

BT FUNDS MANAGEMENT LIMITED

ABN 63 002 916 458

Annual Report

For the year ended 30 September 2020

BT FUNDS MANAGEMENT LIMITED

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This financial report covers BT Funds Management Limited (the Company) as an individual entity. The financial report is presented in Australian dollars.

BT Funds Management Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue by the Directors of the Company on 2 December 2020. The Directors have the power to amend and reissue the financial report. The Company's registered office is:

Level 18, Westpac Place
275 Kent Street
Sydney NSW 2000

BT FUNDS MANAGEMENT LIMITED

DIRECTORS' REPORT

The Directors of BT Funds Management Limited (the Company) present their report together with the financial statements of the Company for the financial year ended 30 September 2020.

Directors

The following persons were Directors of the Company during the period since 1 October 2019 and up to the date of this report unless otherwise stated:

Robin Burns

Douglas Carmichael (appointed on 1 July 2020)

Michael Cottier

Melinda Howes

Jane Perry (resigned on 10 July 2020)

David Plumb

Katherine Vincent

Principal activities

The Company is both a Registrable Superannuation Entity (RSE) Licensee and a Responsible Entity (RE). The principal activities of the Company during the financial year ended 30 September 2020 were the provision of trustee and funds management services.

There have been no significant changes in the nature of the principal activities of the Company during 2020.

Operating and financial review

The net profit attributable to owners of the Company for the year ended 30 September 2020 was \$19,042 thousand (2019: \$61,231 thousand) after an income tax expense of \$8,107 thousand (2019: \$28,657 thousand). The decrease in net profit is primarily due to the following:

- reduced management and administration fees as a result of reduced margins relating to the super business;
- lower average funds under management / administration relating to the responsible entity and platforms business resulting in lower management & trustee fees;
- reduced management fees as a result of the transfer of the Wholesale Plus funds business to Westpac Financial Services Limited; and
- an increase in service fee expense driven by higher allocated costs due to product migrations to the Company.

Dividends

Details of dividends paid in respect of the Company for the current financial year are disclosed in Note 17.

Significant changes in state of affairs and events during and since the end of the 2020 financial year

From 1 October 2018, customers have benefited from the removal of grandfathered payments attributable to their BT Products. From 1 January 2021, there will be no further grandfathered payments to external advisors. This will further reduce the revenue and expenses of the Company.

In line with the Trustee's strategic objectives to provide competitive and market leading products and to simplify the BT Superannuation business, the BT Super program has been established. The program encompasses, amongst other activities, a migration and rationalisation strategy for heritage retail superannuation and pension and corporate superannuation products. The first tranche of migrations and rationalisations was executed in April 2019, with the migration of BT Classic Lifetime fund from BT Funds Management No.2 Limited to the Company as Trustee. In February 2020 the BT Business Super fund (part of the Westpac Master Trust - Superannuation Division) was migrated to the Company as Trustee from Westpac Securities Administration Limited, followed by the transfer in August 2020 of the remaining funds under the Westpac Master Trust – Superannuation Division (Westpac Personal Portfolio Service Superannuation and Allocated Pension, Westpac Flexible Income Plan and Westpac Lifetime Superannuation Service) and Westpac Personal Superannuation Fund.

On 16 December 2019, 32 Wholesale Plus Funds for which the Company was the RE were transitioned to Westpac Financial Services Limited as RE. This is in line with the Royal Commission's recommendation 3.1, that an RSE performs no other role or office.

Recommendation 3.1 (RC 3.1) from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission), prohibits the trustee of RSE's (RSE Licensee) from holding any other role or office other than those arising from or in the course of its performance of its duties as trustee of a superannuation fund.

The Company is currently a RSE Licensee for superannuation funds and a RE for managed investment schemes (MIS) and investor directed portfolio service (IDPS) like schemes, the Westpac Group is transitioning the majority of the Company's RE role to other related entities. The transition will result in the Company acting as the RE for the Lifestage funds only once the transitions are complete. The impact on the Company's financial performance and position is a reduction in revenue and expenses related to the MIS

BT FUNDS MANAGEMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

and IDPS-like schemes being transitioned, and over time a reduction in capital requirements for the Company. The implementation date for this change is prior to 30 June 2021.

On 1 July 2020, AIA Australia Limited replaced Westpac Life Insurance Services Limited and became the group life insurance provider for the following BT and Asgard products: BT Super, BT Super for Life (including Westpac Group Plan), Asgard Employee Superannuation Account and Asgard Personal Protection Package. Administration fee revenue will be received from AIA Australia Limited rather than Westpac Life Insurance Services Limited. The change in insurance provider has minimal impact on financial performance.

There were no other significant changes in the state of affairs of the Company during the year.

The presence of COVID-19 has not significantly affected the Company's results or its state of affairs during the financial year ended 30 September 2020.

Since the end of the financial year management has continued to monitor the COVID-19 situation. At the date of this report a definitive assessment of the future effects of COVID-19 on the Company cannot be made, as the impact will depend on the magnitude and duration of the pandemic and resulting public health orders and economic downturn, with the full range of possible effects unknown.

As part of the Australian Government's response to COVID-19, eligible members were able to gain early access to up to \$20,000 of their Superannuation funds. The impact of this has been a reduction in FUM, a consequent reduction in fees calculated as a percentage of FUM and additional costs incurred in the Company in order to process the early release claims.

The Directors are not aware of any other matter or circumstance that has occurred since the end of the financial year that has significantly affected or may significantly affect the operations of the Company, the results of these operations or the state of affairs of the Company in subsequent financial years.

Developments and expected results

Other than the estimated impact of COVID-19 mentioned above, information on likely developments in the operations and the expected results of the operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

Shares or interests

No shares or options were issued or granted by the Company to the Directors during the year ended 30 September 2020.

Indemnities and insurance

Under the Constitution, the ultimate parent entity, Westpac Banking Corporation (Westpac), unless prohibited by statute, indemnifies each of the Directors and Company Secretaries of Westpac and of each of its related bodies corporate (except related bodies corporate listed on a recognised stock exchange), each employee of Westpac or its subsidiaries (except subsidiaries listed on a recognised stock exchange), and each person acting as a responsible manager under an Australian Financial Services Licence of any of Westpac's wholly-owned subsidiaries against every liability (other than a liability for legal costs) incurred by each such person in their capacity as director, company secretary, employee or responsible manager, as the case may be; and all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the person becomes involved because of that capacity.

Each of the Directors named in this Directors' report and each of the Company Secretaries has the benefit of this indemnity.

Westpac also executed a deed poll in September 2009 providing indemnification equivalent to that provided under the Westpac Constitution to individuals acting as directors and other statutory officers of wholly-owned subsidiaries of Westpac (including the Company).

Under the September 2009 deed poll, Westpac also agrees to provide directors' and officers' insurance to Directors of Westpac and Directors of Westpac's wholly-owned subsidiaries.

For the year ended 30 September 2020, Westpac and the entities it controls (Westpac Group) has insurance cover which, in certain circumstances, will provide reimbursement for amounts which the Westpac Group or the Company has to pay under the indemnities set out above. That cover is subject to the terms and conditions of the relevant insurance, including but not limited to the limit of the indemnity provided by the insurance. The insurance policies prohibit disclosure of the premium payable and the nature of the liabilities covered.

Proceedings on behalf of the Company

No application has been made and no proceedings have been brought or intervened in on behalf of the Company under section 237 of the Corporations Act 2001.

BT FUNDS MANAGEMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

Environmental disclosure

The operations of the Company are not subject to any significant environmental regulation under any law of the Commonwealth of Australia or of any state or territory of Australia. The Company has not incurred any liability (including for rectification costs) under any environmental legislation.

Rounding of amounts

The Company is an entity to which Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191 dated 24 March 2016, relating to the rounding of amounts in directors' reports and financial reports, applies.

Pursuant to this Instrument, amounts in this Directors' report and the accompanying financial report have been rounded to the nearest thousand dollars, unless indicated to the contrary.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5 and forms part of this report.

Signed in accordance with a resolution of the Board.



Director

2 December 2020

Sydney



Director

2 December 2020



Auditor's Independence Declaration

As lead auditor for the audit of BT Funds Management Limited for the year ended 30 September 2020, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'S Smith', written over a light blue horizontal line.

