Australian Fixed Interest Multi-Blend Fund

ARSN 087 295 234

Annual report - for the year ended 30 June 2011

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These financial statements cover Australian Fixed Interest Multi-Blend Fund as an individual entity.

The Responsible Entity of Australian Fixed Interest Multi-Blend Fund is Advance Asset Management Limited (ABN 98 002 538 329). The Responsible Entity's registered office is Level 20, 275 Kent Street, Sydney, NSW 2000.

Directors' report

The directors of Advance Asset Management Limited, the Responsible Entity of Australian Fixed Interest Multi-Blend Fund, present their report together with the financial statements of Australian Fixed Interest Multi-Blend Fund ("the Fund") for the year ended 30 June 2011.

Principal activities

The Fund invests in money market securities, fixed interest securities, money market derivatives and fixed interest derivatives in accordance with the provisions of the Fund's Constitution.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

Directors

The following persons held office as directors of Advance Asset Management Limited during the year or since the end of the year and up to the date of this report:

J Frechtling (appointed 25 February 2009, resigned 21 February 2011)
G McGrath (appointed 25 February 2009, resigned 28 October 2010)
J Shuttleworth (appointed 25 February 2009)
S Khan (appointed 1 October 2009, resigned 28 October 2010)
D Lees (appointed 7 July 2010)
V Poole (appointed 28 October 2010, resigned 11 March 2011)
L Ralph (appointed 21 February 2011)
D Plumb (appointed 1 March 2011)
R Davies (appointed 1 March 2011)

Review and results of operations

During the year, the Fund continued to invest in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

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

	Year ended	
	30 June 2011	30 June 2010
Operating profit/(loss) before finance costs attributable to unitholders ($'000)	**34,548**	44,074
Distributions - ordinary class		
Distribution paid and payable ($'000)	**1,207**	2,352
Distribution (cents per unit)	**6.301**	3.861
Distributions - wholesale class		
Distribution paid and payable ($'000)	**36,786**	21,616
Distribution (cents per unit)	**7.915**	5.733

Directors' report (continued)

The table below demonstrates the performance of the Fund's classes of units as represented by the total return, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income. The total return is shown for the past two years to 30 June 2011 and assumes that all distributions were re-invested during that period. These are calculated in accordance with FSC Standard 6.0 Product Performance - calculation and presentation of returns.

Ordinary class	**2011**	2010
	%	%
Capital growth	**(1.15)**	2.57
Distribution of income	**6.03**	5.76
Total return	**4.88**	8.33

Wholesale class	**2011**	2010
	%	%
Capital growth	**(1.44)**	1.67
Distribution of income	**7.65**	7.95
Total return	**6.21**	9.62

Consistent with our statements in the governing documents of the Fund, future performance is not guaranteed. Investors should exercise care in using past performance as a predictor of future performance.

Unit redemption prices
Unit redemption prices (quoted cum-distribution) are shown as follows:

	2011	2010
	$	$
Ordinary class		
At 30 June	**1.0672**	1.0708
High during year	**1.0817**	1.0708
Low during year	**1.0524**	1.0172

	2011	2010
	$	$
Wholesale class		
At 30 June	**1.0582**	1.0707
High during year	**1.0775**	1.0707
Low during year	**1.0464**	1.0173

Directors' report (continued)

The key differences 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:

	30 June 2011 $'000	30 June 2010 $'000
Net assets for unit pricing purposes	**377,065**	584,315
Difference between net market value (for unit pricing) and fair value (for financial statements) of financial assets held at fair value through profit or loss	**(619)**	(630)
Effect of classification of net assets attributable to unitholders as liabilities	**(376,446)**	(583,685)
Net assets under Australian Accounting Standards	**-**	-

Significant changes in state of affairs

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

Matters subsequent to the end of the financial year

As of 22 August 2011, the Fund changed its name from Australian Fixed Interest Multi-Blend Fund to Advance Australian Fixed Interest Multi-Blend Fund.

Apart from the matter disclosed above no other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

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

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

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 are in no way indemnified out of the assets of the Fund.

Directors' report (continued)

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 year 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 year.

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

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 7 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 are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand dollars

The Fund is an entity of a kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with that Class Order, 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 6.

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

Director

Director

Sydney
19 September 2011

pwc

Auditor's independence declaration

As lead auditor for the audit of Australian Fixed Interest Multi-Blend Fund for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Australian Fixed Interest Multi-Blend Fund during the period.

