

# **Westpac TPS Trust**

**ARSN 119 504 380**

**Interim Financial Report**

**For the half year ended 31 March 2016**

# WESTPAC TPS TRUST

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This interim financial report covers Westpac TPS Trust (the Trust) as an individual entity. The interim financial report is presented in Australian dollars. The interim financial report was authorised for issue by Westpac RE Limited (WREL) (ABN 80 000 742 478) as Responsible Entity for Westpac TPS Trust, on 27 May 2016. Westpac TPS Trust is established and domiciled in Australia. The Responsible Entity's registered office is:

Level 20, Westpac Place  
275 Kent Street,  
Sydney NSW 2000

The Responsible Entity has the power to amend and reissue the interim financial report.

# WESTPAC TPS TRUST

## DIRECTORS' REPORT

The directors of Westpac RE Limited as Responsible Entity for Westpac TPS Trust (the Trust), present their report, together with the interim financial statements for the half year ended 31 March 2016.

### *Responsible Entity*

The Responsible Entity for the Trust is Westpac RE Limited (WREL) (ABN 80 000 742 478). The Responsible Entity's registered office is located at Level 20, 275 Kent Street, Sydney, NSW, 2000.

### *Directors*

The following persons held office as directors of WREL during the half year ended 31 March 2016 and up to the date of this report unless otherwise stated:

J.C. Barry	Chairman
N.S. Smith	
R.J. Greenhalgh	
G. Luscombe	Alternate to R.J. Greenhalgh

### *Company secretaries*

The following persons held office as company secretaries of WREL during the half year ended 31 March 2016:

L.R. La Hood  
R.X.Y. Lim

### *Principal activities*

The Trust was registered as a managed investment scheme with the Australian Securities and Investments Commission (ASIC) on 10 May 2006.

The Trust is a special purpose unit trust which was established for the specific purpose of issuing Westpac Trust Preferred Securities (Westpac TPS), which are preferred units in the Trust, to retail and institutional investors in Australia. Proceeds were used to fund the Trust's investment in notes (Westpac Notes) issued by Westpac Banking Corporation (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 normal settlement basis on 27 June 2006.

Quarterly distributions paid to Westpac TPS holders are sourced from quarterly interest payments received on the Westpac Notes.

There has been no change in the principal activities of the Trust during the half year.

### *Review and results of operations*

The investment policy of the Trust continues to be that detailed in the Trust's Constitution.

The total comprehensive income of the Trust for the half year ended 31 March 2016 was nil (2015: nil) after an income tax expense of nil (2015: nil). This is because interest income received on the Westpac Notes is subsequently paid to Westpac TPS holders and the ordinary unitholder and these payments are classified as finance costs. In addition, all other expenses of the Trust are paid by Westpac.

Quarterly distributions paid to Westpac TPS holders and the ordinary unitholder represent finance costs 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.

### *Significant changes in the state of affairs*

In the opinion of the directors of WREL, there were no significant changes in the state of affairs of the Trust during the half year apart from the impact of subsequent event disclosed in the "Matters subsequent to the end of the half year" section below.

### *Distributions*

During the half year ended 31 March 2016, the following Westpac TPS distributions were declared and paid:

- a fully franked distribution of \$0.5584 per Westpac TPS was declared and paid for the 31 December 2015 quarter (31 December 2014: \$0.6525); and
- a fully franked distribution of \$0.5829 per Westpac TPS was declared and paid for the 31 March 2016 quarter (31 March 2015: \$0.6467).

During the half year ended 31 March 2016, the following ordinary unit distributions were declared and paid:

- a fully franked distribution of nil per unit was declared and paid for the 31 December 2015 quarter (31 December 2014: \$595,167); and
- a fully franked distribution of \$384,117 per unit was declared and paid for the 31 March 2016 quarter (31 March 2015: \$609,302).

### *Units on issue*

7,627,375 Westpac TPS were on issue at 31 March 2016 (2015: 7,627,375).

1 ordinary unit was on issue at 31 March 2016 (2015: 1).

