

Westpac TPS Trust

ARSN 119 504 380

Annual Financial Report

For the year ended
30 September 2007



Contents

Directors' report	2
Auditor's independence declaration	4
Corporate governance	5
Income statement	14
Balance sheet	15
Statement of changes in equity	16
Cash flow statement	17
Notes to the financial statements	18
Directors' declaration	27
Independent audit report to the unitholders	28
Annexure A – Westpac TPS holder information	30
Directory	IBC

This financial report covers Westpac TPS Trust as an individual entity.

Westpac TPS Trust is a managed investment scheme, constituted and registered in Australia. Its registered office is: Level 20, 275 Kent Street, Sydney NSW 2000.

A description of the nature of Westpac TPS Trust's operations and its principal activities is included in the Directors' report on page 2.

Directors' report

The Directors of Westpac Funds Management Limited ("WFML") (ABN 28 085 352 405), the Responsible Entity ("RE") of Westpac TPS Trust (the "Trust"), present their report together with the general purpose financial report of the Trust for the year ended 30 September 2007.

Directors

The following persons held office as Directors of WFML during the period and up to the date of this report unless otherwise stated:

Alan Cameron
Liam Forde
John McGee (appointed 14 December 2006)
Sean McElduff
David Westaway (appointed 14 December 2006)
Jim Tate (resigned 14 December 2006)

Principal activities

The principal activities of the Trust comprised the issue of Westpac TPS and investing in Notes issued by Westpac Banking Corporation ("Westpac"). Quarterly distributions paid to Westpac TPS holders are sourced from interest received on the Notes issued by Westpac.

The Trust is a special purpose unit trust established on 10 May 2006 for the specific purpose of issuing Westpac TPS, which are preferred units in the Trust, to retail and institutional investors in Australia and investing in Notes issued by Westpac.

The Trust issued 7,627,375 Westpac TPS at \$100 per Westpac TPS on 21 June 2006. These commenced trading on the Australian Securities Exchange ("ASX") on a deferred settlement basis on 22 June 2006, and on a normal settlement basis on 27 June 2006. The gross proceeds from the issue of Westpac TPS were invested in Notes issued by Westpac.

Review of operations

The investment policy of the Trust continues to be that detailed in the Product Disclosure Statement ("PDS") dated 19 May 2006 and in accordance with the provisions of the governing documents of the Trust.

Results

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

	1 October 2006 to 30 September 2007 \$'000	10 May 2006 to 30 September 2006 \$'000
Net operating profit	–	–

The net operating profit for the year ended 30 September 2007 is \$nil as interest income received on the Notes is subsequently paid to Westpac TPS holders and the ordinary unitholder as finance costs, and other expenses paid by the Trust are reimbursed by Westpac.

Quarterly distributions paid to Westpac TPS holders and the ordinary unitholder represent interest paid and not trust distributions as the Westpac TPS and the ordinary unit issued by the Trust are classified as liabilities in the balance sheet based on their redemption and settlement characteristics.

Indirect cost ratio ("ICR")

The ICR of the Trust for the financial period is nil as all expenses are reimbursed by Westpac.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

Except as disclosed in the financial report, no other matter or circumstance has arisen since 30 September 2007 that has significantly affected, or may significantly affect:

- i) the operations of the Trust in future financial years; or
- ii) the results of those operations in future financial years; or
- iii) the state of affairs of the Trust in future financial years.

Likely developments and expected results of operations

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust Constitution.

Further information on likely developments in the operations of the Trust and the expected results of those operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Trust.

Indemnities

No insurance premiums have been paid by the Trust in regards to insurance cover provided to either the officers of WFML or the auditor of the Trust. Provided WFML and/or its officers act in accordance with the Trust Constitution and corporations law, WFML and its officers respectively remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditor of the Trust is in no way indemnified out of the assets of the Trust.

Fees paid to and interests held in the Trust by the RE or its associates

No fees were paid, nor were any interests in the Trust issued or granted by the Trust, to the RE or its associates during the year ended 30 September 2007.

Interests in the Trust

The movement in Westpac TPS on issue in the Trust during the year is as set out below:

	2007 No. '000	2006 No. '000
Westpac TPS on issue at the beginning of the period	7,627	–
Westpac TPS issued during the period	–	7,627
Westpac TPS redeemed during the period	–	–
Westpac TPS on issue at 30 September	<u>7,627</u>	<u>7,627</u>

Value of assets

	\$'000	\$'000
Value of Trust assets at 30 September	<u>775,471</u>	<u>775,943</u>

The value of the Trust's assets is derived using the basis set out in Note 1 to the financial statements.

Environmental regulation

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

Rounding of amounts

The Trust is a registered scheme of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 331AAA of the *Corporations Act 2001*.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporation Act 2001* is set out on page 4 and forms part of this report.

The report is made in accordance with a resolution of the Directors.



Liam Forde
Director



David Westaway
Director

Sydney, 22 November 2007

Auditor's independence declaration



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Auditor's independence declaration

As lead auditor for the audit of Westpac TPS Trust for the year ended 30 September 2007, 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.

This declaration is in respect of Westpac TPS Trust during the period.

A handwritten signature in black ink that reads 'J A Dunning'.

J A Dunning
Partner
PricewaterhouseCoopers

Sydney
22 November 2007

Corporate governance

Framework and approach to corporate governance and responsibility

This section outlines the main corporate governance practices that are currently in place for Westpac Funds Management Limited in its capacity as Responsible Entity ("RE") of various listed and unlisted managed investment schemes, including Westpac TPS Trust (together the "Schemes").

The approach of the RE and the Schemes to corporate governance is to have a set of values and behaviours that underpin everyday activities, ensure transparency and fair dealing, and protect stakeholder interests. As part of the Westpac group of companies ("Westpac Group"), the RE also benefits from Westpac Banking Corporation's corporate governance framework, including risk and capital management policies, procedures and controls.

This approach includes a commitment to best practice governance standards, which the board of directors of the RE ("Board") sees as fundamental to the sustainability of the Schemes' and the RE's business and performance.

The Board's approach has been guided by the principles and practices which are in the best interests of investors while ensuring full compliance with legal requirements. In pursuing its commitment to best practice governance standards, the Board will continue to review and improve its governance practices and, as a member of the Westpac Group, the RE will benefit from Westpac Banking Corporation ("Westpac") continuing to:

- monitor global developments in best practice corporate governance;
- contribute to local and international debates on what represents best corporate governance practice; and
- review and improve its governance practices.

ASX Best Practice Recommendations

In developing its overall approach to corporate governance, the Board has been guided by:

- the "Principles of Good Corporate Governance and Best Practice Recommendations" published in March 2003 by the Australian Securities Exchange Limited's Corporate Governance Council ("Recommendations"), together with the Implementation Review Group Report dated 31 March 2004, the Implementation Review Group Second Report published in February 2005 and the associated "If not why not?" Corporate Governance Reporting Examples;
- the *Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004* (also known as CLERP 9); and
- the Australian Standard AS8000 Good Governance Principles.

The ASX Listing Rules require listed entities (or in the case of a listed trust, the responsible entity of that trust) to include in their annual report a statement disclosing the extent to which they have followed the Recommendations during the reporting period, identifying the Recommendations that have not been followed and providing reasons for that variance.

This Corporate Governance Statement sets out each of the Recommendations in full and provides details of how the RE and the Schemes have addressed these Recommendations. On 2 August 2007, the ASX Corporate Governance Council released revised Corporate Governance Principles and Recommendations (the "Revised Principles"). The RE will address the Revised Principles in corporate governance statements issued by it after the Revised Principles' start date of 1 January 2008.