Claire Keating
Partner
PricewaterhouseCoopers

Sydney
19 September 2011

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Statement of comprehensive income

	Notes	Year ended 30 June 2011 $'000	30 June 2010 $'000
Investment income			
Interest income	4	**34,151**	19,208
Distribution income		**1,083**	2,810
Net gains/(losses) on financial instruments held at fair value through profit or loss	6	**2,767**	25,176
Other investment income		**167**	552
Total net investment income/(loss)		**38,168**	47,746
Expenses			
Responsible Entity's fees	13	**3,567**	3,598
Transaction costs		**53**	74
Total operating expenses		**3,620**	3,672
Operating profit/(loss)		**34,548**	44,074
Finance costs attributable to unitholders			
Distributions to unitholders	8	**(37,993)**	(23,968)
(Increase)/decrease in net assets attributable to unitholders	7	**3,445**	(20,106)
Profit/(loss) for the year		**-**	-
Other comprehensive income		**-**	-
Total comprehensive income		**-**	-

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

Balance sheet

	Notes	As at 30 June 2011 $'000	30 June 2010 $'000
Assets			
Cash and cash equivalents	9	**9,529**	14,355
Margin accounts		**2,289**	3,634
Accrued income		**4,691**	7,514
Due from brokers - receivable for securities sold		**-**	11,995
Receivables		**286**	289
Financial assets held at fair value through profit or loss	10	**366,943**	560,542
Total assets		**383,738**	598,329
Liabilities			
Distribution payable	8	**6,945**	8,996
Due to brokers - payable for securities purchased		**-**	3,480
Payables		**223**	306
Financial liabilities held at fair value through profit or loss	11	**124**	1,862
Total liabilities (excluding net assets attributable to unitholders)		**7,292**	14,644
Net assets attributable to unitholders - liability	7	**376,446**	583,685

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

Statement of changes in equity

	Year ended	
	30 June 2011 $'000	30 June 2010 $'000
Total equity at the beginning of the financial year	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the financial year	-	-

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

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

Statement of cash flows

	Notes	Year ended 30 June 2011 $'000	30 June 2010 $'000
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		**965,957**	704,985
Purchase of financial instruments held at fair value through profit or loss		**(759,620)**	(770,451)
Transaction costs		**(53)**	(74)
Interest received		**36,208**	17,292
Distributions received		**-**	147
Other income received		**169**	584
Responsible Entity's fees received/(paid)		**(3,650)**	(3,695)
Net cash inflow/(outflow) from operating activities	14(a)	**239,011**	(51,212)
Cash flows from financing activities			
Proceeds from applications by unitholders		**43,545**	747,378
Payments for redemptions by unitholders		**(285,253)**	(700,236)
Distributions paid		**(2,129)**	(8,734)
Net cash inflow/(outflow) from financing activities		**(243,837)**	38,408
Net increase/(decrease) in cash and cash equivalents		**(4,826)**	(12,804)
Cash and cash equivalents at the beginning of the year		**14,355**	27,159
Cash and cash equivalents at the end of the year	9	**9,529**	14,355
Non-cash financing activities	14(b)		

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

1 General information

These financial statements cover Australian Fixed Interest Multi-Blend Fund ("the Fund") as an individual entity. The Fund was constituted on 16 March 1992.

The Responsible Entity of the Fund is Advance Asset Management Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 20, 275 Kent Street, Sydney, NSW 2000. The financial statements are presented in Australian currency.

The financial statements were authorised for issue by the directors on 19 September 2011. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001* in Australia.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

Compliance with International Financial Reporting Standards

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

(b) Financial instruments

(i) Classification

The Fund's 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 contracts, warrants, options and swaps are included under this classification. The Fund does not designate any derivatives as hedges in a hedging relationship.

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

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

  Financial assets 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 Fund's documented investment strategy. The Fund's policy is for the Responsible Entity 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 financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in 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 the Fund has transferred substantially all risks and rewards of ownership.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss

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

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Fund is the current bid price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Fund recognises the difference in profit or loss to reflect a change in factors, including time, which market participants would consider in setting a price.

Further details on how the fair values of financial instruments are determined are disclosed in note 3.

Loans and receivables

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

(iv) Offsetting financial instruments

Financial assets and liabilities are 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.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities as the Fund is required to distribute its distributable income. The units can be put back to the Fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to redeem units in the Fund.

