YOUR FUTURE

ENERGY INDUSTRIES SUPERANNUATION SCHEME
Accumulation Scheme - ABN 22 277 243 559

January 2008

Wrap of Scheme's investment performance

The investment environment was extremely volatile during the last six months of 2007 as investors became increasingly jittery about just how big a fallout there would be from the subprime crisis in the US.

Credit became harder for companies to obtain and concerns abounded as to whether the US economy would be thrust into recession, hurting other economies around the world.

As a result, the strong growth enjoyed over the past four years by the Energy Industries Superannuation Scheme's investment options slowed.

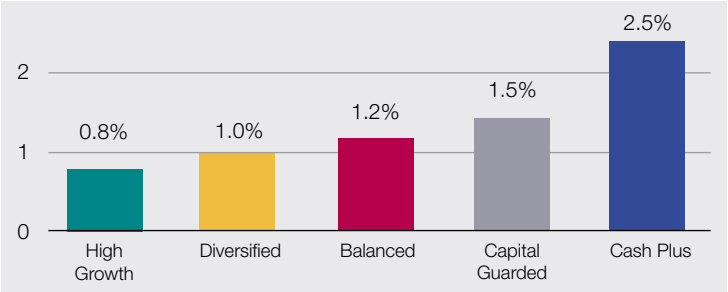
The High Growth product returned 0.8% for the six months to December, the Diversified 1.0% and Balanced 1.2%.

Those with more exposure to cash or fixed interest fared better. The Capital Guarded product gained 1.5% while the Cash Plus option was up 2.5%.

World investment markets remain nervous and volatile and it is important to remember that superannuation remains a tax effective long-term investment, and that your Scheme's performance over the long-term continues to be strong.

The Scheme's returns

6 months to 31 December 2007



All figures are shown to one decimal place. Returns may vary slightly between Divisions of the Scheme.

Get into financial shape in 2008

Here are some ways in which the Scheme can help you improve your financial fitness in 2008.

1. Get rid of the Christmas spending hangover

It's important to take control of your debts because they can quickly get out of hand. Remember the interest you pay on debt, including credit card debt, is money that cannot be saved or invested. It's just gone!

The first step in managing your debt is to draw up a realistic budget to track where your money goes and to ensure that you don't spend more than you earn. As part of the process, you should also examine what payments you need to make on loans, such as your mortgage or car loan repayments.

You might consider consolidating all your loans into the lowest interest loan, such as your home loan. But check first that there are no penalties for repaying your existing loans early and that there are no fees for increasing your mortgage.

Visit **www.eisuper.com.au** to access our handy budget planner and savings tips the Scheme has prepared for you.

2. Review your investment strategy

If you've never seen a financial planner and haven't put an investment strategy in place, now is as good a time as ever to do so.

And, if you saw a financial planner a while ago, it's important to ensure that the investment strategy you originally decided on is still relevant to your current situation. As you know, investment trends and your circumstances can change over time. The aim of a review is to ensure that your financial plan remains appropriate to your goals and that you are doing the very best you can to maximise your retirement savings.

As a member of the Scheme, any consultation with one of our qualified financial planners will cost you absolutely nothing.

For more information or to book an appointment with a planner, call **1300 369 901**.

Continued on next page

3. Make your super count

The Federal Government offers numerous tax incentives for those who make additional super contributions, and recent reforms to the super system now place super up there amongst the most lucrative savings mechanisms available.

There are a host of ways in which you and your family can benefit, ranging from sacrificing some of your pre-tax salary to making a post-tax co-contribution on behalf of yourself and your spouse (and receiving a contribution back from the Government).

The incentives now provided by the Government are now so attractive you are likely to regret it if you don't take advantage of them.

To learn more, call Member Services on **1300 369 901**.

4. Consolidate your super accounts

If you're like many Australians, you may have two or three different superannuation accounts. This means that you could be paying three times the administration fees, which can end up being quite expensive. You may be paying fees on superannuation you are not even aware you have.

If you don't want to waste your money, it pays to consolidate your super into one account. This is really easy to do. By having all of your super with the Scheme, you will only pay one administration fee. Another great reason to consolidate your super into this Scheme is that there are no entry fees and its returns are among the best in the country.

As a bonus, you'll also be able to keep track of your super easily. To consolidate your super with the Scheme, simply contact the Member Services team on **1300 369 901**.

5. Review your home loan

Interest rates are on the up and up, but that doesn't necessarily mean that you have to keep forking out more on your mortgage payments.

