

# **International Shares Multi-Blend Fund**

ARSN 087 295 501

**Annual report - for the year ended**

**30 June 2011**

# International Shares Multi-Blend Fund

ARSN 087 295 501

## Annual report - for the year ended 30 June 2011

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These financial statements cover International Shares Multi-Blend Fund as an individual entity and the consolidated entity consisting of International Shares Multi-Blend Fund and its subsidiary.

The Responsible Entity of International Shares 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 International Shares Multi-Blend Fund, present their report together with the financial statements of International Shares Multi-Blend Fund ("the Fund") and the consolidated financial statements of the Fund and its subsidiary (collectively "the consolidated entity") for the year ended 30 June 2011.

### Principal activities

The consolidated entity invests in equities and equity derivatives, unlisted unit trusts and currency contracts in accordance with the provisions of the Fund's Constitution.

The consolidated entity did not have any employees during the year.

There were no significant changes in the nature of the consolidated entity'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 1 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 consolidated entity and Fund, as represented by the results of their operations, was as follows:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>Year ended</b>		<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Operating profit/(loss) before financing costs attributable to unitholders (\$'000)	<u>53,731</u>	<u>182,383</u>	<u>29,471</u>	<u>82,329</u>
<i>Distributions - ordinary class</i>				
Distribution paid and payable (\$'000)			-	-
Distribution (cents per unit)			-	-
<i>Distributions - wholesale class</i>				
Distribution paid and payable (\$'000)			<u>7,787</u>	-
Distribution (cents per unit)			<u>0.4926</u>	-
<i>Distributions - ARS class</i>				
Distribution paid and payable (\$'000)			-	-
Distribution (cents per unit)			-	-
<i>Distributions - ARS nil entry class</i>				
Distribution paid and payable (\$'000)			-	-
Distribution (cents per unit)			-	-

**Directors' report (continued)**

**Review and results of operations (continued)**

The following table demonstrates the performance of the Fund's classes 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.

	<b>Parent</b>	
	<b>2011</b>	<b>2010</b>
	%	%
<b>Ordinary class</b>		
Capital growth	1.69	18.30
Distribution of income	<u>-</u>	<u>-</u>
Total return	<u>1.69</u>	<u>18.30</u>

	<b>Parent</b>	
	<b>2011</b>	<b>2010</b>
	%	%
<b>Wholesale class</b>		
Capital growth	2.05	11.84
Distribution of income	<u>0.67</u>	<u>-</u>
Total return	<u>2.72</u>	<u>11.84</u>

	<b>Parent</b>	
	<b>2011</b>	<b>2010</b>
	%	%
<b>ARS class</b>		
Capital growth	1.70	10.91
Distribution of income	<u>-</u>	<u>-</u>
Total return	<u>1.70</u>	<u>10.91</u>

	<b>Parent</b>	
	<b>2011</b>	<b>2010</b>
	%	%
<b>ARS nil entry class</b>		
Capital growth	1.50	10.73
Distribution of income	<u>-</u>	<u>-</u>
Total return	<u>1.50</u>	<u>10.73</u>

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:

	<b>Parent</b>	
	<b>2011</b>	<b>2010</b>
	\$	\$
<b>Ordinary class</b>		
At 30 June	0.7645	0.7518
High during year	0.8147	0.7783
Low during year	0.7384	0.6763

**Directors' report (continued)**

	<b>Parent</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Wholesale class</b>		
At 30 June	0.7473	0.7276
High during year	0.7936	0.7606
Low during year	0.7159	0.6945
	<b>Parent</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>ARS class</b>		
At 30 June	0.7007	0.6890
High during year	0.7469	0.7216
Low during year	0.6768	0.6611
	<b>Parent</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>ARS nil entry class</b>		
At 30 June	0.6977	0.6874
High during year	0.7442	0.7202
Low during year	0.6750	0.6602

**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.

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:

	<b>Parent</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Net assets for unit pricing purposes	1,192,982	1,100,777
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	(2,501)	(4,460)
Effect of classification of net assets attributable to unitholders as liabilities	<u>(1,190,481)</u>	<u>(1,096,317)</u>
Net assets under Australian Accounting Standards	<u>-</u>	<u>-</u>

## **Directors' report (continued)**

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

As of 22 August 2011, there has been a change of name of the Fund. The International Shares Multi-Blend Fund is now known as the Advance International Shares Multi-Blend Fund.

Apart from the matter disclosed in note 18 to the financial statements relating to market volatility, 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.

### **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 of 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 of the financial statements.

### **Interests in the Fund**

The movement in units on issue in the Fund during the year is disclosed in note 7 of the financial statements.

The value of the Fund's assets and liabilities is disclosed in the balance sheets and derived using the basis set out in note 2 of 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**

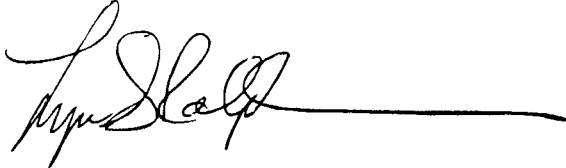
The Fund is an entity of a kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off to the nearest thousand dollars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

**Directors' report (continued)**

**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.



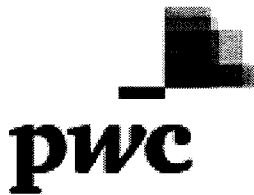
Director



Director

Sydney

19 September 2011



### Auditor's independence declaration

As lead auditor for the audit of International Shares 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 International Shares Multi-Blend Fund and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'ck', is positioned above the printed name of the auditor.

Claire Keating  
Partner  
PricewaterhouseCoopers

Sydney  
19 September 2011

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Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171  
DX 77 Sydney

Liability limited by a scheme approved under Professional Standards Legislation.

**International Shares Multi-Blend Fund**  
**Statements of comprehensive income**  
**For the year ended 30 June 2011**

**Statements of comprehensive income**

	Notes	Consolidated		Parent	
		Year ended		Year ended	
		30 June 2011	30 June 2010	30 June 2011	30 June 2010
		\$'000	\$'000	\$'000	\$'000
<b>Investment income</b>					
Interest income	4	781	634	69	310
Dividend income		31,587	14,697	-	1,124
Distribution income		15,727	5,903	9,757	7,486
Net gains/(losses) on financial instruments held at fair value through profit or loss	6	27,112	176,834	18,842	77,472
Other investment income		943	691	173	87
Net Responsible Entity fees	13	-	-	633	-
<b>Total net investment income/(loss)</b>		<u>76,150</u>	<u>198,759</u>	<u>29,474</u>	<u>86,479</u>
<b>Expenses</b>					
Responsible Entity's fees	13	21,319	15,172	-	3,692
Transaction costs		1,006	648	-	153
Other operating expenses	5	94	556	3	305
<b>Total operating expenses</b>		<u>22,419</u>	<u>16,376</u>	<u>3</u>	<u>4,150</u>
<b>Operating profit/(loss)</b>		<u>53,731</u>	<u>182,383</u>	<u>29,471</u>	<u>82,329</u>
<b>Finance costs attributable to unitholders</b>					
Distributions to unitholders of the parent entity	8	(7,787)	-	(7,787)	-
Distributions to the non-controlling interests		(6,960)	(33,480)	-	-
(Increase)/decrease in net assets attributable to unitholders of the parent entity	7	(21,684)	(82,329)	(21,684)	(82,329)
(Increase)/decrease in net assets attributable to non-controlling interests		(17,300)	(66,574)	-	-
<b>Profit/(loss) for the year</b>		-	-	-	-
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