(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 investment securities 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.

2 Summary of significant accounting policies (continued)

(e) Investment income

Interest income and expenses are recognised in the statement of comprehensive income for all debt instruments using the effective interest method.

Interest income is recognised in the statement of comprehensive income as it accrues, using the original effective interest rate of the instrument calculated at acquisition or origination date. Interest income includes the amortisation of any discount or premium or other differences between initial carrying amount of an interest-bearing instrument and its amount calculated on an effective interest rate basis.

Trust distributions (including distributions from cash management trusts) are recognised on a present entitlement basis.

(f) Expenses

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

(g) 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).

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

(h) 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.

(i) 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.

(j) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and for equities normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

2 Summary of significant accounting policies (continued)

(k) 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 at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(e) above. Amounts are generally received within 45 days of being recorded as receivables.

(l) Receivables

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

(m) Payables

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

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately in the balance sheet when unitholders are presently entitled to the distributable income under the Fund's Constitution.

(n) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

(o) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as investment management fees have been passed onto the Fund. The Fund qualifies for RITC at a rate of 75%; hence investment management fees, custodial 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.

(p) Classes of units

The Fund has the following classes of units:

- ordinary class, and
- wholesale class.

All classes of units in the Fund are exposed to the same underlying pool of assets. The rights attached to the unit classes are differentiated only by the entry fees and by the management fee structures as detailed in note 13.

(q) Use of estimates

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

2 Summary of significant accounting policies (continued)

(q) Use of estimates (continued)

For the majority of the Fund's 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 of the Responsible Entity, independent of the area that created them. Models are calibrated by back testing to actual transactions to ensure that outputs are reliable.

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 amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period. Management's assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010 *Amendment to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.

AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded.

The Fund has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Fund's financial statements as the Fund does not hold any available-for-sale investments.

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures.* It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities. The Fund will apply the amended standard from 1 July 2011. The amendments are not expected to have any effect on the Fund's financial statements.

(iii) AASB 2010-6 *Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB issued AASB 2010-6 *Disclosures on Transfers of Financial Assets* which amends AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 7 *Financial Instruments: Disclosures* to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments are not expected to have any impact on the Fund's disclosures. The Fund intends to apply the amendment from 1 July 2011.

(iv) *Amendments to* AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual reporting periods beginning on or after 1 July 2010 / 1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Fund does not expect that any adjustments will be necessary as the result of applying the revised rules.

2 Summary of significant accounting policies (continued)

(s) Rounding of amounts

The Fund is an entity of the kind referred to in Class Order 98/100 (as amended), issued by ASIC, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

(t) Margin accounts

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

3 Financial risk management

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

The Fund's overall risk management programme focuses on ensuring compliance with the governing documents of the Fund and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. The Fund may also use (or uses) derivative financial instruments to alter certain risk exposures. Financial risk management is carried out by the investment manager.

The Fund's overall risk management programme focuses on ensuring compliance with the governing documents of the Fund and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by the investment manager of the underlying unit trust.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ratings analysis for credit risk.

The investment manager mitigates these financial risks through diversification and a careful selection of securities and other financial instruments within specified limits set by management.

The Fund previously invested into an unlisted unit trust with an external responsible entity and managed by an external manager. The name of that trust is disclosed in financial assets held at fair value through profit and loss note. As such management has access to publicly available information on the financial risks and financial risk management policies of the external manager's unit trust. The financial risk management disclosures for the Fund have been made without reference to the underlying unit trust's financial risk management disclosures as at 30 June 2011 as this data was not available at the time the Fund financial statements were prepared.

The Fund's performance exceptions to the UBS Australia Composite Bond Index 0+ Yr, which is the Fund's benchmark, are reported to a senior management committee on a regular basis.

(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. There is no significant direct price risk in this Fund.

The majority of the Fund's investments are in direct money market securities, direct fixed interest securities, money market derivatives and fixed interest derivatives. The risks associated with these securities are disclosed under interest rate risk.

3 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 is no significant direct foreign exchange risk in this Fund.

(iii) Interest rate risk

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

The Fund holds units in direct money market securities, direct fixed interest securities, money market derivatives and fixed interest derivatives and is exposed to interest rate risk through those investments.

At year end, the Fund held domestic fixed interest derivatives as disclosed in the note on derivative financial instruments.

Exceptions to compliance with the Fund's fixed interest policy are reported to management on a regular basis.

