BT Sustainable Balanced Fund

ABN 41 447 162 879

Annual report - for the year ended 30 June 2011

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Contents

These financial statements cover BT Sustainable Balanced Fund as an individual entity and the consolidated entity consisting of BT Sustainable Balanced Fund and its subsidiary.

The Manager and Trustee of BT Sustainable Balanced Fund is BT Investment Management (RE) Limited (ABN 17 126 390 627). The Manager and Trustee's registered office is Level 14, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000.

Statements of comprehensive income

	Notes	Consolidated Year ended 30 June 2011 $'000	Consolidated Year ended 30 June 2010 $'000	Parent Year ended 30 June 2011 $'000	Parent Year ended 30 June 2010 $'000
Investment income					
Interest income	4	**1,179**	787	**1,177**	787
Dividend income		**128**	-	**-**	-
Distribution income		**4,522**	1,771	**4,480**	1,771
Net gains/(losses) on financial instruments held at fair value through profit or loss	6	**1,709**	1,679	**2,455**	1,679
Other investment income		**10**	1	**10**	1
Total net investment income/(loss)		**7,548**	4,238	**8,122**	4,238
Expenses					
Manager's and Trustee's fees	13	**665**	434	**609**	434
Transaction costs		**12**	1	**5**	1
Total operating expenses		**677**	435	**614**	435
Operating profit/(loss)		**6,871**	3,803	**7,508**	3,803
Finance costs attributable to unitholders					
Distributions to unitholders of the parent entity	8	**(5,080)**	(2,603)	**(5,080)**	(2,603)
Distributions to non-controlling interests		**(5,422)**	-	**-**	-
(Increase)/decrease in net assets attributable to unitholders of the parent entity	7	**(2,428)**	(1,200)	**(2,428)**	(1,200)
(Increase)/decrease in net assets attributable to non-controlling interests		**6,059**	-	**-**	-
Profit/(loss) for the year		**-**	-	**-**	-
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income		**-**	-	**-**	-

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

Balance sheets

	Notes	Consolidated As at 30 June 2011 $'000	Consolidated As at 30 June 2010 $'000	Parent As at 30 June 2011 $'000	Parent As at 30 June 2010 $'000
Assets					
Cash and cash equivalents	9	**21,198**	15,163	**20,296**	15,163
Margin accounts		**182**	13	**152**	13
Accrued income		**2,964**	635	**2,075**	635
Due from brokers - receivable for securities sold		**33**	-	**-**	-
Receivables		**1,022**	1,137	**1,014**	1,137
Financial assets held at fair value through profit or loss	10	**146,552**	79,500	**119,150**	79,500
Total assets		**171,951**	96,448	**142,687**	96,448
Liabilities					
Distribution payable	8	**2,706**	677	**2,682**	677
Due to brokers - payable for securities purchased		**385**	400	**-**	400
Payables		**96**	39	**55**	39
Financial liabilities held at fair value through profit or loss	11	**23**	-	**23**	-
Net assets attributable to non-controlling interests (redemption price of units)		**28,814**	-	**-**	-
Total liabilities (excluding net assets attributable to unitholders of the parent entity)		**32,024**	1,116	**2,760**	1,116
Net assets attributable to unitholders of the parent entity - liability	7	**139,927**	95,332	**139,927**	95,332

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of changes in equity

	Consolidated Year ended		Parent Year ended	
	30 June 2011 $'000	30 June 2010 $'000	**30 June 2011 $'000**	30 June 2010 $'000
Total equity at the beginning of the financial year	**-**	-	**-**	-
Profit/(loss) for the year	**-**	-	**-**	-
Other comprehensive income	**-**	-	**-**	-
Total comprehensive income	**-**	-	**-**	-
Transactions with owners in their capacity as owners	**-**	-	**-**	-
Total equity at the end of the financial year	**-**	-	**-**	-

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or end of the year.

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of cash flows

	Notes	Consolidated Year ended 30 June 2011 $'000	Consolidated Year ended 30 June 2010 $'000	Parent Year ended 30 June 2011 $'000	Parent Year ended 30 June 2010 $'000
Cash flows from operating activities					
Proceeds from sale of financial instruments held at fair value through profit or loss		**10,474**	18,487	**4,609**	18,487
Purchase of financial instruments held at fair value through profit or loss		**(49,315)**	(54,028)	**(40,028)**	(54,028)
Transaction costs		**(12)**	(1)	**(5)**	(1)
Dividends received		**122**	-	**-**	-
Interest received		**1,043**	758	**1,038**	758
Distributions received		**900**	372	**887**	372
Other income received		**21**	3	**6**	3
Manager fees received/(paid)		**(694)**	(419)	**(593)**	(419)
Net cash inflow/(outflow) from operating activities	16(a)	**(37,461)**	(34,828)	**(34,086)**	(34,828)
Cash flows from investing activities					
Net cash inflow on acquisition of subsidiary		**1,149**	-	**-**	-
Net cash inflow/(outflow) from investing activities		**1,149**	-	**-**	-
Cash flows from financing activities					
Proceeds from applications by unitholders		**53,824**	52,998	**50,445**	52,998
Payments for redemptions by unitholders		**(11,470)**	(9,075)	**(11,219)**	(9,075)
Distributions paid		**(7)**	(248)	**(7)**	(248)
Net cash inflow/(outflow) from financing activities		**42,347**	43,675	**39,219**	43,675
Net increase/(decrease) in cash and cash equivalents		**6,035**	8,847	**5,133**	8,847
Cash and cash equivalents at the beginning of the year		**15,163**	6,316	**15,163**	6,316
Cash and cash equivalents at the end of the year	9	**21,198**	15,163	**20,296**	15,163
Non-cash financing activities	16(b)				

The above statements of cash flows should be read in conjunction with the accompanying notes.

1 General information

These financial statements include separate financial statements for BT Sustainable Balanced Fund ("the Fund") as an individual entity and the consolidated entity consisting of BT Sustainable Balanced Fund and its subsidiary, BT Wholesale Australian Sustainable Share Fund (formerly known as BT Institutional Australian Sustainability Share Fund) (ARSN 097 661 857). The Fund gained control of BT Wholesale Australian Sustainable Share Fund on 20 May 2011. The Fund was constituted on 7 August 1984.

The Manager and Trustee of the Fund is BT Investment Management (RE) Limited (the "Manager and Trustee"). The Manager and Trustee's registered office is Level 14, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000. The financial statements are presented in Australian currency.

