

# **Invesco Wholesale Cash Management Fund**

ARSN 089 519 657

## **Annual financial statements for the reporting period ended 30 June 2011**

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## Annual financial statements for the reporting period ended 30 June 2011

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These financial statements cover Invesco Wholesale Cash Management Fund as an individual entity.

The Responsible Entity of Invesco Wholesale Cash Management Fund is Invesco Australia Ltd (ABN 48 001 693 232). The Responsible Entity's registered office is level 26, 333 Collins Street, Melbourne, VIC 3000.

## Directors' report

The directors of Invesco Australia Ltd, the Responsible Entity of Invesco Wholesale Cash Management Fund, present their report together with the financial statements of Invesco Wholesale Cash Management Fund ("the Scheme") for the year ended 30 June 2011 ("the reporting period") and the auditor's report thereon.

### Responsible entity

The Scheme is an Australian registered scheme.

The Responsible Entity of Invesco Wholesale Cash Management Fund is Invesco Australia Ltd (ABN 48 001 693 232). The Responsible Entity's registered office is Level 26, 333 Collins Street, Melbourne, VIC 3000.

### Principal activities

The Scheme invests in prime quality short term money market securities issued or guaranteed by the Commonwealth Government or rated A1 or A1+ by a recognised rating agency. The Scheme does not currently use financial derivatives but may invest in financial futures contracts but not options in the future.

The Scheme provides security of capital, ready access to funds and delivers a return based upon prevailing money market interest rates, over the short term.

The Scheme did not have any employees during the reporting period.

There were no significant changes in the nature of the Scheme's activities during the reporting period.

### Directors

The following persons held office as directors of the Responsible Entity during the reporting period or since the end of the reporting period and up to the date of this report:

Michael O'Brien (Chairman) (Appointed 27 August 2004)  
 Jeremy Simpson (Appointed 29 August 2000)  
 Andrew Lo (Appointed 10 July 1998)  
 Mark Yesberg (Appointed 28 November 2007)  
 Robert M Adés (Appointed 22 July 2008)  
 Richard Douglas (Appointed 16 August 2010)

### Review and results of operations

There have been no significant changes to the operations of the Scheme during the reporting period. The Scheme continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

During the period, the Scheme returned 4.56% (2010: 3.44%) against its benchmark rate of 4.98% (2010: 3.89 %) (as disclosed in the Scheme's product disclosure statement). This resulted in an under performance of 0.43% (2010: 0.45% under).

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

	<b>For the reporting period ended</b>	
	<b>30 June 2011</b>	<b>30 June 2010</b>
Profit/(loss) before finance costs attributable to unitholders (\$'000)	<b>4,583</b>	<b>5,281</b>
Distribution paid and payable (\$'000)	<b>4,583</b>	<b>5,281</b>

## Directors' report (continued)

### Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Scheme that occurred during the reporting period.

### Likely developments and expected results of operations

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

Further information on likely developments in the operations of the Scheme 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 Scheme.

### Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of Invesco Australia Ltd or the auditors of the Scheme. So long as the officers of Invesco Australia Ltd act in accordance with the Scheme's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

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

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

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

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

### Interests in the Scheme

The movement in units on issue in the Scheme during the reporting period is disclosed in note 5 of the financial statements.

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

### Environmental regulation

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

### Events occurring after the reporting period

Except as disclosed in note 15 in the financial statements, no other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- (i) the operations of the Scheme in future reporting periods, or
- (ii) the results of those operations in future reporting periods, or
- (iii) the state of affairs of the Scheme in future reporting periods.

### Rounding of amounts to the nearest thousand dollars

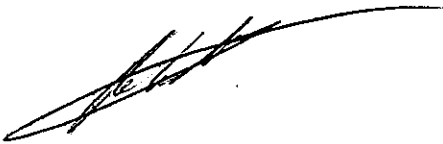
The Scheme is an entity of the kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the financial report and directors' report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

## Directors' report (continued)

### Lead auditor's independence declaration

A copy of the Lead auditor's independence declaration which forms part of the Director's report as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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



Robert M Adés  
Director

Melbourne  
14 September 2011

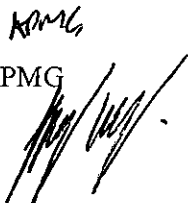


*Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001*

To: the directors of Invesco Wholesale Cash Management Fund

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

  
KPMG

Chris Wooden  
*Partner*

Melbourne

14 September 2011

**Statement of comprehensive income**

	Notes	For the reporting period ended	
		30 June 2011 \$'000	30 June 2010 \$'000
<b>Investment income</b>			
Interest income	3	5,060	5,975
Other income		-	5
<b>Total investment income</b>		<u>5,060</u>	<u>5,980</u>
<b>Expenses</b>			
Responsible Entity fees	13	477	699
<b>Total expenses</b>		<u>477</u>	<u>699</u>
<b>Profit/(loss) before finance costs attributable to unitholders</b>		<u>4,583</u>	<u>5,281</u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	6	(4,583)	(5,281)
<b>Profit/(loss) for the reporting period attributable to unitholders</b>		<u>-</u>	<u>-</u>
Other comprehensive income for the reporting period attributable to unitholders		-	-
<b>Total comprehensive income for the reporting period attributable to unitholders</b>		<u>-</u>	<u>-</u>