An analysis of financial liabilities by maturities is provided in paragraph (d) below.

The table presented in note 3(b) summarises sensitivity analysis to interest rate risk.

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to interest rate risk. The analysis is based on reasonably possible movements in the benchmark with all other variables held constant and the fair value of the Fund's 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.

	Interest rate risk Impact on operating profit/ Net assets attributable to unitholders	
	-1.00 %	**+1.00%**
	(2010: -1.00%)	**(2010: +1.00%)**
	$'000	**$'000**
30 June 2011	**9,295**	**(9,295)**
30 June 2010	7,578	(7,578)

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.

3 Financial risk management (continued)

(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 arises from investments in debt securities and from trading in derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. None of these assets are impaired nor past due but not impaired.

Concentrations of direct credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved and
- ensuring that transactions are undertaken with a number of counterparties.

Exceptions to compliance with the Fund's credit risk policy are reported to management on a regular basis.

Included in the Australian fixed interest securities below is the following security classified in the other rating (please refer also to the valuation method in note 3e):

	30 June 2011 $'000	30 June 2010 $'000
Lehman Brothers Holdings (24 August 2011 maturity)	**576**	818
Total	**576**	818

Other than the above, there were no significant direct concentrations of credit risk to counterparties at 30 June 2011 or 30 June 2010.

Fixed interest securities

The Fund invests in fixed interest securities which have an investment grade categorisation as rated by Standard and Poors. For unrated fixed interest securities a rating is assigned by the Investment Manager using an approach that is consistent with the approach used by rating agencies.

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets. An analysis of fixed interest securities by rating is set out in the table below. This is not on a look-through basis for fixed interest securities held in unit trusts.

Australian fixed interest securities	**30 June 2011 $'000**	30 June 2010 $'000
Rating		
AAA	**97,302**	340,819
AA	**103,647**	62,478
A	**54,721**	70,443
BBB	**13,644**	25,984
Other	**576**	818
A- 1	**1,540**	1,933
A- 1+	**95,333**	13,533
Total	**366,763**	516,008

3 Financial risk management (continued)

(d) Liquidity risk

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

The Fund is exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. It therefore primarily holds investments that are traded in an active market and can be readily disposed of. Only a limited proportion of its assets are not traded on an active market.

The majority of the Fund's listed securities are 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 Fund held units in unlisted unit trusts which were priced daily and which could be readily disposed of.

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

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

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

The Fund may, from time to time, invest in derivative contracts traded over the counter, which are not traded on a recognised exchange and may be illiquid. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty. Such investments held at year end are disclosed in the note on derivative financial instruments below.

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the end of the reporting period. The amounts in the table are contractual undiscounted cash flows.

	Less than 1 month	**1-3 months**	**Greater than 3 months**
	$'000	**$'000**	**$'000**
At 30 June 2011			
Distribution payable	**6,945**	-	-
Payables	**223**	-	-
Net assets attributable to unitholders	**376,446**	-	-
Total financial liabilities (excluding net settled derivatives)	**383,614**	-	-

	Less than 1 month	1-3 months	Greater than 3 months
	$'000	$'000	$'000
At 30 June 2010			
Distribution payable	8,996	-	-
Due to brokers - payable for securities purchased	3,480	-	-
Payables	306	-	-
Net assets attributable to unitholders	583,685	-	-
Total financial liabilities (excluding net settled derivatives)	596,467	-	-

3 Financial risk management (continued)

(d) Liquidity risk (continued)

The table below analyses the Fund's net settled derivative financial instruments for which the contractual maturities are considered important to understanding the timing of cash flows based on the Fund's investment strategy.

	Less than 1 month	**1-3 months**	**Greater than 3 months**
	$'000	**$'000**	**$'000**
At 30 June 2011			
Net settled derivatives			
Australian fixed interest futures	-	**(4)**	-
Interest rate swaps	-	**60**	-

	Less than 1 month	1-3 months	Greater than 3 months
	$'000	$'000	$'000
At 30 June 2010			
Net settled derivatives			
Futures in respect of money market securities	-	(3)	-
Australian fixed interest futures	-	(1,859)	-

(e) Fair value estimation

The carrying amounts of the Fund's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

(i) Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in note 2. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair value for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

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.

