

Advance Retirement Savings Account

Annual Report for the year ended 30 June 2013



~~ADVANCE~~

In this Annual Report

- 'Advance' means Advance Asset Management Limited (Advance) ABN 98 002 538 329, AFSL 240902.
- 'Advance RSA' and 'Account' are references to the Advance Retirement Savings Account Fund ABN 43 950 829 383.
- 'BTFM', 'we', 'us' and 'our' are references to BT Funds Management Limited ABN 63 002 916 458 AFSL 233724.

Important information

BT Funds Management Limited is the trustee of the Account 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 Account will at all times be administered in strict compliance with all applicable acts and regulations.

The Advance RSA is a complying superannuation fund and an eligible rollover fund. The Advance RSA is not a 'retirement savings account', as defined in the Retirement Savings Account Act 1997 (Cth).

An investment in the Advance RSA is an interest in a superannuation fund which invests solely in bank deposits with Westpac Banking Corporation (ABN 33 007 457 141, AFSL 233714).

As with any investment there is some risk; however, BTFM as Trustee of the Account must ensure all applicable fees and expenses don't exceed investment earnings credited to investors' accounts. As the Account is a 'capital guaranteed' superannuation fund, as defined under superannuation law, the balance of your account will not be affected by any negative investment returns. That is, negative investment returns will not be deducted from your account. While the Advance RSA invests in deposits with Westpac, your investment itself is not a deposit with, or liability of, Westpac.

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 RSA and under this Agreement, Advance may ask us to retire as the trustee of the Advance RSA 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 RSA and the replacement trustee will agree to take on all duties and obligations of the trustee.

BTFM and Advance are subsidiaries of Westpac. An investment in the Advance RSA 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 RSA.

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Advance Retirement Savings Account

For the year ended 30 June 2013

Introduction

We're pleased to present the Annual Report for the Advance RSA at 30 June 2013. This report is issued in accordance with the Corporations Act 2001. It contains general information, providing details about the financial position and management of the Account. 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 the Contact Centre. Details are on page 9.

Recent developments in superannuation

2013/14 superannuation thresholds

The superannuation (super) contributions caps and various other super thresholds that apply for the 2013/14 financial year are as follows:

Low rate cap:	\$180,000
Concessional contributions cap:	
• Age 60 or over	\$35,000
• Under age 60	\$25,000
Non-concessional contributions cap:	\$150,000 ¹
Capital Gains Tax (CGT) Cap (lifetime limit):	\$1,315,000
Government Co-contributions:	
• Maximum co-contribution ²	\$500
• Lower threshold	\$33,516
• Upper threshold (cut off)	\$48,516

1. If you were under age 65 on 1 July 2013 you may be able to make up to \$450,000 of non-concessional contributions over three financial years.

2. The maximum co-contribution payable is phased out by 3.333 cents for every dollar of total income over the lower threshold, until it reaches zero at the upper threshold.

Higher concessional contributions cap

The transitional \$50,000 concessional contributions cap for individuals who are aged 50 or over ended on 30 June 2012.

From 1 July 2013 the general concessional contributions cap is \$25,000 per annum.

A higher concessional contributions cap of \$35,000 per annum (not indexed) is available:

- from 2013/14 financial year for individuals aged 60 or over; and
- from 2014/15 financial year for individuals aged 50 or over.

The higher cap will cease to apply when the general concessional contributions cap reaches \$35,000 as a result of indexation. Note that indexation of the general cap has been paused at \$25,000 until 30 June 14 after which annual indexation in line with average weekly ordinary time earnings (AWOTE), rounded down to the nearest \$5,000 will resume.

Tax treatment of excess concessional contributions

For 2013/14 and later financial years an individual's excess concessional contributions will be taxed at their marginal tax rate (plus Medicare Levy and an interest charge), rather than at a total tax rate of 46.5%.

If you have excess concessional contributions from 2013/14 you will generally be able to elect to have 85% of the excess contributions released from super to help you pay the tax, or you may retain these contributions in your super account.

