

ADVANCE

ASSET MANAGEMENT

ADVANCE RETIREMENT SAVINGS ACCOUNT

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.
- > '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.

From 1 January 2014, the Advance RSA no longer operated as 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).

On 10 December 2013, the trustee approved the closure of the Advance RSA to new members effective from 31 December 2013 and the termination of the Account by 30 June 2014. All members and their balances were transferred to either the Australian Taxation Office Lost Member Register, to SuperTrace as the approved eligible rollover fund, to the MySuper product of Asgard Employee Superannuation Account (AESA) or to a superannuation product of their choice by 31 March 2014.

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.

Introduction

We're pleased to present the Annual Report for the Advance RSA at 30 June 2014. 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 our Customer Relations team. Details are on page 8.

Recent developments in superannuation

1. 2014/15 superannuation thresholds

The superannuation contributions caps and various other superannuation thresholds that apply for the 2014/15 financial year are as follows:

LOW RATE CAP:	\$185,000
Concessional contributions cap:	
> Age 49 or over on 30 June 2014	\$35,000
> Under age 49 on 30 June 2014	\$30,000
Non-concessional contributions cap:	\$180,000¹
Capital Gains Tax (CGT) Cap (lifetime limit):	\$1,355,000
Government Co-contributions:	
> Maximum co-contribution ²	\$500
> Lower threshold	\$34,488
> Upper threshold (cut off)	\$49,488

1. if you were under age 65 on 1 July 2014 you may be able to make up to \$540,000 of non-concessional contributions over three financial years. If you triggered the 'bring forward non-concessional cap' in 2012/13 or 2013/14, you can only make non-concessional contributions up to \$450,000 over the relevant 3 year period.
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.

2. 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 2014 the general concessional contributions cap is \$30,000 pa.

A higher concessional contributions cap of \$35,000 pa (not indexed) is available from the 2014/15 financial year for individuals aged 49 or over on 30 June 2014.

The higher cap will cease to apply when the general concessional contributions cap reaches \$35,000 as a result of indexation.

3. Preservation Age increases

Generally you can access your superannuation when you have permanently retired on or after reaching your preservation age or after you reach age 65. You can access your superannuation in other limited circumstances such as if you become permanently incapacitated, are suffering from a terminal medical condition or are suffering severe financial hardship.

If you are aged between preservation age and age 65 you can also commence a transition to retirement pension allowing

you to access your superannuation in the form of a non-commutable income stream.

If you were born before 1 July 1960 your preservation age is 55. If you were born on or after 1 July 1960 your preservation age is between 56 and 60 depending on your date of birth (see the table below).

DATE OF BIRTH	PRESERVATION AGE	WHEN YOU WILL REACH PRESERVATION AGE
Before 1 July 1960	55	Before 1 July 2015
1 July 1960 – 30 June 1961	56	1 July 2016 – 30 June 2017
1 July 1961 – 30 June 1962	57	1 July 2018 – 30 June 2019
1 July 1962 – 30 June 1963	58	1 July 2020 – 30 June 2021
1 July 1963 – 30 June 1964	59	1 July 2022 – 30 June 2023
After 30 June 1964	60	After 30 June 2024

4. Superannuation Guarantee (SG) rate increases

From 1 July 2014, the SG rate increased from 9.25% to 9.5%. The SG rate will remain at 9.5% until 30 June 2021. From 1 July 2021, the SG rate will increase to 10% and thereafter will increase by 0.5% each financial year until it reaches 12% at 1 July 2025.

The table below shows both the current schedule for increases in the SG rate and that applying under previous law.

FINANCIAL YEAR	SG RATE (%)	
	PREVIOUS LAW	CURRENT LAW
2014-15	9.5	9.5
2015-16	10.0	9.5
2016-17	10.5	9.5
2017-18	11.0	9.5
2018-19	11.5	9.5
2019-20	12.0	9.5
2020-21	12.0	9.5
2021-22	12.0	10.0
2022-23	12.0	10.5
2023-24	12.0	11.0
2024-25	12.0	11.5
2025-26 onwards	12.0	12.0

5. Low Income Super Contribution

From 2012/13, those with adjusted taxable income¹ of up to \$37,000 who have received concessional contributions during the year, may be eligible to receive a government super payment of up to \$500 to help save for their retirement. This payment is called the low income super contribution (LISC).

The Government has abolished LISC payments from 1 July 2017. LISC payments will continue to be payable in relation to concessional contributions received in financial years 2012/13 to 2016/17 inclusive.