**International Shares Multi-Blend Fund**  
**Balance sheets**  
**30 June 2011**

**Balance sheets**

	Notes	As at Consolidated		As at Parent	
		30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
<b>Assets</b>					
Cash and cash equivalents	9	54,548	52,085	805	936
Margin accounts		-	94	-	-
Accrued income		18,760	6,443	7,047	4,912
Due from brokers - receivable for securities sold		3,475	7,617	-	-
Receivables		707	2,459	-	-
Financial assets held at fair value through profit or loss	10	<u>1,807,881</u>	<u>1,681,502</u>	<u>1,191,602</u>	<u>1,092,815</u>
<b>Total assets</b>		<u><b>1,885,371</b></u>	<u><b>1,750,200</b></u>	<u><b>1,199,454</b></u>	<u><b>1,098,663</b></u>
<b>Liabilities</b>					
Distribution payable	8	12,160	2,067	7,787	-
Due to brokers - payable for securities purchased		3,370	15,589	-	-
Payables		2,342	4,392	459	1,119
Financial liabilities held at fair value through profit or loss	11	728	1,365	727	1,227
Net assets attributable to non-controlling interests (redemption price of units)		<u>676,290</u>	<u>630,470</u>	<u>-</u>	<u>-</u>
<b>Total liabilities (excluding net assets attributable to unitholders of the parent entity)</b>		<u><b>694,890</b></u>	<u><b>653,883</b></u>	<u><b>8,973</b></u>	<u><b>2,346</b></u>
<b>Net assets attributable to unitholders of the parent entity - liability</b>	7	<u><b>1,190,481</b></u>	<u><b>1,096,317</b></u>	<u><b>1,190,481</b></u>	<u><b>1,096,317</b></u>

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

**International Shares Multi-Blend Fund**  
**Statements of changes in equity**  
**For the year ended 30 June 2011**

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**Statements of changes in equity**

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

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 statements of changes in equity should be read in conjunction with the accompanying notes.*

**International Shares Multi-Blend Fund**  
**Statements of cash flows**  
**For the year ended 30 June 2011**

**Statements of cash flows**

	Notes	Consolidated		Parent	
		Year ended		Year ended	
		30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
<b>Cash flows from operating activities</b>					
Proceeds from sale of financial instruments held at fair value through profit or loss		2,454,997	2,096,610	55,472	1,805,359
Purchase of financial instruments held at fair value through profit or loss		(2,836,373)	(1,635,450)	(135,933)	(1,908,659)
Transaction costs		(1,007)	(908)	-	(153)
Interest received		799	560	71	305
Dividends received		30,807	12,654	-	1,573
Distributions received		20,926	97	7,620	-
Other income received		2,207	784	1,248	562
Responsible Entity's fees received/(paid)		(24,099)	(9,407)	(1,105)	(2,996)
Payment of other expenses		909	(306)	-	(306)
<b>Net cash inflow/(outflow) from operating activities</b>	17(a)	<u>(350,834)</u>	<u>464,634</u>	<u>(72,627)</u>	<u>(104,315)</u>
<b>Cash flows from investing activities</b>					
Cash acquired through acquisition of subsidiary		-	53,256	-	-
Cash divested on loss of control of subsidiary		(9,161)	(35,052)	-	-
<b>Net cash inflow/(outflow) from investing activities</b>		<u>(9,161)</u>	<u>18,204</u>	<u>-</u>	<u>-</u>
<b>Cash flows from financing activities</b>					
Proceeds from applications by unitholders		440,625	895,566	86,499	1,357,529
Payments for redemptions by unitholders		(72,333)	(1,378,439)	(14,019)	(1,273,237)
Distributions paid		(458)	(1,338)	-	(32)
<b>Net cash inflow/(outflow) from financing activities</b>		<u>367,834</u>	<u>(484,211)</u>	<u>72,480</u>	<u>84,260</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		7,839	(1,373)	(147)	(20,055)
Cash and cash equivalents at the beginning of the year		52,085	52,488	936	20,774
Effects of foreign currency exchange rate changes on cash and cash equivalents		(5,376)	970	16	217
<b>Cash and cash equivalents at the end of the year</b>	9	<u>54,548</u>	<u>52,085</u>	<u>805</u>	<u>936</u>
Non-cash financing activities	17(b)				

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

## 1 General information

These financial statements include separate financial statements for International Shares Multi-Blend Fund (“the Fund”) as an individual entity and the consolidated entity consisting of International Shares Multi-Blend Fund and its subsidiary, BT Wholesale Multi-manager International Share Fund (ARSN 124 773 628). 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) Principles of consolidation

#### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of International Shares Multi-Blend Fund (the “parent entity”) as at 30 June 2011 and the results of all subsidiaries for the year then ended. International Shares Multi-Blend Fund and its subsidiaries together are referred to in these financial statements as the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Fund has the power to govern the financial and operating policies, generally accompanying a unitholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Fund. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Fund.

All transactions (including gains and losses) and balances between entities in the consolidated group are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Fund.

Non-controlling interests in the results and net assets of the subsidiaries are shown separately in the consolidated statements of comprehensive income and balance sheets respectively.

Investments in subsidiaries are accounted for at fair value through profit or loss in the separate financial statements of the parent entity.

The Fund acquires units in subsidiaries at their unit price which reflects the fair value of the units in the subsidiary.

There have been neither acquisitions nor disposals of controlled entities or other changes in the composition of the Fund during the reporting period, which would require disclosures significant to an understanding of this annual report.

#### *(ii) Changes in ownership interests*

The consolidated entity treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the consolidated entity. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in net assets attributable to unitholders and non-controlling interests.

## 2 Summary of significant accounting policies (continued)

### *(ii) Changes in ownership interests (continued)*

When the Fund ceases to have control, joint control or significant influence, any retained interest in the subsidiary is remeasured to its fair value with the change in carrying amount recognised in statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of the subsidiary are accounted for as if the Fund had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statement of comprehensive income.

### **(c) Financial instruments**

#### *(i) Classification*

The consolidated entity's and the Fund's investments are categorised as at fair value through profit or loss. They comprise:

- Financial instruments held for trading

Derivative financial instruments such as forward contracts and warrants are included under this classification. The consolidated entity and the Fund do 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 equity instruments and unlisted unit trusts.

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 consolidated entity's and the Fund's documented investment strategy. The consolidated entity's and 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 consolidated entity and the Fund recognise 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 consolidated entity and the Fund have transferred substantially all risks and rewards of ownership.

#### *(iii) Measurement*

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

At initial recognition, the consolidated entity and 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 statements 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 consolidated entity and 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 consolidated entity and 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 statements 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 statements of comprehensive income.

## **2 Summary of significant accounting policies (continued)**

### **(c) Financial instruments (continued)**

#### *(iv) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheets 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.

### **(d) Investment in subsidiaries**

Investments in subsidiaries are measured in accordance with note 2(c).

### **(e) Business combinations**

Business combinations relate to the acquisition by the Fund of controlling interests in other entities. The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the consideration given plus costs directly attributable to the acquisition.

The Fund acquires units in trusts at their unit price which reflects the fair value of the units in the trust.

### **(f) 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.

### **(g) Cash and cash equivalents**

For the purpose of presentation in the statements 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.

### **(h) Margin accounts**

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

### **(i) Investment income**

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

Interest income is recognised in the statements 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.

Dividend income is recognised on the ex-dividend date.

