

BT Superannuation Savings Fund

Annual Report

For the year ended 30 June 2011



Features at a glance

1 24 hour account access

- Make transactions on your account at any time, using BT Online or BT Link, our internet and automated phone services.

2 Roll over your other super accounts

- Consolidate your super using our Easy Rollover Tool at www.bt.com.au/consolidation. Alternatively, you may complete a Request to Transfer form available on our website or by contacting the BT Contact Centre, and send the completed form to your other super fund(s).

Investment overview

Understanding the risks of investing

No matter which investment option you choose to invest in, there will always be some level of investment risk. The variability of returns is known as investment risk. Generally, the higher level of risk you are prepared to accept, the higher the potential returns, or losses.

Risk can be managed and even minimised, but cannot be eliminated and there is always a chance you may lose money on any investments you make. You should be aware of these risks when investing and understand that not all risks are foreseeable.

Some common types of investment risks are outlined in the table below.

Risk type	Description of risk
Market risk	Markets are subject to a host of factors, including economic conditions, government regulations, market sentiment, local and international political events and environmental and technological issues. Market risk may have different impacts on each investment and investment style in that market at different times.
Security specific risk	An investment in a company may be affected by unexpected changes in that company's operations (such as changes in management or loss of a big customer) and business environment.
International investments risk	Investing internationally in one of the major asset classes will give exposure to different or potentially greater risks that are not associated with investing in Australia. International investments may be more affected by political and economic uncertainties, lower regulatory supervision, movements in foreign currency and interest rates and more volatile, less liquid markets.
Currency risk	For investments in international assets, a rise in the Australian dollar relative to other currencies, may negatively impact investment values and returns.
Interest rate risk	Changes in interest rates can have a direct or indirect impact on the investment value and/or returns of all types of assets. Interest rates may affect a company's cost of borrowings as well as the value of fixed interest securities.
Credit risk	Credit risk refers to a risk of loss arising from the failure of a borrower or other party to a contract to meet its obligations. This may arise in securities such as derivatives, fixed interest securities and mortgage securities.
Liquidity risk	This is the risk that an investment may not be easily converted into cash with little or no loss of capital and minimum delay because of either inadequate market depth or disruptions in the market place. Securities of small companies in particular may, from time to time, and especially in falling markets, become less liquid.
Derivative risk	The value of derivatives is linked to the value of the underlying assets and can be highly volatile. Potential gains and losses from derivative transactions can be substantial.

Investment overview

Derivatives

These are investments whose value is derived from other assets, such as shares, and may be used as part of the portfolio management process. Futures contracts and options are examples of derivatives.

Derivatives may be used to reduce risk and can act as a hedge against adverse movements in a particular market and/or in the underlying asset. Derivatives can also be used to gain exposure to assets and markets. While derivatives offer the opportunity for significantly higher gains from a smaller investment (because of the effective exposure obtained) they can also produce significantly higher losses, sometimes in excess of the amount invested.

The Fund does not invest directly in derivative securities and the use of derivatives to gear the investment options is not permitted.

Net earnings

The earnings rate for members in the investment option is reflected in the price of the units, rather than being credited or debited against the accounts of members. A change in the value of the members' unit price includes the net earnings of supporting assets in the investment option.

Net value of an investment option

The net value of an investment option is the value of all investments and cash held by the investment option less amounts owing or payable in respect of the investment option including any provision that is considered necessary. For example, provision might be made for possible future losses on an investment that is considered to be overvalued or cannot be fairly determined. A full description of the valuation method is given in the Trust Deed.

Unit pricing

We can change the way in which we calculate unit prices, as well as the buy/sell spread used. Information regarding any such change will be available on our website or by calling the BT Contact Centre. Notice will not ordinarily be provided, however we may provide notice on our website, or in the next regular communication.