1. Adjusted taxable income is the sum of taxable income, adjusted fringe benefits, target foreign income, total net investment loss, tax-free pension or benefits and reportable superannuation contributions less deductible child maintenance expenditure.

6. 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 and super accounts as outlined below.

Lump sum payments

This means for the 2014/15 financial year tax withheld from lump sum payments you, or your non-dependant (tax) beneficiaries¹, receive from your super account will include the increased Medicare Levy but will not include the TBR Levy. If you or your non-dependant (tax) beneficiaries¹ receive a lump sum payment and have taxable income above \$180,000 for 2014/15 additional tax may be payable as part of the tax return process.

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

AGE	TAX WITHHELD ON THE TAXABLE COMPONENT	TAX WITHHELD ON THE TAX-FREE COMPONENT
Under preservation age ²	A rate of 22% (including the Medicare Levy)	Nil
Preservation age ² to 59	Up to the low rate cap ³ : Nil Above the low rate cap ³ : a rate of 17% (including the Medicare Levy)	Nil
60 or over	Tax-free	Nil

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.

Departing Australia Superannuation Payments (DASP)

If you receive a DASP during 2014/15, we will be required to deduct tax from the taxable component of the payment at 38% (up from 35% in 2013/14).

If we don't have your TFN

If we don't have your TFN at 30 June of a financial year, we are generally required to deduct additional tax from any employer contributions received for you during the financial year. For 2014/15 this additional tax, known as no-TFN contributions tax, will be 34% (up from 31.5% in 2013/14).

If we don't have your TFN we are also generally required to deduct tax from any income or lump sum payments you receive from your pension and super accounts at the highest marginal tax rate plus Medicare Levy. For 2014/15 this is 49% (up from 46.5% in 2013/14).

Excess non-concessional contributions

From 1 July 2014, the rate of tax payable on excess non-concessional contributions will increase from 46.5% to 49%. This tax is not deducted by super funds but is assessed by the ATO.

Note that effective from 1 July 2013, the Government intends to provide individuals the option of releasing their excess non-concessional contributions and 85% of the associated earnings from their super fund. If this proposal becomes law, excess contributions tax will only apply where this option is not taken and excess contributions remain in the individual's super fund.

7. Deeming of account-based income streams

From 1 January 2015 the income test treatment of account-based pensions for social security and DVA purposes will change. From that date, the deeming rules which currently apply to other financial assets will be extended to certain account-based income streams. The deeming rules assume your financial assets are earning a certain rate of income, regardless of the income they actually earn.

You may be eligible to continue to have your account-based pension income assessed using the current income test from 1 January 2015 if:

- > you were in receipt of an income support payment immediately before 1 January 2015; and
- > you have been continuously receiving an 'income support payment' since 1 January 2015; and
- > your account-based pension commenced before 1 January 2015 and has continued to be provided to you since the commencement date.

An income support payment includes common pensions and allowances such as the age pension, disability support pension, carer payment (not carer allowance), a DVA service pension, DVA income support supplement and newstart allowance.

If you are eligible to continue to be assessed using the current income test from 1 January 2015 you should note that:

- > any changes in your circumstances resulting in you becoming ineligible for income support after 1 January 2015 may mean income from your account-based pension will be assessed using the deeming rules
- > if you commute your existing pension to commence a new account-based pension, income from the new pension will be assessed using the deeming rules
- > if you have made an automatic reversionary death benefit nomination for your spouse to continue to receive your account-based pension in the event of your death, your spouse may be eligible to continue to have income from the pension assessed using the current income test provided certain conditions are satisfied

You should speak to your financial adviser or Centrelink or DVA about how these changes may impact your income support payment entitlements.

8. Changes to insurance through superannuation

From 1 July 2014, the trustee is prohibited from providing insurance cover to you for an event other than an event connected with meeting one of the following conditions of release:

- > death,
- > terminal medical condition,
- > permanent incapacity (i.e. 'any occupation' TPD only), or
- > temporary incapacity conditions of release (i.e. salary continuance insurance or income protection).

This change applies to new insurance cover, commencing on or after 1 July 2014. It does not apply to any existing insurance cover you commenced prior to 1 July 2014.

If you held insurance cover at 30 June 2014 you can vary the level of that cover from 1 July 2014, without being impacted by these new rules.

Proposed changes to superannuation

Tax treatment of excess non-concessional contributions

Currently, if you make super contributions that exceed your non-concessional contributions cap the excess contributions are taxed at the highest marginal tax rate (for 2014/15 this is 49% including Medicare Levy). The full amount of any excess non-concessional contributions tax must be withdrawn from your super fund.

