

BT Enhanced Sustainability Australian Share Fund

ARSN 132 844 163

**Report - for the period 1 July 2016 to
7 March 2017**

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These financial statements cover BT Enhanced Sustainability Australian Share Fund as an individual entity.

The Responsible Entity of BT Enhanced Sustainability Australian Share Fund is BT Investment Management (Fund Services) Limited (ABN 13 161 249 332). The Responsible Entity's registered office is Level 14, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000.

Directors' report

The directors of BT Investment Management (Fund Services) Limited, the Responsible Entity of BT Enhanced Sustainability Australian Share Fund ("the Fund"), present their report together with the financial statements of the Fund for the period 1 July 2016 to 7 March 2017.

Principal activities

On 7 March 2017 the Responsible Entity resolved to terminate the Fund. The last unitholders' units were redeemed effective 8 February 2017. The redemption was via an in-specie transfer of assets. As such, the financial statements have not been prepared on a going concern basis. There is no impact on the financial position of the Fund.

During the period until the date of termination, the Fund invested in equities, derivatives and cash management trusts in accordance with the provisions of the governing documents.

The Fund did not have any employees during the period.

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

Directors

The following persons held office as directors of BT Investment Management (Fund Services) Limited until the date of termination:

E Gonzalez (appointed 15 November 2012)
H King (appointed 30 January 2016)
C Williamson (appointed 15 November 2012)

Review and results of operations

On 7 March 2017 the Responsible Entity resolved to terminate the Fund. The last unitholders' units were redeemed effective 8 February 2017.

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

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

	Period 1 July 2016 to 7 March 2017	Year ended 30 June 2016
Operating profit/(loss) before finance costs attributable to unitholders (\$)	4,244,768	6,597,527
<i>Distributions</i>		
Distribution paid and payable (\$)	8,490,175	67,733,932
Distribution (cents per unit)	13.648	12.788

Directors' report (continued)

The key differences, if any, between net assets for unit pricing purposes and net assets as reported in the financial statements prepared under Australian Accounting Standards have been outlined below:

	As at	
	7 March 2017	30 June 2016
	\$	\$
Redemption value of outstanding units	-	42,950,487
Adjustment for differences in valuation inputs	-	111,122
Net assets attributable to unitholders	-	43,061,609

Significant changes in the state of affairs

The last unitholders' units were redeemed effective 8 February 2017, and the Responsible Entity resolved to terminate the Fund on 7 March 2017.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the financial period.

Matters subsequent to the end of the financial period

As the Fund has terminated, there have been no matters subsequent to the end of the financial period that significantly affected, or may significantly affect, the Fund.

Likely developments and expected results of operations

On 7 March 2017 the Responsible Entity resolved to terminate the Fund. The last unitholders' units were redeemed effective 8 February 2017.

Indemnity and insurance of officers

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

Indemnity of auditors

The auditors of the Fund were in no way indemnified out of the assets of the Fund.

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

Fees paid to the Responsible Entity and its associates out of Fund property during the period are disclosed in note 13 to the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the period.

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

Interests in the Fund

The movement in units on issue in the Fund during the period is disclosed in note 8 to the financial statements.

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

Environmental regulation

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

Directors' report (continued)

Rounding of amounts to the nearest dollar

Amounts in the directors' report have been rounded to the nearest dollar 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
12 September 2017



Auditor's independence declaration

As lead auditor for the audit of BT Enhanced Sustainability Australian Share Fund for the period 1 July 2016 to 7 March 2017, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'S Cuthbert', written in a cursive style.

