51,993,627
(Increase)/decrease in investment income receivable	2,994,007	4,979,175
(Increase)/decrease in sundry receivables	-	34,341
(Increase)/decrease in GST receivable	(1,351)	9,023
Increase/(decrease) in fees payable to Navigator Australia Limited	14,276	(57,669)
Increase/(decrease) in amounts payable to related parties	441	18,707
Increase/(decrease) in sundry payables	9,184	(11,289)
Increase/(decrease) in pension and lump sum tax payable	(9,006)	7,610
Increase/(decrease) in income tax payable/receivable	(141,650)	410,210
(Increase)/decrease in deferred tax assets	(2,003,503)	380,323
(Increase)/decrease in compensation receivable	397	597
Net cash flows from operating activities	10,270,417	34,229,656

(c) Non-cash financing and investment activities

During the year there were investment in-specie transfers into the Service of \$672,910 (2009: \$318,315).

NOTES TO THE FINANCIAL STATEMENTS

11. Related parties

Trustees

The Trustee of the Service is NULIS Nominees (Australia) Limited ABN 80 008 515 633 (RSE L0000741) which is a wholly owned subsidiary of MLC Limited ABN 90 000 000 402, whose ultimate parent entity is National Australia Bank Limited ABN 12 004 044 937.

The Service does not employ personnel in its own right, however, it is required to have a Trustee.

Directors

The names of the directors of the Trustee who held office at any time during or since the end of the financial year are:

	Appointed	Resigned
Bruce Hawkins	05/06/2007	01/10/2009
Charles Clark	30/06/2003	01/10/2009
David Trenerry	25/07/2005	01/10/2009
Diana Taylor	29/05/2008	01/10/2009
Elizabeth Flynn	26/05/1999	01/10/2009
Sam Simopoulos	01/07/2008	01/10/2009
Richard Morath	01/10/2009	
Geoffrey Webb	01/10/2009	
Michael Clancy	01/10/2009	
Patrick Burroughs	01/10/2009	
Nicole Smith	01/10/2009	
John Reid	01/10/2009	
Michael Fitzsimons	25/08/2010	

Directors' remuneration

No amounts are paid by the Service directly to the directors of the Trustee as the directors are not employed or remunerated by the Service. The directors may become members of the Service and hold investments in the Service from time to time. These transactions are made on commercial arms length terms except that the director is entitled to a staff discount.

Related party transactions

On 1 October 2009 National Wealth Management Holdings Limited, whose ultimate parent entity is National Australia Bank Limited ABN 12 004 044 937 purchased NULIS' parent company Aviva Australia Holdings Limited ("AAHL"). AAHL has subsequently been renamed "MLC Wealth Management Limited".

Prior to 1 October 2009 AAHL's ultimate holding company was Aviva plc, a company incorporated in the United Kingdom.

The Administrator of the Service is Navigator Australia Limited ("NAL") which, like NULIS as Trustee of the Service, was previously a wholly owned subsidiary of Aviva Australia Holdings Limited, with the ultimate holding company of Aviva plc, a company incorporated in the United Kingdom. In its capacity as Administrator, NAL derives management and other fees. On 1 October 2009 NAL was purchased by National Wealth Management Holdings Limited.

The Responsible Entity of the Navigator Pre Select Funds is NAL. NAL derives management fees in its capacity as Responsible Entity for these trusts.

NOTES TO THE FINANCIAL STATEMENTS

11. Related parties (continued)

There are number of investment options made available from which related parties derive fees on an arms length basis.

Aviva Investors Australia Limited ("AIAL") formerly named Portfolio Partners Limited ("PPL") (a subsidiary of Aviva plc) provides investment management services to the entities within the CAIF, several Pre Select Funds and Navigator Access Funds and derives investment management fees and administration fees in respect of these services. AIAL was not purchased on 01 October 2009 by MLC Wealth Management Holdings Ltd.

The Service also holds investments in various AIAL Trusts. AIAL acts as the Responsible Entity of the AIAL Trusts and receives management fees for these investment products.

