Colonial Group
Staff Superannuation Scheme

Member Annual Report 2002

What's happening with investments? How your super is affected
Who's looking after your super? How your Fund is managed
Fund basics What you need to know in brief
Super update Super is still an area of change

It is no doubt uncomfortable to see our superannuation savings affected by negative returns. However, we must also remember that superannuation is a long-term investment.

On behalf of the Trustee Board, I am pleased to present the 2002 Member Annual Report to you.

As you know from your regular Fund newsletters and from news reports, this has been a difficult year for investments and superannuation funds. Market reaction to world events during the year, including the tragic events of 11 September, have combined to produce negative returns from sharemarkets throughout the world, including Australia.

Because superannuation savings need to grow in real terms over a long period, superannuation funds generally have large exposures to share investments. As a result, most super funds, including the CGSSS, have produced low or negative investment returns this year.

It is no doubt uncomfortable to see our superannuation savings affected by negative returns. However, we must also remember that superannuation is a long-term investment. Occasional low and negative returns are to be expected from investing in growth assets such as shares. They are part of the risk that must be taken to gain from the higher long-term investment returns these assets have traditionally generated.

The Trustee's primary purpose is to look after your superannuation to ensure that it is invested with professional managers in line with the objectives and strategies that have been set, and to monitor the performance of those managers. The Board meets regularly to review all the activities of the Fund and to receive reports from its service providers. Although the Trustee cannot control what happens in investment markets, it will continue to work hard to ensure that the Fund – and your superannuation – is well managed.

I would like to thank the Trustee Directors and the Bank's staff superannuation fund services team for their continued efforts during a difficult year.

Les Cupper
Chairman

The year in review

Earning rates

Accumulation Pool **Page 4**

The effective earning rate for Accumulation Pool members for the year to 30 June 2002 depends on their chosen investment options.

Cash Plus	3.6%
Diversified	–1.3%
Diversified Growth	–3.9%
Growth Enhanced	–9.7%

Earning rates, net of tax, for members of **Divisions J and L** for amounts invested in other accumulation investments for the year to 30 June 2002 are detailed on pages 8–9 of this report.

Defined Benefit Pool **Page 11**

The overall declared earning rate for the year to 30 June 2002 is –9.5% (after tax and fees have been deducted).

The earning rate for the part of the Defined Benefit Pool used to support current **pensioners** of the Fund was –8.0%. This pool of assets is segregated and is taxed at a more favourable rate than the rest of the Defined Benefit Pool.

Assets Page 20

The net assets of the Fund at 30 June 2002 were $423.1 million, compared with $505.8 million at 30 June 2001.

Benefit payments Page 20

The Fund paid a total of $50 million in benefits during the year.

Membership

Total active membership of the CGSSS at 30 June 2002 was 3,623, compared with 3,910 at 30 June 2001.

Accumulation Pool **Page 4**

Defined Benefit Pool **Page 11**

Fund events

- During the year the Trustee established two new ways of bringing CGSSS members the latest news on their super and investments:
  - the *Your Fund* newsletter was introduced and issued throughout the year; and
  - the Staff Super Intranet site was launched in November 2001. At present the site can be accessed only by in-service staff, but we plan to move the site to the Internet, which will give access to post-employment and pensioner members. The site has the latest Fund news, as well as forms for updating your super, fact sheets and member booklets.
- The actuarial review, completed at 30 June 2001, found that the Fund was in a sound financial position. The Trustee regularly monitors the Fund's financial position between actuarial reviews to ensure it remains in a healthy position. The next actuarial review is due in 2004.

Contents

Investment markets in 2001–2002

Over the last financial year, investment returns for superannuation funds have generally been negative: the Mercer Pooled Fund Survey shows that the median return for Balanced funds for the year ended 30 June 2002 was –4.1%.

The main reason for this year's results is the fall in sharemarkets around the world. One of the indicators of global sharemarket value, the Morgan Stanley Capital International (MSCI) World index, fell 23.5% in Australian dollar terms in the year to 30 June 2002.

The United States, the world's largest economy, was in recession in the early part of the year, and then the events of 11 September 2001 brought fears of a global economic slowdown. A series of corporate scandals in the United States – particularly those associated with Enron, Andersen and WorldCom – further eroded confidence, and investors were more interested in selling shares than buying them.

Two key indicators of US sharemarket performance showed falls: over the year, the Dow Jones Industrial Average fell by 12.0%, and the NASDAQ fell by 32.3%.

Both Europe and Asia also saw sharemarket falls: for example, the United Kingdom sharemarket fell 17.5% and the Japanese sharemarket fell 18.1%.

Strong growth in the Australian economy meant that the local sharemarket was less affected by slowing global economies than those overseas: the S&P/ASX 300 Accumulation index fell 4.5% in the year to 30 June 2002.

Fortunately, other assets produced better results. Fixed interest investments did reasonably well. Following last year's pattern, changing economic conditions resulted in different trends for bonds in each half of the year. In the early months of 2001–02, it looked like the economy was slowing down, and bond yields fell, which enhanced the value of fixed interest investments. In the second half of the year, when the economy was growing and recession looked less likely, bond yields rose. The UBS Warburg Australia All Maturities Composite Bond Index delivered a return of 6.2%.

Similarly, short-term interest rates fell in the early part of the year, and then rose in the latter part. The Reserve Bank reduced the official cash rate from 5.00% to 4.25% from September to December 2001, with the aim of boosting the economy at a time when there were fears of a recession following the terrorist attacks in the United States.
The Reserve Bank then lifted rates to 4.75% in May and June 2002.
A common benchmark for cash investments – the UBS Warburg Australia Bank Bill Index – produced a return of 4.7% over the year.

How the CGSSS works

Your benefits in the CGSSS depend on your membership of a particular division. If you aren't certain which division of the CGSSS you are in, check your latest Annual Benefit Statement, or contact CGSSS Member Services.

Your Fund

The CGSSS's sole purpose is to provide superannuation benefits to members and their dependants. Benefits may be paid on retirement, total and permanent disablement, death, resignation or retrenchment.

The CGSSS provides both defined and accumulation benefits depending on which division of the Fund you are in. You will be a member of at least one CGSSS division.

Your Member Booklet and most recent Annual Benefit Statement have full details about your division and your benefits.

You should read the relevant section of this report for details of how the Fund's investment returns may apply to your benefits, and a description of any fees and charges for the period to 30 June 2002. These are:

- Accumulation Pool – Divisions I, J, L, P: **page 4**; and
- Defined Benefit Pool – Divisions B, C, D, E, F, H, K, M, N, O: **page 11**.