One way to keep these payments in check is to ensure that you secure one of the more competitive home loans around, one which comes at a low mortgage rate and without unnecessary fees and charges.

Chifley Home Loans was created especially to help our super members own their homes sooner by offering them lower interest rates. Chifley is part of a member-based organisation that includes the Local Government and Energy Industries Superannuation Schemes, with our services designed to provide additional benefits to Scheme members.

To find out more about Chifley Home Loans call **1800 800 002**.

6. Save on life insurance

You work hard to build up your assets, but what measures do you have in place to protect them?

Insurance is considered a vital part of any wealth creation plan. It's about providing you peace of mind and it helps you protect your financial security and that of your family in the event of sickness, injury, disablement or death.

And, did you know that obtaining life insurance through your super is one of the most cost effective ways of doing so? One benefit is that the premiums are paid from your superannuation contributions, meaning that you don't pay for the cost of the insurance directly. You also get to take advantage of the wholesale insurance rates your Scheme has negotiated which are among the lowest rates available. Buying insurance elsewhere as an individual, especially from a for-profit organisation, is most likely to cost you more.

For more information on insurance, please call **1300 369 901**.

7. Don't overpay for general insurance

Don't spend more than you need to on general insurance. As a member of this Scheme, we are now able to offer you general insurance at a highly competitive rate through Chifley Insurance Brokers. With the Energy Industries Superannuation Scheme owning one third of Chifley, we can now offer home, contents, vehicle, caravan, boat cover and travel insurance.

For an obligation free quote, please call **1300 562 774**.

8. Have a Fair Go

It's not always easy to find ways to save for the important things we want in life. To help you find those extra dollars, the Scheme has used its large purchasing power to negotiate a range of special offers for you.

Our Fair Go Member Benefits program provides you with a wide range of savings, from essential items like health cover and pharmaceuticals to holidays, travel insurance, car hire and family outings. We are also constantly looking to introduce new and improved offers to the program.

For more information, visit the Fair Go section on our website at **www.eisuper.com.au** or call Member Services on **1300 369 901**.

Meet our Wealth Creation team

The FuturePlus Wealth Creation team, headed by Andrew Whelan, now consists of eight planners and a business development manager. They are on hand to help you grow your wealth and plan your financial future at no additional cost to you.

Because we are a not-for-profit industry Scheme, our planners are here to help you, not to make money off you for shareholders. Besides, because the Scheme owns a part of FuturePlus, its shareholders are you, the member.

All of our planners are salaried and earn no commissions by giving you advice. They will work through your individual needs and where appropriate, prepare a comprehensive, personal financial plan to suit your circumstances.

If you require financial planning assistance, then our seminars are the best place to start. For more detail, call Member Services on **1300 369 901**.

Left to right: Oanh Bui, Peter Hogg, Tom Nguyen, Andrew Wells, Clarissa Tai, Andrew Whelan, Anuj Shangle, Etevise Su Fui, Lin Burgess, Dean Godbee.

Look before you leap into an investment property

Investing in property can be a lucrative venture, but it's not for everyone. Here are some issues and questions to consider before you take the leap.

Property is a major commitment. In most cases, you will have to borrow to buy an investment property. Often you will need to take a mortgage not only over the property you are buying, but also over your home. So an obvious question is whether you can afford to keep servicing this debt if the property you buy is vacant, your circumstances change or if interest rates continue to rise.

Remember also that good investing is about diversification. If you already own your home, are you putting all your eggs in one basket by buying more property? What happens if the property market slumps? Would you have been better off spreading your risk by investing in other assets, such as shares or fixed interest, where the returns are less correlated to the property market?

Bear in mind too that property is an illiquid investment. Unlike shares or managed funds, it can't always be easily sold if you change your mind or if your circumstances change.

Can you earn better returns elsewhere?

Over a 20 year period to the end of August 2007, shares listed on the ASX 200 grew by 12.6%[1] a year while international equities rose by almost 10%[2] and listed property trusts were up by 13.65%[3] per annum. The median Sydney house, however, returned 9.3%[4]. While there are times when direct property outperforms shares, over the longer term, shares have usually been the winner in the returns stakes.

What are the tax benefits?

The negative gearing effect of investing in property certainly offers tax advantages but these days, so does putting your money in super. The *Better Super* reforms have made super an even more attractive investment from a tax point of view. There is no tax on money taken out of super after the age of 60, and up to certain limits, any personal pre-tax (salary sacrifice) contributions you make to super will only be taxed at 15%.