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

### **(j) Expenses**

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

### **(k) 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).

## **2 Summary of significant accounting policies (continued)**

### **(k) Income tax (continued)**

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

The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in the statements of comprehensive income.

### **(l) 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 statements of comprehensive income as finance costs attributable to unitholders.

### **(m) Increase/decrease in net asset 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 statements of comprehensive income as finance costs attributable to unitholders.

### **(n) Foreign currency translation**

#### *(i) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the consolidated entity and the Fund competes for funds and is regulated. The Australian dollar is also the consolidated entity's and the Fund's presentation currency.

#### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statements of comprehensive income on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss.

### **(o) 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 consolidated entity and 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.

### **(p) 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. Amounts are generally received within 45 days of being recorded as receivables.

### **(q) Receivables**

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

## **2 Summary of significant accounting policies (continued)**

### **(r) Payables**

Payables include liabilities, accrued expenses and redemptions monies owing by the consolidated entity and 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 sheets when unitholders are presently entitled to the distributable income under the Fund's Constitution.

### **(s) 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.

### **(t) 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 statements of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). The net amount of GST recoverable from the ATO is included in receivables in the balance sheets. Cash flows relating to GST are included in the statements of cash flows on a gross basis.

### **(u) Classes of units**

The Fund has the following classes of units:

- ordinary class,
- wholesale class,
- ARS class,
- ARS nil entry 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.

### **(v) Use of estimates**

The consolidated entity and the Fund make 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.

For the majority of the financial instruments held 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.

## 2 Summary of significant accounting policies (continued)

### (w) 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 consolidated entity and 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 consolidated entity and the Fund have not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the consolidated entity's and the Fund's financial statements as the consolidated entity and the Fund do 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 consolidated entity and the Fund will apply the amended standard from 1 July 2011. The amendments are not expected to have any effect on the consolidated entity's and 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 consolidated entity's and the Fund's disclosures. The consolidated entity and the Fund intend 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 consolidated entity and the Fund do not expect that any adjustments will be necessary as a result of applying the revised rules.

### (x) Rounding of amounts

The consolidated entity and 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.

## 3 Financial risk management

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

### *Consolidated entity*

The consolidated entity's financial risk is managed by each of the investment managers of the individual unit trusts within the consolidated entity. No other risk management occurs for the consolidated entity.

### *Parent entity*

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 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.

### 3 Financial risk management (continued)

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's performance exceptions to the MSCI World ex Australia (Standard) Index (Net Dividends) in Australian dollars, which is the Fund's benchmark, are reported to a senior management committee on a regular basis.

#### (a) Market risk

##### (i) Price risk

The consolidated entity's financial risk is managed by each of the investment managers of the individual unit trusts within the consolidated entity. No other risk management occurs for the consolidated entity.

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

The consolidated entity and the Fund are exposed to price risk on equity securities, unlisted unit trusts and derivative securities. This arises from investments held by the consolidated entity and the Fund for which prices in the future are uncertain. These are classified in the balance sheets as at fair value through profit or loss. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Paragraph (ii) below sets out how this component of price risk is managed and measured. All security investments present a risk of loss of capital. Except for effectively sold-short equity positions, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

The consolidated entity and the Fund invest mainly into unlisted international equity unit trusts and listed equity securities.

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

##### (ii) Foreign exchange risk

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

The consolidated entity and the Fund hold units in international unit trusts and are exposed to foreign exchange risk as the offshore securities held by these international unit trusts are valued in foreign currency. These trusts may have also entered into derivatives in order to gain exposure to offshore markets. As these investments are non-monetary assets, the foreign exchange risk is a component of price risk.

The consolidated entity and the Fund also enter into foreign exchange currency contracts designed to either hedge some or all of its exposure, or alternatively increase exposure to preferred foreign currencies. However, for accounting purposes, the consolidated entity and the Fund do not designate any derivatives as hedges in a hedging relationship, and hence these derivative financial instruments are classed as at fair value through profit or loss.

Exceptions to compliance with the Fund's foreign exchange policy are reported to management on a regular basis. The investment managers of each of the subsidiary funds within the consolidated entity are responsible for monitoring compliance on an individual fund basis. Exceptions to compliance with the foreign exchange policy are not reported on a consolidated basis.

The table presented in note 3(b) summarises sensitivity analysis to foreign exchange risk.

The tables below summarise the consolidated entity's and the Fund's assets and liabilities that are denominated in a currency other than the Australian dollar.

#### Consolidated

30 June 2011	US Dollars AS'000	Euro AS'000	Japanese Yen AS'000	British Pounds AS'000	Other Currencies AS'000
Cash and cash equivalents	34,160	9	153	-	444
Accrued income	1,546	161	-	395	1,051
Due from brokers - receivable for securities sold	2,528	4	31	912	-
Receivables	-	33	-	-	119
Financial assets held at fair value through profit or loss	610,556	174,245	129,957	94,511	183,627
Due to brokers - payable for securities purchased	(1,698)	(691)	-	-	(981)
Financial liabilities held at fair value through profit or loss	(282)	(202)	(2)	(21)	(141)
	<u>646,810</u>	<u>173,559</u>	<u>130,139</u>	<u>95,797</u>	<u>184,119</u>

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (ii) Foreign exchange risk (continued)

###### Consolidated

30 June 2010	US Dollars A\$'000	Euro A\$'000	Japanese Yen A\$'000	British Pounds A\$'000	Other Currencies A\$'000
Cash and cash equivalents	22,234	14	70	30	169
Margin accounts	-	-	31	-	-
Accrued income	317	106	72	208	525
Due from brokers - receivable for securities sold	4,607	257	1,536	449	768
Receivables	602	266	85	178	767
Financial assets held at fair value through profit or loss	694,053	208,211	152,995	116,335	290,010
Due to brokers - payable for securities purchased	(4,642)	(829)	(4,731)	(1,206)	(4,180)
Payables	(95)	-	-	-	-
Financial liabilities held at fair value through profit or loss	<u>(274)</u>	<u>(395)</u>	<u>(32)</u>	<u>(145)</u>	<u>(518)</u>
	<u>716,802</u>	<u>207,630</u>	<u>150,026</u>	<u>115,849</u>	<u>287,541</u>

###### Parent

30 June 2011	US Dollars A\$'000	Euro A\$'000	Japanese Yen A\$'000	British Pounds A\$'000	Other Currencies A\$'000
Cash and cash equivalents	70	9	-	-	-
Accrued income	20	15	-	4	115
Financial assets held at fair value through profit or loss	281	54	-	7	234
Financial liabilities held at fair value through profit or loss	<u>(282)</u>	<u>(202)</u>	<u>(2)</u>	<u>(20)</u>	<u>(141)</u>
	<u>89</u>	<u>(124)</u>	<u>(2)</u>	<u>(9)</u>	<u>208</u>

###### Parent

30 June 2010	US Dollars A\$'000	Euro A\$'000	Japanese Yen A\$'000	British Pounds A\$'000	Other Currencies A\$'000
Cash and cash equivalents	9	7	-	-	-
Accrued income	25	18	-	5	245
Financial assets held at fair value through profit or loss	125	9	538	29	222
Financial liabilities held at fair value through profit or loss	<u>(142)</u>	<u>(395)</u>	<u>(32)</u>	<u>(145)</u>	<u>(513)</u>
	<u>17</u>	<u>(361)</u>	<u>506</u>	<u>(111)</u>	<u>(46)</u>

The consolidated entity holds forward foreign currency contracts with a notional exposure of \$6,835,964 (2010: \$13,857,000). The parent entity holds forward foreign currency contracts with a notional exposure of \$6,835,964 (2010: \$13,601,000).