### *Indemnification and insurance of officers and auditor*

No insurance premiums have been paid by the Trust in regards to insurance cover provided to either the officers of WREL or the auditor of the Trust. Provided WREL and/or its officers act in accordance with the Trust's Constitution and *Corporations Act 2001*, WREL 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.

# WESTPAC TPS TRUST

## DIRECTORS' REPORT (CONTINUED)

### *Matters subsequent to the end of the half year*

On 17 May 2016, Westpac notified WREL that it had elected to redeem all of the Westpac Notes on 30 June 2016 and that it required WREL to notify all holders that their Westpac TPS would be redeemed for cash on 30 June 2016. On 17 May 2016, WREL sent notification of the redemption to all Westpac TPS holders. The cash received by the Trust from the redemption of the Westpac Notes will be applied to redeem the Westpac TPS. APRA has approved the redemption of both the Westpac Notes and the Westpac TPS.

No other matter or circumstance has arisen since the end of the reporting half year which is not otherwise dealt with in this report, that has significantly affected or may significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in subsequent years.

### *Environmental regulation*

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

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

Following the redemption of the Westpac Notes and Westpac TPS on 30 June 2016, the Trust is likely to remain dormant and there is no intention to wind up the trust within 12 months of the date of approval of the Interim Financial Report.

### *Rounding of amounts*

The Trust is a registered managed investment scheme to which Class Order 98/100, issued by the ASIC, relating to the rounding of amounts in the financial report applies. Amounts in the accompanying interim financial report have been rounded in accordance with that Class Order, to the nearest thousand dollars, unless otherwise stated.

### *Interests in the Trust*

There were no movements in Westpac TPS or ordinary units during the half year.

The value of the Trust's assets and liabilities is disclosed on the balance sheet and is derived using the basis set out in Note 2 of the interim financial statements.

### *Fees paid to and interests held in the Trust by the Responsible Entity or its associates*

No fees were paid to the Responsible Entity or its associates during the half year.

There were no movements in interests in the Trust held by the Responsible Entity or its associates during the half year.

### *Auditor's independence declaration*

A copy of the auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* is set out on page 4 and forms part of this report.

### *Auditor*

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the directors of WREL as Responsible Entity for the Trust.



Director



Director

Sydney,  
27 May, 2016



## Auditor's Independence Declaration

As lead auditor for the review of Westpac TPS Trust for the half-year ended 31 March 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

J A Dunning  
Partner  
PricewaterhouseCoopers

Sydney  
27 May 2016

# WESTPAC TPS TRUST

## Statement of comprehensive income for the half year ended 31 March 2016

	Note	Half year ended	
		31 March 2016	31 March 2015
		\$'000	\$'000
Interest income	3	9,089	11,114
Finance costs	4	(9,089)	(11,114)
<b>Profit for the half year</b>		-	-
Other comprehensive income		-	-
<b>Total comprehensive income for the half year</b>		-	-
<b>Profit is attributable to:</b>			
Unitholders of Westpac TPS Trust		-	-
<b>Profit for the half year</b>		-	-
<b>Total comprehensive income for the half year is attributable to:</b>			
Unitholders of Westpac TPS Trust		-	-
<b>Total comprehensive income for the half year</b>		-	-

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

Earnings per ordinary unit and earnings per Westpac TPS for the half year ended 31 March 2016 is nil (2015: nil).

Refer to Note 11 for further details in relation to earnings per ordinary unit and earnings per Westpac TPS.

# WESTPAC TPS TRUST

Balance sheet as at 31 March 2016

	Note	As at	
		31 March 2016	30 September 2015
		\$'000	\$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash	9(b)	-	-
Receivables	5	762,738	762,738
<b>Total current assets</b>		<b>762,738</b>	<b>762,738</b>
<b>Total assets</b>		<b>762,738</b>	<b>762,738</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Westpac TPS	6	762,738	762,738
Amounts attributable to the ordinary unitholder	7	-	-
<b>Total current liabilities</b>		<b>762,738</b>	<b>762,738</b>
<b>Total liabilities</b>		<b>762,738</b>	<b>762,738</b>
<b>Net assets</b>		<b>-</b>	<b>-</b>

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

# WESTPAC TPS TRUST

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## Statement of changes in equity for the half year ended 31 March 2016

In accordance with AASB132 *Financial Instruments: Presentation*, unitholders' interests are classified as a liability and accordingly the Trust has no equity for financial statements purposes.