(ii) Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

3 Financial risk management (continued)

(e) Fair value estimation (continued)

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black-Scholes option valuation model.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The valuation of the Lehman Brothers security is based on the expected settlement of a class action. The proposed plan to be put to creditors will offer an average recovery of approximately USD 20 cents in the dollar owed to creditors. That amount forms the basis of the valuation of the security as at 30 June 2011.

Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such funds.

(f) Fair value hierarchy

(i) Classification of financial assets and financial liabilities

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

3 Financial risk management (continued)

(f) Fair value hierarchy (continued)

The table below sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2011 and 30 June 2010.

As at 30 June 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held for trading:				
Derivatives	120	60	-	180
Financial assets designated at fair value through profit or loss:				
Fixed interest securities	128,586	233,624	4,553	366,763
Total	128,706	233,684	4,553	366,943
Financial liabilities				
Financial liabilities held for trading:				
Derivatives	(124)	-	-	(124)
Total	(124)	-	-	(124)

As at 30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets designated at fair value through profit or loss:				
Fixed interest securities	237,432	265,805	818	504,055
Unlisted unit trusts	44,534	-	-	44,534
Money market securities	11,953	-	-	11,953
Total	293,919	265,805	818	560,542
Financial liabilites				
Financial liabilities held for trading:				
Derivatives	(1,862)	-	-	(1,862)
Total	(1,862)	-	-	(1,862)

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active unlisted unit trusts, active listed equities, exchange traded derivatives, currency contracts, money market securities, government bonds and listed corporate debt.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include certain unlisted corporate debt and floating rate notes, warrants, swaps, certain unlisted unit trusts and certain listed equities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include certain unlisted shares, certain corporate debt securities and unlisted unit trusts with suspended applications and withdrawals. As observable prices are not available for these securities, the Responsible Entity has used valuation techniques to derive fair value.

3 Financial risk management (continued)

(f) Fair value hierarchy (continued)

(ii) Transfers between levels

There have been no transfers between levels for the year ended 30 June 2010.

The following table presents the transfers between levels for the year ended 30 June 2011.

As at 30 June 2011	**Level 2 $'000**	**Level 3 $'000**
Transfers between levels 2 and 3:		
Fixed interest securities	**(1,314)**	**1,314**

(iii) Movement in level 3 instruments

The following table presents the movement in level 3 instruments for the year ended 30 June 2011 by class of financial instrument.

As at 30 June 2011	**Opening balance $'000**	**Purchases $'000**	**Sales $'000**	**Transfers into/(out of) level 3 $'000**	**Gains and losses recognised in the statement of comprehensive income $'000**	**Closing balance $'000**	**Total gains/(losses) for the year included in the statement of comprehensive income for financial assets and liabilities held at the end of the year $'000**
Fixed interest securities	**818**	**2,675**	**-**	**1,314**	**(254)**	**4,553**	**(254)**

The following table presents the movement in level 3 instruments for the year ended 30 June 2010 by class of financial instrument.

As at 30 June 2010	Opening balance $'000	Purchases $'000	Sales $'000	Transfers into/(out of) level 3 $'000	Gains and losses recognised in the statement of comprehensive income $'000	Closing balance $'000	Total gains/(losses) for the year included in the statement of comprehensive income for financial assets and liabilities held at the end of the year $'000
Fixed interest securities	880	-	-	-	(62)	818	(62)

4 Interest income

The following table details the interest income earned by the Fund during the year:

	Year ended	
	30 June 2011 $'000	30 June 2010 $'000
Interest income from debt securities designated at fair value through profit or loss	**33,495**	18,384
Interest income from financial assets that are not at fair value through profit or loss:		
Cash and cash equivalents	**656**	824
Total interest income	**34,151**	19,208

5 Auditor's remuneration

Auditor's remuneration for auditing the financial statements of $12,259 (2010: $14,085) and other services of $760 (2010: $760) were paid by the Responsible Entity out of their fees.

