

BT Investment Funds

BT External International Shares 2

(UBS International Share)

ARSN 105 250 566

Prepare for the best.



Annual Report

for the year ended
30 June 2016

The Responsible Entity of the Fund is Westpac Financial Services Limited
ABN 20 000 241 127, AFSL No. 233716.

The repayment of capital and the performance of the Fund is not guaranteed by
either the Responsible Entity, Westpac Banking Corporation or member companies
of the Westpac Group.

BT External International Shares 2

ARSN 105 250 566

**Report - for the period 1 July 2016 to
8 August 2016**

BT External International Shares 2

ARSN 105 250 566

Report - for the period 1 July 2016 to 8 August 2016

Contents	Page
Directors' report	2
Auditor's independence declaration	6
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11
Directors' declaration	25
Independent auditor's report to the unitholders of BT External International Shares 2	26

These financial statements cover BT External International Shares 2 as an individual entity.

The Responsible Entity of BT External International Shares 2 is Westpac Financial Services Limited (ABN 20 000 241 127). The Responsible Entity's registered office is Level 20, 275 Kent Street, Sydney, NSW 2000.

Directors' report

The directors of Westpac Financial Services Limited, the Responsible Entity of BT External International Shares 2, present their report together with the financial statements of BT External International Shares 2 ("the Fund") for the period 1 July 2016 to 8 August 2016.

Principal activities

On 10 June 2016, the Responsible Entity resolved to terminate the Fund. The last unitholders' units were redeemed effective 8 August 2016 completing the termination of the Fund. As such, the financial statements have not been prepared on a going concern basis. There is no impact on the financial position of the Fund.

During the period, until the date of termination, the Fund invested into the UBS International Share Fund in accordance with the provisions of the governing documents. Through this investment, the Fund gained exposure to international equities.

The Fund did not have any employees during the period.

Other than noted in this report, there were no significant changes in the nature of the Fund's activities during the period.

Directors

The following persons held office as directors of Westpac Financial Services Limited during the period or since the end of the period and up to the date of this report:

J Shuttleworth (appointed 18 June 2008)
V Allen (appointed 1 June 2015)
A Cameron (appointed 1 June 2015)
S Thomas (appointed 1 June 2015)
A Walker (appointed 14 March 2016)

Review and results of operations

On 10 June 2016, the Responsible Entity resolved to terminate the Fund. The last unitholders' units were redeemed effective 8 August 2016 completing the termination of the Fund.

Until the date of termination, the Fund continued to invest in accordance with target asset allocations as set out in the governing documents of the Fund.

The performance of the Fund, as represented by the results of its operations, was as follows:

	Period 1 July 2016 to 8 August 2016	Year ended 30 June 2016
Operating profit/(loss) before finance costs attributable to unitholders (\$)	85,665	(269,118)
<i>Distributions</i>		
Distribution paid and payable (\$)	1,849	-
Distribution (cents per unit)	0.080	-

Directors' report (continued)

Fund performance

The table below demonstrates the performance of the Fund as represented by the total annual return, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income. The total annual return is shown for the period from 1 July 2016 to 8 August 2016 and for each of the past four years to 30 June 2016 and assumes that all distributions were re-invested during that period.

	Period 1 July 2016 to 8 August 2016	30 June 2016	30 June 2015	30 June 2014	30 June 2013
	%	%	%	%	%
Capital growth	4.24	(9.66)	19.91	19.62	31.90
Distribution of income	0.07	-	0.39	-	0.82
Total return	4.31	(9.66)	20.30	19.62	32.72

The key differences between net assets for unit pricing purposes and net assets as reported in the financial statements prepared under Australian Accounting Standards have been outlined below:

	As at	
	8 August 2016	30 June 2016
	\$	\$
Redemption value of outstanding units	-	2,739,210
Adjustment for differences in valuation inputs	-	32,392
Net assets attributable to unitholders	-	2,771,602

Significant changes in state of affairs

The last unitholders' units were redeemed effective 8 August 2016 completing the termination of the Fund.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the financial period.

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 8 August 2016 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial periods, or
- (ii) the results of those operations in future financial periods, or
- (iii) the state of affairs of the Fund in future financial periods.