Stephanie Smith
Partner
PricewaterhouseCoopers

Sydney
2 December 2020

BT FUNDS MANAGEMENT LIMITED

Statement of profit or loss and other comprehensive income for the year ended 30 September 2020

	Note	2020 \$'000	2019 \$'000 Restated
Revenue	5	222,294	262,809
Service fee expense		(141,181)	(105,689)
Administrator expense		(13,479)	(19,954)
Commission expense		(5,341)	(11,068)
Annual capital fee	15(c)	(26,660)	(26,660)
Other expenses		(8,484)	(9,550)
Profit before income tax		27,149	89,888
Income tax expense	6	(8,107)	(28,657)
Net profit for the year		19,042	61,231
Other comprehensive income		-	-
Total comprehensive income for the year attributable to owners of BT Funds Management Limited		19,042	61,231

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

BT FUNDS MANAGEMENT LIMITED

Balance sheet as at 30 September 2020

	Note	2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	21(a)	86,947	45,674
Trade and other receivables	7	41,825	51,499
Financial assets measured at fair value through profit or loss	8	220,550	220,550
Deferred acquisition costs	9	-	362
Total current assets		349,322	318,085
Non-current assets			
Investment in controlled entity	10	-	-
Deferred tax assets	11	8,784	632
Total non-current assets		8,784	632
Total assets		358,106	318,717
Liabilities			
Current liabilities			
Trade and other payables	12	65,427	46,891
Provisions	13	29,280	2,469
Total current liabilities		94,707	49,360
Non-current liabilities			
Deferred tax liabilities	14	-	-
Loan capital	15	220,550	220,550
Total non-current liabilities		220,550	220,550
Total liabilities		315,257	269,910
Net assets		42,849	48,807
Shareholders' equity			
Share capital	15	32,105	32,105
Retained profits	16	10,744	16,702
Total shareholders' equity		42,849	48,807

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

BT FUNDS MANAGEMENT LIMITED

Statement of changes in equity for the year ended 30 September 2020

	Note	Share capital \$'000	Retained profits \$'000	Total \$'000
Balance at 1 October 2018		32,105	26,018	58,123
Net profit for the year		-	61,231	61,231
Net other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	61,231	61,231
Transactions in capacity as equity holders				
Dividends on ordinary shares	17	-	(70,547)	(70,547)
Balance at 30 September 2019		32,105	16,702	48,807
Net profit for the year		-	19,042	19,042
Net other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	19,042	19,042
Transactions in capacity as equity holders				
Dividends on ordinary shares	17	-	(25,000)	(25,000)
Balance at 30 September 2020		32,105	10,744	42,849

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

BT FUNDS MANAGEMENT LIMITED

Cash flow statement for the year ended 30 September 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Fee and other income received		215,271	227,338
Receipt from ACML in relation to AESA remediation provision	6	26,815	-
Interest received		427	1,224
Expenses paid		(139,984)	(125,247)
Payments to head entity under tax funding agreement		(12,387)	(26,247)
Net cash provided by/(used in) operating activities	21(b)	90,142	77,068
Cash flows from investing activities			
Distributions from financial assets measured at fair value through profit or loss received		2,666	5,755
Dividends received		125	-
Net cash provided by/(used in) investing activities		2,791	5,755
Cash flows from financing activities			
Payment of annual capital fee on loan capital	15(c)	(26,660)	(26,660)
Payment of dividends	17	(25,000)	(70,547)
Net cash provided by/(used in) financing activities	21(c)	(51,660)	(97,207)
Net increase/(decrease) in cash and cash equivalents		41,273	(14,384)
Cash and cash equivalents as at the beginning of the year		45,674	60,058
Cash and cash equivalents as at the end of the year	21(a)	86,947	45,674

The above cash flow statement should be read in conjunction with the accompanying notes. Details of the reconciliation of net cash provided by/(used in) operating activities to net profit are provided in Note 21.

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Financial statements preparation

a. Basis of accounting

(i) General

BT Funds Management Limited (the Company) is a for-profit entity for the purpose of preparing the financial report.

This general purpose financial report has been prepared in accordance with the Australian Accounting Standards (AAS) and Interpretations issued by the Australian Accounting Standards Board (AASB), and the Corporations Act 2001.

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

This financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by applying fair value accounting to financial assets and financial liabilities measured at fair value through profit or loss.

(iii) Reclassification of prior year balances

In the current year, the Company reassessed the treatment of the recognition of Trustee fees collected on behalf of the Company by the superannuation fund's administrator and retained by the administrator. In prior years, this transaction was presented on a net basis as it was assessed that the Company was acting as an agent. The Company has now determined that it is a principal in this transaction, as such it should be presented on a gross basis in accordance with AASB 15 Revenue from Contracts with Customers.

The following table show the reclassifications of each individual line item in the financial statements impacted by this reassessment:

	Reported 2019	Adjustment	Restated 2019
Income statement (extract)	\$'000	\$'000	\$'000
Revenue	242,855	19,954	262,809
Administrator expense	-	(19,954)	(19,954)
Profit before income tax	89,888	-	89,888

(iv) Standards adopted during the year ended 30 September 2020

AASB 16 Leases (AASB 16)

The Company adopted AASB 16 on 1 October 2019. The adoption of AASB16 has had no impact on the Company as the Company has no leasing arrangements.

AASB Interpretation 23 Uncertainty over Income Tax Treatments (Interpretation 23)

Interpretation 23 was adopted by the Company on 1 October 2019 and clarifies the recognition and measurement criteria in AASB 112 Income Taxes (AASB 112) where there is uncertainty over income tax treatments, and requires an assessment of each uncertain tax position as to whether it is probable that a taxation authority will accept the position.

Where it is not considered probable, the effect of the uncertainty will be reflected in determining the relevant taxable profit or loss, tax bases, unused tax losses and unused tax credits or tax rates. The amount will be determined as either the single most likely amount or the sum of the probability weighted amounts in a range of possible outcomes, whichever better predicts the resolution of the uncertainty. Judgements will be reassessed as and when new facts and circumstances are presented.

Interpretation 23 did not have a material impact on the Company.

(v) Functional and presentational currency

The financial statements are presented in Australian dollars which is the Company's functional and presentation currency. The functional currency is the main currency of the economy it operates in.

b. Revenue recognition

(i) Fee income

Fees for funds and investment management, administration and service fees are recognised, based on terms in the applicable contracts, on an accrual basis over the period during which the service is performed.

(ii) Interest income

Interest income for all interest earning financial assets is recognised on an accrual basis in the statement of profit or loss and other comprehensive income using the effective interest rate method.

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1. Financial statements preparation (continued)

Expense recoveries

Expense recoveries income, including the regulatory change levy, is recognised when the right to recover from the funds is established.

(iii) Distribution income

Distribution income is recognised as income when the right to receive payment is established.

c. Expense recognition

(i) Expenses

Expenses are recognised in the statement of profit or loss and other comprehensive income over the period during which the related service is received.

(ii) Impairment charges

Impairment charges are based on an expected loss model which measures the difference between the current carrying amount and the present value of expected future cash flows taking into account past experience, current conditions and multiple probability-weighted macroeconomic scenarios for reasonably supportable future economic conditions.

Impairment charges are recognised in the statement of profit or loss and other comprehensive income, with a corresponding amount recognised as follows:

- Trade and other receivables at amortised cost: as a reduction of the carrying value of the financial asset through an offsetting provision account.

d. Annual capital fee

Annual capital fee includes fees payable at an agreed rate based on the 'cost of equity' of the shareholder. The fee is calculated using the effective interest rate method and payable in four equal instalments on a quarterly basis.

e. Income tax

The Company is part of a tax consolidated group, of which Westpac Banking Corporation (Westpac) is the head entity. As a consequence of tax consolidation accounting, the Company does not recognise any current tax payable balances in its own financial statements, unless the head entity is in default of its obligations, or a default is probable under the tax consolidation legislation, or the tax amounts relate to taxable income incurred prior to the implementation of the tax consolidation regime. Amounts payable or receivable under a tax funding agreement with the head entity are recognised in accordance with the terms and conditions of the agreement as tax-related amounts receivable or payable. Expenses and revenues arising under this agreement are recognised as income tax (expense)/revenue.