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

**Statement of financial position**

	Notes	As at	
		30 June 2011 \$'000	30 June 2010 \$'000
<b>Assets</b>			
Cash and cash equivalents	7	9,732	6,749
Receivables	9	11	13
Financial assets held at fair value through profit or loss	8	<u>89,527</u>	<u>114,396</u>
<b>Total assets</b>		<u><b>99,270</b></u>	<u><b>121,158</b></u>
<b>Liabilities</b>			
Distributions payable	6	1,084	1,228
Payables	10	<u>39</u>	<u>53</u>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u><b>1,123</b></u>	<u><b>1,281</b></u>
<b>Net assets attributable to unitholders - liability</b>	5	<u><b>98,147</b></u>	<u><b>119,877</b></u>

The above statement of financial position should be read in conjunction with the accompanying notes.

**Statement of changes in equity**

In accordance with AASB 132 *Financial Instruments: Presentation*, net assets attributable to unitholders are classified as a liability rather than equity. As such, the Scheme has no equity, and no items of changes in equity have been presented for the current or comparative year.

Changes in net assets attributable to unitholders are disclosed in note 5.

**Statement of cash flows**

		<b>For the reporting period ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2011</b>	<b>2010</b>
	Notes	<b>\$'000</b>	<b>\$'000</b>
<b><i>Cash flows from operating activities</i></b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		412,306	706,332
Purchase of financial instruments held at fair value through profit or loss		(387,437)	(584,662)
Interest received		5,060	5,975
Other income received		-	5
Other operating expenses		(524)	(790)
RITC received		37	66
<b>Net cash inflow/(outflow) from operating activities</b>	14(a)	<u>29,442</u>	<u>126,926</u>
<b><i>Cash flows from financing activities</i></b>			
Proceeds from applications by unitholders		162,488	260,513
Payments for redemptions by unitholders		(188,831)	(407,650)
Distributions paid		(116)	(18)
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(26,459)</u>	<u>(147,155)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,983</b>	<b>(20,229)</b>
Cash and cash equivalents at the beginning of the reporting period		<u>6,749</u>	<u>26,978</u>
<b>Cash and cash equivalents at the end of the reporting period</b>	14(b),7	<u>9,732</u>	<u>6,749</u>

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

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## 1 General information

This financial report covers Invesco Wholesale Cash Management Fund (the "Scheme") as an individual entity. The Scheme was constituted on 5 October 1999.

The Responsible Entity of the Scheme is Invesco Australia Ltd (the "Responsible Entity"). The Responsible Entity's registered office is Level 26, 333 Collins Street, Melbourne, VIC 3000.

The Responsible Entity is incorporated and domiciled in Australia.

The financial statements are presented in the Australian currency.

The financial statements are for the period from 1 July 2010 to 30 June 2011 ("the reporting period").

The financial statements were authorised for issue by the directors on 14 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 reporting periods 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, including Australian Interpretations adopted by the Australian Accounting Standards Board 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.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of the reporting period cannot be reliably determined.

#### *Compliance with International Financial Reporting Standards*

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

### (b) Financial instruments

#### (i) Classification

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

The Scheme's investments are categorised as at fair value through profit or loss. They comprise:

- *Financial instruments held for trading*

These may include derivative financial instruments such as futures, forward contracts, options and interest rate swaps. The Scheme does not designate any derivatives as hedges in a hedging relationship.

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

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

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

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

The information on the fair value basis is provided internally to the Scheme's key management personnel. In addition, the designation of financial assets and financial liabilities at fair value through profit or loss will reduce any measurement or recognition inconsistencies and any accounting mismatch that would otherwise arise.

The Scheme makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss.

### (ii) Recognition/derecognition

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

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Scheme retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' agreement; or
- the Scheme has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset; or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Any gains or losses arising on derecognition of the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) are included in the statement of comprehensive income in the reporting period the asset is derecognised as realised gains or losses on financial instruments.

### (iii) Measurement

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

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 held at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

- *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. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

- *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, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

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.

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 Scheme recognises the difference in the statement of comprehensive income to reflect a change in factors, including time, that market participants would consider in setting a price.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Scheme 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 most appropriate option valuation model.

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

### (iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### (c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and income is mandatorily distributed and therefore unitholders funds are classified as financial liabilities. The units can be put back to the Scheme 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 put the units back to the Scheme. Because the Scheme's redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference exists, which has been treated as a separate component of net assets attributable to unitholders. Changes in the value of this financial liability are recognised in the statement of comprehensive income as they arise.

### (d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in the statement of financial position.

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 Scheme's main income generating activity.

### (e) Investment income

Interest income and interest expenses are recognised in the statement of comprehensive income for all financial instruments on an accrual basis. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

Dividend income is recognised on the ex-dividend date.

## 2 Summary of significant accounting policies (continued)

### (e) Investment income (continued)

Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date.