A copy of this Corporate Governance Statement is available on the RE's website at www.westpacfunds.com.au.

Date of this statement

This statement reflects the corporate governance policies and procedures of the RE and each of the Schemes as at 30 September 2007.

Principle 1: Lay solid foundations for management and oversight

It is the responsibility of the Board to ensure that the foundations for management and oversight of the RE and the Schemes are established and appropriately documented.

Role of the Board

The Board has formalised its role and responsibilities into a charter. The Board Charter clearly defines the matters reserved for the Board and those that the Board has delegated to management.

In summary, the Board's responsibilities include:

- providing strategic direction and approving significant strategic initiatives in line with the constitutions of the Schemes;
- determining the size and composition of the Board including the identification and evaluation of future directors;
- approving compliance plans and monitoring the effectiveness of compliance procedures;
- considering audit committee recommendations and approving the Schemes' half year and end of year financial statements (including the Directors' Declaration);
- monitoring the effectiveness of the RE's risk management strategy and maintaining a direct and ongoing dialogue with the RE's auditors and regulators;
- determining the scope of authority (and any limits on that authority) delegated to senior management and determining whether all actions taken by the RE are within the authorisation of its Australian Financial Services Licence;
- appointing external auditors in respect of the RE's financial statements and each of the Scheme's financial statements and compliance plans; and
- determining the terms of reference, membership and composition of the RE's compliance, audit and related party transaction committees.

Corporate governance (continued)

A copy of the Board Charter is available at www.westpacfunds.com.au.

The Board has delegated to management responsibility for:

- developing and implementing each of the Scheme's strategies and making recommendations on significant strategic initiatives;
- maintaining an effective risk management framework and keeping the Board fully informed about material risks;
- developing an annual budget and managing day-to-day operations within the budget;
- managing day-to-day operations in accordance with standards for social and ethical practices which the Board has set; and
- negotiating agreements and contracts with third parties to provide services to the Schemes.

ASX Best Practice Recommendation 1.1

The approach adopted by the Board of the RE is consistent with Recommendation 1.1 which states that the Board should formalise and disclose the functions reserved to the Board and those delegated to management.

Principle 2: Structure the Board to add value

The secret to strong and effective corporate governance is a healthy boardroom culture which promotes full disclosure of all relevant information, open discussion and the opportunity to challenge. The Board of the RE believes that sound corporate governance is crucial to protecting the interests of investors.

The Board members have a broad range of relevant financial and other skills, experience and expertise to meet its objectives. The Board determines its size and composition, subject to the RE's constitution which requires that the Board comprise a minimum of 1 and a maximum of 12 directors ("Directors").

Composition of the Board

The composition of the current Board, with details of individual Directors' backgrounds, is set out below.

Alan Cameron

Alan Cameron AM is an independent non-executive Director and the current Chairman of the Board, and Chairman of the related party transaction committee and an independent member of the audit and compliance committees. Alan was Chairman of ASIC from 1993 to 2000, Commonwealth Ombudsman in 1991 and 1992, Deputy Chairman of SFE Corporation Limited from 2001 to 25 July 2006 and managing partner of the law firm Blake Dawson for five years during the 1980s. He is now Chairman of the Cameron Ralph Pty Limited, an adviser and consultant on regulatory matters, and a non-executive director of Multiplex Limited and Multiplex Funds Management Limited and the Reliance Rail Group of companies. He is a Fellow of the Australian Institute of Company Directors.

Liam Forde

Liam Forde is an independent non-executive Director of the Board, the independent Chairman of the audit committee, an independent member of the compliance committee and an independent member of the related party transaction committee. Liam contributes a wealth of experience and knowledge developed over a career spanning more than 30 years. Liam has held senior executive positions in a variety of industries including Ford Motor Company in the United Kingdom, Simpson Holdings Limited and Boulderstone Hornibrook in Australia. Liam is an experienced executive who has operated at CEO and in cross-functional roles across a diversity of industries operating in both domestic and international markets. Liam was formerly Chief Executive of Boulderstone Hornibrook one of Australia's leading construction and engineering companies, and is the chairman of Hastings Funds Management Limited, a director of Colostar Pty Limited, a member of the Rosecorp Pty Ltd Advisory Board, the Crescendo Partners Advisory Board and the Hyder Consulting Advisory Board, and a member of the Australian Institute of Company Directors.

John McGee

John McGee is an independent non-executive Director of the Board and the independent Chairman of the compliance committee and an independent member of the audit and related party transaction committees. John has worked in the financial services industry for over 20 years and has particular expertise in mortgage securitisation, life insurance and funds management, most recently as Chief Operating Officer of the ASX listed Homeloans Limited. John currently holds non-executive directorships with BNY Trust Australia Pty Ltd, Private Health Insurance Administrative Council (a federal government body that regulates the private health insurance industry) and Progenix Pty Ltd.

Sean McElduff

Sean McElduff is an executive Director of the Board. Sean has been employed by Westpac since 1977 and has held a general management role in Westpac Institutional Bank since April 1999. Sean has both domestic and offshore banking experience and has held senior roles in corporate finance, capital markets and originations. In February 2003 Sean was appointed General Manager of the Specialised Capital Group, a business division within Westpac Institutional Bank which is focused on providing investors with opportunities to invest in alternate assets. Sean is an executive director of Hastings Funds Management Limited and a Fellow of the Australian Institute of Company Directors.

David Westaway

David Westaway is an executive Director of the Board. David has been with Westpac since 1977 and during that time has held a number of different roles both domestically and offshore. More recently David has held senior management roles in the Specialised Capital Group, Treasury, Finance and Mergers and Acquisitions. David assumed his current role in May 2003 and, as Joint Head of Specialised Funds, shares overall management responsibility for the funds management activities of Westpac Funds Management Limited.

Meetings of the Board

The Board approves all important documents concerning the RE and the Schemes, such as product disclosure statements, prospectuses, information memorandums, notices of meetings, financial statements, compliance plans and related party transaction documents, as and when required. In addition, the Board meets on a monthly basis during the year and whenever otherwise necessary to deal with specific matters needing attention between the scheduled meetings. Formal meetings attended by Directors for the period from 1 October 2006 to 30 September 2007 are set out below:

Attendance at Board meetings* (1 October 2006–30 September 2007)

Director	Number of meetings held eligible to attend*	Number of meetings attended*
Alan Cameron	18	17
Liam Forde	18	14
John McGee (appointed 14th December 2006)	15	15
Sean McElduff	18	12
David Westaway (appointed 14th December 2006)	15	14
Jim Tate (resigned 14th December 2006)	3	3

* This table does not include matters dealt with by the Board by way of circular resolutions.

Conflicts of interest

The Board is conscious of its obligation to ensure that Directors avoid conflicts of interests (both real and apparent) between their duty to the Schemes and the RE and their own interests.

Any Director with a material personal interest in a matter being considered by the Board must declare their interest and unless the Board resolves otherwise, they may not participate in boardroom discussions or vote on matters on which they face a conflict.

There are a number of policies within the Westpac Group relating to the management of conflicts of interest, such as the Insider Trading Policy. Where these types of conflicts apply to the Board there is a consistent approach adopted.

Review of performance

Review of the Board's performance, nomination of new Directors, retirement of Directors and compulsory retirement of Directors are matters that are considered as a whole by the Board. The Board devotes time to these matters as a specific agenda item at least once each year.

Access to information and advice

All Directors have unrestricted access to records and information of the RE and the Schemes and receive regular detailed financial and operational reports from senior management to enable them to carry out their duties. The Board collectively, and each Director individually, has the right to seek independent professional advice to help them carry out their responsibilities.