S Cuthbert
Partner
PricewaterhouseCoopers

Sydney
12 September 2017

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BT Enhanced Sustainability Australian Share Fund
Statement of comprehensive income
For the period ended 7 March 2017

Statement of comprehensive income

	Notes	Period 1 July 2016 to 7 March 2017 \$	Year ended 30 June 2016 \$
Income			
Interest income		3,337	40,480
Dividend income		881,212	18,798,437
Distribution income		75,673	1,916,449
Net gains/(losses) on financial instruments held at fair value through profit or loss	7	3,423,035	(12,235,414)
Other income		417	9
Total income/(loss)		4,383,674	8,519,961
Expenses			
Responsible Entity's fees	13	132,007	1,858,099
Transaction costs		6,899	64,335
Total operating expenses		138,906	1,922,434
Operating profit/(loss)		4,244,768	6,597,527
Finance costs attributable to unitholders			
Distributions to unitholders	9	(8,490,175)	(67,733,932)
(Increase)/decrease in net assets attributable to unitholders	8	4,245,407	61,136,405
Profit/(loss) for the period/year		-	-
Other comprehensive income		-	-
Total comprehensive income for the period/year		-	-

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

BT Enhanced Sustainability Australian Share Fund
Balance sheet
As at 7 March 2017

Balance sheet

		As at	
	Notes	7 March 2017	30 June 2016
		\$	\$
Assets			
Cash and cash equivalents	10	-	3,010,602
Margin accounts		-	219,625
Accrued income		-	300,365
Receivables		-	35,382
Financial assets held at fair value through profit or loss	11	-	39,907,187
Total assets		-	43,473,161
Liabilities			
Unsettled purchases		-	276,750
Distribution payable	9	-	119,247
Payables		-	15,555
Total liabilities (excluding net assets attributable to unitholders)		-	411,552
Net assets attributable to unitholders - liability	8	-	43,061,609

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

BT Enhanced Sustainability Australian Share Fund
Statement of changes in equity
For the period ended 7 March 2017

Statement of changes in equity

	Period 1 July 2016 to 7 March 2017 \$	Year ended 30 June 2016 \$
Total equity at the beginning of the financial period/year	-	-
Profit/(loss) for the period/year	-	-
Other comprehensive income	-	-
Total comprehensive income for the period/year	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the financial period/year	-	-

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

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

BT Enhanced Sustainability Australian Share Fund
Statement of cash flows
For the period ended 7 March 2017

Statement of cash flows

	Period 1 July 2016 to 7 March 2017	Year ended 30 June 2016
Notes	\$	\$
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through profit or loss	7,190,882	46,422,736
Purchase of financial instruments held at fair value through profit or loss	(11,703,333)	(90,926,608)
Transaction costs	(6,899)	(64,335)
Interest received	3,492	40,570
Dividends received	1,066,101	18,276,747
Distributions received	177,807	5,831,865
Other income received	35,799	6,011
Responsible Entity's fees received/(paid)	(147,562)	(2,019,199)
Net cash inflow/(outflow) from operating activities	15(a) (3,383,713)	(22,432,213)
Cash flows from financing activities		
Proceeds from applications by unitholders	4,748,994	16,600,676
Payments for redemptions by unitholders	(1,335)	(2,178,058)
Distributions paid	(4,374,548)	(9)
Net cash inflow/(outflow) from financing activities	373,111	14,422,609
Net increase/(decrease) in cash and cash equivalents	(3,010,602)	(8,009,604)
Cash and cash equivalents at the beginning of the period/year	3,010,602	11,020,206
Cash and cash equivalents at the end of the period/year	10 -	3,010,602
Non-cash transactions	15(b)	

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

1 General information

These financial statements cover BT Enhanced Sustainability Australian Share Fund ("the Fund") as an individual entity. The Fund was constituted on 20 September 2007.

The Responsible Entity of the Fund is BT Investment Management (Fund Services) Limited ("the Responsible Entity"). The Responsible Entity's registered office is Level 14, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000. The financial statements are presented in Australian currency.

On 7 March 2017 the Responsible Entity resolved to terminate the Fund. Final proceeds were made to unitholders effective 8 February 2017 via an in-specie transfer of assets.

During the period until the date of termination, the Fund invested in equities, derivatives and cash management trusts in accordance with the provisions of the governing documents.