# WESTPAC TPS TRUST

Cash flow statement for the half year ended 31 March 2016

	Note	Half year ended	
		31 March 2016	31 March 2015
		\$'000	\$'000
<b>Cash flows from operating activities</b>			
Interest received on Westpac Notes		9,089	11,114
Distributions paid on Westpac TPS		(8,705)	(9,909)
Distributions paid on ordinary unit		(384)	(1,205)
<b>Net cash flow from operating activities</b>	9(a)	-	-
<b>Cash flows from investing activities</b>			
<b>Net cash flow from investing activities</b>		-	-
<b>Cash flows from financing activities</b>			
<b>Net cash flow from financing activities</b>		-	-
<b>Net increase in cash and cash equivalents</b>		-	-
Cash and cash equivalents at beginning of the half year		-	-
<b>Cash and cash equivalents at end of the half year</b>	9(b)	-	-

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

# WESTPAC TPS TRUST

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### Note 1. General information

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

The Responsible Entity for the Trust is Westpac RE Limited (WREL) (ABN 80 000 742 478). The Responsible Entity's registered office is located at Level 20, 275 Kent Street, Sydney, NSW, 2000.

The Trust is a special purpose unit trust which was established on 10 May 2006 for the specific purpose of issuing Westpac Trust Preferred Securities (Westpac TPS), which are preferred units in the Trust, to retail and institutional investors in Australia. Proceeds were used to fund the Trust's investment in notes (Westpac Notes) issued by Westpac Banking Corporation (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 normal settlement basis on 27 June 2006.

Quarterly distributions paid to Westpac TPS holders are sourced from quarterly interest payments received on the Westpac Notes.

### Note 2. Summary of significant accounting policies

#### a. Basis of accounting

##### (i) General

This interim financial report has been prepared in accordance with the Trust's Constitution, the requirements of the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial statements do not include all notes of the type normally included in the annual financial statements. Accordingly, the interim financial statements should be read in conjunction with the annual financial statements of the Trust for the year ended 30 September 2015 and any public announcements made by the Trust during the half year ended 31 March 2016 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX listing rules.

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 half years presented, unless otherwise stated.

For the purpose of preparing the interim financial statements, the half year has been treated as a discrete reporting period.

The interim financial statements of the Trust for the half year ended 31 March 2016 were authorised for issue in accordance with a resolution of the directors of the Responsible Entity. The Responsible Entity has the power to amend and reissue the interim financial statements of the Trust.

##### (ii) Historical cost convention

The interim financial statements have been prepared under the historical cost convention.

##### (iii) Functional and presentation currency

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

#### b. Revenue and expense recognition

##### (i) Interest income

Interest income on the Westpac Notes is recognised in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, cash flows are estimated based upon all contractual terms of the financial instrument but do not consider future credit losses. The calculation includes all fees and other amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For further information on how interest on the Westpac Notes is calculated, refer to Note 5.

##### (ii) Finance costs

Distributions to Westpac TPS holders are recognised using the effective interest method. For information on how distributions on Westpac TPS are calculated, refer to Note 6.

Distributions to the ordinary unitholder are recognised using the effective interest method. For information on how distributions on the ordinary unit are calculated, refer to Note 7.

#### c. 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 and the ordinary unitholder each year.

# WESTPAC TPS TRUST

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

### Note 2. Summary of significant accounting policies (continued)

#### d. Assets

##### (i) Cash

For the purpose of presentation in the cash flow statement, cash includes cash on hand and deposits held at call with financial institutions.