##### (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 consolidated entity and the Fund do not have any significant direct exposure to interest rate risk.

Exceptions to compliance with the Fund's fixed interest policy are reported to management on a regular basis. The investment managers of each of the subsidiary funds within the consolidated entity are responsible for monitoring compliance on an individual fund basis. Exceptions to compliance are not reported on a consolidated basis.

### 3 Financial risk management (continued)

#### (b) Summarised sensitivity analysis

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

	Price risk		Foreign exchange risk	
	Impact on operating profit / Net assets attributable to unitholders			
Consolidated	-15%	+15%	-10%	+10%
	(2010: -15%)	(2010: +15%)	(2010: -10%)	(2010: +10%)
	\$'000	\$'000	\$'000	\$'000
30 June 2011	(271,065)	271,065	(4,501)	4,501
30 June 2010	(251,628)	251,628	(3,147)	3,147

	Price risk		Foreign exchange risk	
	Impact on operating profit / Net assets attributable to unitholders			
Parent	-15%	+15%	-10%	+10%
	(2010: -15%)	(2010: +15%)	(2010: -10%)	(2010: +10%)
	\$'000	\$'000	\$'000	\$'000
30 June 2011	(178,625)	178,625	(707)	707
30 June 2010	(163,769)	163,769	(1,391)	1,391

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.

#### (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.

The unlisted unit trusts invested into by the consolidated entity and the Fund are exposed to credit risk.

Concentrations of direct credit risk are minimised primarily by:

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

Exceptions to compliance with the Fund's credit risk policy are reported to management on a regular basis. The investment managers of each of the subsidiary funds within the consolidated entity are responsible for monitoring compliance on an individual fund basis. Exceptions to compliance with the credit risk policy are not monitored on a consolidated basis.

There were no significant direct concentrations of credit risk to counterparties at 30 June 2011 or 30 June 2010.

### 3 Financial risk management (continued)

#### (d) Liquidity risk

Liquidity risk is the risk that the consolidated entity and the Fund will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments.

The consolidated entity and the Fund are exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. They therefore primarily hold 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 consolidated entity's and the Fund's listed securities are considered readily realisable, as they are listed on the Australian Stock Exchange, the New York Stock Exchange, the Tokyo Stock Exchange, the Euronext Stock Exchange, the Swiss Stock Exchange, the Frankfurt Stock Exchange, the London Stock Exchange, the Hong Kong Stock Exchange or other world stock exchanges.

The consolidated entity and the Fund hold units in unlisted unit trusts which are priced daily and can 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, at the Fund level, are reported to management on a regular basis. Liquidity risk is not monitored on a consolidated basis.

The consolidated entity and 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 consolidated entity and the Fund may not be able to quickly liquidate their investments in these instruments at an amount close to their fair value to meet their 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 consolidated entity's and 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.

<b>Consolidated</b>	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>Greater than 3 months</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>At 30 June 2011</b>			
Distribution payable	12,160	-	-
Due to brokers - payable for securities purchased	3,370	-	-
Payables	2,342	-	-
Net assets attributable to unitholders	1,190,481	-	-
Net assets attributable to non-controlling interests	<u>676,290</u>	-	-
<b>Total</b>	<u><b>1,884,643</b></u>	-	-
Consolidated	Less than 1 month	1-3 months	Greater than 3 months
	\$'000	\$'000	\$'000
<b>At 30 June 2010</b>			
Distribution payable	2,067	-	-
Due to brokers - payable for securities purchased	15,589	-	-
Payables	4,392	-	-
Net assets attributable to unitholders of the parent entity	1,096,317	-	-
Net assets attributable to non-controlling interests	<u>630,470</u>	-	-
<b>Total</b>	<u><b>1,748,835</b></u>	-	-

### 3 Financial risk management (continued)

#### (d) Liquidity risk (continued)

<b>Parent</b>	<b>Less than 1 month \$'000</b>	<b>1-3 months \$'000</b>	<b>Greater than 3 months \$'000</b>
<b>At 30 June 2011</b>			
Distribution payable	7,787	-	-
Payables	459	-	-
Net assets attributable to unitholders	<u>1,190,481</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>1,198,727</u>	<u>-</u>	<u>-</u>
<b>Parent</b>	<b>Less than 1 month \$'000</b>	<b>1-3 months \$'000</b>	<b>Greater than 3 months \$'000</b>
<b>At 30 June 2010</b>			
Payables	1,119	-	-
Net assets attributable to unitholders	<u>1,096,317</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>1,097,436</u>	<u>-</u>	<u>-</u>

The table below analyses the consolidated entity's and 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 consolidated entity's and the Fund's investment strategy.

<b>Consolidated</b>	<b>Less than 1 month \$'000</b>	<b>1-3 months \$'000</b>	<b>Greater than 3 months \$'000</b>
<b>At 30 June 2011</b>			
Net settled derivatives			
Forward currency contracts	9	43	-
<b>Consolidated</b>	<b>Less than 1 month \$'000</b>	<b>1-3 months \$'000</b>	<b>Greater than 3 months \$'000</b>
<b>At 30 June 2010</b>			
Net settled derivatives			
Forward currency contracts	(53)	(206)	-
<b>Parent</b>	<b>Less than 1 month \$'000</b>	<b>1-3 months \$'000</b>	<b>Greater than 3 months \$'000</b>
<b>At 30 June 2011</b>			
Net settled derivatives			
Forward currency contracts	-	43	-
<b>Parent</b>	<b>Less than 1 month \$'000</b>	<b>1-3 months \$'000</b>	<b>Greater than 3 months \$'000</b>
<b>At 30 June 2010</b>			
Net settled derivatives			
Forward currency contracts	-	(206)	-

#### (e) Fair value estimation

The carrying amounts of the consolidated entity's and 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 statements of comprehensive income.

### **3 Financial risk management (continued)**

#### **(e) Fair value estimation (continued)**

##### *(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 consolidated entity and the Fund value their investments in accordance with the accounting policies set out in note 2. For the majority of their investments, the consolidated entity and the Fund rely on information provided by independent pricing services for the valuation of their investments.

The quoted market price used for financial assets held by the consolidated entity and the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the consolidated entity and the Fund hold derivatives with offsetting market risks, they use mid-market prices as a basis for establishing fair value for the offsetting risk positions and apply 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.

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 consolidated entity and 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 consolidated entity and the Fund hold. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

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 consolidated entity and the Fund classify 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.

### 3 Financial risk management (continued)

#### (f) Fair value hierarchy (continued)

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.

The table below sets out the consolidated entity's and 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.

