

BT Investment Funds

BT External Property 1

(APN Property for Income)

ARSN 105 252 891

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 Property 1

ARSN 105 252 891

**Annual report - for the year ended
30 June 2016**

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Annual report - for the year ended 30 June 2016

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These financial statements cover BT External Property 1 as an individual entity.

The Responsible Entity of BT External Property 1 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 Property 1, present their report together with the financial statements of BT External Property 1 ("the Fund") for the year ended 30 June 2016.

Principal activities

On 20 March 2012, the Responsible Entity resolved to terminate the Fund. As and when monies are received from the underlying fund, these proceeds will be paid to unitholders. As such, the financial statements have not been prepared as a going concern basis. There is no impact on the financial position of the fund.

During the year, the Fund invested in the APN Unlisted Property Fund in accordance with the provisions of the governing documents.

The Fund did not have any employees during the year.

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

Directors

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

J Shuttleworth (appointed 18 June 2008)
D Lees (appointed 1 June 2015, resigned 31 December 2015)
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 20 March 2012, the Responsible Entity resolved to terminate the Fund. The Fund will remain closed to applications and withdrawals. As and when monies are received from the underlying fund, these proceeds will be paid to unitholders.

The Fund was invested into the APN Property for Income Fund and APN Property for Income Fund No 2 ("APN Funds"). On 24 May 2012, APN Funds Management Limited ("APN FM") in its capacity as responsible entity of the APN Funds announced the unlisted property trust assets (illiquid investments) of the APN Funds would be transferred into a separate fund called the APN Unlisted Property Fund ("UPF"). Investors who wished to withdraw from the APN Funds had their redemptions satisfied by a combination of cash and units in UPF. The assets in the UPF will be progressively sold and the proceeds will be returned to UPF unitholders. The proceeds received by the Fund from the UPF will be distributed to unitholders as and when they are received. Currently, APN FM are indicating that it's possible that UPF may wind up by June 2017. However, APN FM cannot guarantee that the assets of UPF will be realised within a particular time frame.

The portfolio of the UPF comprises unlisted property trusts and it is an illiquid Fund. The UPF is subject to redemption restrictions due to illiquidity in the underlying assets of these trusts. As a result, there is significant uncertainty regarding the fair value of those financial assets and the associated net gain/loss recognised in the statement of comprehensive income. The final amounts realised could be different to the amounts recognised in the financial report.

During the year ended 30 June 2016, the Fund has included in distributions paid to unitholders special distributions amounting to \$144,124 being the return to unitholders of the Fund's surplus cash arising from the proceeds received from UPF.

There have been no significant changes to the operations of the Fund since the previous year.

Directors' report (continued)

Review and results of operations (continued)

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

	Year ended	
	30 June 2016	30 June 2015
Operating profit/(loss) before finance costs attributable to unitholders (\$)	104,848	100,339

Distributions

Distribution paid and payable (\$)	187,577	418,686
Distribution (cents per unit)	1.077	2.405

Included in distributions of income for 2016 and 2015 are returns of cash proceeds received from the underlying fund.

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 each of the past five years to 30 June 2016 and assumes that all distributions were re-invested during that period.

	2016	2015	2014	2013	2012
	%	%	%	%	%
Capital growth#	(9.71)	(27.44)	(37.72)	(79.60)	(5.37)
Distribution of income#	23.64	37.59	40.39	84.46	12.47
Total return	13.93	10.15	2.67	4.86	7.10

Consistent with the statements in the governing documents of the Fund, future performance is not guaranteed. Investors should exercise care in using past performance as a predictor of future performance.

Included in distribution of income for 2016, 2015, 2014, 2013 and 2012 are returns of cash proceeds received from the underlying fund.

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	
	30 June 2016	30 June 2015
	\$	\$
Redemption value of outstanding units	760,250	842,979
Adjustment for differences in valuation inputs	-	-
Net assets attributable to unitholders	760,250	842,979

Directors' report (continued)

Significant changes in state of affairs

Other than as noted in this report, in the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

On 20 March 2012 the Responsible Entity resolved to terminate the Fund. The Fund will remain closed to applications and withdrawals. As and when monies are received from the underlying fund these proceeds will be paid to the unitholders. Currently, APN FM are indicating that it's possible that UPF may wind up by June 2017. However, APN FM can not guarantee the time frame.

