Structured Equity Investments

Westpac

Westpac Protected Equity Loan and Protected Equity Loan Plus Tax and Accounting Guide

Introduction

The Westpac PEL and the PEL Plus are interest only Loans used to purchase Securities in leading Australian companies and units in listed trusts with 100% borrowed funds and full capital protection of the value of the investment at maturity.

There are a number of issues to consider when it comes time to complete accounting entries and prepare tax returns for this investment. This guide provides a general summary of the tax consequences of investing in the Westpac PEL and PEL Plus for the tax year ending 30 June 2010. It also presents worked examples that will assist companies and trusts with the recording of transactions throughout the investment process and commentary on the adjustments required to prepare financial statements.

Terms used throughout this Tax and Accounting Guide have the meanings as defined in the appropriate Product Disclosure Statement.

If you require further assistance, contact your financial advisor or stockbroker.

Alternatively, contact Westpac directly on:

- Toll Free: 1800 990 107
- Email: structured.investments@westpac.com.au

Important Information

The information contained in this guide is current as at 30 June 2010.

This information has been prepared without taking account of your circumstances, and remains subject to change. In particular, please note that Westpac financial planners are not qualified to give tax advice. Because of this you should, before acting on this information, consider its appropriateness having regard to your objectives, financial situation or needs, and seek professional financial or taxation advice as necessary. No responsibility is taken for any or all liability which may arise in any way out of the provision or use of this information, except to the extent that liability cannot be excluded by law.

Copies of the Westpac PEL PDS, the Westpac PEL Plus PDS and Westpac's Financial Services Guide can be obtained by calling 1800 990 107 or visiting www.westpac.com.au/structuredinvestments. You should obtain and consider these disclosure documents before deciding whether to acquire, continue to hold or dispose of the products or services associated with them. You should also consider the relevant Australian Taxation Office (**'ATO'**) Product Rulings (including PR2004/15 and PR2007/93), noting these are only rulings on the application of taxation law, and are not a guarantee or endorsement of the products they contemplate.

Westpac holds an Australian Financial Services Licence, licence number 233714.

This Accounting and Tax Guide ("guide") has been prepared in order to assist investors with the preparation of tax returns and financial statements for investments in the Westpac Protected Equity Loan ("Westpac PEL"), covered by the Product Disclosure Statement ("PDS") dated 15 August 2007, as well as the Westpac Protected Equity Loan Plus ("PEL Plus"), covered by the PDS dated 9 March 2004. This guide is applicable for the period from 1 July 2007 to 30 June 2010 (although the examples provided relate to the period prior to 13 May 2008). Should you have queries relating to a prior period please look at the previous guide for the tax year ended 30 June 2006 and 30 June 2007. This guide can be obtained from our website – www.westpac.com.au

Contents

Section 1 – Overview of investing in the Westpac PEL and the Westpac PEL Plus

The Westpac PEL and PEL Plus are interest-only Loans, allowing investors to buy Securities and units in listed trusts, referred to as "Securities", with 100% borrowed funds and full protection of the value of the investment at maturity. This means that investors are protected from any losses, at maturity, should the value of the Securities decline in value over the term of the Loan. In addition, the Westpac PEL and PEL Plus allow existing Securityholders to lock in gains and borrow against the value in an existing Security holding to diversify without triggering a Capital Gains Tax ("CGT") event.

The Westpac PEL Plus was available to investors from 9 March 2004 to 30 June 2007. The Westpac PEL has been available to investors from 15 August 2007 to present.

During the life of the Loan, investors benefit from any capital growth, all ordinary dividends and potentially franking credits associated with the Securities. In addition, the Westpac PEL and PEL Plus offer the potential benefits of gearing, as a significant portion of the interest paid throughout the life of the Loan is potentially deductible. What's more, investors are spared the inconvenience of margin calls.

The rate of interest applicable to the Westpac PEL Loan over the term is a Fixed interest rate. The rate is set by Westpac taking into account the term of the Loan and the type of Security nominated by the investor. Where the investor holds multiple Parcels of Securities, the interest rate will be determined as a single rate across the Portfolio. The PEL Plus Loan also offers investors variable rates (reset annually) which are guaranteed for portfolios of any "four or more" Securities.

Investors can pay interest on the Loan either annually upfront, monthly in arrears or a combination of these. In addition, reduced interest rates are available in exchange for investors foregoing a portion of any capital growth above a predetermined level, referred to as the "Cap Price", in the Securities at maturity. Should the value of the Securities at maturity increase above the Cap Price, the investor must pay to Westpac a Cash Settlement Amount.

Under Westpac PEL and PEL Plus, investors receive a Loan in respect of each Security, referred to as a "Parcel". There are a number of flexible features that investors can apply to individual Parcel(s) of Securities. Investors can use the Top-up Loan to lock in gains for any Parcel of Securities that has increased in value by $10,000 or more since the time the Loan was drawn down or the time of the last top-up. Under the Portfolio Adjustment Facility, investors can sell a Parcel of Securities that has increased in value and use the sale proceeds to buy the same or different Securities at a later date. In addition, under the Security Reset Facility, which is only offered under the Westpac PEL, investors can release Securities from any Parcel of Securities that has increased in value by more than $10,000 since the time the Loan was drawn down or the time of the last Parcel adjustment.

At maturity, the value of the Westpac PEL and PEL Plus portfolio is maximised when compared to a traditional Security portfolio, as gains from profitable Securities will not be offset by losses from any poor-performing Securities. Investors are protected in that they can simply hand-back the Securities that have lost value as repayment of the Loan relating to that Parcel of Securities, eliminating all downside risk from investing in the Security market.

Taxation and Accounting for Westpac PEL and PEL Plus

This guide explains the general taxation implications of investing in the Westpac PEL and PEL Plus throughout the investment process. It should be read in conjunction with the Taxation Opinion in the relevant PDSs, and any SPDSs, under which the Westpac PEL and PEL Plus are issued and the applicable Australian Taxation Office Product Rulings. Please read the comments on the Product Ruling under the Important Information section at the beginning of this Guide. A PDS, and any SPDSs, in relation to Westpac PEL or PEL Plus may be obtained by calling 1800 990 107 or visiting www.westpac.com.au/structuredinvestments. In light of the tax amendments to capital-protected borrowings, the Australian Taxation Office (ATO) has withdrawn the product ruling on the PEL Plus, PR 2004/15, however this ruling still applies to clients invested in this product. In addition, PR 2007/93 has been issued by the ATO and applies to investors that invested in the Westpac PEL from 21 November 2007 but prior to 7:30pm (AEST) on 13 May 2008. As a result of legislative amendments announced in the 2008 Federal Budget, this product ruling is unlikely to apply to investors who enter into a Westpac PEL after 7:30pm (AEST) on 13 May 2008.

There were legislative amendments announced in the 2010 Federal Budget that will mean that the benchmark interest rates used to apportion certain costs between deductible interest and the cost of the capital protection offered by the Westpac PEL and PEL Plus will be the Reserve Bank indicator rate for standard variable housing loans plus 100 basis points (1%). If enacted, these changes will apply to investors who enter into or extend a Westpac PEL or PEL Plus after 7.30pm (AEST) on 13 May 2008.

The Treasurer released an exposure draft and explanatory material on 11 May 2010 that will give affect to the proposed amendments (however, as at the date of publication of this guide these amendments have not been enacted as law). Notwithstanding this, we have updated the guide to reflect the amendments announced in the 2008 and 2010 Federal Budget (on the assumption that these amendments will be enacted as law).

Nothing in this guide should be construed as taxation advice and investors should seek independent professional advice about the tax treatment of Westpac PEL and PEL Plus.

Section 3 of this guide contains worked examples illustrating the tax consequences of the Westpac PEL which will aid investors when it comes time to complete tax returns. Section 5 contains worked examples illustrating the tax consequences of the PEL Plus.

These sections are only applicable to investors who hold Westpac Instalments on capital account rather than on revenue account. Investors who conduct a business of trading or dealing in Securities, units or other marketable securities are not covered in this guide.

Section 3 and 5 also set out the accounting entries for the examples provided for investors to provide guidance on recording transactions in their accounting records. These sections also provide guidance on the adjustments that may be required when preparing financial statements on a cash basis of accounting.

We note that an investor's accounting treatment will differ under Australian equivalents to International Financial Reporting Standards ("AIFRS"). At inception of the transaction, the investor will be required to separately recognise an embedded derivative which is represented by the investor's put option to transfer the securities back to Westpac, which creates the capital protection on the loan. This derivative, in accordance with AASB 139 – Financial Instruments: Recognition and Measurement will need to separately be measured at fair value with periodic changes in value recognized in the statement of profit or loss. In addition, we note that under AIFRS, the fair value of the loan at trade date would include all borrowing costs and would be shown as a net amount, with the associated income statement impact being recognised using the effective interest method. Currently, the borrowing costs are being accounted for as a separate asset and amortised on a straight-line basis over the term of the loan.

These could result in material measurement and presentation differences from the examples presented in this guide. Investors should therefore consult a qualified accountant when preparing financial statements under AIFRS.

Section 2 – Tax implications of investing in Westpac PEL

2.1 Investing in the Westpac PEL

A Loan for each Parcel of Securities is drawn down and used to purchase the Securities under the Westpac PEL. The Loan proceeds include the brokerage associated with the Security purchase, which is 0.22% of the transaction value inclusive of GST. A Loan Establishment Fee is also charged at a percentage of the Loan to a maximum of 1% of the Loan Amount. A Loan Establishment Fee of 1% has been used in the examples contained in section 3.

Existing Securityholders can invest in the Westpac PEL as a Securityholder Applicant and thereby borrow funds for investment against the value of the Securities they hold. The Securities are mortgaged to Westpac as security for the Loan and the investors receive the Loan proceeds associated with each Parcel of Securities in cash.

Throughout the life of the investment, investors only need to pay interest. The interest payments include the cost of capital protection, which is provided by Put Options over the Securities in your portfolio.

Tax treatment of expenses

Interest

New tax rules contained within Division 247 apportion certain costs of the Westpac PEL between deductible interest and the cost of the capital protection offered by the Westpac PEL. The cost of the capital protection is non-deductible and instead is included in the cost base of the investor's Put Option. The new tax rules apply to arrangements entered into or modified on or after 1 July 2007.

The amount attributable to capital protection under the new rules is calculated using the following methodology:

- Step 1 – Calculate the total amount incurred by the borrower ignoring amounts that are not in substance for capital protection or interest. This will be the investor's actual interest cost calculated using the interest rate on the Westpac PEL. In Product Ruling PR2007/93 the ATO has confirmed that the Loan Establishment Fee is not included in this step.
- Step 2 – Determine the accrual of interest that would have been paid if the interest rate on the Westpac PEL was instead the benchmark interest rate.

  For investors that entered into the Westpac PEL before 7:30pm (AEST) on 13 May 2008, the benchmark interest rate is the Reserve Bank's variable rate for personal unsecured loans at the time the Loan was drawn down. For investors entering into the Westpac PEL after 7:30pm (AEST) on 13 May 2008, the appropriate benchmark interest rate is the Reserve Bank's variable rate for standard housing loans plus 100 basis points (1%). The applicable rates have been set out in the table below.
- Step 3 – Where the amount under Step 1 exceeds the amount under Step 2 the excess is deemed to be the cost of the capital protection for the income year.

In other words, an investor must calculate for every income year, the sum of their interest cost on the Loan and the Interest Loan (if applicable) which is the "actual cost incurred". The investor will then need to calculate the "notional amount" of interest by applying the appropriate benchmark interest rate to the Loan amount and the Interest Loan (if applicable). Where the actual interest cost incurred is in excess of the notional amount, the difference will be allocated to the cost of capital protection, which then forms part of the cost base of the Put Option for income tax purposes and is not deductible if the option expires, otherwise it forms part of the cost base of the Securities.

Where an investor acquires multiple Parcels of Securities and a single interest rate has been applied across the Portfolio, the investment will be regarded as one arrangement for purposes of Division 247. The investor will need to compare the actual cost incurred, which is calculated with reference to the single interest rate, with the notional amount (calculated with reference to the appropriate benchmark interest rate).

Should an investor apply for an interest loan to pay interest on their Westpac PEL after 7.30pm on 13 May 2008, the interest loan would constitute a new borrowing (based on the current drafting of Division 247), and the investor would have to use the Reserve Bank's variable rate for standard housing loans plus 100 basis points (1%) to calculate whether any part of the interest payable on the interest loan will be treated as capital in nature by the amended Division 247. The tax treatment of the Westpac PEL would not change. As each interest loan only has a term of 12 months, this will also apply to any interest loans renewed after this date.