<b>Consolidated - as at 30 June 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>				
Financial assets held for trading:				
Derivatives	463	317	-	780
Financial assets designated at fair value through profit or loss:				
Equity securities	1,201,072	-	2,570	1,203,642
Unlisted unit trusts	-	<u>603,459</u>	-	<u>603,459</u>
<b>Total</b>	<u>1,201,535</u>	<u>603,776</u>	<u>2,570</u>	<u>1,807,881</u>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	<u>489</u>	<u>239</u>	-	<u>728</u>
<b>Total</b>	<u>489</u>	<u>239</u>	-	<u>728</u>
<b>Consolidated - as at 30 June 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>				
Financial assets held for trading:				
Derivatives	807	306	2,866	3,979
Financial assets designated at fair value through profit or loss:				
Equity securities	1,302,084	168,027	-	1,470,111
Unlisted unit trusts	-	<u>207,412</u>	-	<u>207,412</u>
<b>Total</b>	<u>1,302,891</u>	<u>375,745</u>	<u>2,866</u>	<u>1,681,502</u>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	<u>715</u>	<u>650</u>	-	<u>1,365</u>
<b>Total</b>	<u>715</u>	<u>650</u>	-	<u>1,365</u>

### 3 Financial risk management (continued)

#### (f) Fair value hierarchy (continued)

<b>Parent - as at 30 June 2011</b>	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Financial assets held for trading:				
Derivatives	458	312	-	770
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	<u>-</u>	<u>1,190,832</u>	<u>-</u>	<u>1,190,832</u>
<b>Total</b>	<u>458</u>	<u>1,191,144</u>	<u>-</u>	<u>1,191,602</u>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	<u>488</u>	<u>239</u>	<u>-</u>	<u>727</u>
<b>Total</b>	<u>488</u>	<u>239</u>	<u>-</u>	<u>727</u>
<b>Parent - as at 30 June 2010</b>	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Financial assets held for trading:				
Derivatives	800	221	-	1,021
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	<u>-</u>	<u>1,091,794</u>	<u>-</u>	<u>1,091,794</u>
<b>Total</b>	<u>800</u>	<u>1,092,015</u>	<u>-</u>	<u>1,092,815</u>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	<u>714</u>	<u>513</u>	<u>-</u>	<u>1,227</u>
<b>Total</b>	<u>714</u>	<u>513</u>	<u>-</u>	<u>1,227</u>

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include certain listed equities and currency contracts.

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 unit trusts and currency contracts. 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 equity 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

The following table presents the transfers between levels for the year ended 30 June 2011 (30 June 2010: Nil).

#### Consolidated

As at 30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Transfers between levels 1 and 2:			
Equity securities	60,006	(60,006)	-

The transfers from level 2 to level 1 relate to a number of listed equity securities for which transaction volumes were observable at 30 June 2011.

There were no transfers between levels for the Parent entity for the year ended 30 June 2011 (2010: Nil)

##### (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.

#### Consolidated

30 June 2011	Derivatives \$'000	Equity securities \$'000
Opening balance	2,866	-
Purchases	93	2,665
Sales	(3,367)	-
Gains and losses recognised in statement of comprehensive income	<u>408</u>	<u>(95)</u>
<b>Closing balance</b>	<u>-</u>	<u>2,570</u>
Total gains or losses for the year included in the statements of comprehensive income for financial assets and liabilities held at the end of the reporting period	<u>408</u>	<u>(95)</u>

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

#### Consolidated

30 June 2010	Derivatives \$'000	Equity securities \$'000
Opening balance	1,798	-
Purchases	2,866	-
Sales	(1,798)	-
Gains and losses recognised in statement of comprehensive income	<u>-</u>	<u>-</u>
<b>Closing balance</b>	<u>2,866</u>	<u>-</u>
Total gains or losses for the year included in the statements of comprehensive income for financial assets and liabilities held at the end of the reporting period	<u>-</u>	<u>-</u>

#### 4 Interest income

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

	<b>Consolidated</b>		<b>Parent</b>	
	<b>Year ended</b>		<b>Year ended</b>	
	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>
Interest income from debt securities designated at fair value through statement of comprehensive income	-	1	-	47
Interest income from financial assets that are not at fair value through statement of comprehensive income:				
Cash and cash equivalents	<u>781</u>	<u>633</u>	<u>69</u>	<u>263</u>
<b>Total interest income</b>	<u><b>781</b></u>	<u><b>634</b></u>	<u><b>69</b></u>	<u><b>310</b></u>

#### 5 Other operating expenses

	<b>Consolidated</b>		<b>Parent</b>	
	<b>Year ended</b>		<b>Year ended</b>	
	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>
Other	<u>94</u>	<u>556</u>	<u>3</u>	<u>305</u>
	<u><b>94</b></u>	<u><b>556</b></u>	<u><b>3</b></u>	<u><b>305</b></u>

#### Consolidated

Auditor's remuneration for auditing the consolidated financial statements of \$144,293 (2010: \$28,918) and other services of \$4,560 (2010: \$1,482) were paid by the Responsible Entity out of their fees.

#### Parent

Auditor's remuneration for auditing the financial statements of \$16,363 (2010: \$12,260) and other services of \$760 (2010: \$741) 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

	<b>Consolidated</b>		<b>Parent</b>	
	<b>Year ended</b>		<b>Year ended</b>	
	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>
Net unrealised gains/(losses) on financial instruments held for trading	(82)	(12,052)	249	(410)
Net unrealised gains/(losses) on financial instruments designated at fair value through profit or loss	(4,319)	144,597	17,229	275,215
Net realised gains/(losses) on financial instruments held for trading	549	54,641	1,330	7,172
Net realised gains/(losses) on financial instruments designated at fair value through profit or loss	<u>30,964</u>	<u>(10,352)</u>	<u>34</u>	<u>(204,505)</u>
<b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<u><b>27,112</b></u>	<u><b>176,834</b></u>	<u><b>18,842</b></u>	<u><b>77,472</b></u>

## 7 Net assets attributable to unitholders of the parent

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

	Parent			
	30 June 2011 No. '000	30 June 2010 No. '000	30 June 2011 \$'000	30 June 2010 \$'000
<b>Net assets attributable to unitholders - ordinary class of the parent entity</b>				
Opening balance	8,022	273,894	6,031	175,559
Applications	208	37,711	160	23,965
Redemptions	(1,493)	(303,583)	(1,159)	(212,091)
Increase/(decrease) in net assets attributable to unitholders	-	-	118	18,598
Closing balance	<u>6,737</u>	<u>8,022</u>	<u>5,150</u>	<u>6,031</u>

	Parent			
	30 June 2011 No. '000	30 June 2010 No. '000	30 June 2011 \$'000	30 June 2010 \$'000
<b>Net assets attributable to unitholders - wholesale class of the parent entity</b>				
Opening balance	1,483,958	1,136,212	1,080,803	745,378
Applications	112,698	1,847,391	85,610	1,332,734
Redemptions	(15,636)	(1,499,645)	(11,708)	(1,060,183)
Increase/(decrease) in net assets attributable to unitholders	-	-	21,403	62,874
Closing balance	<u>1,581,020</u>	<u>1,483,958</u>	<u>1,176,108</u>	<u>1,080,803</u>

	Parent			
	30 June 2011 No. '000	30 June 2010 No. '000	30 June 2011 \$'000	30 June 2010 \$'000
<b>Net assets attributable to unitholders - ARS class of the parent entity</b>				
Opening balance	12,540	12,531	8,640	7,859
Applications	910	1,052	642	728
Redemptions	(1,527)	(1,043)	(1,078)	(719)
Increase/(decrease) in net assets attributable to unitholders	-	-	150	772
Closing balance	<u>11,923</u>	<u>12,540</u>	<u>8,354</u>	<u>8,640</u>

**7 Net assets attributable to unitholders of the parent (continued)**

	<b>Parent</b>			
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>No. '000</b>	<b>No. '000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Net assets attributable to unitholders - ARS nil entry class of the parent entity</b>				
Opening balance	1,227	1,455	843	914
Applications	123	124	87	84
Redemptions	(105)	(352)	(74)	(240)
Increase/(decrease) in net assets attributable to unitholders	<u>-</u>	<u>-</u>	<u>13</u>	<u>85</u>
Closing balance	<u>1,245</u>	<u>1,227</u>	<u>869</u>	<u>843</u>

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 in the underlying assets of the Fund. There are four classes of unitholders in the Fund being ordinary, wholesale, ARS and ARS nil entry.