Norwich Union Life Australia Limited ("NULAL"), which was previously a wholly owned subsidiary of AAHL whose ultimate holding company was Aviva plc, also provides an optional wealth protection product to members of the Service. From 1 October 2009 NULAL was purchased by MLC Wealth Management Holdings Limited.

Transactions between the related entities and the Service result from normal dealings in the ordinary course of business. All transactions are conducted on normal commercial terms and conditions.

Related Entity	Nature of terms of transactions	Period	Period	Period	2009
		1/7/09-30/09/09	1/7/09-30/6/10	1/10/09-30/6/10	2009
		\$	\$	\$	\$
Aviva Investors Australia Limited	Responsible Entity fees	58,629	-	-	192,552
Navigator Australia Limited	Management fees	-	4,857,844	-	4,393,947
	Entry fees	-	281,917	-	394,447
	Deferred entry fees	-	586,149	-	657,857
	Other fees relating to exit fees, adviser review fees, regular investment facility fees and share transaction fees	-	397,351	-	250,360
	Responsible Entity fees – NIT	-	-	-	161,023
	Responsible Entity fees – CAIF	-	342,544	-	13,901
	Responsible Entity fees – Pre Select	-	8,141	-	7,048
MLC Investments Limited	Responsible Entity fees	-	-	23	-
Norwich Union Life Australia Limited	Insurance premiums	-	621,589	-	421,699

NOTES TO THE FINANCIAL STATEMENTS

11. Related parties (continued)

Other

At 30/06/2010

The Service owes NAL \$549,793 (2009: \$549,352) for management and other fees.

The Service owes NULAL \$58,841 (2009: \$44,565) for insurance premiums.

The Service owes Navigator Personal Retirement Plan \$20,000 (2009:Nil) for reimbursement of funds incorrectly banked into the Service.

Investing activities

The Service has no investment in the Administrator or the Trustee. The Service may purchase and sell units in approved trusts established by the related parties or its affiliates in the ordinary course of business at market determined issue and redemption prices and may buy and sell equities in related parties at arm's length and under normal terms and conditions on the instruction of members. Details of the Service's investments in related parties are set out below:

Year to June 2010

	No. of units held as at 30/06/10	Net market value of investment as at 30/06/10	Interest held in related trust as at 30/06/10	Contribution to investment income for the year	Distributions Receivable at 30/06/10	Purchases at cost during the year	Proceeds on sales during the year
		\$		\$	\$	\$	\$
Cash Account Income Fund	31,223,652	31,223,652	2.94%	1,370,061	419,567	10,000,000	-
Navigator PreSelect Funds	2,415,320	2,416,050	0.15%	405,350	56,318	477,500	(756,385)
Integrated Separately Managed Accounts	-	201,710	0.24%	(16,911)	-	239,170	(20,309)

Nine months to June 2010

	No. of units held as at 30/06/10	Net market value of investment as at 30/06/10	Interest held in related trust as at 30/06/10	Contribution to investment income for the period	Distributions Receivable at 30/06/10	Purchases at cost during the period	Proceeds on sales during the period
		\$		\$	\$	\$	\$
MLC	166,454	125,652	0.002%	(5,634)	4,480	53,367	(7,963)
Antares Lodestar	134,920	110,257	0.06%	(1,362)	2,011	113,630	-

Three months to September 2009

	No. of units held as at 30/09/09	Net market value of investment as at 30/09/09	Interest held in related trust as at 30/09/09	Contribution to investment income for the period	Distributions Receivable at 30/09/09	Purchases at cost during the period	Proceeds on sales during the period
		\$		\$	\$	\$	\$
Aviva Investors Australia Limited Funds	20,558,285	27,702,269	1.75%	3,948,283	28,305	1,548,407	(1,730,387)

NOTES TO THE FINANCIAL STATEMENTS

11. Related parties (continued)

Twelve months to 30 June 2009

2009

	No. of units held as at 30/06/09	Net market value of investment as at 30/06/09	Interest held in related trust as at 30/06/09	Contribution to investment income for the year	Distributions Receivable at 30/06/2009	Purchases at cost during the year\$	Proceeds on sales during the year
		\$		\$	\$		\$
Aviva Investors Australia Limited Funds	20,977,847	23,964,271	1.75%	(3,412,428)	185,971	4,913,884	(5,076,911)
Navigator Income Trust	-	-	-	393,301	105,286	5,000,000	21,723,652
Cash Account Income Fund	21,223,652	21,223,652	1.79%	83,850	83,850	21,223,652	-
PreSelect Australian Equity Fund	2,682,943	2,385,396	0.18%	(206,312)	41,263	811,941	(337,197)

The Service held 14,091 ordinary shares in National Australia Bank Limited at reporting date worth \$328,038.