If you've decided an investment property is the route for you, here are some tips that may help you:

1. Don't let your heart lead your head. The objective of any property investment is capital growth, not buying a property you love or would like to live in.
2. Do your research. Look at as many properties as you can. Compare prices. Remember that investments are always about the future. Also, don't forget the fundamentals, for example, the three priorities when investing in property are location, location, location.
3. If you are buying into a new development, check out the developer's track record of fixing up problems.
4. Remember that the real estate agent's first duty is always to the owner of the property, that is, those paying the commissions.
5. Always get an independent valuer to confirm that you are not paying too much. Don't rely on the real estate agent or the bank valuation.
6. Always get the contract checked out by your own solicitor or conveyancer, not one referred by the real estate agent.
7. Don't rely on the real estate agent selling you the property to advise you on how much the property will rent for. Ring up another agent and research the advertised prices in the area.
8. Get your accountant to check the numbers for you.
9. Don't pay more than you have to on the mortgage rates. Every extra percentage point that you pay will eat away at your return and this can really add up over the long term.
10. Importantly, if you are buying a strata unit, make sure you have a search done on the strata to see if there any major faults with the overall property or large capital works required. If there are you, as an owner, may have to pay a higher strata levy to cover these costs.

1 S&P/ASX 200 Shares Index. 2 MSCI World Index. 3 S&P/ASX 300 Property Trust Accumulation Index. 4 Property Trust Monitors.

We can help you

You are able to secure a competitive home loan through Chifley Homes Loans, which is part owned by this Scheme. For more information, call the Home Loans team on **1800 800 002** or check out the website at **www.chifley.com** to find out about our 5 star, fee free, low-rate super loans.

Help at every stage of life

Whether you have just started working, have children, are buying a home or are approaching retirement, your Scheme can help you achieve your financial goals. We've tailored our service to meet your lifestyle and financial goals at any particular stage of your life.

As your financial needs and objectives change, we need to change with you and be able to provide the necessary tools and support to help you achieve your goals.

One way we do this is through an online life stage planning tool that identifies the issues you should consider at different stages of your life and, as your life changes, shows you how the Scheme can help you with these. It can be found at: **www.futureplus.com.au/lifestage/lifestage.asp**

It's easy to ease into retirement

In the past, Australians tended to go to work every day until a certain age, say 65. Then they would retire and suddenly have to find ways to fill their time.

Despite dreams of endless days of fishing or gardening, and perhaps that long planned overseas trip, the sudden change does come as a shock for some. And, others have found that they've reached that big "gold watch" presentation day without having accumulated enough to live their retirement years in the style they would have liked.

Changes announced by the Federal Government in recent years, however, make it much easier for Australians to ease into retirement slowly from age 55 and offer them much more flexibility in how they do it.

Firstly, from 1 July 2005, the Government has allowed Australians who have reached their preservation age*, and depending on the rules of their super fund, to draw on their super without having to retire permanently from the workforce.

But under these rules, you have to use your super to buy a special 'income stream'. The special income stream is called a non-commutable income stream or account-based pension. It lets you receive a regular income from your super benefits but your super can't be withdrawn as a lump sum while you are still working.

With this new measure, you can roll some or all of your eligible super over into a retirement income stream. You then reduce the hours you work and make up for this by drawing down some of this income stream. However, if you are still working, your employer will still be paying the 9% Superannuation Guarantee on your superable salary into your super, allowing you to continue to add to your super savings, even though you are drawing down some of your retirement income stream.

In addition, recent Government reforms to super now make transitioning to retirement even more attractive than ever before. They have removed tax on super benefits for anyone over 60. And, for those investing in an account-based pension (the new name for an allocated pension), there's no tax on the earnings within the fund at all – making it a tax-free investment.

Further, from 1 July 2007, as part of the Government's reforms, those making a transition to retirement are able to receive a maximum of 10% of the account balance (at the start of each year) of their account-based pension as a pension payment in any one year.

So if you are over or approaching 55 and have the opportunity to move your money into an account-based pension, you should talk to a financial planner about how much better off you could be. Just phone **1300 883 788** for an appointment.

*Your preservation age is the age you are allowed to access your super benefits when you stop working and depends on your date of birth (it is 55 for those born before 1/7/60).