Defined benefits

Members of Divisions B, C, D, E, F, H, K, M, N, O have defined benefit superannuation. Defined benefits:

- are worked out using a formula based on your super salary, period of service and, in some cases, your level of contributions; and
- are not affected by the Fund's investment performance, because your Employer contributes whatever is necessary to finance the defined benefit.

Your super generally increases as both your Super Salary and the number of years you have been working increase. In most cases your super growth will also depend on how much you have contributed.

Accumulation benefits

If you are a member of Divisions I, J, L or P, you have accumulation superannuation. Additional benefits or benefit options in Divisions B, C, E, F, H, N and O are also accumulation-style benefits.

Accumulation benefits:

- grow in an account in your name in the Fund; contributions and investment returns are credited to, and fees and charges are debited from, the account; and
- are directly affected by the Fund's investment returns, which can be positive or negative.

How your super is invested

The Trustee invests the Fund's accumulation and defined benefit assets separately. The Trustee determines the investment strategy for each pool of assets in the Fund and monitors investment performance regularly.

Investment managers

The Trustee has appointed Colonial First State Investment Managers (Australia) Limited and Capital International Inc. as the Fund's investment managers. The Fund also invests in pooled investment products offered by other managers, as explained in this report.

Members as at 30 June 2002	
In service	2,561

The Accumulation Pool

The table below shows the divisions with accumulation-style benefits.

If you are a former employee of Legal & General or Prudential and a member of Division J or L, and you retained part of your super in investment choices associated with your former fund up to 30 June 2002, please see pages 8–9 and your Benefit Statement for information on asset allocation and investment earnings. Since 1 July 2002, members of *all* accumulation divisions have had their super invested in the main Accumulation Pool options.

Investments

Members of the Accumulation Pool Divisions have a choice from four different investment options:

- Cash Plus
- Diversified
- Diversified Growth (the default option)
- Growth Enhanced

If you do not make an investment choice, your super will be invested in the default option. Since 1 July 2000, this has been the Diversified Growth option. If you did not make a choice before this date, your super is invested in the previous default option. No transfers will be made to the new default option unless a member requests a switch.

The earning rates applied to your accounts are the actual investment returns earned by the asset allocations underpinning the investment option(s) you have chosen (or the default, if you did not make a choice).

Your Annual Benefit Statement shows the actual amount of investment earnings applied to your accounts for the period to 30 June 2002.

Each of the investment options available to you has its own investment objectives and strategy, but the Fund also has a broad strategy that applies to all its investments.

Investment strategy

- To invest in pooled superannuation trusts, unit trusts, life insurance policies, and any other managed investments the Trustee considers appropriate from time to time.
- To review, at least annually, the performance of the portfolios against their objectives.
- To make any adjustments to the asset mix within each option which the Trustee considers appropriate from time to time.

On the following pages you will see that the strategies for each of the investment options have noted the likelihood of a negative return – a likelihood that increases with the proportion of growth assets in the option.

Investment returns

Returns are based on the change in unit prices (which are net of investment management fees, taxes and charges on Fund earnings). The net investment earnings of each investment option increase or decrease the asset values of those option(s). These changes in asset values are passed onto members by an increase or decrease in the unit price for each investment option. Past investment results cannot be relied upon as a guide for the future. The value of an investment may both rise and fall, and returns depend on economic conditions, investment management and taxation laws.

In calculating actual earnings for the period, the full return is applied to amounts invested for the whole period. Amounts that were invested for only part of the period (e.g. new contributions) receive the rate(s) of return that applied for the period of time they were actually invested in the Fund.

Accumulation Pool Divisions

Division	Comments
Division I	Benefits of members of the main accumulation division (includes all new employees since 1 July 1997).
Divisions B, C, E, F	All member-financed benefits are in this pool.
Division H, N, O	Voluntary contributions and amounts transferred into the Fund.
The benefits of ex-employees of the Colonial State Bank which are still preserved in the Fund	Excludes preserved Division F members.
Divisions J, L, P	Accumulation benefits transferred to the main Accumulation Pool.

Performance since 2001

The underlying assets in the Accumulation Pool investment options consist of combinations of Colonial First State Pooled Superannuation Trusts (PSTs). Therefore, the investment earnings are based on the change in the unit prices of these PSTs.

The effective earning rates shown in the first table at right are based on changes in unit prices of the PST combinations underlying each option.

Performance history: investment earnings for the Accumulation Pool investment options, at 30 June, 1999 to 2002

Investment option	2002 (Effective earning rate) % p.a.	2001 (Effective earning rate) % p.a.	2000 % p.a.	1999 % p.a.	Four-year compound average % p.a.
Cash Plus	3.6	4.5	4.8	4.1	4.2
Diversified	–1.3	4.7	10.2	9.0	5.6
Diversified Growth	–3.9	4.8	13.1	14.5	6.9
Growth Enhanced	–9.7	3.2	16.7	17.5	6.3

Past performance is not necessarily an indicator of future performance.

Assets

As at 30 June 2002, and 30 June 2001, the assets in the Accumulation Pool were invested in the manner set out in the table on the right. The percentages shown are based on the market value of the assets as advised by Colonial First State Investment Managers (Australia) Limited (Colonial First State).

Assets in the Accumulation Pool, 2001 and 2002

Assets in Colonial First State Pooled Superannuation Trusts	2002 $000s	2002 %	2001 $000s	2001 %
Cash Option	6,987	9.5	10,000	11.2
Diversified Option	44,601	60.4	61,794	69.0
Australian Share Option	8,658	11.7	9,053	10.1
Global Share Option	5,970	8.1	8,692	9.7
Cash in transit	7,569	10.3	—	—
Total	**73,785**	**100.0**	**89,539**	**100.0**

Switching your investment strategy

You can change (switch) your investment choice at any time during the year. Any change you request to be effective from 1 July each year will not incur an administration (switching) fee (but the buy/sell margin will be incurred). Your application form needs to be lodged by 17 June to qualify for the free switch at 1 July. Switches you request at any other time of the year will incur the switching fee (currently $50).