Indemnity and insurance of officers

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

Indemnity of auditors

The auditors of the Fund are 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 year 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 year.

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

Interests in the Fund

The movement in units on issue in the Fund during the year 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 are 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.

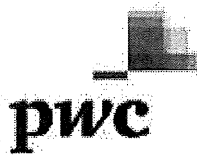


Director



Director

Sydney
9 September 2016



Auditor's independence declaration

As lead auditor for the audit of BT External Property 1 for the year ended 30 June 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, appearing to read 'JA Dunning'.

JA Dunning
Partner
PricewaterhouseCoopers

Sydney
9 September 2016

BT External Property 1
Statement of comprehensive income
For the year ended 30 June 2016

Statement of comprehensive income

		Year ended	
		30 June	30 June
		2016	2015
	Notes	\$	\$
Investment income			
Interest income		825	1,675
Distribution income		220,742	160,627
Net gains/(losses) on financial instruments held at fair value through profit or loss	7	(108,699)	(49,509)
Other investment income		-	2
Total net investment income/(loss)		112,868	112,795
Expenses			
Responsible Entity's fees	13	8,020	12,456
Total operating expenses		8,020	12,456
Operating profit/(loss)		104,848	100,339
Finance costs attributable to unitholders			
Distributions to unitholders	9	(43,453)	(17,821)
Special capital distributions	9	(144,124)	(400,865)
(Increase)/decrease in net assets attributable to unitholders	8	82,729	318,347
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

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

BT External Property 1
Balance sheet
As at 30 June 2016

Balance sheet

		As at	
		30 June	30 June
	Notes	2016	2015
		\$	\$
Assets			
Cash and cash equivalents	10	18,622	148,196
Accrued income		53,516	22,019
Financial assets held at fair value through profit or loss	11	714,241	822,940
Total assets		786,379	993,155
Liabilities			
Distribution payable	9	23,925	147,095
Payables		2,204	3,081
Total liabilities (excluding net assets attributable to unitholders)		26,129	150,176
Net assets attributable to unitholders - liability	8	760,250	842,979

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

Statement of changes in equity

	Year ended	
	30 June 2016	30 June 2015
	\$	\$
Total equity at the beginning of the financial year	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income for the year	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the financial year	-	-

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

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

BT External Property 1
Statement of cash flows
For the year ended 30 June 2016

Statement of cash flows

		Year ended	
		30 June	30 June
		2016	2015
Notes		\$	\$
Cash flows from operating activities			
	Proceeds received from financial instruments held at fair value through profit or loss	-	256,343
	Interest received	837	1,664
	Distributions received	189,233	165,027
	Other income received	28	2
	Responsible Entity's fees received/(paid)	(8,925)	(12,867)
	Payment of other expenses	-	(70)
15	Net cash inflow/(outflow) from operating activities	181,173	410,099
Cash flows from financing activities			
	Distributions paid	(310,747)	(319,440)
	Net cash inflow/(outflow) from financing activities	(310,747)	(319,440)
	Net increase/(decrease) in cash and cash equivalents	(129,574)	90,659
	Cash and cash equivalents at the beginning of the year	148,196	57,537
10	Cash and cash equivalents at the end of the year	18,622	148,196

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

1 General information

These financial statements cover BT External Property 1 ("the Fund") as an individual entity. The Fund was constituted on 8 July 2003.

The Responsible Entity of the Fund is Westpac Financial Services Limited ("the Responsible Entity"). The Responsible Entity's registered office is Level 20, 275 Kent Street, Sydney, NSW 2000. The financial statements are presented in Australian currency.

During the year, the Fund invested into the APN Unlisted Property Fund ("UPF") in accordance with the provisions of the governing documents.