The financial statements were authorised for issue by the directors on 15 September 2011. The directors of the Manager and Trustee have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Trust Deed*.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

Compliance with International Financial Reporting Standards

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BT Sustainable Balanced Fund ("the parent entity") as at 30 June 2011 and the results of all subsidiaries for the year then ended. BT Sustainable Balanced Fund and its subsidiary together are referred to in these financial statements as the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Fund has the power to govern the financial and operating policies, generally accompanying a unitholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Fund. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for obtaining control of subsidiaries by the Fund.

All transactions (including gains and losses) and balances between entities in the consolidated group are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Fund.

Non-controlling interests in the results and net assets of subsidiaries are shown separately in the consolidated statements of comprehensive income and balance sheets respectively.

Investments in subsidiaries are accounted for at fair value through profit or loss in the separate financial statements of the parent entity.

The Fund acquires units in subsidiaries at their unit price which reflects the fair value of the units in the subsidiary.

2 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(ii) Changes in ownership interests

The consolidated entity treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the consolidated entity. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in net assets attributable to unitholders and non-controlling interests.

When the Fund ceases to have control, joint control or significant influence, any retained interest in the subsidiary is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of the subsidiary are accounted for as if the Fund had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Financial instruments

(i) Classification

The consolidated entity's and the Fund's investments are classified as at fair value through profit or loss. They comprise:

- Financial instruments held for trading

  Derivative financial instruments such as futures, forward contracts, warrants, options and swaps are included under this classification. The consolidated entity and the Fund do not designate any derivatives as hedges in a hedging relationship.

- Financial instruments designated at fair value through profit or loss upon initial recognition

  These include financial assets and financial liabilities that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments, unlisted unit trusts, unlisted equity instruments and commercial paper.

  Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the consolidated entity's and the Fund's documented investment strategy. The consolidated entity's and the Fund's policy is for the Manager and Trustee to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

(ii) Recognition/derecognition

The consolidated entity and the Fund recognise financial assets and financial liabilities on the date they become party to the contractual agreement (trade date) and recognise changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the consolidated entity and the Fund have transferred substantially all risks and rewards of ownership.

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss

At initial recognition, the consolidated entity and the Fund measure a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statements of comprehensive income.

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the consolidated entity and the Fund is the current bid price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the consolidated entity and the Fund recognise the difference in profit or loss to reflect a change in factors, including time, which market participants would consider in setting a price.

Further details on how the fair values of financial instruments are determined are disclosed in note 3.

Loans and receivables

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(d) Investments in subsidiaries

Investments in subsidiaries are measured in accordance with note 2(c).

(e) Business combinations

Business combinations relate to the acquisition by the Fund of controlling interests in other entities. The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the consideration given plus costs directly attributable to the acquisition.

The Fund acquires units in trusts at their unit price which reflects the fair value of the units in the trust.

(f) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities as the Fund is required to distribute its distributable income. The units can be put back to the Fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to redeem units in the Fund.

2 Summary of significant accounting policies (continued)

(g) Cash and cash equivalents

For the purpose of presentation in the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, cash management trusts and bank overdrafts.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

(h) Investment income

Interest income and expenses are recognised in the statement of comprehensive income for all debt instruments using the effective interest method.

Interest income is recognised in the statement of comprehensive income as it accrues, using the original effective interest rate of the instrument calculated at acquisition or origination date. Interest income includes the amortisation of any discount or premium or other differences between initial carrying amount of an interest-bearing instrument and its amount calculated on an effective interest rate basis.

Trust distributions (including distributions from cash management trusts) are recognised on a present entitlement basis.

(i) Expenses

All expenses, including Manager and Trustee's fees, are recognised in the statement of comprehensive income on an accruals basis.

(j) Income tax

Under current legislation, the Fund is not subject to income tax provided the income of the Fund is distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Fund).

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

(k) Distributions

In accordance with the Trust Deed, the Fund distributes its distributable income, and any other amounts determined by the Manager and Trustee, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(l) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

2 Summary of significant accounting policies (continued)

(m) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and for equities normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the consolidated entity and the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

(n) Accrued income

Accrued income may include amounts for dividends, trust distributions and interest. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(h) above. Amounts are generally received within 45 days of being recorded as receivables.

(o) Receivables

Receivables include such items as Reduced Input Tax Credits (RITC) and application monies receivable from unitholders.

(p) Payables

Payables include liabilities, accrued expenses and redemption monies owing by the Fund which are unpaid as at the end of the reporting period.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately in the balance sheets when unitholders are presently entitled to the distributable income under the Trust Deed.

(q) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as investment management fees have been passed onto the Fund. The Fund qualifies for RITC at a rate of 75%; hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheets. Cash flows relating to GST are included in the statements of cash flows on a gross basis.

(r) Use of estimates

The consolidated entity and the Fund make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example, over-the-counter derivatives or unquoted securities are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Manager and Trustee, independent of the area that created them. Models are calibrated by back testing to actual transactions to ensure that outputs are reliable.

To the extent practicable, models use observable data. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2 Summary of significant accounting policies (continued)

(r) Use of estimates (continued)

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period. Management's assessment of the impact of these new standards (to the extent relevant to the consolidated entity and the Fund) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010 *Amendment to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.

AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded.

The consolidated entity and the Fund have not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the financial statements as the consolidated entity and the Fund do not hold any available-for-sale investments.

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures.* It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities. The consolidated entity and the Fund will apply the amended standard from 1 July 2011. The amendments are not expected to have any effect on the financial statements.

(iii) AASB 2010-6 *Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB issued AASB 2010-6 *Disclosures on Transfers of Financial Assets* which amends AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 7 *Financial Instruments: Disclosures* to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments are not expected to have any impact on the consolidated entity's and the Fund's disclosures. The consolidated entity and the Fund intend to apply the amendment from 1 July 2011.

(iv) *Amendments to* AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual reporting periods beginning on or after 1 July 2010 / 1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The consolidated entity and the Fund do not expect that any adjustments will be necessary as the result of applying the revised rules.

(t) Rounding of amounts

The consolidated entity and the Fund are entities of the kind referred to in Class Order 98/100 (as amended), issued by ASIC, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

2 Summary of significant accounting policies (continued)

(u) Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls.