Compliance committee

The Corporations Act states that the RE of a registered scheme must establish a compliance committee if less than half of the directors of the RE entity are external directors. The compliance committee must have at least three members, and a majority of them must be external members.

The RE has a compliance committee which was established with effect from 5 April 2002. The compliance committee is governed by terms of reference formally adopted by the Board and is responsible for monitoring the RE's compliance with the Corporations Act, the RE's constitution and its compliance plans.

A compliance plan is a plan which sets out measures that the RE must apply in operating a managed investment scheme to ensure compliance with the Corporations Act and the RE's constitution. In particular the compliance committee is responsible for:

- monitoring the RE's compliance with its compliance plans to ensure that the RE exercises appropriate due diligence to avoid any breach of law or regulation;
- reporting to the RE if it becomes aware or suspects any breach of law or breach of the RE's constitution;
- assessing the adequacy of the RE's compliance plans and recommending any changes to the Board; and
- reviewing the external auditor's audit of the RE's and each of the Scheme's compliance plans.

The compliance committee is composed of three external independent members. The current members of the committee and their position within the committee are:

- John McGee, external member and Chairman;
- Alan Cameron, external member; and
- Liam Forde, external member.

Pursuant to the compliance committee's terms of reference, each committee member is required to:

- act honestly;
- exercise the degree of care and diligence that a reasonable person would exercise if they were in the member's position; and
- not make use of information or their position as a member of the compliance committee in order to gain an improper advantage for themselves or another person, or cause detriment to the investors in the Schemes.

Corporate governance (continued)

ASX Best Practice Recommendation 2.1

Recommendation 2.1 states that the majority of the Board should be independent directors.

The Board has adopted a definition of independence which is based on the definition that the Board of Westpac has adopted to assess the independence of its directors. This definition of independence is available in the corporate governance section at www.westpacfunds.com.au/corporategovernance.asp.

The Board is composed of three independent non-executive Directors and two executive Directors and, accordingly, the approach adopted by the RE is consistent with ASX Best Practice Recommendation 2.1.

ASX Best Practice Recommendation 2.2

Recommendation 2.2 states that the chairperson of the Board should be an independent director.

Alan Cameron, the Chairman of the Board, is an independent Director.

Accordingly, the approach adopted by the RE is consistent with ASX Best Practice Recommendation 2.2.

ASX Best Practice Recommendation 2.3

The approach adopted by the Board of the RE is consistent with Recommendation 2.3 which states that the roles of chairperson and chief executive officer (or equivalent) should not be exercised by the same individual.

The Chairman of the Board is Mr Alan Cameron and the persons holding the equivalent position to chief executive officer in respect of the Schemes are Mr David Westaway and Mr Steve Bulloch. It should be noted that the salaries of the executive Directors and all staff responsible for the operation of the RE and the Schemes are paid by the Westpac Group.

ASX Best Practice Recommendation 2.4

Recommendation 2.4 states that the Board should establish a nomination committee.

A nomination committee will generally be responsible for assessing competencies of board members, reviewing board succession plans, evaluating board performance and making recommendations for the appointment and removal of directors. In its "Principles of Good Corporate Governance and Best Practice Recommendations" published in March 2003, the ASX Corporate Governance Council stated:

"Particularly in larger companies, a nomination committee can be a more efficient mechanism for the detailed examination of selection and appointment practices meeting the needs of the company ... It is recognised that for smaller boards, the same efficiencies may not be apparent from a formal committee structure."

The Board has elected not to establish a nomination committee on the basis that it is only a relatively small board, the RE is a wholly owned subsidiary of Westpac, and it is able to efficiently carry out the functions which would otherwise be delegated to a nominations committee.

ASX Best Practice Recommendation 2.5

Recommendation 2.5 states that information relating to ASX Best Practice Principle 2 should be reported.

Information relating to Principle 2 is set out above; therefore the approach adopted by the Board in respect of the preparation of this Corporate Governance Statement is consistent with Recommendation 2.5.

Principle 3: Promote ethical and responsible decision making

All executive Directors, managers and employees involved in the operation of the Schemes and the RE are employees of the Westpac Group and, together with the independent Directors, and along with all other employees in the Westpac Group, are required to act honestly and with integrity.

Code of Conduct

The Board has adopted a Code of Conduct which governs workplace and human resource practices, risk management and legal compliance. This Code of Conduct is the same code which applies to all Westpac Group employees without exception, and therefore applies to all Directors of the RE, managers and employees of the Westpac Group involved in the operation of the Schemes and the RE. The Code of Conduct is aligned to the Westpac Group's core values of teamwork, integrity and achievement.

A copy of the Code of Conduct is available at www.westpacfunds.com.au.

Supporting policies

All Directors and employees are subject to restrictions under the law relating to dealing in certain financial products, including securities in a company, if they are in possession of inside information. Inside information is information that is not generally available and, if it were generally available, a reasonable person would expect it to have a material effect on the price or value of the securities of the company.

In addition to the restrictions imposed by law, the Board of the RE has adopted Westpac's Personal Trading and Insider Trading policies. These policies, together with numerous other supporting policies set out under Principle 10 of this Corporate Governance Statement, apply to all Directors of the RE, managers and employees of the Westpac Group involved in the operation of the Schemes and the RE.

A copy of the Insider Trading Policy is available at www.westpacfunds.com.au.

Conflicts of interest

The Board has taken action to ensure that the Directors of the RE, together with all managers and employees involved in the operation of the RE and the Schemes, are provided with appropriate guidance in respect of potential conflicts of interest. In particular, the Board has:

- adopted Westpac's Conflicts of Interest Policy. The aim of this policy is to assist in recognising conflicts of interest and determining appropriate disclosure and other responses in the event that a conflict arises. The policy promotes vigilance in the conflicts area which in turn reduces the possibility of a conflict arising;
- positioned the RE within "Chinese walls" in the Westpac Group in order to promote independence and to minimise the potential for a conflict of interest; and
- been guided by its compliance plan and its related party transaction policy.

Related party transaction committee

The Board has formed a related party transaction committee to make decisions in relation to the appropriateness of any related party transaction the RE or any of the Schemes propose to enter into with any related party, in particular members of the Westpac Group.

A formal related party transaction committee charter has been adopted setting out the committee's role and responsibilities, composition, structure and membership requirements.

The related party transaction committee comprises three independent members of the Board. The current members of the related party transaction committee, and the position each member holds within the committee, are set out below:

- Alan Cameron, independent member and Chairman;
- Liam Forde, independent member; and
- John McGee, independent member.

The Board has approved a related party transaction policy. The policy details the circumstances, terms and conditions as to when related party transactions will be appropriate for the RE and the Schemes and the supporting evidence required. The basic principles are that related party transactions should be in the best interests of investors and on arm's length terms.

In particular the related party transaction committee is responsible for:

- monitoring the RE's compliance with its related party transaction policy;
- establishing that the interests of investors are the dominant interests in the purpose of the related party transaction and the benefits of the related party transaction; and

- ensuring that any related party transaction is appropriate for each of its Schemes in that:
 - the transaction is one that appears to favour the best interests of investors over the interests of the RE or a Westpac Group related party;
 - the transaction is on arm's length terms; and
 - if there is a risk of investor criticism for entering into the transaction, that the risk is acceptable.

ASX Best Practice Recommendation 3.1

The approach adopted by the RE is consistent with Recommendation 3.1 which states that a code of conduct should be established to guide the Directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to the practices necessary to maintain confidence in the RE's integrity and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

ASX Best Practice Recommendation 3.2

The approach adopted by the RE is consistent with Recommendation 3.2 which states that the policy concerning trading in each of the Scheme's securities by Directors, officers and employees of the RE should be disclosed.