The following tax treatment will apply to excess concessional contributions in respect of the 2013/14 and later financial years:

- the amount of excess concessional contributions will be included in the individual's assessable income and taxed at their marginal tax rate (plus Medicare Levy);
- the individual will be provided a non-refundable tax offset equal to 15% of the excess concessional contributions for the tax deducted by the super fund;
- if the individual elected to have excess concessional contributions released from their super fund, they will be provided with a tax credit for the amount of excess concessional contributions paid to the Australian Taxation Office (ATO); and
- an interest charge on the additional income tax payable will also apply.

If you choose to have excess concessional contributions released from super, the gross amount of the contributions released will not count toward your non-concessional contributions cap.

Excess concessional contributions retained in your super fund, however, will count towards your non-concessional contribution cap.

For 2011/12 and 2012/13 only, if you have exceeded your concessional contributions cap by \$10,000 or less, you may receive a once-only offer from the ATO to have the excess concessional contributions refunded to you and assessed at your marginal tax rate, rather than pay excess contributions tax. The offer will only be available the first time you breach your concessional contributions cap in respect of 2011/12 or 2012/13.

For further information about the taxation of excess concessional contributions visit ato.gov.au/Individuals/Super

Additional 15% tax on super contributions for high income earners

From 1 July 2012 an additional 15% tax (known as Division 293 tax) may apply to certain concessional contributions for those with income greater than \$300,000 for the financial year.

If you are liable to pay the additional 15% tax, this will only be charged on your taxable concessional contributions (up to your concessional contributions cap) that are above the \$300,000 threshold. If you have super in a defined benefit fund, the additional 15% tax may be calculated on your notional contributions which are not capped.

Income for the financial year for the purposes of Division 293 tax liability includes:

- taxable income (including the net amount on which family trust distribution tax has been paid)
- plus reportable fringe benefits
- plus total net investment loss
- plus low tax contributions for the financial year
- less any taxable super lump sum upon which the low rate cap tax offset applies to reduce the tax to nil.

If you have accumulation super accounts only, low tax contributions for a financial year will generally be concessional contributions for the year less excess contributions that are refunded to you or for which you have paid excess contributions tax.

If your low tax contributions bring your total income above the \$300,000 threshold, only the amount of your low tax contributions above the \$300,000 threshold will be subject to the additional 15% tax.

Special rules may apply for calculating Division 293 tax liabilities for:

- certain state higher level office holders and Commonwealth justices and judges
- individuals with defined benefit interests
- individuals with super interests in a constitutionally protected fund.

The ATO expect to start issuing assessments for this additional tax in January 2014, for the 2012/2013 financial year.

Due and payable assessments will be raised in respect of contributions to accumulation super funds. These liabilities are payable within 21 days and the individual can pay the tax from personal savings or by withdrawing funds from their superannuation using a release authority issued by the ATO.

Deferred assessments will be raised in respect of a defined benefit account from which no super benefit has yet become payable. Deferred liabilities are payable 21 days after a super benefit is paid from the defined benefit super account the debt is attributed to. Payment can be paid using personal savings or deducted from the benefit payable from the defined benefit account the debt is attributed to. Individuals can also choose to make earlier payment at any time using personal savings or by using a release authority to withdraw money from another accumulation interest the individual holds.

Former temporary residents who have paid Division 293 tax and have received a Departing Australia Superannuation Payment (DASP) can apply to the ATO to have the Division 293 tax refunded.

Advance Retirement Savings Account

For the year ended 30 June 2013

Consolidating multiple superannuation accounts within the same fund

From 1 July 2013, on an annual basis, the trustee is required to identify whether you hold multiple accounts in the fund. If multiple accounts are identified, the trustee is required to consolidate these accounts if this is in your best interest. The consolidation process must be completed at least once by 30 June 2014.

When determining whether it is in a member's best interest to merge their super accounts, the trustee must consider the possible savings in fees, charges and insurance premiums which will result if they merge accounts as well as any other relevant factors.

This requirement will only apply to accumulation superannuation accounts, and not to pension accounts.

