BT Investment

BT Personal Portfolio Service: Investment

Annual Report for the year ended 30 June 2020

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ARSN 088 826 699

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These financial statements cover BT Personal Portfolio Service: Investment as an individual entity.

The Responsible Entity of BT Personal Portfolio Service: Investment is Westpac Financial Services Limited (ABN 20 000 241 127). The Responsible Entity's registered office is Level 18, 275 Kent Street, Sydney, NSW 2000.

Directors' report

The directors of Westpac Financial Services Limited, the Responsible Entity of the BT Personal Portfolio Service: Investment ("the Service"), present their report together with the Service's financial statements for the year ended 30 June 2020.

Principal activities

On 17 June 2020 the Responsible Entity resolved to terminate the Service on or around 30 November 2020. The Service's Constitution stipulates that the Responsible Entity must provide 3 months notice. As such the financial statements have not been prepared on a going concern basis. There is no impact on the financial position of the Service.

During the year, the Service continued to invest in unlisted unit trusts in accordance with the provisions of the governing documents.The Service is an Investor Directed Portfolio Service like registered managed investment scheme.

The Service did not have any employees during the year.

Other than the above, there were no significant changes in the nature of the Service's activities during the year.

Directors

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

Vicki Allen
Jonathan Sweeney
Susan Thomas
Katherine Vincent
Andrew Walker (resigned 30 September 2019)

Review and results of operations

The Service is currently closed to investment by new investors, however, existing investors can continue to invest in the Service.

Responsible Entity's fees have reduced from $272,000 for the year ended 2019 to $71,000 for the year ended 30 June 2020. This reduction in fees is primarily due to the removal of the additional administration fee and the reduction in the administration fee from 1.071% per annum to 0.661% from 1 October 2018.

The directors and management continue to assess the potential financial and other impacts to the Service of the actions taken to address the coronavirus (COVID-19) outbreak. The current high-level of uncertainty regarding the severity and length of the outbreak and the depth and duration of the associated effects on economic and business activity and on investment markets has impacted investment outcomes and increased volatility in investment performance during the year.

There have been no other significant changes to the Service's operations since the previous financial year. The Service continued to invest in accordance with the investment objectives and guidelines as set out in the governing documents of the Service and the provisions of the Service's Constitution.

Directors' report (continued)

Review and results of operations (continued)

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

	Year ended	
	30 June 2020	30 June 2019
Operating profit/(loss) before finance costs attributable to investors ($'000)	**(6,575)**	12,096
Distributions		
Distributions paid and payable ($'000)	**8,847**	10,511

Significant changes in the state of affairs

In the opinion of the directors, other than as noted in the report, there were no significant changes in the state of affairs of the Service that occurred during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

On 17 June 2020 the Responsible Entity resolved to terminate the Service on or around 30 November 2020.

Until the Service is terminated, it will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Service and in accordance with the provisions of the Service's Constitution.

The results of the Service's operations will be affected by a number of factors, including the performance of investment markets in which the Service invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

At the date of signing there is a high level of uncertainty regarding the depth and duration of the impacts on global and domestic economies, business activity and investment market indices from actions taken to address the COVID-19 outbreak. The directors and management will continue to manage and monitor this situation.

Indemnity and insurance of officers

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

Indemnity of auditors

The auditors of the Service are in no way indemnified out of the assets of the Service.

Directors' report (continued)

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

Fees paid to the Responsible Entity and its associates out of Service property during the year are disclosed in note 12 to the financial statements.

No fees were paid out of Service property directly to the directors of the Responsible Entity during the year.

The number of interests in the Service held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 12 to the financial statements.

Interests in the Service

The movement in net assets attributable to investors of the Service during the year is disclosed in note 8 to the financial statements.

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

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *Australian Securities & Investments Commission ("ASIC") Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Auditor's independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 5.

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

Director

Director

Sydney
3 September 2020

Auditor's Independence Declaration

As lead auditor for the audit of BT Personal Portfolio Service: Investment for the year ended 30 June 2020, 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.