The financial statements were authorised for issue by the directors of the Responsible Entity on 9 September 2016. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Accounting Standards Board and the *Corporations Act 2001* in Australia. BT External Property 1 is a for-profit unit trust for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. The Responsible Entity resolved to terminate the Fund on 20 March 2012. The financial assets and liabilities held at fair value through profit or loss are in the process of being realised in an orderly manner and the proceeds distributed to unitholders in the form of capital returns as quickly as reasonably possible. The directors have therefore determined that the going concern basis of preparation is no longer appropriate. As such, the financial statements have been prepared on a liquidation basis. There is no impact to the financial position of the Fund.

(i) Compliance with International Financial Reporting Standards

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

(ii) Amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2015 that have a material impact on the Fund.

(b) Financial instruments

(i) Classification

Investments are classified as at fair value through profit or loss. They comprise:

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

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

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

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Recognition/derecognition

The Fund recognises financial assets on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets from this date.

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

(iii) Measurement

Financial assets held at fair value through profit or loss

At initial recognition, a financial asset is measured at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

Refer note 5 for further details on how the fair values of financial instruments are determined.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units are classified as financial liabilities as the Fund is required to distribute its distributable income, in accordance with the Fund's Constitution.

As this fund is closed to unitholder redemptions, units are not able to be put back to the fund for cash.

(d) Cash and cash equivalents

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

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

(e) Accrued income

Accrued income may include amounts for trust distributions and interest. Trust distributions are accrued when the right to receive payment is established. Interest is accrued from the time of last payment. Amounts are generally received within 45 days of being recorded as receivables.

(f) Unsettled sales/purchases

Unsettled sales/purchases represent receivables for securities sold and/or payables for securities purchased that have been contracted for but not yet delivered by the end of the reporting period. Trades are recorded on trade date, and for equities normally settled within two business days. A provision for impairment of amounts due is established when there is objective evidence that all amounts due from the relevant broker/fund manager will not be able to be collected.

(g) Receivables

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

2 Summary of significant accounting policies (continued)

(h) Payables

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

As the Fund has a contractual obligation to distribute its distributable income, a separate distribution payable is recognised in the balance sheet as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

(i) Investment income

Interest income is recognised in the statement of comprehensive income for all financial instruments that are not held at fair value through profit or loss as it accrues.

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

(j) Expenses

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

(k) Income tax

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

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

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

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

(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.

2 Summary of significant accounting policies (continued)

(o) Use of estimates

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

For the majority of the financial instruments, quoted market prices are readily available.

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 30 June 2016 reporting periods and have not been early adopted. Management's assessment of the impact of these new standards (to the extent relevant) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* (and applicable amendments) (effective from 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption.

Management do not expect this to have a significant impact on the recognition and measurement of the financial instruments as they are carried at fair value through profit or loss.

The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting.

Management have not yet decided when to adopt AASB 9.

(ii) AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Fund's main source of revenue is interest, trusts distributions and gains on financial instruments held at fair value. All of these sources are outside the scope of the new revenue standard. As a consequence, management do not expect the adoption of the new revenue recognition rules to have a significant impact on the accounting policies or the amounts recognised in the financial statements.

(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 20 March 2012, the directors of the Responsible Entity approved the termination of the Fund.

4 Financial risk management

The Fund's activities expose 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 focuses on ensuring compliance with its governing documents and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by the investment manager of the underlying unit trust.

The Fund invests 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 have 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.

As the Fund now invests in the UPF, the Fund no longer follows its original benchmark.

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

The Fund invests mainly into an unlisted Australian property unit trust.

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 is no direct foreign exchange risk in this Fund.

(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 does 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 interest rate risk and other price risk. The analysis is based on reasonably possible movements in the benchmark with all other variables held constant and the fair value of the 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		Interest rate risk	
	-20% (2015: -20%)	+20% (2015: +20%)	-1.00% (2015: -1.00%)	+1.00% (2015: +1.00%)
As at	\$	\$	\$	\$
30 June 2016	(142,848)	142,848	(186)	186
30 June 2015	(164,588)	164,588	(1,482)	1,482

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.

(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 are impaired nor past due but not impaired.