Likely developments and expected results of operations

On 10 June 2016, the Responsible Entity resolved to terminate the Fund. The last unitholders' units were redeemed effective 8 August 2016, completing the termination of the Fund.

Indemnity and insurance of officers

No insurance premiums were paid for out of the assets of the Fund in regards to insurance cover provided to the officers of the Responsible Entity.

Directors' report (continued)

Indemnity of auditors

The auditors of the Fund were in no way indemnified out of the assets of the Fund.

Fees paid to and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the period are disclosed in note 13 to the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the period.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial period are disclosed in note 13 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the period is disclosed in note 8 to the financial statements.

The value of the Fund's assets and liabilities is disclosed in the balance sheet and derived using the basis set out in note 2 to the financial statements.

Environmental regulation

The operations of the Fund were not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Rounding of amounts to the nearest dollar

The Australian Securities and Investments Commission ("ASIC") has issued a new legislative instrument, *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, to replace Class Order 98/100 (as amended) relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded to the nearest dollar in accordance with the relief provisions within *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Directors' report (continued)

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 6.

This report is made in accordance with a resolution of directors.

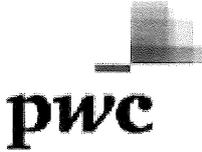
A handwritten signature consisting of a circular scribble followed by a long horizontal line.

Director

A handwritten signature in cursive script.

Director

Sydney
23 September 2016



Auditor's independence declaration

As lead auditor for the audit of BT External International Shares 2 for the period 1 July 2016 to 8 August 2016, 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 that reads 'JA Dunning'.

JA Dunning
Partner
PricewaterhouseCoopers

Sydney
23 September 2016

BT External International Shares 2
Statement of comprehensive income
For the period ended 8 August 2016

Statement of comprehensive income

	Period 1 July 2016 to 8 August 2016	Year ended 30 June 2016
Notes	\$	\$
Investment income		
Interest income	1,848	931
Distribution income	-	31,921
Net gains/(losses) on financial instruments held at fair value through profit or loss	7 <u>83,817</u>	(265,722)
Total net investment income/(loss)	<u>85,665</u>	<u>(232,870)</u>
Expenses		
Responsible Entity's fees	13 <u>-</u>	36,248
Total operating expenses	<u>-</u>	<u>36,248</u>
Operating profit/(loss)	<u>85,665</u>	<u>(269,118)</u>
Finance costs attributable to unitholders		
Distributions to unitholders	9 <u>(1,849)</u>	-
(Increase)/decrease in net assets attributable to unitholders		
- Arising from operations	8 <u>(116,208)</u>	321,623
- Arising from differences in valuation inputs used in unit pricing compared to financial statements	8 <u>32,392</u>	(52,505)
Profit/(loss) for the period/year	<u>-</u>	<u>-</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the period/year	<u>-</u>	<u>-</u>

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

BT External International Shares 2
Balance sheet
As at 8 August 2016

Balance sheet

	Notes	As at	
		8 August 2016	30 June 2016
		\$	\$
Assets			
Cash and cash equivalents	10	-	36,713
Accrued income		-	22,441
Receivables		-	212
Financial assets held at fair value through profit or loss	11	-	2,714,814
Total assets		-	2,774,180
Liabilities			
Payables		-	2,578
Total liabilities (excluding net assets attributable to unitholders)		-	2,578
Net assets attributable to unitholders - liability	8	-	2,771,602

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

2 Summary of significant accounting policies (continued)

(l) Distributions

In accordance with the Fund's Constitution, the Fund distributes its distributable income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

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

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

(n) Goods and Services Tax ("GST")

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

(o) Use of estimates

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

The Fund did not have any assets or liabilities as at 8 August 2016 as the Fund was terminated effective 8 August 2016.

For more information on how fair value is calculated refer note 5.

(p) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 8 August 2016 reporting period. These standards will have no impact as the Fund was terminated effective 8 August 2016.

(q) Rounding of amounts

In accordance with the relief provisions within *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, all amounts in the financial statements have been rounded to the nearest dollar unless otherwise indicated.

3 Termination of the Fund

On 10 June 2016, the Responsible Entity resolved to terminate the Fund. The last unitholders' units were redeemed effective 8 August 2016 completing the termination of the Fund.

This report contains the final set of financial statements for BT External International Shares 2.