**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 unitholder. 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) Unrealised capital losses**

At the end of the reporting period, the Fund had net unrealised capital losses of \$Nil (2010: \$24,030,903).

**(b) Realised capital losses**

At the end of the reporting period, the Fund had realised capital losses of \$342,676,750 (2010: \$342,747,670) available to offset against future assessable capital gains.

## 8 Distributions to unitholders

### Distributions - ordinary class

	Parent Year ended			
	30 June 2011	30 June 2011	30 June 2010	30 June 2010
	\$'000	CPU	\$'000	CPU
Distribution payable				
– 30 June	-	-	-	-
	-	-	-	-

### Distributions - wholesale class

	Parent Year ended			
	30 June 2011	30 June 2011	30 June 2010	30 June 2010
	\$'000	CPU	\$'000	CPU
Distributions payable				
– 30 June	7,787	0.4926	-	-
	7,787	0.4926	-	-

### Distributions - ARS class

	Parent Year ended			
	30 June 2011	30 June 2011	30 June 2010	30 June 2010
	\$'000	CPU	\$'000	CPU
Distributions payable				
– 30 June	-	-	-	-
	-	-	-	-

### Distributions - ARS nil entry class

	Parent Year ended			
	30 June 2011	30 June 2011	30 June 2010	30 June 2010
	\$'000	CPU	\$'000	CPU
Distributions payable				
– 30 June	-	-	-	-
	-	-	-	-

## 9 Cash and cash equivalents

	As at Consolidated		As at Parent	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	\$'000	\$'000	\$'000	\$'000
Cash at bank	19,782	29,568	726	920
Deposits at call	2,615	-	-	-
Foreign currency holdings	32,151	22,517	79	16
	<u>54,548</u>	<u>52,085</u>	<u>805</u>	<u>936</u>

## 10 Financial assets held at fair value through profit or loss

	As at Consolidated		As at Parent	
	30 June 2011 Fair value \$'000	30 June 2010 Fair value \$'000	30 June 2011 Fair value \$'000	30 June 2010 Fair value \$'000
<b>Held for trading</b>				
Derivatives (note 12)	<u>780</u>	<u>3,979</u>	<u>770</u>	<u>1,021</u>
Total held for trading	<u>780</u>	<u>3,979</u>	<u>770</u>	<u>1,021</u>
<b>Designated at fair value through profit or loss</b>				
Equity securities	1,203,642	1,470,111	-	-
Unlisted unit trusts	<u>603,459</u>	<u>207,412</u>	<u>1,190,832</u>	<u>1,091,794</u>
Total designated at fair value through profit or loss	<u>1,807,101</u>	<u>1,677,523</u>	<u>1,190,832</u>	<u>1,091,794</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>1,807,881</u>	<u>1,681,502</u>	<u>1,191,602</u>	<u>1,092,815</u>
<b>Comprising:</b>				
<b>Derivatives</b>				
Forward currency contracts	780	1,106	770	1,021
Warrants	<u>-</u>	<u>2,873</u>	<u>-</u>	<u>-</u>
Total derivatives	<u>780</u>	<u>3,979</u>	<u>770</u>	<u>1,021</u>
<b>Equity securities</b>				
Australian equity securities listed on a prescribed stock exchange	11,331	4,405	-	-
International equity securities listed on a prescribed stock exchange	<u>1,192,311</u>	<u>1,465,706</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>1,203,642</u>	<u>1,470,111</u>	<u>-</u>	<u>-</u>
<b>Unlisted unit trusts</b>				
Units in Australian equity trusts	<u>603,459</u>	<u>207,412</u>	<u>1,190,832</u>	<u>1,091,794</u>
Total unlisted unit trusts	<u>603,459</u>	<u>207,412</u>	<u>1,190,832</u>	<u>1,091,794</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>1,807,881</u>	<u>1,681,502</u>	<u>1,191,602</u>	<u>1,092,815</u>

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		As at	
	Consolidated		Parent	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000
<b>Held for trading</b>				
Derivatives (note 12)	<u>728</u>	<u>1,365</u>	<u>727</u>	<u>1,227</u>
Total held for trading	<u>728</u>	<u>1,365</u>	<u>727</u>	<u>1,227</u>
<b>Total financial liabilities held at fair value through profit or loss</b>	<u>728</u>	<u>1,365</u>	<u>727</u>	<u>1,227</u>
<b>Comprising:</b>				
<b>Derivatives</b>				
Forward currency contracts	<u>728</u>	<u>1,365</u>	<u>727</u>	<u>1,227</u>
Total derivatives	<u>728</u>	<u>1,365</u>	<u>727</u>	<u>1,227</u>
<b>Total financial liabilities held at fair value through profit or loss</b>	<u>728</u>	<u>1,365</u>	<u>727</u>	<u>1,227</u>

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 consolidated entity and the Fund enter 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 whose value changes in response to a 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 and warrants. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the consolidated entity's and 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 consolidated entity and 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 consolidated entity and the Fund.

The consolidated entity and the Fund held the following derivative financial instruments during the year:

### (a) Forward currency contracts

Forward currency contracts are primarily used by the consolidated entity and the Fund to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated securities. The consolidated entity and the Fund agree to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each reporting period. The consolidated entity and the Fund recognise a gain or loss equal to the change in fair value at the end of each reporting period.

## 12 Derivative financial instruments (continued)

### (b) Warrants

Warrants are an option to purchase additional securities from the issuer at a specified price during a specified period. Warrants are valued at the prevailing market price at the end of each reporting period. The consolidated entity and the Fund recognise a gain or loss equal to the change in the fair value at the end of each reporting period.

The consolidated entity's and the Fund's derivative financial instruments at year end are detailed below:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>30 June 2011</b>	<b>30 June 2010</b>	<b>30 June 2011</b>	<b>30 June 2010</b>
	<b>Contract/ notional \$'000</b>	<b>Contract/ notional \$'000</b>	<b>Contract/ notional \$'000</b>	<b>Contract/ notional \$'000</b>
Forward currency contracts	6,836	13,857	6,836	13,601
<b>Buy</b>				
Warrants	-	2,873	-	-

### Risk exposures and fair value measurements

Information about the consolidated entity and the Fund's exposure to credit risk, foreign exchange risk, and 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

### Parent entity

The parent entity within the group is International Shares Multi-Blend Fund.

### Subsidiaries

Interests in subsidiaries are set out in note 14.

### 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 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 1 March 2011)

L Ralph (appointed 21 February 2011)

D Plumb (appointed 1 March 2011)

R Davies (appointed 1 March 2011)

### 13 Related party transactions (continued)

(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: 2.10% per annum (2010: 2.10%)
- (ii) Wholesale class: 1.10% per annum (2010: 1.10%)
- (iii) ARS class: 2.05% per annum (2010: 2.05%)
- (iv) ARS nil entry class: 2.24% per annum (2010: 2.24%)

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 are as follows:

	Consolidated		Parent	
	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
Management fees for the year paid/(received) by the Fund to/(from) the Responsible Entity	<u>21,319</u>	<u>15,172</u>	<u>(633)</u>	<u>3,692</u>
Fees earned by the Responsible Entity in respect of investments by the Fund in other schemes managed by the Responsible Entity *	<u>15,381</u>	<u>-</u>	<u>13,932</u>	<u>-</u>
Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the reporting date	<u>1,755</u>	<u>2,977</u>	<u>13</u>	<u>1,118</u>

\* Where the Fund invests into other schemes managed by the Responsible Entity, the Responsible Entity's fee is calculated after rebating fees charged to the underlying schemes.