The financial statements were authorised for issue by the directors of the Responsible Entity on 12 September 2017. 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 periods presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Accounting Standards Board and the *Corporations Act 2001* in Australia. BT Enhanced Sustainability Australian Share Fund 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 7 March 2017, the Responsible Entity resolved to terminate the Fund. The directors have therefore determined that the going concern basis of preparation is no longer appropriate. As such, the financial statements have been prepared on a liquidation basis whereby the Fund's assets have been measured at their net realisable values and the liabilities have been recognised at their contractual settlement amounts. Adoption of the liquidation basis of preparation has no impact on the carrying amount of assets and liabilities of the Fund.

The comparative figures are not entirely comparable due to different financial periods.

(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 period.

The comparative figures that were previously rounded to the nearest thousand dollars have been changed to be rounded to the nearest dollar. The comparative figures are not entirely comparable due to the different current financial period to the date of termination of the Fund.

(iii) New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 1 July 2016 that have a material impact on the Fund.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

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

- Financial instruments held for trading

Derivative financial instruments such as futures, forward currency contracts, warrants, options and swaps are included under this classification. No derivatives are designated as hedges in a hedging relationship.

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

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

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

(ii) Recognition/derecognition

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

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

(iii) Measurement

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

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

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

(iv) Offsetting financial instruments

Financial assets and liabilities may be offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

There are no significant financial assets and liabilities subject to offsetting arrangements as at the end of each reporting period.

(c) Net assets attributable to unitholders

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

All units in the Fund were fully redeemed effective 8 February 2017.

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 on hand, deposits held at call with financial institutions, cash management trusts and bank overdrafts.

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

(e) Margin accounts

Margin accounts comprise cash held, or owed, as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls.

(f) Accrued income

Accrued income may include amounts for dividends, trust distributions and interest. Dividends and 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.

(g) Unsettled sales/purchases

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

(h) Receivables

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

(i) Payables

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

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

(j) 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.

Dividend income is recognised on the ex-dividend date.

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

(k) Expenses

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

(l) Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as an expense.

2 Summary of significant accounting policies (continued)

(m) Income tax

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

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

(n) Distributions

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

(o) Increase/(decrease) in net assets attributable to unitholders

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

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

The GST incurred on the costs of various services provided to the Fund such as management fees have been passed onto the Fund. The Fund 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.

(q) Use of estimates

Management make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. 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, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel, independent of the area that created them.

To the extent practicable, models use observable data. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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.

The Fund did not have any assets or liabilities as at 7 March 2017.

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

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 7 March 2017 reporting period. These standards will have no impact as the Fund completed its termination effective 7 March 2017.

2 Summary of significant accounting policies (continued)

(s) Rounding of amounts

The Fund 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 dollar, unless otherwise indicated.

3 Termination of the Fund

On 7 March 2017, the Responsible Entity resolved to terminate the Fund. The last unitholders' units were redeemed and final proceeds were made effective 8 February 2017 via an in-specie transfer of assets, completing the termination of the Fund.

This report contains the final set of financial statements for BT Enhanced Sustainability Australian Share Fund.

4 Financial risk management

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

The Fund's overall risk management programme focused on ensuring compliance with its governing documents and sought to maximise the returns derived for the level of risk to which the Fund was exposed. Derivative financial instruments were used to alter certain risk exposures. Financial risk management was carried out by the investment manager.

The Fund used different methods to measure different types of risk to which it was exposed. Those methods included sensitivity analysis in the case of interest rate, foreign exchange and price risks and ratings analysis for credit risk.

The investment manager mitigated those financial risks through diversification and a careful selection of securities and other financial instruments within specified limits.

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

The Fund did not have any assets or liabilities as at 7 March 2017.

(a) Market risk

(i) Price risk

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

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

The majority of the equity investments were publicly traded and were listed on the Australian Securities Exchange.

Investments in listed equities and derivatives were also held.

The Fund did not have any assets or liabilities as at 7 March 2017.

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

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

4 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk

Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

There was no direct foreign exchange risk in this fund.

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

(iii) Interest rate risk

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

Units in cash management trusts were held and an exposure to interest rate risk arose through those investments. Any interest rate risk from these unit trusts was reported as a component of interest rate risk for the purposes of the sensitivity analysis.