3 Financial risk management

The consolidated entity's and the Fund's activities expose them to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

Consolidated entity

The consolidated entity's financial risk is managed by each of the investment managers of the individual unit trusts within the consolidated entity. No other risk management occurs for the consolidated entity.

Parent entity

The Fund's overall risk management programme focuses on ensuring compliance with the governing documents of the Fund and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. The Fund may also use (or uses) derivative financial instruments to alter certain risk exposures. Financial risk management is carried out by the investment manager.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ratings analysis for credit risk.

The investment manager mitigates these financial risks through diversification and a careful selection of securities and other financial instruments within specified limits set by management.

The consolidated entity and the Fund invest into unlisted unit trusts with an external responsible entity and managed by an external manager. The name of that trust is disclosed in financial assets held at fair value through profit and loss note. As such management has access to publicly available information on the financial risks and financial risk management policies of the external manager's unit trust. The financial risk management disclosures for the consolidated entity and the Fund have been made without reference to the underlying unit trust's financial risk management disclosures as at 30 June 2011 as this data was not available at the time the consolidated entity and the Fund financial statements were prepared.

The Fund's current benchmark is created from a blend of the following indices based on the Fund's exposure to different asset classes. The benchmark is calculated by using the weighted average asset allocation neutral position and the index returns in Australian dollars for each asset class:

- Australian shares - S&P/ASX 300 Accumulation Index
- International shares - MSCI World ex Australia (Standard) Index (Net Dividends) in AUD
- Australian property - S&P/ASX 200 Property Accumulation Index
- International property - UBS Global Real Estate Investors (ex Australia) Index net of withholding tax (hedged to AUD)
- Australian fixed interest - UBS Composite Bond Index
- Cash - UBS Bank Bill Index

The Fund's performance exceptions to the Fund's benchmark are reported to a senior management committee on a regular basis. This committee has formal delegation from the Manager and Trustee. Exceptions to compliance are not reported on a consolidation basis.

3 Financial risk management (continued)

(a) Market risk

(i) Price risk

The consolidated entity's financial risk is managed by each of the investment managers of the individual unit trusts within the consolidated entity. No other risk management occurs for the consolidated entity.

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices.

The consolidated entity and the Fund are exposed to price risk on equity securities, unlisted unit trusts, fixed interest securities and derivative securities. This arises from investments held by the consolidated entity and the Fund for which prices in the future are uncertain. These are classified in the balance sheets as at fair value through profit or loss. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Paragraph (ii) below sets out how this component of price risk is managed and measured. All security investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

The majority of the consolidated entity's and the Fund's investments are in unlisted unit trusts. As these investments are non-monetary assets, interest rate risk and foreign exchange risk are reported under price risk.

The consolidated entity and the Fund may also invest into direct fixed interest securities, fixed interest derivatives and cash management trusts. The key risks associated with these securities is interest rate risk.

The table presented in note 3(b) summarises sensitivity analysis to price risk.

(ii) Foreign exchange risk

Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

There is no significant direct foreign exchange risk in this consolidated entity and the Fund.

The consolidated entity and the Fund hold units in international unit trusts and are exposed to foreign exchange risk as the offshore securities held by these international unit trusts are valued in foreign currency. These trusts may have also entered into derivatives in order to gain exposure to offshore markets. As these investments are non-monetary assets, the foreign exchange risk is a component of price risk.

Exceptions to compliance with the Fund's foreign exchange policy are reported to management on a regular basis. Exceptions to compliance are not reported on a consolidated basis.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in interest rates can have a direct or indirect impact on the investment value and/or returns of all types of assets.

The consolidated entity and the Fund hold direct fixed interest securities, fixed interest derivatives and cash management trusts and are exposed to interest rate risk through those investments.

At year end, the consolidated entity and the Fund held domestic and/or international fixed interest derivatives as disclosed in the note on derivative financial instruments.

Exceptions to compliance with the Fund's fixed interest policy are reported to management on a regular basis. Exceptions to compliance are not reported on a consolidated basis.

The table presented in note 3(b) summarises sensitivity analysis to interest rate risk.

3 Financial risk management (continued)

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the consolidated entity's and the Fund's operating profit and net assets attributable to unitholders to interest rate risk and other price risk. The analysis is based on reasonably possible movements in the benchmark with all other variables held constant and the fair value of the consolidated entity's and the Fund's portfolio moving according to the movement in the benchmark. The reasonably possible movements in the risk variables have been determined based on management estimates, having regard to a number of factors, including historical levels of changes in market index, security prices and/or benchmark returns, interest rates and foreign exchange rates. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities to which the variable is exposed. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Price risk		Interest rate risk	
	Impact on operating profit/Net assets attributable to unitholders			
Consolidated	-15 % (2010: -15%) $'000	+15 % (2010: +15%) $'000	-1.00% (2010:-1.00%) $'000	+1.00% (2010:+1.00%) $'000
30 June 2011	**(18,115)**	**18,115**	**1,123**	**(1,123)**
30 June 2010	(9,493)	9,493	904	(904)

	Price risk		Interest rate risk	
	Impact on operating profit/Net assets attributable to unitholders			
Parent	-15 % (2010: -15%) $'000	+15 % (2010: +15%) $'000	-1.00% (2010:-1.00%) $'000	+1.00% (2010:+1.00%) $'000
30 June 2011	**(13,920)**	**13,920**	**1,132**	**(1,132)**
30 June 2010	(9,493)	9,493	904	(904)

In determining the impact of an increase/decrease in net assets attributable to unitholders arising from market risk, the Manager and Trustee has considered prior period and expected future movements of the portfolio based on market information.

(c) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

Credit risk primarily arises from investments in debt securities and from trading in derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. None of these assets are impaired nor past due but not impaired.

The unlisted unit trusts invested into by the consolidated entity and the Fund are exposed to credit risk.

Concentrations of direct credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved
- ensuring that transactions are undertaken with a number of counterparties, and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

Exceptions to compliance with the Fund's credit risk policy are reported to management on a regular basis. Exceptions to compliance with the credit risk policy are not monitored on a consolidated basis.

There were no significant direct concentrations of credit risk to counterparties at 30 June 2011 or 30 June 2010.

3 Financial risk management (continued)

(c) Credit risk (continued)

Fixed interest securities

The consolidated entity and the Fund invest in fixed interest securities which have an investment grade categorisation as rated by Standard and Poors. For unrated fixed interest securities a rating is assigned by the investment manager using an approach that is consistent with the approach used by rating agencies.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. An analysis of debt securities by rating is set out in the table below.