ASX Best Practice Recommendation 3.3

Recommendation 3.3 states that information relating to ASX Best Practice Principle 3 should be reported.

Information relating to Principle 3 is set out above and therefore the approach adopted by the Board in respect of the preparation of this Corporate Governance Statement is consistent with Recommendation 3.3.

Principle 4: Safeguard integrity in financial reporting

The Board of the RE is committed to four basic principles:

- that the financial reports present a true and fair view;
- that each of the Scheme's and the RE's accounting methods are comprehensive and relevant and comply with applicable accounting rules and policies;
- that the external auditors are independent and serve investors' interests by ensuring that investors know the true financial position of each of the Schemes; and
- that Australian and international developments are monitored and practices reviewed accordingly.

Corporate governance (continued)

External auditor

The external auditor, PricewaterhouseCoopers, has been engaged to perform an audit of the financial accounts of each of the Schemes and a partner of PricewaterhouseCoopers has been engaged to audit the compliance plan of each of the Schemes. In respect of most Schemes, audit fees are borne by the relevant Scheme, however, in respect of some of the Schemes audit fees are borne by Westpac Banking Corporation.

The RE, as part of the Westpac Group, has adopted the Westpac Group's audit governance policy to the extent that:

- the audit firm is prohibited from having a financial interest in any entity with a controlling interest in the RE or any member of the Westpac Group;
- the audit firm engagement team in any given year cannot include a person who has been an officer of any member of the Westpac Group during that year;
- the audit partner and any audit firm employee is prohibited from being an officer of the RE or any member of the Westpac Group;
- the audit firm, its partners, its employees on the Schemes' audits and their immediate family members are prohibited from having loans or guarantees with any member of the Westpac Group, or material indirect investments or a business relationship with any member of the Westpac Group unless the relationship is clearly insignificant to both parties;
- the Schemes' auditors attend the audit committee and Board meetings at which the Schemes' financial statements are approved; and
- the Schemes' auditors attend the compliance meetings at which the results of the compliance plan audits are presented.

The external auditor is not able to carry out the following types of non-audit services for any member of the Westpac Group:

- preparation of accounting records and financial statements;
- financial information technology systems design and implementation;
- appraisal or valuation services and other corporate finance activities;
- internal audit services;
- temporary or permanent staff assignments, or performing any decision making, supervisory or ongoing monitoring or management functions;
- broker or dealer, investment adviser or investment banking;
- legal, litigation, or other expert services;
- actuarial services; or
- recruitment services for managerial, executive or director positions.

Audit committee

An audit committee will generally be responsible for reviewing the integrity of a company's financial reporting and overseeing the independence of external auditors. In its "Principles of Good Corporate Governance and Best Practice Recommendations", the ASX Corporate Governance Council stated:

"Particularly in larger companies, an audit committee can be a more efficient mechanism than the full board for focusing the company on particular issues relevant to verifying and safeguarding the integrity of the company's financial reporting... It is recognised that for smaller boards, the same efficiencies may not be apparent from a formal committee structure."

The Board formed the view that the establishment of an audit committee would be of benefit to the RE and the Schemes and therefore on 23 June 2004 the Board formally approved the formation of an audit committee.

A formal audit committee charter has been adopted setting out the audit committee's role and responsibilities, composition, structure and membership requirements.

The audit committee is comprised of three independent members. The current members of the audit committee, and the position each member holds within the Committee, are set out below:

- Liam Forde, independent member and Chairman;
- Alan Cameron, independent member; and
- John McGee, independent member.

The members of the audit committee also comprise the membership of the compliance committee. The ASX Corporate Governance Council has recognised that, in respect of Schemes, the functions of an audit committee may overlap with the functions of a compliance committee as both committees serve substantively similar purposes.

A copy of the audit committee's charter is available at www.westpacfunds.com.au.

ASX Best Practice Recommendation 4.1

The procedures implemented by the RE are consistent with Recommendation 4.1 which states that the chief executive officer (or equivalent) and the chief financial officer (or equivalent) should be required to state in writing to the Board that the financial reports for each of the Schemes present a true and fair view, in all material respects, of the financial condition and operational results of each to those Schemes and are in accordance with relevant accounting standards.

These statements have been provided to the Board by the persons holding the equivalent positions of chief executive officer and chief financial officer in respect of each of the Schemes.

ASX Best Practice Recommendation 4.2

The approach adopted by the RE is consistent with ASX Best Practice Recommendation 4.2 which states that the Board should establish an audit committee. The Board formally approved the formation of the audit committee on 23 June 2004.

ASX Best Practice Recommendation 4.3

Recommendation 4.3 states that an audit committee should be structured so that it consists of only non-executive directors, has a majority of independent directors, has an independent chairperson who is not chairperson of the Board and has at least three members.

The audit committee comprises three non-executive independent Directors; the chairperson is an independent Director and is not the chairperson of the Board.

Accordingly the approach adopted by the RE is consistent with ASX Best Practice Recommendation 4.3.

ASX Best Practice Recommendation 4.4

The approach adopted by the RE is consistent with ASX Best Practice Recommendation 4.4 which states that the audit committee should have a formal charter.

ASX Best Practice Recommendation 4.5

Recommendation 4.5 states that information relating to ASX Best Practice Principle 4 should be reported.

Information relating to Principle 4 is set out above, therefore the approach adopted by the Board in respect of the preparation of this Corporate Governance Statement is consistent with ASX Best Practice Recommendation 4.5.

Principle 5: Make timely and balanced disclosure

The RE is committed to giving all investors in each of the Schemes comprehensive and equal access to information about their respective Scheme's activities, and to fulfil continuous disclosure obligations to the broader market.

Market disclosure policy

The Board has adopted a Market Disclosure Policy which governs how the RE communicates with investors and the market with respect to its listed and unlisted Schemes. This policy, which is closely aligned with Westpac's Market Disclosure Policy, is designed to ensure compliance with the ASX Listing Rules and continuous disclosure requirements. It ensures any information that a reasonable person would expect to have a material effect on the price of the securities of each of the listed Schemes is disclosed.

This policy applies to all Directors, managers and employees of the Westpac Group involved in the operation of the Schemes and the RE.

ASX Best Practice Recommendation 5.1

The approach adopted by the RE is consistent with ASX Best Practice Recommendation 5.1 which states that written policies and procedures should be established which are designed to ensure compliance with ASX Listing Rules, disclosure requirements and ensure accountability at a senior management level for that compliance.

ASX Best Practice Recommendation 5.2

Recommendation 5.2 states that information relating to ASX Best Practice Principle 5 should be reported.

Information relating to Principle 5 is set out above, therefore the approach adopted by the Board in respect of the preparation of this Corporate Governance Statement is consistent with Recommendation 5.2.

Principle 6: Respect the rights of shareholders

In addition to its statutory reporting obligations, the RE is committed to timely and ongoing communication with investors in each of the Schemes. It seeks to accomplish this through:

- the annual reports distributed after the end of each Scheme's financial year;
- updates to all investors on a quarterly or half-yearly basis and whenever significant developments occur;
- investor briefings; and
- posting relevant information on the RE's internet site.

ASX Best Practice Recommendation 6.1

Recommendation 6.1 states that a communications strategy should be designed and disclosed to promote effective communication with shareholders and encourage effective participation at general meetings.

The strategy adopted by the RE is consistent with the relevant aspects of ASX Best Practice Recommendation 6.1.