For excess non-concessional contributions made from 1 July 2013, the Government intends to give individuals the option of withdrawing their excess contributions and 85% of the associated earnings from their super fund. If the proposed changes become law:

- > if you choose to withdraw your excess non-concessional contributions and related earnings from your super, no excess contributions tax will be payable and 100% of the earnings will be taxed at your marginal tax rate. You will also be entitled to a tax offset of 15% of the associated earnings.
- > excess non-concessional contributions retained in your super fund will continue to attract tax at the highest marginal tax rate.

This proposal is not yet law and the above details are subject to change.

Advance Retirement Savings Account changes

On 21 August 2013 the Trustee approved a resolution to not apply for an Eligible Rollover Fund ('ERF') license. On 10 December 2013, the Trustee further approved the closure of the Advance RSA to new members effective from 31 December 2013 and the termination of the Account by 30 June 2014.

All members and their balances were transferred to either the Australian Taxation Office Lost Member Register, to SuperTrace as the approved ERF, to the MySuper product of Asgard Employee Superannuation Account (AESAs) or to a superannuation product of their choice by 31 March 2014.

This annual report is the last annual report for the Advance RSA.

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 was 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.

Investment information

Use of derivative financial instruments

The Advance RSA did 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.

Other important information

We're committed to providing quality service to our investors. 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.

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 had established a reserve to facilitate these refunds. At 30 June 2014, the amount held in this reserve was Nil (2013 - \$21,338, 2012 - \$18,532). 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.

Temporary residents

A temporary resident is a holder of a temporary visa under the Migration Act 1958.

From 1 April 2009, if you are, or were, a temporary resident and are not an Australian citizen, New Zealand citizen or permanent resident of Australia, or a holder of a retirement visa (Subclass 405 or 410), you can generally only access your preserved super benefits if you become permanently incapacitated, have a terminal medical condition, or have departed Australia permanently and your visa has ceased, or your beneficiaries may access your benefits if you die. You may also be able to access your benefit if you satisfied another condition of release under superannuation law before 1 April 2009.

The Australian Government also requires us to pay temporary residents' unclaimed super to the ATO after at least six months have passed since the later of:

- > the date a temporary resident's visa ceased to be in effect and
- > the date a temporary resident permanently left Australia.

Applications to claim your benefit can be made using the ATO Departing Australia Superannuation Payment ('DASP') online application system. To access this system and full information regarding DASP procedures and current tax rates visit ato.gov.au.

We are permitted under, and rely on, ASIC relief under Class Order CO 09/437 to not notify or provide an exit statement to a non-resident in circumstances where we pay unclaimed superannuation to the ATO under Division 3 of Part 3A of the Superannuation (Unclaimed Money and Lost Members) Act 1999.

Financial information

As permitted under the Corporations Act, audited fund accounts and the auditor's report have not been included with this Annual Report. Copies of complete audited financial statements and the auditor's report will be available from

Advance

GPO Box B87
Perth WA 6838

or by calling 1800 819 835.

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:

Superannuation Complaints Tribunal

Locked Bag 3060

GPO Melbourne VIC 3001

Telephone: 1300 884 114

Financial information

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 SAVINGS ACCOUNT OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2014		
	30 June 2014 \$'000	30 June 2013 \$'000
Investment income		
Interest income	4,530	7,901
Other investment income	2	1
	4,532	7,902
Contributions revenue		
Employers' contributions	5,010	8,131
Members' contributions	1,140	1,327
Transfers from other funds	1,929	5,939
	8,079	15,397
General and administrative expenses		
Trustee's fees	2,281	3,833
Cash administration and custody fees	308	-
Insurance premiums	25	48
	2,614	3,881
Benefits accrued as a result of operations before income tax	9,997	19,418
Income tax expense/(benefit)	1,033	1,953
Benefits accrued as a result of operations after income tax	8,964	17,465

ADVANCE RETIREMENT SAVINGS ACCOUNT STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014		
	30 June 2014 \$'000	30 June 2013 \$'000
Assets		
Investments		
Cash and cash equivalents	-	183,781
Other assets		
Receivables	-	604
Total Assets	-	184,385
Liabilities		
Payables	-	348
Income tax payable	-	805
Total liabilities	-	1,153
Net assets available to pay benefits	-	183,232
Represented by:		
Liability for accrued benefits		
Allocated to members' accounts	-	183,232

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

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