12. Auditor's remuneration

Auditor's remuneration has not been charged to the Service as this cost is borne by NAL. Since the Service itself is not responsible for these payments the amounts disclosed are not included in either expenses or liabilities in the Operating Statement or Statement of Financial Position respectively. The amount paid and payable by NAL for the financial year for both the audit of the financial statements by Ernst & Young Services Pty Ltd and for the audit of other regulatory requirements was \$25,086 (2009: \$24,000).

13. Commitments and Contingencies

Tax on surchargeable contributions

The superannuation contributions surcharge is levied on surchargeable contributions received by the Fund on or after 21 August 1996. The ATO assesses the amount of the surcharge based upon each member's adjusted taxable income and level of surchargeable contributions and periodically sends grouped assessments to the Service.

The liability to pay the surcharge rests with the holder of the surchargeable contributions at the time the surcharge assessment is received from the ATO. Any surcharge levied against the Service is charged to the relevant members' benefits when the assessment is received and agreed.

The Service is not in a position to reliably measure the liability for the surcharge in respect of the year ended 30 June 2010 and has not made provision for it in these financial statements. Contributions surcharge is recognised as an expense of the Service in the financial year that the assessment is recognised and agreed.

14. Subsequent events

There has not arisen, in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Trustee, to effect significantly the operations of the Service, the results of those operations, or the state of affairs of the Service, in future financial years.

TRUSTEE'S STATEMENT TO THE MEMBERS

For the financial year ended 30 June 2010

In the opinion of the directors of NULIS Nominees (Australia) Limited (ABN 80 008 515 633) as Trustee of the PremiumChoice Retirement Service ("the Service"):

1. The accompanying financial statements of the PremiumChoice Retirement Service ("the Service") as set out on pages 1 to 23 are properly drawn up so as to present fairly the financial position of the Service as at 30 June 2010 and the results of its operations and cashflows for the year then ended; and
2. The financial statements have been drawn up in accordance with Australian Accounting Standards, other mandatory reporting requirements and the provisions of the Trust Deed dated 19 February 2002 (as amended); and
3. In all material respects the Service has been conducted in accordance with its Trust Deed dated 19 February 2002 (as amended) and in compliance with the requirements of the Superannuation Industry (Supervision) Act 1993, applicable sections of the Corporations Act 2001 and Regulations, the requirements under Section 13 of the Financial Sector (Collection of Data) Act 2001, the Guidelines issued by the Australian Prudential Regulation Authority on Derivative Risk Management Statements For Superannuation Entities Investing In Derivatives, during the year ended 30 June 2010.

Signed at Sydney this 15th day of September 2010 in accordance with a resolution of the Board of Directors of the Trustee.



Director

15 September 2010

Date:



Director

Date: 15 September 2010

PREMIUMCHOICE RETIREMENT SERVICE ABN 70 479 285 132

INDEPENDENT REPORT BY THE APPROVED AUDITOR TO THE TRUSTEE AND MEMBERS

Financial statements

I have audited the financial statements of PremiumChoice Retirement Service for the year ended 30 June 2010 comprising the statement of financial position, operating statement, statement of cash flows, summary of significant accounting policies, other explanatory notes and the Trustee statement.

Trustee's Responsibility for the Financial Statements

The superannuation entity's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the requirements of the SIS Act and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee's responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the trustee and members of PremiumChoice Retirement Service.

My audit has been conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the trustee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trustee's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Opinion

In my opinion the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the financial position of PremiumChoice Retirement Service as at 30 June 2010 and the results of its operations and its cash flows for the year ended 30 June 2010.

Ernst & Young

Ernst & Young

L. K. Slater

Luke Slater
Partner
Melbourne

15 September 2010