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

Net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	Year ended	
	30 June 2011 $'000	30 June 2010 $'000
Net unrealised gains/(losses) on financial instruments held for trading	**1,919**	(1,862)
Net unrealised gains/(losses) on financial instruments designated as at fair value through profit or loss	**(7,793)**	25,172
Net realised gains/(losses) on financial instruments held for trading	**(1,132)**	2,483
Net realised gains/(losses) on financial instruments designated as at fair value through profit or loss	**9,773**	(617)
Total net gains/(losses) on financial instruments held at fair value through profit or loss	**2,767**	25,176

7 Net assets attributable to unitholders

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

	30 June 2011 No. '000	30 June 2010 No. '000	**30 June 2011 $'000**	30 June 2010 $'000
Net assets attributable to unitholders - ordinary class				
Opening balance	**37,574**	143,015	**39,787**	145,175
Applications	**82**	3,531	**87**	3,630
Redemptions	**(33,157)**	(113,398)	**(35,258)**	(117,521)
Units issued upon reinvestment of distributions	**1,376**	4,426	**1,458**	4,581
Increase/(decrease) in net assets attributable to unitholders	**-**	-	**71**	3,922
Closing balance	**5,875**	37,574	**6,145**	39,787

	30 June 2011 No. '000	30 June 2010 No. '000	**30 June 2011 $'000**	30 June 2010 $'000
Net assets attributable to unitholders - wholesale class				
Opening balance	**516,410**	349,932	**543,898**	354,549
Applications	**41,015**	718,865	**43,457**	744,012
Redemptions	**(235,059)**	(563,786)	**(249,995)**	(582,715)
Units issued upon reinvestment of distributions	**34,580**	11,399	**36,457**	11,868
Increase/(decrease) in net assets attributable to unitholders	**-**	-	**(3,516)**	16,184
Closing balance	**356,946**	516,410	**370,301**	543,898

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 are two classes of unitholders in the Fund being ordinary and wholesale.

Capital risk management

The Responsible Entity manages the Fund's net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

The Responsible Entity monitors the Fund's individual redemptions greater than $1,000,000 or 5% of the fund size. Management assesses the impact on remaining unitholders of the realisation of the assets to meet the redemption before approving these transactions and allowing them to be processed in the registry system and funds remitted to the redeeming unitholders. As permitted under the governing documents, where the impact on remaining unitholders is significant, management may decide to pay a special distribution and/or may delay payment of the redemption amount.

(a) Realised capital losses

At the end of each reporting period, the Fund had realised capital losses of $727,000 (2010: $3,373,000) available to offset against future assessable capital gains.

8 Distributions to unitholders

	Year ended			
	30 June 2011 $'000	**30 June 2011 CPU**	30 June 2010 $'000	30 June 2010 CPU
Distributions - ordinary class				
Distributions paid				
- 30 September	**279**	**0.770**	509	0.668
- 31 December	**442**	**1.280**	854	1.270
- 31 March	**258**	**1.290**	596	0.877
- 21 June	**117**	**1.070**	-	-
Distribution payable				
- 30 June	**111**	**1.891**	393	1.046
	1,207	**6.301**	2,352	3.861

	Year ended			
	30 June 2011 $'000	**30 June 2011 CPU**	30 June 2010 $'000	30 June 2010 CPU
Distributions - wholesale class				
Distributions paid				
- 30 September	**5,741**	**1.090**	3,691	1.167
- 31 December	**8,691**	**1.600**	5,367	1.680
- 31 March	**8,776**	**1.700**	3,955	1.220
- 21 June	**6,744**	**1.610**	-	-
Distribution payable				
- 30 June	**6,834**	**1.915**	8,603	1.666
	36,786	**7.915**	21,616	5.733

9 Cash and cash equivalents

	As at	
	30 June 2011 $'000	30 June 2010 $'000
Cash at bank	**9,529**	14,355
	9,529	14,355

10 Financial assets held at fair value through profit or loss

	As at 30 June 2011 Fair value $'000	30 June 2010 Fair value $'000
Held for trading		
Derivatives (note 12)	**180**	-
Total held for trading	**180**	-
Designated at fair value through profit or loss		
Fixed interest securities	**366,763**	504,055
Unlisted unit trusts	-	44,534
Money market securities	-	11,953
Total designated at fair value through profit or loss	**366,763**	560,542
Total financial assets held at fair value through profit or loss	**366,943**	560,542
Comprising:		
Derivatives		
Australian fixed interest futures	**120**	-
Interest rate swaps	**60**	-
Total derivatives	**180**	-
Comprising:		
Fixed interest securities		
Commonwealth government securities	**3,850**	15,797
Other public sector securities	**124,736**	221,635
Other bonds*	**238,177**	266,623
Total fixed interest securities	**366,763**	504,055
Unlisted unit trusts		
Units in Australian fixed interest trusts (Colonial First State Wholesale Australian Corporate Debt Fund)	-	44,534
Total unlisted unit trusts	-	44,534
Money market securities		
Negotiable certificates of deposits	-	11,953
Total money market securities	-	11,953
Total financial assets held at fair value through profit or loss	**366,943**	560,542

* Other bonds include mortgage backed securities, corporate bonds and floating rate notes.

