

TRANSPACIFIC SPS TRUST
ARSN 120 322 625

FINANCIAL REPORT FOR THE YEAR
ENDED 30 JUNE 2010

TRANSPACIFIC SPS TRUST
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010

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DIRECTORS' REPORT

The Directors of The Trust Company (RE Services) Limited ("the Responsible Entity") [formally known as Permanent Investment Management Limited or "PIML"] as the Responsible Entity of Transpacific SPS Trust ("the Trust") present their Directors' Report ("Report") together with the financial report of the Trust for the year ended 30 June 2010.

Directors

The names of the Directors of Responsible Entity holding office during the year ended 30 June 2010 and until the date of this report were:

David Grbin
John Atkin
Michael Britton
Vicki Allen

Sally Ascroft acted as Alternate Director for David Grbin for the period 24 June 2010 to 1 August 2010

The position of Company Secretary is held jointly by Adrian Lucchese and Sally Ascroft.

Principal activities

The Trust is a registered managed investment scheme registered on 29 June 2006 to issue Step Up Exchangable Units (SPS) offered under the Product Disclosure Statement. The Trust is governed by the Trust Constitution and is listed on the Australian Securities Exchange (ASX). The SPS units are quoted on the ASX. The gross proceeds of \$250 million received have been invested in Australian denominated interest bearing securities ("Loan Notes") issued by Transpacific Industries Pty Ltd, a company incorporated in Australia and a subsidiary of Transpacific Industries Group Ltd ("Transpacific").

Review of results and operations

The Trust has issued 2,500,000 SPS with a face value of \$100 each which trade on the ASX. No SPS units have been issued during the year or redeemed up to and including 30 June 2010.

The net profit from ordinary activities for the year ended 30 June 2010 was \$14,503,400 (2009: \$21,231,374). Revenue of \$14,760,340 consists of interest income. Expenses of \$256,940 consist of administration and management fees. Distributions totalling \$12,125,000 (2009: \$19,050,000) were paid to SPS unitholders during the 2010 financial year.

SPS expects to pay holders a semi-annual distribution which is expected to be fully franked. Distributions are based on the six month Bank Bill Swap Rate plus a margin of 3.5% per annum adjusted to reflect the franking credit. Payments which become due and payable to SPS holders are guaranteed on an unsecured and subordinated basis by Transpacific. This guarantee ranks ahead of Transpacific's ordinary shareholders but is subordinated to the claims of all creditors of Transpacific. Distributions were paid on 15th October 2009 for the period to 30 September 2009 and on 15th April 2010 for the period to 31st March 2010.

Units in the Trust comprise 100 ordinary units issued to Transpacific. No further ordinary units have been issued during the financial period.

Both SPS and the ordinary units issued by the Trust are classified as equity in the balance sheet based on their redemption and settlement characteristics. As a result, in accordance with the requirements of the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001, the distributions paid on SPS and the ordinary unit are represented in the financial statements as trust distributions and not finance borrowing costs (interest paid).

DIRECTORS' REPORT (Continued)

Distributions

Distributions made in the 2010 financial year are as follows:

	Per unit	Total distribution
For period ended 30 September 2009, paid 15 October 2009	\$2.31	\$5,775,000
For period ended 31 March 2010, paid 15 April 2010	\$2.54	\$6,350,000

The distribution rate for the period 1 April 2010 to 30 September 2010 has been set at \$2.87 per unit and subject to all the necessary requirements being satisfied, it is expected that payment of this distribution will be completed to SPS holders on 15 October 2010. The record date for this distribution is 30 September 2010. The distribution has not been provided for in the financial statements.

Distributions on ordinary units are only payable once distributions to SPS unitholders have been made. Ordinary units are held by Transpacific Industries Group Limited. Total distributions paid or payable in respect of the 30 June 2010 financial year totalled \$2,378,400 representing \$23,784 per ordinary unit (2009: \$2,181,626 representing \$21,816 per ordinary unit).

Step up date

The first step up date for the SPS units is 1st October 2011, no earlier than six months and no later than 45 business days from this date the Trust, at its discretion, may conduct a re-marketing process by issuing SPS holders with an invitation to accept proposed changes to the SPS unit terms. Further step up dates will then occur every five years.

SPS holders may elect to accept the invitation, nominate a new preferred margin from within the range advised by the Trust or submit a step up notice.

Subject to the responses received from the SPS holders, the Trust may change the terms of the SPS units or redeem, exchange or resell the existing SPS units.

If the Trust does not initiate a re-marketing process one of the following three events will occur:

- (i) the SPS units will be redeemed for cash,
- (ii) the SPS units will be exchanged for ordinary TPI shares,
- (iii) the margin will increase by the step up rate of 2.5% and no further step up dates will apply.

Likely developments and expected results of operations

In the opinion of the Directors, disclosure of any further information of the future developments or results of the Trust, other than that information already outlined in this Report or the financial statements accompanying this Report, would be unreasonably prejudicial to the Trust.

Matters subsequent to the end of the financial year

The Directors are not aware of any matter or circumstance that has significantly affected or may significantly affect the operations of the Trust, the results of those operations, or state of the Trust's affairs in future years.

Responsible Entity and associate interests

Fees totalling \$104,746 (2009: \$100,275) were paid out of Trust property to the Responsible Entity during the period. No fees were paid directly by the Trust to Directors of the Responsible Entity during the period. There are no interests in the Trust held by the Responsible Entity or its associates.

DIRECTORS' REPORT (Continued)

Indemnification and insurance of officers

During the period ended 30 June 2010, the Trust has not indemnified or made a relevant agreement to indemnify an officer of the Responsible Entity or auditor of the Trust or of any related corporate body against a liability incurred by an officer of the Responsible Entity or auditor of the trust. In addition, the Trust has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer of the Responsible Entity or auditor of the Trust.