Darren Ross
Partner
PricewaterhouseCoopers

Sydney
3 September 2020

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Statement of comprehensive income

	Notes	Year ended 30 June 2020 $'000	Year ended 30 June 2019 $'000
Income			
Interest income		**43**	106
Distribution income		**8,373**	10,067
Net gains/(losses) on financial instruments held at fair value through profit or loss		**(14,540)**	2,621
Total income/(loss)		**(6,124)**	12,794
Expenses			
Responsible Entity's fees	12(c)	**71**	272
Other operating expenses	6	**380**	426
Total operating expenses		**451**	698
Operating profit/(loss)		**(6,575)**	12,096
Finance costs attributable to investors			
Distributions to investors	9	**(8,847)**	(10,511)
(Increase)/decrease in net assets attributable to investors	8	**15,422**	(1,585)
Profit/(loss) for the year		**-**	-
Other comprehensive income		**-**	-
Total comprehensive income for the year		**-**	-

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

Balance sheet

	Notes	As at 30 June 2020 $'000	30 June 2019 $'000
Assets			
Cash and cash equivalents	10	**6,807**	7,097
Unsettled sales		**-**	108
Accrued income		**4,725**	7,023
Financial assets held at fair value through profit or loss	11	**145,798**	176,380
Total assets		**157,330**	190,608
Liabilities			
Distribution payable	9	**4,755**	7,212
Payables		**97**	113
Total liabilities (excluding net assets attributable to investors)		**4,852**	7,325
Net assets attributable to investors - liability	8	**152,478**	183,283

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

Statement of changes in equity

	Year ended	
	30 June 2020	30 June 2019
	$'000	$'000
Total equity at the beginning of the financial year	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income for the year	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the financial year	-	-

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

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

Statement of cash flows

	Notes	Year ended 30 June 2020 $'000	30 June 2019 $'000
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		**24,011**	22,879
Purchase of financial instruments held at fair value through profit or loss		**(7,861)**	(9,389)
Interest received		**43**	107
Distributions received		**10,671**	12,899
Responsible Entity's fees received/(paid)		**(71)**	(483)
Payment of other expenses		**(396)**	(433)
Net cash inflow/(outflow) from operating activities	14(a)	**26,397**	25,580
Cash flows from financing activities			
Subscriptions received from investors		**546**	592
Repayments paid to investors		**(25,102)**	(23,674)
Distributions paid to investors		**(2,131)**	(2,307)
Net cash inflow/(outflow) from financing activities		**(26,687)**	(25,389)
Net increase/(decrease) in cash and cash equivalents		**(290)**	191
Cash and cash equivalents at the beginning of the year		**7,097**	6,906
Cash and cash equivalents at the end of the year	10	**6,807**	7,097
Non-cash transactions	14(b)		

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

1 General information

These financial statements cover BT Personal Portfolio Service: Investment ("the Service") as an individual entity. The Service was constituted on 7 December 1994.

The Responsible Entity of the Service is Westpac Financial Services Limited ("the Responsible Entity"). The Responsible Entity's registered office is Level 18, 275 Kent Street, Sydney, NSW 2000. The financial statements are presented in Australian currency.

During the year, the Service continued to invest in unlisted unit trusts in accordance with the provisions of the governing documents. The Service is an Investor Directed Portfolio Service Like registered managed investment scheme.

The financial statements were authorised for issue by the directors of the Responsible Entity on 3 September 2020. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. On 17 June 2020, the Responsible Entity resolved to terminate the Service on or around 30 November 2020. The financial assets and liabilities held at fair value through profit or loss are in the process of being realised in an orderly manner and the proceeds distributed to investors in the form of capital returns as quickly as reasonably possible. The directors have therefore determined that the going concern basis of preparation is no longer appropriate. As such the financial statements have been prepared on a liquidation basis whereby the Service's assets have been measured at their net realisable values and the liabilities have been recognised at their contractual settlement amounts. Adoption of the liquidation basis of preparation has no impact on the carrying amount of assets and liabilities of the Service.

Consolidation

The Service does not govern the investment asset decision making in relation to the assets held by the Service. Therefore, investments in unlisted unit trusts are not consolidated even when the holding ratio is greater than 50%.

