

Advance International Sharemarket Fund

ARSN 087 294 611

Annual report - for the year ended

30 June 2016

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These financial statements cover Advance International Sharemarket Fund as an individual entity.

The Responsible Entity of Advance International Sharemarket 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 Advance International Sharemarket Fund, present their report together with the financial statements of Advance International Sharemarket Fund ("the Fund") for the year ended 30 June 2016.

Principal activities

During the year, the Fund invested in equities in accordance with the provisions of the governing documents.

The Fund did not have any employees during the year.

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

Directors

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

J Shuttleworth (appointed 25 February 2009)

D Lees (appointed 1 June 2015, resigned 31 December 2015)

V Allen (appointed 1 June 2015)

A Cameron (appointed 1 June 2015)

S Thomas (appointed 1 June 2015)

A Walker (appointed 14 March 2016)

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.

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

	Year ended	
	30 June 2016	30 June 2015
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	<u>(236)</u>	<u>6,278</u>
<i>Distributions - ordinary class</i>		
Distribution paid and payable (\$'000)	<u>65</u>	<u>8</u>
Distribution (cents per unit)	<u>0.3859</u>	<u>0.0453</u>
<i>Distributions - wholesale class</i>		
Distribution paid and payable (\$'000)	<u>157</u>	<u>133</u>
Distribution (cents per unit)	<u>1.2705</u>	<u>0.8884</u>

Directors' report (continued)

Review and results of operations (continued)

Fund performance

The table below demonstrates the performance of the Fund's classes of units as represented by the total annual return, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income. The total annual return is shown for each of the past five years to 30 June 2016 and assumes that all distributions were re-invested during that period.

Ordinary class	2016	2015	2014	2013	2012
	%	%	%	%	%
Capital growth	(2.11)	20.13	16.39	29.55	(6.37)
Distribution of income	0.38	0.05	-	-	0.32
Total return	(1.73)	20.18	16.39	29.55	(6.05)

Wholesale class	2016	2015	2014	2013	2012
	%	%	%	%	%
Capital growth	(1.74)	20.30	17.18	29.93	(6.41)
Distribution of income	1.24	1.04	0.35	0.86	1.31
Total return	(0.50)	21.34	17.53	30.79	(5.10)

Consistent with the 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.

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:

	As at	
	30 June 2016 \$'000	30 June 2015 \$'000
Redemption value of outstanding units	29,456	34,151
Adjustment for differences in valuation inputs	-	(3)
Net assets attributable to unitholders	29,456	34,148

Significant changes in state of affairs

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2016 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.

Directors' report (continued)

Indemnity and insurance of officers

No insurance premiums are 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 to the financial statements.

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

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

Interests in the Fund

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

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

Environmental regulation

The operations of the Fund 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 Australian Securities and Investment Commission ("ASIC") has issued a new legislative instrument, *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, to replace class order 98/100 (as amended) relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with the relief provisions within *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Auditor's independence declaration

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

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



Director



Director

Sydney

23 September 2016



Auditor's Independence Declaration

As lead auditor for the audit of Advance International Sharemarket Fund for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink that reads 'JA Dunning'. The signature is written in a cursive style with a large, looping 'D' at the end.

JA Dunning
Partner
PricewaterhouseCoopers

Sydney
23 September 2016

Advance International Sharemarket Fund
Statement of comprehensive income
For the year ended 30 June 2016

Statement of comprehensive income

	Notes	Year ended	
		30 June 2016 \$'000	30 June 2015 \$'000
Investment income			
Interest income		2	6
Dividend income		826	731
Distribution income		26	41
Net gains/(losses) on financial instruments held at fair value through profit or loss	7	(439)	6,138
Other investment income		<u>3</u>	<u>6</u>
Total net investment income/(loss)		<u>418</u>	<u>6,922</u>
Expenses			
Responsible Entity's fees	13	550	555
Transaction costs		7	8
Withholding tax		<u>97</u>	<u>81</u>
Total operating expenses		<u>654</u>	<u>644</u>
Operating profit/(loss)		<u>(236)</u>	<u>6,278</u>
Finance costs attributable to unitholders			
Distributions to unitholders	9	(222)	(141)
Decrease/(increase) in net assets attributable to unitholders	8	<u>458</u>	<u>(6,137)</u>
Profit/(loss) for the year		-	-
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>-</u>	<u>-</u>