An overview of the risk exposures relating to financial assets held at fair value through profit or loss is included in note 3.

11 Financial liabilities held at fair value through profit or loss

	As at	
	30 June 2011 Fair value $'000	30 June 2010 Fair value $'000
Held for trading		
Derivatives (note 12)	**124**	1,862
Total held for trading	**124**	1,862
Total financial liabilities held at fair value through profit or loss	**124**	1,862
Comprising:		
Derivatives		
Futures in respect of money market securities	-	3
Australian fixed interest futures	**124**	1,859
Total derivatives	**124**	1,862
Total financial liabilities held at fair value through profit or loss	**124**	1,862

An overview of the risk exposures relating to financial liabilities held at fair value through profit or loss is included in note 3.

12 Derivative financial instruments

In the normal course of business the Fund enters into transactions in various derivative financial instruments which have certain risks. 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 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 include many different instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- 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 are used for trading purposes, they are 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.

12 Derivative financial instruments (continued)

The Fund held the following derivative financial instruments during the year:

(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 are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. 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.

(b) Interest rate swaps

An interest rate swap is an agreement between two parties to exchange their interest obligations (payments) or receipts at set intervals on a notional principal amount over an agreed time period.

The fair value of interest rate swaps is the estimated amount that the Fund would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties. Swap legs will be settled on a net basis with the counterparty.

The Fund's derivative financial instruments at year end are detailed below:

30 June 2011

	Contract/ notional $'000
Buy	
Australian fixed interest futures	**16,742**
Interest rate swaps	**31,800**
Sell	
Australian fixed interest futures	**121,660**
Interest rate swaps	**31,800**

30 June 2010

	Contract/ notional $'000
Sell	
Futures in respect of money market securities	19,766
Australian fixed interest futures	116,881

Risk exposures and fair value measurements

Information about the Fund's exposure to credit risk, foreign exchange risk, interest rate risk and about the methods and assumptions used in determining fair values is provided in note 3 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

Responsible Entity

The Responsible Entity of the Fund is Advance Asset Management Limited (ABN 98 002 538 329), a wholly owned subsidiary of St. George Procurement Management Pty Limited (ABN 23 000 305 573). The ultimate parent entity is Westpac Banking Corporation (ABN 33 007 457 141). The registered office of the Responsible Entity and the Fund is Level 20, 275 Kent Street, Sydney, NSW, 2000.

Key management personnel

(a) Directors

Key management personnel includes persons who were directors of Advance Asset Management Limited at any time during the financial year as follows:

J Frechtling (appointed 25 February 2009, resigned 21 February 2011)
G McGrath (appointed 25 February 2009, resigned 28 October 2010)
J Shuttleworth (appointed 25 February 2009)
S Khan (appointed 1 October 2009, resigned 28 October 2010)
D Lees (appointed 7 July 2010)
V Poole (appointed 28 October 2010, resigned 11 March 2011)
L Ralph (appointed 21 February 2011)
D Plumb (appointed 1 March 2011)
R Davies (appointed 1 March 2011)

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year:

Name	**Position**	**Employer**
B Cooper	CEO, BT Financial Group	Westpac Banking Corporation

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

Responsible Entity's/manager's fees and other transactions

For the year ended 30 June 2011, in accordance with the Fund's Constitution, the Responsible Entity received a total fee (inclusive of GST, net of RITC available to the Fund) as follows:

(i) Ordinary class: 1.75% per annum (2010: 1.75%);

(ii) Wholesale class: 0.55% per annum (2010: 0.55%).

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

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund and the Responsible Entity were as follows:

	30 June 2011 $'000	30 June 2010 $'000
Management fees for the year paid/(received) by the Fund to/(from) the Responsible Entity	**3,567**	3,598
Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the end of the reporting period	**223**	306