Planning for life's unpleasant certainties

There are two certainties in life - death and taxes. Yet, as certain as these are, most of us don't like to dwell too much on them.

While tax laws force us to put in our annual tax returns, it's estimated that up to 50% of Australians pass away without leaving a valid Will. This means potentially creating financial hardship for those you love and may result in your hard earned savings ending up in the wrong hands.

Effective estate planning is essential for everyone, regardless of age or circumstances, and it forms an essential part of the pre-retirement planning process. Planning carefully how you want your estate managed allows you to leave explicit instructions on how you want your finances dealt with.

If no estate plan is in place, a large portion of your estate could be needlessly lost to taxes, fees, administrative expenses and probate, or automatically revert to the Government.

Your Scheme, however, can help you plan to avoid these problems in a number of ways.

Firstly, your Scheme accepts binding death benefit nominations. This means that you can make a binding death benefit payable to your legal personal representative (i.e. your estate). A valid binding nomination means that the Scheme's Trustee must pay the benefit in accordance with your instruction. However, a binding nomination must be renewed at least every three years for it to remain valid.

A fact sheet on binding death benefit nominations is available on our website at **www.eisuper.com.au**, or you can call Member Services on **1300 369 901** to obtain a copy.

Importantly, in order for your binding death benefit nomination to be of value, it is important for you to establish a Will, so that your estate can then be paid out in accordance with your wishes. Your Scheme can assist you with this through our online Fair Go Will Service. Visit **www.eisuper.com.au** and click on Fair Go to find out more.

If you would like to talk to one of our financial planners about our Estate Planning service, call Member Services on **1300 369 901** to find out more.

Financial planning online

Did you know that you can now hear from our financial planners online?

We have put together a series of online presentations dealing with the latest on the super reforms and other important issues. Topics covered include the new laws for paying employment termination payments (ETPs) into your superannuation, the potential benefits of insuring through your superannuation, the latest changes to contribution rules and new developments which may affect your eligibility for the Centrelink Age Pension.

Visit **www.eisuper.com.au** to hear more from our financial planners.

More from *Fair Go*

The Fair Go member benefits program provides you with a wide range of savings, from essential items like health cover and pharmaceuticals to holidays, travel insurance, car hire and family outings. And we are also constantly looking to introduce new and improved offers to the program. Here is a summarised list of offers available now:

- Sydney Wildlife World, where you can save 15% on admission.
- Sydney Tower and Oztrek, where you can save 10% on admission.
- Petals Flower Delivery, an online florist where you qualify for a 15% discount on the flower value of your order.
- A state-of-the-art alarm system package worth $499.90 for only $99.00 (incl. GST) when you sign up for a back-to-base monitoring service.
- Save up to 30% off Travel Insurance with AIG Australia.
- Discounts on computer equipment.
- Special accommodation offers at ECO Point Resorts.
- 3 courses for the price of 2 at 360 Bar and Dining.

For more information, visit the Fair Go website at **www.fairgo.com.au** or call Member Services on **1300 369 901.**

CURRENT OFFERS

Think Thrifty this holiday season!

Fair Go members currently receive **special rates** on Australia's most diverse range of cars, trucks, buses, 4WD's & luxury vehicles from over 260 Thrifty locations nationwide.

Members also receive a substantially reduced Compulsory Premium Protection (PP) of just $9.90 per day (on Cars) and $16.50 per day (on Trucks). This is a saving of up to 50% on PP! Please note this PP offer is only applicable when booking on your Fair Go rates.

These great rates and conditions are available to you all year round, so remember to think Thrifty this holiday season. Book now to ensure you secure your vehicle on **1300 367 227** and quote your Corporate Discount (CD) Number: **FAIRGO** or visit the car section at **www.fairgo.com.au** to book online.

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If you are looking for a new vehicle why not take the time to speak to one of our Automotive Buying Service consultants. They will provide you with the best advice, best price with fleet type discounts on most new cars and assist with your trade-in if required.

Contact Member Services on **1300 369 901** or visit **www.fairgo.com.au** to have an Automotive Buying Service consultant contact you to discuss your motor vehicle requirements in more detail.

Regional office details are:

Lismore
81- 83 Molesworth St

Newcastle
161 King St

Orange
187 Summer St

Parramatta
10-14 Smith St

Sydney
28 Margaret St

Wagga Wagga
2/209 Baylis St

Wollongong
Shop 2, 60 Burelli St

Albury*
621 Dean St

*Bookings are essential. Phone 1300 369 901 to make an appointment.