The officers (including Directors) of the Responsible Entity are covered by insurance policies of The Trust Company Limited (of which the Responsible Entity is a wholly owned subsidiary) for Directors and officers liability. During or since the end of the financial year, The Trust Company has paid or agreed to pay premiums in respect of a contract insuring all the Directors, Secretaries and Executive Officers against certain liabilities as permitted by the Corporations Act. The insurance policy prohibits disclosure of the nature of the liability, the amount of the premium and the limit of liability and other items.

Environmental regulation

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

Auditor

Ernst & Young ("Auditor") was appointed as auditor on 29 June 2010 in accordance with the Trust Constitution. This position was previously held by Bentleys, who resigned from the position at that date. A copy of the Auditors' Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Rounding of amounts and currency

The Trust is a registered scheme of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investors Commission, relating to the "rounding off" of amounts in the Directors' Report and financial report.

Amounts in the Directors' Report and financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated.

All figures in this Report and the financial report, except where otherwise stated, are expressed in Australian dollars.

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



Michael Britton
Director
23rd September 2010, Sydney



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Auditor's Independence Declaration to the Directors of the Responsible Entity of Transpacific SPS Trust

In relation to our audit of the financial report of Transpacific SPS Trust for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized blue ink signature of the Ernst & Young firm.

Ernst & Young

A blue ink signature of Mike Reid.

Mike Reid
Partner
Brisbane
23 September 2010

Independent auditor's report to the Unitholders of Transpacific SPS Trust

Report on the Financial Report

We have audited the accompanying financial report of Transpacific SPS Trust ("Trust"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of distribution, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity of the Trust are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity of the Trust a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



Auditor's Opinion

In our opinion:

1. the financial report of Transpacific SPS Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Transpacific SPS Trust at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*, and
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

A stylized blue ink signature of the Ernst & Young firm.

Ernst & Young

A blue ink signature of Mike Reid.

Mike Reid
Partner
Brisbane
23 September 2010

TRANSPACIFIC SPS TRUST
ARSN 120 322 625

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	30 June 2010 \$'000	30 June 2009 \$'000
Assets			
Current Assets			
Cash and cash equivalents		2,452	2,140
Trade and other receivables	2	8	5
Total Current Assets		2,460	2,145
Non Current Assets			
Financial assets (Loan notes)	3	250,000	250,000
Total Non Current Assets		250,000	250,000
Total assets		252,460	252,145
Liabilities			
Current Liabilities			
Trade and other payables	4	2,614	2,299
Total current liabilities		2,614	2,299
Non current liabilities		-	-
Total liabilities		2,614	2,299
Net Assets		249,846	249,846
Unitholders Equity			
Ordinary units	5	-	-
SPS exchangeable units	6	249,846	249,846
Undistributed income		-	-
Total Unitholders Equity		249,846	249,846

The above Statement of Financial Position should be read in conjunction with the accompanying Notes.

TRANSPACIFIC SPS TRUST
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STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF DISTRIBUTION
FOR THE YEAR ENDED 30 JUNE 2010

Statement of Comprehensive Income	Note	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
CONTINUING OPERATIONS			
Revenue	7	14,760	21,498
Expenses			
Administration fees		(41)	(54)
Public company costs		(111)	(112)
Responsible Entity management fees		(105)	(100)
Total expenses		<u>(257)</u>	<u>(266)</u>
Profit/Loss for the period		<u>14,503</u>	<u>21,232</u>
Other comprehensive Income		<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u>14,503</u>	<u>21,232</u>
 Statement of Distribution			
Undistributed income at the beginning of the period		-	-
Profit/(Loss) for the period		14,503	21,232
Distribution paid to SPS exchangeable unitholders		(12,125)	(19,050)
Distribution paid or payable to ordinary unitholders (Transpacific Industries Group Ltd)		<u>(2,378)</u>	<u>(2,182)</u>
Undistributed Profit (Loss) as at period end		<u>-</u>	<u>-</u>

The above Statement of Comprehensive Income and Statement of Distribution should be read in conjunction with the accompanying Notes.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

<i>For the year ended 30 June 2010</i>	SPS exchangeable unitholders \$'000	Ordinary unitholders \$'000	Undistributed Income \$'000	Total \$'000
At 1 July 2009	249,846	-	-	249,846
Profit for the period	-	-	14,503	14,503
Total comprehensive income for the year	-	-	14,503	14,503
Transactions with unit holders in their capacity as unit holders	-	-	-	-
Distributions (ordinary unitholders)	-	-	(2,378)	(2,378)
Distributions (exchangeable unitholders)	-	-	(12,125)	(12,125)
Balance at 30 June 2010	249,846	-	-	249,846

For the year ended 30 June 2009

At 1 July 2008	249,846	-	-	249,846
Profit for the period	-	-	21,232	21,232
Total comprehensive income for the year	-	-	21,232	21,232
Transactions with unit holders in their capacity as unit holders:	-	-	-	-
Distributions (ordinary unitholders)	-	-	(2,182)	(2,182)
Distributions (exchangeable unitholders)	-	-	(19,050)	(19,050)
Balance at 30 June 2009	249,846	-	-	249,846

The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

		Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
Cash flows from operating activities			
Interest received		14,760	21,498
Receipts from/(payments to) suppliers including GST		(15)	22
Net cash inflow from operating activities	9	14,745	21,520
Cash flows from investing activities			
Payments for investments in interest bearing securities		-	-
Net cash outflow from investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of SPS exchangeable units		-	-
Repayment of ordinary unitholder loans		(126)	(380)
Distributions to ordinary unitholders		(2,182)	(600)
Distributions to SPS exchangeable unitholders		(12,125)	(19,050)
Net cash inflow / (outflow) from financing activities		(14,433)	(20,030)
Net increase in cash held		312	1,490
Cash at the beginning of the financial year		2,140	650
Cash at the end of the financial year		2,452	2,140

The above Statement of Cash Flows should be read in conjunction with the accompanying Notes.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance and Basis of Preparation

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Trust Constitution, Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), the Corporations Act 2001, and complies with other requirements of the law. The Trust is a registered scheme under the *Corporations Act 2001*.