Trust distributions are recognised on an entitlements basis.

Net gains/(losses) on financial assets and financial liabilities held at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at the end of the reporting period and the fair value at the previous valuation point. Net gains/(losses) do not include interest or dividend/distribution income. Realised and unrealised gains/(losses) are shown in the notes to the financial statements.

### (f) Expenses

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

### (g) Income tax

Under current legislation, the Scheme is not subject to income tax as unitholders are presently entitled to the income of the Scheme. The Scheme fully distributes its distributable income.

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 Scheme is not subject to capital gains tax.

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

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

The Scheme currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

### (h) Distributions

In accordance with the Scheme's Constitution, the Scheme distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

### (i) Increase/(decrease) in net assets attributable to unitholders

Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as part of finance costs. The movements include undistributable income which may consist of undistributable unrealised changes in fair value of financial instruments held at fair value through profit or loss and derivative financial instruments; accrued income not yet assessable; expenses provided or accrued which are not yet deductible; net capital losses; and tax free or tax deferred income. Net capital gains on the realisation of any financial instruments (including any adjustments for tax deferred income previously taken directly to net assets attributable to unitholders) and accrued income not yet assessable will be included in the determination of distributable income in the same year in which it becomes assessable for tax.

## 2 Summary of significant accounting policies (continued)

### (j) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the Scheme's 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 Scheme competes for funds and is regulated. The Australian dollar is also the Scheme'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 reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

The Scheme does not isolate that portion of gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

### (k) Receivables

Receivables may include amounts for dividends, interest and securities sold where settlement has not yet occurred and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

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

### (l) Payables

Payables include liabilities and accrued expenses owing by the Scheme which are unpaid as at the end of the reporting period.

Trades are recorded on trade date, and normally settled within three business days. Purchases of financial instruments that are unsettled at the end of each reporting period are included in payables.

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

### (m) Applications, redemptions and unit pricing

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

Unit redemption prices are determined in accordance with the Scheme's Constitution by reference to the net assets of the Scheme divided by the number of units on issue.

The unit price is based on unit price accounting outlined in the Scheme's Constitution.

## 2 Summary of significant accounting policies (continued)

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

The GST incurred on the costs of various services provided to the Scheme by third parties such as custodial services and investment management fees have been passed onto the Scheme. The Scheme qualifies for Reduced Input Tax Credits (RITC) at a rate of 75%; hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

### (o) Use of estimates

The Scheme makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next reporting period. 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.

Models use observable data, to the extent practicable. 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, accounts payable and the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

### (p) 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 and have not yet been applied in the financial statements. The directors' assessment of the impact of these new standards (to the extent relevant to the Scheme) 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 2010-7 Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)

*AASB 9 Financial Instruments* addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. The Standard is not applicable until 1 January 2013. AASB 9 only permits the recognition of fair value gains/(losses) in other comprehensive income if they relate to equity investments that are not traded. Fair value gains/(losses) on debt investments are recognised directly in profit or loss. The Scheme does not expect any significant impact on the Scheme's financial statements arising from the adoption of the Standard.

(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 from 1 January 2011. 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 amendment will not have any effect on the Scheme's financial statements.

(iii) *AASB 2010-4 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective from 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 Scheme does not expect that any adjustments will be necessary as the result of applying the revised rules.

(iv) *AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]* (effective from 1 January 2011)

## 2 Summary of significant accounting policies (continued)

### (p) New accounting standards and interpretations (continued)

In October 2010, the AASB issued the above Standard. The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. These amendments have no major impact on the requirements of the amended pronouncements. It does not expect that any adjustments will be necessary as the result of applying the amendments.

#### (v) AASB 2010-6 *Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets* (effective from 1 July 2011)

In November 2010, the AASB issued the above Standard amending the disclosure requirements in AASB 7 *Financial Instruments: Disclosures*. The Standard introduces additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect entities that sell, factor, securities, lend or otherwise transfer financial assets to other parties. The Scheme will apply the amendment from 1 July 2011 with no comparative information being required for the reporting period ending on 30 June 2012. It does not expect any significant impact as the result of applying the amendments.

#### (vi) IFRS 13 *Fair Value Measurement* (effective 1 January 2013)

IFRS 13 was released in May 2011. The AASB is expected to issue an equivalent Australian standard shortly. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Scheme has yet to determine the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Scheme does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

#### (vii) AASB 1054 *Australian Additional Disclosures* and AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* (effective 1 July 2011)

The AASB and NZ FRSB have issued accounting standards that eliminate most of the existing differences between their local standards and IFRS. Where additional disclosures were considered necessary, they were moved to the new standard AASB 1054. Adoption of the new rules will not affect any of the amounts recognised in the financial statements, but may simplify some of the Scheme's current disclosures. The Scheme intends to adopt the standards from 1 July 2011.