	Consolidated As at		Parent As at	
Australian fixed interest securities	**30 June 2011 $'000**	30 June 2010 $'000	**30 June 2011 $'000**	30 June 2010 $'000
Rating				
AAA	**16,547**	13,622	**16,547**	13,622
AA	**5,699**	1,934	**5,699**	1,934
A	**3,596**	374	**3,596**	374
BBB	**499**	195	**499**	195
Total	**26,341**	16,125	**26,341**	16,125

(d) Liquidity risk

Liquidity risk is the risk that the consolidated entity and the Fund may not be able to generate sufficient cash resources to settle their obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. It therefore primarily hold investments that are traded in an active market and can be readily disposed of. Only a limited proportion of its assets are not traded on an active market.

The majority of the consolidated entity's and the Fund's securities are considered readily realisable. The types of assets contained in the portfolio are disclosed in the financial assets held at fair value through profit or loss note.

The consolidated entity and the Fund hold units in unlisted unit trusts which are priced daily and can be readily disposed of.

The risk management guidelines adopted are designed to minimise liquidity risk through:

- ensuring that there is no significant exposure to illiquid or thinly traded financial instruments, and
- applying limits to ensure there is no concentration of liquidity risk to a particular counterparty.

Exceptions to the above, at the Fund level, are reported to management on a regular basis. Liquidity risk is not monitored on a consolidated basis.

3 Financial risk management (continued)

(d) Liquidity risk (continued)

The table below analyses the consolidated entity's and the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the end of the reporting period. The amounts in the table are contractual undiscounted cash flows.

Consolidated	**Less than 1 month**	**1-3 months**	**Greater than 3 months**
	$'000	**$'000**	**$'000**
At 30 June 2011			
Distribution payable	**2,706**	**-**	**-**
Due to brokers - payable for securities purchased	**385**	**-**	**-**
Payables	**96**	**-**	**-**
Net assets attributable to non-controlling interest	**28,814**	**-**	**-**
Net assets attributable to unitholders of the parent entity	**139,927**	**-**	**-**
Total financial liabilities (excluding net settled derivatives)	**171,928**	**-**	**-**

Consolidated	Less than 1 month	1-3 months	Greater than 3 months
	$'000	$'000	$'000
At 30 June 2010			
Distribution payable	677	-	-
Due to brokers - payable for securities purchased	400	-	-
Payables	39	-	-
Net assets attributable to unitholders	95,332	-	-
Total financial liabilities (excluding net settled derivatives)	96,448	-	-

Parent	**Less than 1 month**	**1-3 months**	**Greater than 3 months**
	$'000	**$'000**	**$'000**
At 30 June 2011			
Distribution payable	**2,682**	**-**	**-**
Payables	**55**	**-**	**-**
Net assets attributable to unitholders	**139,927**	**-**	**-**
Total financial liabilities (excluding net settled derivatives)	**142,664**	**-**	**-**

Parent	Less than 1 month	1-3 months	Greater than 3 months
	$'000	$'000	$'000
At 30 June 2010			
Distribution payable	677	-	-
Due to brokers - payable for securities purchased	400	-	-
Payables	39	-	-
Net assets attributable to unitholders	95,332	-	-
Total financial liabilities (excluding net settled derivatives)	96,448	-	-

3 Financial risk management (continued)

(d) Liquidity risk (continued)

The table below analyses the consolidated entity's and the Fund's net settled derivative financial instruments for which the contractual maturities are considered important to understanding the timing of cash flows based on the consolidated entity's and the Fund's investment strategy (2010: $Nil).

Consolidated	Less than 1 month	1-3 months	Greater than 3 months
	$'000	$'000	$'000
At 30 June 2011			
Net settled derivatives			
Futures in respect of money market securities	-	(1)	-
Australian share price index futures	-	10	-
Australian fixed interest futures	-	(15)	-

Parent	Less than 1 month	1-3 months	Greater than 3 months
	$'000	$'000	$'000
At 30 June 2011			
Net settled derivatives			
Futures in respect of money market securities	-	(1)	-
Australian fixed interest futures	-	(15)	-

(e) Fair value estimation

The carrying amounts of the consolidated entity's and the Fund's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

(i) Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The consolidated entity and the Fund value their investments in accordance with the accounting policies set out in note 2. For the majority of their investments, the consolidated entity and the Fund rely on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the consolidated entity and the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the consolidated entity and the Fund hold derivatives with offsetting market risks, they use mid-market prices as a basis for establishing fair value for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

3 Financial risk management (continued)

(e) Fair value estimation (continued)

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the consolidated entity and the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black-Scholes option valuation model.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the consolidated entity and the Fund hold. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such funds.

(f) Fair value hierarchy

(i) Classification of financial assets and financial liabilities

The consolidated entity and the Fund classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Manager and Trustee. The Manager and Trustee considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

3 Financial risk management (continued)

(f) Fair value hierarchy (continued)

The table below sets out the consolidated entity's and the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2011 and 30 June 2010.

Consolidated - as at 30 June 2011	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets held for trading:				
Derivatives	**17**	**-**	**-**	**17**
Financial assets designated at fair value through profit or loss:				
Equity securities	**57,562**	**-**	**-**	**57,562**
Fixed interest securities	**14,667**	**11,674**	**-**	**26,341**
Unlisted unit trusts	**62,632**	**-**	**-**	**62,632**
Total	**134,878**	**11,674**	**-**	**146,552**
Financial liabilities				
Financial liabilities held for trading:				
Derivatives	**(23)**	**-**	**-**	**(23)**
Total	**(23)**	**-**	**-**	**(23)**

Consolidated - as at 30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held for trading:				
Derivatives	90	-	-	90
Financial assets designated at fair value through profit or loss:				
Fixed interest securities	9,839	5,946	340	16,125
Unlisted unit trusts	63,285	-	-	63,285
Total	73,214	5,946	340	79,500

Parent - as at 30 June 2011	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets held for trading:				
Derivatives	**7**	**-**	**-**	**7**
Financial assets designated at fair value through profit or loss:				
Fixed interest securities	**14,667**	**11,674**	**-**	**26,341**
Unlisted unit trusts	**92,802**	**-**	**-**	**92,802**
Total	**107,476**	**11,674**	**-**	**119,150**
Financial liabilities				
Financial liabilities held for trading:				
Derivatives	**(23)**	**-**	**-**	**(23)**
Total	**(23)**	**-**	**-**	**(23)**