The financial report of the Trust complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB). The Accounting Policies set out below have been consistently applied.

Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted, which is the Trust's functional currency.

The Trust is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The financial report was authorised for issue by the directors on 23 September 2010.

(b) Economic Dependency and Going Concern

The operation of the Trust is economically dependent upon the Transpacific Industries Group Limited ("Transpacific") and its controlled entities (ASX: TPI). The Trust's sole investment comprises unsecured loan notes issued by the Transpacific Group. The majority of the Trust's interest revenue is derived from this investment.

(c) Interest revenue

Interest revenue from investment in interest bearing securities (Loan Notes) is recognised on an accruals basis when the Trust obtains control of the right to receive the revenue in accordance with the terms and conditions attached to the loan notes. Under these terms, the directors of Transpacific Industries Pty Ltd have the right to declare that no interest is payable on the loan notes up to (but no later than) 21 business days prior to the end of each distribution period. The Trust recognises interest revenue on loan notes the earlier of the notification period specified above expiring or upon the directors of Transpacific Industries Pty Ltd formally declaring that interest will be payable for that distribution period.

Interest income is also earned on cash at bank and recognised when received.

(d) Taxation

Under current legislation, the Trust is not liable for income tax provided that the taxable income and taxable realised gains are fully distributed to holders each year. All taxable income of the Trust has been distributed for the 2010 financial year, consequently no income tax is payable in respect of this financial year.

TRANSPACIFIC SPS TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Financial assets (Interest bearing loan notes)

Loan notes are classified as loans and receivables in accordance with AASB 139 "Financial Instruments: Recognition and Measurement". They are stated at amortised cost using the effective interest rate method. The Loan Notes have a term of 50 years and can be redeemed or exchanged for ordinary shares of Transpacific Industries Group Limited on the earlier of 5 years after the issue of Loan Notes, compulsory redemption/exchange of SPS or occurrence of certain specific events. The combination of redemption and/or exchange of Loan Notes must be reflected in the redemption and/or exchange of SPS. The Loan notes are unsecured.

Financial Liabilities

Non-derivative financial liabilities comprising trade and other payables are subsequently measured at amortised cost using the effective interest rate method.

Impairment of Financial Assets

Refer to Note 1(j) for accounting policies with respect of impairment of assets, including financial assets.

TRANSPACIFIC SPS TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Equity – SPS exchangeable units and ordinary units

The Trust currently has 2,500,000 SPS Exchangeable Units authorised for issue. All 2,500,000 units are fully paid and have a face value of \$100 per unit. There are no unissued units at the end of the financial year. Distributions are based on the six month Bank Bill Swap Rate plus a margin of 3.5% per annum (adjusted to reflect the imputed franking credit). Payments which become due and payable to SPS Holders are guaranteed on an unsecured and subordinated basis by Transpacific. This guarantee ranks ahead of Transpacific's ordinary shareholders but is subordinated to the claims of all creditors of Transpacific.

Ordinary units in the Trust comprise 100 units held by Transpacific. Distributions on ordinary units are only payable annually once distributions to SPS unitholders have been made.

In accordance with Australian Accounting Standard AASB 132 "Financial Instruments: Presentation", SPS exchangeable units and ordinary units are classified as equity as a result of their redemption and settlement characteristics, in accordance with the Product Disclosure Statement. Distributions payable are recognised as a liability when the unitholders right to receive payment is established.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments with short term maturities.

(h) Goods and Services Tax (GST)

Expenses are recognised net of the amount of GST recoverable from the ATO as a reduced input tax credit. Receivables and payables are stated at their GST inclusive amount. Cash flows are included in the statement of cash flows on a gross basis.

(i) Expenses

All expenses, including management fees and Responsible Entity fees, are recognised in the income statement on an accruals basis.

TRANSPACIFIC SPS TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets

At each reporting date, the directors of the Responsible Entity of the Trust review the carrying values of Trust's assets to determine whether there is any indication that those assets have been impaired. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of any such loss is recognised directly in the Statement of Comprehensive Income.

The directors of the Responsible Entity of the trust have reviewed the carrying value of the investment in Transpacific Industries Pty Ltd loan notes as at 30 June 2010.

In the review of the carrying value the directors have considered Transpacific's successful recapitalisation in August 2009, resulting in additional equity and long term extension to syndicated debt facilities. The syndicated debt maturities have been extended into new four and five year tranches due in July 2013 and July 2014. Transpacific's financial covenants were also renegotiated with syndicate banks and USPP investors. The directors of the Responsible Entity have also considered the financial performance, financial position and cash flows of Transpacific's operations as disclosed in the financial report for the year ended 30 June 2010 announced to the ASX on 23 September 2010.

Based on the above, the directors of the Responsible Entity have formed the view there is no impairment of the investment in loan notes at 30 June 2010 and the loan notes should continue to be carried at their face value of \$250,000,000. Transpacific has paid all interest payments when due.

(k) Earnings per unit

The ordinary units of the Trust are owned by Transpacific and are not listed on the Australian Securities Exchange. Consequently, no earnings per unit disclosure is required under AASB 133: Earnings Per Share.

The SPS exchangeable units are listed on the Australian Securities Exchange and trade under the code TPAPA. The distribution rates for the distribution period ended 31 March 2010 was \$2.54 per unit. The distribution rate for the distribution period ended 30 September 2009 was \$2.31 per unit. These distributions have fully franked credits attached to them.