Reserve Bank Bulletin Indicator Lending Rates for Variable Rate Personal Unsecured Loans

Month	Variable Rate
July 2007	12.60%
August 2007	13.35%
September 2007	13.35%
October 2007	13.45%
November 2007	13.80%
December 2007	13.85%
January 2008	13.90%
February 2008	14.15%
March 2008	14.55%
April 2008	14.60%
May 2008	14.65%

Reserve Bank Bulletin Indicator Lending Rates for Variable Standard Housing Loans (plus 100 basis points)

Month	Variable Rate
May 2008	10.45%
June 2008	10.45%
July 2008	10.60%
August 2008	10.60%
September 2008	10.35%
October 2008	9.35%
November 2008	8.75%
December 2008	7.85%
January 2009	7.85%
February 2009	6.85%
March 2009	6.85%
April 2009	6.75%
May 2009	6.75%
June 2009	6.80%
July 2009	6.80%
August 2009	6.80%
September 2009	6.80%
October 2009	7.05%
November 2009	7.30%
December 2009	7.65%
January 2010	7.65%
February 2010	7.65%
March 2010	7.90%
April 2010	8.15%
May 2010	8.40%
June 2010	8.40%

Section 3 contains worked examples illustrating the tax consequences of investments in the Westpac PEL from 1 July 2007.

General

Interest on the Westpac PEL and the Interest Loan (if applicable) is generally deductible if it is incurred in respect of moneys borrowed for use in producing assessable income. Where the Westpac PEL Loan is used to purchase Securities or a portfolio of Securities, interest should be deductible if the investor expects to derive dividends or assessable trust distributions from the investment.

Securityholder Applicants will receive the proceeds of the Loan amount equivalent to the current market value of their Securities. Under the Portfolio Adjustment Facility investors have the ability to modify their Portfolio by selling their existing Securities to buy a new Parcel of Securities. In addition, under the Top-up Loan, investors can access any additional value in their Securities by topping up their Loan thereby increasing the level of capital protection in respect of the Parcel of Securities to the current value. Investors receive proceeds of the Top-up Loan in cash. Under the Security Reset Facility investors can potentially release Securities from Mortgage and are then free to hold or sell the released Securities which will be unencumbered. The deductibility of interest paid by Securityholder Applicants or investors using the Top-up Loan, Portfolio Adjustment Facility or Security Reset Facility will depend on whether the proceeds of the Loan are used in producing assessable income or used for business purposes.

The release of any Securities under the Security Reset Facility should not, of itself, affect the deductibility of interest on the Loan. However, if the investor then sells the Securities and uses the proceeds for a non-income producing purpose, interest on the Loan (to the extent to which it relates to the released Securities) may become non-deductible.

For all **individuals and certain small businesses** that have chosen to apply the Small Business Tax Concessions (**Small Business Entities**) interest paid annually in advance on the Westpac PEL that is not attributed to the cost of the Put Option will be deductible in full in the year in which the payment is made.

For all other taxpayers, the deduction for prepaid interest is spread over the period to which the payment relates.

Cost of capital protection

The portion of the interest expense on the Westpac PEL that is non-deductible for tax purposes in accordance with the provisions of Division 247 outlined above, will be included in the cost base of the Put Option for capital gains tax purposes.

Brokerage

Brokerage on any Security purchase or sale under the Westpac PEL is non-deductible for income tax purposes. Instead, brokerage paid on the acquisition or disposal of the underlying Securities is included in the cost base of those Securities and is taken into account in determining the resulting capital gain or loss when the Securities are disposed of.

Loan Establishment Fee

The Loan Establishment Fee should be an allowable deduction because it is a borrowing cost incurred by the investor for the purpose of producing assessable income. The Loan Establishment Fee will be deductible on a pro rata basis over the shorter of the term of the Westpac PEL or five years.

Section 2 – Tax implications of investing in Westpac PEL

2.2 During the life

2.2.1 Dividends and trust distributions

Investors are entitled to receive all ordinary dividends and trust distributions paid in respect of the Securities in their Westpac PEL portfolio. Special dividends may not be received in cash but may be reinvested to purchase additional Securities under the Westpac PEL in order to preserve the value of security for the Loan.

Tax treatment of dividends and trust distributions income

Dividends and special dividends (although these may not be received in cash) are assessable to the investor when paid or reinvested.

Where dividends are wholly or partially "franked" and the investor is a "qualified person" in relation to the dividends, they are required to include an additional amount (representing the franking credits) in their assessable income and are entitled to a tax offset equal to this additional amount. The tax offset will reduce their tax liability and, in certain circumstances, they may be entitled to a refund of excess franking offsets.

If the Securities are units in a listed trust, distributions from the trust should have the same character as the amounts derived by the trust. Investors should refer to the tax section of the relevant PDS for further details on the tax treatment of these distributions.

2.2.2 Portfolio management

The Westpac PEL portfolio can be easily managed during the life of the Loan by using the Portfolio Adjustment Facility, Top-up Loan and Security Reset Facility.

The Portfolio Adjustment Facility allows investors to trade Parcels of Securities that have increased in value. The Portfolio Adjustment Fee will be deducted from the sale proceeds upon reinvestment of the Loan proceeds in a new Parcel of Securities. The net proceeds of the sale are paid into an interest bearing deposit account (controlled by Westpac) and investors are permitted to withdraw an amount from the account following the sale, so long as sufficient funds remain in the account to cover the Loan.

Investors must pay interest on the Loan at all times and can use the Loan proceeds to buy the same type and quantity of Securities as previously sold. Where they have subsequently increased in value, additional funds must be transferred to fund the repurchase of the Securities.

Alternatively, investors can choose to buy different Securities at a later date. The total value of the different Parcel must be approximately equal to the Loan associated with the Parcel of Securities previously sold.

The Top-up Loan allows investors to lock in gains on Securities that have increased in value by more than $10,000 from the time the Loan was advanced or the time the last top-up was made, subject to credit approval. Comparable to drawing down equity on a home Loan, Westpac advances to the investor Loan proceeds up to the current value of the Securities, which can be used for business purposes or producing assessable income. A Top-up Fee is deducted directly from the Loan proceeds advanced under the Top-up Loan.

Investors must pay interest on the Top-up Loan in advance to the date that the next interest payment is due under the existing Loan, at which time interest payments revert to the arrangements for the existing Loan.

The Security Reset Facility allows investors to release unrealised profits on Securities that have increased in value by more than $10,000 from the time the Loan was advanced or the time the last parcel adjustment was made. The amount of the release is equivalent to the difference between the current market value of the Securities and the investor's loan amount. A Security Reset Fee will be payable by direct debit from the investor's nominated account, prior to the release of any Securities.

Tax treatment of expenses

Portfolio Adjustment, Top-up and Security Reset Fees

Investors who modify their portfolio by selling an entire Parcel of Securities and buying new Securities are required to pay a Portfolio Adjustment Fee. Investors who modify their portfolio in this way should refer to example 3.1.2(b) which considers:

- The CGT consequences arising on disposal of the original Securities;
- The CGT consequences arising from the expiry of the original Put Option; and
- The treatment of the Portfolio Adjustment Fee.

If different Securities to the original Parcel are purchased, the original Put Option expires and the Portfolio Adjustment Fee is charged by Westpac for providing a new Put Option in respect of the new Securities if and when they are purchased. A capital loss will arise on expiry of the original Put Option. The Portfolio Adjustment Fee will be non-deductible but is included in the cost base of the new Put Option. The cost base of the new Put Option will also include future interest amounts in respect of the new Securities that are non-deductible in accordance with provisions of Division 247 set out above.

Where an investor utilises the Top-up Loan, a Top-up Fee is payable. The original Put Option expires and the Top-up Fee is payable to Westpac for providing a new Put Option in respect of the Securities at the new value. A capital loss will arise on expiry of the original Put Option. The Top-up Fee will be included in the cost base of the new Put Option together with future interest amounts that are non-deductible in accordance with the provisions of Division 247 set out previously. There are no CGT consequences in relation to the original Parcel of Securities for investors utilising the Top-up Loan (assuming the investor continues to hold the original Parcel of Securities).

When an investor uses the Security Reset Facility, a Security Reset Fee is payable. The original Put Option expires and the Security Reset Fee is payable to Westpac for providing a new Put Option in respect of the remaining Securities that have not been released. A capital loss will arise on the expiry of the original Put Option. The Security Reset Fee will be included in the cost base of the new Put Option. The cost base of the new Put Option will also include future interest amounts in respect of the remaining securities that are non-deductible in accordance with the approach outlined in Division 247 outlined above.

A CGT disposal will arise where the investor sells the Securities, which have been released in terms of the Security Reset Facility. The investor should also consider whether the interest incurred on the portion of the Loan relating to the release of the Securities will still be deductible. Investors are advised to seek professional tax advice in this regard.

The capital gains tax consequences of the Put Options are discussed in further detail below.

2.2.3 Break Costs/Benefits

If a Loan in respect of a Parcel(s) of Securities is terminated before the maturity of the Westpac PEL, a break cost or benefit may result. A break cost incurred by an investor might not be deductible for tax purposes. Further, to the extent that a break cost or benefit includes a refund of interest which the investor has claimed as a deduction, that amount will be assessable to the investor. The examples in this Guide do not address the tax or accounting treatment of break costs or benefits. Investors should seek professional advice specific to their circumstances.

2.3 Maturity of the Loan

At maturity, investors can choose from one of three options for each Parcel of Securities that has increased in value:

- Repay the Loan and receive full title of the Securities;
- Sell the Parcel of Securities and keep gains after the Loan is repaid; or
- Apply for a new Westpac PEL. The level of protection is adjusted to the current value and investors receive the additional value in Loan proceeds.

Where the Parcel of Securities has decreased in value, investors can hand back the Securities to Westpac as repayment of the Loan.

Capital Gains Tax (CGT)

Generally, a capital gain arises when the capital proceeds received from a CGT event exceed the cost base of the relevant asset. Conversely, a capital loss arises when the capital proceeds received in respect of a CGT event are less than the reduced cost base of the asset.

CGT is not payable in respect of any asset treated as having been acquired before 20 September 1985. This would only be relevant for gains and losses on Securities acquired by Securityholder Applicants prior to 20 September 1985.

For all other assets, where an individual or trustee has held an asset for at least 12 months (excluding the date of acquisition and date of disposal) prior to a CGT event happening to the asset, the individual or trustee may be entitled to a 50% discount in respect of the capital gain from the CGT event. Where the asset was acquired before 21 September 1999, the Holder may be entitled to index the cost base for inflation to 30 September 1999. The CGT discount is not available if the cost base is indexed.

When investing in a Westpac PEL it is necessary to consider the CGT consequences of both the Parcel(s) of Securities and the associated Put Option(s).

Capital proceeds

The capital proceeds for each Parcel of Securities will generally be the amounts received for them on disposal. Where the Put Option is exercised and the Securities are transferred to Westpac, the proceeds on disposal of the Securities will be equal to the Loan amount.

Generally, there are no capital proceeds arising as a result of the expiry or exercise of the Put Option itself.

Cost Base

(i) Securities

For non-Securityholder Applicants, the cost base for each Parcel of Securities is equal to the amount of Loan funds used to acquire them, together with the incidental costs of acquisition and disposal (such as brokerage). Importantly, the borrowing fee which is deductible does not form part of the cost base of the Securities. Securityholder Applicants will retain the existing cost base of the Securities that are subject to the Westpac PEL.

(ii) Put Option

The portion of the interest expense for the Westpac PEL that is non-deductible for tax purposes will be included in the cost base of the Put Option for CGT purposes.

Section 2 – Tax implications of investing in Westpac PEL

The following is a summary of the CGT consequences that may arise in relation to the Put Option:

- **Exercise** – Where the Put Option is exercised and the Securities are transferred to Westpac as repayment of the Loan, there is no capital gain or loss arising in respect of the Put Option. Instead, the cost base of the Put Option is added to the cost base of the Securities being disposed of. For non-Securityholder Applicants, the exercise of the Put Option will ordinarily result in a capital loss arising in respect of the Securities.
- **Expiry** – The Put Option will expire where it is not exercised or the investor repays the Loan, purchases other Securities under the Portfolio Adjustment Facility or utilises the Top-up Loan or the Security Reset Facility. The expiry of the Put Option will be a CGT Event and should give rise to a capital loss equal to the reduced cost base of the Put Option.