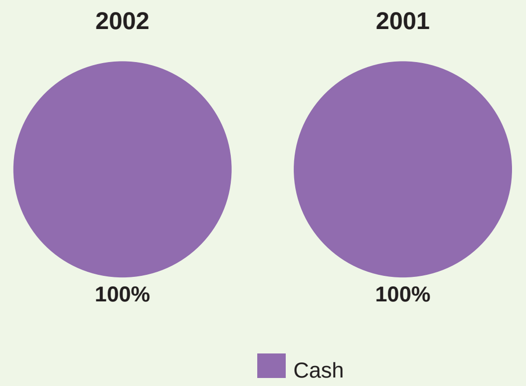
A switch includes an election to change the option or options applying to your existing account balance, an election to change the option applying to your regular (on-going) contributions, or an election to change both at the same time.

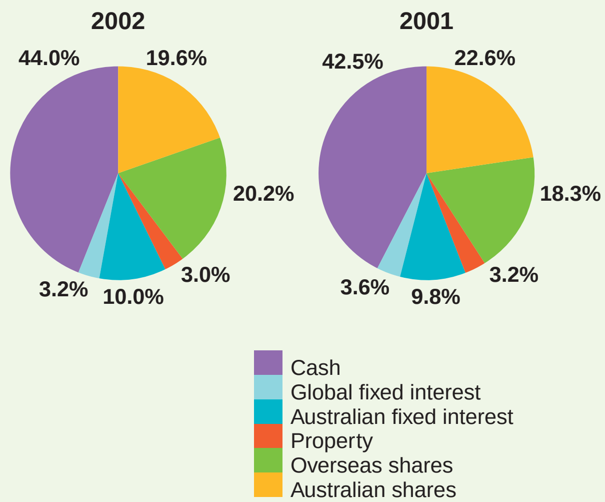
For details of each of the investment options and their performance over the past year, please turn to the next page. ☛

Investment choice options and performance for Accumulation Pool members

	Cash Plus	**Diversified**
Effective earning rate *1 July 2001 to 30 June 2002 (net of tax)*	**3.6%**	**–1.3%**
Description	Low returns, low volatility	Moderate returns, moderate volatility
Investment objectives	■ To provide capital security by minimising investment risk. ■ To earn a rate at least equal to the official RBA cash rate after tax over rolling three-year periods. ■ To earn a rate at least equal to the official RBA cash rate after tax less 2.0% per annum over rolling one-year periods ■ To ensure the financial viability of the option by adopting prudent financial policies, principally through the maintenance of adequate liquidity. The low risk approach required for this option means that growth assets are not employed.	■ To minimise investment risk while aiming to maximise long-term investment returns. ■ To exceed the Consumer Price Index (CPI) by 2.5% per annum, over rolling three-year periods. ■ To earn a rate at least equal to the official RBA cash rate after tax plus 0.5% per annum over rolling three-year periods. ■ To ensure the financial viability of the option by adopting prudent financial policies, including the maintenance of adequate liquidity and a relatively diversified portfolio. This option's total exposure to growth assets is an important element in maintaining a conservative but diversified view on risk versus return.
Strategy *The benchmark is shown first, with the range of asset classes in brackets. Ranges are indicative only, and the Trustee can move outside the ranges to achieve an appropriate asset allocation.*	**100% defensive assets** ■ Australian fixed interest 10% (0–20%) ■ Overseas fixed interest 10% (0–20%) ■ Cash 80% (70–100%)	**40% growth assets (range 36–45%)** ■ Australian shares 15% ■ International shares 15% ■ Property 10% **60% defensive assets (range 55–64%)** ■ Australian fixed interest 10% ■ Overseas fixed interest 10% ■ Cash 40%
Investments in 2002 *CFS PST = Colonial First State Pooled Superannuation Trust*	Invested in CFS PST Cash Option.	65% of assets are invested in CFS PST Diversified Option and 35% in CFS PST Cash Option. The actual percentages will vary over time, owing to different earning rates applying to the underlying investments

Asset allocation





Diversified Growth (default option)

–3.9%

Medium returns, medium volatility

- To concentrate on maximising long-term investment returns, while aiming to minimise investment risk.
- To exceed the Consumer Price Index (CPI) by 4.0% per annum, over rolling five-year periods.
- To earn a rate at least equal to the official RBA cash rate after tax plus 2.0% per annum over rolling five-year periods.
- To ensure the financial viability of the option by adopting prudent financial policies including the maintenance of adequate liquidity and a relatively diversified portfolio.

This option's total exposure to growth assets is an important element in maintaining a balanced view on risk versus return.

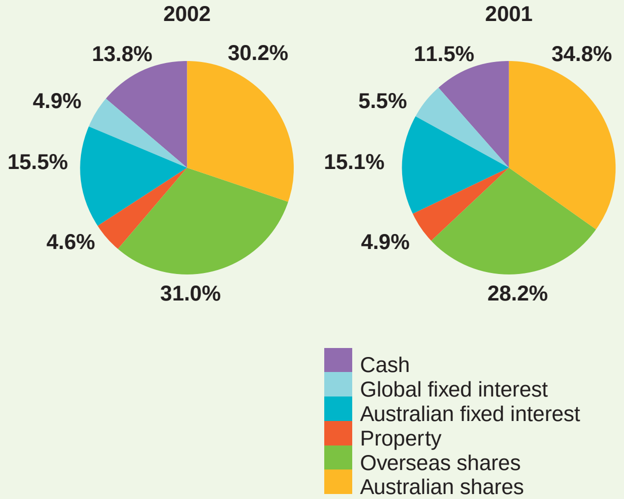
65% growth assets (range 56–70%)

Australian shares	35%
International shares	25%
Property	5%

35% defensive assets (range 30–44%)

Australian fixed interest	15%
Overseas fixed interest	10%
Cash	10%

100% of assets are invested in CFS PST Diversified Option.



Growth Enhanced

–9.7%

High returns, high volatility

- To concentrate on maximising long-term returns.
- To exceed the Consumer Price Index (CPI) by 5.0% per annum, over rolling seven-year periods.
- To earn a rate at least equal to the official RBA cash rate after tax plus 3.0% per annum over rolling seven-year periods.
- To ensure the financial viability of the option by adopting prudent financial policies including the maintenance of adequate liquidity and a portfolio diversified across growth asset classes.

This option's total exposure to growth assets is an important element in maintaining an aggressive view on risk versus return.