(l) Accounting estimates and assumptions

No significant accounting estimates or assumptions were used that have a risk of causing material adjustment to the carrying amount of an asset or liability within the next financial year.

TRANSPACIFIC SPS TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) New standards and interpretations adopted

The following new standards and amendments to existing standards are effective for the financial year ending 30 June 2010:

- AASB 8 (*Operating Segments*)
- AASB 101 (*Revised Presentation of Financial Statements*)
- AASB 7 (*Financial Instruments: Disclosures* (revised April 2009))

AASB 8 adoption has had no effect on the disclosures in the financial report.

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in these financial statements include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of "other comprehensive income";
- the adoption of the single income statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard; and
- the Statement of Changes in Equity has replaced the Statement of Recognised Income and Expense.

AASB 7 The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values. The fair value hierarchy consists of the following levels:

- *Level 1.* These instruments are measured at quoted prices (unadjusted) in active markets for identical assets or liabilities
- *Level 2.* These are measured based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- *Level 3.* These are measured based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The impact for new and revised standards and interpretations not yet effective has not yet been determined by management.

(n) Accounting Standards issued but not yet effective

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Trust has decided against early adoption of these standards.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 2. TRADE AND OTHER RECEIVABLES

	30 June 2010 \$'000	30 June 2009 \$'000
GST receivable	8	5
	<u>8</u>	<u>5</u>

NOTE 3. OTHER FINANCIAL ASSETS

	30 June 2010 \$'000	30 June 2009 \$'000
Investment in Loan Notes	250,000	250,000
	<u>250,000</u>	<u>250,000</u>

NOTE 4. TRADE AND OTHER PAYABLES

	30 June 2010 \$'000	30 June 2009 \$'000
Payable to related entity	2,580	2,266
Sundry accruals	34	33
	<u>2,614</u>	<u>2,299</u>

NOTE 5. ORDINARY UNITS ON ISSUE

	No. of Units		\$
	2010	2009	2010
Ordinary units	100	100	100
	<u>100</u>	<u>100</u>	<u>100</u>

TRANSPACIFIC SPS TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 6. SPS EXCHANGEABLE UNITS

	30 June 2010 \$'000	30 June 2009 \$'000
SPS exchangeable units		
Issued on 22 August 2006	250,000	250,000
Transaction costs	(154)	(154)
	<u>249,846</u>	<u>249,846</u>

Capital Management - The primary activity of the Trust is to invest funds from the SPS Offer in Loan Notes issued by Transpacific Industries Pty Ltd, a subsidiary of Transpacific Industries Group Limited. This transaction was undertaken as part of the financing of the amalgamation with Waste Management New Zealand Limited completed on 3 July 2006. The Trust's SPS capital is managed by assessing the relevant financial risks (refer to Note 13) and ensuring that sufficient interest income is available to meet semi-annual distributions to SPS unitholders. There have been no changes to this strategy during the 2010 financial year.

There are no externally imposed capital requirements.

The Trust was established by Transpacific Industries Group Limited as a special purpose trust for the sole purpose of issuing Transpacific SPS exchangeable units and investing in Loan Notes and holds all 100 ordinary units in the Trust as the controlling entity. No new equity capital has been raised during the financial year either via the issue of additional SPS exchangeable units or ordinary units.

NOTE 7. REVENUE

	30 June 2010 \$'000	30 June 2009 \$'000
Interest revenue		
Interest on cash at bank	60	23
Interest on loan notes	14,700	21,475
	<u>14,760</u>	<u>21,498</u>

NOTE 8. CONTINGENT LIABILITIES AND COMMITMENTS

The directors of the Responsible Entity are not aware of any matters in relation to the Trust, other than those disclosed in the financial statements, which should be brought to attention of unitholders as at the date of completion of this report.

NOTE 9 NOTES TO THE STATEMENT OF CASH FLOW

	30 June 2010 \$'000	30 June 2009 \$'000
Reconciliation of net income from operating activities to net cash flows from operating activities:		
Net income from ordinary activities	14,503	21,232
Changes in assets and liabilities		
(Increase) / Decrease in receivables	(3)	-
Increase / (Decrease) in payables	245	288
Net cash flows from operating activities	<u>14,745</u>	<u>21,520</u>

TRANSPACIFIC SPS TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 10. SEGMENT REPORTING

Under AASB 8, a condition for identifying an operating segment is that it is a component of the entity whose results are regularly reviewed by the entity's chief operating decision maker ('CODM') to make decisions about resources to be allocated to the segment and to assess its performance ('the management approach'). The information presented in the accounts is in the same format as that information used by the CODM. The CODM for the Trust is considered to be the Directors of the Responsible Entity.

From review of the information made available to, and regularly reviewed by, the Directors, our conclusion is the Trust's operations are one single segment. The Trust is domiciled in Australia. The primary basis of reporting is by business. The financial results of this segment are equivalent to the financial statements of the Trust as a whole.

NOTE 11. REMUNERATION OF AUDITORS

Amounts received or due and receivable by the auditor of the Trust:

	30 June 2010	30 June 2009
Compliance audit fee (Deloitte)	\$6,000	\$5,400
Audit and review of the financial reports of the Trust	\$12,000	\$12,000
TOTAL	<u>\$18,000</u>	<u>\$17,400</u>

The auditor of the Trust is Ernst & Young (2009: Bentleys Brisbane Partnership)

NOTE 12. RELATED PARTY DISCLOSURES

Ultimate controlling party

The ultimate controlling entity of the Trust is Transpacific Industries Group Limited through its holding of the 100 ordinary units which have voting rights.

Amounts payable to the ultimate controlling entity and/or its subsidiaries are disclosed in Note 4. The balance owing at 30 June 2010 comprises distributions payable to the ultimate controlling entity as the ordinary unitholder of \$2,378,400 (2009: \$2,181,374) and \$201,640 (2009: \$85,061) representing third party costs associated with operating the Trust (including ASX listing and share registry expenses) that were paid by Transpacific which are at arm's length.