Summary

The following is a summary of the CGT outcomes of the alternatives available to investors at maturity:

At Maturity	Securities	Put Option
Repay the Loan and receive full title of the Securities where the Parcel of Securities has increased in value.	No CGT consequences.	Capital loss arises on expiry.
Sell the Parcel of Securities where the Parcel of Securities has increased in value and keep gains after the Loan is repaid.	Capital gain on disposal.	Capital loss arises on expiry.
Hand back the Parcel of Securities to Westpac as repayment of the Loan where the Parcel of Securities has decreased in value.	Capital loss on disposal equal to the Put Option cost base less the deductible borrowing fee.	No CGT consequences – cost base included in cost base of the Securities.
Apply for a new Westpac PEL for Securities that have increased in value. The level of protection is adjusted to the current value and investors receive the additional value in Loan proceeds.	No CGT consequences.	Capital loss arises on expiry of the original Put Option.

Reduced Rate Facility

Where the investor is required to pay Westpac a Cash Settlement Amount as a result of the market value of the Securities at the Maturity Date being above the Cap Price, the amount paid is not deductible. Instead, it is included in the cost base of the Securities.

Section 3 – Tax and Accounting Worked examples – Westpac PEL
(covered by the PDS dated 15 August 2007)

3.1 New investment in Westpac PEL

3.1.1 Drawdown and purchase

In August 2007, an individual investor applied for a $200,000 Westpac PEL with a 3-year term allocated evenly between the Securities outlined below. A Loan was drawn down to purchase each Parcel of Securities selected. The investor elected to pay interest monthly in arrears.

Company	ASX code	Fixed interest rate (p.a.)
AMP Ltd	AMP	15.65%
BHP Billiton Ltd	BHP	15.65%
CSL Ltd	CSL	15.65%
Westfield Group Ltd	WDC	15.65%

The investor received an initial statement showing the following investment details:

ASX Listed Entity	Acquisition price	Number of Securities	Investment amount	Loan Establishment Fee	Brokerage (incl GST)	Loan Principal
AMP	$9.77	5,055	$49,387.35	$499.96	$108.65	$49,995.96
BHP	$35.96	1,373	$49,373.08	$499.82	$108.62	$49,981.52
CSL	$28.66	1,723	$49,381.18	$499.90	$108.64	$49,989.72
WDC	$18.89	2,615	$49,397.35	$500.06	$108.67	$50,006.09
Total			**$197,538.96**	**$1,999.74**	**$434.58**	**$199,973.29**

Annual Interest	**$31,296**
Interest type	Fixed interest rate, paid monthly in arrears

Section 3 – Tax and Accounting Worked examples – Westpac PEL

(covered by the PDS dated 15 August 2007)

ACCOUNTING

The following accounting entries should be made on the purchase date:

	DR	CR
Investment in Securities – AMP	$49,496	
Investment in Securities – BHP	$49,482	
Investment in Securities – CSL	$49,490	
Investment in Securities – WDC	$49,506	
Borrowing costs (Loan Establishment Fee)	$2,000	
Loan – Westpac		$199,974

Brokerage is included in the cost of the investment.

The following accounting entries are made each month over the Loan term to reflect interest, paid monthly in arrears and the amortisation of the Loan Establishment Fee.

Interest expense*	$2,608	
Cash		$2,608
Borrowing costs expense	$56	
Borrowing costs		$56

*The interest expense may vary each month according to the number of days used in interest calculations.

TAX

For the taxation treatment of expenses, refer to 2.1. It is necessary to apportion the cost of the Westpac PEL between deductible interest and the cost of the capital protection in accordance with the approach set out at 2.1 previously. As the Westpac PEL was drawn down in August 2007, the lesser of 15.65% and 13.35% in respect of each Parcel of Securities will be deductible for tax purposes. The following table apportions the monthly interest paid.

ASX Listed Entity	Loan amount	Monthly interest payable	Notional Monthly interest deduction	Monthly Put Option cost base
AMP	$49,995.96	$652.03	$556.21	$95.82
BHP	$49,981.52	$651.84	$556.04	$95.80
CSL	$49,989.72	$651.95	$556.14	$95.81
WDC	$50,006.09	$652.16	$556.32	$95.84
Total		**$2,607.98**	**$2,224.17**	**$383.27**

The investor holds separate Put Options for each bundle of Securities resulting in the need to separately record their cost base amounts.

Westpac will send investors statements containing a Loan summary, interest rate, portfolio summary and cash transactions.

The brokerage fee forms part of the cost base of the Securities for tax purposes.

The Loan Establishment Fee is a borrowing cost which should be deductible over the shorter of the term of the Westpac PEL or a 5 year period.

3.1.2 During the life

a. Dividends

Our investor holds 2,615 WDC Securities in a Westpac PEL portfolio which paid out a $0.50 fully franked dividend.

ACCOUNTING

The following accounting entries should be made on the ex-dividend date:

	DR	CR
Dividends receivable/Cash	$1,308	
Dividend income		$1,308

TAX

Refer to 2.2.1 for tax treatment of dividends.

Based on the above example, an individual investor who is a qualified person in relation to the dividend and entitled to franking benefits would include in their taxable income the cash dividend of $1,307.50 plus imputation credits of $560.36 (being $1,307.50 x 30/70). The investor would then be entitled to a tax offset of $560.36 when calculating their tax payable/refundable.

b. Portfolio Management

After 2 years, CSL Securities increased in value from $28.66 to $45.05. The investor did not think there was further upside for CSL Securities and wanted exposure to National Australia Bank Ltd Securities (ASX code NAB). Using the Portfolio Adjustment Facility the investor was able to sell the entire Parcel of 1,723 CSL Securities. The investor purchased 1,385 NAB Securities for an amount equal to the Loan applicable to the original CSL Securities. The investor received the surplus sale proceeds above the original Loan that related to the CSL Parcel after the Portfolio Adjustment Fee was paid. The fixed interest rate that applied to the original CSL Parcel also applied to the Loan associated with the NAB Parcel.

CSL Security price (purchase date)	$28.66
CSL Security price (sale date)	$45.05
Number of CSL Securities	$1,723

After the portfolio adjustment has taken place the investor received a trade contract note with the following trade details:

ASX Listed Entity	Buy/ sell	Security quantity	Value	Consideration	Brokerage
CSL	Sell	1,723	$45.05	$77,621.15	$170.77
NAB	Buy	1,385	$36.08	$49,970.80	$109.94

The new Loan amount is $50,080.74 being the consolidation paid for the NAB Securities together with the associated brokerage.

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In addition, the investor received a cash amount calculated as follows:

Consideration (Sale of CSL Parcel of Securities)	$77,621.15
Brokerage	($170.77)
Loan relating to the CSL Parcel of Securities	($49,989.72)
Portfolio Adjustment Fee*	($2,633.46)
Net proceeds paid to client	$24,827.20

*Please note the Portfolio Adjustment Fee is charged when the Put Option over the new Parcel of Securities is purchased.

ACCOUNTING

The following accounting entries should be made on the trade date:

	DR	CR
Cash	$24,827	
Investment in Securities – CSL		$49,490
Loan – Westpac ($50,080.74 – $49,989.72)		$91
Investment in Securities – NAB	$50,081	
Portfolio Adjustment Fee – P&L	$2,633	
Profit on sale of Securities*		$27,960

*Being total gain of $28,240 ($45.05-$28.66) x 1,723 shares less brokerage relating to the CSL purchase ($110) and CSL sale ($171).

The difference between the accounting profit of $27,960 and the Net proceeds paid to the client of $24,827 is as a result of the Portfolio Adjustment fee ($2,633.46) and the Loan Establishment Fee ($499.90) being expensed in the income statement.

The next Westpac PEL statement the investor received showed the following investment details reflecting the new Loan associated with the NAB Parcel of Securities:

ASX Listed Entity	Number of Securities	Loan Principal
NAB	1,385	$50,080.74
AMP	5,055	$49,995.96
BHP	1,373	$49,981.52
WDC	2,615	$50,006.09
Total		**$200,064.31**

As the total Loan principal has increased, the monthly interest charge will now be $2,609.17 and the monthly interest expense accounting entry from 3.1.1 adjusted accordingly.

TAX

Capital Gains Tax

The sale of the CSL Parcel of Securities results in two CGT events. The first is in relation to the CSL Parcel of Securities and the second is as a result of the expiry of the Put Option over those Securities.

(i) Disposal of CSL Securities

The capital gain arising on the disposal of the CSL Parcel of Securities is calculated as follows:

CSL Securities

Proceeds on disposal		$77,621.15
Less Cost Base comprising:		
Purchase price	$49,381.18	
Acquisition brokerage	$108.64	
Disposal brokerage	$170.77	($49,660.59)
Capital gain		**$27,960.56**

As the CSL Securities have been held for longer than 12 months the gain will be a discounted capital gain.

(ii) Expiry of the Put Option

The capital loss on disposal of the Put Option is calculated as follows:

CSL Put Option

Proceeds on expiry		$Nil
Less Cost Base comprising:		
24 Monthly cost base amounts ($95.81)	$2,299.44	($2,299.44)
Capital loss		**($2,299.44)**

(iii) Net capital gain

The capital loss made on disposal of the Put Option can be offset against the capital gain on the CSL Securities. For an individual investor who had no other capital gains or losses in the income year the net capital gain included in assessable income is calculated as follows:

Net capital gain

Capital gain on disposal of CSL Securities	$27,960.56
Less capital loss on expiry of the CSL Put Option	($2,299.44)
Net capital gain	$25,661.12
50% CGT discount	($12,830.56)
Net capital gain included in assessable income	**$12,830.56**

Note: The discounted capital gains must be reduced by capital losses before the benefit of any discounting can be applied.

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Portfolio Adjustment Fee

Refer to 2.2.2 for tax treatment of the Portfolio Adjustment Fee. In this example the fee of $2,633.46 is included in the cost base of the new Put Option provided by Westpac in respect of the NAB Parcel of Securities. The cost base of the NAB Securities is $50,081, being made up of the purchase price and the brokerage.

3.1.3 Maturity of the Loan

At the maturity of the Loan, three of the Parcels of Securities have appreciated in value and one has declined, as set out below.

ASX Listed Entity	Loan Principal	Market value at maturity	Gain/Loss (excluding brokerage)	
			Without protection	With protection Under Westpac PEL
NAB	$50,080.74	$55,566.20	$5,485.46	$5,485.46
AMP	$49,995.96	$61,165.50	$11,169.54	$11,169.54
BHP	$49,981.52	$68,993.25	$19,011.73	$19,011.73
WDC	$50,006.09	$36,400.00	($13,606.09)	$0
Total	**$200,064.31**	**$222,124.95**	**$22,060.64**	**$35,666.73**

At maturity, the value of the WDC Parcel of Securities is protected at $50,006.09, being the principal amount of the Loan advanced, allowing the investor to hand the WDC Securities back to Westpac as repayment of the Loan associated with that Parcel. The investor chose to sell the remaining Parcels of Securities and received the following details in a trade contract note confirmation.

ASX Listed Entity	Buy/ sell	Security quantity	Value	Consideration	Brokerage
NAB	Sell	1,385	$40.12	$55,566.20	$122.25
AMP	Sell	5,055	$12.10	$61,165.50	$134.56
BHP	Sell	1,373	$50.25	$68,993.25	$151.79

As set out in the table below, the investor received net sale proceeds of $35,258.13 related as the consideration received on the Security sale less the Loan principal relating to each Parcel less brokerage costs on the sale.

	NAB	AMP	BHP	Total
Consideration	$55,566.20	$61,165.50	$68,993.25	
Loan Principal	$50,080.74	$49,995.96	$49,981.52	
Brokerage on sale (+GST)	$122.25	$134.56	$151.79	
Net Proceeds paid to the client	**$5,363.21**	**$11,034.98**	**$18,859.94**	**$35,258.13**

ACCOUNTING

The following accounting entries should be made on the maturity date:

	DR	CR
Cash	$35,258	
Loan – Westpac	$200,064	
Investment in Securities – AMP		$49,496
Investment in Securities – BHP		$49,482
Investment in Securities – WDC		$49,506
Investment in Securities – NAB		$50,081
Profit on disposal of Securities*		$36,757

*The difference between the profit on the disposal of the Securities of $36,757 and the net proceeds paid to the client of $35,258.13 is made up of the loan establishment fee on the AMP, BHP and WDC Securities which has been expensed through the income statement for accounting purposes.

TAX

Capital gains and losses must be calculated separately for each Parcel of Securities and each Put Option that expires at maturity. These gains and losses are calculated in this section.