Investments in unlisted unit trusts are exposed to credit risk.

Concentrations of direct credit risk are minimised primarily by:

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

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

Other than the exposure to the underlying fund, the APN Unlisted Property Fund, there were no significant direct concentrations of credit risk to counterparties as at 30 June 2016 or 30 June 2015.

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 invests in the APN Unlisted Property Fund ("UPF").

On 20 March 2012 the Responsible Entity resolved to terminate the Fund. The Fund will remain closed to applications and withdrawals. As and when monies are received from the underlying funds these proceeds will be paid to the unitholders. The assets in the UPF will be progressively sold and proceeds will be returned to UPF unitholders. APN Funds Management Limited (APN FM) are indicating that it's possible that UPF may wind up by June 2017. However, APN FM cannot guarantee that the assets of UPF will be realised within that time frame.

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

(i) Maturities of non-derivative financial liabilities

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

As at 30 June 2016

	Less than 1 month \$	1-3 months \$	Greater than 3 months \$
Distribution payable	23,925	-	-
Payables	2,204	-	-
Net assets attributable to unitholders	-	-	760,250
Total financial liabilities (excluding net settled derivatives)	26,129	-	760,250

As at 30 June 2015

	Less than 1 month \$	1-3 months \$	Greater than 3 months \$
Distribution payable	147,095	-	-
Payables	3,081	-	-
Net assets attributable to unitholders	-	-	842,979
Total financial liabilities (excluding net settled derivatives)	150,176	-	842,979

5 Fair value measurement

The following assets are 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 are 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.

(b) Fair value in an inactive or unquoted market (level 2 and level 3)

Investments in unlisted unit trusts are classified as level 3 when they had suspended applications and redemptions during the reporting period. The unit trusts are valued at the redemption value per unit as reported by the managers of such funds.

(i) Recognised fair value measurements

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	-	-	714,241	714,241
Total	-	-	714,241	714,241

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

As at 30 June 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	-	-	822,940	822,940
Total	-	-	822,940	822,940

5 Fair value measurement (continued)

(i) Recognised fair value measurements (continued)

There were no financial liabilities held as at 30 June 2015.

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 year ended 30 June 2016 and 30 June 2015.

(iii) Valuation processes

Portfolio reviews are undertaken regularly by management to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 2 or level 3 securities. Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. In the event that the security is not actively traded and there are no or few other broker quotes to substantiate the quoted market price, an assessment is performed by management to determine the appropriate valuation price to use that is most representative of fair value.

(c) 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 year.

(d) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the movement in level 3 instruments by class of financial instrument.

30 June 2016

	Unlisted unit trusts \$
Opening balance	822,940
Purchases	-
Sales	-
Transfers into level 3	-
Transfers out of level 3	-
Gains/(losses) recognised in the statement of comprehensive income	(108,699)
Closing balance	714,241
Total gains/(losses) for the year included in the statement of comprehensive income for the financial assets and liabilities held at the end of the year	(108,699)

5 Fair value measurement (continued)

(d) Fair value measurements using significant unobservable inputs (level 3) (continued)

30 June 2015

	Unlisted unit trusts \$
Opening balance	1,128,792
Purchases	-
Sales	(256,343)
Transfers into level 3	-
Transfers out of level 3	-
Gains/(losses) recognised in the statement of comprehensive income	(49,509)
Closing balance	<u>822,940</u>
Total gains/(losses) for the year included in the statement of comprehensive income for the financial assets and liabilities held at the end of the year	<u>(49,509)</u>

(i) Valuation inputs and relationships to fair value

The significant unobservable inputs used in the fair value measurement of the Fund's level 3 investments are outlined below. Generally, a change in the assumptions used in any input in isolation may be accompanied by a change in another input. Significant changes in any of the unobservable inputs may significantly impact the fair value measurement. The impact is based on the relationship between each unobservable input and the fair value measurement. A significant change in broker or third party vendor pricing information could result in a significantly higher or lower value in such level 3 instruments.

Quantitative unobservable inputs are not developed by management when measuring fair value of level 3 fair value hierarchy.