The Company has entered into tax funding and tax sharing arrangements with Westpac. Under the terms of the tax funding agreement, the Company reimburses Westpac for any current tax payable by Westpac in respect of the Company's activities. The Company will also be reimbursed by Westpac for any reduction in current tax payable by Westpac in respect of the Company's activities. The reimbursements are payable at the same time as the associated income tax liability falls due and have therefore been recognised as a current tax-related payable by the Company. In the opinion of management, the tax sharing agreement is a valid agreement under the tax consolidation legislation and limits the joint and several liability of the Company in the case of a default by Westpac.

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of profit or loss and other comprehensive income.

Current tax is the tax payable for the year using enacted or substantively enacted tax rates and laws for each jurisdiction. Current tax also includes adjustments to tax payable for previous years.

Deferred tax accounts for temporary differences between the carrying amounts of assets and liabilities in the financial statements and their values for taxation purposes. Deferred tax is determined using the enacted or substantively enacted tax rates and laws for each jurisdiction which are expected to apply when the assets will be realised or the liabilities settled. Deferred tax assets and liabilities have been offset where they relate to the same taxation authority, and where there is a legal right and intention to settle on a net basis. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available to utilise the assets.

Deferred tax is not recognised for temporary differences, when the initial recognition of assets or liabilities in a transaction, that is not a business combination, affects neither the accounting nor taxable profit or loss.

f. Assets

(i) Financial assets

Recognition

Purchases and sales by regular way of financial assets are recognised on trade-date; the date on which the group commits to purchase or sell the asset.

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1. Financial statements preparation (continued)

f. Assets (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset have expired, or when the Company has either transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full under a 'pass through' arrangement and transferred substantially all the risks and rewards of ownership.

Classification and measurement

The Company has grouped its financial assets in the following classes: cash and cash equivalents, trade and other receivables, financial assets measured at fair value through profit or loss and investment in controlled entity.

Financial assets measured at fair value through profit or loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs.

The accounting policy for each category of financial asset mentioned above and determination of its fair value is set out in the Note 3.

(a) Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the current and previous financial years, cash and cash equivalents of the Company consists of cash at bank with the ultimate parent entity, Westpac.

(b) Trade and other receivables

Receivables (including amounts due from related entities) are recognised initially at fair value and subsequently measured at amortised cost, less provision for expected credit losses (ECL).

(c) Provisions for ECL

The ECL are recognised for trade and other receivables at amortised cost and other financial assets as a reduction of the carrying value of the financial asset through an offsetting provision account.

Measurement

The Company assesses the expected losses associated with its trade and other receivables on a forward-looking basis. The Company applies a simplified approach to measuring ECL, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the ECL, trade and other receivables that share similar credit risk characteristics and days past due are grouped and then assessed for collectability as a whole.

The expected loss rates are based on historical credit loss experience, adjusted where applicable to reflect current and forward-looking macroeconomic factors expected to affect the ability of debtors to settle their obligations to the Company.

(d) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are composed of:

- Financial assets held for trading or those acquired principally for the purpose of selling in the short term with the intention of making a profit.
- Financial assets that are not held for trading purposes but may be sold when the need arises. These are investments in unlisted unit trusts which are managed and their performance evaluated on a fair value basis in accordance with the Company's investment strategy.

Financial assets measured at fair value through profit or loss are subsequently carried at fair value. Gains and losses arising from changes in the fair value of financial assets measured at fair value through profit or loss, including interest and dividend income, are included other comprehensive income in the period in which they arise.

Details on how the fair value of financial instruments is determined are disclosed in Note 3.

(e) Investment in controlled entity

Investment in controlled entity is initially recorded by the Company at cost and is subsequently held at the lower of cost and recoverable amount.

Investment in controlled entity is tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount (which is the higher of fair value less costs to sell and value in use). At each balance sheet date, investment in controlled entity that has been impaired is reviewed for possible reversal of impairment.

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1. Financial statements preparation (continued)

f. Assets (continued)

(ii) Non-financial assets

(a) Deferred acquisition costs

The balance of deferred acquisition costs relate to one-off costs associated with bringing the Westpac Staff super plan in-house. These costs are being amortised on a straight line basis over the fund life of a member (7 years) and were fully written down at 30 November 2019.

(b) Impairment of non-financial assets

The carrying amount of the Company's non-financial assets, other than deferred tax assets, are reviewed as at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash generating unit to which it is allocated exceeds its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. Impairment losses and reversals of impairment losses are recognised in profit or loss.

The recoverable amount of an asset is the greater of its fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

g. Liabilities

Financial liabilities

Recognition

Financial liabilities are recognised when an obligation arises.

Derecognition

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Classification and measurement

The Company has grouped its financial liabilities into the following classes: trade and other payables and provisions.

Financial liabilities are measured at amortised cost if they are not held for trading or designated at fair value through profit or loss, otherwise they are measured at fair value through statement of profit or loss and other comprehensive income.

Financial liabilities measured at fair value through profit or loss are recognised initially at fair value. All other financial liabilities are recognised initially at fair value less directly attributable transaction costs.

The accounting policy for each category of financial liability mentioned above and determination of fair value is set out in the Note 3.

(a) Trade and other payables

Trade and other payables (including amounts due to related entities) represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within normal credit terms. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(b) Provisions

Provisions are recognised for present obligations arising from past events where a payment (or other economic transfer) is likely to be necessary to settle the obligation and can be reliably estimated.

h. Loan capital

Due to the restrictive terms of the agreement relating to the share issue, the shares meet the definition of a liability instead of equity and have accordingly been disclosed in the balance sheet as loan capital. Loan capital is initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

i. Shareholders' equity

Shareholders' equity consists of share capital and reserves. Ordinary shares are recognised at the amount paid up per ordinary share net of directly attributable issue costs. Reserves consist of retained earnings and other reserves.

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1. Financial statements preparation (continued)

j. Goods and Services Tax (GST)

The Company is part of a GST consolidated group, of which Westpac is the head entity. Any GST payable or recoverable is presented on the balance sheet as a net payable to or receivable from Westpac.

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not deemed recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are recognised inclusive of GST.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are ultimately recoverable from or payable to the ATO are presented as operating cash flows.

Commitments are disclosed net of the amount of GST ultimately recoverable from, or payable to, the ATO.

k. Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is not probable or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless the outflow of economic resources is remote.

l. Offsetting

Financial assets and liabilities are presented net in the balance sheet when the Company has a legally enforceable right to offset them in all circumstances and there is an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

m. Rounding of amounts

All amounts have been rounded in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, to the nearest thousand dollars, unless otherwise stated.

n. Separate financial statements

The Company has elected to produce separate financial statements in respect of the financial year ended 30 September 2020 as it has made use of the exemption from consolidation available under AASB 10 and AASB 128. Consolidated financial statements have not been prepared for the Company and its subsidiary due to the fact that its ultimate parent, Westpac, an Australian resident company, produces consolidated financial statements available for public use that comply with International Financial Reporting Standards.

The consolidated financial statements are available for viewing on the Westpac website at www.westpac.com.au.

o. Future developments in accounting standards

The following new standard and interpretation which may have a material impact on the Company have been issued but are not yet effective, and unless otherwise stated, have not been early adopted by the Company:

(i) Revised Conceptual Framework

A revised Conceptual Framework (Framework) was issued in May 2019. This will be effective for the Company for the 30 September 2021 financial year. The revised Framework includes new definitions and recognition criteria for assets, liabilities, income and expenses and other relevant financial reporting concepts. The changes are not expected to have a material impact to the Company.

There are no other standards and interpretations that have been issued, which have a material impact on the Company.

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2. Financial risk management

An integrated Risk Management Framework (RMF) has been designed to help the Westpac Group (Group) Board and management answer pertinent questions facing the Group (Westpac and the entities it controls), including what are the risks to its business strategy, what is its appetite for these risks; how does it govern, monitor and manage these risks; how does it respond; and what are the possible scenarios that could impact the Group. The Company has adopted the Group RMF which includes the Risk Management Strategy (RMS). The framework overall, including the RMS, incorporates the requirements of the Australian Prudential Regulation Authority's (APRA)'s Prudential Standard for Risk Management (SPS220).