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

Advance International Sharemarket Fund
Balance sheet
As at 30 June 2016

Balance sheet

		As at	
		30 June 2016	30 June 2015
	Notes	\$'000	\$'000
Assets			
Cash and cash equivalents	10	435	335
Accrued income		180	166
Receivables		3	4
Financial assets held at fair value through profit or loss	11	<u>29,102</u>	<u>33,959</u>
Total assets		<u>29,720</u>	<u>34,464</u>
Liabilities			
Bank overdraft	10	-	127
Distribution payable	9	222	141
Payables		<u>42</u>	<u>48</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>264</u>	<u>316</u>
Net assets attributable to unitholders - liability	8	<u>29,456</u>	<u>34,148</u>

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

Advance International Sharemarket Fund
Statement of changes in equity
For the year ended 30 June 2016

Statement of changes in equity

	Year ended	
	30 June	30 June
	2016	2015
Notes	\$'000	\$'000
Total equity at the beginning of the financial year	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income for the year	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the financial year	-	-

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

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

Advance International Sharemarket Fund
Statement of cash flows
For the year ended 30 June 2016

Statement of cash flows

	Year ended	
	30 June 2016	30 June 2015
Notes	\$'000	\$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through profit or loss	20,518	23,913
Purchase of financial instruments held at fair value through profit or loss	(16,109)	(19,211)
Transaction costs	(7)	(8)
Dividends received	718	630
Interest received	2	7
Distributions received	23	13
Other income received	4	5
Responsible Entity's fees received/(paid)	<u>(556)</u>	<u>(554)</u>
Net cash inflow/(outflow) from operating activities	14(a) <u>4,593</u>	<u>4,795</u>
Cash flows from financing activities		
Proceeds from applications by unitholders	852	678
Payments for redemptions by unitholders	(5,098)	(5,774)
Distributions paid	<u>(129)</u>	<u>(44)</u>
Net cash inflow/(outflow) from financing activities	<u>(4,375)</u>	<u>(5,140)</u>
Net increase/(decrease) in cash and cash equivalents	218	(345)
Cash and cash equivalents at the beginning of the year	208	531
Effects of foreign currency exchange rate changes on cash and cash equivalents	<u>9</u>	<u>22</u>
Cash and cash equivalents at the end of the year	10 <u>435</u>	<u>208</u>

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

1 General information

These financial statements cover Advance International Sharemarket Fund ("the Fund") as an individual entity. The Fund was constituted on 18 April 1986.

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.

During the year, the Fund invested in equities in accordance with the provisions of the governing documents.

The financial statements were authorised for issue by the directors of the Responsible Entity on 23 September 2016. 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.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Accounting Standards Board and the *Corporations Act 2001* in Australia. Advance International Sharemarket Fund is a for-profit unit trust for the purpose of preparing the financial statements.

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

(i) Compliance with International Financial Reporting Standards

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

(ii) Amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2015 that have a material impact on the Fund.

(b) Financial instruments

(i) Classification

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

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

These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded equity instruments.

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

(ii) Recognition / derecognition

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

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

(iii) Measurement

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

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

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

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

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iv) Offsetting financial instruments

Financial assets and liabilities may be offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Refer note 4 for further details.

(c) Net assets attributable to unitholders

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

A unitholder can redeem units at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to unitholders.

The units are carried at the redemption amount that is payable at the end of the reporting period if the unitholders exercise the right to redeem the units in the Fund.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, cash management trusts and bank overdrafts.