Increase of 0.5% in Medicare Levy

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

This means from 1 July 2014 the tax payable on superannuation lump sum benefits you receive from your account will include the increased Medicare Levy. In addition, death benefits paid as a lump sum to a non-dependant for tax purposes¹ will attract the increased Medicare Levy.

From 1 July 2014 if you are eligible to access your superannuation as a lump sum, any tax we are required to deduct will depend on your age and the tax components within your benefit, as shown in the following table.

Age	Taxable component	Tax-free component
Under 55	A rate of 22% (including Medicare Levy)	Nil
55-59	Up to the low rate cap ² : Nil Above the low rate cap ² : a rate of 17% (including Medicare Levy)	Nil
60 or over	Tax-free	Nil

If you are under age 60 and the TFN provided for you is incorrect, we are required to deduct tax on the taxable component of a lump sum benefit paid to you at the highest marginal tax rate plus the Medicare Levy.

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

Tax-free component	Tax-free
Taxable component	Taxed at 17% (including Medicare Levy)
Taxable component (untaxed element)	Taxed at 32% (including 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. A lifetime limit of \$180,000 for 2013/14, indexed to AWOTE rounded down to the nearest \$5,000 in subsequent years.

Low Income Super Contribution

From 2012/13 low income earners may receive a government super payment, called a low income super contribution (LISC), of up to \$500 per financial year to help save for their retirement.

When introduced, a LISC would only be paid where the entitlement was \$20 or more. Recent changes have been made to reduce the minimum LISC payment to \$10. In addition, LISC entitlements of less than \$10 will be rounded up to \$10.

For more information on LISC go to ato.gov.au/Individuals/Super.

Government co-contributions

From 1 July 2012, the Government reduced the maximum government co-contribution available to \$500.

If your total income¹ for 2013/14 is more than \$48,516, you will not be entitled to a government co-contribution. Further, to attract the maximum co-contribution of \$500, you will still be required to make a personal after-tax contribution of \$1,000 as the matching rate has been reduced to 50% (from 100%).

1. Total income is the sum of assessable income, reportable fringe benefits and reportable employer contributions less business deductions.

Lost member accounts to be transferred to the ATO

Changes to the definition of a lost superannuation account were made on 7 December 2012. Your super account will now generally be considered 'lost' if:

- no contributions or rollovers have been added to your account in the last year and either the trustee has never had an address for you or mail sent to you by the trustee has been returned unclaimed, or
- your account was established within your current or a previous employer's default super plan and no contributions or rollovers have been added to your account in the last five years.

If your account is considered to be lost, the trustee may be required to transfer your account balance to the ATO if:

- your account balance is less than \$2,000; or
- the trustee is satisfied that it will never be possible to pay an amount to you (because you cannot be identified based on the information reasonably available to the trustee).

If your account balance is transferred you will be able to reclaim it from the ATO. From 1 July 2013, the ATO will pay interest on amounts claimed.

Removal of member protection

From 1 July 2013, the Government has repealed member protection rules. As such, effective 21 October 2013, member protection for small super accounts no longer applies to the Advance RSA.

Advance Retirement Savings Account changes

Advance Personal Protection Package closure

To comply with the Government's Future of Financial Advice provisions, the Advance Personal Protection Package (APPP) offered through the Advance Retirement Savings Account was closed from 1 July 2013.

Members with existing APPP insurance cover were not affected by the closure and continue to hold their nominated cover.

Understanding your investment

Advance offers a wide choice of quality investments and the security of ongoing monitoring and analysis. The Advance investment team provides in-depth analysis of investment funds and the managers behind them, with the aim of offering broad diversification, quality risk management and access to some of the world's best investment managers.

The objective of the Advance RSA is to provide security of capital. As such, Advance RSA is intended to be suitable for investors who seek to ensure that they do not experience loss of capital.

Contributing to your super via the BPAY® payment facility

BPAY is a quick and easy way for you to make deposits directly into your Advance RSA account. All you need is your customer reference number and the relevant Biller Code.

Depending on what type of contribution you're making, different Biller Codes apply (see table below).