This also includes risks arising from the requirements of APRA SPS 114 - Operational Risk Financial Requirement (ORFR), which requires RSE Licensees to determine, hold and manage an ORFR target capital reserve. Adherence to this framework and policies is essential to the ongoing management of its risks.

This note details the financial risk management policies, practice and quantitative information of the Company's principal financial risk exposures.

Principal financial risks	Note name	Note number
Overview	Governance framework	2.1.1
	Approach to risk management	2.1.2
Credit risk The risk of financial loss where a customer or counterparty fails to meet their financial obligations.	Maximum credit risk exposure	2.2.1
	Credit concentration risk	2.2.2
	Credit quality of financial assets	2.2.3
Liquidity risk The risk that the Company will be unable to fund assets and meet obligations as they become due.	Contractual maturity of financial liabilities	2.3.1
	Liquidity concentration	2.3.2
Market risk The risk of an adverse impact on earnings resulting from changes in market factors, such as foreign exchange rates, interest rates and market prices.	Interest rate risk	2.4.1
	Foreign exchange risk	2.4.2
	Price risk	2.4.3

2.1 Overview

2.1.1 Governance framework

An integrated RMF has been implemented to bring together the various component parts of the risk framework. The framework is the totality of the systems, processes, structures, policies and people involved in identifying, assessing, treating and monitoring risks. The RMS sets out the strategy to be adopted by the Company for managing risk and is a key element of the Company's RMF.

Where appropriate, the Company reviews and formally adopts various policies, procedures and frameworks of the Group that are relevant to risk management as part of its own risk management framework.

The Company's risk management objectives are to:

- support decision-making through informed considerations of appropriate risk and reward;
- manage risks within the Company's risk appetite by creating a strong and cohesive risk management culture across all operations; and
- enhance value creation by ensuring accepted risks carry rewards in excess of the estimated cost of assuming those risks and also ensuring that those risks are within the risk appetite.

The RMF includes several governance measures that seek to ensure good risk management practices are embedded in business operations, planning and decision-making processes.

The Company's governance framework overseeing effective risk management consists of:

- Defined roles and responsibilities for the Board, its committees and various management committees and forums that oversee particular aspects of the business;
- Various governance-related documents setting out the policies, practices and procedures adopted by the Company to ensure it operates in accordance with prudential requirements and good governance principles; and
- A dedicated risk management function that supports the RMF and execution of the Company's RMS.

The Company has adopted the Westpac Group Delegated Authority Policy Framework. This framework enables management to make decisions which are not reserved for the Board. The Board has delegated certain risk management responsibilities to the following committees and personnel.

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2. Financial risk management (continued)

2.1 Overview (continued)

2.1.1 Governance framework (continued)

Superannuation Board

The Superannuation Board is ultimately responsible for governance and oversight of the management of the Company and the funds for which it is responsible as Trustee. This includes setting risk appetite, and approval of Superannuation Board policies and frameworks. The Superannuation Board additionally considers matters referred by its committees and delegates, including material and related party matters.

Superannuation Board Audit, Risk & Compliance Committee

The BARCC assists the Board in discharging its responsibilities in relation to the integrity of the financial statements and approving the financial reporting framework of the Company, and reviews and oversees the risk management and compliance framework of the Company. In performing its responsibilities, the BARCC will have regard to the Westpac Group framework and policies and will also have appropriate regard to the Company's business and its specific requirements as a regulated entity.

Superannuation Board Investment Committee

The BIC assists the Board in discharging its responsibilities in relation to setting an investment strategy for each fund, including reviewing and approving risk exposure limits, and monitoring the investment activities carried out by or on behalf of the Company and its funds. The BIC also oversees the appointment or termination of the investment managers of investment portfolios on behalf of the Company and it also monitors the performance of those investment managers.

Westpac Board Remuneration Committee

The Board has delegated remuneration matters to the Westpac Board Remuneration Committee. The primary role of this Committee is to review and make recommendations to the Westpac Board in relation to the Westpac Group Remuneration Policy (Group Remuneration Policy) and to assess the Group Remuneration Policy's effectiveness and its compliance with laws, regulations and prudential standards to ensure coherent remuneration policies and practices are in place that fairly and responsibly reward individuals.

2.1.2 Approach to risk management

The Company has adopted the Three Lines of Defence model to ensure we practice holistic end-to-end management of risk. Our Three Lines of Defence approach is designed on a functional basis and covers all employees within the Westpac Group. The delineation of responsibilities between the Three Lines of Defence are:

1st Line of Defence – Business and support: manages the risks they originate

The First Line proactively identifies, evaluates, owns and manages the risks in their business/domain. It also ensures that business activities are within approved risk appetite and policies. This accountability cannot be abrogated. The First Line of defence is accountable for 'self-certification'.

In managing its risk, the First Line is required to establish and maintain appropriate governance structures, controls, resources and self-assessment processes, including issue identification recording and escalation procedures.

2nd Line of Defence – Risk: provides oversight, insight and control of First Line activities

The Second Line sets frameworks, controls (including policies and limits), and standards for use across the Group. They can require remediation or cessation of activity where these are not adhered to. Their approach will be risk-based and proportionate.

The Second Line reviews and challenges First Line activities and decisions that may materially affect Westpac's risk position, and independently evaluate the effectiveness of the First Line's controls, monitoring, compliance, and monitors progress towards mitigating risks. In addition, the Second line provides insight to the First Line, assisting in developing, maintaining and enhancing the business' approach to risk management.

The Second Line understands and reports the aggregated risk profile of the Group to ensure end-to-end oversight of risk and can accept risks outside of the business' risk appetite.

3rd Line of Defence – Audit: provides Independent Audit

The Third Line is an independent assurance function that evaluates and opines on adequacy and effectiveness of both First and Second Line risk management approaches and tracks remediation progress, with the aim of providing the Board, and Senior Executives, with comfort that the Group's governance, risk management and internal controls are operating effectively

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2. Financial risk management (continued)

2.2 Credit risk

Credit risk is the risk of financial loss where a customer or counterparty fails to meet their financial obligations to the Company or the broader Group. The Company is subject to the Westpac Credit Risk Management Framework. This framework defines what constitutes credit risk for the Company and provides the basis for managing credit risk.

Policies and procedures established through the Credit Risk Management Framework are used to mitigate the Company's exposure to credit risk.

Exposures to counterparties are monitored and controlled to ensure:

- significant deterioration in credit quality is identified;
- credit risk management information is accurate and complete; and
- excessive concentrations of credit risk are identified and controlled.

Credit risk limits for investment assets of the Company are defined within the Westpac Group Credit Risk Management Framework and managed for the Company by the appointed investment portfolio managers. The framework also sets out acceptable credit quality ratings for investments that may be held. Compliance with these limits is monitored.

2.2.1 Maximum Credit risk exposure

The Company's maximum credit risk exposure is the carrying amount of the financial assets as set out below:

	2020 \$'000	2019 \$'000
Cash and cash equivalents	86,947	45,674
Trade and other receivables	41,825	51,499

2.2.2 Credit concentration risk

There was significant credit concentration risk as at 30 September 2020 and 30 September 2019 relating to cash and cash equivalents which are all placed with the ultimate parent entity, Westpac.

Credit rating - Westpac

	Rating agency	Short-term	Long-term	Outlook
30 September 2020	S&P Global Ratings	A-1+	AA-	Negative
30 September 2019	S&P Global Ratings	A-1+	AA-	Stable

2.2.3 Credit quality of financial assets

None of the financial assets as at 30 September 2020 and 30 September 2019 are impaired or past due. There has also been no history of default with respect to the Company's trade receivables. Amounts due from related parties are covered by existing agreements and are settled regularly.

The Company has indirect credit risk exposure through its investment in the Pandal Short Term Income Fund, which invests in short-term bank deposits and notes. At any time, between 75% and 95% of the Pandal Short Term Income Fund will be invested in instruments issued by the ultimate parent entity or held cash on deposit with the ultimate parent entity.