(i) Compliance with International Financial Reporting Standards

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

(ii) Comparatives

Certain comparative figures have been restated to conform with the financial statement presentation adopted for the current year.

(iii) New and amended standards adopted by the Service

Other than as noted below, there are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) New and amended standards adopted by the Service (continued)

Adoption of AASB 16 Leases ("AASB 16")

AASB 16 became effective for annual periods beginning on or after 1 January 2019. The adoption of this standard had no impact on the Service's accounting policies nor the amounts recognised in the financial statements as the Service does not hold leases.

(b) Financial instruments

(i) Recognition/derecognition

The Service recognises financial instruments ("investments") on the date it becomes party to the contractual agreement and recognises changes in the value of the financial instruments from this date.

Financial assets are derecognised when the contractual right to cash flows from the investments has expired or has been transferred, and the Service has transferred substantially all of the risks and rewards of ownership.

(ii) Classification

The Service classifies its financial instruments based on its business model for managing its investments and their contractual cash flow characteristics. The Service's investments are managed and performance is evaluated on a fair value basis in accordance with the Service's documented investment strategy. The Service's policy is for the Responsible Entity to evaluate the information about the investments on a fair value basis together with other related financial information.

For unlisted unit trusts, the contractual cash flows are not solely principal and interest. Consequently, these investments are measured at fair value through profit or loss.

(iii) Measurement

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

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

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

(c) Net assets attributable to investors

Investors' funds are redeemable at the investor's option, however subscriptions and repayments may be suspended by the Responsible Entity if it is in the best interests of investors. Investors' funds are classified as financial liabilities as the Service is required to distribute its distributable income, in accordance with the Service's Constitution.

An investor can redeem at any time for cash based on the redemption value.

Investors' funds are carried at the redemption amount that is payable at the end of the reporting period if investors were to exercise their right to redeem investors' funds in the Service.

2 Summary of significant accounting policies (continued)

(d) Cash and cash equivalents

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

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

(e) Accrued income

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

(f) Unsettled sales/purchases

Unsettled sales/purchases represent receivables for securities sold and/or payables for securities purchased that have been contracted for but not yet delivered by the end of the reporting period.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Service measures the loss allowance on unsettled sales/purchases at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Service measures the loss allowance at an amount equal to 12-month expected credit losses. The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses.

(g) Receivables

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

(h) Payables

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

(i) Investment income

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

Trust distributions (including distributions from cash management trusts) are recognised on an entitlements basis.

(j) Expenses

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

(k) Income tax

Under current legislation, the Service is not subject to income tax provided it attributes or distributes (as appropriate) the entirety of its taxable income to its investors.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be included in the Service's taxable income for distribution/attribution, so that the Service is not subject to capital gains tax.

Realised capital losses are not distributed to investors but are retained in the Service to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed or attributed to investors.

2 Summary of significant accounting policies (continued)

(k) Income tax (continued)

To the extent allowable by taxation legislation, the benefits of imputation credits and foreign tax paid are passed on to investors.

(l) Distributions

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

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

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

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

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

(o) Use of estimates

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

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

For certain other financial instruments, including unsettled sales and purchases and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

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

(p) New accounting standards and interpretations

A number of new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period. None of these are expected to have a material effect on the financial statements of the Service.

(q) Rounding of amounts

The Service is an entity of the kind referred to in *Australian Securities & Investments Commission ("ASIC") Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the 'rounding off' amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

3 Termination of the Service

On 17 June 2020, the Responsible Entity resolved to terminate the Service on or around 30 November 2020. The Service's Constitution stipulates that the Responsible Entity must provide 3 months notice.

4 Financial risk management

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

The Service's overall risk management program focuses on ensuring compliance with the governing documents of the Service. Financial risk management is carried out by the investment managers of the various underlying unit trusts offered by the Service.

The Service is an Investor Directed Portfolio Service Like registered managed investment scheme. Members make individual selections of investments into various unlisted unit trust investments which are available through the Service. Each unlisted unit trust has its own investment objective.

The financial statements of the Service represent all assets and liabilities of the Service with no separate financial statements produced for each individual investment option or member.