Investment profile

The Investment Profile section gives you a snapshot of the BT Superannuation Savings Fund together with other information about the investment option available within the fund including:

- the full range of investment options available within the Fund;
- the investment objectives and strategy of each investment option; and
- asset allocation information, including strategic range, target position and allocations for 30 June 2010 and 30 June 2011.

The Fund currently invests through a life policy issued by Westpac Life Insurance Services Limited (represents 100% of the Fund).

The following table will assist you with understanding the investment option profile.

Investment Objective	The investment objective for each investment option represents our current target, which may change over time. These aims may not be achieved and we do not forecast or guarantee the future performance of any investment option.
Strategy	The strategy describes the process used by the investment managers when investing in the relevant asset classes to achieve the investment objective.
Asset allocation Target Position (TP) and strategic ranges	This section provides details on the asset classes, in which each investment option invests and the asset allocation target position and ranges for each investment option. The asset allocation target position is the starting point for all asset allocation decisions. We will actively adjust the exposure within the specified ranges to maximise the investment option's investment returns.

BT Superannuation Savings Fund (APIR WFS0402AU)

Investment objective

The Fund Manager's objective for the Fund is to maximise returns while maintaining an investment which is not usually subject to fluctuations in capital value.

Strategy

The Fund Manager aims to meet this objective by investing either directly in assets or indirectly through collective investments (such as life policies or unit trusts) so that:

- the majority of the underlying investments of the Fund are short-term liquid assets such as bank bills;
- a portion of the underlying investments of the Fund may have an exposure to a broad range of securities such as Australian and overseas corporate bonds in order to enhance returns.

Returns from any underlying overseas securities are protected from exchange rate fluctuations and are payable in Australian dollars on a floating rate basis.

The following table shows the actual mix between the underlying assets at 30 June 2010 and 30 June 2011:

	Asset mix at 30 June 2011	Asset mix at 30 June 2010
Sector	%	%
Cash	100	100

Performance

Performance figures are calculated in accordance with the Financial Services Council (FSC) standards.

Total returns are calculated:

- using withdrawal prices appropriate for the month end;
- taking into account management costs of the relevant investment option; and
- taking into account earnings tax up to a maximum of 15% plus withholding tax paid on foreign income (if any).

Certain other fees such as Contribution fees or Withdrawal fees (if any) are not taken into account.

The latest performance information and more about how performance is calculated is available from our website, the BT Contact Centre or your financial adviser.

Investment returns are historical. Investment returns can go up and down and past performance is not a reliable indicator of future performance. Future performance is not guaranteed.

Portfolio	Start date	One year returns to 30 June					Compound average 10 year (%pa) annual returns to 30 June 2011
		2007 %	2008 %	2009 %	2010 %	2011 %	
Diversified							
BT Superannuation Savings Fund (APIR WFS0402AU)	January 1981	4.16	4.97	3.63	2.21	3.59	3.63

Fees and other costs

Fees and charges are either charged directly to your account or are reflected in the unit price calculation. The amount and method of allocating fees and expenses may change from time to time. The Trustee will notify you of any significant change. The current fee and cost structures as at 30 June 2011 are:

Indirect Cost Ratio

This is the amount you pay for specific investment options and includes management costs, issuer fees and any expense recovery fees. It is calculated on the asset value of the investment options daily and generally deducted half-yearly and reflected in the unit price. The Indirect Cost Ratio may include a commission payable to your financial adviser.

	Indirect Cost Ratio (% pa)*
BT Superannuation Savings Fund	1.46

* Based on latest available information 30 June 2011

Administration fee

An administration fee of \$10 per half-year per member is deducted from members' accounts held as at 31 March and 30 September each year.

Contribution fee

A contribution fee of 3% applies directly against contributions as they are received. A fee of 1% applies to transfers of superannuation benefits into the Fund.

Exit fee

The exit fee is nil.

Tax and GST

If GST becomes payable in connection with the Fund (or any associated payment, fees or charges) we are recover an extra amount from you for the GST (and associated expenses) or to reduce any payment due to you by that amount.