2.3 Liquidity risk

Liquidity risk is the risk of being unable to fund assets and meet obligations as they fall due.

The Company is subject to the Westpac Group Liquidity Risk Management Framework and related business level policies. This framework defines what constitutes liquidity risk and provides the basis for managing this risk.

The Company's liabilities are all short term in nature, normally settled within 30-90 days. The liquidity position is being monitored regularly to ensure the Company has sufficient funds to cover all obligations and that it complies with the surplus liquid funds required under the terms and conditions of its Australian Financial Services Licence and ASIC Class Order CO 13/760.

2.3.1 Contractual maturity of financial liabilities

As mentioned above the Company's liabilities are short term in nature with the exception of ORFR loan capital which does not have a fixed maturity.

2.3.2 Liquidity concentration

There was no significant liquidity concentration risk as at 30 September 2020 and 30 September 2019.

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 2. Financial risk management (continued)

2.4 Market risk

Market risk is the risk of an adverse impact on earnings resulting from changes in market factors such as foreign exchange rates (currency risk), interest rates (interest rate risk) and price risk.

The Company is subject to the Westpac Group Market Risk Management Framework which provides the basis for managing this risk.

2.4.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate risk primarily arises from cash and cash equivalents placed with Westpac

Interest rate risk sensitivity analysis

The table below demonstrates the impact on the Company's profit after tax and on equity based on a 100 basis points (2019: 100 basis points) increase or decrease in interest rate with all other variables held constant. The impact is mainly due to changes in cash flow from a change in interest rates.

	2020 \$'000	2019 \$'000
	Impact on profit after tax and equity	Impact on profit after tax and equity
Change in variable rate:		
+100 basis points	609	320
-100 basis points	(609)	(320)

The method used in deriving sensitivity information and significant variables did not change from the previous period.

2.4.2 Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has no underlying exposure to foreign exchange risk as all financial instruments of the Company are denominated in Australian currency.

2.4.3 Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Price risk primarily arises from unit holdings in Pendal Short Term Income Fund.

Price risk sensitivity analysis

The table below demonstrates the impact on the Company's profit after tax and on equity based on a 3.0% (2019: 3.0%) increase or decrease in fair values with all other variables held constant.

	2020 \$'000	2019 \$'000
	Impact on profit after tax and equity	Impact on profit after tax and equity
Change in variable rate		
Increase of 3%	4,632	4,632
Decrease of 3%	(4,632)	(4,632)

Indirect price risk arises from movements in the investment markets that affect business performance e.g. income derived as a result of managing or the administration of investments on behalf of other parties where fee income is based on the value of FUM or FUA. The key source of indirect price risk is our exposure to fee income earned from the management and administration of investments on behalf of other parties where the fee income is directly related to the value of FUM or FUA. Accordingly, fluctuations in the financial markets have an effect on operating results. The value of FUM or FUA may outperform or underperform the financial markets. As such, quantifying the impact of correlation between FUM or FUA and our operating results may be misleading.

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 3. Fair values of financial assets and financial liabilities

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- unadjusted quoted prices in liquid, active markets where prices for financial instruments are readily observable (level 1);
- inputs are observable market prices and the use of valuation techniques for not actively traded financial instruments (level 2); and
- inputs are derived and extrapolated from other relevant market data and calibrated against market trends and historical transactions, as the financial instruments are not based on observable market data due to illiquidity or complexity (level 3).

Fair value is determined as follows:

- cash assets at face value of the amounts deposited;
- investments in unlisted unit trusts by reference to the prevailing redemption prices at the reporting date, which inherently includes transaction costs;
- receivables at amortised cost less provision for impairment losses, which is the best estimate of their fair value, as they are settled within a short time;
- payables at amortised cost, which is the best estimate of their fair value, as they are settled within a short time; and
- loan capital is shares issued by the immediate parent entity, Westpac Financial Services Group Limited (WFSG), recognised as a liability with terms and conditions that qualify for inclusion as regulatory capital under APRA Prudential Standards but not under accounting standards. Subsequent to initial recognition loan capital is measured at amortised cost using the effective interest rate method. Any economic cost or benefit arising from the loan capital is fully passed on to the funds managed by the Company and the shares are redeemable at the initial issue price.

The Company has an investment in Pandal Short Term Income Fund which maintained a fixed unit price and is considered level 2 in the fair value hierarchy as the prices can be directly observed.

For all other financial assets and liabilities, the carrying value is a reasonable approximation of fair value and therefore no fair value disclosures are required in accordance with AASB 7 - 29(a).

Note 4. Critical accounting assumptions and estimates

Applying the Company's accounting policies requires the use of judgement, assumptions and estimates which impact the financial information.

Impact of COVID-19

The COVID-19 pandemic and the measures put in place domestically and globally to control the spread of the virus have had a significant impact on global economies and financial markets. As a result, this has increased the uncertainty and judgement required in relation to our critical accounting assumptions and estimates, primarily relating to:

- expected credit losses; and
- fair value measurement.

As there is a higher than usual degree of uncertainty associated with these assumptions and estimates, the actual economic conditions are likely to be different from those which may impact accounting estimates included in these financial statements. This potential impact is not expected to be material to the Company.

It has been determined that no other critical accounting estimates and assumptions have been made this year.

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 5. Revenue

	2020 \$'000	2019 \$'000 Restated
Operating revenue		
Management fees	184,561	202,233
Administration fees	7,020	20,406
Expense recoveries	27,535	33,317
Total operating revenue	219,116	255,956
Other revenue		
Interest	427	1,224
Dividends received	125	-
Distributions from financial assets measured at fair value through profit or loss	2,626	5,629
Total other revenue	3,178	6,853
Total revenue	222,294	262,809

Note 6. Income tax

The income tax expense for the year reconciles to the profit before income tax as follows:

	2020 \$'000	2019 \$'000
Profit before income tax	27,149	89,888
Tax at the Australian company tax rate of 30%	8,145	26,966
The effect of amounts which are not deductible in calculating taxable income		
Adjustment for current tax of prior period	-	1,691
Exempt dividends	(38)	-
Total income tax expense	8,107	28,657

	Note	2020 \$'000	2019 \$'000
Income tax analysis			
Income tax expense comprises:			
Current income tax		16,259	27,815
Movement in deferred tax - Remediation provision reimbursed by Asgard Capital Management Limited (ACML) ¹	(i)	(8,045)	-
Current tax expense – prior period		-	1,691
Movement in deferred tax	(i)	(107)	(849)
Total income tax expense		8,107	28,657
(i) Deferred tax benefit included in income tax expense comprises:			
Increase in deferred tax assets ¹	11	(8,043)	(148)
Decrease in deferred tax liabilities	14	(109)	(701)
Total deferred tax benefit		(8,152)	(849)

¹During the year, \$26.8m of remediation provisions in relation to Asgard Employee Super Accounts (AESAs) has been reimbursed by ACML. ACML has recognised the amount in its statement of profit or loss and other comprehensive income (being the Administrator) and passed on the liability to the Company, being the Trustee. The Company has recognised a deferred tax on the provision and will be released when liability has been settled with members.

The effective tax rate was 30% in 2020 (2019: 32%).

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 7. Current assets - Trade and other receivables

	2020	2019
	\$'000	\$'000
Trade receivables	40,804	49,720
Distributions from financial assets measured at fair value through profit or loss	331	371
Amounts due from:		
Other related entities	690	1,408
Total current assets - trade and other receivables	41,825	51,499

Note 8. Current assets - Financial assets measured at fair value through profit or loss

	2020	2019
	\$'000	\$'000
Investment in Pandal Short Term Income Fund	220,550	220,550
Total current assets - financial assets measured at fair value through profit or loss	220,550	220,550

The Pandal Short Term Income Fund is considered to be a structured entity for the purposes of AASB 12. Refer to Note 19(d) for further information.