The Service invests mainly in unlisted unit trusts. Related party unit trusts are disclosed in the related party note.

The Service invests into unlisted unit trusts with a non-related responsible entity and investment manager. Management has access to publicly available information on the financial risks and financial risk management policies of the underlying unit trust. The financial risk management disclosures for the Service have been made without reference to the underlying unit trust's financial risk management disclosures as this data was not available at the time the Service's financial statements were prepared.

Each unlisted unit trust has its own benchmark. Performance objectives and benchmarks are detailed in the governing documents of the Service. Performance monitoring is undertaken and exceptions are reported to the board on a regular basis.

The directors and management continue to assess the potential financial and other impacts to the Service of the actions taken to address the coronavirus (COVID-19) outbreak. The current high-level of uncertainty regarding the severity and length of the outbreak and the depth and duration of the associated effects on economic and business activity and on investment markets has impacted investment outcomes and increased volatility in investment performance during the year.

At the date of signing there is a high level of uncertainty regarding the depth and duration of the impacts on global and domestic economies, business activity and investment market indices from actions taken to address the COVID-19 outbreak. The directors and management will continue to manage and monitor this situation.

(a) Market risk

(i) Price risk

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

Price risk arises on investments held for which prices in the future are uncertain. These are classified in the balance sheet as at fair value through profit or loss. All security investments present a risk of loss of capital.

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

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

(ii) Foreign exchange risk

Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuates due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk.

The Service does not hold any monetary assets denominated in currencies other than the Australian dollar as at 30 June 2020 and 30 June 2019.

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

4 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk

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

The Service does not have any significant direct exposure to interest rate risk. Any interest rate risk from investments held indirectly through underlying investments is reported as a component of price risk for the purposes of the sensitivity analysis.

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

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

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the operating profit and net assets attributable to investors to price risk and interest rate risk at a total Service assets and liabilities level and does not reflect the specific risks in each managed portfolio. The analysis is based on reasonably possible movements in the risk variables applied to the Service's net assets. The reasonably possible movements in the risk variables have been determined based on management estimates, having regard to a number of factors including historical levels of changes in market indices, security prices and/or benchmark returns, interest rates and foreign exchange rates. However actual movements in the risk variables may be greater or less than anticipated due to a number of factors. As a result historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

The reasonably possible movements in the risk variables are based on long term averages consistent with the investing profile of the Service. Though there have been significant movements in the year as a result of COVID-19, except for interest rate risk, the long term reasonably possible movements have remained consistent.

As at 30 June 2020

		Impact on operating profit/(loss)/Net assets attributable to investors			
	Reasonably possible	Price risk		Interest rate risk	
Asset class	movement	Decrease	Increase	Decrease	Increase
	%	$'000	$'000	$'000	$'000
Unlisted unit trusts					
Money market*	-0.25/+0.50	(12)	23	-	-
Australian fixed interest*	-1.50/+3.00	(94)	187	-	-
International fixed interest*	-2.25/+4.50	(56)	113	-	-
Australian equity	15	(7,417)	7,417	-	-
International equity	15	(2,395)	2,395	-	-
Australian property	15	(1,041)	1,041	-	-
Diversified and alternatives	10	(6,005)	6,005	-	-
Cash and cash equivalents					
Cash	-0.25/+0.50	-	-	(17)	34
Total		(17,020)	17,181	(17)	34

4 Financial risk management (continued)

(b) Summarised sensitivity analysis (continued)

As at 30 June 2019

Asset class	Reasonably possible movement %	Impact on operating profit/(loss)/Net assets attributable to investors			
		Price risk		Interest rate risk	
		Decrease $'000	Increase $'000	Decrease $'000	Increase $'000
Unlisted unit trusts					
Money market*	1	(56)	56	-	-
Australian fixed interest*	5	(365)	365	-	-
International fixed interest*	8	(230)	230	-	-
Australian equity	15	(8,847)	8,847	-	-
International equity	15	(2,912)	2,912	-	-
Australian property	15	(1,723)	1,723	-	-
Diversified and alternatives	10	(7,066)	7,066	-	-
Cash and cash equivalents					
Cash	1	-	-	(56)	56
Total		(21,199)	21,199	(56)	56

Note: The above tables have been prepared on a consolidated basis for all assets of the Service. As a result, they do not reflect the sensitivity analysis for each member's investment option.