ASX Best Practice Recommendation 6.2

Recommendation 6.2 states that a request should be made to the external auditor to attend the annual general meeting of each of the Schemes and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The external auditor attends the audit and compliance committee meetings and Board meetings at which each of the Scheme's financial statements are approved. A request will be extended to the external auditor to attend any annual general or special general meetings held by each of the Schemes.

Corporate governance (continued)

Principle 7: Recognise and manage risk

A key strategy of the RE is to effectively manage the risks inherent in its business while supporting the reputation, performance and success of the RE and the each of the Schemes. The RE's approach is to develop policies, controls and procedures for identifying and managing risk, all aimed at achieving an appropriate balance between the assumption of risk and the pursuit of reward.

The RE, as part of the Westpac Group, has adopted Westpac's approach to risk management. The Board has specifically recognised the following major risk areas:

- credit risk, being the risk of financial loss from the failure of counterparties to meet their obligations and honour fully the terms of their contract;
- market risk, being the potential for losses arising from adverse movements in the level and volatility of market rates, such as interest rates;
- operational risk, being the risk of inadequate or failed internal processes, people and systems or from external events; and
- compliance risk being the risk of failure to comply with all applicable legal and regulatory requirements.

The Board also considers other risk categories, for example liquidity risk, equity underwriting risk and insurance risk.

The Board is responsible for approving the overall risk management framework in addition to monitoring and reviewing the performance of management. Executive management is responsible for implementing the Board-approved risk management strategy and for developing policies, controls, processes and procedures to identify and manage risks in all of the Schemes' activities.

ASX Best Practice Recommendation 7.1

The approach adopted by the RE is consistent with ASX Best Practice Recommendation 7.1 which states that the Board or appropriate board committee should establish policies on risk oversight and management.

ASX Best Practice Recommendation 7.2

The procedures implemented by the RE are consistent with ASX Best Practice Recommendation 7.2 which states that the chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that the statement given in accordance with ASX Best Practice Recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the RE's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

These statements have been provided to the Board by the persons holding the equivalent positions of chief executive officer and chief financial officer in respect of each of the Schemes.

Principle 8: Encourage enhanced performance

The Board regularly reviews its overall performance, as well as the performance of all committees and individual Directors. These matters are specifically reserved for consideration by the Board under the Board Charter. The compliance, audit and related party transaction committees also undertake a review of their own performance.

In addition, as employees of the Westpac Group, all executive Directors and senior management responsible for the operation of the RE and the Schemes are subject to performance evaluation procedures which apply to all employees of the Westpac Group.

ASX Best Practice Recommendation 8.1

The approach adopted by the RE is consistent with ASX Best Practice Recommendation 8.1, which states the process for performance evaluation of the board, its committees and individual directors, and key executives should be disclosed.

Principle 9: Remunerate fairly and responsibly

Executive Directors and the staff responsible for the operation of the RE and the Schemes are employees of Westpac and, as such, are remunerated by Westpac, not the Schemes.

Westpac has a robust framework in place which ensures that the level and composition of remuneration paid to executive Directors and staff responsible for the operation of the RE and the Schemes is sufficient, reasonable and explicitly linked to performance.

The independent Directors of the RE are paid an annual fee by the RE directly. The independent Directors' fees are not paid by any of the Schemes. The RE is entitled to a fee for its services as RE of each of the Schemes but, to the extent that the RE receives a fee, the RE does not allocate any portion of this fee to paying the independent non-executive Directors' annual fee.

Accordingly, the financial performance of each of the Schemes is not affected by the payment of any remuneration.

The fees paid to the RE by each of the Schemes are disclosed in the Directors' report for each Scheme.

For details of the Westpac Group's remuneration policy, please refer to the Westpac Banking Corporation's Annual Financial Report.

ASX Best Practice Recommendation 9.1

Recommendation 9.1 states that the RE's remuneration policies should be disclosed to enable investors to understand the costs and benefits of those policies and the link between remuneration paid to directors and key executives and corporate performance.

As the remuneration of executive and independent Directors and staff involved in the operation of the RE and the Scheme is the responsibility of Westpac and is governed by Westpac policies, the RE has not adopted its own remuneration policies. Accordingly, ASX Best Practice Recommendation 9.1 is not relevant to the RE or the Schemes.

ASX Best Practice Recommendation 9.2

Recommendation 9.2 states that the Board should establish a remuneration committee.

The Board has elected not to establish a remuneration committee on the basis that the remuneration of executive and independent Directors and staff involved in the operation of the RE and the Schemes is the responsibility of Westpac.

ASX Best Practice Recommendation 9.3

Recommendation 9.3, states that the structure of non-executive directors' remuneration and that of executives should be clearly distinguished. All executive directors, managers and employees involved in the operation of the Schemes are employees of the Westpac Group and remunerated by the Westpac Group. The independent directors are paid a fee directly by the RE and not by the Schemes. The RE is a subsidiary of the Westpac Group and the Westpac Group's remuneration policies have been disclosed.

Accordingly the approach adopted by the RE is consistent with ASX Best Practice Recommendation 9.3.

ASX Best Practice Recommendation 9.4

Recommendation 9.4, which states that the Board should ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders, is not relevant to the RE as the independent Directors do not receive equity-based remuneration.

Principle 10: Recognise the legitimate interests of stakeholders

The RE is committed to recognising the interests of investors, customers and clients, as well as all staff involved in the management and operation of the RE and the Schemes.

The Board has adopted a Code of Conduct which governs workplace and human resource practices, risk management and legal compliance. This Code is discussed in more detail under Principle 3 of this Corporate Governance Statement.

In addition to the Code of Conduct, all staff involved in the operation of the RE and the Schemes, and the Directors of the RE, are bound by various other codes and policies which apply to all Westpac Group employees. These include:

- a Personal Customer Charter and Complaints Policy and Procedures;
- an Anti-Money Laundering Policy;
- Risk Management Policies, including fraud risk, operational risk, compliance principles and practices, market risk and related entity risk;
- an Insider Trading Policy;
- an Occupational Health & Safety Policy; and
- a Privacy Policy.

Copies of these policies are available at www.westpac.com.au.

ASX Best Practice Recommendation 10.1

The approach adopted by the RE is consistent with ASX Best Practice Recommendation 10.1, which states that the RE should establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

Income statement

For the year ended 30 September 2007

	Note	1 October 2006 to 30 September 2007 \$'000	10 May 2006 to 30 September 2006 \$'000
Income			
Interest income	3	50,187	13,205
Total income		50,187	13,205
Expenses			
Finance costs	4	50,187	13,205
Total operating expenses		50,187	13,205
Net operating profit		-	-

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

Earnings per Westpac TPS for the year ended 30 September 2007 is \$nil. Refer to Note 15 for detail on the earnings per unit.

Balance sheet

As at 30 September 2007

	Note	2007 \$'000	2006 \$'000
Current assets			
Cash and cash equivalents		–	–
Receivables	6(a)	12,733	13,205
Total current assets		12,733	13,205
Non-current assets			
Receivables – Investment in Notes	6(b)	762,738	762,738
Total non-current assets		762,738	762,738
Total assets		775,471	775,943
Current liabilities			
Payables	7	12,733	13,205
Total current liabilities		12,733	13,205
Non-current liabilities			
Interest bearing liabilities – Westpac TPS issued	8	762,738	762,738
Ordinary unit	9	–	–
Total non-current liabilities		762,738	762,738
Total liabilities		775,471	775,943
Net assets		–	–

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

Statement of changes in equity

For the year ended 30 September 2007

	1 October 2006 to 30 September 2007 \$'000	10 May 2006 to 30 September 2006 \$'000
Total equity at the beginning of the financial period	-	-
Net income/(expense) recognised directly in equity	-	-
Profit/(loss) for the financial period	-	-
Total recognised income and expense for the financial period	-	-
Transactions with unitholders in their capacity as equity holders	-	-
Total equity at the end of the financial period	-	-

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

Under A-IFRS, the Westpac TPS and the ordinary unit are classified as liabilities rather than equity and all income is distributed as a finance cost. As a result, there was no equity at the start or end of the period.