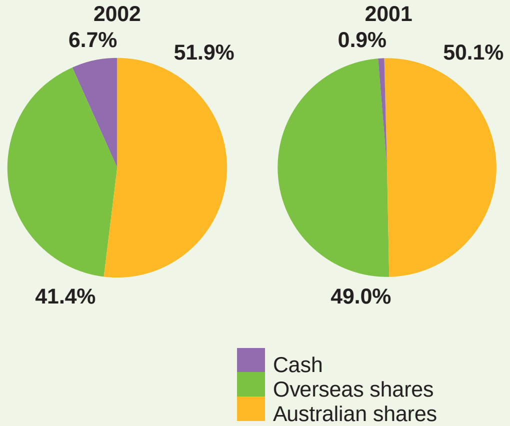
90% growth assets (range 80–100%)

Australian shares	50%
International shares	40%

10% defensive assets (range 0–20%)

Cash	10%

55% of assets are invested in CFS PST Australian Share Option and 45% in CFS PST Global Share Option. The actual percentages will vary over time, owing to different earning rates applying to the underlying investments



Investment report Division J

Since 1 July 2000, Division J members have had new super contributions invested in the options available in the Fund's main Accumulation Pool. At that time, some members chose to retain all or part of their existing holdings in the options that had applied under the Colonial SuperChoice Master Trust.

Effective 1 July 2002 all assets of Division J have been invested in the main Accumulation Pool.

Investment objective

To enable members to select from a wide range of investment products based on the member's own investment objectives.

Assets

As at 30 June 2002, the assets for Division J members that remained in SuperChoice investment options were $3,847,162. At 30 June 2001, the assets were $4,169,242.

Investment performance

Earning rates, net of tax, for the 12 months to 30 June 2002 and over the previous year are shown in the table below. The compound annual averages over the period since the option opened are also shown.

Investment performance

Unit trusts	Return for year to 30 June 2002 (%)	Return for year to 30 June 2001 (%)	Return for year to 30 June 2000 (%)	Compound average returns since option opened (% p.a.)	Date option opened
CFS Diversified	–4.7	4.0	11.3	3.4	11.11.1998
EO Capital Secure	na	6.0	7.2	na	11.11.1998
EO Balanced	na	6.0	9.4	na	11.11.1998
EO Diversified Growth	na	5.8	11.7	na	11.11.1998
CFS Australian Shares	–6.1	7.6	10.9	5.0	11.11.1998
Australian Shares Indexed	3.4	6.6	10.6	6.8	11.11.1998
CFS International Shares	–15.3	–5.3	17.9	0.3	11.11.1998
EO Cash	na	3.6	4.6	na	11.11.1998
EO Australian Shares	na	9.5	1.5	na	11.11.1998
EO International Shares	na	2.5	21.8	na	11.11.1998
EO Property	na	10.5	11.6	na	11.11.1998
Colonial Consensus Stable	1.1	4.1	8.0	5.7	22.04.1997
Colonial Consensus Managed	–3.8	3.8	14.2	6.9	22.04.1997
Colonial Stable	0.4	4.4	6.7	3.4	27.04.1998
Colonial Managed	–4.9	4.2	12.6	4.1	27.04.1998
MM Stable	5.1	7.8	4.9	5.7	22.04.1997
MM Balanced	0.7	6.5	6.0	5.8	22.04.1997
MM Growth	0.7	6.7	6.8	6.7	22.04.1997
Colonial Capital Guaranteed Cash	3.2	4.5	4.0	3.8	22.04.1997
Colonial Fixed Interest	4.6	5.2	3.0	5.4	22.04.1997
Colonial Property	9.7	9.8	12.8	10.4	22.04.1997
Colonial Australian Equities	–2.5	7.1	18.1	9.4	22.04.1997
Colonial International	–20.3	–7.5	24.5	5.9	22.04.1997
MM Australian Bonds	4.5	4.9	4.5	3.4	27.04.1998
MM International Bonds	8.6	10.3	2.9	5.4	27.04.1998
MM Australian Property	11.6	10.7	6.7	6.3	27.04.1998
MM Australian Shares	1.9	9.0	8.5	6.4	27.04.1998
MM International Shares	–9.0	–3.6	8.7	–0.4	27.04.1998

Note that past performance is not necessarily an indicator of future performance.

1. CFS indicates Colonial First State.
2. The investment returns for the Easy Options (EO) were not calculated, as Colonial Mutual closed these investment options in April 2002.
3. Colonial Mutual closed the Multi-Manager (MM) options in April 2002. The Trustee provided the cash return for the period from April 2002 to 30 June 2002 to members who had investments in these options.
4. Past returns have been restated to incorporate a fee rebate of around 1.6% p.a. payable to the Trustee by Colonial Mutual.

Since 1 July 2000, Division L members have had the option for their ongoing super contributions to be invested in the options available in the Fund's main Accumulation Pool. At that time, some members chose to retain all or part of their existing holdings in the options that had applied under their former fund.

Effective 1 July 2002, the assets of Division L have been invested in the main Accumulation Pool.

Investment objective

To enable members to select from a range of investment products based on a member's own investment objectives.

Assets

At 30 June 2002, the assets for Division L members that remained in the former investment options were $8,385,000. At 30 June 2001, the assets were $9,767,628.

Investment performance

Earning rates net of tax over the year to 30 June 2002 (and 2001) and the compound average for the five years to 30 June 2002 are shown in the bottom table.

Investment of Division L assets, 2001 and 2002

Unit trusts*	2002		2001	
	$000s	%	$000s	%
CPSL Capital Safe	859	10.2	538	5.5
CPSL Super Balanced	839	10.0	1,405	14.4
CPSL Wholesale Growth	2,796	33.4	2,840	29.1
CPSL Super Pooled Australian Equities	374	4.5	451	4.6
CPSL Super Pooled International Equities	483	5.8	712	7.3
CPSL Super Cash	20	0.2	15	0.2
CPSL Capital Guaranteed	716	8.5	731	7.5
Lazard Freres Global Equities	446	5.3	644	6.5
Colonial First State Australian Shares	813	9.7	1,397	14.3
MLC Australian Share Fund	49	0.6	41	0.4
MLC Growth Fund	670	8.0	646	6.6
Rothschild Balanced Superannuation Trust	320	3.8	347	3.6
Total investments at net market value	**8,385**	**100.0**	**9,767**	**100.0**

* The above investment options were terminated and the investments redeemed at close of business on 30 June 2002. The above values represent the amount redeemed from investment managers.