Interest rate risk was mitigated through ensuring activities were transacted in accordance with the investment mandate, overall investment strategy and within approved limits.

Exceptions to compliance were reported to management 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 unitholders to interest rate risk and price risk. The analysis is based on reasonably possible movements in the benchmark with all other variables held constant and the fair value of the portfolio moving according to the movement in the benchmark. The reasonably possible movements in the risk variables have been determined based on management estimates, having regard to a number of factors including historical levels of changes in market index, security prices and/or benchmark returns, interest rates and foreign exchange rates. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors including unusually large market shocks resulting from changes in the performance of the economies, markets and securities to which the variable is exposed. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

The sensitivity analysis is based on symmetrical reasonably possible movements, however, the likelihood of symmetrical movements may vary over time due to factors such as economic conditions and investment strategies.

	Impact on operating profit/(loss)/Net assets attributable to unitholders			
	Price risk		Interest rate risk	
	-15%	+15%	-1.00%	+1.00%
	(2016: -15%)	(2016: +15%)	(2016: -1.00%)	(2016: +1.00%)
As at	\$	\$	\$	\$
7 March 2017 ⁽¹⁾	-	-	-	-
30 June 2016	(6,457,904)	6,457,904	(30,106)	30,106

4 Financial risk management (continued)

(b) Summarised sensitivity analysis (continued)

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

(1) The Fund did not have any assets or liabilities as at 7 March 2017.

(c) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

Credit risk primarily arose from trading in derivative products. Other credit risk arose from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. None of these assets were impaired nor past due but not impaired.

Investments in unlisted unit trusts were exposed to credit risk.

All transactions in listed securities were settled or paid for upon delivery using approved brokers. The risk of default was considered minimal as the delivery of securities sold was only made once the broker had received payment. Payment was made on the purchase of securities once the securities were received by the broker. The trade would have failed if either party failed to meet its obligations.

Concentrations of direct credit risk were minimised primarily by:

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

Exceptions to compliance were reported to management on a regular basis.

There were no significant direct concentrations of credit risk to counterparties as at 7 March 2017 or 30 June 2016.

(d) Liquidity risk

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

The fund was exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. It therefore primarily held investments that were traded in an active market and could be disposed of readily. Only a limited proportion of its assets were not traded on an active market.

Units were held in unlisted unit trusts which were priced daily and could be disposed of readily.

The majority of the securities were considered readily realisable. The types of assets contained in the portfolio are disclosed in the financial assets held at fair value through profit or loss note.

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

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

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

4 Financial risk management (continued)

(d) Liquidity risk (continued)

(i) Maturities of non-derivative financial liabilities

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

The Fund did not have any financial liabilities as at 7 March 2017.

5 Fair value measurement

The following assets were measured and recognised at fair value on a recurring basis:

- Financial assets designated at fair value through profit or loss (refer note 11)
- Financial assets held for trading (refer note 11)
- Derivative financial instruments (refer note 12)

There were no assets measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

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

(a) Fair value in an active market (level 1)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed securities) was based on last traded prices at the end of the reporting period without any deduction for estimated future selling costs. For the majority of financial assets and liabilities, information provided by independent pricing services was relied upon for valuation. Fair value inputs utilised the last traded prices for both financial assets and liabilities.

Where the last traded price did not fall within the bid-ask spread, an assessment was performed by management to determine the appropriate valuation price to be used that was most representative of fair value.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions (such as publicly traded derivatives and listed securities) for the financial asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Exchange traded futures were valued at the market closing price.

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

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

Equity securities were classified as level 2 when there were less observable market transactions at the end of the reporting period. The listed securities were valued at last traded prices at the end of the reporting period.

5 Fair value measurement (continued)

(i) Recognised fair value measurements

The Fund did not have any assets or liabilities as at 7 March 2017.

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

As at 30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets held for trading:				
Derivatives	44,750	-	-	44,750
Financial assets designated at fair value through profit or loss:				
Equity securities	39,720,219	142,218	-	39,862,437
Total	39,764,969	142,218	-	39,907,187

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

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

(ii) Transfers between levels

There have been no transfers between levels for the period ended 7 March 2017 and year ended 30 June 2016.