Note 9. Deferred acquisition costs

	2020	2019
	\$'000	\$'000
Deferred acquisition costs - current	-	362
Total deferred acquisition costs	-	362

Reconciliation

Reconciliation of the carrying amount of deferred acquisition costs is set out below:

	2020	2019
	\$'000	\$'000
Balance at beginning of the year	362	2,701
Amortisation	(362)	(2,339)
Balance at end of the year	-	362

Note 10. Non-current assets - Investment in controlled entity

	Note	2020	2019
		\$	\$
Shares in wholly owned entities - at cost			
Investment in controlled entity - Oniston Pty Limited	19(c)	2	2
Total non-current assets - investment in controlled entity		2	2

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 11. Non-current assets - Deferred tax assets

The balance comprises temporary differences attributable to:

	2020	2019
	\$'000	\$'000
Amounts recognised in the statement of profit or loss and other comprehensive income:		
Provision for non-lending losses (see Note 6)	8,784	741
Gross deferred tax assets	8,784	741
Set-off deferred tax assets and deferred tax liabilities (Note 14)	-	(109)
Net deferred tax assets	8,784	632

	Non-lending losses \$'000	Total \$'000
Movements		
Balance at 1 October 2018	593	593
Recognised in the statement of profit or loss and other comprehensive income	148	148
Balance at 30 September 2019	741	741
Recognised in the statement of profit or loss and other comprehensive income (see Note 6)	8,043	8,043
Balance at 30 September 2020	8,784	8,784

Note 12. Current liabilities - Trade and other payables

	2020	2019
	\$'000	\$'000
Trade payables	13,304	19,835
Amounts due to:		
Ultimate parent entity - current tax	9,603	5,731
Ultimate parent entity - other	29,166	11,243
Other related entities	13,354	10,082
Total current liabilities - trade and other payables	65,427	46,891

Note 13. Current liabilities - Provisions

	2020	2019
	\$'000	\$'000
(a) Provisions for:		
Non-lending losses (see Note 6)	29,280	2,469
Total current liabilities - provisions	29,280	2,469

(b) Movement in provisions

Movement in each class of provision during the financial year are set out below:

	Non-lending losses \$'000	Total \$'000
Balance at 1 October 2018	1,977	1,977
Addition	4,016	4,016
Utilisation	(3,524)	(3,524)
Balance at 30 September 2019	2,469	2,469
Addition (see Note 6)	29,210	29,210
Utilisation	(2,399)	(2,399)
Balance at 30 September 2020	29,280	29,280

The provision for non-lending losses relates to good value claim (GVC) provisions and the Asgard Employee Super Accounts (AESAs) remediation provision.

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 14. Non-current liabilities - Deferred tax liabilities

The balance comprises temporary differences attributable to:

	2020 \$'000	2019 \$'000
Amounts recognised in the statement of profit or loss and other comprehensive income:		
Deferred acquisition costs	-	109
Gross deferred tax liabilities	-	109
Set-off of deferred tax assets and deferred tax liabilities (Note 11)	-	(109)
Net deferred tax liabilities	-	-

	Deferred acquisition cost \$'000	Total \$'000
Movements		
Balance at 1 October 2018	810	810
Recognised in the statement of profit or loss and other comprehensive income	(701)	(701)
Balance at 30 September 2019	109	109
Recognised in the statement of profit or loss and other comprehensive income	(109)	(109)
Balance at 30 September 2020	-	-

Note 15. Share Capital and loan Capital

	2020 \$'000	2019 \$'000
Share capital		
Ordinary share capital, fully paid	252,655	252,655
Total share capital and loan capital	252,655	252,655

Disclosed in Balance Sheet as follows:

Share capital	32,105	32,105
Loan capital	220,550	220,550

	\$'000	\$'000
Movements in share capital		
Opening balance	32,105	32,105
Closing balance	32,105	32,105

	2020 No.	2019 No.
Ordinary shares at beginning of the year	232,860,050	232,860,050
Ordinary shares at end of the year	232,860,050	232,860,050

- (a) Ordinary shares are classified as share capital or loan capital. The share capital class of ordinary shares entitles the holder to participate in dividends and, in the event of the Company winding up, to a share of the proceeds in the proportion to the number of and amounts paid on the shares held.
- Each ordinary share entitles the holder to one vote, either in person or by proxy, at a shareholder meeting. Equity is defined as share capital plus reserves.
- (b) The Company's capital management objectives are to:
- ensure sufficient capital resource to support the Company's business and operational requirements;
 - safeguard the Company's ability to continue as a going concern; and
 - maintain sufficient capital to exceed externally imposed capital requirements.

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 15. Share capital and loan capital (Continued)

- (c) Periodic reviews of the Company's capital requirements are performed to ensure the Company is meeting its objectives. The Company is required to maintain net tangible assets (NTA) and liquidity as prescribed by the terms of its Australian Financial Services Licence and ASIC Class Order CO13/760. The company's NTA, liquidity positions and compliance with the licence's capital requirements are managed on a continuous basis with formal monitoring performed on a monthly basis. During the year Company complied with all externally imposed capital requirements.

The Superannuation Industry (Supervision) Act 1993 requires the Company to maintain and manage, in accordance with the APRA Prudential Standards, financial resources to cover the operational risk that relates to each Registrable Superannuation Entity within its business operations. Prudential Standard SPS 114 - Operational Risk Financial Requirements (ORFR), effective 1 July 2013, establishes requirements relating to these financial resources including considering operational risk on its business operations to determine an ORFR target capital reserve amount (ORFR Target Amount) to be held. Effective 1 July 2016 the Company met the full ORFR Target Amount and holds an ORFR Target Amount equivalent to 0.25 per cent of FUM. At 30 September 2020, the ORFR Target Amount was \$220,550 thousand.

On 11 August 2014 the Company entered into an agreement with its immediate parent, whereby to satisfy the Company's obligation to hold the ORFR Target Amount as capital, WFSG will provide the capital by subscribing for ordinary shares in the Company, unless otherwise agreed. WFSG will charge the Company a fee based on the 'cost of equity' rate assessed as being a reasonable current market rate (independent advice sought) and consistent with the rate applied internally by the Westpac Group on the capital drawn down, to comply with the terms of Prudential Standard SPS 114. This fee is determined after taking into account the corporate tax expense and franking benefit. The Company will be entitled to recover from the relevant superannuation funds the fee for the provision of capital reduced by the pre-tax earnings derived by the Company from investing the capital. The fee is payable in four equal instalments on a quarterly basis. The fees during the year amounted to \$26,660 thousand (2019: \$26,660 thousand).

The Company is obliged to only pay an amount under the agreement to the extent that it is entitled to be indemnified for that amount from the assets of the relevant funds.

The agreement commenced on 1 October 2014 and continues in force until terminated by mutual agreement or where WFSG gives notice to the Company that it requires the Company to satisfy part or all of its ORFR Target Amount by a suitable alternate arrangement or where APRA provides relief from the ORFR obligation. Due to the restrictive terms of agreement relating to this share issue it meets the definition of a liability instead of equity and has accordingly been disclosed in the balance sheet as loan capital.

At 30 September 2020, the amount drawn under the agreement was \$220,550 thousand (2019: \$220,550 thousand) which meets the capital target amount. This has been invested in the Pandal Short Term Income Fund. In addition to this, \$5,000 thousand (2019: \$nil) of retained earnings capital has been appropriated in order to meet the capital target amount. A process is in place for monitoring the level of FUM and the required ORFR with additional capital injected as required.

Note 16. Retained Profits

	2020	2019
	\$'000	\$'000
Balance at beginning of the year	16,702	26,018
Net profit for the year	19,042	61,231
Dividends paid	(25,000)	(70,547)
Retained profits at end of the year	10,744	16,702
Retained profits at end of the year consists of:		
Appropriated for ORFR capital (i)	5,000	-
Available for distribution	5,744	16,702
	10,744	16,702

- (i) Retained profits appropriated for ORFR capital purposes in accordance with the Annual Review of the ORFR Strategy Policy dated June 2020. Amount is not available for distribution.

Note 17. Dividends

	2020	2019
	\$'000	\$'000
Ordinary dividend of \$2.03 per fully paid share paid in July 2020	25,000	-
Ordinary dividend of \$1.54 per fully paid share paid in September 2019	-	19,000
Ordinary dividend of \$1.14 per fully paid share paid in June 2019	-	14,000
Ordinary dividend of \$1.04 per fully paid share paid in March 2019	-	12,800
Ordinary dividend of \$2.01 per fully paid share paid in December 2018	-	24,747
Total dividends	25,000	70,547

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 18. Auditor's remuneration

During the year, the auditor's remuneration for the audit of the financial statements was \$214,721 (2019: \$210,511). In addition, the auditor was remunerated \$193,429 (2019: nil) for audit related services and \$20,000 (2019: nil) for non-audit services. All fees were paid by the ultimate parent entity, Westpac.