(i) WDC Parcel of Securities

The Put Option held in respect of the WDC Parcel of Securities is exercised and the Securities are transferred to Westpac for their purchase price. Any capital gain or loss on the Put Option is disregarded and instead the cost base of the Put Option is included in the cost base of the WDC Parcel of Securities disposed of. The capital loss is calculated as follows:

WDC Securities		
Proceeds on disposal		$50,006.09
Less Cost Base comprising:		
Purchase price	$49,397.35	
Acquisition brokerage	$108.67	
36 monthly Put Option cost base amounts ($95.84)	$3,450.24	($52,956.26)
Capital loss		**($2,950.17)**

(ii) NAB, AMP and BHP Parcel of Securities

These Securities are disposed of for their market value. The associated Put Options expire and will result in capital losses. The calculations are as follows:

Securities	**NAB**	**AMP**	**BHP**
Proceeds on disposal	$55,566.20	$61,165.50	$68,993.25
Less Cost Base comprising:			
Purchase price	$49,970.80	$49,387.35	$49,373.08
Acquisition brokerage	$109.94	$108.65	$108.62
Disposal brokerage	$122.25	$134.56	$151.79
Capital gains	$5,363.21	$11,534.94	$19,359.76
Total capital gains			**$36,257.91**

The capital gains made on the AMP and BHP Securities are discounted capital gains (totalling $15,447.34). However, the NAB Securities were not held for more than 12 months prior to disposal and accordingly the capital gain on those Securities will not be a discounted gain.

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Put Options	NAB	AMP	BHP
Proceeds on disposal	$Nil	$Nil	$Nil
Less Cost Base comprising:			
36 monthly amounts		$3,449.52	$3,448.80
Port. Adjustment Fee	$2,633.46		
12 monthly amounts	$1,149.72		
Capital losses	($3,783.18)	($3,449.52)	($3,448.80)
Total capital losses			**($10,681.50)**

(iii) Net capital gain

The capital losses made on disposal of the Put Options and WDC Parcel of Securities can be offset against the capital gain on the remaining Securities. For an individual investor who had no other capital gains or losses in the income year the net capital gain included in assessable income is calculated as follows:

Net capital gain	
Capital gains on disposal of NAB, AMP and BHP Parcel of Securities	$36,257.91
Less capital loss on disposal of the WDC Parcel of Securities	($2,950.17)
Less capital losses in expiry of the Put Options	($10,681.50)
Net capital gain	$22,626.24
50% CGT discount	($11,313.12)
Net capital gain included in assessable income	**$11,313.12**

In this situation the investor has chosen to offset capital losses against the non-discounted gain on the NAB Parcel of Securities. This maximises the CGT discount available.

3.2 Securityholder Application for Westpac PEL

3.2.1 Drawdown

An investor holds 20,000 Woolworths Ltd Securities (ASX code WOW) which were purchased several years ago at a price of $7.50 per Security. In October 2007, the investor wanted to release cash for other investments without triggering a CGT event. The investor applied for the Westpac PEL as a Securityholder Applicant and used the value in the WOW Securities as security for the Loan. Under the Westpac PEL the investor was able to lock-in the value of the Securities at the current market level and draw down a Loan for an amount equal to the value of the Parcel of Securities.

Using the Reduced Rate Facility the investor was able to obtain a lower fixed interest rate in exchange for a capped level of gains from the WOW Securities. Interest was paid annually in advance over a 3 year term.

ASX Listed Entity	Fixed interest rate (p.a.)	Fixed interest rate (p.a.) under the Reduced Rate Facility
Woolworths Ltd	14.28%	12.27%

Under the Westpac PEL, Westpac takes a mortgage over the Securities, which are sponsored through CHESS by a Westpac-nominated sponsor. On the date the Loan is drawn down, interest is paid for the first year and the investor received $520,912 being the current value of the WOW Securities less the first interest payment. The investor received an initial statement showing the following investment details:

ASX Listed Entity	Acquisition price	Number of Securities	Investment amount	Loan Establishment Fee	Brokerage (incl. GST)	Loan Principal
WOW	$29.73	20,000	$594,600.00	$6,006.06	$0	$600,606.06
			$594,600.00	**$6,006.06**	**$0**	**$600,606.06**

Annual Interest	**$73,694.36**
Interest type	Fixed interest rate, paid yearly in advance
Cap Rate	150%
Participation Rate	25%

A Cap Rate of 150% means the investor is entitled to all of the increase in the value of the Parcel of Securities over the initial market price of $29.73 up to the Cap Price of $44.60 (being 150% of $29.73). The Participation Rate of 25% means the investor is entitled to 25% of the increase in market value over the Cap Price.

ACCOUNTING

The following accounting entries should be made on the draw down date:

	DR	CR
Cash	$520,906	
Loan – Westpac		$600,606
Borrowing costs (Loan Establishment Fee)	$6,006	
Prepaid interest	$73,694	

The following accounting entries are made each month to expense the prepaid interest and to amortise the Loan Establishment Fee:

	DR	CR
Interest expense	$6,141	
Prepaid interest		$6,141
Borrowing costs expense	$167	
Borrowing costs		$167

The accounting ledger still shows the investment in WOW Securities at the historic cost of $150,000 ($7.50 x 20,000).

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TAX

Interest

For the taxation treatment of expenses, refer 2.1. Assuming the Loan proceeds are used for producing assessable income or for business purposes, it is necessary to apportion the cost of the Westpac PEL between deductible interest and the cost of the capital protection in accordance with the approach outlined in Division 247. As the Loan was drawn down in October 2007, the interest deduction available is limited to the Reserve Bank Bulletin Indicator Lending Rates for Personal Unsecured Loans (Variable). As the relevant rate was 13.45% in October 2007, the total interest liability of $73,694.36 is deductible for tax purposes. The following table apportions the annual interest paid.

Security	Loan amount	Interest rate charged	Interest rate to be applied	Annual interest payable	Notional Annual interest deduction	Annual Put Option cost base
WOW	$600,606	12.27%	12.27%	$73,694.36	$73,694.36	$0

Capital Gains Tax

The investor has not disposed of the WOW Securities and as a result does not trigger a CGT event.

3.2.2 During the life

The investor continues to receive all dividends from the WOW Parcel of Securities during the Loan period. Refer 3.1.2 for an illustrative accounting and taxation example.

3.2.3 Maturity of the Loan

At maturity, the WOW Security price has increased by 55% as set out below. The investor fully participates in any increase in the WOW Security price from its initial level up to 50% and receives 25% of any increase over this level.

WOW Security price (initial drawdown)	$29.73
WOW Security price (maturity)	$46.08
Cap price	$44.60
Participation rate	25%

The amount payable to Westpac is 75% of the amount by which the market value of the shares exceeds the Cap Price:

Market value	$46.08
Less: Cap Price	($44.60)
	$1.48
75% payable to Westpac	($1.11)
Participation per share	$0.37

The investor chose to repay the Loan of $600,606 and take full ownership of the WOW Parcel of Securities which are now worth $921,600. However, since the investor has capped their entitlement to any capital growth above the Cap Price, they will need to pay to Westpac a "Cash Settlement Amount" as calculated below:

	Per Security	Total consideration
Loan Repayment	$29.73	$600,606
Cash Settlement Amount – calculated as follows [($46.08-$44.60) x 75%]	$1.11	$22,200
Total amount owing to Westpac		**$622,806**

ACCOUNTING

The following accounting entries should be made on the maturity date:

	DR	CR
Loan – Westpac	$600,606	
Investment in Securities – WOW	$22,200	
Cash		$622,806

The investor's accounting ledger now shows the investment in WOW Securities at $172,200, being the historic cost of $150,000 plus the $22,200 Cash Settlement Amount. An unrealised profit now exists being $749,400 ($921,600-$172,200).

TAX

Cash Settlement Fee

The Cash Settlement Fee is non-deductible. It is added to the cost base of the WOW Securities held by the investor.

Capital Gains Tax

As the investor has not disposed of the WOW Securities there is no CGT event in respect of the Securities on the maturation of the Loan. At maturity, the Put Option expires and this results in a capital loss, which is calculated in the table below.

Put Option

Proceeds on expiry	$Nil
Less Cost Base comprising: 3 annual cost base amounts ($0)	($0)
Capital loss	**($0)**

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3.3 Top-up Loan

3.3.1 Drawdown and purchase

In September 2007 an investor wanted exposure to BHP Billiton Limited (ASX code: BHP) and applied for a 5 year Westpac PEL amounting to $1,757,038. The BHP Securities were purchased under the Westpac PEL for $38.57 per Security. The investor elected to pay interest monthly in arrears.

Company	ASX code	Fixed interest rate (p.a.)
BHP Billiton Ltd	BHP	13.85%

The investor received an initial statement showing the following investment details:

ASX Listed Entity	Acquisition price	Number of Securities	Investment amount	Loan Establishment Fee	Brokerage (incl. GST)	Loan Principal
BHP	$38.57	45,000	$1,735,650.00	$17,570.39	$3,818.43	$1,757,038.82

Annual Interest	**$234,349.88**
Interest type	Fixed interest rate, paid monthly in arrears

ACCOUNTING

The following accounting entries should be made on the purchase date:

	DR	CR
Investment in securities – BHP	$1,739,468	
Borrowing costs	$17,570	
Loan – Westpac		$1,757,038

Brokerage is included in the cost of the investment.

The following accounting entries are made each month over the loan term to reflect interest paid monthly in arrears and to amortise the Loan Establishment Fee

	DR	CR
Interest expense*	$20,279.16	
Cash		$20,279.16

	DR	CR
Borrowing costs expense	$293	
Borrowing costs		$293

*The interest expense may vary each month according to the number of days used in interest calculations.

TAX

For the taxation treatment of expenses, refer to 2.1. It is necessary to apportion the cost of the Westpac PEL between deductible interest and the cost of the capital protection in accordance with the approach set out at 2.1 previously. The interest deduction available is limited to the Reserve Bank Bulletin Indicator Lending Rates for Personal Unsecured Loans – Variable. As the relevant RBA indicator rate was 13.35%, only $19,547.06 of the interest payable each month will be deductible for tax purposes. The following table apportions the monthly interest paid.

ASX Listed Entity	Loan amount	Monthly interest payable	Notional Monthly interest deduction	Monthly Put Option cost base
BHP	$1,757,038.82	$20,279.16	$19,547.06	$732.10

The brokerage fee forms part of the cost base of the Securities for tax purposes.

The Loan Establishment Fee is deductible over the period of the loan or a five-year period, whichever is shorter.

3.3.2 During the life

Portfolio Management – Top-up Loan

By September 2009 the BHP shares had hypothetically increased by over 81% to $70.00, resulting in an increase in the value of the investor's portfolio of $1,414,350. The investor would like to use some of the additional value in the portfolio to diversify and decides to Top-up the Westpac PEL portfolio.

Investment Step	Date	BHP share price	Loan Value	Protection level
Initial loan	Sept 2007		$1,757,038.82	$38.57
Top-up	Sept 2009	$70.00	$3,150,000.00	$70.00
Increase in Loan value			**$1,392,961.18**	

Using the Top-up Loan, the investor's Loan and level of protection were adjusted to $70.00 from $38.57 per Security. The new level of protection is set equal to the amount of the market value of the BHP shares, being $3,150,000.00. The investor must pay a Top-up Fee and interest to Westpac, as set out in the table below, which will be deducted from the Top-up Loan amount.

Top-up Loan amount	$1,392,961.18
Top-up Fee payable	($281,515.75)
Interest (for the rest of September)	($8,038.55)
Total funds payable	**$1,103,406.88**

The funds were used to invest into other Securities.

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ACCOUNTING

The following accounting entries should be made on the Top-up date:

	DR	CR
Investments	$1,103,406.88	
Borrowing costs	$281,515.75	
Interest expense	$8,038.55	
Loan – Westpac		$1,392,961.18

The next Westpac PEL statement the investor received showed the following investment details reflecting the new loan associated with the BHP share parcel:

ASX Listed Entity	Number of Securities	Loan Principal
BHP	45,000	$3,150,000.00

As the total Loan principal has increased, the monthly interest charge will now be $36,356.25 and the monthly interest expense accounting entry from 3.3 adjusted accordingly.

The borrowing costs are to be amortised over the remaining period of the loan.

TAX

Capital Gains Tax

There are no CGT consequences arising from the use of the Top-up Loan in relation to the original portfolio of Securities.

In this example the original Put Option expires, resulting in a capital loss as calculated in the table below.

Put Options		
Proceeds on expiry		$Nil
Less Cost Base comprising: 24 monthly cost base amounts ($732.10)	$17,570.39	($17,570.39)
Capital loss		**($17,570.39)**

This capital loss may be available to offset against other capital gains derived by the investor.

Top-up Fee

Refer to 2.2.2 for the tax treatment of the Top-up Fee. In this example, the Top-up Fee of $281,515.75 was included in the cost base of the new Put Option provided by Westpac.

3.4 Security Reset Facility

3.4.1 Drawdown and purchase

In November 2007 an investor wanting to gain exposure to David Jones Ltd, used the Westpac PEL to obtain funding for 40,000 securities (ASX code: DJS). The investor selected a 5 year Westpac PEL. The DJS Securities were purchased under the Westpac PEL for $4.93 per Security. The investor elected to pay interest monthly in arrears.