3 Financial risk management (continued)

(f) Fair value hierarchy (continued)

Parent - as at 30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held for trading:				
Derivatives	90	-	-	90
Financial assets designated at fair value through profit or loss:				
Fixed interest securities	9,839	5,946	340	16,125
Unlisted unit trusts	63,285	-	-	63,285
Total	73,214	5,946	340	79,500

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active unlisted unit trusts, active listed equities, exchange traded derivatives, currency contracts, money market securities, government bonds and listed corporate debt.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include certain unlisted corporate debt and floating rate notes, warrants, swaps, certain unlisted unit trusts and certain listed equities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include certain unlisted shares, certain corporate debt securities and unlisted unit trusts with suspended applications and withdrawals. As observable prices are not available for these securities, the Manager and Trustee has used valuation techniques to derive fair value.

(ii) Transfers between levels

The following table presents the transfers between levels for the consolidated entity and the Fund for the year ended 30 June 2011 (2010: Nil).

30 June 2011	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Transfers between levels 2 and 3:			
Fixed interest securities	**-**	**344**	**(344)**

The transfer from level 3 to level 2 relates to more observable market data being available for certain fixed interest securities held by the Fund.

3 Financial risk management (continued)

(f) Fair value hierarchy (continued)

(iii) Movement in level 3 instruments

The following table presents the movement in level 3 instruments for the year ended 30 June 2011 by class of financial instrument.

Consolidated As at 30 June 2011	**Opening balance $'000**	**Purchases $'000**	**Sales $'000**	**Transfers into/(out of) level 3 $'000**	**Gains and (losses) recognised in the statements of comprehensive income $'000**	**Closing balance $'000**	**Total gains/(losses) for the year included in the statements of comprehensive income for financial assets and liabilities held at the end of the year $'000**
Fixed interest securities	**340**	**-**	**-**	**(344)**	**4**	**-**	**4**

Parent As at 30 June 2011	**Opening balance $'000**	**Purchases $'000**	**Sales $'000**	**Transfers into/(out of) level 3 $'000**	**Gains and (losses) recognised in the statements of comprehensive income $'000**	**Closing balance $'000**	**Total gains/(losses) for the year included in the statements of comprehensive income for financial assets and liabilities held at the end of the year $'000**
Fixed interest securities	**340**	**-**	**-**	**(344)**	**4**	**-**	**4**

The following table presents the movement in level 3 instruments for the year ended 30 June 2010 by class of financial instrument.

Consolidated As at 30 June 2010	Opening balance $'000	Purchases $'000	Sales $'000	Transfers into/(out of) level 3 $'000	Gains and (losses) recognised in the statements of comprehensive income $'000	Closing balance $'000	Total gains/(losses) for the year included in the statements of comprehensive income for financial assets and liabilities held at the end of the year $'000
Fixed interest securities	-	338	-	-	2	340	2

3 Financial risk management (continued)

(f) Fair value hierarchy (continued)

Parent	Opening balance	Purchases	Sales	Transfers into/(out of) level 3	Gains and (losses) recognised in the statements of comprehensive income	Closing balance	Total gains/(losses) for the year included in the statements of comprehensive income for financial assets and liabilities held at the end of the year
As at 30 June 2010	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Fixed interest securities	-	338	-	-	2	340	2

4 Interest income

The following table details the interest income earned by the consolidated entity and the Fund during the year:

	Consolidated Year ended		**Parent Year ended**	
	30 June 2011 $'000	30 June 2010 $'000	**30 June 2011 $'000**	30 June 2010 $'000
Interest income from financial assets that are not at fair value through profit or loss:				
Cash and cash equivalents	**28**	10	**26**	10
Interest income from debt securities designated at fair value through profit or loss	**1,151**	777	**1,151**	777
Total interest income	**1,179**	787	**1,177**	787

5 Auditor's remuneration

Consolidated

Auditor's remuneration for auditing the consolidated financial statements of $25,479 (2010: $13,593) and other services of $1,357 (2010: $Nil) were paid by the Manager and Trustee out of their fees.

Parent

Auditor's remuneration for auditing the financial statements of $13,418 (2010: $13,593) and other services of $Nil (2010: $Nil) were paid by the Manager and Trustee out of their fees.

6 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	Consolidated Year ended		Parent Year ended	
	30 June 2011 $'000	30 June 2010 $'000	**30 June 2011 $'000**	30 June 2010 $'000
Net unrealised gains/(losses) on financial instruments held for trading	**(96)**	89	**(106)**	89
Net unrealised gains/(losses) on financial instruments designated as at fair value through profit or loss	**2,124**	1,302	**2,444**	1,302
Net realised gains/(losses) on financial instruments held for trading	**63**	154	**100**	154
Net realised gains/(losses) on financial instruments designated as at fair value through profit or loss	**(382)**	134	**17**	134
Total net gains/(losses) on financial instruments held at fair value through profit or loss	**1,709**	1,679	**2,455**	1,679

7 Net assets attributable to unitholders of the parent

Movements in number of units and net assets attributable to unitholders of the parent during the year were as follows:

	Parent			
	30 June 2011 No. '000	30 June 2010 No. '000	**30 June 2011 $'000**	30 June 2010 $'000
Net assets attributable to unitholders of the parent entity				
Opening balance	**99,167**	52,700	**95,332**	47,727
Applications	**151,488**	53,651	**154,664**	53,455
Redemptions	**(112,745)**	(9,222)	**(115,565)**	(9,076)
Units issued upon reinvestment of distributions	**3,086**	2,038	**3,068**	2,026
Increase/(decrease) in net assets attributable to unitholders	**-**	-	**2,428**	1,200
Closing balance	**140,996**	99,167	**139,927**	95,332

As stipulated within the Trust Deed, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

7 Net assets attributable to unitholders of the parent (continued)

Capital risk management

The Manager and Trustee manages the Fund's net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

The Manager and Trustee monitors the Fund's individual redemptions greater than $1,000,000 or 5% of the fund size. Management assesses the impact on remaining unitholders of the realisation of the assets to meet the redemption before approving these transactions and allowing them to be processed in the registry system and funds remitted to the redeeming unitholders. Where the impact on remaining unitholders is significant, management may decide to pay a special distribution and/or may delay payment of the redemption amount.