Refer to Note 3 for loan notes held by the Trust in Transpacific Industries Pty Ltd, a wholly owned subsidiary of Transpacific Industries Group Limited. Interest recognised in revenue in respect of the 30 June 2010 financial year relating to the loan notes totalled \$14,700,000 (2009: \$21,475,000) as disclosed in Note 7 and was recognised in accordance with the terms set out in Note 1 (c).

Responsible Entity

The Responsible Entity of the Trust is The Trust Company (RE Services) Limited (ABN: 45 003 278 831), a wholly owned subsidiary of The Trust Company Limited.

TRANSPACIFIC SPS TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 12. RELATED PARTY DISCLOSURES (CONTINUED)

Responsible Entity fees

During the financial year, the Trust paid \$104,746 (2009: \$100,275) in management fees to the Responsible Entity. No director of the Responsible Entity has received or become entitled to receive any benefit because of a contract made by the Trust with a director or with a firm of which a director is a member, or with an entity in which the director has a substantial interest except at terms set out in the Trust Constitution.

Key Management Personnel ("KMP")

The names of the KMP of Responsible Entity holding office during the period ended 30 June 2010 and until the date of this report were:

David Grbin	Executive Director
John Atkin	Executive Director
Michael Britton	Executive Director
Vicki Allen	Executive Director
Sally Ascroft	Alternate Director for David Grbin for the period 24 June 2010 to 1 August 2010

Key management personnel interests in the Trust

None of the KMP held units in the Trust, either directly, indirectly, or beneficially. No loans were made by the Trust to KMP and / or their related parties.

Remuneration of key management personnel of the Responsible Entity

AASB 124 "Related Party Disclosures" defines KMP as including all non-executive directors, executive directors and any other persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Trust has no direct employees, however the non-executive directors and executive directors of the Responsible Entity have been deemed to be directors of the Trust. These individuals and the Responsible Entity comprise the KMP of the Trust.

Remuneration paid to the Responsible Entity is detailed under Responsible Entity Fees above. No director of the Responsible Entity was paid any remuneration by the Trust during the financial year and their compensation paid by the Responsible Entity or related entities of the Responsible Entity is not related to services they render to individual trusts.

TRANSPACIFIC SPS TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 13. FINANCIAL INSTRUMENTS

The Trust's financial instruments consist of cash and cash equivalent assets (deposits with banks), accounts receivable and payable, and investments in loan notes. The Trust does not hold any derivative instruments at 30 June 2010.

Details of the significant accounting policies and methods adopted, including the criteria for recognition and measurement in respect of each class of financial asset and financial liability are disclosed in Note 1.

The main risks the Trust is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk. There is also a concentration risk of the Trust being reliant on its single asset, the investments in loan notes.

Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust's exposure to interest rate risk relates to variations in cash flows from interest income on cash and cash equivalents and loan notes.

Loan notes earn a variable rate of interest set by Transpacific Industries Pty Ltd, in its capacity of issuer of the loan notes, with regard to the distribution rate on SPS exchangeable units to ensure that adequate income is available to pay distributions. The Responsible Entity monitors the rate of interest applicable to loan notes on a semi-annual basis in conjunction with the determination of distribution rates.

There is no fair value interest rate risk to the Trust in relation to the loan notes.

The Trust's exposure to interest rate risk and the weighted interest rate risk of each class of financial assets and financial liabilities is set out in the following table:

		Note	Weighted average interest rate	Floating interest rate	Fixed interest rate			Non- interest bearing	Total
					Less than 1 year	1 to 5 years	More than 5 years		
			%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets									
Cash and cash equivalents	2010		3.62%	2,452	-	-	-	-	2,452
	2009		2.95%	2,140	-	-	-	-	2,140
Trade and other Receivables	2010	2		-	-	-	-	8	8
	2009	2		-	-	-	-	5	5
Investment in Loan Notes	2010	3	5.89%	250,000	-	-	-	-	250,000
	2009	3	8.58%	250,000	-	-	-	-	250,000
Financial liabilities									
Trade and other payables	2010	4		-	-	-	-	2,614	2,614
	2009	4		-	-	-	-	2,299	2,299

TRANSPACIFIC SPS TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 13. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity Risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Responsible Entity monitors forecast cash outflows in respect of operating costs and distribution obligations on SPS exchangeable units and ensures appropriate interest income is received to cover those obligations (a margin exists between the loan note interest rate and interest rate on SPS units which is sufficient to cover anticipated expenses of the Trust). This process is undertaken as part of monitoring interest rate risk as outlined above.

Financial liabilities comprise of trade and other payables as disclosed in Note 4. The maturity analysis of these payables is as follows:

	Payable on Demand	Payable within 30 days
2010 – Trade and other payables	2,580	34
2009 – Trade and other payables	2,266	33

Credit Risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The carrying amount of financial assets recorded in the financial statements represents the Trust's maximum exposure to credit risk. The Trust has a material credit risk exposure to Transpacific Industries Pty Ltd as the issuer of the loan notes held by the Trust. The value of loan notes issued by Transpacific Industries Pty Ltd is supported by the value of Transpacific Industries Pty Ltd and the Transpacific Industries Group consolidated entity.

There are no past due or impaired financial assets as at 30 June 2010.

Sensitivity Analysis – Interest Rate Risk

The Trust has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date on its investment in loan notes. This sensitivity analysis demonstrates the effect on the profit and equity which could result from a change in interest rates.

Holding all other variables constant, an increase in the variable interest rate applicable to the loan notes of 100 basis points would increase interest income and profit by \$2,500,000. A decrease in the variable interest rate applicable to the loan notes of 100 basis points would decrease profit by the same amount.