The level 3 investment of \$714,241 is an investment in APN Unlisted Property Fund ("UPF"). UPF is currently illiquid and only distributes proceeds when received from the sale of its underlying investments. The units in UPF are infrequently traded and therefore there are significant unobservable inputs into the fair value of this investment. As an observable price is not available, the quoted unit price at 30 June 2016, provided to Westpac Financial Services Limited by APN Funds Management Limited, has been used in the financial statements for valuation purposes. The timing and value of the sale prices achieved for the underlying investments held in UPF cannot be predicted with certainty and may result in a significantly higher or lower fair value of this investment.

6 Remuneration of auditors

	Year ended	
	30 June 2016	30 June 2015
	\$	\$
<i>Audit and other assurance services</i>		
Audit of financial statements	8,980	9,506
Other services*	815	761
Total remuneration for audit and other assurance services	<u>9,795</u>	<u>10,267</u>

* Other services include compliance plan audit and controls reporting.

Audit fees were paid by the Responsible Entity during the years ended 30 June 2016 and 30 June 2015.

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

	Year ended	
	30 June 2016	30 June 2015
	\$	\$
Net unrealised gains/(losses) on financial instruments designated at fair value through profit or loss	(108,699)	(49,509)
Total net gains/(losses) on financial instruments held at fair value through profit or loss	(108,699)	(49,509)

8 Net assets attributable to unitholders

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

	30 June 2016 No.	30 June 2015 No.	30 June 2016 \$	30 June 2015 \$
Opening balance	17,409,695	17,409,695	842,979	1,161,326
Increase/(decrease) in net assets attributable to unitholders	-	-	(82,729)	(318,347)
Closing balance	17,409,695	17,409,695	760,250	842,979

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

The Fund was terminated effective 20 March 2012 and during the winding up period, no redemptions or applications will be accepted. As the proceeds from the sale of the underlying assets are received, these will be distributed to unitholders.

(b) Realised capital losses

At the end of the reporting period, the Fund had realised capital losses of \$10,497,724 (2015: \$10,497,724) available to offset against future net capital gains.

Net realised capital losses are not finalised for taxation purposes, are unaudited and may change due to calculation adjustment, denial, offset or recoupment.

9 Distributions to unitholders

	Year ended			
	30 June 2016	30 June 2016	30 June 2015	30 June 2015
	\$	CPU	\$	CPU
Distributions paid				
- 30 September*	-	-	90,530	0.520
- 31 October*	-	-	165,392	0.950
- 31 December#	163,652	0.940	15,669	0.090
Distribution payable				
- 30 June*	23,925	0.137	147,095	0.845
	187,577	1.077	418,686	2.405

Included in distributions for 31 December 2015 is a special capital distribution amount of \$144,124 being the return to unitholders of the Fund's surplus cash arising from the proceeds received from UPF.

* Included in distributions for September 2014 is a special distribution amount of \$90,530, for October 2014, an amount of \$165,392 and for June 2015, an amount of \$144,943 being the return to unitholders of the Fund's surplus cash arising from the proceeds received from UPF.

10 Cash and cash equivalents

	As at	
	30 June 2016	30 June 2015
	\$	\$
Cash at bank	18,622	148,196
	18,622	148,196

11 Financial assets held at fair value through profit or loss

	As at	
	30 June 2016	30 June 2015
	Fair value	Fair value
	\$	\$
Designated at fair value through profit or loss		
Unlisted unit trusts	714,241	822,940
Total designated at fair value through profit or loss	714,241	822,940
Total financial assets held at fair value through profit or loss	714,241	822,940

11 Financial assets held at fair value through profit or loss (continued)

	As at	
	30 June 2016 Fair value \$	30 June 2015 Fair value \$
Comprising:		
Unlisted unit trusts		
Units in Australian property trusts (APN Unlisted Property Fund)	714,241	822,940
Total unlisted unit trusts	714,241	822,940

APN Unlisted Property Fund ("UPF") is currently illiquid and only distributes proceeds when received from the sale of its underlying investments. Units in UPF are infrequently traded and therefore there are significant unobservable inputs into the fair value of this investment. As an observable price is not available, the quoted unit price at 30 June 2016, provided to Westpac Financial Services Limited by APN Funds Management Limited, has been used in the financial statements for valuation purposes.