(iii) Valuation processes

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

(c) Disclosed fair values

For all financial instruments, other than those measured at fair value, their carrying value approximates fair value.

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

Net assets attributable to unitholders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior period.

6 Remuneration of auditors

	Period 1 July 2016 to 7 March 2017 \$	Year ended 30 June 2016 \$
<i>Audit and other assurance services</i>		
Audit of financial statements	6,242	14,125
Other services*	-	1,872
Total remuneration for audit and other assurance services	<u>6,242</u>	<u>15,997</u>

* Other services include compliance plan audit and controls reporting.

Audit fees were paid by the Responsible Entity for the period ended 7 March 2017 and year ended 30 June 2016.

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

	Period 1 July 2016 to 7 March 2017 \$	Year ended 30 June 2016 \$
Net gains/(losses) on financial instruments held for trading	262,111	(46,860)
Net gains/(losses) on financial instruments designated at fair value through profit or loss	<u>3,160,924</u>	<u>(12,188,554)</u>
Total net gains/(losses) on financial instruments held at fair value through profit or loss	<u>3,423,035</u>	<u>(12,235,414)</u>

8 Net assets attributable to unitholders

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

	7 March 2017 No.	30 June 2016 No.	7 March 2017 \$	30 June 2016 \$
Opening balance	54,713,996	505,377,084	43,061,609	462,864,195
Applications	6,168,199	18,792,963	4,748,994	15,962,583
Redemptions	(66,403,040)	(558,214,307)	(47,800,070)	(447,629,486)
Units issued upon reinvestment of distributions	5,520,845	88,758,256	4,234,874	73,000,722
Increase/(decrease) in net assets attributable to unitholders	-	-	(4,245,407)	(61,136,405)
Closing balance	-	54,713,996	-	43,061,609

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There were no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

(a) Capital risk management

On 7 March 2017 the Responsible Entity resolved to terminate the Fund. The last unitholders' units were redeemed and final proceeds were paid to unitholders effective 8 February 2017 via an in-specie transfer of assets.

9 Distributions to unitholders

	Period 1 July 2016 to 7 March 2017 \$	Period 1 July 2016 to 7 March 2017 CPU	Year ended 30 June 2016 \$	Year ended 30 June 2016 CPU
Distributions paid				
- 30 September	3,527,461	6.160	4,653,531	0.900
- 31 December	588,166	0.900	7,894,878	1.500
- 8 February	4,374,548	6.588	-	-
- 31 March	-	-	2,421,265	0.450
- 31 May	-	-	52,645,011	9.720
Distribution payable				
- 30 June	-	-	119,247	0.218
	8,490,175	13.648	67,733,932	12.788

10 Cash and cash equivalents

	As at	
	7 March 2017	30 June 2016
	\$	\$
Cash at bank	-	3,009,963
Cash management trusts	-	639
Total cash and cash equivalents	-	3,010,602

11 Financial assets held at fair value through profit or loss

	As at	
	7 March 2017 Fair value	30 June 2016 Fair value
	\$	\$
Designated at fair value through profit or loss		
Equity securities	-	39,862,437
Total designated at fair value through profit or loss	-	39,862,437
Held for trading		
Derivatives (note 12)	-	44,750
Total held for trading	-	44,750
Total financial assets held at fair value through profit or loss	-	39,907,187
Comprising:		
Equity securities		
Australian equity securities listed on a prescribed stock exchange	-	39,862,437
Total equity securities	-	39,862,437
Derivatives		
Australian share price index futures	-	44,750
Total derivatives	-	44,750
Total financial assets held at fair value through profit or loss	-	39,907,187

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

12 Derivative financial instruments

A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative transactions were entered into in the normal course of business.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions included many different instruments such as forward currency contracts, futures and options. Derivatives were considered to be part of the investment process and the use of derivatives was an essential part of the Fund's portfolio management. Derivatives were not managed in isolation. Consequently, the use of derivatives was multifaceted and included:

- hedging to protect an asset or liability against a fluctuation in market values or to reduce volatility,
- a substitution for trading of physical securities, and
- adjusting asset exposures within the parameters set in the investment strategy, and/or adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives were used for trading purposes, they were not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

The following derivative financial instruments were held during the period:

(a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts were collateralised by cash or marketable securities. Changes in futures contracts' values were usually settled net daily with the exchange or broker. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

The derivative financial instruments held at the end of each reporting period are detailed below:

	As at	
	7 March 2017	30 June 2016
	Contract/ notional	Contract/ notional
	\$	\$
Buy		
Australian share price index futures	-	3,190,250

Risk exposures and fair value measurements

Information about the exposure to credit risk, foreign exchange risk and interest rate risk and the methods and assumptions used in determining fair values is provided in note 4 and note 5 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

13 Related party transactions

(a) Responsible Entity

The Responsible Entity of the Fund is BT Investment Management (Fund Services) Limited (ABN 13 161 249 332), a wholly owned subsidiary of BT Investment Management Limited (ABN 28 126 385 822). The registered office of the Responsible Entity and the Fund is Level 14, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000.

(b) Directors

Key management personnel includes persons who were directors of BT Investment Management (Fund Services) Limited at any time during the financial period as follows:

E Gonzalez (appointed 15 November 2012)
H King (appointed 30 January 2016)
C Williamson (appointed 15 November 2012)

(c) Other key management personnel

There was no other person with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial period.

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

For the period 1 July 2016 to 8 February 2017 in accordance with the Fund's governing documents, the Fund incurred a fee of 0.45% (inclusive of GST, net of RITC available to the Fund) per annum (year ended 30 June 2016: 0.45%).

All expenses in connection with the preparation of accounting records and the maintenance of the unit register were fully borne by the Responsible Entity.

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

	Period 1 July 2016 to 7 March 2017 \$	Year ended 30 June 2016 \$
Management fees for the period paid/(received) by the Fund to/(from) the Responsible Entity	132,007	1,858,099
Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the end of the reporting period	-	15,555

Where the Fund invested into other funds managed by the Responsible Entity (or its related parties), the Responsible Entity's fees were calculated after rebating fees charged in the underlying funds.

13 Related party transactions (continued)

(e) Related party unitholdings

Parties related to the Fund (including the Responsible Entity, its related parties and other funds managed by the Responsible Entity), held units in the Fund as follows:

7 March 2017

Unitholder	Number of units held opening	Number of units held closing	Interest held	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
	Units	Units	%	Units	Units	\$
1970's Lifestage Fund - B	17,892,882	-	-	4,164,861	(22,057,743)	2,820,610
1980's Lifestage Fund - B	18,303,840	-	-	3,825,039	(22,128,879)	2,830,588
Total	36,196,722	-	-	7,989,900	(44,186,622)	5,651,198

30 June 2016

Unitholder	Number of units held opening	Number of units held closing	Interest held	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
	Units	Units	%	Units	Units	\$
BT Multi-manager Accumulator Fund	450,627,914	-	-	77,432,199	(528,060,113)	58,900,020
1970's Lifestage Fund - B	9,620,152	17,892,882	32.70	8,272,730	-	1,758,827
1980's Lifestage Fund - B	10,243,053	18,303,840	33.46	8,953,507	(892,720)	1,913,317
BT Multi-manager Protector Fund	23,471,077	-	-	4,033,077	(27,504,154)	3,067,823
Total	493,962,196	36,196,722	66.16	98,691,513	(556,456,987)	65,639,987

13 Related party transactions (continued)

(f) Transactions with key management personnel

Key management personnel services were provided by BT Investment Management (Fund Services) Limited and included in the management fees disclosed in (d) above. There was no separate charge for these services. There was no compensation paid directly by the Fund to any of the key management personnel.

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

Key management personnel unitholdings

At 7 March 2017 no key management personnel held units in the Fund (30 June 2016: Nil).