13 Related party transactions (continued)

Related party unitholdings

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

2011

Unitholder	Number of units held opening (000's Units)	Number of units held closing (000's Units)	Interest held (%)	Number of units acquired (000's Units)	Number of units disposed (000's Units)	Distributions paid/payable by the Fund ($'000)
Asgard & IBS Holdings	**26,515**	**19,280**	**5.31**	**8,966**	**(16,201)**	**1,465**
Balanced Multi-Blend Fund	**267,724**	**162,502**	**44.79**	**20,305**	**(125,528)**	**18,065**
Schemes related to the Responsible Entity*	**219,007**	**166,767**	**45.97**	**42,846**	**(95,085)**	**16,514**
Retirement Wrap	**-**	**4,494**	**1.24**	**4,709**	**(215)**	**202**
Total	**513,246**	**353,043**	**97.31**	**76,826**	**(237,029)**	**36,246**

* No individual unitholder holding greater than 20%

2010

Unitholder	Number of units held opening (000's Units)	Number of units held closing (000's Units)	Interest held (%)	Number of units acquired (000's Units)	Number of units disposed (000's Units)	Distributions paid/payable by the Fund ($'000)
Asgard & IBS Holdings	349,632	26,515	4.79	32,718	(355,835)	1,148
Balanced Multi-Blend Fund	66,480	267,724	48.33	269,977	(68,733)	11,476
Schemes related to the Responsible Entity*	74,483	219,007	39.53	433,057	(288,533)	10,767
Total	490,595	513,246	92.65	735,752	(713,101)	23,391

* No individual unitholder holding greater than 20%

Key management personnel unitholdings

At 30 June 2011 no key management personnel held units in the Fund (2010: Nil).

Key management personnel compensation

Key management personnel are paid by Westpac Banking Corporation or the Responsible Entity. Payments made from the Fund to the Responsible Entity do not include any amounts directly attributable to the compensation of key management personnel.

Key management personnel loan disclosures

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.

Investments

The Fund did not hold any investments in the Responsible Entity or its related parties during the year (2010: Nil).

13 Related party transactions (continued)

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 year and there were no material contracts involving key management personnel's interests existing at year end.

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

	Year ended	
	30 June 2011 $'000	30 June 2010 $'000
(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities		
Operating profit/(loss) for the year	**34,548**	44,074
Proceeds from sale of financial instruments held at fair value through profit or loss	**965,957**	704,985
Purchase of financial instruments held at fair value through profit or loss	**(759,620)**	(770,451)
Net (gains)/losses on financial instruments held at fair value through profit or loss	**(2,767)**	(25,176)
Income reinvested	**(1,849)**	(1,970)
Amortisation included in interest income	**-**	(75)
Net change in accrued income and receivables	**2,825**	(2,502)
Net change in payables	**(83)**	(97)
Net cash inflow/(outflow) from operating activities	**239,011**	(51,212)
(b) Non-cash financing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan.	**37,915**	16,449

15 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 30 June 2011 or on the results and cash flows of the Fund for the year ended on that date.

16 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2011 and 30 June 2010.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 7 to 32 are in accordance with the *Corporations Act 2001*, including:

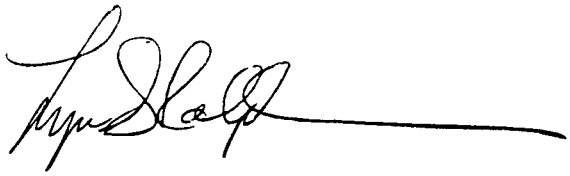
(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

(ii) giving a true and fair view of the Fund's financial position as at 30 June 2011 and of its performance for the financial year ended on that date,

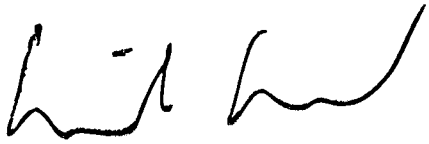
(b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable and

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

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



Director



Director

Sydney
19 September 2011

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Independent audit report to the unitholders of Australian Fixed Interest Multi-Blend Fund

Report on the financial report

We have audited the accompanying financial report of Australian Fixed Interest Multi-Blend Fund, which comprises the balance sheet as at 30 June 2011, the statement of comprehensive income, 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 for Australian Fixed Interest Multi-Blend Fund ("the Fund").

Directors' responsibility for the financial report

The directors of the Responsible Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal 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 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Fund comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

Our procedures include reading the other information in the annual report to determine whether it contains any material inconsistencies with the financial report.

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

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 complied with the independence requirements of the *Corporations Act 2001*.

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Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Australian Fixed Interest Multi-Blend Fund is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the Fund's financial position as at 30 June 2011 and its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in note 2(a).

PricewaterhouseCoopers

Claire Keating
Partner

Sydney
19 September 2011