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

* The price risk for interest bearing instruments held in unlisted unit trusts is calculated using the reasonably possible movement in interest rate percentage of -0.25%/+0.50% (2019: -1.00%/+1.00%) times the modified duration of the underlying financial instruments.

(c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Service.

Credit risk primarily arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers.

The assets of the Service are not impaired.

The Service determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as these financial assets have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be insignificant to the Service.

Investments in unlisted unit trusts are exposed to credit risk.

4 Financial risk management (continued)

(c) Credit risk (continued)

Credit risk is not managed or monitored by the Responsible Entity.

(d) Liquidity risk

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

Redemptions are not paid to investors until the proceeds of their specific transaction are received.

(i) Maturities of non-derivative financial liabilities

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

Net assets attributable to investors are redeemable at the investor's option, however, repayments are not paid to investors until the proceeds of their specific transaction are received.

5 Fair value measurement

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy:

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

Investments are valued in accordance with the accounting policies set out in note 2 to the financial statements.

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

The fair value of financial assets that are not traded in an active market is determined by using quoted market prices, dealer quotes and/or valuation techniques.

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

(i) Recognised fair value measurements

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

As at 30 June 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held at fair value through profit or loss:				
Unlisted unit trusts	-	145,798	-	145,798
Total	-	**145,798**	-	**145,798**

There were no financial liabilities measured and recognised at fair value as at 30 June 2020.

5 Fair value measurement (continued)

(i) Recognised fair value measurements (continued)

As at 30 June 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held at fair value through profit or loss:				
Unlisted unit trusts	-	176,380	-	176,380
Total	-	176,380	-	176,380

There were no financial liabilities measured and recognised at fair value as at 30 June 2019.

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

(ii) Transfers between levels

There were no transfers between levels as at 30 June 2020 or 30 June 2019.

(iii) Valuation processes

Management undertakes regular portfolio reviews to identify securities that may not be actively traded or have stale security pricing and could be regarded as level 2 or level 3 securities. Further analysis, should it be required, is undertaken to determine the accounting significance of the identified securities. In the event that the security is not actively traded an assessment is performed by management to determine the appropriate valuation price to use that is most representative of fair value.

(b) Fair values of non-financial instruments

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

Net assets attributable to investors' carrying value differs from its fair value (deemed to be redemption value) due to differences in valuation inputs. This difference is not material as at 30 June 2020 or 30 June 2019.

6 Other operating expenses

	Year ended	
	30 June 2020	30 June 2019
	$'000	$'000
Reimbursable expenses	**351**	390
Other	**29**	36
Total other operating expenses	**380**	426

7 Remuneration of auditors

	Year ended	
	30 June 2020	30 June 2019
	$	$
Audit and other assurance services		
Audit of financial statements	**39,187**	37,862
Other services*	**1,394**	1,346
Total remuneration for audit and other assurance services	**40,581**	39,208

* Other services include compliance plan audit and controls reporting.

Audit fees were included in reimbursable expenses for the years ended 30 June 2020 and 30 June 2019.

8 Net assets attributable to investors

Movements in net assets attributable to investors during the year were as follows:

	30 June 2020	30 June 2019
	$'000	$'000
Opening balance	**183,283**	193,986
Subscriptions	**1,957**	3,219
Repayments	**(26,513)**	(26,301)
Reinvestment of distributions	**9,173**	10,794
Increase/(decrease) in net assets attributable to investors	**(15,422)**	1,585
Closing balance	**152,478**	183,283

As stipulated within the Service's Constitution, each dollar represents a right to an individual share in the Service and does not extend to a right to the underlying assets of the Service.

(a) Capital risk management

Management manages the Service's net assets attributable to investors as capital, notwithstanding net assets attributable to investors are classified as a liability. The amount of net assets attributable to investors can change significantly on a daily basis as the Service is subject to daily subscriptions and repayments at the discretion of investors.

Redemptions are not paid to investors until the proceeds of their specific transaction are received.