Note 19. Related party disclosures

(a) Parent entities

Westpac Financial Services Group Limited (WFSG) is the immediate parent entity. Westpac Banking Corporation is the ultimate parent entity.

(b) Key management personnel (KMP)

Key management personnel are those who, directly or indirectly, have authority and responsibility for planning, directing and controlling the activities of the Company. This includes all Executive and Non-Executive Directors.

	2020	2019
	\$	\$
Remuneration of KMP		
Short-term benefits	1,871,389	1,567,397
Post-employment benefits	149,568	101,455
Other long-term benefits	(2,741)	8,889
Termination benefits	65,369	113,470
Share-based payments	321,568	362,634
Total remuneration of KMP	2,405,153	2,153,845

Key management personnel remuneration was paid by the relevant employing entities within the Westpac Group, with the exception of share-based payments which consist of shares, options and other equity instruments issued by the ultimate parent entity. In addition to the remuneration disclosed above, the Directors of the Company also receive remuneration for their role as key management personnel of related responsible entities and trustee companies. This remuneration is separately disclosed in the financial statements of those responsible entities.

(c) Controlled entity

Controlled entity of the Company

Name of the entity	Country of incorporation	2020 %	2019 %
Oniston Pty Limited	Australia	100	100

(d) Interests in unconsolidated structured entities

A structured entity is one which has been designed such that voting or similar rights are not the dominant factor in determining who controls the entity (for example, when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements). Structured entities are generally created to achieve a specific and well defined objective with restrictions over their ongoing activities. The Company enters into transactions with unconsolidated structured entities to facilitate specific investment opportunities and its interest in the structured entity comprises of any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity. This includes both the holding of units in unlisted funds and any ongoing management fee that the Company is entitled to as part of its normal funds management activities.

(i) Investment in the Pandal Short Term Income Fund

The fund's objective is to seek near term gains and invests primarily in Floating Rate Notes and Cash Deposits. The fund finances its operations by issuing redeemable units which are puttable at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets. The carrying value of the investment, classified as a financial asset through the profit or loss, represents the Company's maximum exposure to loss.

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 19. Related party disclosures (continued)

(d) Interests in unconsolidated structured entities (continued)

(ii) *Investment management agreements*

As the Responsible Entity, the Company is entitled to receive on-going management and performance fee income based on the value of the FUM for both superannuation and investment funds. The Company's maximum exposure to loss from the unlisted funds is limited to the management fees accrued on the balance sheet. The following table shows the size and nature of risks that the unconsolidated entities are exposed to:

30 September 2020	Cash and Term deposits	Fixed income/ Debt securities	Australian equities	International equities	Property	Diversified/ Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other receivables	381	19	264	397	95	27,581	28,737
Size of structured funds	1,968,105	100,229	1,366,376	2,051,491	488,717	142,574,905	148,549,823

30 September 2019	Cash and Term deposits	Fixed income/ Debt securities	Australian equities	International equities	Property	Diversified/ Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other receivables	160	609	570	1,161	287	40,337	43,124
Size of structured funds	579,767	2,210,532	2,070,362	4,213,011	1,041,410	146,421,974	156,537,056

The Company does not provide any financial or other support to any of the unconsolidated structured entities.

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 19. Related party disclosures (continued)

(e) Transactions with related parties

The following transactions occurred with related parties:

Type of transaction	Class of related party	Note	2020 \$	2019 \$ Restated
Interest revenue	Ultimate parent entity		455,580	1,040,290
Management fees	Other related entities		(64,983,791)	(43,315,689)
Administration fees revenue	Other related entities		3,006,904 ¹	20,052,046
Distributions from financial asset measured at fair value through profit or loss	Other related entities	5	2,626,055	5,629,040
Dividends received	Controlled entity	5	125,000	-
Service fee expense	Ultimate parent entity		80,562,957	59,838,918
Service fee expense	Other related entities		60,609,156	45,841,431
Administrator expense	Other related entities		13,478,906	19,953,873
Commission expense	Ultimate parent entity		-	208,574
Commission expense	Other related entities		8,168	(128,163)
Annual capital fee paid	Immediate parent entity	15(c)	26,659,890	26,659,890
Dividends paid	Immediate parent entity	17	25,000,000	70,547,000

¹On 1 July 2020, AIA Australia Limited replaced Westpac Life Insurance Services Limited (WLISL) as the insurance provider for BT corporate superannuation products.

(f) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Balance type	Class of related party	Note	2020 \$	2019 \$
Cash at bank	Ultimate parent entity	21(a)	86,947,263	45,673,852
Trade and other receivables	Other related entities	7	1,020,770	1,778,601
Financial assets measured at fair value through profit or loss	Other related entities	8	220,550,000	220,550,000
Investment in controlled entity	Controlled entity	10	2	2
Trade and other payables	Ultimate parent entity	12	38,769,025	16,973,690
Trade and other payables	Immediate parent entity	12	3,226,239	3,880,805
Trade and other payables	Other related entities	12	10,128,160	6,201,043
Loan capital	Immediate parent entity	15	220,550,000	220,550,000

(g) Terms and conditions

All transactions have been made on normal commercial terms and conditions.

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 20. Offsetting financial assets and financial liabilities

Financial assets and liabilities are presented net in the balance sheet when the Company has a legally enforceable right to offset them in all circumstances and there is an intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously. The gross assets and liabilities behind the net amounts reported in the balance sheet are disclosed in the table below:

		Effects of offsetting on balance sheet		
		Gross amounts	Amounts offset	Net amounts
30 September 2020	Note	\$'000	\$'000	reported on the balance sheet \$'000
Financial assets:				
Trade and other receivables	7	44,271	(2,446)	41,825
Financial liabilities:				
Trade and other payables	12	67,873	(2,446)	65,427

		Effects of offsetting on balance sheet		
		Gross amounts	Amounts offset	Net amounts
30 September 2019	Note	\$'000	\$'000	reported on the balance sheet \$'000
Financial assets:				
Trade and other receivables	7	63,635	(12,136)	51,499
Financial liabilities:				
Trade and other payables	12	59,027	(12,136)	46,891

Note 21. Notes to the cash flow statement

	2020 \$'000	2019 \$'000
(a) Reconciliation of cash and cash equivalents		
Cash with ultimate parent entity	86,947	45,674
Cash and cash equivalents at end of year	86,947	45,674
(b) Reconciliation of net cash provided by/(used in) operating activities to net profit for the year:		
Net profit for the year	19,042	61,231
Adjustments:		
Distributions from financial assets measured at fair value through profit or loss	(2,626)	(5,629)
Annual capital fee on loan capital	26,660	26,660
Dividends Received	(125)	-
Receipt from ACML in relation to AESA remediation provision	26,815	-
Changes in operating assets and liabilities:		
Decrease/(increase) in assets		
Trade and other receivables	9,634	(8,673)
Deferred tax assets	(8,152)	(632)
Deferred acquisition costs	362	2,339
Increase/(decrease) in liabilities		
Trade and other payables	14,664	(1,762)
Current tax liabilities	3,872	3,259
Provisions	(4)	492
Deferred tax liabilities	-	(217)
Net cash provided by/(used in) operating activities	90,142	77,068

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 21. Notes to the cash flow statement (continued)

(c) Reconciliation of liabilities arising from financing activities

Movement in liabilities arising from financing activities:

	Dividend \$'000	Annual capital fee \$'000	Loan capital \$'000	Total \$'000
Balance as at 1 October 2018	-	-	220,550	220,550
Repayments	-	-	-	-
Other cash movements	(70,547)	(26,660)	-	(97,207)
Total cash movements	(70,547)	(26,660)	-	(97,207)
Other non-cash movements	70,547	26,660	-	97,207
Total non-cash movements	70,547	26,660	-	97,207
Balance as at 30 September 2019	-	-	220,550	220,550
Repayments	-	-	-	-
Other cash movements	(25,000)	(26,660)	-	(51,660)
Total cash movements	(25,000)	(26,660)	-	(51,660)
Other non-cash movements	25,000	26,660	-	51,660
Total non-cash movements	25,000	26,660	-	51,660
Balance as at 30 September 2020	-	-	220,550	220,550

Note 22. Contingent liabilities and commitments

(a) Commitments

The Company covenants, as manager of the BT Cash Management Trust (previously known as the BT Hi-Yield Trust), that unit holders will receive the full value of their unit holding on repurchase or redemption of all units issued before 6 May 1990. At 30 September 2020, the full value of units on issue covered by the covenant amounted to \$523,896 (2019: \$554,195). At 30 September 2020, the value of all units on issue amounted to \$145,817,218 (2019: \$153,798,595) and the net assets of the trust amounted to \$145,817,218 (2019: \$153,798,595).