4 Financial risk management

The Fund's activities exposed it to a variety of financial risks; market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focused on ensuring compliance with its governing documents and sought to maximise the returns derived for the level of risk to which the Fund was exposed. Financial risk management was carried out by the investment manager of the underlying unit trust.

The Fund invested into an unlisted unit trust with a non-related responsible entity and managed by a non-related manager. The name of that trust appears in note 11. As such management had access to publicly available information on the financial risks and financial risk management policies of the non-related manager's unit trust. The financial risk management disclosures for the Fund have been made without reference to the underlying unit trust's financial risk management disclosures as this data was not available at the time the Fund financial statements were prepared.

The Fund's performance exceptions to its benchmark were reported to the board on a regular basis.

The Fund did not have any assets or liabilities as at 8 August 2016.

(a) Market risk

(i) Price risk

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

Price risk on unlisted unit trusts arose from investments held for which prices in the future are uncertain. These were classified in the balance sheet as at fair value through profit or loss. Where non-monetary financial instruments were denominated in currencies other than the Australian dollar, the price in the future would also fluctuate because of changes in foreign exchange rates. Paragraph (ii) below sets out how this component of price risk was managed and measured. All security investments present a risk of loss of capital. The maximum risk resulting from financial instruments was determined by the fair value of the financial instruments.

The Fund invested mainly into an unlisted international equity unit trust.

The Fund did not have any assets or liabilities as at 8 August 2016.

The table presented in note 4(b) summarises sensitivity analysis to price risk.

(ii) Foreign exchange risk

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

There was no direct foreign exchange risk in this Fund.

Units in unlisted international unit trusts were held and an exposure to foreign exchange risk arose as the offshore securities held by the underlying unit trusts were valued in foreign currency. These unit trusts might have also entered into derivatives in order to gain exposure to offshore markets. As these investments were non-monetary assets, the foreign exchange risk was a component of price risk.

Exceptions to compliance were reported to the board on a regular basis.

(iii) Interest rate risk

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

The Fund did not have any significant direct exposure to interest rate risk.

4 Financial risk management (continued)

(b) Summarised sensitivity analysis

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

The sensitivity analysis is based on symmetrical reasonably possible movements, however, the likelihood of symmetrical movements may vary over time due to factors such as economic conditions and investment strategies.

	Impact on operating profit/(loss)/Net assets attributable to unitholders	
	Price risk	
	-15% (2016: -15%) \$	+15% (2016: +15%) \$
As at		
8 August 2016⁽¹⁾	-	-
30 June 2016	(407,222)	407,222

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

⁽¹⁾ The Fund did not have any assets or liabilities as at 8 August 2016.

(c) Credit risk

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

Credit risk primarily arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. None of these assets were impaired nor past due but not impaired.

Investments in unlisted unit trusts were exposed to credit risk.

Concentrations of direct credit risk were minimised primarily by:

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

Exceptions to compliance were reported to the board on a regular basis.

There were no significant direct concentrations of credit risk to counterparties as at 8 August 2016 or 30 June 2016.

4 Financial risk management (continued)

(d) Liquidity risk

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

The Fund was exposed to daily cash redemptions of redeemable units.

Units were held in unlisted unit trusts which were priced daily and could be readily disposed of.

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

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

Exceptions to the above were reported to the board on a regular basis.

(i) *Maturities of non-derivative financial liabilities*

The Fund did not have any financial liabilities as at 8 August 2016.

5 Fair value measurement

The following assets were measured and recognised at fair value on a recurring basis:

- Financial assets designated at fair value through profit or loss ("FVTPL") (refer note 11)

There were no assets measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

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

(a) Fair value in an active market (level 1)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

An active market is a market in which transactions for the financial asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

5 Fair value measurement (continued)

(i) Recognised fair value measurements

The Fund did not have any assets or liabilities as at 8 August 2016.

The following table presents the financial assets measured and recognised at fair value:

As at 30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	2,714,814	-	-	2,714,814
Total	2,714,814	-	-	2,714,814

There were no financial liabilities held as at 30 June 2016.

Transfers into and transfers out of the fair value hierarchy levels are recognised at the end of each reporting period.

(ii) Transfers between levels

There have been no transfers between levels for the period ended 8 August 2016 and 30 June 2016.