Cash flow statement

For the year ended 30 September 2007

	Note	1 October 2006 to 30 September 2007 \$'000	10 May 2006 to 30 September 2006 \$'000
Cash flows from operating activities			
Interest received on Notes		50,659	–
Finance costs paid on Westpac TPS issued and ordinary unit		(50,659)	–
Net cash flows from operating activities	10	–	–
Cash flows from investing activities			
Investment in Notes		–	(762,738)
Net cash outflow from investing activities		–	(762,738)
Cash flows from financing activities			
Proceeds from issue of Westpac TPS		–	762,738
Proceeds from issue of ordinary unit		–	–
Net cash inflow from financing activities		–	762,738
Net increase in cash and cash equivalents held		–	–
Cash and cash equivalents at the beginning of the period		–	–
Cash and cash equivalents at the end of the period		–	–

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

Notes to the financial statements

Note 1 – Summary of significant accounting policies

Westpac TPS Trust (the "Trust") was constituted and registered as a managed investment scheme on 10 May 2006 with the Australian Securities & Investments Commission ("ASIC").

Westpac Funds Management Limited ("WFML") is the responsible entity ("RE") of the Trust. The RE's registered office is Level 20, 275 Kent Street, Sydney NSW 2000.

The Trust is a special purpose unit trust established for the specific purpose of issuing Westpac TPS, which are preferred units in the Trust, to retail and institutional investors in Australia and investing in Notes issued by Westpac Banking Corporation ("Westpac"). The principal activities of the Trust comprise the issue of Westpac TPS and investing in the Notes issued by Westpac.

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

The financial statements were authorised for issue by the Directors on 22 November 2007.

(a) Basis of preparation

This general purpose financial report for the year ended 30 September 2007 has been prepared in accordance with the requirements of Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group ("UIG") interpretations and the *Corporations Act 2001*.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial statements and notes of the Trust comply with International Financial Reporting Standards ("IFRS").

The financial report has been prepared under the historical cost convention.

(b) Revenue

Interest income is recognised in the income statement using the effective interest rate method.

(c) Finance costs

Interest expense is recognised in the income statement using the effective interest rate method. The residual income is paid to the ordinary unitholder as an interest expense.

(d) Income tax

Under current legislation, the Trust is not subject to income tax provided the taxable income of the Trust is fully distributed to Westpac TPS holders each year.

(e) Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and bank overdrafts. They are brought to account at the face value or the gross value of the outstanding balance, where appropriate.

(f) Receivables

(i) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment losses. Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impaired receivables is established when there is objective evidence that the Trust will not be able to collect the amounts due according to the original terms of the receivables.

(ii) Notes

The investment in the Notes issued by Westpac is classified as a receivable. The asset was initially recognised at fair value and is now being carried at amortised cost. The Notes are subject to review for impairment when there is objective evidence indicating that the carrying amount is not recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds the present value of the estimated future cash flows.

(g) Payables

Payables represent interest owing by the Trust on the Westpac TPS and residual income of the Trust due to the ordinary unitholder at period end which are unpaid. Payables are measured at amortised cost.

(h) Interest bearing liabilities

Westpac TPS issued are classified as interest bearing liabilities in the balance sheet. They are initially recognised at cost, being the fair value of consideration received. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

(i) Ordinary unit

The ordinary unit is classified as a liability in the balance sheet. It is recognised at cost, being the fair value of consideration received.

(j) Distributions

In accordance with the Trust's Constitution, the Trust fully distributes all distributable income to Westpac TPS holders and the ordinary unitholder (Westpac).

The distributions are payable quarterly, and are treated by the Trust as finance costs. This is because the payments specifically relate to Westpac TPS and the ordinary unit and these are recognised in the balance sheet as liabilities.

(k) Applications and redemptions

Applications received for Westpac TPS were recorded gross of any entry fees payable prior to the issue of Westpac TPS. All issue costs were borne by Westpac. Westpac TPS holders do not have the option of redeeming their Westpac TPS.

(l) Earnings per Westpac TPS

Earnings per Westpac TPS is determined by dividing the operating profit by the weighted average number of Westpac TPS on issue during the period.

(m) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(n) Provisions

A provision is recognised in the balance sheet when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting expected future cash flows at a market rate.

(o) Use of estimates

No estimates or assumptions have been used to determine the financial position of the Trust.

(p) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 September 2007 reporting periods. The Trust's assessment of the impact of these new standards and interpretations is set out below.

AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 139 & AASB 1]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Trust has not adopted these standards early. These standards will not affect the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the financial instruments.

(q) Rounding of amounts

The Trust is a registered scheme of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

(r) Functional and presentation currency

Items included in the financial statements of the Trust are measured using the currency of the primary economic environment in which the joint venture operates (the "functional currency"). The financial statements are presented in Australian dollars, which is the Trust's functional and presentation currency.

Note 2 – Segment information**Business segment**

The Trust operates solely in financial services.

Geographical segment

The Trust operates solely in Australia.

Notes to the financial statements (continued)

Note 3 – Interest income

	1 October 2006 to 30 September 2007 \$'000	10 May 2006 to 30 September 2006 \$'000
Interest income on Notes issued by Westpac Banking Corporation	50,187	13,205

Note 4 – Finance costs

	1 October 2006 to 30 September 2007 \$'000	10 May 2006 to 30 September 2006 \$'000
Distributions to:		
– Westpac TPS holders	39,403	10,437
– ordinary unitholder	10,784	2,768
	50,187	13,205

Distributions of \$1.3098 per Westpac TPS were paid to Westpac TPS holders on 2 October 2007.

Note 5 – Auditor's remuneration

During the period the following fees charged by PricewaterhouseCoopers were borne by Westpac.

	1 October 2006 to 30 September 2007 \$	10 May 2006 to 30 September 2006 \$
Audit of statutory accounts	63,400	40,000
Audit of compliance plan	10,600	8,000
	74,000	48,000

Note 6(a) – Receivables

	2007 \$'000	2006 \$'000
Interest receivable on Notes	12,733	13,205

As the scheduled interest payment date of 30 September 2007 was a non-business day, interest on the Notes was received on 2 October 2007, the first business day following the period end.

Note 6(b) – Receivables – Notes

	2007 \$'000	2006 \$'000
Investment in Notes	762,738	762,738

The Trust invested the gross proceeds of the offer of Westpac TPS in Notes issued by Westpac. The Notes are expected to pay interest at a margin of 0.2% p.a. over the 90 day Bank Bill Rate. The Bank Bill Rates for the distribution periods from 1 October 2006 to 31 December 2006, 1 January 2007 to 31 March 2007, 1 April 2007 to 30 June 2007 and 1 July 2007 to 30 September 2007 were 6.1817% p.a., 6.4133% p.a., 6.5033% p.a. and 6.4233% p.a. respectively.

Note 7 – Payables

	2007 \$'000	2006 \$'000
Interest payable on Westpac TPS	9,990	10,437
Interest payable on the ordinary unit	2,743	2,768
	12,733	13,205

As the scheduled distribution date of 30 September 2007 was a non-business day, distributions on the Westpac TPS and the ordinary unit were paid on 2 October 2007, the first business day following the period end.