The Fund may claim input tax credits, or reduced input tax credits, in respect of the GST component of some fees. Members will not be liable for GST on their investment in the Fund.

The benefit of any tax deductions is passed on to members in the form of a reduced fee or cost. Refer to the 'How super is taxed' section for more information on tax.

Other important information

Recent developments in superannuation

2011/12 superannuation thresholds

The superannuation contributions caps and various other superannuation thresholds that apply for the 2011/12 financial year are as follows:

Low rate cap:	\$165,000
Concessional contributions cap:	
— Age 50 or over	\$50,000
— Under age 50	\$25,000
Non-concessional contributions cap:	\$150,000 ¹
Capital Gains Tax (CGT) Cap (lifetime limit):	\$1,205,000
Government Co-contributions:	
— Maximum co-contribution ²	\$1,000
— Lower threshold	\$31,920
— Upper threshold (cut off)	\$61,920

Flood Levy

The Government has introduced a Temporary Flood and Cyclone Reconstruction Levy (flood levy) applying for the 2011/12 financial year only. The flood levy will apply to Australian and foreign resident individuals who have a taxable income over \$50,000 in the 2011/12 financial year. This means the flood levy applies to certain payments from superannuation that are included in your taxable income.

If you are under age 60 when you receive a lump sum superannuation payment in 2011/12, flood levy of up to 1% may be withheld from the taxable component in addition to the current rates of withholding tax.

Flood levy will not apply to lump sum payments you receive in 2011/12 if:

- you are aged 60 or over
- the taxable component of the payment is \$50,000 or less
- you have not provided your Tax File Number (TFN) (tax will be withheld from the taxable component at the top marginal rate, 46.5% for residents and 45% for non-residents)
- the total payment is less than \$200 and is your entire superannuation benefit
- you receive the payment because you have a terminal medical condition
- the payment is a Departing Australia Superannuation Payment (DASP)

In addition, no flood levy will be payable for a superannuation lump sum payment paid as a result of the death of a member to a beneficiary who is a dependant for tax purposes.

You may be exempt from paying the flood levy if you:

- were eligible for an Australian Government Disaster Recovery Payment for a natural disaster that occurred during 2010/11 and you received the payment before 30 June 2012
- were affected by an event that occurred during 2010/11 declared as a natural disaster under the Natural Disaster Relief and Recovery Arrangements and meet certain other criteria
- received an ex-gratia payment from Centrelink before 30 June 2012 because you are a New Zealand citizen holding a special category visa and were not eligible to receive an Australian Government Disaster Recovery Payment.

Additional conditions apply. Further information is available at www.ato.gov.au.

Consolidating multiple superannuation accounts within the same fund

From the later of a date to be fixed by proclamation and 1 January 2012, a superannuation fund may use a member's TFN to determine whether an individual has multiple accounts within the same superannuation fund. The superannuation fund may, with the individual's consent, consolidate these accounts into a single account.

Centrelink now administers claims for super on compassionate grounds

From 1 November 2011, the Australian Prudential Regulation Authority (APRA) no longer approves requests for early release of superannuation on compassionate grounds. All applications for the early release of superannuation benefits on compassionate grounds should now be made to the Department of Human Services (Centrelink). For further information about how to apply visit www.centrelink.gov.au and search "superannuation early release".

Personal income tax cuts from 1 July 2012

To help offset the impact of the carbon price, the Government is making structural improvements to the tax system including widespread tax cuts. These changes will result in tax cuts for individuals with a taxable income of up to \$80,000 in the 2012/13 financial year.

¹ If you were under age 65 on 1 July 2010 you may be able to make up to \$450,000 of non-concessional contributions over three financial years.

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

Other important information

This means that less tax may be withheld from income payments you receive from your pension from 1 July 2012. In addition, you may no longer need to lodge an income tax return from the 2012/13 financial year onward. Some individuals may, however, need to lodge a tax return for other purposes such as eligibility for the Government co-contribution and Family Tax Benefit and Family Tax Benefit.