(g) Investments

(i) Units in related funds

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

7 March 2017

	Fair value of investment \$	Interest held %	Distributions received/ receivable \$	Units acquired during the period Units	Units disposed during the period Units
BT Institutional Liquidity Management Trust*	-	-	31,980	12,928,562	(12,929,201)

30 June 2016

	Fair value of investment \$	Interest held %	Distributions received/ receivable \$	Units acquired during the period Units	Units disposed during the period Units
BT Institutional Liquidity Management Trust*#	639	-	84,596	51,362,030	(60,057,000)

*This investment is included in cash and cash equivalents.

Interest held represents less than 0.01%.

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

	As at	
	7 March 2017 \$	30 June 2016 \$
Distributions receivable		
BT Institutional Liquidity Management Trust	-	2,870

13 Related party transactions (continued)

(g) Investments (continued)

(ii) Other investments in related parties

The Fund held the following investments in related parties:

7 March 2017

Related party	Fair value of investment \$	Income received \$	Income receivable
Westpac Banking Corporation - ordinary shares*	-	101,105	-

* The Fund owns less than 1% of the issued capital.

30 June 2016

Related party	Fair value of investment \$	Income received \$	Income receivable
Westpac Banking Corporation - ordinary shares*	2,798,527	2,082,000	1,068,113

* The Fund owns less than 1% of the issued capital.

(h) Other transactions within the Fund

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

14 Structured entities

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

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Fund. Such interests include holdings of units in unlisted trusts. The nature and extent of the Fund's interests in structured entities are titled "unlisted unit trusts or funds" and are summarised in notes 10 and 13.

The Fund had exposure to unconsolidated structured entities through its investment activities. The Fund's maximum exposure to loss was restricted to the carrying value of the asset.

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

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

As at 7 March 2017, there were no capital commitment obligations (30 June 2016: \$Nil). The Fund did not have any assets or liabilities as at 7 March 2017.

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

	Period 1 July 2016 to 7 March 2017 \$	Year ended 30 June 2016 \$
(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities		
Operating profit/(loss) for the period/year	4,244,768	6,597,527
Proceeds from sale of financial instruments held at fair value through profit or loss	7,190,882	46,422,736
Purchase of financial instruments held at fair value through profit or loss	(11,703,333)	(90,926,608)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(3,423,035)	12,235,414
Income reinvested	(13,187)	(295,813)
Net change in accrued income and receivables	335,747	3,695,631
Net change in payables	(15,555)	(161,100)
Net cash inflow/(outflow) from operating activities	(3,383,713)	(22,432,213)

(b) Non-cash transactions

Distribution payments satisfied by the issue of units under the distribution reinvestment plan	4,234,874	73,000,722
Redemptions settled as non-cash withdrawals	(47,798,735)	(445,451,428)
Sales received as non-cash proceeds	47,798,735	445,451,428

16 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the balance sheet as at 7 March 2017 or on the results and cash flows of the Fund for the period ended on that date.

17 Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 7 March 2017 and 30 June 2016.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 27 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Fund's financial position as at 7 March 2017 and of its performance for the period 1 July 2016 to 7 March 2017,
- (b) as disclosed in note 2(a) to the financial statements, the Fund has been terminated and all debts were paid for at that time, 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
12 September 2017



Independent auditor's report

To the unitholders of BT Enhanced Sustainability Australian Share Fund

Our opinion

In our opinion:

The accompanying financial report of BT Enhanced Sustainability Australian Share Fund (the Fund) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 7 March 2017 and of its financial performance for the period 1 July 2016 to 7 March 2017
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the balance sheet as at 7 March 2017
- the statement of comprehensive income for the period 1 July 2016 to 7 March 2017
- the statement of changes in equity for the period 1 July 2016 to 7 March 2017
- the statement of cash flows for the period 1 July 2016 to 7 March 2017
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors of the Responsible Entity's 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 Fund 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* (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 Fund was terminated effective on 7 March 2017. 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 obtained at the date of this auditor's report comprises the directors' report included in the annual 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 of the Responsible Entity for the financial report

The directors of the Responsible Entity of the Fund 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 Fund 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 Fund 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.

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

S Cuthbert
Partner

Sydney
12 September 2017