Note 8 – Interest bearing liabilities

	2007 \$'000	2006 \$'000
Westpac TPS issued	762,738	762,738

Westpac TPS are preferred units in the Trust. The Trust issued 7,627,375 Westpac TPS on 21 June 2006 at an issue price of \$100 per Westpac TPS for a total face value of \$762,737,500. The Westpac TPS are listed on the Australian Securities Exchange ("ASX") and commenced trading on a deferred settlement basis on 22 June 2006.

The Trust is a controlled entity of Westpac. The material assets of the Trust are 7,627,375 Notes with a face value of \$100 per Note, issued by Westpac. The Trust has also issued one ordinary unit to Westpac. (Refer to Note 9).

The Westpac TPS pay non-cumulative, floating rate distributions which are expected to be fully franked. Distributions are scheduled to be paid quarterly subject to certain distribution payment conditions including the availability of Westpac profits.

The distribution rate is calculated using the following formula:

$$\text{Distribution Rate} = (\text{Bank Bill Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$$

The Bank Bill Rate is the average mid-rate for 90 day Bank Bills applicable on the first business day of the distribution period. The Bank Bill Rates for the distribution periods from 1 October 2006 to 31 December 2006, 1 January 2007 to 31 March 2007, 1 April 2007 to 30 June 2007 and 1 July 2007 to 30 September 2007 were 6.1817% p.a., 6.4133% p.a., 6.5033% p.a. and 6.4233% p.a. respectively.

The Margin, from the issue date of 21 June 2006 until and including the Step-Up Date of 30 June 2016, is 1% p.a. If Westpac TPS are still on issue on the Step-Up date, the Margin will increase by a one time step-up of 1% p.a. for all subsequent distributions.

The Tax Rate is the Australian Corporate tax rate applicable to Westpac's franking account as at the distribution payment date. The Tax Rate was 30% for the distribution payments during the period.

Westpac TPS may be redeemed for cash (subject to APRA approval) or converted into Westpac ordinary shares at Westpac's initiation on the Step-Up date, any subsequent distribution payment date and in certain other circumstances.

Westpac TPS automatically exchange into Westpac preference shares on 30 September 2055 and on the occurrence of certain automatic exchange events.

If the scheduled distribution payments are not paid on the Westpac TPS, Westpac will be restricted from making certain payments including payments of dividends on Westpac ordinary shares.

Notes to the financial statements (continued)

Note 9 – Ordinary unit

	2007 \$'000	2006 \$'000
Units issued to Westpac Banking Corporation		
1 fully paid ordinary unit at \$100	–	–

	2007 \$'000	2006 \$'000
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Movements in the ordinary unit during the period were as follows:

Balance at the beginning of the period	–	–
Issue of ordinary unit	–	–
Balance at the end of the period	–	–

	2007 No. '000	2006 No. '000
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Movement in the number of units during the period were as follows:

Units on issue:		
Opening balance	–	–
Issue of ordinary unit	–	–
Closing balance	–	–

The Trust has issued one ordinary unit to Westpac at an issue price of \$100. As the ordinary unitholder, Westpac is entitled to any residual income or capital of the Trust not distributed to Westpac TPS holders. Trust income in respect of each distribution period is expected to exceed the aggregate amount of the distributions to be made to Westpac TPS holders for that distribution period. This excess Trust income will be distributed to Westpac as the ordinary unitholder.

In addition, if there is Trust income in respect of a distribution period which is not distributed to Westpac TPS holders because the distribution payment test is not satisfied, that amount will also be distributed to the ordinary unitholder. The ordinary unit may not be redeemed and must be held by a member of the Westpac Group.

Note 10 – Reconciliation of net operating profit to net cash flows from operating activities

	2007 \$'000	2006 \$'000
Net operating profit	–	–
Changes in assets and liabilities		
Increase in payables	12,733	13,205
Increase in receivables	(12,733)	(13,205)
Net cash flows from operating activities	–	–

Note 11 – Financial risk management

(a) 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. The only counterparty is Westpac as issuer of Notes to the Trust. If interest is not paid on the Notes, the Trust will not be able to make a distribution payment to the Westpac TPS holders. If a distribution payment has not been paid by the Trust within 20 business days after the distribution payment date, Westpac will be restricted from making certain payments including payments of dividends on Westpac ordinary shares. If the Notes are not redeemed, converted or exchanged when required by the terms of the Notes, the Notes will remain on issue until Westpac TPS holders receive Westpac ordinary shares or Westpac preference shares or the redemption amount is paid in cash.

The Trust's maximum credit risk exposure at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated on the balance sheet.

(b) Interest rate risk

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

The Trust's exposure to interest rate risk and the weighted average interest rate for each class of financial asset and financial liability is set out in the table below:

	Weighted average interest rate (% p.a.)	Floating \$'000	Fixed interest rate maturing			Non- interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
30 September 2007							
Financial assets							
Receivables		–	–	–	–	12,733	12,733
Receivables – Investment in Notes	6.5804	762,738	–	–	–	–	762,738
		762,738	–	–	–	12,733	775,471
Financial liabilities							
Payables		–	–	–	–	12,733	12,733
Interest bearing liabilities – Westpac TPS	5.1663	762,738	–	–	–	–	762,738
		762,738	–	–	–	12,733	775,471
Net financial assets/(liabilities)		–	–	–	–	–	–

Notes to the financial statements (continued)

Note 11 – Financial risk management (continued)

(b) Interest rate risk (continued)

30 September 2006	Weighted average interest rate (% p.a.)	Floating \$'000	Fixed interest rate maturing			Non-interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
Financial assets							
Receivables – Investment in Notes	6.1950	–	–	–	–	13,205	13,205
Investment		762,738	–	–	–	–	762,738
		762,738	–	–	–	13,205	775,943
Financial liabilities							
Payables		–	–	–	–	13,205	13,205
Interest bearing liabilities – Westpac TPS	4.8965	762,738	–	–	–	–	762,738
		762,738	–	–	–	13,205	775,943
Net financial assets/(liabilities)		–	–	–	–	–	–

(c) Liquidity and cash flow risk

Liquidity risk is the risk that the Trust will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate. The risk management guidelines adopted are designed to minimise liquidity and cash flow risk through ensuring there is no significant exposure to illiquid or thinly traded financial instruments.

(d) Fair values of financial assets and financial liabilities

All financial assets and financial liabilities included in the balance sheet are carried at amortised cost.

Note 12 – Related parties

Responsible entity

The RE of the Trust is WFML, a wholly owned subsidiary of Westpac.

Parent entity

The immediate and ultimate parent entity is Westpac, incorporated in Australia.

Key management personnel

(a) Directors

Key management personnel includes persons who were Directors of WFML at any time during the period as follows:

Alan Cameron	
Liam Forde	
John McGee	(appointed 14 December 2006)
Sean McElduff	
David Westaway	(appointed 14 December 2006)
Jim Tate	(resigned 14 December 2006)

(b) Other key management personnel

Other persons with the responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly during the period were:

Garry Luscombe
Chris Bannister

Key management personnel unitholdings

There were no key management personnel of the Trust who held units in the Trust at any time during the reporting period.

Key management personnel compensation

Key management personnel are paid by Westpac. The Trust did not make any payments attributable to the compensation of key management personnel during the reporting period.

Key management personnel loan disclosures

The Trust 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.

Other transactions within the Trust

Apart from those details disclosed in this note, no Director has entered into a material contract with the Trust during the period and there were no material contracts involving Directors' interests subsisting at period end.