The changes that will apply to personal income tax rates and thresholds include:

- an increase in the tax free threshold from \$6,000 to \$18,200 from 1 July 2012 and to \$19,400 from 1 July 2015.
- increasing the marginal tax rates of 15% and 30% to 19% and 32.5% respectively from 1 July 2012. From 1 July 2015, the 32.5% rate will increase to 33%.

The following changes will apply to the Low Income Tax Offset (LITO):

- from 1 July 2012, LITO will reduce from \$1,500 to \$445. However the threshold where LITO starts to taper will be increased to \$37,000 and the taper rate will improve from 4% to 1.5%.
- From 1 July 2015, LITO will reduce to \$300 and the taper rate will improve further to 1%. There will be no change to the threshold where tapering starts.

The table below summarises these tax changes and the new effective tax-free thresholds created.

2011/12		From 2012/13		From 2015/16	
Income Threshold \$	Marginal rate*	Income Threshold \$	Marginal rate*	Income Threshold \$	Marginal rate*
Up to 6,000	Nil	Up to 18,200	Nil	Up to 19,400	Nil
6,001–37,000	15%	18,201–37,000	19%	19,401–37,000	19%
37,001–80,000	30%	37,001–80,000	32.5%	37,001–80,000	33%
80,001–180,000	37%	80,001–180,000	37%	80,001–180,000	37%
180,001+	45%	180,001+	45%	180,001+	45%
Maximum LITO of \$1,500 creates an effective tax-free threshold of \$16,000. LITO starts to taper at 4% from \$30,000.		Maximum LITO of \$445 creates an effective tax-free threshold of \$20,542. LITO starts to taper at 1.5% from \$37,000.		Maximum LITO of \$300 creates an effective tax-free threshold of \$20,979. LITO starts to taper at 1% from \$37,000.	

* excludes Medicare Levy of 1.5%

Other important information

Upcoming legislative change

The following items are Government announcements only and are not yet law. Legislation would need to be passed by parliament to make these proposals law.

1_Refund of excess concessional contributions where breach less than \$10,000

The Government has proposed a one-off opportunity for those who breach their concessional contributions cap by \$10,000 or less to request their excess contributions to be refunded from their superannuation fund. Excess contributions refunded under this measure would be taxed at the individual's marginal tax rate.

If this proposal becomes law, the refund option will only be available for first-time breaches of the concessional contributions cap and only in respect of contributions made in the 2011/12 financial year or later years. It is therefore expected that this measure will not be available to individuals who have breached their concessional contributions cap in a financial year prior to 2011/12. It is not proposed to index the \$10,000 threshold.

2_Concessional contributions cap for members aged 50 or over

Currently there is a transitional concessional contributions cap of \$50,000, for those aged 50 or over, which ends on 30 June 2012.

The Government has proposed, from 1 July 2012, the concessional contributions cap of \$50,000 will continue to apply for individuals aged 50 or over, provided they have a total superannuation balance of less than \$500,000. Unlike the current transitional cap which is fixed at \$50,000, the new cap is proposed to increase over time remaining \$25,000 higher than the standard concessional contributions cap for those under 50 years of age.

Unclaimed money

From 1 July 2010, the Trustee is required to transfer to the ATO an account of a lost member:

- with a balance of less than \$200; or
- which has been inactive for a period of five years and the trustee is satisfied that it will never be possible to pay an amount to the member.

If your account balance is transferred you will be able to reclaim it from the ATO.

Superannuation Contribution Surcharge

If you are liable for superannuation contribution surcharge the amount will be deducted from your account.

Treatment of accounts of temporary residents who have left Australia

The Australian Government requires the BT Superannuation Savings Fund Trustee to pay temporary residents' unclaimed superannuation to the ATO after at least 6 months have passed since the later of:

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

The ATO identifies and informs the Trustee of the impacted members on a twice yearly basis. Once the benefit has been transferred to the ATO, investors are required to claim the benefit directly from the ATO (www.ato.gov.au).