#### (viii) Revised IAS 1 *Presentation of Financial Statements* (effective 1 July 2012)

In June 2011, the IASB made an amendment to IAS 1 *Presentation of Financial Statements*. The AASB is expected to make the equivalent changes to AASB 101 shortly. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to the statement of comprehensive income in the future. It will not affect the measurement of any of the items recognised in the statement of financial position or the statement of comprehensive income. The Scheme intends to adopt the new standard from 1 July 2012.

### (q) Rounding of amounts

The Scheme is an entity of the kind referred to in Class Order 98/0100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated.

### (r) Margin accounts

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

### 3 Interest income

	For the reporting period ended	
	30 June 2011 \$'000	30 June 2010 \$'000
Cash and deposits	480	557
Money market securities	4,568	5,414
Interest on applications	12	4
	<u>5,060</u>	<u>5,975</u>

### 4 Auditor's remuneration

During the reporting period the following fees were paid or payable for services provided by the auditor of the Scheme:

	For the reporting period ended	
	30 June 2011 \$	30 June 2010 \$
<b>(a) Audit services</b>		
<b>Audit services</b>		
<i>Auditors of the Scheme - KPMG:</i>		
Audit and review of financial reports and other work under the Corporations Act 2001	8,475	8,229
Other regulatory audit services	1,059	800
Total remuneration for auditors of the scheme - KPMG:	<u>9,534</u>	<u>9,029</u>
<b>(b) Other services</b>		
<b>Auditors of the Scheme - KPMG:</b>		
Taxation services	2,119	2,408
Total remuneration for other services	<u>2,119</u>	<u>2,408</u>

The fees are paid by the Responsible Entity on behalf of the Scheme.

## 5 Net assets attributable to unitholders

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

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

	For the reporting period ended			
	30 June 2011 No. '000	30 June 2010 No. '000	30 June 2011 \$'000	30 June 2010 \$'000
<b>Net assets attributable to unitholders</b>				
Opening balance	119,877	261,766	119,877	261,766
Applications	162,488	260,513	162,488	260,513
Redemptions	(188,829)	(407,652)	(188,829)	(407,652)
Units issued upon reinvestment of distributions	4,611	5,250	4,611	5,250
Closing balance	<u>98,147</u>	<u>119,877</u>	<u>98,147</u>	<u>119,877</u>

## Capital risk management

The Scheme considers its 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 Scheme is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Scheme's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Scheme's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

## 6 Distributions to unitholders

### Timing of distributions

The distributions for the reporting period were as follows:

	For the reporting period ended	
	30 June 2011 \$'000	30 June 2010 \$'000
<b>Distributions</b>		
Interest paid on redemptions	101	2
30 September paid	1,227	1,657
31 December paid	1,076	1,199
31 March paid	1,095	1,195
30 June payable	<u>1,084</u>	<u>1,228</u>
	<u>4,583</u>	<u>5,281</u>

## 7 Cash and cash equivalents

	As at	
	30 June 2011 \$'000	30 June 2010 \$'000
Cash at bank	<u>9,732</u>	<u>6,749</u>
	<u>9,732</u>	<u>6,749</u>

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

	As at	
	30 June 2011 \$'000	30 June 2010 \$'000
<b>Designated at fair value through profit or loss</b>		
Discount securities	<u>89,527</u>	<u>114,396</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>89,527</u>	<u>114,396</u>

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 12.

## 9 Receivables

	As at	
	30 June 2011 \$'000	30 June 2010 \$'000
GST receivable	<u>11</u>	<u>13</u>

## 10 Payables

	As at	
	30 June 2011 \$'000	30 June 2010 \$'000
Amounts owing to Responsible Entity	39	51
Other creditors	<u>-</u>	<u>2</u>
	<u>39</u>	<u>53</u>

## 11 Derivative financial instruments

In the normal course of business the Scheme may 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 and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

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

Derivative transactions include many different instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Scheme'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 Scheme 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 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 Scheme.

The Scheme may hold the following derivative instruments:

### (a) Futures

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

### (b) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. The Scheme is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value.

### (c) Forward currency contracts

Forward currency contracts are primarily used by the Scheme to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Scheme agrees 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 Scheme recognises a gain or loss equal to the change in fair value at the end of each reporting period.

### (d) 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 Scheme recognises a gain or loss equal to the change in fair value at the end of each reporting period.

### (e) Swaps

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

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

At the end of the reporting period, there were no derivative financial instruments held by the Scheme (2010: \$Nil).

## 12 Financial risk management

### (a) Objectives, strategies, policies and processes

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

The Scheme's overall risk management program focuses on ensuring compliance with the Scheme's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Scheme is exposed. Financial risk management is carried out by an Investment Manager under policies approved by the Board of Directors of the Responsible Entity ("the Board").

The Scheme 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.

As part of its risk management strategy, the Scheme may use derivatives and other investments, including share price and bond futures, interest rate swaps and forward currency contracts, to manage exposures resulting from changes in interest rates, foreign currencies, equity price risks, and exposures arising from forecast transactions.

### (b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, foreign currency risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

The market risk disclosures are prepared on the basis of the Scheme's direct investments and not on a look-through basis for investments held in the Scheme.