It should be noted however that distributions to SPS exchangeable unitholders are determined based on the six month Bank Bill Swap Rate plus a margin of 3.5% per annum (as disclosed in Note 1(f)) and any movements in the Bank Bill Swap Rate will affect the distribution payable to SPS unitholders. As outlined under the interest rate risk disclosures previously, the interest rate on loan notes is set having regard to the distribution rate for the applicable distribution period.

As all income of the Trust, net of expenses, is distributed to SPS and ordinary unitholders, the increase or decrease as a result of changes in the interest rates would have no effect on the net equity of the Trust.

TRANSPACIFIC SPS TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 13. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments

The fair value of financial assets and liabilities has been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value determined using valuation techniques

Valuation is based on internally prepared discounted present value models of expected future cash flows.

Future cash flows are determined by reference to the BBSW rate (+2.45% margin) on the first day of the 6-month distribution periods. By forecasting the nominal future payments by reference to the BBSW forward curve, this reflects the current best estimate of future BBSW rates at the relevant dates.

An acceptable discount rate range has been determined, rather than assuming one specific rate, which reflects the fact that the model is impacted by various different factors and uncertainties, including an appropriate credit margin. The model assumes that the loan notes will be redeemed at their maturity.

Based on the above assumptions, Present Value calculations have been performed based on forecasted cash flows and estimated discount rates (low-point and high-point).

The nominal cash flows have been discounted using 2 different discount rates:

- BBSW + 2.45% (low-point discount rate range assumption)
- BBSW + 4.33% (high-point discount rate range assumption)

Based on a sensitivity analysis of the discount rate assumption, the present value of the loan notes is in the range of \$216.9m and \$274.1m compared to a carrying value of \$250m. For the 2009 financial years the present value of the loan notes is in the range of \$210.3m and \$265.1m compared to a carrying value of \$250m.

NOTE 14. EVENTS OCCURRING AFTER REPORTING DATE

The Directors are not aware of any matter or circumstance that has significantly affected or may significantly affect the operations of the Trust, the results of those operations, or state of the Trust's affairs in future years.

NOTE 15. TABLE OF DISTRIBUTION RATES

	2010		2009	
	Amount per unit	Total \$'000	Amount per unit	Total \$'000
SPS Exchangeable Units				
Distribution period ended 30 September: (fully franked at 30% tax rate)	\$2.31	5,775	\$4.02	10,050
Distribution period ended 31 March: (fully franked at 30% tax rate)	\$2.54	6,350	\$3.60	9,000
		<u>12,125</u>		<u>19,050</u>
Ordinary Unit Holder				
Year ended 30 June (fully franked at 30% tax rate)	\$23,784	<u>2,378</u>	\$21,816	<u>2,182</u>

TRANSPACIFIC SPS TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010
DIRECTORS' DECLARATION

The directors of The Trust Company (RE Services) Limited as Responsible Entity of Transpacific SPS Trust declare:

- (a) The financial statements and notes of the Trust as set out on pages 9 to 24 are in accordance with the *Corporations Act 2001*, including:
 - (i) compliance with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 30 June 2010 and of its performance for the year ended on that date.
- (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1 (a).
- (c) There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable as detailed in the Directors' report and Note 1(b) to the financial report.
- (d) The financial statements are in accordance with the provisions of the Trust Constitution.
- (e) The directors confirm they have been given the declarations required by section 295(A) of the *Corporations Act 2001* and have authorised the issue of this report.

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



Michael Britton
Director
23rd September 2010, Sydney

TRANSPACIFIC SPS TRUST
ARSN 120 322 625

ASX ADDITIONAL INFORMATION under listing rule ASX Listing Rule 4.10

The information set out below was current at 20 September 2010.

A. DISTRIBUTION OF SPS TRUST

(a) Analysis of number of security holders by size of holding

Holding size	No of holders	% of issue
1 – 1,000	2,741	30.10%
1,001 – 5,000	148	12.85%
5,001 – 10,000	10	3.00%
10,001 – 100,000	23	26.25%
100,001 & over	2	27.80%
	2,924	100.00%

B. VOTING RIGHTS

Each unit carries one vote at a meeting of unitholders of that unit class

C. QUOTATION OF SECURITIES

The Trust's securities are quoted on the Australian Securities Exchange and are not quoted on any other exchange.

D. TWENTY LARGEST HOLDERS OF SPS TRUST

	Name	No. of units	%
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	593,690	23.75
2	NATIONAL NOMINEES LIMITED	101,427	4.06
3	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <MLCI A/C>	78,467	3.14
4	TERRY AND MARY PEABODY ATF <THE PEABODY FAMILY SUPER FD>	70,000	2.80
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	61,504	2.46
6	FORBAR CUSTODIANS LIMITED <FORSYTH BARR LTD-NOMINEE A/C>	43,189	1.73
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	37,000	1.48
8	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <GSENI A/C>	31,909	1.28
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	27,226	1.09
10	THE DIRECTORS	27,000	1.08
11	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	25,908	1.04
12	CITICORP NOMINEES PTY LIMITED	25,899	1.04
13	AVANTEOS INVESTMENTS LIMITED <ENCIRCLE IMA A/C>	24,224	0.97
14	EASN PTY LTD <PENANCE A/C>	23,773	0.95
15	COGENT NOMINEES PTY LIMITED	22,885	0.92
16	NIKKITA PTY LTD	22,175	0.89
17	MR TERRENCE ELMORE PEABODY + MRS MARY GENEVIEVE PEABODY <THE PEABODY SUPER FUND A/C>	21,460	0.86
18	SUPERLIFE TRUSTEE LIMITED <AUSTRALIAN EQUITY FUND A/C>	20,050	0.80
19	CITICORP NOMINEES PTY LIMITED <CFSIL CFS WS ENH YIELD A/C>	17,043	0.68
20	ANZ NOMINEES LIMITED <CASH INCOME A/C>	14,553	0.58
	TOTAL	1,289,382	51.60

E. UNQUOTED EQUITY SECURITIES

The Trust has one hundred ordinary units on issue which are held by Transpacific Industries Group Limited.

