

# BT Investment Funds

BT External Specialist 5

(Ibbotson International Shares  
High Opportunities (Unhedged))

ARSN 111 629 451

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 Specialist 5**

ARSN 111 629 451

**Report - for the year ended  
30 June 2016**

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## **Report - for the year ended 30 June 2016**

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These financial statements cover BT External Specialist 5 as an individual entity.

The Responsible Entity of BT External Specialist 5 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 Specialist 5, present their report together with the financial statements of BT External Specialist 5 ("the Fund") for the year ended 30 June 2016.

### **Principal activities**

During the year, the Fund invested into the Ibbotson International Shares High Opportunities (Unhedged) Trust 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 year.

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.

Other than the above, 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**

During the year, the Fund continued to invest in accordance with target asset allocations as set out in the governing documents of the Fund.

On 10 June 2016, the Responsible Entity resolved to terminate the Fund and the fund was closed to applications and redemptions.

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

	<b>Year ended</b>	
	<b>30 June 2016</b>	<b>30 June 2015</b>
Operating profit/(loss) before finance costs attributable to unitholders (\$)	<u>(58,773)</u>	<u>821,169</u>
<i>Distributions</i>		
Distribution paid and payable (\$)	<u>-</u>	<u>-</u>
Distribution (cents per unit)	<u>-</u>	<u>-</u>

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

	<b>2016</b>	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2012
	%	%	%	%	%
Capital growth	<b>(2.87)</b>	22.94	16.56	30.79	(3.62)
Distribution of income	-	-	-	-	-
Total return	<b>(2.87)</b>	22.94	16.56	30.79	(3.62)

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.

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:

	<b>As at</b>	
	<b>30 June 2016</b>	30 June 2015
	\$	\$
Redemption value of outstanding units	<b>3,635,250</b>	4,249,087
Adjustment for differences in valuation inputs	-	(9,386)
Net assets attributable to unitholders	<b>3,635,250</b>	4,239,701

### **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**

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

Other than as noted above, 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.

## **Directors' report (continued)**

### **Likely developments and expected results of operations**

On 10 June 2016 the Responsible Entity resolved to terminate the Fund. The Fund will remain closed to applications and withdrawals. The last unitholders' units were redeemed effective 8 August 2016 completing the termination of the Fund.

### **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 9 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.

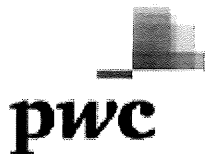
A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke.

Director

A handwritten signature in black ink, appearing to be 'Kane'.

Director

Sydney  
23 September 2016



## Auditor's independence declaration

As lead auditor for the audit of BT External Specialist 5 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.

JA Dunning  
Partner  
PricewaterhouseCoopers

Sydney  
23 September 2016



**BT External Specialist 5**  
**Statement of comprehensive income**  
**For the year ended 30 June 2016**

**Statement of comprehensive income**

		<b>Year ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2016</b>	<b>2015</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>Investment income</b>			
Interest income		737	878
Distribution income		37,064	21,605
Net gains/(losses) on financial instruments held at fair value through profit or loss	8	(33,548)	865,152
Other investment income		-	2
<b>Total net investment income/(loss)</b>		<b>4,253</b>	<b>887,637</b>
<b>Expenses</b>			
Responsible Entity's fees	13	63,026	64,593
Other operating expenses	6	-	1,875
<b>Total operating expenses</b>		<b>63,026</b>	<b>66,468</b>
<b>Operating profit/(loss)</b>		<b>(58,773)</b>	<b>821,169</b>
<b>Finance costs attributable to unitholders</b>			
(Increase)/decrease in net assets attributable to unitholders	9	58,773	(821,169)
<b>Profit/(loss) for the year</b>		<b>-</b>	<b>-</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>

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

**Balance sheet**

		<b>As at</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2016</b>	<b>2015</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>			
Cash and cash equivalents	10	39,518	34,852
Accrued income		25,658	19,447
Receivables		375	427
Financial assets held at fair value through profit or loss	11	3,574,324	4,210,351
<b>Total assets</b>		<b>3,639,875</b>	<b>4,265,077</b>
<b>Liabilities</b>			
Payables		4,625	25,376
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>4,625</b>	<b>25,376</b>
<b>Net assets attributable to unitholders - liability</b>	9	<b>3,635,250</b>	<b>4,239,701</b>