(b) Contingent liabilities

In the normal course of business, the Company may incur various contingent obligations as disclosed below, none of which are anticipated by the Directors to result in a material loss to the Company.

(i) Westpac Group related regulatory investigations, reviews and inquiries

Regulators, statutory authorities and other bodies routinely conduct investigations, reviews and inquiries involving the financial services sector, both in Australia and overseas. These regulatory actions may consider a range of subject matter, and in Australia, a number of regulatory investigations and reviews are currently considering potential misconduct in credit and financial services.

In addition, there are investigations covering a range of other matters (some of which are industry-wide) that involve or may involve the Westpac Group (Group) in the future, including:

- the provision of financial advice, including whether personal advice obligations have been complied with and the conduct of financial planners;
- the adequacy of fee disclosure charged for our products and services; and
- other areas such as the provision of superannuation (including insurance in superannuation), privacy and information governance and competition law conduct.

The Group has not received any indication of what (if any) action regulators will take following the conclusion of the investigations set out above. No provisions have yet been made in relation to any financial penalty that might arise in the event that regulators were to pursue enforcement proceedings, as any potential future liability of that kind cannot be reliably estimated at this time.

These investigations may result in litigation (including class action proceedings), fines and penalties, infringement notices, enforceable undertakings, imposition of capital requirements, licence revocation or variation, or other action being taken by regulators or other parties. Given the size of Westpac, these investigations have in some instances resulted, and could in the future result, in findings of a significant number of breaches of obligations. This in turn could lead to significant financial and other penalties.

Westpac Banking Corporation (Westpac) is aware from media reports and other publicly available material that other class actions against Westpac entities are being investigated. Westpac does not have any further information about the proposed claims beyond the issued public statements.

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 22. Contingent liabilities and commitments (continued)

(b) Contingent liabilities (continued)

(ii) Westpac Group litigation

There are ongoing Court proceedings, claims and possible claims for and against the Group. Contingent liabilities exist in respect of actual and potential claims and proceedings, including those listed below. An assessment of the Group's likely loss has been made on a case-by-case basis for the purpose of the financial statements but cannot always be reliably estimated, including in relation to those listed below. Except as otherwise stated, no provision has been recognised in relation to the matters below because liability is not certain and cannot be reliably estimated.

(iii) Westpac Group internal reviews and remediation

As in prior periods, Westpac is continuing to undertake a number of reviews to identify and resolve prior issues that have the potential to impact our customers and reputation. These internal reviews continue to identify a number of issues in respect of which we are taking steps or will take steps to put things right so that our customers are not at a disadvantage from certain past practices, including making compensation/remediation payments to customers and providing refunds where identified. These issues include compliance with the charging of certain Wealth fees, the processing of corporate actions, reviewing third party remuneration arrangements and the way some product terms and conditions are operationalised. By undertaking these reviews we can also improve our processes and controls.

An assessment of the Group's likely loss has been made on a case-by-case basis for the purpose of the financial statements but cannot always be reliably estimated. Contingent liabilities may exist in respect of actual or potential claims (which could be brought by customers or regulators), compensation/remediation payments and/or refunds identified as part of these reviews.

(iv) Westpac Group Australian Financial Complaints Authority

Contingent liabilities may also exist in relation to customer complaints brought before the Australian Financial Complaints Authority (AFCA). AFCA has the power to make determinations about complaints and can award compensation up to certain thresholds. AFCA has a broader jurisdiction than previous dispute resolution bodies which it has replaced and, up until 30 June 2020, could also consider customer complaints dating back to 1 January 2008.

(v) Company specific regulatory litigation

- On 22 December 2016, ASIC commenced Federal Court proceedings against the Company and Westpac Securities Administration Limited (WSAL) in relation to a number of superannuation account consolidation campaigns conducted between 2013 and 2016. The litigation has recently gone through an appeal process, with the most recent appeal being brought by Westpac in the High Court of Australia. The judgment will relate to whether the companies each provided personal advice on relevant telephone calls made to 14 of the 15 specific customers (who were the focus of the claim) and consequentially contravened the Corporations Act 2001 (Cth) (including section 912A(1)(a)). The Company has entered into an indemnity with its ultimate parent entity, Westpac Banking Corporation, to cover penalties and fines of up to \$4m.
- On 20 August 2020, ASIC commenced proceedings in the Federal Court against the Company and Asgard Capital Management Limited (ACML), in relation to an issue that was a case study in the Financial Services Royal Commission. The allegations concern the inadvertent charging of financial adviser fees to 404 customers totalling \$130,006 after a request had been made to remove the financial adviser from the customers' accounts. The issue was self-reported to ASIC in 2017 and customers have been remediated. The Companies accept the allegations made by ASIC and do not intend to defend the proceedings. Westpac is now working through the relevant Court procedural steps to try to bring the matter to a resolution.

(vi) Company specific class actions

The Company is currently defending the following class action:

- On 5 September 2019, a class action against the Company and Westpac Life Insurance Services Limited (WLIS) was commenced in the Federal Court of Australia in relation to aspects of the Company's BT Super for Life cash investment option. The claim follows other industry class actions. It is alleged that the Company failed to adhere to a number of obligations under the general law, the relevant trust deed and the Superannuation Industry (Supervision) Act 1993 (Cth). The damages sought are unspecified.
- In July 2020, a law firm publicly stated that it intends to commence a class action against the Company alleging that since 2014, it did not act in the best interests of members of certain superannuation funds when obtaining group insurance policies. Westpac does not have any further information about the proposed claims beyond the public statements issued by the law firm involved.

(vii) Other matters

As part of the operations of the business and reviews by regulators, the Company may be subject to various other legal actions, regulatory reviews and claims. At the date of this report, there are various ongoing reviews for which a provision is deemed to not be required and a reliable estimate of a contingent liability cannot be made. None of these matters are anticipated by the Directors to result in a material loss to the Company.

BT FUNDS MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 23. Subsequent events

Since the end of the financial year management has continued to monitor the COVID-19 situation. At the date of this report a definitive assessment of the future effects of COVID-19 on the Company cannot be made, as the impact will depend on the magnitude and duration of the pandemic and resulting public health orders and economic downturn, with the full range of possible effects unknown.

No other matters except the above have arisen since the year ended 30 September 2020 which is not otherwise dealt with in this report, that has significantly affected or may significantly affect the operations of the Company, the results of its operations or the state of affairs of the Company in subsequent periods.

BT FUNDS MANAGEMENT LIMITED

DIRECTORS' DECLARATION

For the year ended 30 September 2020

In the Directors' opinion:

- a. the financial statements and notes for the year ended 30 September 2020 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 September 2020 and its performance for the financial year ended on that date; and
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) includes a statement that the financial statements also 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
2 December 2020
Sydney



Director
2 December 2020



Independent auditor's report

To the members of BT Funds Management Limited

Our opinion

In our opinion:

The accompanying financial report of BT Funds Management Limited ('the Company') is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 September 2020 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the balance sheet as at 30 September 2020
- the statement of changes in equity for the year then ended
- the cash flow statement for the year then ended
- the statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the Directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 September 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

PricewaterhouseCoopers, ABN 52 780 433 757

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In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

A handwritten signature in dark ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in dark ink that appears to be 'Stephanie Smith' in a cursive script.

Stephanie Smith
Partner

Sydney
2 December 2020