TRANSPACIFIC SPS TRUST
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F. ON-MARKET SHARE BUY BACK

The Trust does not have an on-market buy-back of units currently in operation.

G. OTHER INFORMATION

The proceeds of the SPS offer have been applied in accordance with the Product Disclosure Statement.

The gross proceeds of \$250 million received have been invested in Australian denominated interest bearing securities ("Loan Notes") issued by Transpacific Industries Pty Ltd, a company incorporated in Australia and a subsidiary of Transpacific Industries Group Ltd ("Transpacific").

Responsible Entity

The Trust Company (RE Services) Limited

Company Secretary

Position held jointly by Adrian Lucchese and Sally Ascroft

Registered Office

Level 4
35 Clarence Street
Sydney NSW 2000
Telephone: (02) 8295 8100
Facsimile (02) 8295 8659

Principal Administrative Office

Level 1
159 Coronation Drive
Milton QLD 4064
Telephone: (07) 3367 7800
Facsimile: (07) 3367 7878

Auditors

Ernst & Young
1 Eagle Street
Brisbane QLD 4000

Share Registry

Computershare Registry Services Pty Ltd
Level 19
307 Queen Street
Brisbane QLD 4001

**TRANSPACIFIC SPS TRUST
ARSN 120 322 625**

Corporate Governance Statement

**The Trust Company (RE Services) Limited
In its capacity as the responsible entity for**

**Transpacific SPS Trust
ARSN 120 322 625**

General

The directors of The Trust Company (RE Services) Limited (formerly Permanent Investment Management Limited) ("**the Responsible Entity**") as Responsible Entity of Transpacific SPS Trust ARSN 120 322 625 ("**Trust**" or "**Scheme**") consider that good quality corporate governance practices provide the framework for effective systems and business operations to deliver utmost value to Trust's unitholders and other stakeholders. The Responsible Entity's role is to act in the best interests of the unitholders of Trust.

The Trust Company (RE Services) Limited is wholly owned by The Trust Company Limited ("**The Trust Company**"). The operations of the Trust are governed by the:

- Trust Deed and the Constitution;
- Corporations Act 2001;
- ASX Listing Rules ;
- Compliance Plan;
- Relevant services agreements; and
- General law.

The Responsible Entity is responsible for Trust's overall operation and administrative functions including the:

- preparation of financial statements, notices and reports; and
- monitoring of the Trust's service providers including registry, management and custody.

Structure

Pursuant to the Services and Indemnity Agreement between the Responsible Entity and the Investment Manager, the Investment Manager, is responsible for the performance of certain management services for the Responsible Entity in respect of the Scheme including asset management, financial reporting and investor communications and meetings.

ASX Corporate Governance Principles

As a listed entity and a managed investment scheme, the Trust is also required to comply with the ASX Listing Rules and provide a statement in the Trust's annual report disclosing the extent to which the Responsible Entity has followed the Corporate Governance Principles and Recommendations. Below, The Responsible Entity addresses each of the eight principles for the period 1 July 2009 to 30 June 2010. This corporate governance statement is current as at 24 September 2010.

Principle 1

Lay solid foundations for management and oversight

Role of the board and management

The structure and role of the boards of the Responsible Entity and of any of the relevant appointed Service Providers are designed to provide maximum value to investors in terms of ensuring appropriate oversight of their relevant activities.

The Responsible Entity has a constitution which sets out, amongst other things, the appointment and removal procedures for directors, board meeting requirements and remuneration policies. Internal procedures have been developed for:

- monitoring business risk;
- appropriate oversight of business units;
- compliance with regulatory requirements, scheme compliance plan and constitution; and
- monitoring of third party service providers.

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The Responsible Entity's directors, along with management, have the role of ensuring that the Responsible Entity complies with its obligations as Responsible Entity of the Trust. The board ("**Board**") meets monthly to consider client activities of the Responsible Entity and any relevant compliance matters. The Responsible Entity's management elevates relevant compliance matters to its Audit, Risk & Compliance Committee (**ARCC**).

The Responsible Entity is accountable to unitholders. In addition, The Responsible Entity is responsible for the Trust's overall operation, its regulatory and compliance obligations, and its administrative functions. The Responsible Entity regularly reviews and monitors the performance of the Trust's affairs and activities so that they are conducted in the best interest of unitholders.

These functions include:

- maintaining high ethical and business standards;
- ensuring the preparation, review and approval of annual and half yearly financial statements, preparation of notices and reports to unitholders, ASX and other regulators;
- consultation with the Investment Manager;
- monitoring and responsibility for certain specialist external service providers to assist the Responsible Entity from time to time in the proper, efficient and timely delivery of services;
- compliance with a constitution that sets out amongst other things the appointment and removal procedures for the director's, meeting rules and requirements and disclosure procedure;
- maintaining internal procedures for monitoring business risk and ensuring appropriate oversight of the Trust's compliance plan and constitution;
- empowering management of the Responsible Entity to report compliance matters relating to the Trust to the Board and ARCC;
- The Trust Company as the parent of the Responsible Entity, providing executive directors, responsible managers and company secretarial functions for the Responsible Entity. Those directors along with internal management have the ongoing task of ensuring the Responsible Entity complies with its obligations as Responsible Entity of the Trust; and
- ensuring all available relevant information in connection with the Trust is discussed at meetings of the Board.

Principle 2

Structure the board to add value

Both the Responsible Entity and the Investment Manager add value through being completely independent of each other with no common directors and no related party interests between the two entities. This ensures no conflicts of interest when discretionary decisions are required of either entity.