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

**Statement of changes in equity**

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

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.*

**Statement of cash flows**

		<b>Year ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2016</b>	<b>2015</b>
Notes		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
	Proceeds from sale of financial instruments held at fair value through profit or loss	<b>633,334</b>	564,011
	Interest received	<b>735</b>	878
	Other income received	<b>52</b>	-
	Responsible Entity's fees received/(paid)	<b>(63,967)</b>	(64,159)
	Payment of other expenses	<b>-</b>	(1,909)
<b>15</b>	<b>Net cash inflow/(outflow) from operating activities</b>	<b>570,154</b>	498,821
<b>Cash flows from financing activities</b>			
	Proceeds from applications by unitholders	<b>43,839</b>	51,382
	Payments for redemptions by unitholders	<b>(609,327)</b>	(566,601)
	<b>Net cash inflow/(outflow) from financing activities</b>	<b>(565,488)</b>	(515,219)
	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,666</b>	(16,398)
	Cash and cash equivalents at the beginning of the year	<b>34,852</b>	51,250
<b>10</b>	<b>Cash and cash equivalents at the end of the year</b>	<b>39,518</b>	34,852

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

## **1 General information**

These financial statements cover BT External Specialist 5 ("the Fund") as an individual entity. The Fund was constituted on 10 November 2004.

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 Ibbotson International Shares High Opportunities (Unhedged) Trust in accordance with the provisions of the governing documents. Through this investment, the Fund gained exposure to international equities.

The financial statements were authorised for issue by the directors of the Responsible Entity on 23 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 Specialist 5 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 Fund was terminated on 10 June 2016. 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 whereby the Fund's assets have been measured at their net realisable values and the liabilities have been recognised at their contractual settlement amounts. Adoption of the liquidation basis of preparation has no impact on the carrying amount of assets and liabilities 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.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (i) Classification (continued)

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.

#### (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.

A unitholder can redeem units at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to unitholders.

The units are carried at the redemption amount that is payable at the end of the reporting period if the unitholders exercise the right to redeem the units in the Fund.

### (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.

## **2 Summary of significant accounting policies (continued)**

### **(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.

### **(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) Regulatory change expense recovery**

Regulatory reforms have required the Responsible Entity to undertake a significant program of work in order to implement the reforms. The Responsible Entity is entitled to be reimbursed out of the Fund for the costs incurred in connection with implementing these regulatory reforms. Such costs are recognised in the statement of comprehensive income on an accruals basis.

### **(l) 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.

## 2 Summary of significant accounting policies (continued)

### (l) Income tax (continued)

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

### (m) 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.

### (n) 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.

### (o) 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.

### (p) 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.

### (q) 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.



## 2 Summary of significant accounting policies (continued)

### (q) New accounting standards and interpretations (continued)

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

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.

### (r) 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.

## 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.

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

### (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 international equity 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.

## 4 Financial risk management (continued)

### (a) Market risk (continued)

#### (ii) Foreign exchange risk (continued)

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

Exceptions to compliance are 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 does not have any significant direct exposure to interest rate risk.

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

### (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%	+15%
	(2015: -15%)	(2015: +15%)
As at	\$	\$
30 June 2016	(536,149)	536,149
30 June 2015	(631,553)	631,553

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.

## **4 Financial risk management (continued)**

### **(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.

There were no significant direct concentrations of credit risk to counterparties as at 30 June 2016 or 30 June 2015.

### **(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 is exposed to daily cash redemptions of redeemable units.

Units are held in unlisted unit trusts which are priced daily and can be readily disposed of.

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

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

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

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

The non-derivative financial liabilities of the Fund comprise distributions payable, unsettled purchases, payables and net assets attributable to unitholders. Distributions payable, unsettled purchases and payables have no contractual maturities but are typically settled within 30 days.

Net assets attributable to unitholders are redeemable at the unitholders' option, however, as permitted under the governing documents, management may decide to delay payment of the redemption amount.

## 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 2 when there were less observable market transactions for 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 \$
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	-	3,574,324	-	3,574,324
<b>Total</b>	-	3,574,324	-	3,574,324

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

As at 30 June 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	-	4,210,351	-	4,210,351
<b>Total</b>	-	4,210,351	-	4,210,351

## 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.

The following table presents the transfers between levels for the year ended 30 June 2015.

Year ended 30 June 2015	Level 1 \$	Level 2 \$	Level 3 \$
Transfers between levels 1 and 2:			
Unlisted unit trusts	(4,210,351)	4,210,351	-

The transfer from level 1 to level 2 relates to unlisted unit trusts which had less observable market transactions for the year ended 30 June 2015.