How have investment markets performed?

The big story in 2007 was the subprime crisis in the US. It was sparked by poor mortgage lending practices which led to a surge in defaults on US home loans. This, in turn, led to a global credit crunch, where nervous lenders stopped lending and reassessed the risk of borrowers. Credit became tough to obtain and the cost of debt rose.

Share markets around the world surged and fell sharply as investors watched anxiously for signs of just how deep the fallout of subprime went and whether this would thrust the US, the world's largest economy, into recession, denting global economic growth and hampering company profits.

Investor jitters intensified as the year drew to a close, and after a major Australian property group, Centro, announced it had become another victim of the subprime crisis. This led to many asset classes ending the year on a sour note.

Australian shares

In 2007, the Australian share market delivered its lowest annual return in four years after the US subprime crisis sparked fears of a recession in the US and investors became jittery.

The global credit crunch ended the time of cheap money for takeovers and private equity deals, which had bolstered share prices in previous years. Nonetheless, buoyant demand for Australian resources from Asia, especially China and India, helped local shares perform better than those in Europe and the US.

The All Ordinaries index rose 13.8% in 2007, down from 19.9% in 2006, 16.2% in 2005 and 22.6% in 2004. While the S&P/ASX 300 still gained 2.9% over the last six months of the year, it came off 2.7% in the last quarter.

International shares

In Australian dollar terms, international shares dropped 2% over 2007 and 3.7% in the second half of the year. However, given the strengthening of the Australian dollar over the year, those who did not hedge their overseas investments back to Australian dollars would have suffered bigger losses.

China was the world's best performing share market for the year, climbing 96.7% on the back of the country's strong economic growth. This growth also benefited other Asian stock markets which together grew by 36%. Japan, however, was the world's worst-performing major share market, with the Nikkei sagging 11% over 2007.

US stocks made modest advances in 2007 with energy and technology stocks performing and financial shares being sold off in the wake of the subprime crisis. Thanks to its heavy exposure to technology stocks, the Nasdaq composite index jumped 9.8% in 2007, outperforming the broad S&P 500, which gained 3.5% and the blue-chip Dow Jones industrial average, which rose 6.4%. But for the fourth quarter, all three major US stock indexes made a loss.

The performance of European markets varied. Germany, for example, was up 22.3%, Britain 4.1% and France 1.5%.

Listed Property Trusts (LPTs)

LPTs, typically viewed as safe-haven investments with stable returns, posted their first annual decline in seven years, a fall of 7% over 2007 and a drop of 8.5% over the last six months of the year.

As 2007 drew to a close, investors began to worry that LPTs' aggressive overseas expansion in recent years may not have been without risk. In December, the Centro Properties Group became a victim of the subprime crisis after revealing that it had problems refinancing $3.9 billion in debt because of the global credit crunch. Its woes also dented sentiment towards some other large Australian LPTs which had investments in Centro.

Global LPTs were down 20% for the year after being star performers in the previous two years.

Cash and fixed interest

The global credit crunch resulting from the subprime crisis left its mark on the bond market too, denting sentiment towards more risky corporate bonds and creating a flight to the quality of safer government bonds.

Australian bonds were up 4% for the year and 1.7% for the second half of the year. Global bonds performed better, returning 6% for 2007 and 5.6% in the second half.

With interest rates on the up, cash was a solid performer, gaining 6.5% in 2007 overall and 3.4% in the last six months of the year. Meanwhile, the Australian dollar finished 2007 at US88.18c after rising from US79c over the year.

Seminars

Would you like to have a better understanding of how to manage your money, increase your savings, improve your investment portfolio or ensure you have enough to retire on?

As a valued member of this Scheme, you can attend a FREE pre-retirement or wealth creation seminar. Please visit **www.eisuper.com.au** or contact Member Services on **1300 369 901** to find out about dates and locations.

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Energy Industries Superannuation Scheme is a Registered Superannuation Entity (RSE: Pool A - R1004861 and RSE: Pool B - R1004878).

Members should not rely solely on this information and should consider their own personal objectives, financial situation and needs before acting on this information.

Prior to making any decision you should obtain and consider the relevant Product Disclosure Statement (PDS) pertaining to your Scheme membership.

ENERGY INDUSTRIES®
SUPERANNUATION SCHEME

If you have any questions, feel free to contact Member Services on 1300 369 901 or visit www.eisuper.com.au

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