Company	ASX code	Fixed interest rate (p.a)
David Jones Ltd	DJS	15.09%

The investor received an initial statement showing the following investment details

ASX Listed Entity	Acquisition price	Number of Securities	Investment amount	Loan Establishment Fee	Brokerage (incl. GST)	Loan Principal
DJS	$4.93	40,000	$197,200	$1,996.30	$433.84	$199,630.14

Annual Interest	**$30,124.19**
Interest type	Fixed interest rate, paid monthly in arrears

ACCOUNTING

The following accounting entries should be made on the purchase date:

	DR	CR
Investment in securities – DJS	$197,634	
Borrowing costs (Loan Establishment Fee)	$1,996	
Loan – Westpac		$199,630

Brokerage is included in the cost of the investment.

The following accounting entries are made each month over the loan term to reflect interest, paid monthly in arrears and the amortisation of the Loan Establishment Fee.

	DR	CR
Interest expense*	$2,510	
Cash		$2,510

	DR	CR
Borrowing costs expense	$33	
Borrowing costs		$33

*The interest expense may vary each month according to the number of days used in interest calculations.

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TAX

For the taxation treatment of expenses, refer to 2.1. It is necessary to apportion the cost of the Westpac PEL between deductible interest and the cost of the capital protection in accordance with the three-step approach set out at 2.1 previously. The interest deduction available is limited to the Reserve Bank Bulletin Indicator Lending Rates for Personal Unsecured Loans – Variable. As the relevant RBA indicator rate was 13.80%, only $2,295.75 of the interest payable will be deductible for tax purposes. The following table apportions the monthly interest paid.

	Loan amount	Monthly interest payable	Notional Monthly interest deduction	Monthly Put Option cost base
DJS	$199,630.14	$2,510.35	$2,295.75	$214.60

The brokerage fee forms part of the cost base of the Securities for tax purposes.

The Loan Establishment Fee is deductible over the shorter of the term of the Westpac PEL or five years.

3.4.2 During the life

Portfolio Management – Security Reset Facility

By January 2008 the DJS shares have increased by over 7% to $5.29, resulting in an increase in the value of the investor's portfolio of $14,426. The investor would like to apply to utilise the Security Reset Facility to release some of his Securities from the loan. The Security Reset Fee is $1,500.

Investment Step	Date	DJS share price	Portfolio Value
Initial investment	November 2007	$4.93	$199,630
Increase in portfolio value	January 2008	$5.29	$211,600
Value released using the Security Reset Facility			**$11,970**

As the current market value of the Securities is $5.29, only 37,737 Securities are required to secure the loan of $199,630.14. By using the Security Reset Facility, the investor has been able to have unrestricted ownership of 2,263 of the Investor's Securities which means that the investor will be free to sell or deal with these Securities outside of the Westpac PEL. The investor must pay a Security Reset Fee, which will be payable by direct debit from the investor's nominated account, prior to the release of any of the Securities.

ACCOUNTING

The following accounting entries should be made on the Security Reset date:

	DR	CR
Security Reset Fee – P&L	$1,500	
Cash		$1,500

The next Westpac PEL statement the investor received showed the following investment details reflecting the loan associated with the DJS share parcel:

ASX Listed Entity	Number of Securities	Loan Principal
DJS	37,737	$199,630.14

The total loan principal has stayed the same. However the market value of the DJS Securities increased to $5.29, only 37,737 Securities are required to secure the loan.

TAX

Capital Gains Tax

There are no CGT consequences arising from the use of the Security Reset Facility until such time as the investor disposes of the 2,263 unrestricted shares.

In this example the original Put Option expires, resulting in a capital loss as calculated in the table below.

Put Options		
Proceeds on expiry		$Nil
Less Cost Base comprising: 2 monthly cost base amounts ($214.40)	$429.20	($429.20)
Capital loss		**($429.20)**

This capital loss may be available to offset against other capital gains derived by the investor.

Security Reset Fee

Refer to 2.2.2 for the tax treatment of the Security Reset Fee. In this example, the Security Reset Fee of $1,500 was included in the cost base of the new Put Option provided by Westpac.

3.5 Interest loan

3.5.1 Drawdown and purchase

In December 2007 an investor applied for a $100,000 Westpac PEL with a 3 year term wanting to gain exposure to Qantas Airways Limited (ASX code: QAN). The QAN Securities were purchased under the Westpac PEL for $5.82 per Security. The investor elected to pay interest annually in advance. The investor made use of the interest loan facility in order to fund the interest payments on the Loan.

Company	ASX code	Fixed interest rate (p.a)
Qantas Airways Limited	QAN	16.20%

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The investor received an initial statement showing the following investment details:

ASX Listed Entity	Acquisition price	Number of Securities	Investment amount	Loan Establishment Fee	Brokerage (incl. GST)	Loan Principal
QAN	$5.82	16,975	$98,794.50	$1,000.12	$217.35	$100,011.97

Interest loan	**$16,201.94**
Interest type	Fixed interest rate, paid annually in advance
Interest rate on Interest loan	8.25% paid annually in advance
Interest on Interest loan	**$1,336.66**

ACCOUNTING

The following accounting entries should be made on the purchase date:

	DR	CR
Investment in Securities – QAN	$99,012	
Borrowing costs (Loan Establishment Fee)	$1,000	
Loan – Westpac		$100,012

Brokerage is included in the cost of the investment.

	DR	CR
Prepaid interest	$17,539	
Interest Loan – Westpac		$16,202
Cash		$1,337

The following accounting entries are made each month to expense the prepaid interest and to amortise the Loan Establishment Fee.

	DR	CR
Interest expense	$1,462	
Prepaid interest		$1,462
Borrowing costs expense	$28	
Borrowing costs		$28

TAX

In order to determine the amount attributable to capital protection, an investor must calculate the sum of their interest cost on the Loan and the Interest Loan which is the "actual cost incurred" and compare this to the "notional amount" of interest. The "notional amount" of interest is determined by applying the Reserve Bank's indicator interest rate for personal unsecured loans to the Loan amount and the Interest Loan which is 13.85% in December 2007. The Table below apportions the interest paid.

	Amount	Actual cost incurred
Loan Principal	$100,011.97	$16,201.94
Interest Loan	$16,201.94	$1,336.66
Total Loan amount	**$116,213.91**	**$17,538.60**

	Total Loan amount	Annual interest payable	Notional Annual interest deduction	Annual Put Option cost base
QAN	$116,231.91	$17,538.60	$16,098.12	$1,440.48

3.5.2 Maturity of Interest Loan

ACCOUNTING

The following accounting entries should be made on the maturity date of the Interest Loan:

	DR	CR
Interest Loan – Westpac	$16,202	
Cash		16,202

Section 4 – Tax implications of investing in Westpac PEL Plus (covered by the PDS dated 9 March 2004)

4.1 Investing in the PEL Plus

A Loan for each Parcel of Securities is drawn down and used to purchase the Securities under the PEL Plus. The Loan proceeds include the brokerage associated with the Security purchase, which is 0.22% of the transaction value inclusive of GST.

Existing Securityholders can invest in Westpac PEL Plus as a Securityholder Applicant and thereby borrow funds for investment against the value of the Securities they hold. The Securities are mortgaged to Westpac as security for the Loan and they receive the Loan proceeds associated with each Parcel of Securities in cash.

Throughout the life of the investment, investors only need to pay interest. The interest payments include the cost of capital protection, which is provided by Put Options over the Securities in your portfolio.

Tax treatment of expenses

Interest

The interim apportionment methodology set out in Division 247 is to apply to those capital protected products including extensions of existing arrangements entered into on or after 9:30am, by legal time in the Australian Capital Territory, on 16 April 2003 and before 1 July 2007.

Any extensions of the original PEL Plus offering, under the terms of the PDS dated 9 March 2004, before 1 July 2007 will fall under the interim methodology.

Under the interim methodology, the amount reasonably attributable to capital protection is the greater of the amount under the indicator method and the percentage method. Under the indicator method the total amount that is reasonably attributable to capital protection is the amount by which the interest incurred by the borrower exceeds the total interest payable on an equivalent borrowing using the Reserve Bank Bulletin Indicator Lending Rates for Personal Unsecured Loans. Under the percentage method the cost of the protection component is a specified percentage of the amount incurred depending on length of the arrangement. The interest deductions available to investors will therefore be the lesser of the Reserve Bank Bulletin Indicator Lending Rates for Personal Unsecured Loans as reflected in the table at right (Fixed or Variable Rate – whichever is applicable) and the following specified percentage of the interest charged on the Westpac PEL by Westpac:

Term of PEL	Deductible Percentage
1 Year	60%
2 Years	72.5%
3 Years	80%
4 Years	82.5%
5 Years	85%

Reserve Bank Bulletin Indicator Lending Rates for Personal Unsecured Loans

Month	Fixed	Variable
July 2006	12.25%	12.50%
August 2006	12.40%	12.75%
September 2006	12.50%	12.80%
October 2006	12.50%	12.80%
November 2006	12.70%	13.05%
December 2006	12.70%	13.05%
January 2007	12.75%	13.05%
February 2007	12.35%	12.55%
March 2007	12.35%	12.55%
April 2007	12.35%	12.55%
May 2007	12.35%	12.55%
June 2007	12.35%	12.55%
July 2007	12.35%	12.60%
August 2007	13.05%	13.35%
September 2007	13.05%	13.35%
October 2007	13.05%	13.45%
November 2007	13.25%	13.80%
December 2007	13.45%	13.85%
January 2008	13.60%	13.90%
February 2008	13.70%	14.15%
March 2008	14.00%	14.55%
April 2008	14.10%	14.60%
May 2008	14.10%	14.65%

Where the fixed rate indicator is used, the relevant rate is that at the commencement of the Westpac PEL Plus. Where the variable indicator rate is applicable it is the relevant rate at the first time a payment was incurred for the relevant income year.

The remaining amount of the interest paid on the Westpac PEL Plus is attributed to the cost base of the Put Option for income tax purposes and is not deductible.

Section 5 contains worked examples illustrating the tax consequences of investments in the Westpac PEL Plus from 1 July 2007.

Should an investor apply for an interest loan to pay interest on their PEL Plus (or extend the original PEL Plus offering), after 1 July 2007 and before 7.30pm on 13 May 2008, the investor will have to use the Reserve Bank's variable rate for personal unsecured loans to calculate whether any part of the interest payable on the interest loan will be treated as capital in nature by the amended Division 247.

Should an investor apply for an interest loan to pay interest on their PEL Plus (or extend the original PEL Plus offering) after 7.30pm on 13 May 2008, the interest loan would constitute a new borrowing (based on the current drafting of Division 247), and the investor would have to use the Reserve Bank's variable rate for standard housing loans plus 100 basis points (1%) to calculate whether any part of the interest payable on the interest loan will be treated as capital in nature by the amended Division 247. The tax treatment of the PEL Plus would not change. As each interest loan only has a term of 12 months, this will also apply to any interest loans renewed after this date. The applicable rates have been set out in the table below.

Reserve Bank Bulletin Indicator Lending Rates for Variable Standard Housing Loans (plus 100 basis points)

Month	Variable Rate
May 2008	10.45%
June 2008	10.45%
July 2008	10.60%
August 2008	10.60%
September 2008	10.35%
October 2008	9.35%
November 2008	8.75%
December 2008	7.85%
January 2009	7.85%
February 2009	6.85%
March 2009	6.85%
April 2009	6.75%
May 2009	6.75%
June 2009	6.80%
July 2009	6.80%
August 2009	6.80%
September 2009	6.80%
October 2009	7.05%
November 2009	7.30%
December 2009	7.65%
January 2010	7.65%
February 2010	7.65%
March 2010	7.90%
April 2010	8.15%
May 2010	8.40%
June 2010	8.40%

General

Interest on the Westpac PEL Plus and the Interest Loan (if applicable) is generally deductible if it is incurred in respect of moneys borrowed for use in producing assessable income. Where the Westpac PEL Plus Loan is used to purchase Securities or a portfolio of Securities, interest should be deductible if the investor expects to derive dividends or assessable trust distributions from the investment in excess of deductions.

Securityholder Applicants will receive the proceeds of the Loan amount equivalent to the current market value of their Securities. Under the Portfolio Adjustment Facility investors have the ability to modify their Portfolio by selling their existing Securities to buy a new Parcel of Securities. In addition, under the Top-up Loan, investors can access any additional value in their Securities by topping up their Loan thereby increasing the level of capital protection in respect of the Parcel of Securities to the current value. Investors receive proceeds of the Loan in cash. The deductibility of interest paid by Securityholder Applicants or investors using the Top-up Loan or Portfolio Adjustment Facility will depend on whether the proceeds of the Loan are used in producing assessable income or used for business purposes.