9 Distributions to investors

	Year ended	
	30 June 2020 $'000	30 June 2019 $'000
Distributions paid		
- 30 September	**587**	522
- 31 December	**2,079**	1,666
- 31 March	**1,426**	1,111
Distribution payable		
- 30 June	**4,755**	7,212
	8,847	10,511

10 Cash and cash equivalents

	As at	
	30 June 2020 $'000	30 June 2019 $'000
Cash at bank	**6,807**	7,097
Total cash and cash equivalents	**6,807**	7,097

11 Financial assets held at fair value through profit or loss

	As at	
	30 June 2020 Fair value $'000	30 June 2019 Fair value $'000
Financial assets held at fair value through profit or loss		
Unlisted unit trusts	**145,798**	176,380
Total financial assets held at fair value through profit or loss	**145,798**	176,380

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

	As at	
	30 June 2020 Fair value $'000	30 June 2019 Fair value $'000
Unlisted unit trusts		
Units in money market trusts	**4,642**	5,648
Units in Australian fixed interest trusts	**6,245**	7,307
Units in international fixed interest trusts	**2,505**	2,879
Units in Australian equity trusts	**49,449**	58,982
Units in international equity trusts	**15,968**	19,411
Units in Australian property trusts	**6,942**	11,489
Units in diversified and alternative investment trusts	**60,047**	70,664
Total unlisted unit trusts	**145,798**	176,380
Total financial assets held at fair value through profit or loss	**145,798**	176,380

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

12 Related party transactions

(a) Responsible Entity

The Responsible Entity of the Service is Westpac Financial Services Limited (ABN 20 000 241 127), a wholly owned subsidiary of Westpac Financial Services Group Ltd (ABN 50 000 326 312). The ultimate parent entity is Westpac Banking Corporation (ABN 33 007 457 141). The registered office of the Responsible Entity and the Service is Level 18, 275 Kent Street, Sydney, NSW 2000.

(b) Directors

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

Vicki Allen
Jonathan Sweeney
Susan Thomas
Katherine Vincent
Andrew Walker (resigned 30 September 2019)

12 Related party transactions (continued)

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

For the year ended 30 June 2020, in accordance with the Service's Constitution, the Responsible Entity received the following fee (inclusive of GST, net of RITC available to the Service):

(i) administration fee of 0.661% per annum. For the period 1 July 2018 to 30 September 2018 the administration fee was 1.071% per annum. This fee was reduced to 0.661% per annum effective 1 October 2018.

(ii) an additional administration fee of Nil% per annum (2019: 0.5125% from 1 July 2018 to 30 September 2018, reduced to Nil% effective 1 October 2018) depending upon the investor portfolio.

In addition to the above fee, the Responsible Entity is entitled to be reimbursed out of the Service for costs including expenses in connection with the keeping and preparation of accounting records and the maintenance of the register.

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

	30 June 2020 $'000	30 June 2019 $'000
Management fees incurred by the Service #	**71**	272
Administration expenses incurred by the Responsible Entity which are reimbursed in accordance with the Service's governing documents #	**351**	390
Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the end of the reporting period	**97**	113

This represents the amount paid out of the Service to the Responsible Entity. In addition to this amount, the total fees charged also include the fees charged in the underlying funds.

(d) Related party investors

Parties related to the Service (including the Responsible Entity, its related parties and other funds managed by the Responsible Entity) hold no investment in the Service (2019: Nil).

(e) Transactions with key management personnel

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

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

Key management personnel investments

At 30 June 2020 no key management personnel held investments in the Service (2019: Nil).