(a) Unrealised capital losses

At the end of the reporting period, the Fund had net unrealised capital losses of $2,081,000 (2010: $4,711,000).

(b) Realised capital losses

At the end of the reporting period, the Fund had realised capital losses of $567,000 (2010: $519,000) available to offset against future assessable capital gains.

8 Distributions to unitholders

	Parent Year ended			
	30 June 2011 $'000	**30 June 2011 CPU**	30 June 2010 $'000	30 June 2010 CPU
Distributions				
Distributions paid				
- 30 September	**532**	**0.480**	357	0.580
- 31 December	**1,118**	**0.930**	711	0.960
- 31 March	**748**	**0.570**	858	1.000
Distribution payable				
- 30 June	**2,682**	**1.902**	677	0.683
	5,080	**3.882**	2,603	3.223

9 Cash and cash equivalents

	Consolidated As at		Parent As at	
	30 June 2011 $'000	30 June 2010 $'000	**30 June 2011 $'000**	30 June 2010 $'000
Cash at bank	**994**	191	**702**	191
Cash management trusts	**20,204**	14,972	**19,594**	14,972
	21,198	15,163	**20,296**	15,163

10 Financial assets held at fair value through profit or loss

	Consolidated As at		Parent As at	
	30 June 2011 Fair value $'000	30 June 2010 Fair value $'000	**30 June 2011 Fair value $'000**	30 June 2010 Fair value $'000
Held for trading				
Derivatives (note 12)	**17**	90	**7**	90
Total held for trading	**17**	90	**7**	90
Designated at fair value through profit or loss				
Equity securities	**57,562**	-	**-**	-
Fixed interest securities	**26,341**	16,125	**26,341**	16,125
Unlisted unit trusts	**62,632**	63,285	**92,802**	63,285
Total designated at fair value through profit or loss	**146,535**	79,410	**119,143**	79,410
Total financial assets held at fair value through profit or loss	**146,552**	79,500	**119,150**	79,500
Comprising:				
Derivatives				
Australian share price index futures	**10**	-	**-**	-
Australian fixed interest futures	**7**	90	**7**	90
Total derivatives	**17**	90	**7**	90
Equity securities				
Australian equity securities listed on a prescribed stock exchange	**57,562**	-	**-**	-
Total equity securities	**57,562**	-	**-**	-
Fixed interest securities				
Commonwealth government securities	**3,489**	1,901	**3,489**	1,901
Other public sector securities	**11,178**	7,938	**11,178**	7,938
Other bonds*	**11,674**	6,286	**11,674**	6,286
Total fixed interest securities	**26,341**	16,125	**26,341**	16,125
Unlisted unit trusts				
Units in Australian equity trusts	**22,716**	35,176	**52,886**	35,176
Units in international equity trusts (AMP Wholesale Responsible Investment Leaders International Share Fund)	**29,456**	20,736	**29,456**	20,736
Units in Australian property trusts	**6,791**	4,592	**6,791**	4,592
Units in international property trusts	**3,669**	2,781	**3,669**	2,781
Total unlisted unit trusts	**62,632**	63,285	**92,802**	63,285
Total financial assets held at fair value through profit or loss	**146,552**	79,500	**119,150**	79,500

* Other bonds include mortgage backed securities, corporate bonds and floating rate notes.

An overview of the risk exposures relating to financial assets held at fair value through profit or loss is included in note 3.

11 Financial liabilities held at fair value through profit or loss

	Consolidated As at		Parent As at	
	30 June 2011 Fair value $'000	30 June 2010 Fair value $'000	**30 June 2011 Fair value $'000**	30 June 2010 Fair value $'000
Held for trading				
Derivatives (note 12)	**23**	-	**23**	-
Total held for trading	**23**	-	**23**	-
Total financial liabilities held at fair value through profit or loss	**23**	-	**23**	-
Comprising:				
Derivatives				
Futures in respect of money market securities	**1**	-	**1**	-
Australian fixed interest futures	**22**	-	**22**	-
Total derivatives	**23**	-	**23**	-
Total financial liabilities held at fair value through profit or loss	**23**	-	**23**	-

An overview of the risk exposures relating to financial liabilities held at fair value through profit or loss is included in note 3.

12 Derivative financial instruments

In the normal course of business the consolidated entity and the Fund enter into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the consolidated entity and the Fund against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and/or adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

12 Derivative financial instruments (continued)

The consolidated entity and the Fund held the following derivative financial instruments during the year:

(a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

The consolidated entity's and the Fund's derivative financial instruments at year end are detailed below:

Consolidated
30 June 2011

	Contract/ notional $'000
Buy	
Australian share price index futures	**575**
Australian fixed interest futures	**11,202**
Sell	
Futures in respect of money market securities	**2,965**

Parent
30 June 2011

	Contract/ notional $'000
Buy	
Australian fixed interest futures	11,202
Sell	
Futures in respect of money market securities	2,965

Consolidation
30 June 2010

	Contract/ notional $'000
Buy	
Australian fixed interest futures	6,303

Parent
30 June 2010

	Contract/ notional $'000
Buy	
Australian fixed interest futures	6,303

12 Derivative financial instruments (continued)

Risk exposures and fair value measurements

Information about the consolidated entity's and the Fund's exposure to credit risk, foreign exchange risk, interest rate risk and about the methods and assumptions used in determining fair values is provided in note 3 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

13 Related party transactions

Parent entities

The parent entity within the group is BT Sustainable Balanced Fund

Subsidiaries

Interests in subsidiaries are set out in note 14.

Manager and Trustee

The Manager and Trustee of the Fund is BT Investment Management (RE) Limited (ABN 17 126 390 627), a wholly owned subsidiary of BT Investment Management Limited (ABN 28 126 385 822). The ultimate parent entity is Westpac Banking Corporation (ABN 33 007 457 141). The registered office of the Manager and Trustee and the Fund is Level 14, The Chifley Tower, 2 Chifley Square, Sydney, NSW, 2000.