##### (ii) Receivables

###### Westpac Notes

The investment in the Westpac Notes is classified as a receivable in the balance sheet. The Westpac Notes are initially recognised at cost, being the fair value of consideration paid. Subsequent to initial recognition, Westpac Notes are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Interest received on the Westpac Notes, accrued but not received at balance date, is presented as part of the current assets in the balance sheet. As the Westpac Notes will be redeemed in this financial year, they have been presented as current assets.

##### (iii) Impairment of financial assets

The Responsible Entity assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognised if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The methodology and assumptions used are reviewed regularly by the Responsible Entity. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the statement of comprehensive income.

#### e. Liabilities

##### (i) Westpac TPS

Westpac TPS are recognised as a financial liability in the balance sheet.

Westpac TPS are initially recognised at cost, being the fair value of consideration received. Subsequent to initial recognition, Westpac TPS are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Distributions to Westpac TPS holders, accrued but not paid at balance date, are presented as part of the current liabilities in the balance sheet. As the Westpac TPS will be redeemed in this financial year, they have been presented as current liabilities.

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.

As the Westpac TPS are recognised as a financial liability, Westpac TPS distributions are recognised as a finance cost through the statement of comprehensive income. The calculation of Westpac TPS distributions are outlined in Note 6.

##### f. Amounts attributable to the ordinary unitholder

In accordance with AASB 132 *Financial Instruments: Presentation*, the ordinary unitholder's interest is classified as a liability and disclosed in the balance sheet as amounts attributable to the ordinary unitholder, on the basis that the ordinary unitholder has a vested entitlement to the residual Trust income and assets and that the ordinary unit is required to be redeemed upon the termination date of the Trust as defined under Clause 21 of the Trust's Constitution.

Amounts attributable to the ordinary unitholder comprise the residual interest in the assets of the Trust after deducting its liabilities. It is represented by the issued ordinary unit and undistributed profit/(loss) attributable to the ordinary unitholder. The ordinary unit is recognised at cost, being the fair value of the consideration received, and any transaction costs arising on the issue of such financial instruments are recognised as a reduction of the proceeds received.

As the ordinary unit issued by the Trust is classified as a financial liability, any amounts paid or payable as well as net liability movements attributable to the ordinary unitholder are recorded as an expense and presented in the statement of comprehensive income as finance costs attributable to the ordinary unitholder.

##### g. Distributions

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

Westpac TPS and ordinary unit distributions are payable quarterly, and are recognised by the Trust as finance costs for the reason outlined in Note 2(e) and Note 2(f).

##### h. Critical accounting judgements and estimates

The application of the Trust's accounting policies may require the use of judgement, estimates and assumptions. Should different assumptions or estimates be applied, the resulting values would change, impacting the net assets and total comprehensive income of the Trust.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Trust and that are believed to be reasonable under the circumstances.

There were no critical accounting judgements, estimates or assumptions applied during the period.

# WESTPAC TPS TRUST

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

### Note 2. Summary of significant accounting policies (continued)

#### i. Rounding of amounts

In accordance with ASIC Class Order 98/100, all amounts have been rounded to the nearest thousand dollars, unless otherwise stated.

#### j. Future developments in accounting standards

The following new standards and interpretations which may have a material impact on the Trust have been issued, but are not yet effective and have not been early adopted by the Trust:

AASB 9 *Financial Instruments* (December 2014) will replace AASB 139 *Financial Instruments: Recognition and Measurement*. It includes a revised classification and measurement model, a forward looking 'expected loss' impairment model and modifies the approach to hedge accounting. Unless early adopted the standard is effective for the 30 September 2019 financial year end. The major changes under the standard are:

- replaces the multiple classification and measurement models in AASB 139 with a single model that has two classification categories: amortised cost and fair value;
- a financial asset is measured at amortised cost if two criteria are met: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent the payment of principal and interest;
- if a financial asset is eligible for amortised cost measurement, an entity can elect to measure it at fair value if it eliminates or significantly reduces an accounting mismatch;
- requires more timely recognition of expected credit losses using a three stage approach. For financial assets where there has been no significant increase in credit risk since origination a provision for 12 months expected credit losses is required. For financial assets where there has been a significant increase in credit risk or where the asset is credit impaired a provision for full lifetime expected losses is required;
- interest is calculated on the gross carrying amount of a financial asset, except where the asset is credit impaired;
- there will be no separation of an embedded derivative where the instrument is a financial asset;
- equity instruments must be measured at fair value, however an entity can elect on initial recognition to present the fair value changes on non-trading equity investments directly in other comprehensive income. There is no subsequent recycling of fair value gains and losses to profit or loss; however dividends from such investments will continue to be recognised in profit or loss;
- if an entity holds an investment in asset-backed securities (ABS) it must determine the classification of that investment by looking through to the underlying assets and assess the credit quality of the investment compared with the underlying portfolio of assets. If an entity is unable to look through to the underlying assets, then the investment must be measured at fair value;
- where the fair value option is used for valuing financial liabilities the change in fair value relating to the entity's own credit risk is presented in other comprehensive income, except where it would create an accounting mismatch. If such a mismatch is created or enlarged, all changes in fair value (including the effects of changes in the credit risk) is recognised in profit or loss; and
- aligns hedge accounting more closely with risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

AASB 9 will impact the classification and measurement of the Trust's financial instruments when the remainder of the standard is adopted. There will be no material impact expected for future reporting periods.

AASB 15 Revenue from Contracts with Customers was issued on 28 May 2014 and will be effective for the 30 September 2018 financial year. The standard provides a single comprehensive model for revenue recognition. It supersedes the current recognition and related interpretations. There will be no material impact expected for future reporting periods.

There are no other standards that are not yet effective and that are expected to have a material impact on the Trust in the current or future reporting periods and on foreseeable future transactions.

# WESTPAC TPS TRUST

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

### Note 3. Interest income

	Half year ended	
	31 March 2016	31 March 2015
	\$'000	\$'000
Interest income		
Westpac Notes	9,089	11,114
<b>Total interest income</b>	<b>9,089</b>	<b>11,114</b>

### Note 4. Finance costs

	Half year ended	
	31 March 2016	31 March 2015
	\$'000	\$'000
Westpac TPS holder distributions <sup>1</sup>	8,705	9,909
Ordinary unitholder distributions <sup>2</sup>	384	1,205
<b>Total finance costs</b>	<b>9,089</b>	<b>11,114</b>

<sup>1</sup> This amount represents the quarterly distributions paid to Westpac TPS holders. Refer to Note 6 for further details.

<sup>2</sup> This amount represents the quarterly distributions paid to the ordinary unitholder. Refer to Note 7 for further details.

### Note 5. Receivables

	As at	
	31 March 2016	30 September 2015
	\$'000	\$'000
Current		
Westpac Notes	762,738	762,738
<b>Total receivables</b>	<b>762,738</b>	<b>762,738</b>

#### Terms and conditions: Notes issued by Westpac Banking Corporation

Westpac Notes are perpetual, cumulative, subordinated debt obligations of Westpac, the parent of the Trust. The Westpac Notes are not listed.

WREL, as Responsible Entity of the Trust, invested the gross proceeds from the issue of Westpac TPS in Westpac Notes. Westpac issued 7,627,375 Westpac Notes on 21 June 2006 at an issue price of \$100 per Westpac Note for a total face value of \$762,737,500.

The Westpac Notes pay cumulative, floating rate interest amounts which are expected to be fully franked. Interest is scheduled to be paid quarterly subject to certain interest payment conditions including Westpac having sufficient distributable profits.

The interest rate is calculated using the following formula:

Interest Rate = (Bank Bill Rate + Note Margin)

- The Bank Bill Rate is the average mid-rate for 90 day Bank Bills applicable on the first business day of the interest period. The Bank Bill Rates for the 31 December 2015 and 31 March 2016 interest periods were 2.17% p.a. and 2.34% p.a. respectively.
- The Note Margin, from the issue date of 21 June 2006 until and including the Step-Up Date of 30 June 2016, is 0.2% p.a. If Westpac Notes are still on issue on the Step-Up Date, the Note Margin will increase by a one time step-up of 1% p.a. for all subsequent interest payments.