For **all individuals and certain small businesses** that have chosen to apply the Small Business Tax Concessions (**Small Business Entities**) interest paid annually in advance on the PEL Plus that is not attributed to the cost of the Put Option will be deductible in full in the year in which the payment is made.

All other taxpayers are required to spread the deduction over the period for which the interest has been prepaid.

Cost of capital protection

The portion of the interest expense on the Westpac PEL Plus that is non-deductible for tax purposes in accordance with the provisions of Division 247 outlined above, will be included in the cost base of the Put Option for capital gains tax purposes.

Section 4 – Tax implications of investing in Westpac PEL Plus
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Brokerage

Brokerage on any Security purchase or sale under the Westpac PEL Plus is non-deductible for income tax purposes. Instead, brokerage paid on acquisition or disposal of the underlying Securities is included in the cost base of those Securities and is taken into account in determining the resulting capital gain or loss when the Securities are disposed of.

4.2 During the life

4.2.1 Dividends and trust distributions

Investors are entitled to receive all ordinary dividends and trust distributions paid in respect of the Securities in their Westpac PEL Plus portfolio. Special dividends may not be received in cash but may be reinvested to purchase additional Securities under the Westpac PEL Plus in order to preserve the value of security for the Loan.

Tax treatment of dividends and trust distributions income

Dividends and special dividends (although these may not be received in cash) are assessable to the investor when paid or reinvested.

Where dividends are wholly or partially "franked" and the investor is a "qualified person" in relation to the dividends, they are required to include an additional amount (representing the franking credits) in their assessable income and are entitled to a tax offset equal to this additional amount. The tax offset will reduce their tax liability and, in certain circumstances, they may be entitled to a refund of excess franking offsets.

If the Securities are units in a listed trust, distributions from the trust should have the same character as the amounts derived by the trust. Investors should refer to the tax section of the relevant PDS for further details on the tax treatment of these distributions.

4.2.2 Portfolio management

The Westpac PEL Plus portfolio can be easily managed during the life of the Loan by using either of the Portfolio Adjustment Facility or the Top-up Loan.

The Portfolio Adjustment Facility allows investors to trade Parcels of Securities that have increased in value. The Portfolio Adjustment Fee will be deducted from the sale proceeds upon reinvestment of the Loan proceeds in a new Parcel of Securities. The net proceeds of the sale are paid into an interest bearing deposit account (controlled by Westpac) and investors are permitted to withdraw an amount from the account following the sale, so long as sufficient funds remain in the account to cover the Loan.

Investors must pay interest on the Loan at all times and can use the Loan proceeds to buy the same type and quantity of Securities as previously sold. Where they have subsequently increased in value, additional funds must be transferred to fund the repurchase of the Securities.

Alternatively, investors can choose to buy different Securities at a later date. The total value of the different Parcel must be approximately equal to the Loan associated with the Parcel of Securities previously sold.

The Top-up Loan allows investors to lock in gains on Securities that have increased in value by more than $10,000 from the time the Loan was advanced or the time the last Top-up was made, subject to credit approval. Comparable to drawing down equity on a home Loan, Westpac advances to the investor Loan proceeds up to the current value of the Securities, which can be used for business purposes or producing assessable income. A Top-up Fee is deducted directly from the Loan proceeds advanced under the Top-up Loan.

Investors must pay interest on the Top-up Loan in advance to the date that the next interest payment is due under the existing Loan, at which time interest payments revert to the arrangements for the existing Loan.

Tax treatment of expenses

Portfolio Adjustment, Top-up Fees

Investors who modify their portfolio by selling an entire Parcel of Securities and buying new Securities are required to pay a Portfolio Adjustment Fee. Investors who modify their portfolio in this way should refer to example 5.1.2(b) which considers:

- The CGT consequences arising on disposal of the original Securities;
- The CGT consequences arising from the expiry of the original Put Option; and
- The treatment of the Portfolio Adjustment Fee.

If different Securities to the original Parcel are purchased, the original Put Option expires and the Portfolio Adjustment Fee is charged by Westpac for providing a new Put Option in respect of the new Securities if and when they are purchased. A capital loss will arise on the expiry of the original Put Option. The Portfolio Adjustment Fee will be non-deductible but is included in the cost base of the new Put Option. The cost base of the new Put Option will also include future interest amounts in respect of the new Securities that are non-deductible in accordance with provisions of Division 247 set out above.

Where an investor utilises the Top-up Loan, a Top-up Fee is payable. The original Put Option expires and the Top-up Fee is payable to Westpac for providing a new Put Option in respect of the Securities at the new value. A capital loss will arise on expiry of the original Put Option. The Top-up Fee will be included in the cost base of the new Put Option together with future interest amounts that are non-deductible in accordance with the provisions of Division 247 set out previously. There are no CGT consequences in relation to the original Parcel of Securities for investors utilising the Top-up Loan (assuming the investor continues to hold the original Parcel of Securities).

The capital gains tax consequences of the Put Options are discussed in further detail below.

4.2.3 Break Costs/Benefits

If a Loan in respect of a Parcel(s) of Securities is terminated before the maturity of the Westpac PEL Plus, a break cost or benefit may result. A break cost incurred by an investor might not be deductible for tax purposes. Further, to the extent that a break cost or benefit includes a refund of interest which the investor has claimed as a deduction, that amount will be assessable to the investor. The examples in this guide do not address the tax or accounting treatment of break costs or benefits. Investors should seek professional advice specific to their circumstances.

4.3 Maturity of the Loan

At maturity, investors can choose from one of three options for each Parcel of Securities that has increased in value:

- Repay the Loan and receive full title of the Securities;
- Sell the Parcel of Securities and keep gains after the Loan is repaid; or
- Apply for a new Westpac PEL Plus. The level of protection is adjusted to the current value and investors receive the additional value in Loan proceeds.

Where the Parcel of Securities has decreased in value, investors can hand back the Securities to Westpac as repayment of the Loan.

Capital Gains Tax (CGT)

Generally, a capital gain arises when the capital proceeds received from a CGT event exceed the cost base of the relevant asset. Conversely, a capital loss arises when the capital proceeds received in respect of a CGT event are less than the reduced cost base of the asset.

CGT is not payable in respect of any asset treated as having been acquired before 20 September 1985. This would only be relevant for gains and losses on Securities acquired by Securityholder Applicants prior to 20 September 1985.

For all other assets, where an individual or trustee has held an asset for at least 12 months (excluding the date of acquisition and date of disposal) prior to a CGT event happening to the asset, the individual or trustee may be entitled to a 50% discount in respect of the capital gain from the CGT event. Where the asset was acquired before 21 September 1999, the Holder may be entitled to index the cost base for inflation to 30 September 1999. The CGT discount is not available if the cost base is indexed.

When investing in the Westpac PEL Plus it is necessary to consider the capital gains tax consequences of both the Parcel(s) of Securities and the associated Put Option(s).

Capital proceeds

The capital proceeds for each Parcel of Securities will generally be the amounts received for them on disposal. Where the Put Option is exercised and the Securities are transferred to Westpac, the proceeds on disposal of the Securities will be equal to the Loan amount.

Generally, there are no capital proceeds arising as a result of the expiry or exercise of the Put Option itself.

Cost Base

(i) Securities

For non-Securityholder Applicants, the cost base for each Parcel of Securities is equal to the amount of Loan funds used to acquire them, together with the incidental costs of acquisition and disposal (such as brokerage). Securityholder Applicants will retain the existing cost base of the Securities that are subject to the Westpac PEL Plus.

(ii) Put Option

The portion of the interest expense for the Westpac PEL Plus that is non-deductible for tax purposes will be included in the cost base of the Put Option for CGT purposes.

The following is a summary of the CGT consequences that may arise in relation to the Put Option:

- **Exercise** – Where the Put Option is exercised and the Securities are transferred to Westpac as repayment of the Loan, there is no capital gain or loss arising in respect of the Put Option. Instead, the cost base of the Put Option is added to the cost base of the Securities being disposed of. For non-Securityholder applicants, the exercise of the Put Option will ordinarily result in a capital loss arising in respect of the Securities.

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- **Expiry** – The Put Option will expire where it is not exercised or the investor repays the Loan, purchases other Securities under the Portfolio Adjustment Facility or utilises the Top-up Loan. The expiry of the Put Option will be a CGT Event and should give rise to a capital loss equal to the reduced cost base of the Put Option.

Summary

The following is a summary of the CGT outcomes of the alternatives available to investors at maturity:

At Maturity	Securities	Put Option
Repay the Loan and receive full title of the Securities where the Parcel of Securities has increased in value.	No CGT consequences.	Capital loss arises on expiry.
Sell the Parcel of Securities where the Parcel of Securities has increased in value and keep gains after the Loan is repaid.	Capital gain on disposal.	Capital loss arises on expiry.
Hand back the Parcel of Securities to Westpac as repayment of the Loan where the Parcel of Securities has decreased in value.	Capital loss on disposal equal to the Put Option cost base.	No CGT consequences – cost base included in cost base of the Securities.
Apply for a new Westpac PEL Plus for Securities that have increased in value. The level of protection is adjusted to the current value and investors receive the additional value in Loan proceeds.	No CGT consequences.	Capital loss arises on expiry of the original Put Option.

Reduced Rate Facility

Where the investor is required to pay Westpac a Cash Settlement Amount as a result of the market value of the Securities at the Maturity Date being above the Cap Price, the amount paid is not deductible. Instead, it is included in the cost base of the Securities.

Section 5 – Tax and Accounting examples – Westpac PEL Plus (covered by the PDS dated 9 March 2004)

5.1 New investment in PEL Plus

5.1.1 Drawdown and purchase

In April 2007, an individual investor applied for a $200,000 Westpac PEL Plus with a 3-year term allocated evenly between the Securities outlined below. A Loan was drawn down to purchase each Parcel of Securities selected. The investor chose a fixed interest rate for the portfolio. The fixed interest rates for each Parcel of Securities given in the Supplementary PDS are shown in the table below. The investor elected to pay interest monthly in arrears.

Company	ASX code	Fixed interest rate (p.a)
AMP Ltd	AMP	15.20%
BHP Billiton Ltd	BHP	15.35%
CSL Ltd	CSL	15.75%
Westfield Group Ltd	WDC	14.05%

The investor received an initial statement showing the following investment details:

ASX Listed Entity	Acquisition price	Number of Securities	Investment amount	Brokerage (incl. GST)	Loan Principal
AMP	$9.79	5,100	$49,929.00	$109.84	$50,038.84
BHP	$29.35	1,700	$49,895.00	$109.77	$50,004.77
CSL	$27.11	1,850	$50,153.50	$110.34	$50,263.84
WDC	$20.58	2,425	$49,906.50	$109.79	$50,016.29
Total			**$199,884.00**	**$439.74**	**$200,323.74**

Annual Interest	**$30,225.47**
Interest type	Fixed interest rate, paid monthly in arrears

Section 5 – Tax and Accounting examples – Westpac PEL Plus
(covered by the PDS dated 9 March 2004)

ACCOUNTING

The following accounting entries should be made on the purchase date:

	DR	CR
Investment in Securities – AMP	$50,039	
Investment in Securities – BHP	$50,005	
Investment in Securities – CSL	$50,264	
Investment in Securities – WDC	$50,016	
Loan – Westpac		$200,324

Brokerage is included in the cost of the investment.

The following accounting entries are made each month over the Loan term to reflect interest, paid monthly in arrears.

	DR	CR
Interest expense*	$2,519	
Cash		$2,519

*The interest expense may vary each month according to the number of days used in interest calculations.

TAX

For the taxation treatment of expenses, refer to 4.1. It is necessary to apportion the cost of the PEL Plus between deductible interest and the cost of the capital protection in accordance with the interim methodology approach outlined set out at 4.1 previously. As the life of the PEL Plus is 3 years and was drawn down in April 2007, the lesser of 12.35% or 80% of the interest paid in respect of each Parcel of Securities will be deductible for tax purposes. The following table apportions the monthly interest paid.

ASX Listed Entity	Loan amount	Interest rate charged	80% of this rate	Interest rate to be applied	Monthly Interest Payable	Monthly Interest Deduction	Monthly Put Option cost base
AMP	$50,038.84	15.20%	12.16%	12.16%	$633.83	$507.06	$126.77
BHP	$50,004.77	15.35%	12.28%	12.28%	$639.64	$511.72	$127.92
CSL	$50,263.84	15.75%	12.60%	12.35%	$659.71	$517.30	$142.41
WDC	$50,016.29	14.05%	11.24%	11.24%	$585.61	$468.49	$117.12
Total					**$2,518.79**	**$2,004.57**	**$514.22**

The investor holds separate Put Options for each bundle of Securities resulting in the need to separately record their cost base amounts.