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

(e) Accrued income

Accrued income may include amounts for dividends, trust distributions, interest and tax reclaims. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued from the time of last payment. Amounts are generally received within 45 days of being recorded as receivables. Tax reclaims are received on an ongoing basis subject to clearance by local tax authorities.

(f) Unsettled sales/purchases

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

(g) Receivables

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

(h) Payables

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

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

(i) Investment income

Interest income is recognised in the statement of comprehensive income for all financial instruments that are not held at fair value through profit or loss as it accrues.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund 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.

2 Summary of significant accounting policies (continued)

(i) Investment income (continued)

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 statement of comprehensive income on an accruals basis.

(k) Transaction costs

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

(l) Income tax

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

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

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

The 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 gross of withholding tax and the withholding tax is recorded as an expense in the statement of comprehensive income.

(m) Distributions

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

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

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

(o) Foreign currency translation

(i) Functional and presentation currency

Items included in the Fund'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 Fund competes for funds and is regulated. The Australian dollar is also the 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 statement 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 fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss.

2 Summary of significant accounting policies (continued)

(p) 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.

(q) 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 hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office ("ATO"). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheet. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(r) Classes of units

The Fund has the following classes of units:

- ordinary class, and
- wholesale class.

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

(s) Use of estimates

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

For the majority of the financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

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

For certain other financial instruments, including unsettled sales and purchases and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

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

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted. Management's assessment of the impact of these new standards (to the extent relevant) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* (and applicable amendments), (effective from 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption.

Management do not expect this to have a significant impact on the recognition and measurement of the financial instruments as they are carried at fair value through profit or loss.

The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting.

Management has not yet decided when to adopt AASB 9.

2 Summary of significant accounting policies (continued)

(t) New accounting standards and interpretations (continued)

(ii) AASB 15 *Revenue from Contracts with Customers*, (effective from 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Fund's main source of revenue is interest, dividends, trust distributions and gains on financial instruments held at fair value. All of these sources are outside the scope of the new revenue standard. As a consequence, management do not expect the adoption of the new revenue recognition rules to have a significant impact on the accounting policies or the amounts recognised in the financial statements.

(u) Rounding of amounts

In accordance with the relief provisions within *ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191*, all amounts in the financial statements have been rounded to the nearest thousand dollars unless otherwise indicated.

3 Financial risk management

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

The Fund's overall risk management programme focuses on ensuring compliance with its governing documents and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Derivative financial instruments may also be used (or are used) 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.

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

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

(a) Market risk

(i) Price risk

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

Price risk on equity securities arises from investments held for which prices in the future are uncertain. These are classified in the balance sheet 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 majority of the equity investments are publicly traded and are listed on the New York Stock Exchange, the Tokyo Stock exchange, the Euronext Stock Exchange, the London Stock Exchange or other world stock exchanges.

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.

Listed international equity securities are held and an exposure to foreign exchange risk arises as these offshore securities are valued in foreign currency. As these investments are non-monetary assets, the foreign exchange risk is a component of price risk.

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

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

The table below summarises the assets and liabilities that are denominated in a currency other than the Australian dollar.

As at 30 June 2016	US Dollars A\$'000	Euro A\$'000	Japanese Yen A\$'000	British Pounds A\$'000	Other Currencies A\$'000	Total A\$'000
Cash and cash equivalents	32	10	54	17	61	174
Accrued income	68	64	-	17	31	180
Financial assets held at fair value through profit or loss	<u>18,049</u>	<u>2,703</u>	<u>3,656</u>	<u>1,882</u>	<u>2,498</u>	<u>28,788</u>
	<u>18,149</u>	<u>2,777</u>	<u>3,710</u>	<u>1,916</u>	<u>2,590</u>	<u>29,142</u>
As at 30 June 2015	US Dollars A\$'000	Euro A\$'000	Japanese Yen A\$'000	British Pounds A\$'000	Other Currencies A\$'000	Total A\$'000
Cash and cash equivalents	129	41	31	22	48	271
Accrued income	64	57	-	19	26	166
Financial assets held at fair value through profit or loss	<u>19,804</u>	<u>4,541</u>	<u>3,674</u>	<u>2,132</u>	<u>3,808</u>	<u>33,959</u>
	<u>19,997</u>	<u>4,639</u>	<u>3,705</u>	<u>2,173</u>	<u>3,882</u>	<u>34,396</u>

(iii) Interest rate risk

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

The Fund does not have any significant direct exposure to interest rate risk.