### (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.

## 6 Other operating expenses

	Year ended	
	30 June 2016	30 June 2015
	\$	\$
Regulatory change expense recovery	-	1,873
Other	-	2
	-	1,875

## 7 Remuneration of auditors

	Year ended	
	30 June 2016	30 June 2015
	\$	\$
<i>Audit and other assurance services</i>		
Audit of financial statements	6,692	6,368
Other services*	815	761
Total remuneration for audit and other assurance services	7,507	7,129

\* 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.

## 8 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	(179,126)	808,651
Net realised gains/(losses) on financial instruments designated at fair value through profit or loss	145,578	56,501
Total net gains/(losses) on financial instruments held at fair value through profit or loss	(33,548)	865,152

## 9 Net assets attributable to unitholders

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

	<b>30 June 2016 No.</b>	<b>30 June 2015 No.</b>	<b>30 June 2016 \$</b>	<b>30 June 2015 \$</b>
Opening balance	<b>3,133,296</b>	3,573,175	<b>4,239,701</b>	3,941,657
Applications	<b>32,177</b>	41,606	<b>43,839</b>	51,382
Redemptions	<b>(436,294)</b>	(481,485)	<b>(589,517)</b>	(574,507)
Increase/(decrease) in net assets attributable to unitholders	-	-	<b>(58,773)</b>	821,169
Closing balance	<b>2,729,179</b>	3,133,296	<b>3,635,250</b>	4,239,701

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.

### (b) Realised capital losses

At the end of the reporting period, the Fund had realised capital losses of \$6,190,856 (2015: \$6,336,434) 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.

## 10 Cash and cash equivalents

	<b>As at 30 June 2016 \$</b>	<b>30 June 2015 \$</b>
Cash at bank	<b>39,518</b>	34,852
	<b>39,518</b>	34,852

## 11 Financial assets held at fair value through profit or loss

	As at	
	30 June 2016 Fair value \$	30 June 2015 Fair value \$
<b>Designated at fair value through profit or loss</b>		
Unlisted unit trusts	3,574,324	4,210,351
Total designated at fair value through profit or loss	3,574,324	4,210,351
<b>Total financial assets held at fair value through profit or loss</b>	<b>3,574,324</b>	<b>4,210,351</b>
<b>Comprising:</b>		
<b>Unlisted unit trusts</b>		
Units in international equity trusts (Ibbotson International Shares High Opportunities (Unhedged) Trust)	3,574,324	4,210,351
Total unlisted unit trusts	3,574,324	4,210,351
<b>Total financial assets held at fair value through profit or loss</b>	<b>3,574,324</b>	<b>4,210,351</b>

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)

#### **(c) Other key management personnel**

<b>Name</b>	<b>Position</b>	<b>Employer</b>
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 2.50% (inclusive of GST, net of RITC available to the Fund) per annum (2015: 2.50%).

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.

In addition to the above fee, a performance fee is payable to the underlying investment manager when they exceed specific investment performance targets. This fee is paid out of the assets of the underlying fund in which performance fees are charged and reflected in the daily unit prices for that underlying fund. This fee does not accrue to the Responsible Entity.

In addition to the above fee, a regulatory change expense recovery is entitled to be reimbursed out of the Fund for the costs incurred in connection with implementing regulatory reforms.

All expenses in connection with the preparation of accounting records and the maintenance of the unit register are 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 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#	63,026	64,593
Regulatory change expense recovery for the year paid/(received) by the Fund to/(from) the Responsible Entity	-	1,873
Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the end of the reporting period	4,625	5,566

# 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).

#### (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 8).

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. The Fund intends to continue investing in other funds.

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
	\$	\$
<b>Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Operating profit/(loss) for the year	(58,773)	821,169
Proceeds from sale of financial instruments held at fair value through profit or loss	633,334	564,011
Net (gains)/losses on financial instruments held at fair value through profit or loss	33,548	(865,152)
Income reinvested	(30,855)	(38,136)
Net change in accrued income and receivables	(6,159)	16,495
Net change in payables	(941)	434
<b>Net cash inflow/(outflow) from operating activities</b>	<b>570,154</b>	<b>498,821</b>

## **16 Events occurring after the reporting period**

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

No other 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  
23 September 2016



## **Independent auditor's report to the unitholders of BT External Specialist 5**

### ***Report on the financial report***

We have audited the accompanying financial report of BT External Specialist 5 ("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*.

**PricewaterhouseCoopers, ABN 52 780 433 757**

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*Auditor's opinion*

In our opinion:

- (a) the financial report of BT External Specialist 5 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 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.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'JA Dunning'.

JA Dunning  
Partner

Sydney  
23 September 2016

## For more information



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Information current as at 30 September 2016.