

ADVANCE

ASSET MANAGEMENT

ADVANCE FIXED TERM PENSION

Annual Report for year ended 30 June 2014

Issued by BT Funds Management Limited ABN 63 002 916 458 AFSL 233724



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In this Annual Report

- > 'Advance' means Advance Asset Management Limited (Advance) ABN 98 002 538 329, AFSL 240902.
- > 'BTFM', 'we', 'us' and 'our' are references to BT Funds Management Limited ABN 63 002 916 458 AFSL 233724.

Important information

The Advance Fixed Term Pension Division (Advance Fixed Term Pension) is part of the Advance Retirement Suite ABN 95 068 282 166. BTFM is the trustee of the Advance Retirement Suite and has issued this Annual Report.

The trustee has not received any notices or penalties for non-compliance during the reporting period and has formally resolved that the Advance Fixed Term Pension will at all times be administered in strict compliance with all applicable acts and regulations.

The investment information or general advice provided in this publication doesn't take into account your personal objectives, financial situation or needs and because of that you should consider the appropriateness of the information or advice having regard to these factors. Before deciding whether to open, or to continue to hold, a financial product issued by us, you should obtain and consider the Product Disclosure Statement (PDS) for that product, available from us or your financial adviser.

BTFM and Advance

Advance has entered into an agreement with us relating to the establishment and administration of the Advance Fixed Term Pension and under this agreement, Advance may ask us to retire as the trustee of the Advance Fixed Term Pension and we must do all things reasonably required by Advance to facilitate the appointment of a person nominated by Advance as our replacement.

You'll be notified if we're asked to retire as the trustee. When we retire, we'll be released from any future obligations in relation to the Advance Fixed Term Pension and the replacement trustee will agree to take on all duties and obligations of the trustee.

Advance and BTFM are subsidiaries of the Westpac Banking Corporation (Westpac) ABN 33 007 457 141. An investment in the Advance Fixed Term Pension is not a deposit with, investment in, or other liability of Westpac or any other company within the Westpac Group. It's subject to investment risk, including possible delays in repayment and loss of income and principal invested. Neither Westpac nor any other company within the Westpac Group stands behind or otherwise guarantees the capital value or investment performance of the Advance Fixed Term Pension.

Introduction

We're pleased to present the Annual Report for the Advance Fixed Term Pension at 30 June 2014. This report is issued in accordance with the Corporations Act 2001. It contains general information, providing details of the financial position and management of the accounts for the Advance Fixed Term Pension Accounts.

The report also details how you can obtain additional information about your Account. You can request additional information (including the trust deed, financial statements and auditor's report) from our Customer Relations team. Details are on page 4.

Recent developments in superannuation

Temporary Budget Repair Levy & Medicare Levy increase

A Temporary Budget Repair (TBR) Levy of 2% will apply to the amount of a person's taxable income above \$180,000 for 2014/15, 2015/16 and 2016/17 financial years only. The TBR Levy will also be reflected in a number of other tax rates that are currently based on the top marginal tax rate, for the same 3 year period.

From 1 July 2014 the Medicare Levy also increased by 0.5% to 2.0% to help fund DisabilityCare Australia (previously known as the National Disability Insurance Scheme).

The TBR and increased Medicare Levy will impact the tax withheld from some payments you receive from your pension.

This means for the 2014/15 financial year the tax payable on income payments you receive from your pension will include the increased Medicare Levy and may also include the TBR Levy.

Death benefits paid on or after 1 July 2014 as a lump sum to a non-dependant for tax purposes¹ will have tax withheld in the following manner:

Tax-free component	Tax-free
Taxable component	Taxed at 17% (including the Medicare Levy)
Taxable component (untaxed element)	Taxed at 32% (including the Medicare Levy)

1. Death benefits paid as a lump sum to your dependants (for tax purposes) are tax-free. A dependant for tax purposes includes your spouse or former spouse, your children under 18, a person who was wholly or substantially financially dependent on you at the time of your death and a person with whom you were in an interdependency relationship at the time of your death.
2. Your preservation age is between 55 and 60 depending on your date of birth.
3. A lifetime limit of \$185,000 for 2014/15, indexed to AWOTE rounded down to the nearest \$5,000 in subsequent years.

Understanding your investment

As at 30 June 2014 all of the Advance Fixed Term Pension assets comprised investments in the Prime Securities Trust No. 3 – Indexed to the CPI and Prime Securities Trust No. 3F – Non indexed (the Trusts), which are managed by UBS AG, ABN 47 088 129 613 (UBS).

UBS does not in any sense 'stand behind' the performance of Advance's obligations, nor guarantee the capital value or performance of units, nor have any liability in connection with the Advance Fixed Term Pension. UBS is not responsible for any statement or information contained in this Annual Report.

For further details about the Advance Fixed Term Pension assets, please see the abridged financial information on page 5.

Investments exceeding 5%

100% of the Advance Fixed Term Pension assets are invested in the Prime Securities Trust No. 3 – Indexed to the CPI and Prime Securities Trust No. 3F – Non indexed (the Trusts), which are managed by UBS AG, ABN 47 088 129 613 (UBS).

Investment objectives and strategy

To provide two separate income streams for set terms – one income stream supporting payment of the non-indexed fixed term pensions and the other income stream supporting payment of the indexed fixed term pensions.