For the December 2015 quarter, Westpac exercised its discretion to pay interest on Westpac Notes equal to the distribution payment on Westpac TPS. Consequently, no distribution on the ordinary unit was paid to the ordinary unitholder for this quarter. The unpaid interest, together with unpaid interest from the June 2015 and September 2015 quarters, is expected to be paid to the Trust on 30 June 2016 and is subject to the satisfaction of the Notes interest payment conditions. APRA has approved the payment of the accumulated unpaid interest.

On 17 May 2016, Westpac notified WREL that it had elected to redeem all of the Westpac Notes on 30 June 2016. APRA has approved the redemption of the Westpac Notes.

# WESTPAC TPS TRUST

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

### Note 6. Westpac TPS

	As at	
	31 March 2016 \$'000	30 September 2015 \$'000
<b>Current</b>		
Westpac TPS	762,738	762,738
<b>Total Westpac TPS</b>	<b>762,738</b>	<b>762,738</b>

#### (a) Issued Westpac TPS (number)

	As at	
	31 March 2016 No. '000	30 September 2015 No. '000
Issued Westpac TPS at the beginning of the period	7,627	7,627
Issue of Westpac TPS	-	-
<b>Issued Westpac TPS at the end of the period</b>	<b>7,627</b>	<b>7,627</b>

#### (b) Issued Westpac TPS (dollars)

	As at	
	31 March 2016 \$'000	30 September 2015 \$'000
Issued Westpac TPS at the beginning of the period	762,738	762,738
Issue of Westpac TPS	-	-
<b>Issued Westpac TPS at the end of the period</b>	<b>762,738</b>	<b>762,738</b>

#### (c) Distributions to Westpac TPS holders

	Half year ended	
	31 March 2016 \$'000	31 March 2015 \$'000
31 December distribution	4,259	4,977
31 March distribution	4,446	4,932
<b>Distributions to Westpac TPS holders at the end of the period</b>	<b>8,705</b>	<b>9,909</b>

During the half year ended 31 March 2016, the following Westpac TPS distributions were declared and paid:

- a fully franked distribution of \$0.5584 per Westpac TPS was declared and paid for the 31 December 2015 quarter (31 December 2014: \$0.6525); and
- a fully franked distribution of \$0.5829 per Westpac TPS was declared and paid for the 31 March 2016 quarter (31 March 2015: \$0.6467).

# WESTPAC TPS TRUST

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## NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

### Note 6. Westpac TPS (continued)

#### (d) Terms and conditions

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 ASX and commenced trading on a normal settlement basis on 27 June 2006.

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 Westpac having sufficient distributable 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 31 December 2015 and 31 March 2016 distribution periods were 2.17% p.a. and 2.34% 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.

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.

Westpac TPS holders do not have the option of redeeming, converting or exchanging their Westpac TPS.

On 17 May 2016, Westpac notified WREL that it required WREL to notify all holders that their Westpac TPS would be redeemed for cash on 30 June 2016. On 17 May 2016, WREL sent notification of the redemption to all Westpac TPS holders. APRA has approved the redemption of the Westpac TPS.

# WESTPAC TPS TRUST

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

### Note 7. Amounts attributable to the ordinary unitholder

	As at	
	31 March 2016	30 September 2015
	\$'000	\$'000
Ordinary unit <sup>1</sup>	-	-
Undistributed profit attributable to the ordinary unitholder	-	-

#### (a) Issued ordinary unit (number)

	As at	
	31 March 2016	30 September 2015
	No. '000	No. '000
Issued ordinary unit at the beginning of the period <sup>1</sup>	-	-
Issue of ordinary units	-	-
Issued ordinary unit at the end of the period <sup>1</sup>	-	-

#### (b) Issued ordinary unit (dollars)

	As at	
	31 March 2016	30 September 2015
	\$'000	\$'000
Issued ordinary unit at the beginning of the period <sup>1</sup>	-	-
Issue of ordinary units	-	-
Issued ordinary unit at the end of the period <sup>1</sup>	-	-

