

Dear Trustees,

Your SMSF Fund Administrator has requested that we prepare an actuarial certificate for your Self Managed Superannuation Fund to comply with Section 295.390 of the Income Tax Assessment Act 1997. David Quinn-Watson of DeeDeeRa Actuaries has calculated the tax exempt percentage and has prepared the certificate as requested. This letter and the enclosed certificate and attachments set out the information and assumptions used to calculate the tax exempt percentage.

We understand the assets of the Fund to be unsegregated (totally or partially) and that during the income year in question there was at least one pension and one accumulation account. In these circumstances a certificate is required from an actuary that determines what proportion of the income earned by the unsegregated assets is eligible to be exempted from income tax.

It is important to note that the actuary has assumed that the Trustees will allocate the investment income earned throughout the year in proportion to the unsegregated account balances. This method of apportioning earnings is appropriate for unsegregated assets and liabilities. The assumption means that the amount of investment income and the timing of the receipt of this income is not relevant to the actuary's calculations.

The tax exempt percentage applies to the net ordinary assessable income excluding assessable contributions, non-arm's length income and income derived from any segregated assets over the whole income year (or if the Fund commenced or ceased during the income year, that portion of the year that the Fund was in existence).

As a general guide, the tax exempt percentage is calculated as the average pension liabilities (for account-based pensions this means the average account balance over the income year) as a proportion of the average superannuation liabilities (the average balance of the unsegregated assets of the fund over the income year).

Regards,



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ACTUARIAL CERTIFICATE

INCOME TAX ASSESSMENT ACT, 1997 - SECTION 295.390

Section 295.390 of the Income Tax Assessment Act 1997 (the Act) provides that the proportion of a complying superannuation fund's ordinary income which relates to current pension liabilities (other than income derived from segregated current or non-current pension assets and certain other income) is exempt from tax. This exemption is subject to the Trustee obtaining an actuary's certificate as required by Section 295.390.

The following certification is made pursuant to subsection 295.390(3) of the Act:

Name of Complying Fund ("the Fund") :
Name of Trustee 1 :
Name of Trustee 2 :
Name of Trustee 3 :
Name of Trustee 4 :
Year of Income for this Certificate :
Sub-section of the Act under which exemption claimed :
Date to which Values of Assets and Liabilities relate :
Value of Current Pension Liabilities * :
Value of Superannuation Liabilities * :
Value of Total Fund Assets ** :
Average Value of Current Pension Liabilities for Year of Income * :
Average Value of Superannuation Liabilities for Year of Income * :
Exempt Proportion of Assessable Income :

* Excludes investment income and segregated assets (if any).

** Includes segregated assets (if any).



ATTACHMENT

DATA AND CALCULATIONS

DATA

The data used for this certificate has been provided by the fund administrator who advised us that:

- all of the pensions provided by the Fund during the year of income were account-based pensions; and
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The certificate was prepared on the basis of the following information:

Member Name

Accounts held

Pensions started
during income year

Pensions stopped
during income year

Date member exited
Fund (if applicable)

Total Pension Balance
at end of income year*

Total Account Balances
at end of income year*

** These figures are prior to allocation of investment income and taxes*

We have been informed that all pensions within the Fund are account-based pensions (being either Allocated Pensions, Market-Linked/Term-Allocated Pensions, Transition to Retirement Income Streams or Account-Based Income Streams). Income earned by the assets backing these pensions is eligible to be exempted from income tax.

Financial information provided (assets supporting the unsegregated pension liabilities only i.e. excludes segregated assets):

Net Assets at
Total Contributions for income year
Transfers in (from external source)
Benefits Paid

Net Assets at
(before investment income and taxes)



ASSUMPTIONS

Account-based Pensions

Under an account-based pension arrangement, the amount of the pension taken from time to time is intended to represent the amount which can be supported by the assets held by the Fund in respect of the pensioner, including investment earnings thereon. Hence in this certification, because of the nature of the pension benefits, the value of pension liabilities has been set equal to the sum of the balances of the accounts held by the Fund in respect of each pensioner.

Due to the nature of these pension arrangements, it is not necessary to determine an expected rate of earnings on segregated assets, nor an assumed earning rate nor inflation rate for valuing pension liabilities, nor a rate of future contributions to the Fund.

Investment Earnings

We have assumed that the annual investment income on the unsegregated assets is allocated uniformly throughout the year on a basis that is proportional with the account balances.

CALCULATIONS

Unsegregated Pension Liabilities

We calculated the average value of the unsegregated current pension liabilities for the income year on a weighted average basis, taking account of the value and timing of:

1. the unsegregated pension liabilities as at
2. any pension commencements/commutations during the income year;
3. the pension payments and other member transactions that occurred in the pension accounts during the income year.

Unsegregated Superannuation Liabilities

In terms of the Institute of Actuaries Guidance Note No 451, the value of superannuation liabilities can be determined as the actuarially determined value of assets. We determined the actuarial value of the assets at a point in time to be equal to be the net market value of the assets of the Fund at that point in time.

We calculated the average value of the unsegregated superannuation liabilities over the year of income on a weighted average basis, taking account of the amounts and timing of:

1. the unsegregated accumulation and pension account balances at
2. the member transactions that occurred in the unsegregated accumulation and pension accounts during the income year.

END OF ATTACHMENT