This is achieved through the investment in the Trusts, which pay us amounts that are used to make your pension payments, so the total amount in any year will not fall below the total amount of pension payments made in the relevant preceding year. The Trusts only invest in assets with a high degree of security, such as:

- > investments rated A-1+ (short term) or at least AA+ (long term) by Standard & Poor's at the date of acquisition
- > investments with entities rated A-1+ (short term) or at least AA+ (long term) by Standard & Poor's at the date of acquisition
- > investments which are obligations of, or guaranteed by, the Commonwealth Government or a State Government at the date of acquisition.

While the assets of the Trusts will generate cash flows to pay your pension payments over the term you select, the timing, frequency and amount of the cash flows may not match the timing, frequency and amount of your pension payments.

To overcome this, UBS may use derivatives undertaking to 'swap' the cash flows of the Trusts' assets and liabilities in financial markets, despite the performance of the underlying assets of the Trusts. UBS does not use derivatives to leverage (gear) the Trusts. The Advance Fixed Term Pension itself doesn't invest in derivatives directly.

Other important information

Professional Indemnity Insurance

As trustee of the Advance Fixed Term Pension, BTFM is responsible for the day-to-day administration and ensuring it complies with all relevant laws and the provisions of the trust deed. To cover any potential liabilities, BTFM has taken out professional indemnity insurance.

Keeping you informed

Each year you'll receive the following information about your account.

- > A statement for the year ended 30 June, detailing the new level of your pension payment for the next year (if you've chosen the CPI Linked Option), your rate of return, opening and closing balances and transactions over the period just ended.
- > This Annual Report updating you on the financial position of the Advance Fixed Term Pension.

If you'd like to know more about how the Advance Fixed Term Pension operates, you can contact us for other information.

Tax on your investment

For more information on taxation relevant to your personal circumstances, you should contact your financial or tax adviser.

Enquiries and complaints

We're committed to providing quality service to our investors. If you have any enquiries or complaints about your investment in the Advance Fixed Term Pension please let us know.

Telephone:

1800 819 935

Fax:

08 9481 4318

Email:

investorservices@advance.com.au

Mail:

Advance
GPO Box B87, Perth WA 6838

We'll advise you if there is a charge for any information requested.

We'll acknowledge any complaint in writing within five business days and respond in writing within 45 days. If you're not satisfied with our actions, you can contact our Complaints Officer on the above number or address.

If a complaint hasn't been resolved within 45 days or you're not satisfied with the decision, you may contact the Superannuation Complaints Tribunal (SCT) – an independent complaints resolution scheme whose decisions are binding on us.

The contact details for the SCT are:

Superannuation Complaints Tribunal

Locked Bag 3060
GPO Melbourne VIC 3001

Telephone: 1300 884 114

Financial information

Advance Fixed Term Pension forms part of the Advance Retirement Suite. As permitted under the Corporation Act, abridged financial information of Advance Fixed Term Pension and Advance Retirement Suite is included in this annual report. You can request a copy of the audited financial statements and auditor's report of Advance Retirement Suite at any time by contacting Advance on 1800 819 935.

ADVANCE FIXED TERM PENSION OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2014		
	30 June 2014 \$'000	30 June 2013 \$'000
Investment Income		
Changes in net market value of investments	41	100
	41	100
General administrative expenses		
Trustee's fees	30	74
	30	74
Benefits accrued as a result of operations before income tax	11	26
Income tax expense/(benefit)	-	-
Benefits accrued as a result of operations after income tax	11	26

ADVANCE FIXED TERM PENSION STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014		
	30 June 2014 \$'000	30 June 2013 \$'000
Assets		
Investments		
Cash and cash equivalents	50	35
Unlisted unit trusts	988	1,358
	1,038	1,393
Other assets		
Receivables	2	2
Total assets	1,040	1,395
Liabilities		
Payables	1	1
Total liabilities	1	1
Net assets available to pay benefits	1,039	1,394
Represented by:		
Liability for accrued benefits		
Allocated to members' accounts	1,039	1,394

The Advance Retirement Suite

As permitted under the Corporation Act, abridged financial information of the fund is included in this annual report. You can request a copy of the audited financial statements and auditor's report at any time by contacting Advance on 1800 819 935.

ADVANCE RETIREMENT SUITE OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2014		
	30 June 2014 \$'000	30 June 2013 \$'000
Investment Income		
Distribution income	4,169	7,399
Changes in net market value of investments	24,905	38,077
Other investment income	1	2
	29,075	45,479
Contributions revenue		
Employers' contributions	5,740	6,079
Members' contributions	1,635	1,395
Transfers from other funds	1,120	1,042
	8,495	8,516
Other revenue		
Proceeds from insurance policies	226	159
	226	159
General administrative expenses		
Trustee's fees	598	687
Insurance premiums	631	597
Other expenses	108	-
	1,337	1,284
Benefits accrued as a result of operations before income tax	36,459	52,870
Income tax expense/(benefit)	(906)	103
Benefits accrued as a result of operations after income tax	37,365	52,767

ADVANCE RETIREMENT SUITE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014		
	30 June 2014 \$'000	30 June 2013 \$'000
Assets		
Investments		
Cash and cash equivalents	1,289	391
Unlisted unit trusts	320,967	324,700
	322,256	325,091
Other assets		
Receivables	923	495
Deferred tax asset	3,878	3,049
Income tax refund	269	391
	5,070	3,935
Total Assets	327,326	329,026
Liabilities		
Payables	132	99
Total liabilities	132	99
Net assets available to pay benefits	327,194	328,927
Represented by:		
Liability for accrued benefits		
Allocated to members' accounts	323,316	325,878
Unallocated to members' accounts	3,878	3,049
	327,194	328,927

Advance Asset Management, **GPO Box B87, Perth WA 6838**

Customer Relations 1800 819 935 Adviser Services 1300 361 864

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