Contribution type	Biller Code
Personal deducted	68056
Personal undeducted	68064
Salary sacrifice	68031
Super guarantee	68023
Employer	68049
Spouse	68072

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Note: by using a Biller Code to make a BPAY deposit, you acknowledge you've received PDSs for the managed investments and cash products in your account (including information about significant events or matters affecting them) electronically on Investor *Online*. You can access these documents via the 'PDSs' link from the Information tab on the Investor *Online* homepage.

Advance Retirement Savings Account

For the year ended 30 June 2013

Investment information

Use of derivative financial instruments

The Advance RSA does not invest in derivatives.

Earnings paid to your account

Investment earnings in the Account are in the form of interest. Interest is credited to your account net of all current fees. It's calculated daily on the balance of your account and credited monthly.

We credit different interest rates depending on your account balance. This is determined on a tiered basis. That is, a different level of interest will apply to different account balance ranges. The higher your account balance, the more interest you earn, as a higher rate of interest is paid to your entire account balance. We may change the tiers to which different levels of interest apply from time-to-time.

The rate of interest may vary. Current interest rates and the tiers to which the interest rates relate are available from the Contact Centre on 1800 819 935 or on advance.com.au.

Rate of net earnings

(Annualised returns net of fees and after allowing for 15% tax)

For the year ended 30 June	2011 (%)	2012 (%)	2013 (%)
\$0-\$499	1.12	1.04	0.48
\$500-\$999	1.12	1.04	0.51
\$1,000-\$1,499	1.68	1.64	0.86
\$1,500-\$4,999	1.85	1.93	1.36
\$5,000-\$9,999	2.33	2.28	1.51
\$10,000-\$49,999	2.34	2.37	1.74
\$50,000-\$499,999	2.45	2.62	2.37
\$500,000-\$999,999	2.92	3.09	3.02
\$1 million+	2.94	3.44	3.10

Other important information

All administrative, accounting, reporting and audit requirements of the investment are provided for investors through the Account.

We're responsible for the day-to-day management of the Account. Our duties include administering individual investor accounts, organising the payment of benefits, dealing with tax matters relating to your investments and providing you with regular, consolidated reports. When necessary, we'll engage external experts, such as accountants and solicitors, to provide assistance.

We provide you with detailed information on the individual investment information in relation to your account in consolidated Investor Reports (issued half yearly). Other information is available on request.

Investor *Online*

Investor *Online* is fast and secure, and gives you access to the information you need to know about your account *online*, such as account balances, investments held, transaction details, insurance details and asset allocation.

You can also:

- change your address, contact and email details
- change your PIN
- submit your Tax File Number
- download Product Disclosure Statements (PDSs)
- access all your Investor Reports
- download a range of forms
- view tax and distribution information

Using your account number and Personal Identification Number (PIN), your account information is available in an easy-to-read format by visiting advance.com.au and logging on to Investor *Online*. If you've forgotten your Investor *Online* PIN, or have any other questions about Investor *Online*, email investorservices@advance.com.au

Providing information to you electronically

We provide you with the following information electronically:

- Notifications of any adverse changes and significant adverse events affecting the Account.
- Notice of any proposal to introduce new fees and/or other costs, or to increase current fees or costs, affecting your account. This includes notice of our intention to receive and retain, as an additional fee for its services, any rebate, fee, commission or other payment in relation to an investment in your account.
- This Annual Report.

We may also use Investor *Online* in the future to provide you with any information (including Investor Reports) which may be, or may be required to be, sent, given or made available to you, under the trust deed or superannuation law.

You will of course also continue to have access to all of this information through your financial adviser and we may still choose to send some or all of this information to you. Additionally, unless you've previously agreed to receive this information and other notifications electronically, you can ask us to send the required information to you in paper form free of charge, by contacting us in advance and placing yourself on our paper distribution list.

Closed accounts

Under the trust deed, if an amount is received for a former member (with a closed account), the trustee is able to determine that the member is not entitled to some, or all, of that amount. Accordingly, the trustee has determined that former members will not be entitled to all amounts less than \$50 credited to their closed accounts and these amounts will be applied for the general benefit of all current members of the fund.