12 Related party transactions (continued)

(f) Investments

The Service held the following investments including funds which are managed by the Responsible Entity or its related parties:

30 June 2020

	Fair value of investment	**Distributions received/ receivable**	**Investments acquired during the year**	**Investments disposed during the year**
Responsible Entity	**$'000**	**$'000**	**$'000**	**$'000**
BT Funds Management Limited	**453**	**107**	**14**	**(191)**
Westpac Financial Services Limited	**72,060**	**4,085**	**5,152**	**(12,113)**
Total	**72,513**	**4,192**		

30 June 2019

	Fair value of investment	Distributions received/ receivable	Investments acquired during the year	Investments disposed during the year
Responsible Entity	$'000	$'000	$'000	$'000
BT Funds Management Limited	667	27	21	(34)
Westpac Financial Services Limited	87,448	5,496	6,752	(9,716)
Total	88,115	5,523		

Distributions received/receivable includes the following amounts which remain unpaid at the end of each reporting period:

	As at	
	30 June 2020	30 June 2019
	$'000	$'000
BT Funds Management Limited	**46**	5
Westpac Financial Services Limited	**2,810**	4,475
Total	**2,856**	4,480

(g) Other transactions within the Service

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

13 Structured entities

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

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Service. Such interests include holdings of units in unlisted trusts. The nature and extent of the Service's interests in structured entities are summarised in note 11. Income earned and realised and unrealised gains/(losses) from structured entity investments are disclosed within the statement of comprehensive income.

The number of unlisted unit trusts held by type of trust is as follows:

	As at	
	30 June 2020	30 June 2019
	No.	No.
Type of trust		
Money market trusts	**2**	2
Fixed interest trusts	**3**	3
Australian equity trusts	**16**	16
International equity trusts	**11**	12
Property trusts	**4**	4
Diversified and alternative trusts	**17**	17

The Service has exposures to unconsolidated structured entities through its investment activities. The Service's maximum exposure to loss is restricted to the carrying value of the asset.

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

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

The Service's investment strategy entails investments in other funds on a regular basis. The Service intends to continue investing in other funds.

As at 30 June 2020, there were no capital commitment obligations other than what is in unsettled sales or unsettled purchases in the balance sheet (2019: $Nil).

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

	Year ended	
	30 June 2020	30 June 2019
	$'000	$'000
(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities		
Operating profit/(loss) for the year	**(6,575)**	12,096
Proceeds from sale of financial instruments held at fair value through profit or loss	**24,011**	22,879
Purchase of financial instruments held at fair value through profit or loss	**(7,861)**	(9,389)
Net (gains)/losses on financial instruments held at fair value through profit or loss	**14,540**	(2,621)
Net change in accrued income and receivables	**2,298**	2,833
Net change in payables	**(16)**	(218)
Net cash inflow/(outflow) from operating activities	**26,397**	25,580

(b) Non-cash transactions

Distribution payments reinvested under the distribution reinvestment plan	**9,173**	10,794
Subscriptions received as non-cash contributions	**1,411**	2,627
Repayments settled as non-cash withdrawals	**(1,411)**	(2,627)

15 Events occurring after the reporting period

There were no significant events which have occurred since the end of the reporting period which would impact on the financial position of the Service disclosed in the balance sheet as at 30 June 2020 or on the results and cash flows of the Service for the year ended on that date.

16 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2020 and 30 June 2019.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 6 to 25 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 Service's financial position as at 30 June 2020 and of its performance for the financial year ended on that date,

(b) there are reasonable grounds to believe that the Service will be able to pay its debts as and when they become due and payable, and

(c) note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Director

Director

Sydney
3 September 2020

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Independent auditor's report

To the investors of BT Personal Portfolio Service: Investment

Our opinion

In our opinion:

The accompanying financial report of BT Personal Portfolio Service: Investment (the Service) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Service's financial position as at 30 June 2020 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

What we have audited

The financial report comprises:

- the balance sheet as at 30 June 2020
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Service in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter - going concern no longer appropriate

Without qualifying our opinion, we draw attention to the following matter. As indicated in note 2(a) to the financial statements, the Responsible Entity resolved to terminate the Service. As a result the financial statements have been prepared on a liquidation basis and not on a going concern basis.

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Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Service's annual report for the year ended 30 June 2020, including the directors' report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Responsible Entity of the Service are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Service to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Service or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

Darren Ross
Partner

Sydney
3 September 2020

Directory

Our registered address is:
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Sydney NSW 2000

For more information

See your Financial Planner

Go to westpac.com.au

Call the BT Contact Centre on 131 817
8.00am to 6.30pm (Sydney time)
Monday to Friday

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