#### (c) Undistributed profit attributable to the ordinary unitholder

	Half year ended	
	31 March 2016	31 March 2015
	\$'000	\$'000
Balance at the beginning of the half year	-	-
Operating profit attributable to the ordinary unitholder	384	1,205
Distributions paid and payable to the ordinary unitholder	(384)	(1,205)
Balance at the end of the half year	-	-

#### (d) Distributions to the ordinary unitholder

	Half year ended	
	31 March 2016	31 March 2015
	\$'000	\$'000
31 December distribution	-	595
31 March distribution	384	610
Balance at the end of the half year	384	1,205

<sup>1</sup>The Trust has 1 ordinary unit of \$100 on issue (2015: 1 ordinary unit at \$100). Due to rounding, the value is disclosed as nil in the interim financial statements.

During the half year ended 31 March 2016, the following ordinary unit distributions were declared and paid:

- a fully franked distribution of nil per unit was declared and paid for the 31 December 2015 quarter (31 December 2014: \$595,167); and
- a fully franked distribution of \$384,117 per unit was declared and paid for the 31 March 2016 quarter (31 March 2015: \$609,302).

No distribution on the ordinary unit was paid to the ordinary unitholder for the December 2015 quarter (refer to Note 5 for further details).

# WESTPAC TPS TRUST

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

### Note 7. Amounts attributable to the ordinary unitholder (continued)

#### (e) Terms and conditions

The Trust issued one ordinary unit to Westpac at an issue price of \$100 on 10 May 2006.

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 may exceed the aggregate amount of the distributions to be made to Westpac TPS holders for that distribution period. Any 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 must be held by a member of the Westpac Group.

### Note 8. Fair value measurement

As at 31 March 2016, the carrying amounts and fair value of financial assets and financial liabilities are shown as follows:

	31 Mar 2016 Carrying amount \$'000	31 Mar 2016 Fair value \$'000	30 Sep 2015 Carrying amount \$'000	30 Sep 2015 Fair value \$'000
Financial assets - Westpac Notes <sup>1</sup>	762,738	763,980	762,738	763,011
Financial liabilities - Westpac TPS <sup>2</sup>	762,738	759,305	762,738	751,678
Financial liabilities - ordinary unit <sup>3</sup>	-	1,204	-	11,333

<sup>1</sup>The fair value of the Westpac Notes was \$763,979,504 as at 31 March 2016. The fair value was determined based on a discounted cash flow analysis using observable market inputs and applying a credit or debit value adjustment based on the current credit worthiness of counterpart. This represents a Level 2 valuation under the AASB 13 fair value hierarchy.

<sup>2</sup>The fair value of the Westpac TPS, based on the quoted closing price on the ASX at balance date, was \$759,305,181 (\$99.55 per Westpac TPS on 31 March 2016). This represents a Level 1 valuation under the AASB 13 fair value hierarchy as this was the quoted price in an active market.

<sup>3</sup>The fair value of the ordinary unit was \$1,204,002 being the discounted cashflow of the amount due to the ordinary unitholder on 30 June 2016. The Trust has 1 ordinary unit of \$100 on issue (2015: 1 ordinary unit at \$100). Due to rounding, the value is disclosed as nil in the interim financial statements.

### Note 9. Notes to the cash flow statement

	Half year ended	
	31 March 2016 \$'000	31 March 2015 \$'000
<b>(a) Reconciliation of net cash flow from operating activities to net profit for the half year</b>		
Profit for the half year	-	-
Changes in operating assets and liabilities:		
Decrease/(increase) in receivables	-	-
(Decrease)/increase in payables	-	-
<b>Net cash flow from operating activities</b>	-	-
	<b>As at</b>	
	31 March 2016 \$'000	30 September 2015 \$'000
<b>(b) Reconciliation of cash</b>		
Cash with parent entity	-	-
<b>Cash and cash equivalents at end of period</b>	-	-

# WESTPAC TPS TRUST

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

### Note 10. Segment information

#### Operating segment

The Trust does not have separate operating segments, as it comprises a single segment that earns revenue in the form of interest income from the investment in the Westpac Notes and incurs finance costs by distribution of this income to Westpac TPS holders and the ordinary unitholder.