Transactions with related parties

The following transactions occurred with related parties:

	1 October 2006 to 30 September 2007 \$	10 May 2006 to 30 September 2006 \$
Interest income from:		
Ultimate parent entity	50,187,235	13,204,553
Interest expense on ordinary unit to:		
Ultimate parent entity	10,784,254	2,768,027

All transactions with related parties have been completed during the period, except for the receipt of interest on the Notes and the payment of residual income to the ordinary unitholder for the quarter ended 30 September 2007. As 30 September 2007 was a non-business day, the interest was paid on the first business day following the period end.

Notes to the financial statements (continued)

Note 12 – Related parties (continued)

Outstanding balances

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

	2007 \$	2006 \$
Cash at bank with:		
Ultimate parent entity	100	100
Interest receivable from:		
Ultimate parent entity	12,733,403	13,204,553
Investment in Notes issued by:		
Ultimate parent entity	762,737,500	762,737,500
Interest payable on ordinary unit to:		
Ultimate parent entity	2,743,075	2,768,027

All expenses of the Trust are reimbursed by Westpac.

Note 13 – Economic dependency

The Trust depends on the ultimate parent entity Westpac for its income. Westpac pays the Trust interest on the Trust's investment in the Notes issued by Westpac, as well as reimbursements in connection with the Trust's expenses.

Note 14 – Contingent liabilities and commitments

The Trust does not have any contingent liabilities or commitments.

Note 15 – Earnings per unit

Earnings per unit for Westpac TPS holders of the Trust for the year ended 30 September 2007 is \$nil as distributed income on Westpac TPS and the ordinary unit is categorised as finance costs, and other expenses paid by the Trust are reimbursed by Westpac. For further information on distributions refer to Note 4.

Note 16 – Events occurring after reporting date

The directors are not aware of any significant events since the reporting date.

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 14 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 Trust's financial position as at 30 September 2007 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



Liam Forde
Director



David Westaway
Director

Sydney, 22 November 2007

Independent audit report to the unitholders



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Independent auditor's report to the unitholders of

Westpac TPS Trust

Report on the financial report

We have audited the accompanying financial report of Westpac TPS Trust (the registered scheme), which comprises the balance sheet as at 30 September 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Westpac TPS Trust (the registered scheme).

Directors' responsibility for the financial report

The directors of the registered scheme are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.



Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Westpac TPS Trust (the registered scheme) for the financial year ended 30 September 2007 included on the Westpac web site. The registered scheme's directors are responsible for the integrity of the Westpac web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Independence

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

Auditor's opinion on the financial report

In our opinion:

- (a) the financial report of Westpac TPS Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the registered scheme's financial position as at 30 September 2007 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 financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1


PricewaterhouseCoopers


J A Dunning
Partner

Sydney
22 November 2007

Annexure A – Westpac TPS holder information

Date of currency

The Westpac TPS holder information set out below was current as at 31 October 2007.

Twenty largest Westpac TPS holders

The names of the twenty largest holders of Westpac TPS are listed below:

Name	Westpac TPS issued	
	Number of Westpac TPS held	Percentage of issued Westpac TPS
1 JPMorgan Nominees Australia Limited	1,046,840	13.72%
2 UBS Wealth Management Australia Nominees Pty Ltd	337,722	4.43%
3 National Nominees Limited	277,012	3.63%
4 Citicorp Nominees Pty Limited	161,988	2.12%
5 RBC Dexia Investor Services Australia Nominees Pty Limited (GSENI A/c)	137,998	1.81%
6 Goldman Sachs JBWere Capital Markets Ltd (Hybrid Portfolio A/c)	137,627	1.80%
7 The Australian National University	85,900	1.13%
8 AMP Life Limited	82,782	1.09%
9 ANZ Nominees Limited (Cash Income A/c)	79,395	1.04%
10 Suncorp General Insurance Limited	78,960	1.04%
11 Citicorp Nominees Pty Limited (CFSIL CFS WS ENH Yield A/c)	74,431	0.98%
12 RBC Dexia Investor Services Australia Nominees Pty Limited (GSJBW A/c)	71,000	0.93%
13 Pan Australia Nominees Pty Limited	60,008	0.79%
14 Cogent Nominees Pty Limited	54,422	0.71%
15 RBC Dexia Investor Services Australia Nominees Pty Limited (MLCI A/c)	53,919	0.71%
16 GIO General Ltd	52,080	0.68%
17 V S Access Pty Ltd (V S Access A/c)	50,000	0.66%
18 Catholic Education Office Diocese of Parramatta	49,508	0.65%
19 RBC Dexia Investor Services Australia Nominees Pty Limited (NMSMT A/c)	45,015	0.59%
20 Suncorp Custodian Services Pty Limited (AFT)	39,480	0.52%
	2,976,087	39.02%

The top 20 Westpac TPS holders hold 39.02% of Westpac TPS issued.

Analysis of Westpac TPS holdings as at 31 October 2007

	Number of Westpac TPS holders	Number of Westpac TPS held	Percentage of issued Westpac TPS
1–1,000	6,808	2,105,927	27.61%
1,001–5,000	588	1,310,348	17.19%
5,001–10,000	55	432,021	5.66%
10,001–100,000	52	1,679,892	22.02%
100,001 and over	6	2,099,187	27.52%
Total	7,509	7,627,375	100.00%

Geographic spread

	Number of Westpac TPS holders	Number of Westpac TPS held	Percentage of issued Westpac TPS
ACT – Australian Capital Territory	145	150,088	1.97%
NSW – New South Wales	2,608	3,192,088	41.85%
NT – Northern Territory	14	7,360	0.10%
QLD – Queensland	1,159	950,450	12.46%
SA – South Australia	509	246,706	3.23%
TAS – Tasmania	81	18,976	0.25%
VIC – Victoria	2,265	2,717,607	35.63%
WA – Western Australia	726	341,110	4.47%
Total local	7,507	7,624,385	99.96%
Total overseas	2	2,990	0.04%
Total	7,509	7,627,375	100.00%

Annexure A – Westpac TPS holder information (continued)

Voting rights

Westpac TPS holders are entitled to vote at any meetings of Westpac TPS holders convened under the Trust Constitution. Westpac TPS holders do not have voting rights in respect of any meeting of Westpac ordinary shareholders unless their Westpac TPS or Westpac preference shares (if issued) have been converted. If their Westpac TPS have been exchanged for preference shares, holders will not be entitled to vote at any general meeting of Westpac shareholders, except in limited circumstances. Westpac ordinary shareholders are entitled to receive notice of, attend and vote at general meetings of Westpac. Each Westpac ordinary shareholder present at a general meeting (whether in person or by proxy or representative) is entitled to one vote on a show of hands or, on a poll, one vote for each ordinary share held.

Substantial Westpac TPS holders

The number of Westpac TPS held by the substantial Westpac TPS holder listed in the Trust's register of substantial Westpac TPS holders as at 31 October 2007 was 788,364 held by Australia and New Zealand Banking Group Limited ("ANZ").

Number of Westpac TPS holders with less than a marketable parcel of securities

The number of Westpac TPS holders holding less than a marketable parcel of 5 securities (with a listed price of \$100.95 on 31 October 2007) is 0 and they hold 0 securities.

On-market buy back

The Trust did not participate in any on-market buy back of Westpac TPS during the year.

Directory

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Company secretaries

Sean Ward
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Katherine Fleming
Tel: +61 2 8254 5698

Auditor

PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000

Westpac TPS Trust registry

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Tel: +61 2 8280 7111 (outside Australia)

Australian Securities Exchange listing

Price – WCTPA
ASX company announcements – WCT



Westpac TPS Trust

Annual Financial Report 2007

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