Earning rates and compound averages for Division L investments, 2001 and 2002 (%)

Investment option*	Year to 30 June 2002	Year to 30 June 2001	Year to 30 June 2000	Compound avge. over five years to 30 June 2002**
CPSL Capital Safe	0.8	5.3	10.4	5.2
CPSL Super Balanced	–4.4	4.6	14.0	4.9
CPSL Wholesale Growth	–5.6	4.1	21.5	5.8
CPSL Super Pooled Australian Equities	–2.2	7.4	16.0	6.5
CPSL Super Pooled International Equities	–20.1	–7.1	23.8	5.9
CPSL Super Cash	3.1	4.8	5.2	3.8
CPSL Capital Guaranteed	4.8	4.3	4.7	5.0
Lazard Freres Global Equities	–7.5	–4.3	14.0	9.3
Colonial First State Australian Shares	–6.3	9.5	17.9	8.5
MLC Australian Share Fund	–3.4	13.2	13.7	7.2
MLC Growth Fund	–6.7	4.9	15.4	6.3
Rothschild Balanced Superannuation Trust	–7.2	4.0	13.6	5.2

Note that past performance is not necessarily an indicator of future performance.
* The above investment options were terminated and the investments redeemed at close of business on 30 June 2002.
** These figures relate to the underlying products.

If you would like more information

As a member of CGSSS, you are entitled to obtain certain information and documents associated with the operation of the Fund. The following information can be obtained by writing to the Company Secretary:

- the Trust Deed of the CGSSS;
- audited financial statements;
- reports from the auditor and actuary;
- procedures for the appointment and removal of Trustee Member Directors; and
- returns, certificates or notices submitted to, or received from, the Australian Prudential Regulation Authority (APRA).

CGSSS Member Services can also provide you with:

- an updated calculation of your account balance in the CGSSS;
- help when you want to nominate your preferred beneficiaries to receive your benefit if you die while a member of the Fund;
- assistance when you want to make surcharge offset contributions;
- copies of the Fund newsletter; and
- help with any other enquiries you may have about your benefit entitlements or membership of the CGSSS.

Contact details for further information

Your Member Booklet is your main source of information about your entitlements as a member of the CGSSS. The Staff Super Intranet site also has useful information about membership of the CGSSS. You can download forms, booklets and fact sheets from the site. If you have any questions, these two sources will probably give you the information you are looking for. If not, here is a list of general information sources and contact details.

CGSSS Member Services

For enquiries about your benefit entitlements, membership and general matters relating to your Fund:

Telephone	1300 363 016 (national freecall)
Facsimile	(03) 9222 4350
E-mail	cgsss@nspbuck.com.au
Write to	CGSSS Member Services c/- NSP Buck Pty Limited GPO Box 9946 Melbourne VIC 3001
Write to	The Company Secretary SBSBS Pty Limited Level 11, 175 Pitt Street Sydney NSW 2000

External Financial Advice

A good financial adviser can help you understand the issues you need to think about when looking at your super in the context of your personal circumstances. The following sources can help you if you want to find an adviser.

Financial Planning Association (FPA)

Listings of financial advisers are provided on the website. You can also check if your adviser is a member of the FPA.

National freecall	1800 626 393
National office	(03) 9614 2289
Website	www.fpa.asn.au

Australian Securities and Investments Commission (ASIC)

You can check with ASIC whether an adviser is a licence holder or is an authorised representative of a licence holder through one of these contact points.

Infoline	1300 300 630
National office	(02) 9911 2000
Website	www.asic.gov.au

Earning rate

The overall Defined Benefit Pool earning rate for the year to 30 June 2002 was –9.5%, net of tax. Voluntary contributions and amounts transferred into the Fund by **Division F** members earn interest at the rate credited in the Accumulation Pool. The table below shows performance over the last five years.

Crediting and reserving policy

The Trustee credits a rate that is approximately equal to the total annual earnings of the Pool. The Pool's interim crediting rate is determined at least quarterly and is based on the Pool's earning rate for the year to date.

Under the Fund's current benefit design, **Division F** members receive the greater of the monthly interest rates for the NSW State Super Fund *or* the crediting rate for the Defined Benefit Pool of the Fund.

The compound average investment return for the Defined Benefit Pool for the five years to 30 June 2002 was 6.8% per annum.

For **Division K and M** members, the compound average investment return for the five years to 30 June 2002 was 4.5% per annum, and the average crediting rate was 5.6% per annum. Since 1 July 2000, the earning rates for Divisions K and M have been the same as for the main Defined Benefit Pool.

Investments and your super

It's important to remember that, as a member of the Defined Benefit Pool, your main super benefit is worked out using a formula based on your salary and years of membership of the Fund. This benefit is not affected by investment returns.

Members as at 30 June 2002

Active	1,062
Deferred and preserved	426
Pensioners	279

Please turn the page for more information about investments. ☛

CGSSS investment returns and crediting rates for year ended 30 June

	Investment return, net of tax (%)			Crediting rate (%)		
	Former CGSSF*	Former SBSBS†	Divns K and M††	Former CGSSF*	Former SBSBS†	Divns K and M††
1998	3.1	3.1	5.4	3.1	11.0	10.8
1999	18.1	18.1	6.1	18.1	18.1	6.1
2000	16.5	16.5	14.0	16.5	16.5	14.0
2001	8.1	8.1	8.1	8.1	8.1	8.1
2002	–9.5	–9.5	–9.5	–9.5	–9.5	–9.5

* CGSSF is the Colonial Group Staff Superannuation Fund
† SBSBS is the State Bank Superannuation Benefit Scheme
†† The investment performance for Divisions K and M for 1998–2000 are for the Balanced Unit Linked Account.

Investment objectives

The benefits of defined benefit members are generally linked to movements in their level of super salary over time. Accordingly, the Trustee has established the following investment objectives:

- to exceed changes in average weekly ordinary time earnings (AWOTE) by 4.5% per annum over rolling seven-year periods; and
- to earn a rate at least equal to the official RBA cash rate after tax plus 4.0% per annum over rolling seven-year periods.

Investment strategy

To achieve the Trustee's objective of maximising the long-term rate of investment return, a large part of the Fund's assets are invested in growth assets, such as shares.

These assets have historically earned higher rates of return than other assets, but they also carry higher risks, especially in the short term.

The Trustee regularly monitors the performance and activities of all investment managers.