The sensitivity of the Scheme's net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) to price risk, foreign exchange risk and interest rate risk is measured by the reasonably possible movements approach. This approach is determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of the Scheme's investments with the relevant benchmarks and market volatility. 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 in which the Scheme invests. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

#### (i) Price risk

There is no significant direct price risk in this Scheme as at 30 June 2011 (2010: Nil).

#### (ii) Foreign exchange risk

There is no significant direct foreign exchange risk in this Scheme as at 30 June 2011 (2010: Nil).

#### (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.

The Scheme's interest-bearing financial assets and financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Scheme has established limits on investments in interest-bearing assets, which are monitored on a daily basis. The Scheme may use derivatives to hedge against unexpected increases in interest rates and/or multiple rollover dates for debt instruments to manage repricing risk. The interest rate risk is measured using sensitivity analysis.

In accordance with the Scheme's policy, the Investment Manager monitors the Scheme's overall interest sensitivity on a regular basis. This information and the compliance with the Scheme's policy are reported to the relevant parties on a regular basis as deemed appropriate such as compliance manager, other key management personnel, compliance committees and ultimately the Board.

## 12 Financial risk management (continued)

The Scheme has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain entities in which the Scheme invests and impact on the valuation of certain assets that use interest rates as an input in their valuation model. Therefore, the sensitivity analysis may not fully indicate the total effect on the Scheme's net assets attributable to unitholders of future movements in interest rates.

The table below summarises the Scheme's exposure to interest rate risks. It includes the Scheme's assets and liabilities at fair values, categorised by the maturity dates:

	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
	\$'000	3 months or less \$'000	\$'000	\$'000
<b>30 June 2011</b>				
<b>Assets</b>				
Cash and cash equivalents	9,732	-	-	9,732
Money market securities	-	89,527	-	89,527
Receivables	-	-	11	11
<b>Total assets</b>	<b>9,732</b>	<b>89,527</b>	<b>11</b>	<b>99,270</b>
<b>Liabilities</b>				
Distributions payable	-	-	1,084	1,084
Payables	-	-	39	39
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>1,123</b>	<b>1,123</b>
<b>Net assets attributable to unitholders - Liability</b>	<b>9,732</b>	<b>89,527</b>	<b>(1,112)</b>	<b>98,147</b>
<b>30 June 2010</b>				
<b>Assets</b>				
Cash and cash equivalents	6,749	-	-	6,749
Money market securities	-	114,396	-	114,396
Receivables	-	-	13	13
<b>Total assets</b>	<b>6,749</b>	<b>114,396</b>	<b>13</b>	<b>121,158</b>
<b>Liabilities</b>				
Distributions payable	-	-	1,228	1,228
Payables	-	-	53	53
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>1,281</b>	<b>1,281</b>
<b>Net assets attributable to unitholders - Liability</b>	<b>6,749</b>	<b>114,396</b>	<b>(1,268)</b>	<b>119,877</b>

## 12 Financial risk management (continued)

At 30 June 2011, should the interest rates have (decreased)/increased by the basis points indicated below, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) would have changed by the following amounts, approximately and respectively:

	As at 30 June 2011		As at 30 June 2010	
	Increased by 15% \$	Decreased by 15% \$	Increased by 15% \$	Decreased by 15% \$
<b>Net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)</b>	<b>(68,143)</b>	<b>68,143</b>	<b>(89,366)</b>	<b>89,366</b>

These changes are calculated on an undiscounted basis. The analysis is performed on the same basis for 2011 and 2010.

### (c) Credit risk

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

Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, and deposits with banks and other financial institutions.

With respect to credit risk arising from the financial assets of the Scheme, other than derivatives, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these investments as disclosed in the statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the end of the reporting period.

Counterparty credit limits and the list of authorised brokers are reviewed bi-annually or on an as needed basis by the Credit Committee of the Responsible Entity.

The Scheme may enter into netting arrangements with counterparties, where applicable.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

The Scheme holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired.

### *Credit quality per class of instrument*

The credit quality of financial assets is managed by the Scheme using a number of rating agencies including Standard & Poor's rating categories, in accordance with the investment mandate of the Scheme. The Scheme's exposure in each grade is monitored on a daily basis. This review process allows the Responsible Entity to assess the potential loss as a result of risks and take corrective action. The table below shows the credit quality by class of assets:

	A1 \$'000	A1+ \$'000
<b>At 30 June 2011</b>		
Discount securities	69,639	19,888
	A1 \$'000	A1+ \$'000
<b>At 30 June 2010</b>		
Discount securities	23,903	90,492

## 12 Financial risk management (continued)

### (d) Concentrations of risk

Concentrations of risk arise when a number of financial instruments are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic conditions. These similarities would cause the counterparties' liabilities to meet the contractual obligations to be similarly affected by certain changes in the risk variables.

The concentrations of risk are monitored by the Investment Manager to ensure they are within acceptable limits by reducing the exposures or by other means as deemed appropriate.

Concentrations of risk are managed by industry sector for equity instruments and by counterparty for debt instruments and selected derivatives.

Concentrations of risk are managed by industry sector for equity instruments and by counterparty for debt instruments and selected derivatives.