The Responsible Entity currently has four executive directors which meet monthly to consider the operational activities, financial performance of the Responsible Entity business. The directors are provided by the Responsible Entity's parent company, The Trust Company Limited.

The procedures for selecting a Chairman, powers of the Board, appointment, removal and remuneration of Directors, Board meeting requirements and other related matters are set out in the Responsible Entity's constitution.

New director's are fully briefed on the terms and conditions of their appointment by The Trust Company executives and undertake an induction program to familiarize themselves with the Responsible Entity and its business operations.

As each Director of the Responsible Entity is an executive of The Trust Company, the ARCC is comprised of a majority of external members (non The Trust Company executives) and has been established to meet the requirements of Chapter 5C of the Corporations Act. In addition, the independence of the external members meets the requirements of section 601JA(2) of the Corporations Act. The Trust Company has structured itself so that the Responsible Entity's role as responsible entity of the Trust adds real value through its focus on compliance with the regulatory requirements and its overarching responsibility to act in the best interests of unitholders.

Principle 3

TRANSPACIFIC SPS TRUST
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Promote ethical and responsible decision-making

The Responsible Entity is committed to maintaining the highest standards of integrity with respect to its role as the Responsible Entity and seeks to ensure all its activities in regard to the Trust are undertaken with efficiency, honesty and fairness. The Responsible Entity has various policies and procedures in addition to a Code of Conduct and Share Trading Policy that applies to all directors and employees without exception. All codes and policies are designed to promote integrity, responsibility, accountability and adherence to relevant legislation. They apply to the directors and officers of the Responsible Entity as a member of the The Trust Company group and Responsible Entity of the Trust.

Principle 4

Safeguard integrity in financial reporting

The Responsible Entity has engaged service providers to assist in the preparation of the half year and annual financial statements for the Trust. These financial statements are audited by an external auditor whose report is provided to the Responsible Entity Board. The current auditor is Ernst & Young.

The Responsible Entity meets with the service providers, the Investment Manager and the external auditor to discuss the audit plan and scope prior to each financial year end. The audit report is tabled for the Board's consideration and approval.

The Responsible Entity reviews the financial statements and provides formal statements to the Board confirming that the Trust's financial reports present a true and fair view, in all material aspects, of the Trust's financial condition, and that operational results are in accordance with the Trust's constitution and relevant accounting standards. In addition, it confirms that the statements are founded on a sound system of risk management and internal compliance and control which implements policies adopted by the Board.

Principle 5

Make timely and balanced disclosure

The Responsible Entity has continuous disclosure procedures to ensure the Trust's compliance with ASX Listing Rules and the Corporations Act. Service providers to the Trust under outsourcing arrangements are required to adhere to the ASX listing rules in terms of continuous disclosure requirements and must report to the Responsible Entity instances where a disclosure obligation is required. The Responsible Entity has procedures in place to monitor the compliance of service providers with these requirements. The Company Secretary of the Responsible Entity is responsible for disclosures to the ASX in relation to the continuous disclosure obligations of the Trust.

Principle 6

Respect the rights of unitholders

The Responsible Entity is committed to providing timely and accurate information concerning the Trust to its unitholders. The Trust's compliance plan and constitution further set out the Responsible Entity's obligations and the rights of unitholders in this regard.

The Annual Report of the Trust comprising the financial statements is sent to unitholders each year. The Annual Report includes the ASX Listing Rule disclosure requirements and although registered schemes are not required to hold meetings of unitholders, the constitution of the Trust provides for such meetings if and when required.

Under the Services and Indemnity Agreement the Investment Manager is required to ensure any actions or decisions it makes does not breach the terms of the Trust's constitution or any relevant law or transaction document in relation to the Trust which could adversely affect rights of unitholders.

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Principle 7
Recognise and manage risk

Under the Services and Indemnity Agreement the Investment Manager is required to:

- ensure that it regularly and adequately trains its representatives and agents so that they have the necessary competencies to deliver the services required
- establish and maintain adequate risk management systems
- use its best endeavours to ensure that it complies with any legislative requirements directly applicable to the Investment Manager and its activities
- notify the Responsible Entity in writing immediately regarding any event which may trigger the enhanced disclosure provisions of the Corporations Act.

The Responsible Entity values the importance of robust risk management systems and, with its parent The Trust Company, has established an ARCC to support the compliance obligations of the Trust with respect to its corporate governance and risk responsibilities.

The ARCC is comprised of a majority of external members skilled in the areas of audit, risk and compliance. The ARCC is responsible for the oversight of risk management and internal control systems for the Responsible Entity. It reviews internal and external audit processes and monitors the Responsible Entity's compliance with laws and regulations. The ARCC meets regularly with The Trust Company's Executive Team, senior management and external advisers, and reports directly to the The Trust Company and Responsible Entity Boards.

The Responsible Entity has a formal risk management program in place which has been adopted from its parent entity, The Trust Company. It is based on Standards Australia AS/NZS4360:2004-Risk Management Standard and includes policies and procedures to identify and address material financial and non-financial risks.

The Trust Company also maintains an independent internal audit function which reports directly to ARCC and the Responsible Entity's Board if necessary.

Principle 8
Remunerate fairly and responsibly

Remuneration policies are in place to maintain and attract talented and motivated directors and employees. The policies are designed to improve the performance of The Trust Company and its controlled entities. As The Trust Company is the parent of the Responsible Entity it provides executive directors and internal management for the Responsible Entity. Directors and internal management of the Responsible Entity are remunerated by The Trust Company and not by the Trust.

The Responsible Entity's fees are set out in the constitution for the Trust. Both the Responsible Entity and the Investment Manager monitor all fees and expenses paid from the Trust to ensure they are allowable under the Trust documentation.