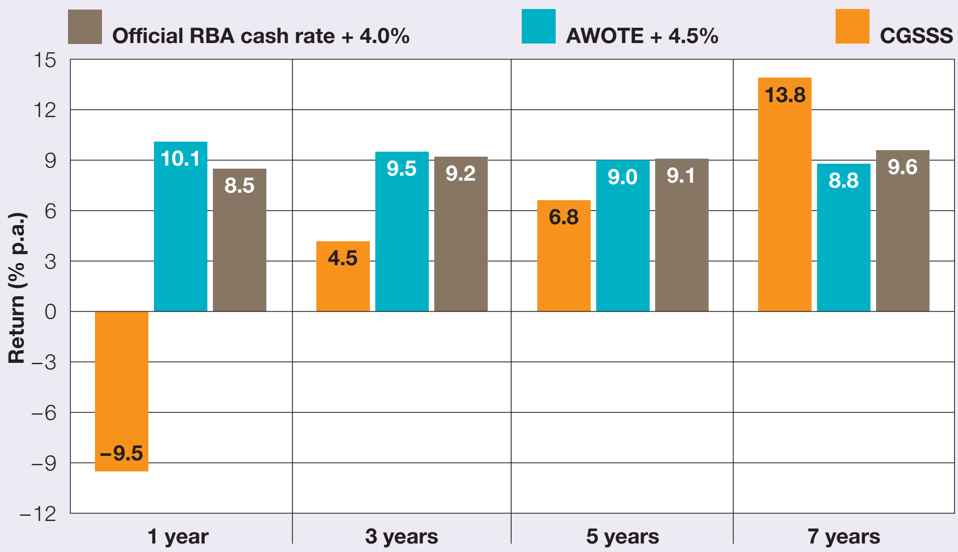
The long-term strategic asset allocation for the Defined Benefit Pool is set by the Trustee. The range for total growth assets is set at 85% – 100%. The range for total defensive assets is set at 0% – 15%.

The pie charts below show the allocation of asset classes as per the benchmark asset allocation at 30 June 2002, compared with the actual asset allocations at 30 June 2001 and 30 June 2002.

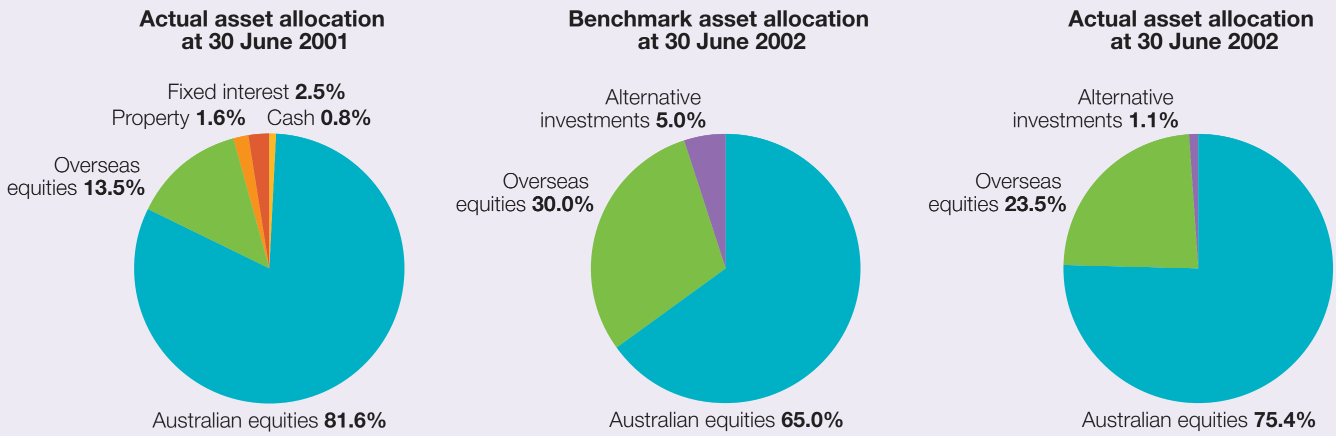
Investment managers

The Trustee has appointed Colonial First State Investment Managers (Australia) Limited and Capital International Inc. as the Fund's investment managers. The Fund also invests in pooled investment products offered by other managers, as explained in this report.

Defined benefit net investment performance compared with objectives



The benchmark compared with actual asset allocation 2001 and 2002



Investment of Defined Benefit Pool assets, 2001 and 2002

Assets	2002		2001	
	$000s	%	$000s	%
Life Policies				
Colonial Mutual Life Assurance	—	—	51,529	12.0
Pooled Superannuation Trusts				
Bankers Trust Australia Property Units	22	0.0	39	0.0
Direct Investment Portfolio				
CFS Australian equities	268,123	74.9	324,072	75.6
CFS Global Shares	39,832	11.1	47,533	11.1
Capital International, international equities	43,563	12.2	—	—
CFS Private Equity	3,673	1.0	3,750	0.9
Cash Management Account				
Commonwealth Bank	2,919	0.8	1,935	0.4
Total	**358,132**	**100.0**	**428,858**	**100.0**

Changes to investment managers

During the year the Colonial Mutual Life Insurance life policies were fully redeemed, and the proceeds were invested in international equities in line with the Trustee's strategy to move the Fund's international share holdings closer to the Fund's benchmark allocation. The CGSSS's international equities portfolio is managed by Colonial First State and Capital International (since May 2002).

Assets

At 30 June 2002, the assets in the Defined Benefit Pool were invested in the manner set out in the table above. These percentages are based on the market value of the assets.

Segregated assets for pensions

A segregated body of assets is used within the Defined Benefit Pool to support current pension payments. The earnings of these assets are tax free. The investment objectives and strategy are the same as for the main Defined Benefit Pool.

Financial condition

An actuarial review of the CGSSS is completed at least every three years. The objective of the review is to assess the Fund's current and expected future financial condition.

The actuarial investigation at 30 June 2001:

- confirmed that the Fund continues to be in a sound financial position; and
- recommended that the Bank continues to suspend contributions to the CGSSS until the results of the next actuarial investigation are available.

The next actuarial review is due at 30 June 2004.

An actuarial review of the CGSSS is completed at least every three years. Between actuarial reviews, the Trustee regularly monitors the financial position of the Fund, and it believes that the CGSSS continues to be in a healthy position.

Your Trustee Board

The CGSSS is managed by a corporate Trustee called SBSBS Pty Limited (ABN 64 008 659 390).

The Trustee's responsibilities are carried out by a Board of Directors, which is made up of:

- four Member Directors; and
- four Employer Directors.

Your Member Booklet contains details of how your Trustee Board is appointed. You can also request a copy of the formal procedures for appointment and removal of Member Directors from the Company Secretary.

What does the Trustee Board do?

The main role of the Trustee Board is to ensure the security of your benefits and make certain your rights as a member are protected at all times.

The Board meets at least quarterly to conduct the business of the Fund in accordance with the CGSSS Trust Deed and the requirements of all relevant legislation.

The Directors act in an honorary capacity and are reimbursed only for expenses incurred in carrying out their duties.

The Trustee holds indemnity insurance.