The Australian Securities and Investment Commission has issued industry wide relief exempting Trustees of regulated superannuation funds from providing exit statements to temporary residents who cease to hold a superannuation account as a result of the transfer of that account to the Australian Tax Office (ATO) under the super unclaimed money legislation. On this basis, the Trustee of the BT Superannuation Savings Fund will not issue exit documentation for temporary residents where an account balance has been paid to the ATO as unclaimed money.

In the event that the benefit has not yet been transferred to the ATO, investors are able to claim it from the BT Superannuation Savings Fund under the Departing Australia Superannuation Payments (DASP) regime.

Complaints

We have arrangements for dealing with members' questions or complaints about the operation or management of the Fund. If you have a concern or a complaint, please contact the BT Contact Centre on 132 135. Where possible, member concerns received over the telephone are resolved at that time. If your concerns cannot be resolved in this way, you can outline your complaint in writing to:

The Complaints Officer
BT Financial Group
GPO Box 2675
Sydney NSW 2001

Other important information

The Complaints Officer will endeavour to resolve your complaint within 30 days of receiving your letter and is required by law to deal with your enquiry or complaint within 90 days. However, if you are not satisfied with the response, or have not received a response within 90 days, you may contact the Superannuation Complaints Tribunal (the Tribunal):

- by calling 1300 884 114; or
- writing to:
Superannuation Complaints Tribunal
Locked Bag 3060
Melbourne VIC 3001

The Tribunal is an independent body established by the Government to help members of super funds resolve complaints. The Tribunal will attempt to resolve your complaint through conciliation, helping you and us to reach an agreement. If your dispute cannot be resolved through conciliation, the Tribunal may make a binding determination.

Eligible Rollover Fund

The Eligible Rollover Fund (ERF) currently selected by us is:

SuperTrace Eligible Rollover Fund
Locked Bag 5429
Parramatta NSW 2124

If your investment is transferred to SuperTrace:

- you will cease to be a member in the Fund and any insurance cover provided will also cease
- you will need to contact the SuperTrace Administrator on 1300 788 750 in order to claim your investment back or deal with your investment
- you will not be able to make contributions to the ERF
- you will not have investment choice — the trustee of the ERF will nominate the investment strategy
- the ERF will normally ensure that your benefits will not be eroded by administration fees and charges however other fees may apply. Please refer to the ERF's disclosure document for more details.

Your investment currently may be transferred to an ERF in the following circumstances:

- If you become a lost member, that is, one piece of written communication has been returned unclaimed, or we have never received your address details unless during the last five years we have verified that your address is correct and have no reason to believe it is not correct. (It is important that you inform us of any changes to your address details so that you are not transferred to the ERF. Trustees of regulated super funds report details of lost members to the ATO, which maintains a lost members register. Persons may search the register to ascertain whether they have benefits which are lost).

- If your investment balance falls below the minimum balance (currently \$1,200) you will be requested to make an additional investment to increase your balance over \$1,200. If you do not increase your investment, it may be transferred to the ERF.
- If you request to transfer your benefit to another fund and we cannot process that request due to insufficient information, or the other fund returns the money to us as they have been unable to process the request.
- You have requested a cash payment but you fail to present the cheque and the cheque goes stale.
- In any other circumstances permitted under superannuation law.

Indemnity insurance

The Trustee is indemnified by a policy of insurance in respect of its duties as trustee of the Fund.

Financial information

As permitted by the Corporations Act, certain financial and investment information has not been included in this report on the basis that the Fund invests 100% of its assets through a life policy. Copies of the complete audited financial statements and the auditor's report are currently available from Westpac Securities Administration Limited, Level 20, 275 Kent Street, Sydney NSW 2000 or by calling the BT Contact Centre on 132 135, Monday to Friday, 8.00am to 6.30pm (Sydney time).

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