### 13 Related party transactions (continued)

#### Related party schemes' unitholdings

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

#### Parent

2011	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 Funds (\$'000)
Unitholder						
Defensive Multi-Blend Fund	20,747	22,598	1.41	1,851	-	111
Balance Multi-Blend Fund	616,179	636,792	39.78	24,740	(4,127)	3,137
Growth Multi-Blend Fund	475,506	497,128	31.05	21,622	-	2,449
Advance Pooled Superannuation Trust	3,678	2,922	0.18	90	(846)	-
Asgard & IBS Holdings	34,054	37,471	2.34	13,986	(10,569)	68
Moderate Multi-Blend Fund	46,938	54,349	3.39	7,411	-	268
High Growth Multi-Blend Fund	285,926	318,124	19.87	34,764	(2,566)	1,567
BT External International Shares 10	545	3,256	0.20	2,752	(41)	16
Retirement Wrap	-	3,472	0.22	3,874	(402)	17
	<u>1,483,573</u>	<u>1,576,112</u>	<u>98.44</u>	<u>111,090</u>	<u>(18,551)</u>	<u>7,633</u>

#### Parent

2010	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 Funds (\$'000)
Unitholder						
Defensive Multi-Blend Fund	6,509	20,747	1.20	29,364	(15,126)	-
Balance Multi-Blend Fund	157,274	616,179	35.57	656,496	(197,591)	-
Growth Multi-Blend Fund	53,989	475,506	27.45	653,799	(232,282)	-
Advance Pooled Superannuation Trust	4,439	3,678	0.21	81	(842)	-
Asgard & IBS Holdings	1,135,460	34,054	1.97	42,835	(1,144,241)	-
Moderate Multi-Blend Fund	24,651	46,938	2.71	56,610	(34,323)	-
High Growth Multi-Blend Fund	22,193	285,926	16.51	446,877	(183,144)	-
BT External International Shares 10	-	545	0.03	545	-	-
	<u>1,404,515</u>	<u>1,483,573</u>	<u>85.65</u>	<u>1,886,607</u>	<u>(1,807,549)</u>	<u>-</u>

#### Key management personnel unitholdings

At 30 June 2011 no key management personnel held units in the Fund.

At 30 June 2010 the key management personnel of Advance Asset Management Limited held units in the Fund as follows:

#### Parent

2010	Number of units held opening (units)	Number of units held closing (units)	Interest held (%)	Number of units acquired (units)	Number of units disposed (units)
Unitholder					
Wayne Wilson (Ceased being key management personnel in 2010)	11,759	-	-	-	(11,759)

### 13 Related party transactions (continued)

#### 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 have 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 (2010: Nil).

#### Investments

The Fund held investments in the following schemes which were also managed by the Responsible Entity or its related parties:

#### Consolidated

2011	Fair value of investment (\$'000)	Interest held (%)	Distribution received/receivable (\$'000)	Units acquired during the year (000's units)	Units disposed during the year (000's units)
BT Institutional International Share Interfund	<u>285,813</u>	<u>26.02</u>	<u>6,575</u>	<u>180,965</u>	<u>-</u>
	<u>285,813</u>		<u>6,575</u>		

#### Consolidated

2010	Fair value of investment (\$'000)	Interest held (%)	Distribution received/receivable (\$'000)	Units acquired during the year (000's units)	Units disposed during the year (000's units)
BT Institutional International Share Interfund	<u>207,412</u>	<u>20.72</u>	<u>5,513</u>	<u>576,268</u>	<u>(549,504)</u>
	<u>207,412</u>		<u>5,513</u>		

#### Parent

2011	Fair value of investment (\$'000)	Interest held (%)	Distribution received/receivable (\$'000)	Units acquired during the year (000's units)	Units disposed during the year (000's units)
BT Wholesale Multi-manager International Share Fund	<u>1,190,832</u>	<u>69.80</u>	<u>6,890</u>	<u>137,464</u>	<u>(7,215)</u>
	<u>1,190,832</u>		<u>6,890</u>		

#### Parent

2010	Fair value of investment (\$'000)	Interest held (%)	Distribution received/receivable (\$'000)	Units acquired during the year (000's units)	Units disposed during the year (000's units)
Advance International Sharemarket Fund	-	-	-	26,843	(552,195)
Advance International Shares Index Fund	-	-	-	-	(756,332)
Advance Tradewinds Global Equities Fund	-	-	-	-	(147,261)
BT Wholesale Multi-manager International Share Fund	<u>1,091,794</u>	<u>75.98</u>	<u>5,023</u>	<u>1,815,292</u>	<u>(18,704)</u>
	<u>1,091,794</u>		<u>5,023</u>		

### 13 Related party transactions (continued)

#### Investments (continued)

Distributions received/receivable includes the following amounts which remain unpaid at the reporting date:

	<b>Distributions receivable</b>			
	<b>Consolidated</b>		<b>Parent</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
BT Institutional International Share Interfund	6,575	5,513	-	-
BT Wholesale Multi-manager International Share Fund	-	-	<u>6,890</u>	<u>5,023</u>
<b>Total</b>	<u>6,575</u>	<u>5,513</u>	<u>6,890</u>	<u>5,023</u>

The principal activity of the fund is denoted by the name of the fund.

#### 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 Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b). Subsidiaries are recorded in the parent entity within financial assets held at fair value through profit or loss.

Name of entity	Country of domicile	Fair value		Equity holding*	
		30 June	30 June	30 June	30 June
		2011	2010	2011	2010
		\$'000	\$'000	%	%
BT Wholesale Multi-manager International Share Fund	Australia	<u>1,190,832</u>	<u>1,091,794</u>	<u>69.81</u>	<u>75.98</u>
<b>Total</b>		<u>1,190,832</u>	<u>1,091,794</u>	<u>69.81</u>	<u>75.98</u>

\* The proportion of ownership interest is equal to the proportion of voting power held.

### 15 Business combination

#### (a) Summary of acquisition

On 14 April 2010, the Fund gained control of BT Wholesale Multi-manager International Share Fund, when the interest held by the Fund reached 76% of the units. On the date that control transferred to the Fund, the fair value of the investment in BT Wholesale Multi-manager International Share Fund was \$1,158,712,000.

#### (b) Purchase consideration

The 76% holding at 14 April 2010 was obtained as a result of the cumulative effect of applications and redemptions of the Fund since its inception, and the impact of other investors' applications and redemptions, rather than the result of a single acquisition of a controlling interest in BT Wholesale Multi-manager International Share Fund. Accordingly the purchase consideration is the cumulative cost of investment into BT Wholesale Multi-manager International Share Fund since its inception which amounted to \$1,158,712,000.

**(c) Assets and liabilities acquired**

The assets and liabilities arising from the acquisition are as follows:

	<b>Fair value</b>
	<b>\$'000</b>
Cash and cash equivalents	53,256
Accrued income	3,403
Due from brokers - receivable for securities sold	4,125
Receivables	383
Financial assets held at fair value through profit or loss	1,429,574
Due to brokers - payable for securities purchased	(15,263)
Net assets attributable to non-controlling interests (liability)	<u>(316,766)</u>
<b>Fair value of net identifiable assets acquired</b>	<b><u>1,158,712</u></b>
Purchase consideration	<u>1,158,712</u>
<b>Net cash outflow</b>	<b><u>-</u></b>

**16 Business disposal**

**(a) Summary of disposal**

On 31 March 2011, the subsidiary of the Fund lost control of Schroder Global Dynamic Blend Fund, when the interest held by the subsidiary of the Fund dropped to 46% of the units of Schroder Global Dynamic Blend Fund. On the date that control transferred from the subsidiary of the Fund, the fair value of the investment in Schroder Global Dynamic Blend Fund was \$296,264,098.