There were no significant concentrations of risk in the Scheme as at 30 June 2011 (2010:Nil).

### (e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. This risk is controlled through the Scheme's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Scheme may be exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. It therefore primarily holds investments that are traded in active markets and can be readily disposed of.

The Scheme's investments may include listed securities that are considered readily realisable, as they are listed on recognised stock exchanges.

The Scheme may invest in investments in unlisted unit trusts that expose the Scheme to the risk that the Scheme or Investment Manager of those trusts may be unwilling or unable to fulfil the redemption requests within the timeframe requested by the Scheme.

The Scheme may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Scheme may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as a deterioration in the creditworthiness of any particular issuer. No such investments were held at the end of the reporting period.

The Scheme's policy is to hold a significant proportion of its investments in liquid assets.

Under the terms of its constitution, the Scheme has the ability to manage liquidity risk by delaying redemptions to unitholders, if necessary, until the funds are available to pay them.

Units are redeemed on demand at the unitholder's option. However, the Board of Directors does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

In accordance with the Scheme's policy, the Investment Manager monitors the Scheme's liquidity position on a regular basis. This information and the compliance with the Scheme's policy are reported to the relevant parties on a regular basis as deemed appropriate such as compliance manager, other key management personnel, compliance committees and ultimately the Board.

## 12 Financial risk management (continued)

### Maturity analysis for financial liabilities

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

	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	More than 12 months \$'000
<b>At 30 June 2011</b>				
Financial liabilities at fair value through profit or loss				
Distribution payable	1,084	-	-	-
Payables	39	-	-	-
Net assets attributable to unitholders	<u>98,147</u>	-	-	-
<b>Total financial liabilities</b>	<u>99,270</u>	-	-	-
	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	More than 12 months \$'000
<b>At 30 June 2010</b>				
Financial liabilities at fair value through profit or loss				
Distribution payable	1,228	-	-	-
Payables	53	-	-	-
Net assets attributable to unitholders	<u>119,877</u>	-	-	-
<b>Total financial liabilities</b>	<u>121,158</u>	-	-	-

As disclosed above, the Scheme manages its liquidity risk by investing predominantly in liquid assets that it expects to be able to liquidate within 7 days or less. Liquid assets include cash and cash equivalents. As at 30 June 2011, these assets amounted to \$9,732,079.25 (2010: \$6,748,962).

### (f) Fair values of financial assets and financial liabilities

The carrying amounts of all the Scheme's financial assets and financial liabilities at the end of the reporting period approximated their fair values.

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

Some of these investments are valued using valuation models and some of the inputs into these models may not be market observable and are therefore estimated based on assumptions.

As a result of events in global markets in the comparative period, liquidity in some investment markets decreased significantly. As a result, the volume of trading in some of the investments held by the Scheme decreased significantly, and accordingly the valuation of those investments is subject to a greater uncertainty and requires greater judgement than would be the case in normal investment market conditions.

### (g) Fair value hierarchy

The Scheme is required to 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).

## 12 Financial risk management (continued)

### (g) Fair value hierarchy (continued)

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

The determination of what constitutes "observable" requires significant judgement by the Scheme. The Scheme 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 Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2011 and 30 June 2010.

As at 30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
Discount securities	-	89,527	-	89,527
<b>Total</b>	-	<b>89,527</b>	-	<b>89,527</b>
As at 30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
Equity securities	-	114,396	-	114,396
<b>Total</b>	-	<b>114,396</b>	-	<b>114,396</b>

The pricing for the majority of the Scheme's investments is generally sourced from independent pricing sources, the relevant Investment Managers or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets, eg recognised stock exchanges, and therefore classified within level 1, include active listed equities and exchange traded derivatives.

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. The observable inputs include prices and/or those derived from prices. The level 2 instruments include investment-grade corporate bonds, and over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

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

Where a valuation model technique is used, the Scheme considers other liquidity, credit and market risk factors, and adjusts the model as deemed necessary.

For the year ended 30 June 2011, there were no transfers between levels for the Scheme.

## 13 Related party transactions

### Responsible Entity

The Responsible Entity of Invesco Wholesale Cash Management Fund is Invesco Australia Ltd.

The immediate and ultimate holding companies of the Responsible Entity are Invesco Pacific Group Ltd and Invesco Ltd respectively.

### Key management personnel

#### (a) Directors

Key management personnel includes persons who were directors of Invesco Australia Ltd at any time during the year and since the end of the reporting period as follows:

Michael O'Brien (Chairman) (Appointed 27 August 2004)  
Jeremy Simpson (Appointed 29 August 2000)  
Andrew Lo (Appointed 10 July 1998)  
Mark Yesberg (Appointed 28 November 2007)  
Robert M Adés (Appointed 22 July 2008)  
Richard Douglas (Appointed 16 August 2010)

#### (b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Scheme, directly or indirectly during the reporting period.

### Responsible entity's/manager's fees and other transactions

Under the terms of the Scheme's Constitution, the Responsible Entity is entitled to receive management fees, calculated by reference to the average daily net assets (excluding net assets attributable to unitholders) of the Scheme as follows:

	30 June 2011 \$	30 June 2010 \$
Management fees for the reporting period paid by the Scheme to the Responsible Entity	<u>160,710</u>	<u>235,371</u>
Administration fees for the reporting period paid by the Scheme to the Responsible Entity	<u>316,784</u>	<u>463,953</u>
Aggregate amounts payable to the Responsible Entity at the end of the reporting period	<u>39,352</u>	<u>50,788</u>

Where the Scheme invests in other schemes operated by the Responsible Entity, the Responsible Entity may rebate its fees to the Scheme to ensure that there is no duplication of fees recovered from other schemes.