#### Geographical segment

The Trust operates solely in Australia.

### Note 11. Earnings per unit

The earnings per ordinary unit and earnings per Westpac TPS calculations that are performed in accordance with AASB 133 *Earnings per Share* result in earnings per ordinary unit of nil and earnings per Westpac TPS of nil as AASB 133 refers to equity, whilst the issued ordinary unit and Westpac TPS are classified as liabilities.

The directors of WREL believe it is useful to calculate and disclose earnings per Westpac TPS attributable to Westpac TPS holders.

Earnings used in calculating this amount are equivalent to the distributions paid or payable to Westpac TPS holders, which are disclosed as finance costs in the statement of comprehensive income.

	Half year ended	
	31 March 2016	31 March 2015
	\$	\$
Basic earnings per Westpac TPS (\$ per Westpac TPS)	1.14	1.30
Weighted average number of Westpac TPS on issue ('000)	7,627	7,627
Earnings used in calculating basic earnings per Westpac TPS (\$'000)	8,705	9,909

Note: This calculation is for a six month period.

### Note 12. Economic dependency

The Trust depends on its parent entity, Westpac, for its income. Westpac pays the Trust interest on the Trust's holding of Westpac Notes. In addition, Westpac pays all operating expenses of the Trust. Also refer to Note 14.

### Note 13. Contingencies and commitments

There were no contingent assets, liabilities or commitments as at 31 March 2016 (2015: nil).

### Note 14. Subsequent events

On 17 May 2016, Westpac notified WREL that it had elected to redeem all of the Westpac Notes on 30 June 2016 and that it required WREL to notify all holders that their Westpac TPS would be redeemed for cash on 30 June 2016. On 17 May 2016, WREL sent notification of the redemption to all Westpac TPS holders. The cash received by the Trust from the redemption of the Westpac Notes will be applied to redeem the Westpac TPS. APRA has approved the redemption of both the Westpac Notes and the Westpac TPS.

No other matter or circumstance has arisen since the end of the reporting half year which is not otherwise dealt with in this report, that has significantly affected or may significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in subsequent years.

# WESTPAC TPS TRUST

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## DIRECTORS' DECLARATION

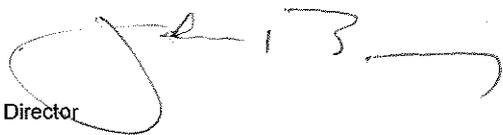
For the half year ended 31 March 2016

In the opinion of the directors of Westpac RE Limited (the Responsible Entity):

- (a) the attached interim financial statements and notes are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the financial position of Westpac TPS Trust as at 31 March 2016 and of its performance for the financial half 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.

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

For and on behalf of the Board.



Director



Director

Sydney,  
27 May, 2016



## **Independent auditor's review report to the members of Westpac TPS Trust**

### ***Report on the Interim Financial Report***

We have reviewed the accompanying interim financial report of Westpac TPS Trust (the registered scheme), which comprises the balance sheet as at 31 March 2016, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration.

### ***Directors' responsibility for the interim financial report***

The directors of Westpac RE Limited (the responsible entity) are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the entity's financial position as at 31 March 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Westpac TPS Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Independence***

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

### ***Conclusion***

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Westpac TPS Trust is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the entity's financial position as at 31 March 2016 and of its performance for the half-year ended on that date;

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2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Matters relating to the electronic presentation of the reviewed half-year financial report*

This review report relates to the interim financial report of the registered scheme for the half-year ended 31 March 2016 included on Westpac TPS Trust's web site. The registered scheme's directors are responsible for the integrity of the Westpac TPS Trust web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. 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 reviewed interim financial report to confirm the information included in the reviewed interim financial report presented on this web site.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*J A Dunning*

J A Dunning  
Partner

Sydney  
27 May 2016