Changes in Directors

In the recent election, Mr David Murphy, Financial Services – Newcastle, NSW, was elected as a Member Director, replacing Mr Philip Colley, Fund Controls Manager – Finance Services, from 1 July 2002.

Since 30 June 2002, Ms Margaret Mather has resigned as a Member Director. Following the Fund's *Rules and Procedures Governing the Appointment and Removal of Directors,* the Trustee Board will appoint a replacement Member Director shortly.

The Board thanks Mr Philip Colley and Ms Margaret Mather for their services as Member Directors.

Member Directors

Mr David Murphy
Financial Services – Newcastle, NSW
From 1 July 2002 replacing Mr Philip Colley, Fund Controls Manager – Finance Services

Mr Chris Seddon
Head of Capital Management and Investment – CommInsure Finance

Ms Margaret Mather
Sales Consultant – Fitzroy North Branch, Victoria
Resigned after 30 June 2002

Mr John Mirotsos
Business Development Manager, Group Insurance CommInsure Sales, Investment and Insurance Services

Policy and Trustee support

The Trustee Board is supported by the Company Secretary and a team of staff who, under the leadership of the Company Secretary, provide day-to-day management and policy support to the Board.

The Staff Superannuation Fund Services team is part of Group Human Resources. The functions of this team include:

- providing advice to the Trustee on investment policy – strategies and implementation;
- management of outsourced service providers;
- development and implementation of the CGSSS member communication strategy; and
- statutory and compliance work.

Gerard Parlevliet
Company Secretary and General Manager, Staff Superannuation Fund Services

Fund administration

NSP Buck Pty Limited administers the Fund. CGSSS Member Services is part of NSP Buck's external administration services and they provide the day-to-day administration of the Fund.

CGSSS Member Services provides the following services to members:

- maintaining member records;
- accounting and actuarial management;
- making benefit payments to members; and
- answering member enquiries.

External advisers

The Trustee has appointed the following external advisers to provide specialist services to the CGSSS:

- **Actuary**
  Paul Francis,
  NSP Buck Pty Limited
- **External Auditor**
  Ernst & Young
- **Insurers**
  The Colonial Mutual Life Assurance Society Limited

  AMP Society
  (Divisions N, O and P)
- **Asset Consultant**
  NSP Buck Pty Limited

Employer Directors

Mr Les Cupper
(Chairman)
Group Executive –
Human Resources

Mr Geoff Ferguson
General Manager,
Payment Systems
Regulation –
Retail Banking Services

Ms Michelene Hart
General Manager,
Finance and Planning –
Investment and
Insurance Services

Mr Les Moth
Executive Manager –
Commonwealth Fleet Lease

Fees and charges

Currently the Fund pays all costs for the day-to-day management and administration of the Fund.

Members may be required to pay fees associated with:

- changing your investment strategy (switching) – currently $50.00, except for one free switch each year at 1 July;
- rolling money into the Fund – currently no charge applies;
- making a withdrawal of any part of your unrestricted non-preserved benefits (UNPB) – currently $65.00;
- any insured benefits you may have if you are a member of Accumulation Divisions I, J, L or P – premiums are calculated according to your amount of cover and your age; premiums are shown on your Annual Benefit Statement. You can contact CGSSS Member Services to find out about insurance cover costs.

There is also a contribution tax adjustment, currently 15%, which is deducted from the amount your Employer allocates to your super and from any pre-tax contributions you make to your super.

A charge relating to surcharge tax will also be deducted from benefits, where applicable. Your annual benefit statement will tell you if you have a surcharge tax liability.

Your Member Booklet has more information about the fees and charges that apply in your Division of the Fund.

Small account protection

If your total account balances are less than $1,000, superannuation legislation ensures that they cannot be eroded by fees and charges. That means administration fees debited to your account will not exceed credited earnings. This protection relates only to fees and charges. Negative investment returns are applied to small accounts, just as they are to all other accounts in the Fund.

Contribution and insurance options

Depending on your membership division, you may be able to vary the level of your contributions and insurance cover. Please refer to your Member Booklet or contact CGSSS Member Services for more information.

Get your benefit faster

For prompt payment of your super benefit when you leave employment, you should ensure that you provide CGSSS Member Services with clear payment instructions.

You will receive payment forms to complete, along with your benefit calculations, from CGSSS Member Services (as soon as your Employer advises it of your exit date). Return your completed forms to CGSSS Member Services as soon as possible.

If you need help completing the forms, call CGSSS Member Services. If you need financial advice to make a decision about where you want your benefit to be paid, you should contact a licensed financial planner.

Enquiries and complaints

The Trustee has established a formal procedure for members and beneficiaries to:

- make enquiries into, or complain about, the operation or management of the CGSSS in relation to them; and
- have their enquiry or complaint properly considered and dealt with within 90 days of receipt.

If you wish to make an enquiry or complaint, your correspondence should be sent to:

The Company Secretary
SBSBS Pty Limited
GPO Box 2719
Sydney NSW 1155

When we receive your enquiry or complaint, our internal procedures will ensure that your matter is dealt with within 90 days. In most cases, you will receive a reply within 28 days.

The Trustee will take every step necessary to ensure that your complaint is dealt with properly. It is hoped than any problem can be handled internally to the satisfaction of all parties.

Superannuation Complaints Tribunal

If you are not happy with the way that your complaint has been handled or with the Trustee's decision, you may contact the Superannuation Complaints Tribunal.

The Tribunal is an independent body set up by the Federal Government to assist members and beneficiaries to resolve certain superannuation complaints.

The Tribunal may be able to help you resolve your complaint, but only after you have made use of the Fund's internal complaints handling process. If the Tribunal accepts your complaint, it will attempt to resolve the matter through conciliation, which involves helping you and the Trustee come to a mutual agreement. If conciliation is unsuccessful, the complaint will be formally referred to the Tribunal for a binding determination.

There are some complaints that the Tribunal cannot consider: for example, complaints relating to the management of the Fund as a whole and complaints against an employer.

If you wish to find out whether the Tribunal is able to handle your complaint and what information you would need to provide, phone the Tribunal for the cost of a local call from anywhere in Australia. The Superannuation Complaints Tribunal can be contacted on **1300 884 114**.

The Trustee will take every step necessary to ensure enquiries and complaints are dealt with properly.

Eligible Rollover Fund

In certain situations, benefits may be transferred to an Eligible Rollover Fund (ERF) – for example if you leave the Fund and do not nominate another fund to receive your benefits.