### 13 Related party transactions (continued)

#### Related party schemes' unitholdings

Parties related to the Scheme (including Invesco Australia Ltd, its related parties and other schemes managed by Invesco Australia Ltd), held units in the Scheme as follows:

30 June 2011

Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment (\$)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/ payable by the Scheme (\$)
Invesco Wholesale Diversified Growth Fund	4,714,783	4,248,571	4,248,571	4.36	9,651,711	10,117,922	147,636
Invesco Wholesale Protected Growth Fund	10,591,632	4,866,616	4,866,616	4.99	5,354,993	11,080,009	322,665
Invesco Wholesale Protected Growth PST	45,797	33,491	33,491	0.07	95,297	107,604	1,884
Invesco Wholesale Australian Share Fund	112,612	121,911	121,911	0.13	4,460,523	4,451,224	16,043
Invesco Wholesale Australian Smaller	1,280,002	7,253,650	7,253,650	7.44	82,964,209	76,990,560	183,354
Invesco Wholesale Diversified Growth PST	169,539	66,567	66,567	0.03	1,568,352	1,671,324	8,696
Invesco Australian Smaller Companies Fund	1,876	13,928	13,928	0.01	276,031	263,979	518
Invesco Australian Share Fund	6,259	41,378	41,378	0.04	399,786	364,668	1,171
Invesco Diversified Growth Fund	12,897	28,802	28,802	0.03	488,599	472,694	1,008
Invesco Protected Growth Fund	10,112	12,632	12,632	0.01	26,426	23,906	554
Invesco Australian Alpha Plus Equity Fund	423,650	422,592	422,591	0.43	3,041,270	3,042,328	23,020

### 13 Related party transactions (continued)

#### Related party schemes' unitholdings (continued)

30 June 2010

Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment (\$)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/ payable by the Scheme (\$)
Invesco Wholesale Diversified Growth Fund	4,994,486	4,714,783	4,714,783	3.95	14,084,696	14,364,399	137,055
Invesco Wholesale Protected Growth Fund	12,750,355	10,591,632	10,591,632	8.88	15,532,215	17,690,938	447,956
Invesco Wholesale Protected Growth PST	5,762,296	45,797	45,797	0.04	170,230	5,886,729	4,350
Invesco Wholesale Australian Share Fund	93,346	112,612	112,612	0.09	6,077,303	6,058,037	10,430
Invesco Wholesale Australian Smaller Companies Fund	4,610,484	1,280,002	1,280,002	1.07	69,470,852	72,801,334	137,641
Invesco Wholesale Diversified Growth PST	138,399	169,539	169,539	0.14	470,327	439,187	6,093
Invesco Australian Smaller Companies Fund	12,576	1,876	1,876	-	613,272	623,972	902
Invesco Australian Share Fund	20,640	6,259	6,259	0.01	327,580	341,961	574
Invesco Diversified Growth Fund	60,932	12,897	12,897	0.01	533,379	581,414	1,789
Invesco Protected Growth Fund	2,509,337	10,112	10,112	0.01	38,327	2,537,552	1,438
Invesco Australian Alpha Plus Equity Fund	324,810	423,650	423,650	0.36	5,062,325	4,963,485	13,785

#### Key management personnel unitholdings

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

#### Key management personnel compensation

Key management personnel are paid by Invesco Australia Ltd. Payments made from the Scheme to Invesco Australia Ltd do not include any amounts directly attributable to the compensation of key management personnel.

The Scheme did not have any employees during the year.

#### Key management personnel loan disclosures

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

### 13 Related party transactions (continued)

#### Investments

The Scheme did not hold any investment in Invesco Australia Ltd or its affiliates during the reporting period (2010: Nil).

#### Other transactions within the Scheme

From time to time directors of Invesco Wholesale Cash Management Fund, or their director related entities, may invest in or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors and are trivial in nature.