Key management personnel

(a) Directors

Key management personnel includes persons who were directors of BT Investment Management (RE) Limited at any time during the financial year as follows:

B Scullin (appointed 25 September 2007, resigned 1 April 2011)
P Stockwell (appointed 25 September 2007)
C Williamson (appointed 4 March 2009)
E Gonzalez (appointed 21 January 2010)

(b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

Manager and Trustee's fees and other transactions

For the year ended 30 June 2011, in accordance with the Trust Deed, the Manager and Trustee received a total fee of 0.90% (inclusive of GST, net of RITC available to the Fund) per annum (2010: 0.90%).

All expenses in connection with the preparation of accounting records and the maintenance of the unit register are fully borne by the Manager and Trustee.

13 Related party transactions (continued)

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund and the Manager and Trustee were as follows:

	Consolidated		Parent	
	30 June 2011 $'000	30 June 2010 $'000	**30 June 2011 $'000**	30 June 2010 $'000
Management fees for the year paid/(received) by the Fund to/(from) the Manager and Trustee	**665**	434	**609**	434
Fees earned by the Manager and Trustee in respect of investments by the Fund in other schemes managed by the Manager and Trustee*	**215**	68	**215**	68
Aggregate amounts payable/(receivable) to/(from) the Manager and Trustee at the end of the reporting period	**96**	39	**55**	39

* Where the Fund invests into other schemes managed by the Manager and Trustee, the Manager and Trustee's fee is calculated after rebating fees charged in the underlying schemes.

(i) Shares in Westpac Banking Corporation

Shares held in Westpac Banking Corporation are as follows:

	Consolidated		Parent	
	30 June 2011 $'000	30 June 2010 $'000	**30 June 2011 $'000**	30 June 2010 $'000
Investments at fair value	**4,214**	-	**-**	-

The consolidated entity owns less than 1% of the issued capital of Westpac Banking Corporation.

Related party schemes' unitholdings

Parties related to the Fund (including the Manager and Trustee, its related parties and other schemes managed by the Manager and Trustee), held units in the Fund as follows:

2011	**Parent**					
Unitholder	**Number of units held opening (000's Units)**	**Number of units held closing (000's Units)**	**Interest held (%)**	**Number of units acquired (000's Units)**	**Number of units disposed (000's Units)**	**Distributions paid/payable by the Fund ($'000)**
BT Super for Life - Moderate Fund - Savings	**63,576**	**-**	**-**	**26,476**	**(90,052)**	**1,122**
BT Super for Life - Moderate Fund - Retirement	**10,531**	**-**	**-**	**7,140**	**(17,671)**	**171**
Retirement Wrap	**-**	**114,745**	**81.38**	**119,796**	**(5,051)**	**2,782**
Total	**74,107**	**114,745**	**81.38**	**153,412**	**(112,774)**	**4,075**

13 Related party transactions (continued)

2010	Parent					
Unitholder	Number of units held opening (000's Units)	Number of units held closing (000's Units)	Interest held (%)	Number of units acquired (000's Units)	Number of units disposed (000's Units)	Distributions paid/payable by the Fund ($'000)
BT Super for Life - Moderate Fund - Savings	28,078	63,576	64.11	39,414	(3,916)	1,542
BT Super for Life - Moderate Fund - Retirement	5,531	10,531	10.62	10,333	(5,333)	287
Total	33,609	74,107	74.73	49,747	(9,249)	1,829

Key management personnel unitholdings

At 30 June 2011 no key management personnel held units in the Fund (2010: Nil).

Key management personnel compensation

Key management personnel are paid by BT Investment Management Limited. Payments made from the Fund to the Manager and Trustee do not include any amounts directly attributable to the compensation of key management personnel.

Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Investments

The consolidated entity and the Fund held investments in the following schemes which are also managed by the Manager and Trustee or its related parties:

2011	**Fair value of investment ($'000)**	**Interest held (%)**	**Consolidated Distributions received/ receivable ($'000)**	**Units acquired during the year (000's Units)**	**Units disposed during the year (000's Units)**
BT Institutional Enhanced Property Securities Fund	**6,791**	**0.87**	**379**	**3,276**	**-**
BT Institutional Ethical Sector Trust	**22,716**	**10.85**	**844**	**484**	**-**
BT Institutional Global Property Sector Trust	**3,669**	**1.22**	**922**	**861**	**-**
BT Institutional Liquidity Management Trust	**20,204**	**0.63**	**866**	**102,561**	**(106,470)**
Total	**53,380**		**3,011**		

13 Related party transactions (continued)

2011	**Fair value of investment ($'000)**	**Interest held (%)**	**Parent Distributions received/ receivable ($'000)**	**Units acquired during the year (000's Units)**	**Units disposed during the year (000's Units)**
BT Wholesale Australian Sustainable Share Fund (formerly known as BT Institutional Australian Sustainability Share Fund)	**30,170**	**51.07**	**738**	**13,981**	**-**
BT Institutional Enhanced Property Securities Fund	**6,791**	**0.87**	**379**	**3,276**	**-**
BT Institutional Ethical Sector Trust	**22,716**	**10.85**	**844**	**484**	**-**
BT Institutional Global Property Sector Trust	**3,669**	**1.22**	**922**	**861**	**-**
BT Institutional Liquidity Management Trust	**19,594**	**0.61**	**850**	**45,198**	**(40,576)**
Total	**82,940**		**3,733**		

2010	Fair value of investment ($'000)	Interest held (%)	Consolidated Distributions received/ receivable ($'000)	Units acquired during the year (000's Units)	Units disposed during the year (000's Units)
BT Wholesale Australian Sustainable Share Fund (formerly known as BT Institutional Australian Sustainability Share Fund)	14,648	9.79	209	15,259	-
BT Institutional Enhanced Property Securities Fund	4,592	0.60	283	3,323	(112)
BT Institutional Ethical Sector Trust	20,528	8.07	759	1,002	-
BT Institutional Global Property Sector Trust	2,781	0.96	-	1,661	(145)
BT Institutional Liquidity Management Trust	14,972	0.45	327	48,980	(40,230)
Total	57,521		1,578		

2010	Fair value of investment ($'000)	Interest held (%)	Parent Distributions received/ receivable ($'000)	Units acquired during the year (000's Units)	Units disposed during the year (000's Units)
BT Wholesale Australian Sustainable Share Fund (formerly known as BT Institutional Australian Sustainability Share Fund)	14,648	9.79	209	15,259	-
BT Institutional Enhanced Property Securities Fund	4,592	0.60	283	3,323	(112)
BT Institutional Ethical Sector Trust	20,528	8.07	759	1,002	-
BT Institutional Global Property Sector Trust	2,781	0.96	-	1,661	(145)
BT Institutional Liquidity Management Trust	14,972	0.45	327	48,980	(40,230)
Total	57,521		1,578		