The brokerage fee forms part of the cost base of the Securities for tax purposes.

5.1.2 During the life

a. Dividends

Our investor holds 2,425 WDC Securities in a Westpac PEL Plus portfolio which paid out a $0.50 fully franked dividend.

ACCOUNTING

The following accounting entries should be made on the ex-dividend date:

	DR	CR
Dividends receivable/Cash	$1,213	
Dividend income		$1,213

TAX

Refer to 4.2.1 for tax treatment of dividends.

Based on the above example, an individual investor who is a qualified person in relation to the dividend and entitled to franking benefits would include in their taxable income the cash dividend of $1,212.50 plus imputation credits of $519.64 (being $1,213 x 30/70). The investor would then be entitled to a tax offset of $519.64 when calculating their tax payable/refundable.

b. Portfolio Management

After 2 years, CSL Securities increased in value from $27.11 to $42.05. The investor did not think there was further upside for CSL Securities and wanted exposure to National Australia Bank Ltd Securities (ASX code NAB). Using the Portfolio Adjustment Facility the investor was able to sell the entire Parcel of 1,850 CSL Securities. The investor purchased 1,355 NAB Securities for an amount equal to the Loan applicable to the original CSL Securities. The investor received the surplus sale proceeds above the original Loan that related to the CSL Parcel after the Portfolio Adjustment Fee was paid. The fixed interest rate that applied to the original CSL Parcel also applied to the Loan associated with the NAB Parcel.

CSL Security price (purchase date)	$27.11
CSL Security price (sale date)	$42.05
Number of Securities	1,850

After the portfolio adjustment has taken place the investor received a trade contract note with the following trade details:

ASX listed entity	Buy/ sell	Security quantity	Value	Consideration	Brokerage
CSL	Sell	1,850	$42.05	$77,792.50	$171.14
NAB	Buy	1,355	$37.01	$50,148.55	$110.33

The new Loan amount is $50,258.88 being the consideration paid for the NAB Securities together with the associated brokerage.

Section 5 – Tax and Accounting examples – Westpac PEL Plus

(covered by the PDS dated 9 March 2004)

In addition, the investor received a cash amount calculated as follows:

Consideration (Sale of CSL Parcel of Securities)	$77,792.50
Brokerage	($171.14)
Loan relating to the CSL Parcel of Securities	($50,263.84)
Portfolio Adjustment Fee	($2,633.46)
Net proceeds paid to client	**$24,724.06**

*Please note the Portfolio Adjustment Fee is charged when the Put Option over the new Parcel of Securities is purchased.

ACCOUNTING

The following accounting entries should be made on the trade date:

	DR	CR
Cash	$24,724	
Investment in Securities – CSL		$50,264
Loan – Westpac ($50,263.64-$50,258.88)	$5	
Investment in Securities – NAB	$50,259	
Portfolio Adjustment Fee – P&L	$2,633	
Profit on sale of Securities*		$27,357

*Being total gain of $27,639, [($42.05-$27.11)x 1,850 shares], less brokerage relating to the CSL purchase ($110) and CSL sale ($171).

The next Westpac PEL Plus statement the investor received showed the following investment details reflecting the new Loan associated with the NAB Parcel of Securities:

ASX Listed Entity	Number of Securities	Loan Principal
NAB	1,355	$50,258.88
AMP	5,100	$50,038.84
BHP	1,700	$50,004.77
WDC	2,425	$50,016.29
Total		**$200,318.78**

As the total Loan principal has decreased, the monthly interest charge will now be $2,518.73 and the monthly interest expense accounting entry from 5.1 adjusted accordingly.

TAX

Portfolio Adjustment Fee

Refer to 4.2.2 for tax treatment of the Portfolio Adjustment Fee. In this example the fee of $2,633.46 is included in the cost base of the new Put Option provided by Westpac in respect of the NAB Parcel of Securities. The cost base of the NAB securities is $50,258.88 being made up of the purchase price and the brokerage.

Capital Gains Tax

The sale of the CSL Parcel of Securities results in two CGT events. The first is in relation to the CSL Parcel of Securities and the second is as a result of the expiry of the Put Option over those Securities.

(i) Disposal of CSL Securities

The capital gain arising on the disposal of the CSL Parcel of Securities is calculated as follows:

CSL Securities

Proceeds on disposal		$77,792.50
Less Cost Base comprising:		
Purchase price	$50,153.50	
Acquisition brokerage	$110.34	
Disposal brokerage	$171.14	($50,434.98)
Capital gain		**$27,357.52**

As the CSL Securities have been held for longer than 12 months the gain will be a discounted capital gain.

(ii) Expiry of the Put Option

The capital loss on disposal of the Put Option is calculated as follows:

CSL Put Option

Proceeds on expiry		$Nil
Less Cost Base comprising:		
24 Monthly cost base amounts ($142.41)	$3,417.84	($3,417.84)
Capital loss		**($3,417.84)**

(iii) Net capital gain

The capital loss made on disposal of the Put Option can be offset against the capital gain on the CSL Securities. For an individual investor who had no other capital gains or losses in the income year the net capital gain included in assessable income is calculated as follows:

Net capital gain

Capital gain on disposal of CSL Securities	$27,357.52
Less capital loss on expiry of the CSL Put Option	($3,417.84)
Net capital gain	$23,939.68
50% CGT discount	($11,969.84)
Net capital gain included in assessable income	**$11,969.84**

Section 5 – Tax and Accounting examples – Westpac PEL Plus

(covered by the PDS dated 9 March 2004)

5.1.3 Maturity of the Loan

At the maturity of the Loan, three of the Parcels of Securities have appreciated in value and one has declined, as set out below.

ASX Listed Entity	Loan Principal	Market value at maturity	Gain/Loss (before brokerage)	
			Without protection	With protection Under Westpac PEL
NAB	$50,258.88	$53,861.25	$3,602.37	$3,602.37
AMP	$50,038.84	$58,803.00	$8,764.16	$8,764.16
BHP	$50,004.77	$84,677.00	$34,672.23	$34,672.23
WDC	$50,016.29	$35,600.00	($14,416.29)	$0
Total	**$200,318.78**	**$232,941.25**	**$32,622.47**	**$47,038.76**

At maturity the value of the WDC Parcel of Securities is protected at $50,016.29 allowing the investor to hand the WDC Securities back to Westpac as repayment of the Loan associated with that Parcel. The investor chose to sell the remaining Parcels of Securities and received the following details in a trade contract note confirmation.

ASX Listed Entity	Buy/ sell	Security quantity	Value	Consideration	Brokerage
NAB	Sell	1,355	$39.75	$53,861.25	$118.49
AMP	Sell	5,100	$11.53	$58,803.00	$129.37
BHP	Sell	1,700	$49.81	$84,677.00	$186.29

As set out in the table below, the investor received net sale proceeds of $46,604.61 calculated as the consideration received on the Security sale less the Loan principal relating to each Parcel less brokerage costs on the sale.

	NAB	AMP	BHP	Total
Consideration	$53,861.25	$58,803.00	$84,677.00	
Loan Principal	($50,258.88)	($50,038.84)	($50,004.77)	
Brokerage on sale (+GST)	($118.49)	($129.37)	($186.29)	
Net Proceeds	**$3.483.88**	**$8.634.79**	**$34,485.94**	**$46,604.61**

ACCOUNTING

The following accounting entries should be made on the maturity date:

	DR	CR
Cash	$46,605	
Loan – Westpac	$200,319	
Investment in Securities – AMP		$50,039
Investment in Securities – BHP		$50,005
Investment in Securities – WDC		$50,016
Investment in Securities – NAB		$50,259
Profit on disposal of Securities		$46,605

TAX

Capital gains and losses must be calculated separately for each Parcel of Securities and each Put Option that expires at maturity. These gains and losses are calculated in this section.

(i) WDC Parcel of Securities

The Put Option held in respect of the WDC Parcel of Securities is exercised and the Securities are transferred to Westpac for their purchase price. Any capital gain or loss on the Put Option is disregarded and instead the cost base of the Put Option is included in the cost base of the WDC Parcel of Securities disposed of. The capital loss is calculated as follows:

WDC Securities

Proceeds on disposal		$50,016.29
Less Cost Base comprising:		
Purchase price	$49,906.50	
Acquisition brokerage	$109.79	
36 monthly Put Option cost base amounts ($117.12)	$4,216.32	($54,232.61)
Capital loss		**($4,216.32)**

Section 5 – Tax and Accounting examples – Westpac PEL Plus

(covered by the PDS dated 9 March 2004)

(ii) NAB, AMP and BHP Parcel of Securities

These Securities are disposed of for their market value. The associated Put Options expire and will result in capital losses. The calculations are as follows:

Securities	NAB	AMP	BHP
Proceeds on disposal	$53,861.25	$58,803.00	$84,677.00
Less Cost Base comprising:			
Purchase price	$50,148.55	$49,929.00	$49,895.00
Acquisition brokerage	$110.33	$109.84	$109.77
Disposal brokerage	$118.49	$129.37	$186.29
Capital gains	$3,483.88	$8,634.79	$34,485.94
Total capital gains			**$46,604.61**

The capital gains made on the AMP and BHP Securities are discounted capital gains (totalling $21,560.37). However, the NAB Securities were not held for more than 12 months prior to disposal and accordingly the capital gain on those Securities will not be a discounted gain.

Put Options	NAB	AMP	BHP
Proceeds on disposal	$Nil	$Nil	$Nil
Less Cost Base comprising:			
36 monthly amounts		$4,563.72	$4,605.12
Port. Adjustment Fee	$2,633.46		
12 monthly amounts	$1,708.92		
Capital losses	($4,342.38)	($4,563.72)	($4,605.12)
Total capital losses			**($13,511.22)**

(iii) Net capital gain

The capital losses made on disposal of the Put Options and WDC Parcel of Securities can be offset against the capital gain on the remaining Securities. For an individual investor who had no other capital gains or losses in the income year the net capital gain included in assessable income is calculated as follows:

Net capital gain	
Capital gains on disposal of NAB, AMP and BHP Parcel of Securities	$46,604.61
Less capital loss on disposal of the WDC Parcel of Securities	($4,216.32)
Less capital losses in expiry of the Put Options	($13,511.22)
Net capital gain	$28,877.07
50% CGT discount (50% of $28,877.07)	($14,438.54)
Net capital gain included in assessable income	**$14,438.54**

In this situation the investor has chosen to offset capital losses against the non-discounted gain on the NAB Parcel of Securities. This maximises the CGT discount available.

5.2 Securityholder Application for PEL Plus

5.2.1 Drawdown

An investor holds 20,000 Woolworths Ltd Securities (ASX code WOW) which were purchased several years ago at a price of $7.50 per Security. In October 2006, the investor wanted to release cash for other investments without triggering a CGT event. The investor applied for the PEL Plus as a Securityholder Applicant and used the value in the WOW Securities as security for the Loan. Under the PEL Plus the investor was able to lock-in the value of the Securities at the current market level and draw down a Loan for an amount equal to the value of the Parcel of Securities.

Using the Reduced Rate Facility the investor was able to obtain a lower fixed interest rate in exchange for a capped level of gains from the WOW Securities. Interest was paid annually in advance over a 3 year term.

ASX Listed Entity	Fixed interest rate (p.a.)	Fixed interest rate (p.a.) under the Reduced Rate Facility
Woolworths Ltd	12.95%	11.17%

Under the Westpac PEL Plus, Westpac takes a mortgage over the Securities, which are sponsored through CHESS by a Westpac-nominated sponsor. On the date the Loan is drawn down, interest is paid for the first year and the investor received $361,893 in cash being the current value of the WOW Securities less the first interest payment. The investor received an initial statement showing the following investment details:

ASX Listed Entity	Acquisition price	Number of Securities	Investment amount	Brokerage (incl. GST)	Loan Principal
WOW	$20.37	20,000	$407,400	$0	$407,400
			$407,400	**$0**	**$407,400**

Annual Interest	**$45,506.58**
Interest type	Fixed interest rate, paid yearly in advance
Cap Rate	150%
Participation Rate	25%

A Cap Rate of 150% means the investor is entitled to all of the increase in the value of the Parcel of Securities over the initial market price of $20.37 up to the Cap Price of $30.56 (being 150% of $20.37). The Participation Rate of 25% means the investor is entitled to 25% of the increase in market value over the Cap Price.