(b) Disclosed fair values

For all financial instruments, other than those measured at fair value, their carrying value approximates fair value.

Due to their short-term nature, the carrying value of receivables and payables are assumed to approximate their fair values.

Net assets attributable to unitholders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior period.

6 Remuneration of auditors

	Period 1 July 2016 to 8 August 2016 \$	Year ended 30 June 2016 \$
<i>Audit and other assurance services</i>		
Audit of financial statements	3,940	6,692
Other services*	-	815
Total remuneration for audit and other assurance services	3,940	7,507

* Other services include compliance plan audit and controls reporting.

Audit fees were paid by the Responsible Entity during the periods ended 8 August 2016 and 30 June 2016.

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

	Period 1 July 2016 to 8 August 2016 \$	Year ended 30 June 2016 \$
Net unrealised gains/(losses) on financial instruments designated at fair value through profit or loss	(882,006)	(337,090)
Net realised gains/(losses) on financial instruments designated at fair value through profit or loss	965,823	71,368
Total net gains/(losses) on financial instruments held at fair value through profit or loss	83,817	(265,722)

8 Net assets attributable to unitholders

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

	8 August 2016 No.	30 June 2016 No.	8 August 2016 \$	30 June 2016 \$
Opening balance	2,319,575	2,615,379	2,771,602	3,418,712
Applications	-	77,562	-	105,896
Redemptions	(2,319,575)	(380,025)	(2,855,418)	(492,644)
Units issued upon reinvestment of distributions	-	6,659	-	8,756
Increase/(decrease) in net assets attributable to unitholders	-	-	116,208	(321,623)
Increase/(decrease) in net assets attributable to unitholders other than from operations	-	-	(32,392)	52,505
Closing balance	-	2,319,575	-	2,771,602

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

(a) Capital risk management

On 10 June 2016, the Responsible Entity resolved to terminate the Fund. During the winding up period, no redemptions or applications were accepted. The last unitholders' units were redeemed effective 8 August 2016 completing the termination of the Fund.

9 Distributions to unitholders

	Period 1 July 2016 to 8 August 2016 \$	Period 1 July 2016 to 8 August 2016 CPU	Year ended 30 June 2016 \$	Year ended 30 June 2016 CPU
Distributions paid				
- 3 August	1,849	0.080	-	-
	<u>1,849</u>	<u>0.080</u>	<u>-</u>	<u>-</u>

10 Cash and cash equivalents

	As at	
	8 August 2016 \$	30 June 2016 \$
Cash at bank	-	36,713
	<u>-</u>	<u>36,713</u>

11 Financial assets held at fair value through profit or loss

	As at	
	8 August 2016 Fair value \$	30 June 2016 Fair value \$
Designated at fair value through profit or loss		
Unlisted unit trusts	-	2,714,814
Total designated at fair value through profit or loss	<u>-</u>	<u>2,714,814</u>
Total financial assets held at fair value through profit or loss	<u>-</u>	<u>2,714,814</u>
Comprising:		
Unlisted unit trusts		
Units in international equity trusts (UBS International Share Fund)	-	2,714,814
Total unlisted unit trusts	<u>-</u>	<u>2,714,814</u>
Total financial assets held at fair value through profit or loss	<u>-</u>	<u>2,714,814</u>

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in note 4 and note 5.

12 Derivative financial instruments

A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

No derivative transactions were entered into during the period (2016: \$Nil).

13 Related party transactions

(a) Responsible Entity

The Responsible Entity of the Fund is Westpac Financial Services Limited (ABN 20 000 241 127), a wholly owned subsidiary of Westpac Financial Services Group Limited (ABN 50 000 326 312). The ultimate parent entity is Westpac Banking Corporation (ABN 33 007 457 141). The registered office of the Responsible Entity and the Fund is Level 20, 275 Kent Street, Sydney, NSW 2000.

(b) Directors

The directors of Westpac Financial Services Limited during the financial period or since the end of the period and up to the date of this report were as follows:

J Shuttleworth (appointed 18 June 2008)
 V Allen (appointed 1 June 2015)
 A Cameron (appointed 1 June 2015)
 S Thomas (appointed 1 June 2015)
 A Walker (appointed 14 March 2016)

(c) Other key management personnel

Name	Position	Employer
B Cooper	CEO, BT Financial Group	Westpac Banking Corporation
M Howes	General Manager, Superannuation, BT Financial Group	Westpac Banking Corporation

There was no other person with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial period.