The CGSSS's current ERF is:

SuperTrace Eligible Rollover Fund
Locked Bag 5429
Parramatta NSW 2124
Phone: 1300 788 750
Fax: (02) 9947 4184

If your benefit were to be transferred to the ERF you would no longer be a member of the Fund.

More detailed information about the Fund's ERF policy is contained in your Member Booklet.

Nomination of beneficiaries

If your personal circumstances have changed, you may wish to update your nomination of beneficiaries. The *Nomination of Beneficiaries* form serves as a guide to the Trustee if it has to decide who should receive your benefit if you die while you are a member of the Fund. A death benefit can usually be paid only to your dependants or to your legal personal representative (the executor of your Estate).

Your Member Booklet has additional information about who is eligible to receive your death benefit.

If you want to find out anything about your super fund, visit the Staff Super Intranet site. It has links to:

- forms to update your super;
- the latest newsletter;
- information about your benefit division;
- investment performance information;
- fact sheets;
- the latest annual report; and
- your member booklet.

Trust Deed changes

The Fund's Trust Deed was amended during the reporting period 1 July 2001 to 30 June 2002, to:

- consolidate the provisions appearing in the most recent actual consolidation on 8 November 1999 and the subsequent amending deeds of 28 February 2001 and 1 May 2001;
- amend the provisions for Division J members (former Legal & General employees) who had changes to their insured benefit arrangements take effect from 1 January 2002 and also incorporate their benefit provisions into the Deed (rather than relying on reference to the former Legal & General Plan rules);
- add provisions relevant to former Trust Bank members who transferred into the CGSSS; and
- ensure that the definitions of total and permanent disability (TPD) in the Trust Deed aligned with the insurance policies held by the Trustee.

The right and entitlements of members and rules for the operation of the Fund are outlined in the Fund's Trust Deed.

What's ahead?

Superannuation remains an area of change, and the Federal Government has made a number of changes recently. The most important change affects the way superannuation is treated if a marriage breaks down.

Family Law

Changes to Family Law legislation will take effect from 28 December 2002. The changes allow superannuation (including current pensions) to be included in the definition of marital property and divided along with other assets on marriage breakdown (that is, a divorce or separation, as defined under the legislation). If a property settlement between the spouses has been finalised before 28 December 2002, the legislation will generally not apply. There may be some limited exceptions, so members should seek professional advice in relation to their personal circumstances.

Under the legislation, the CGSSS Trustee is responsible for providing certain information to the interested parties to help them come to an agreement regarding their superannuation benefit. The Trustee is currently examining proposed measures to enable splitting of benefits as per any agreement or court order (made by the Family Law Court in instances where the parties cannot reach an agreement).

Derivatives

Derivative products, such as futures and options, may be used as part of the CGSSS's investment strategy.

The Trustee has established a Risk Management Statement dealing with the use of derivatives and requires a Risk Management Statement from its investment managers before they can use derivatives in managing the Fund's assets. Derivatives are not used for speculation or for gearing the portfolio.

Assets exceeding 5% of total Fund assets

As at 30 June 2002, the main Accumulation Pool had $44,601,375 invested in the Colonial First State Pooled Superannuation Trust Diversified Option, which was 10.5% of total Fund assets, and $39,832,289 invested in the Colonial First State Wholesale International Shares Fund, which was 9.3% of total Fund assets.

Statement of changes in net assets

for the year ended 30 June 2002

	2002		2001	
	$	**$**	$	$
Net assets to pay benefits at the beginning of the financial year		**505,787,567**		564,850,209
Investment revenue				
Interest	**234,684**		419,801	
Dividends and distributions	**8,616,175**		11,177,085	
Fee rebates	**456,586**		381,039	
Movement in net market value of investments	**(51,016,082)**		30,292,921	
Less: direct investment fees	**(58,554)**		(1,500)	
Net investment revenue		**(41,767,191)**		42,269,346
Contributions revenue				
Employer contributions	**698,706**		2,079,564	
Member contributions	**2,199,576**		3,139,964	
Transfers from other funds	**1,851,540**		3,741,964	
Total contribution revenue		**4,749,822**		8,961,492
Other revenue				
Sundry income	**2,680**		49,995	
Total other revenue		**2,680**		49,995
Total revenue		**(37,014,689)**		51,280,833
Less				
Administration expenses				
General administration expenses	**1,709,781**		1,275,542	
Net insurance costs	**248,644**		802,224	
Surcharge expense	**634,952**		605,892	
Total administration expenses		**2,593,377**		2,683,658
Benefits paid/payable		**49,910,112**		108,371,344
Total administration expenses and benefits paid/payable		**52,503,489**		111,055,002
Net change for the year before income tax		**(89,518,178)**		(59,774,169)
Income tax (credit)		**(6,848,659)**		(711,527)
Net change for the year after income tax		**(82,669,519)**		(59,062,642)
Net assets available to pay benefits at the end of the financial year		**423,118,048**		505,787,567

Statement of net assets

as at 30 June 2002

	2002		2001	
	$	**$**	$	$
Assets				
Cash assets				
Cash	**2,919,424**		1,832,721	
Cash in transit	**7,568,975**		2,833,291	
Total cash assets		**10,488,399**		4,666,012
Investments				
Shares in listed corporations	**311,685,768**		324,045,587	
Unit trusts	**114,405,908**		146,802,419	
Life policies	**—**		65,555,755	
Total investments		**426,091,676**		536,403,761
Other assets				
Income tax receivable	**1,556,774**			
Future income tax benefit	**92,052**		90,652	
Sundry debtors	**269,414**		150,606	
Total other assets		**1,918,240**		241,258
Total assets		**438,498,315**		541,311,031
Less				
Liabilities				
Benefits payable	**8,413,079**		24,338,687	
Sundry creditors	**2,041,804**		1,195,910	
Provision for income tax	**—**		492,115	
Provision for deferred income tax	**4,925,384**		9,496,752	
Total liabilities		**15,380,267**		35,523,464
Net assets available to pay benefits at the end of the financial year		**423,118,048**		505,787,567

A copy of the CGSSS's audited financial report is available on request from the Company Secretary.

For further information, contact:

Telephone: 1300 363 016 (national freecall), or
(03) 9222 4339

Write to: CGSSS Member Services
c/- NSP Buck Pty Ltd
GPO Box 9946
Melbourne VIC 3001

Fax: (03) 9222 4350

E-mail: cgsss@nspbuck.com.au

Colonial Group
Staff Superannuation Scheme

Issued by SBSBS Pty Limited (ABN 64 008 659 390),
Trustee of Colonial Group Staff Superannuation Scheme