13 Related party transactions (continued)

Distributions received/receivable includes the following amounts which remain unpaid at the end of each reporting period:

	Distributions receivable			
	Consolidated As at		Parent As at	
	30 June 2011 $'000	30 June 2010 $'000	**30 June 2011 $'000**	30 June 2010 $'000
BT Institutional Enhanced Property Securities Fund	**221**	127	**221**	127
BT Wholesale Australian Sustainable Share Fund (formerly known as BT Institutional Australian Sustainability Share Fund).	**-**	120	**25**	120
BT Institutional Ethical Sector Trust	**171**	36	**171**	36
BT Institutional Global Property Sector Trust	**649**	-	**649**	-
BT Institutional Liquidity Management Trust	**88**	50	**82**	50
Total	**1,129**	333	**1,148**	333

The principal activity of the fund is denoted by the name of the fund.

Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interests existing at year end.

14 Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b). Subsidiaries are recorded in the parent entity within financial assets held at fair value through profit or loss.

Name of entity	**Country of domicile**	**Fair value**		**Equity holding ****	
		2011 $'000	2010 $'000	**2011 %**	2010 %
BT Wholesale Australian Sustainability Share Fund (formerly known as BT Institutional Australian Sustainability Share Fund).	Australia	**30,170**	-	**51.07**	-

** The proportion of ownership interest is equal to the proportion of voting power held.

15 Business combination

Current year ended 30 June 2011 - BT Wholesale Australian Sustainable Share Fund (formerly known as BT Institutional Australian Sustainability Share Fund)

(a) Summary of acquisition

On 20 May 2011, the Fund gained control of BT Wholesale Australian Sustainable Share Fund, when the interest held by the Fund reached 52.74% of the units of BT Wholesale Australian Sustainable Share Fund. On the date that control transferred to the Fund, the fair value of the investment in BT Wholesale Australian Sustainable Share Fund was $29,295,000.

(b) Purchase consideration

The 52.74% holding at 20 May 2011 was obtained as a result of the cumulative effect of applications and redemptions of the Fund since its inception, and the impact of other investors' applications and redemptions in BT Wholesale Australian Sustainable Share Fund. Accordingly the purchase consideration is the cumulative cost of investment into BT Wholesale Australian Sustainable Share Fund since its inception, which amounted to $29,114,000.

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Fair value $'000
At acquisition date at fair value	
Cash and cash equivalents	**1,149**
Accrued income	**859**
Due from brokers - receivable for securities sold	**105**
Receivables	**23**
Financial assets held at fair value through profit or loss	**53,592**
Payables	**(122)**
Net assets attributable to non-controlling interests (liability)	**(26,311)**
Fair value of net identifiable assets acquired	**29,295**
Net cash outflow	**(1,149)**

16 Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

	Consolidated Year ended		Parent Year ended	
	30 June 2011 $'000	30 June 2010 $'000	**30 June 2011 $'000**	30 June 2010 $'000
(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities				
Operating profit/(loss) for the year	**6,871**	3,803	**7,508**	3,803
Proceeds from sale of financial instruments held at fair value through profit or loss	**10,474**	18,487	**4,609**	18,487
Purchase of financial instruments held at fair value through profit or loss	**(49,315)**	(54,028)	**(40,028)**	(54,028)
Net (gains)/losses on financial instruments held at fair value through profit or loss	**(1,709)**	(1,679)	**(2,455)**	(1,679)
Income reinvested	**(2,292)**	(1,193)	**(2,292)**	(1,193)
Net change in accrued income and receivables	**(1,461)**	(233)	**(1,444)**	(233)
Net change in payables	**(29)**	15	**16**	15
Net cash inflow/(outflow) from operating activities	**(37,461)**	(34,828)	**(34,086)**	(34,828)
(b) Non-cash financing activities				
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan.	**3,068**	2,026	**3,068**	2,026
During the year, the following applications were received as non-cash contributions.	**104,346**	-	**104,346**	-
During the year, the following redemptions were settled as non-cash withdrawals.	**(104,346)**	-	**(104,346)**	-

17 Events occurring after the reporting period

The consolidated entity and the Trust invest directly or indirectly in equities/property trusts and are consequently exposed to the market risk associated with these investments.

Since the end of the reporting period, share markets have experienced a period of significant volatility, impacting on the valuation of the investment portfolio.

As the investments are measured at their 30 June 2011 fair values in the financial report, this volatility in value is not reflected in the statements of comprehensive income or the balance sheets. Any volatility in the value of investments is reflected in the unit price of the Trust on a daily basis, and in the Trust's net assets for the relevant accounting period.

There were no other significant events which have occurred since the end of the reporting period which would impact on the financial position of the Trust disclosed in the balance sheets as at 30 June 2011 or on the results and cash flows of the Trust for the year ended on that date.

18 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2011 and 30 June 2010.

Statement by Manager and Trustee

In the opinion of the directors of the Trustee:

(a) the financial statements and notes set out on pages 2 to 34 are in accordance with the *Trust Deed,* including:

  (i) complying with Accounting Standards and other mandatory professional reporting requirements;

  (ii) giving a true and fair view of the consolidated entity's and the Fund's financial position as at 30 June 2011 and of their performance for the financial year ended on that date,

(b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable and

(c) note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

Director

Director

Sydney
15 September 2011

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Independent auditor's report to the unitholders of BT Sustainable Balanced Fund

Report on the financial report

We have audited the accompanying financial report of BT Sustainable Balanced Fund, which comprises the balance sheets as at 30 June 2011, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both BT Sustainable Balanced Fund ("the Fund") and BT Sustainable Balanced Fund Group ("the consolidated entity"). The consolidated entity comprises the Fund and the entities it controlled at the year's end or from time to

Directors' responsibility for the financial report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors of the Responsible Entity also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Auditor's opinion

In our opinion:

(a) the financial report of BT Sustainable Balanced Fund:

(i) gives a true and fair view of the Fund's and the consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

(ii) complies with Australian Accounting Standards (including the Australian Accounting Interpretations); and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

PricewaterhouseCoopers

PricewaterhouseCoopers

SJ Smith
Partner

Sydney
15 September 2011