(d) Responsible Entity's/manager's fees and other transactions

For the period 1 July 2016 to 8 August 2016, the fee charged in Fund was reduced to Nil% (inclusive of GST, net of RITC available to the Fund) per annum. Fees were still incurred in the underlying fund in which the Fund invested into and was reflected in the daily unit prices for that underlying fund.

For the year ended 30 June 2016, in accordance with the Fund's governing documents, the Fund incurred a total fee of 2.15% (inclusive of GST, net of RITC available to the Fund) per annum. This fee was partially paid out of the Fund and partially out of the assets of the underlying funds in which the Fund invested into and was reflected in the daily unit prices for that underlying fund.

All expenses in connection with the preparation of accounting records and the maintenance of the unit register were fully borne by the Responsible Entity.

13 Related party transactions (continued)

(d) Responsible Entity's/manager's fees and other transactions (continued)

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the period and amounts payable/(receivable) at the end of each reporting period between the Fund and the Responsible Entity were as follows:

	Period 1 July 2016 to 8 August 2016 \$	Year ended 30 June 2016 \$
Management fees for the period paid/(received) by the Fund to/(from) the Responsible Entity#	-	36,248
Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the end of the reporting period	-	2,578

This represents the amount paid out of the Fund to the Responsible Entity. In addition to this amount, the total fees charged also included the fees charged in the underlying funds which did not accrue to the Responsible Entity.

(e) Related party unitholdings

Other funds related to the Responsible Entity hold units in the Fund and these funds do not meet the definition of related parties under the Australian Accounting Standards and as such unitholdings are not required to be disclosed.

(f) Transactions with key management personnel

Key management personnel services were provided by Westpac Financial Services Limited and included in the management fees disclosed in (d) above. There was no separate charge for these services. There was no compensation paid directly by the Fund to any of the key management personnel.

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

Key management personnel unitholdings

At 8 August 2016 no key management personnel held units in the Fund (2016: Nil).

(g) Investments

The Fund did not hold any investments in the Responsible Entity or its related parties during the period (2016: Nil).

(h) Other transactions within the Fund

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

14 Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Fund's power over the activities of the entity and its exposure to and ability to influence its own returns, it may control the entity. However, the Fund applied the Investment Entity Exemption available under AASB 10 *Consolidated Financial Statements* and therefore did not consolidate its controlled entities. In other cases it might have had exposure to such an entity but did not control it.

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Fund. Such interests include holdings of units in unlisted trusts. The nature and extent of the Fund's interests in structured entities are titled "unlisted unit trusts or funds" and are summarised in note 11. Income earned and realised and unrealised gains/(losses) from structured entity investments are disclosed within the statement of comprehensive income and net gains/(losses) on financial instruments held at fair value through profit or loss (refer to note 7).

The Fund had exposure to unconsolidated structured entities through its investment activities. The Fund's maximum exposure to loss was restricted to the carrying value of the asset.

The Fund's overall risk management programme focused on ensuring compliance with its governing documents and sought to maximise the returns derived for the level of risk to which the Fund was exposed. The risks associated with the investments are referred to in note 4.

During the period the Fund did not provide financial support to unconsolidated structured entities and had no intention of providing financial or other support.

As at 8 August 2016, there were no capital commitment obligations (30 June 2016: \$Nil). The Fund did not have any assets or liabilities as at 8 August 2016.

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

	Period 1 July 2016 to 8 August 2016 \$	Year ended 30 June 2016 \$
(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities		
Operating profit/(loss) for the period/year	85,665	(269,118)
Proceeds from sale of financial instruments held at fair value through profit or loss	2,821,067	412,937
Net (gains)/losses on financial instruments held at fair value through profit or loss	(83,817)	265,722
Income reinvested	(22,436)	(62,432)
Net change in accrued income and receivables	22,653	30,552
Net change in payables	(2,578)	(800)
Net cash inflow/(outflow) from operating activities	2,820,554	376,861

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

Period	Year ended
1 July 2016 to	30 June
8 August	2016
2016	
\$	\$

(b) Non-cash financing activities

Distribution payments satisfied by the issue of units under the distribution reinvestment plan

- 8,756

16 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the balance sheet as at 8 August 2016 or on the results and cash flows of the Fund for the period ended on that date.