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 year (2015: \$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 year or since the end of the year and up to the date of this report were as follows:

J Shuttleworth (appointed 18 June 2008)
D Lees (appointed 1 June 2015, resigned 31 December 2015)
V Allen (appointed 1 June 2015)
A Cameron (appointed 1 June 2015)
S Thomas (appointed 1 June 2015)
A Walker (appointed 14 March 2016)

13 Related party transactions (continued)

(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 year.

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

For the year ended 30 June 2016, in accordance with the Fund's governing documents, the Fund incurred a total fee of 2.20% (inclusive of GST, net of RITC available to the Fund) per annum (2015: 2.20%).

This fee is partially paid out of the Fund and partially out of the assets of the underlying funds in which the Fund invests into and is 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 are fully borne by the Responsible Entity.

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

	30 June 2016 \$	30 June 2015 \$
Management fees for the year paid/(received) by the Fund to/(from) the Responsible Entity#	8,020	12,456
Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the end of the reporting period	2,176	3,081

This represents the amount paid out of the Fund to the Responsible Entity. In addition to this amount, the total fees charged also include the fees charged in the underlying funds which does 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 are provided by Westpac Financial Services Limited and included in the management fees disclosed in (d) above. There is 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 30 June 2016 no key management personnel held units in the Fund (2015: Nil).

13 Related party transactions (continued)

(g) Investments

The Fund did not hold any investments in the Responsible Entity or its related parties during the year (2015: 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 year 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 applies the Investment Entity Exemption available under AASB 10 *Consolidated Financial Statements* and therefore does not consolidate its controlled entities. In other cases it may have exposure to such an entity but 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 has exposures to unconsolidated structured entities through its investment activities. The Fund's maximum exposure to loss is restricted to the carrying value of the asset.

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

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

The Fund's investment strategy entails investments in other funds on a regular basis.

As at 30 June 2016, there were no capital commitment obligations other than what is in unsettled sales or unsettled purchases in the balance sheet (2015: \$Nil).

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

	Year ended	
	30 June 2016	30 June 2015
	\$	\$
Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities		
Operating profit/(loss) for the year	104,848	100,339
Proceeds from sale of financial instruments held at fair value through profit or loss	-	256,343
Net (gains)/losses on financial instruments held at fair value through profit or loss	108,699	49,509
Net change in accrued income and receivables	(31,497)	4,389
Net change in payables	(877)	(481)
Net cash inflow/(outflow) from operating activities	181,173	410,099

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 30 June 2016 or on the results and cash flows of the Fund for the year ended on that date.

17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2016 and 30 June 2015.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 26 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 30 June 2016 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable, and
- (c) note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Director



Director

Sydney
9 September 2016



Independent auditor's report to the unitholders of BT External Property 1

Report on the financial report

We have audited the accompanying financial report of BT External Property 1 ("the Fund"), which comprises the balance sheet as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of Westpac Financial Services Limited ("the Responsible Entity") are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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Auditor's opinion

In our opinion:

- (a) the financial report of BT External Property 1 is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund's financial position as at 30 June 2016 and of its performance for the year ended on that date; 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 Responsible Entity resolved to terminate the Fund. As a result the financial statements have been prepared on a liquidation basis and not on a going concern basis.

Significant uncertainty regarding valuation

Without qualifying our opinion expressed above, we draw attention to note 5 to the financial report. The Fund invests in the APN Unlisted Property Fund which is subject to redemption restrictions due to illiquidity in the underlying assets of these funds. As a result, there is significant uncertainty regarding the fair value of those financial assets and the associated net gain/(loss) recognised in the statement of comprehensive income. The final amounts realised could be different to the amounts recognised in the financial report.

PricewaterhouseCoopers

JA Dunning
Partner

Sydney
9 September 2016

For more information



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Disclaimer

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Information current as at 30 September 2016.