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

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

	For the reporting period ended	
	30 June 2011 \$'000	30 June 2010 \$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Distribution to unitholders	4,583	5,281
Proceeds from sale of financial instruments held at fair value through profit or loss (including net realised/unrealised gains/(losses)) and derivative financial instruments	412,306	706,332
Purchase of financial instruments held at fair value through profit or loss and derivative financial instruments	(387,437)	(584,662)
Decrease/(increase) in receivables and accrued income	2	15
(Decrease)/increase in accounts payable and other liabilities	(12)	(40)
<b>Net cash inflow/(outflow) from operating activities</b>	<u>29,442</u>	<u>126,926</u>
<b>(b) Components of cash and cash equivalents</b>		
Cash as at the end of the reporting period as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Cash and cash equivalents	9,732	6,749
<b>(c) Non-cash financing and investing activities</b>		
During the reporting period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	<u>4,611</u>	<u>5,250</u>

### 15 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Scheme disclosed in the statement of financial position as at 30 June 2011 or on the results and cash flows of the Scheme for the reporting period ended on that date.

### 16 Contingent assets and liabilities and commitments

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

## Directors' declaration

In the opinion of the directors of Invesco Australia Ltd, the Responsible Entity of Invesco Wholesale Cash Management Fund ("the Scheme"):

- (a) the financial statements and notes set out on pages 6 to 31 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2011 and of its performance, as represented by the results of its operations and cash flows, for the reporting period ended on that date; and
- (b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.
- (c) the financial statements are in accordance with the Scheme's Constitution.

Note 2(a) confirms that the financial statements also 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.



Robert M Adés  
Director

Melbourne  
14 September 2011



## **Independent auditor's report to the unitholders of Invesco Wholesale Cash Management Fund**

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

We have audited the accompanying financial report of Invesco Wholesale Cash Management Fund (the Scheme), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' responsibility for the financial report*

The directors of Invesco Australia Ltd (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(a), the directors of the Responsible Entity also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements 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. Those 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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards and the provisions of the constitution dated 5 October 1999, as amended, a true and fair view which is consistent with our understanding of the Scheme's financial position, and of its performance.



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

*Independence*

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

*Auditor's opinion*

In our opinion:

- (a) the financial report of Invesco Wholesale Cash Management Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Scheme's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

*KPMG*

KPMG

Chris Wooden  
*Partner*

Melbourne

14 September 2011



## **Independent auditor's report to the directors of Invesco Australia Ltd**

We have audited the compliance plan of Invesco Wholesale Cash Management Fund which was established by Invesco Australia Ltd as the responsible entity for the scheme for the period ended 30 June 2011. The compliance plan was approved by the directors of the responsible entity on 1 July 2004 and lodged with the Australian Securities Investment Commission on 13 July 2004.

### *Directors' responsibility for the compliance plan*

The directors of the responsible entity are responsible for ensuring that the scheme's compliance plan meets the requirements of Section 601HA of the *Corporations Act 2001*, including that it sets out adequate measures that the responsible entity is to apply in operating the scheme to ensure compliance with the *Corporations Act 2001* and the scheme's constitution, and for complying with the compliance plan. These responsibilities are set out in Part 5C.2 of the *Corporations Act 2001*. The directors' assertions regarding the design and operation of the compliance plan have been acknowledged in the attached directors' declaration dated 14 September 2011.

### *Auditor's responsibility*

Our responsibility is to express an opinion on whether the responsible entity complied with the compliance plan during the period ended 30 June 2011 and the compliance plan continues to meet the requirements of Part 5C.4 of the *Corporations Act 2001* as at that date, in all material respects.

We conducted our audit in accordance with Standards on Assurance Engagements. These Standards on Assurance Engagements require that we comply with relevant ethical requirements relating to assurance engagements and plan and perform the engagement to obtain reasonable assurance that the responsible entity complied with the compliance plan and the plan met the requirements of the *Corporations Act 2001*. Our procedures included obtaining an understanding of the compliance plan and the measures which it contains and examining, on a test basis, evidence supporting the operation of these measures. These procedures have been undertaken to form an opinion whether, in all material respects, the responsible entity has complied with the compliance plan during the period ended 30 June 2011, and the compliance plan continues to meet the requirements of Part 5C.4 of the *Corporations Act 2001* as at that date.

### *Use of report*

This audit report has been prepared for Invesco Australia Ltd as the responsible entity of the scheme in accordance with section 601HG of the *Corporations Act 2001*. We disclaim any assumption of responsibility for any reliance on this report, or the compliance plan to which it



relates to any person or users other than the directors of the responsible entity, or for any purpose other than that for which it was prepared.

*Inherent limitations*

Because of the inherent limitations of any compliance measures, as documented in the compliance plan, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. An audit is not designed to detect all weaknesses in a compliance plan and the measures in the plan, as an audit is not performed continuously throughout the period and the procedures performed on the compliance plan and measures were undertaken on a test basis.

Any projection of the evaluation of the compliance plan to future periods is subject to the risk that the compliance measures in the plan may become inadequate because of changes in conditions or circumstances, or that the degree of compliance with them may deteriorate.

The audit opinion expressed in this report has been formed on the above basis.

*Auditor's opinion*

In our opinion, in all material respects:

- a) Invesco Australia Ltd has complied with the compliance plan of Invesco Wholesale Cash Management Fund for the period ended 30 June 2011; and
- b) the compliance plan continues to meet the requirements of Part 5C.4 of the *Corporations Act 2001* as at that date.

KPMG

Chris Wooden  
*Partner*

Melbourne

14 September 2011