17 Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 8 August 2016 and 30 June 2016.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 24 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Fund's financial position as at 8 August 2016 and of its performance for the period 1 July 2016 to 8 August 2016, and
- (b) as disclosed in note 2(a) to the financial statements, the Fund has been terminated and all debts were paid for at that time, and
- (c) note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Director



Director

Sydney
23 September 2016



Auditor's opinion

In our opinion:

- (a) the financial report of BT External International Shares 2 is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund's financial position as at 8 August 2016 and of its performance for the period 1 July 2016 to 8 August 2016; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the Fund's financial report and notes also comply with International Financial Reporting Standards as disclosed in note 2(a).

Emphasis of matter - going concern no longer appropriate

Without qualifying our opinion, we draw attention to the following matter. As indicated in note 2(a) to the financial statements, the Fund was terminated effective on 8 August 2016. As a result the financial statements have been prepared on a liquidation basis and not on a going concern basis.

PricewaterhouseCoopers

PricewaterhouseCoopers

JA Dunning

JA Dunning
Partner

Sydney
23 September 2016

For more information



BT Customer Relations
132 135
8am to 6.30pm
(Syd time) Mon to Fri



Overseas enquiries
+ 612 8222 7154



Our registered address is:
Level 20, Westpac Place
275 Kent Street, Sydney NSW 2000



bt.com.au



(02) 9274 5780



BT Financial Group
GPO Box 2675
Sydney NSW 2001



customer.relations@btfinancialgroup.com

Disclaimer

BT Funds Management Limited ABN 63 002 916 458, AFSL No. 233724, BT Funds Management No. 2 Limited ABN 22 000 727 659, AFSL No. 233720 and Westpac Financial Services Limited ABN 20 000 241 127, AFSL No. 233716 are the responsible entities and issuer of units in the BT Investment Funds. BT Funds Management Limited ABN 63 002 916 458, AFSL No. 233724 is the responsible entity and issuer of units in the BT Premium Cash Fund and the BT Balanced Deeming Fund. BT Funds Management Limited ABN 63 002 916 458, AFSL No. 233724 and BT Funds Management No. 2 Limited ABN 22 000 727 659, AFSL No. 233720 are the responsible entities and issuer of units in the BT Classic Investment Funds. BT Funds Management No. 2 Limited ABN 22 000 727 659, AFSL No. 233720 is the responsible entity and issuer of units in the BT Global Share Fund. Westpac Financial Services Limited ABN 20 000 241 127, AFSL No. 233716 is the responsible entity and issuer of units in the BT Investor Choice Funds.

A Product Disclosure Statement (PDS) is available for BT Investment Funds, BT Classic Investment Funds and BT Investor Choice Funds and can be obtained by calling 132 135, or visiting bt.com.au. The responsible entity of each investment option is set out in the relevant PDS or disclosure document. You should obtain and consider the PDS or relevant disclosure document before deciding whether to acquire, continue to hold or dispose of interests in the investment options. This information has been prepared without taking account of your objectives, financial situation or needs. Because of this you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation and needs. BTFG's Financial Services Guide can be obtained by calling 132 135, or visiting www.bt.com.au.

BT Funds Management Limited, BT Funds Management No. 2 Limited and Westpac Financial Services Limited are members of the Westpac Group. An investment in the BT Investment Funds, BT Classic Investment Funds or BT Investor Choice Funds is not an investment in, a deposit with or any other liability of Westpac Banking Corporation ABN 33 007 457 141 (the Bank) or any other company in the Westpac Group. It is subject to investment risk, including possible delays in repayment and loss of income and principal invested. None of the Bank, any other company in the Westpac Group or any appointed investment manager stands behind or otherwise guarantees the capital value or investment performance of any investment option.

The tax position described is a general statement and is for guidance only. It has not been prepared by a registered tax agent. It does not constitute tax advice and is based on current tax laws and our interpretation. Your individual situation may differ and you should seek independent professional tax advice. Past performance is not a reliable indicator of future performance.

Information current as at 30 September 2016.