Section 5 – Tax and Accounting examples – Westpac PEL Plus

(covered by the PDS dated 9 March 2004)

ACCOUNTING

The following accounting entries should be made on the draw down date:

	DR	CR
Cash	$361,893	
Loan – Westpac		$407,400
Prepaid interest	$45,507	

The following accounting entries are made each month to expense the prepaid interest:

	DR	CR
Interest expense	$3,792	
Prepaid interest		$3,792

The accounting ledger still shows the investment in WOW Securities at the historic cost of $150,000 ($7.50 x 20,000).

TAX

Interest

For the taxation treatment of expenses, refer 4.1. Assuming the Loan proceeds are used for producing assessable income or for business purposes, it is necessary to apportion the cost of the Westpac PEL Plus between deductible interest and the cost of the capital protection in accordance with the approach outlined in Division 247. As the Loan was drawn down in October 2006, the interest deduction available is limited to the Reserve Bank Bulletin Indicator Lending Rates for personal unsecured loans (fixed) (12.50%) or 80% of the interest paid in respect of each Parcel of Securities. The following table apportions the monthly interest paid.

Security	Loan amount	Interest rate charged	80% of this rate	Interest rate to be applied	Annual interest payable	Annual interest deduction	Annual Put Option cost base
WOW	$407,400	11.17%	8.94%	8.94%	$45,506.58	$36,405.26	$9,101.32

Capital Gains Tax

The investor has not disposed of the WOW Securities and as a result does not trigger a CGT event.

5.2.2 During the life

The investor continues to receive all dividends from the WOW Parcel of Securities during the Loan period. Refer 5.1.2 for an illustrative accounting and taxation example.

5.2.3 Maturity of the Loan

At maturity, the WOW Security price has increased by 55% as set out below. The investor fully participates in any increase in the WOW Security price from its initial level up to 50% and receives 25% of any increase over this level.

WOW Security price (initial drawdown)	$20.37
WOW Security price (maturity)	$34.66
Cap price	$30.56
Participation rate	25%

The amount payable to Westpac is 75% of the amount by which the market value of the shares exceeds the Cap Price:

Market value	$34.66
Less: Cap Price	($30.56)
	$4.10
75% payable to Westpac	($3.08)
Participation per share	$ 1.02

The investor chose to repay the Loan of $407,400 and take full ownership of the WOW Parcel of Securities which are now worth $693,200. However, since the investor has capped their entitlement to any capital growth above the Cap Price, they will need to pay to Westpac a "Cash Settlement Amount" as calculated below:

	Per Security	Total consideration
Loan Repayment	$20.37	$407,400
Cash Settlement Amount – calculated as follows [($34.66-$30.56) x 75%]	$3.08	$61,600
Total amount owing to Westpac		**$469,000**

ACCOUNTING

The following accounting entries should be made on the maturity date:

	DR	CR
Loan – Westpac	$407,400	
Investment in Securities – WOW	$61,600	
Cash		$469,000

The investor's accounting ledger now shows the investment in WOW Securities at $211,600, being the historic cost of $150,000 plus the $61,600 Cash Settlement Amount. An unrealised profit now exists being $481,600 ($693,200-$211,600).

Section 5 – Tax and Accounting examples – Westpac PEL Plus

(covered by the PDS dated 9 March 2004)

TAX

Cash Settlement Fee

The Cash Settlement Fee is non-deductible. It is added to the cost base of the WOW Securities held by the investor.

Capital Gains Tax

As the investor has not disposed of the WOW Securities there is no CGT event in respect of the Securities on the maturation of the Loan. At maturity, the Put Option expires and this results in a capital loss, which is calculated in the table below.

Put Option

Proceeds on expiry	$Nil
Less Cost Base comprising: 3 annual cost base amounts ($9,085.02)	($27,303.96)
Capital loss	**($27,303.96)**

This capital loss may be available to offset against other capital gains derived by the investor.

5.3 Top-up Loan

5.3.1 Drawdown and purchase

In January 2007 an investor wanting to gain exposure to BHP Billiton Ltd, used the Westpac PEL to obtain funding for 50,000 Securities (ASX code: BHP). The investor selected a 5 year Westpac PEL Plus. The BHP Securities were purchased under the Westpac PEL Plus for $25.30 per Security. The investor chose a fixed interest rate for the Westpac PEL Plus and elected to pay interest monthly in arrears.

Company	ASX code	Fixed interest rate (p.a.)
BHP Billiton Ltd	BHP	13.20%

The investor received an initial statement showing the following investment details:

ASX Listed Entity	Acquisition price	Number of Securities	Investment amount	Brokerage (incl. GST)	Loan Principal
BHP	$25.30	50,000	$1,265,000	$2,783	$1,267,783

Interest	**$167,347.36**
Interest type	Fixed interest rate, paid monthly in arrears

ACCOUNTING

The following accounting entries should be made on the purchase date:

	DR	CR
Investment in securities – BHP	$1,267,783	
Loan – Westpac		$1,267,783

Brokerage is included in the cost of the investment.

The following accounting entries are made each month over the loan term to reflect interest, paid monthly in arrears.

Interest expense*	$13,946	
Cash		$13,946

*The interest expense may vary each month according to the number of days used in interest calculations.

TAX

For the taxation treatment of expenses, refer to 4.1. It is necessary to apportion the cost of the Westpac PEL Plus between deductible interest and the cost of the capital protection in accordance with the approach set out at 4.1 above.

As the Loan was drawn down in January 2007, the interest deduction available is limited to the Reserve Bank Bulletin Indicator Lending Rates for personal unsecured loans (fixed) (12.75%) or 85% of the interest payable each month in respect of each Parcel of Securities will be deductible for tax purposes. The following table apportions the monthly interest paid.

Security	Loan Amount	Interest rate charged	85% of this rate	Interest rate to be applied	Monthly Interest Payable	Monthly Interest Deduction	Monthly Put Option Cost Base
BHP	$1,267,783	13.20%	11.22%	11.22%	$13,945.61	$11,853.77	$2,091.84

The brokerage fee forms part of the cost base of the Securities for tax purposes.

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Tax and Accounting examples – Westpac PEL Plus
(covered by the PDS dated 9 March 2004)

5.3.2 During the life

Portfolio Management – Top-up Loan

By December 2007 the BHP shares have increased to $46.90, resulting in an increase in the value of the investor's portfolio of $1,080,000.00. The investor would like to use some of the additional value in the portfolio to diversify and decides to Top-up the Westpac PEL Plus portfolio.

Investment Step	Date	BHP share price	Loan Value	Protection level
Initial Loan	Jan 2007		$1,267,783	$25.30
Top-up	Nov 2007	$46.90	$2,345,000	$46.90
Increase in loan value over initial Loan			**$1,077,217**	

Using the Top-up Loan, the investor's Loan and level of protection were adjusted to $46.90 from $25.30 per Security. The new level of protection is set equal to the amount of the Loan, being $2,345,000. The increase in value of the BHP Securities is $1,080,000 and the Top-up Loan Amount is $1,077,217. The investor must pay a Top-up Fee and interest to Westpac, as set out in the table below, which will be deducted from the Top-up Loan amount.

Top-up Loan amount	$1,077,217
Top-up Fee payable	($60,217)
Interest (for the rest of December)	($5,925)
Total funds payable	**$1,011,075**

The funds were used to invest in other Securities.

ACCOUNTING

The following accounting entries should be made on the Top-up date:

	DR	CR
Investments	$1,011,075	
Borrowing costs	$60,217	
Interest expense	$5,925	
Loan – Westpac		$1,077,217

The next Westpac PEL Plus statement the investor received showed the following investment details reflecting the new loan associated with the BHP share parcel:

ASX Listed Entity	Number of Securities	Loan Principal
BHP	50,000	$2,345,000

As the total loan principal has increased, the monthly interest charge will now be $25,795 and the monthly interest expense accounting entry from 5.3 adjusted accordingly.

The borrowing costs are to be amortised over the remaining period of the loan.

TAX

Capital Gains Tax

There are no CGT consequences arising from the use of the Top-up Loan in relation to the original portfolio of Securities.

In this example the original Put Option expires, resulting in a capital loss as calculated in the table below.

Put Options

Proceeds on expiry		$Nil
Less Cost Base comprising:		
11 monthly cost base amounts ($2,091.84)	$23,010.24	($23,010.24)
Capital loss		**($23,010.24)**

This capital loss may be available to offset against other capital gains derived by the investor.

Top-up Fee

Refer to 4.2.2 for the tax treatment of the Top-up Fee. In this example, the Top-up Fee of $60,217 was included in the cost base of the new Put Option provided by Westpac.

Section 6 – Glossary

Assessable Income – Income that can be taxed before any tax deductions are taken into account. This includes dividends and potential franking credits.

Cap Price – the price up to which the investor will benefit from any growth in the value of the Securities. It is determined by multiplying the Cap Rate by the purchase price (or for Securityholder Applicants, the market price at the time the Loan is booked) of each Security.

Capital Protection – The Loan amount per Parcel of Securities is individually protected by the Put Option. There is no potential loss of Loan capital at maturity (unless there is a Corporate Action or certain limited Defaults).

Cash Applicant – Investors who apply for a Loan(s) to be advanced by Westpac to purchase Parcel(s) of Securities.

Cash Settlement – At maturity, under the Reduced Rate Facility, the investor retains the Parcel of Securities and pays Westpac the total amount owing, being the excess of the market value of the Securities at the Maturity Date above the Cap Price, multiplied by (1 – Participation Rate).

Cashback – Amount paid to a Securityholder Applicant by Westpac, equal to the guaranteed value of their Securities, less any government duties and taxes incurred by Westpac.

Capital Gains Tax (CGT) event – Different types of transactions or events that may result in a capital gain or capital loss. Some common CGT events include the disposal or transfer of shares or units and the distribution of a capital gain by a managed fund or trust.

Cost Base – The cost base of an asset is generally the cost of acquiring the asset and also includes certain other costs associated with acquiring, holding and disposing of the asset.

Discounted Capital Gains – A discounted capital gain is a capital gain that has been reduced by the CGT discount, being 50% for individual investors. A discounted capital gain can only arise from an asset that has been acquired at least 12 months before the CGT event.

Ex-dividend Date – The fourth business day before the company's Record Date (on which the company closes its register to determine which shareholders are registered to receive the dividend). By the ex-dividend date, the shareholder must have purchased the shares to be entitled to the dividend.

Franking Credits – Franking credits are income tax credits that a company can pass on to its shareholders.

Interest – Amount charged for both the borrowed funds and the Put Option for the Loan period as determined by a percentage of the Loan amount. The interest rate may be fixed (set for the term of the Loan) or variable (reset annually).

Loan – The borrowed amount per Parcel of Securities advanced to you by Westpac to acquire the Securities, or the amount advanced to Securityholder Applicants relating to their prior holdings of Securities.

Parcel – Each holding of Securities in one class issued by the one Australian listed entity.

Participation Rate – The percentage of any growth in the value of the Securities above the Cap Price that will be retained by the investor.

PDS – Product Disclosure Statement.

Physical Settlement – At maturity, under the Reduced Rate Facility, the investor transfers the Securities to Westpac, and receives from Westpac an amount equal to the excess of the Physical Settlement Amount above the Loan amount.

Physical Settlement Amount – If, at maturity, the market value of the Securities is equal to or greater than the Cap Price, the investor transfers the Securities to Westpac and receives from Westpac the amount equal to the Cap Price. If the Participation Rate has been selected, they also receive in cash the Participation Rate multiplied by the excess of the market value above the Cap Price.

Qualified Person – A person who satisfies certain tax rules and thus entitled to claim the benefit of franking credits. In relation to a franked dividend, an investor must satisfy two rules: the "holding period rule" (which requires that the shares are held at risk for a specific period) and the "related payments rule" (which requires that, where any shareholder is obliged to pass the benefit of dividends on to others, the shareholder must hold the shares at risk for a specific period).

There is an exemption from these rules for individuals whose franking credit entitlement in any one year does not exceed $5,000.

Each investor should seek independent advice as to whether they will be treated as a "qualified person".

Reduced Cost Base – Where an asset is disposed of and no capital gain arises, the asset's reduced cost base is required to calculate whether there is a capital loss. The reduced cost base does not include any costs incurred that have been (or can be) claimed as deductions.

Reduced Rate Facility – Reduced interest rates on the Loan are available by foregoing a portion of any capital growth in the Securities above the Cap Price. Any capital growth up to the Cap Price will be retained by the investor. Two variables to be set are the Cap Price and Participation Rate.

Securityholder Applicant – Investors who already hold fully paid Securities and transfer these Securities to Westpac to receive a Loan amount equal to the market price of the Securities.

SIS Act – Superannuation Industry (Supervision) Act 1993.

Small Business Entity – An individual or small business which has chosen to apply the Small Business Tax Concession.

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