Refund of contributions tax as an anti-detriment payment

Tax law allows the trustee to calculate an increased amount, known as an 'anti-detriment' payment, to be paid when a death benefit payment is made to a beneficiary who was a spouse, former spouse or child of the member.

An 'anti-detriment' payment represents a refund of contributions tax paid on all contributions made to the fund by the member since joining the Advance RSA.

Note that an 'anti-detriment' payment cannot be paid if the death benefit is paid as a pension.

We've established a reserve to facilitate these refunds. At 30 June 2013, the amount held in this reserve was \$21,338 (2012 – \$18,532, 2011 – \$22,918). We manage the reserve by holding it in cash, as the liquidity is needed to ensure refunds can readily be made on an ongoing basis.

Professional indemnity insurance

As trustee of the Advance RSA, 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.

Product Disclosure Statements

Your account may have had a number of enhancements made to it over the years. The latest version of the PDS will explain how your account currently works, and the features and benefits available to you. If you don't have a copy of the PDS, or can no longer find your copy, you can download the latest copy online. Simply log in to Investor *Online* and select the 'PDSs' link on the left hand side of the screen. Alternatively, call the Contact Centre to receive a copy by mail.

Departed former temporary resident information

The trustee relies on ASIC relief to the effect that the trustee is not obliged to notify or give an exit statement to a non-resident in circumstances where the trustee pays unclaimed superannuation to the Commissioner of Taxation under Division 3 of Part 3A of the Superannuation (Unclaimed Money and Lost Members) Act 1999.

The trustee is obliged to pay unclaimed superannuation of a non-resident to the Commissioner of Taxation under Division 3 of Part 3A of the Superannuation (Unclaimed Money and Lost Members) Act 1999.

A non-resident has the right to make an application to the Commissioner of Taxation to claim the unclaimed superannuation under Division 4 of Part 3A of that Act.

Enquiries and complaints

You can request further financial information, including information about fees and charges and other effects arising from a rollover or transfer of your benefit entitlements, not contained in this Annual Report, at any time.

If you have any enquiries or complaints about the operation or management of one of the Accounts, 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

If you've made a complaint to us about a decision which affects you, and your complaint has not been resolved to your satisfaction, you may have a right to lodge a complaint about the decision with the Superannuation Complaints Tribunal.

The Tribunal is a body established by the Commonwealth Government to review trustee decisions relating to members (as opposed to trustee decisions relating to the management of the fund as a whole).

The contact details for the SCT are:

Locked Bag 3060
GPO Melbourne VIC 3001
Telephone: 1300 884 114

Advance Retirement Savings Account

For the year ended 30 June 2013

Financial information

The following abridged financial information is based on the audited financial statements for the Advance RSA for the period 1 July 2012 to 30 June 2013. You can request a full set of these financial statements and auditor's report at any time.


Abridged financial information

Operating statement for the year ended 30 June 2013

Advance Retirement Savings Account		
	2013	2012
	\$'000	\$'000
Revenue		
Investment revenue	7,902	9,687
Contributions revenue	15,397	19,116
Total revenue/(loss) as a result of operations	23,299	28,803
Less: expenses	3,881	4,425
Benefits accrued as a result of operations before income tax	19,418	24,378
Less: income tax expense/(benefit)	1,953	2,343
Benefits accrued as a result of operations	17,465	22,035

Statement of financial position as at 30 June 2013

Advance Retirement Savings Account		
	2013	2012
	\$'000	\$'000
Assets		
Cash and cash equivalents	183,781	190,132
Receivables	604	737
Total assets	184,385	190,869
Less liabilities		
Payables	348	375
Income tax payable	805	772
Total liabilities	1,153	1,147
Net assets available to pay benefits	183,232	189,722
Represented by:		
Liability for accrued benefits		
• allocated to members' accounts	183,232	189,722
• unallocated to members' accounts	-	-
Total liabilities for accrued benefits	183,232	189,722



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