On 7 December 2009, the Fund lost control of Advance Tradewinds Global Equities Fund when the the Fund disposed of 98.70% of the units of Advance Tradewinds Global Equities Fund. On the date that control transferred from the Fund, the fair value of the investment in Advance Tradewinds Global Equities Fund was \$153,062,812.

On 7 December 2009, the Fund lost control of Advance International Share Index Fund when the Fund disposed of 95.32% of the units of Advance International Share Index Fund. On the date that control transferred from the Fund, the fair value of the investment in Advance International Share Index Fund was \$351,083,723.

On 18 December 2009, the Fund lost control of Advance International Sharemarket Fund when the Fund disposed of 82.75% of the units of Advance International Sharemarket Fund. On the date that control transferred from the Fund, the fair value of the investment in Advance International Sharemarket Fund was \$307,256,186.

**(b) Sale consideration**

On 31 March 2011, control of Schroder Global Dynamic Blend Fund was lost by the subsidiary of the Fund due to applications from external investors. No sale consideration was received by the subsidiary.

The disposal of the 98.70% holding at 7 December 2009, was a result of a single disposal of the controlling interest in Advance Tradewinds Global Equities Fund. The parent entity received \$153,062,812 worth of units in BT Multi-manager International Share Fund as consideration for the disposal of its units in Advance Tradewinds Global Equities Fund.

The disposal of the 95.32% holding at 7 December 2009, was a result of a single disposal of the controlling interest in Advance International Share Index Fund. The parent entity received \$351,083,723 as consideration for the disposal of its units in Advance International Share Index Fund.

The disposal of the 82.75% holding at 18 December 2009, was a result of a single disposal of the controlling interest in Advance International Sharemarket Fund. The parent entity received \$307,256,186 as consideration for the disposal of its units in Advance International Sharemarket Fund.

## 16 Business disposal (continued)

### (c) Assets and liabilities lost

The assets and liabilities arising from the disposal are as follows:

	31 March 2011	7 December 2009	7 December 2009	18 December 2009
	Schroders Global Dynamic Blend Fund	Advance Tradewinds Global Equities Fund	Advance International Share Index Fund	Advance International Sharemarket Fund
	Fair value	Fair value	Fair value	Fair value
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	9,161	11,019	15,963	8,070
Margin accounts	353	-	2,200	-
Accrued income	1,542	460	-	911
Due from brokers - receivable for securities sold	6,650	-	-	2,721
Receivables	220	10	946	426
Financial assets held at fair value through profit or loss	564,542	143,685	351,478	363,385
Due to brokers - payable for securities purchased	(10,183)	-	-	(2,386)
Payables	(799)	(173)	(356)	(80)
Financial liabilities at fair value through profit or loss	(19)	-	(2,179)	-
Net assets attributable to non-controlling interests (liability)	<u>(275,203)</u>	<u>(1,938)</u>	<u>(16,968)</u>	<u>(65,791)</u>
<b>Fair value of net identifiable assets disposed</b>	<b><u>296,264</u></b>	<b><u>153,063</u></b>	<b><u>351,084</u></b>	<b><u>307,256</u></b>
Sale consideration	<u>-</u>	<u>153,063</u>	<u>351,084</u>	<u>307,256</u>
<b>Net cash inflow</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

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

	Consolidated		Parent	
	Year ended		Year ended	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	\$'000	\$'000	\$'000	\$'000
<b>(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities</b>				
Operating profit/(loss) for the year	53,731	182,383	29,471	82,329
Proceeds from sale of financial instruments held at fair value through profit or loss	2,454,997	2,096,610	55,472	1,805,359
Purchase of financial instruments held at fair value through profit or loss	(2,836,373)	(1,635,450)	(135,933)	(1,908,659)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(27,112)	(176,834)	(18,842)	(77,472)
Income reinvested	(418)	-	-	-
Net change in accrued income and receivables	6,117	(5,472)	(2,135)	2,475
Net change in payables	(1,776)	3,397	(660)	693
Trust distribution and/or dividends received reinvested	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,040)</u>
<b>Net cash inflow/(outflow) from operating activities</b>	<b><u>(350,834)</u></b>	<b><u>464,634</u></b>	<b><u>(72,627)</u></b>	<b><u>(104,315)</u></b>
<b>(b) Non-cash financing activities</b>				
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan.	<u>10,359</u>	<u>11,918</u>	<u>-</u>	<u>-</u>

## **18 Events occurring after the reporting period**

The consolidated entity and the Fund invest directly or indirectly in equities and are consequently exposed to the market risk associated with these investments.

Since the end of the reporting period share markets have experienced a period of significant volatility, impacting on the valuation of the consolidated entity and the Fund's investment portfolio.

As the investments are measured at their 30 June 2011 fair values in the financial report, this volatility in value is not reflected in the statement of comprehensive income or the balance sheet. As the consolidated entity and the Fund allocate all of their investment income to unitholders, the volatility in value of investments has been reflected in the current unit price, resulting in a corresponding change in net assets attributable to unitholders.

There were no other significant events which have occurred since the end of the reporting period which would impact on the financial position of the consolidated entity or Fund disclosed in the balance sheets as at 30 June 2011 or on the results and cash flows of the consolidated entity or Fund for the year ended on that date.

## **19 Contingent assets and liabilities and commitments**

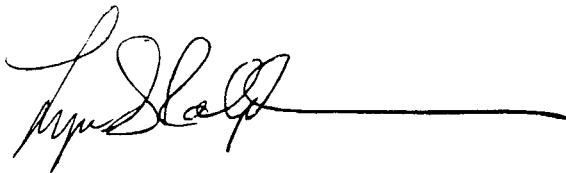
There are no outstanding contingent assets, liabilities or commitments as at 30 June 2011 and 30 June 2010.

**Directors' declaration**

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 39 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's and the Fund's financial position as at 30 June 2011 and of their performance for the financial year ended on that date; and
- (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



## **Independent audit report to the unitholders of International Shares Multi-Blend Fund**

### **Report on the financial report**

We have audited the accompanying financial report of International Shares Multi-Blend Fund, which comprises the balance sheets as at 30 June 2011, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for International Shares Multi-Blend Fund ("the Fund") and International Shares Multi-Blend Fund Group ("the consolidated entity"). The consolidated entity comprises the Fund and the entities it controlled at the year's end or from time to time during the financial year.

#### *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 are 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 International Shares Multi-Blend 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.

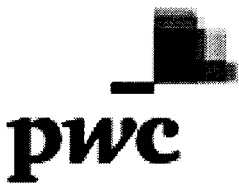
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**PricewaterhouseCoopers, ABN 52 780 433 757**

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171  
DX 77 Sydney

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## Independent audit report to the unitholders of International Shares Multi-Blend Fund (continued)

### *Independence*

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

### *Auditor's opinion on the financial report*

In our opinion:

- (a) the financial report of International Shares Multi-Blend Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity and 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).

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Claire Keating'.

Claire Keating  
Partner

Sydney  
19 September 2011