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the operating profit and net assets attributable to unitholders to 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 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.

3 Financial risk management (continued)

(b) Summarised sensitivity analysis (continued)

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

	Impact on operating profit/(loss) / Net assets attributable to unitholders	
	Price risk	
	-15%	+15%
	(2015: -15%)	(2015: +15%)
As at	\$'000	\$'000
30 June 2016	(4,365)	4,365
30 June 2015	(5,094)	5,094

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.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal as the delivery of securities sold is only made once the broker has received payment. Payment is made on the purchase of securities once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

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 are reported to the board on a regular basis.

There were no significant direct concentrations of credit risk to counterparties at 30 June 2016 or 30 June 2015.

(d) Liquidity risk

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

The Fund is exposed to daily cash redemptions of redeemable units. It therefore primarily holds investments that are traded in an active market 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 are reported to the board on a regular basis.

From time to time, investments in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid, may be held. As a result, these investments may not be able to be quickly liquidated at an amount close to their fair value to meet liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty. Such investments held at the end of each reporting period are disclosed in the note on derivative financial instruments below.

3 Financial risk management (continued)

(d) Liquidity risk (continued)

(i) Maturities of non-derivative financial liabilities

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

Net assets attributable to unitholders are redeemable at the unitholders' option, however, as permitted under the governing documents, management may decide to delay payment of the redemption amount.

4 Offsetting financial assets and financial liabilities

The Fund did not hold any financial assets or liabilities subject to offsetting arrangements as at 30 June 2016 and 30 June 2015.

5 Fair value measurement

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

- Financial assets / liabilities at fair value through profit or loss ("FVTPL") (refer note 11)

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

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

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

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

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

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

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

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

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

5 Fair value measurement (continued)

(i) Recognised fair value measurements

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

As at 30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets designated at fair value through profit or loss:				
Equity securities	<u>29,102</u>	-	-	<u>29,102</u>
Total	<u>29,102</u>	-	-	<u>29,102</u>

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

As at 30 June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets designated at fair value through profit or loss:				
Equity securities	<u>33,959</u>	-	-	<u>33,959</u>
Total	<u>33,959</u>	-	-	<u>33,959</u>

There were no financial liabilities held as at 30 June 2015.

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

(ii) Transfers between levels

There have been no transfers between levels for the year ended 30 June 2016 and 30 June 2015.

6 Remuneration of auditors

	Year ended	
	30 June 2016 \$	30 June 2015 \$
Audit and other assurance services		
Audit of financial statements	21,248	20,928
Other services*	<u>815</u>	<u>761</u>
Total remuneration for audit and other assurance services	<u>22,063</u>	<u>21,689</u>

*Other services include compliance plan audit and controls reporting.

Audit fees were paid by the Responsible Entity during the year ended 30 June 2016 and 30 June 2015.

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

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

	Year ended	
	30 June 2016	30 June 2015
	\$'000	\$'000
Net unrealised gains/(losses) on financial instruments designated at fair value through profit or loss	(3,961)	1,592
Net realised gains/(losses) on financial instruments held for trading	(3)	(51)
Net realised gains/(losses) on financial instruments designated at fair value through profit or loss	<u>3,525</u>	<u>4,597</u>
Total net gains/(losses) on financial assets held at fair value through profit or loss	<u>(439)</u>	<u>6,138</u>

8 Net assets attributable to unitholders

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

	30 June 2016 No. '000	30 June 2015 No. '000	30 June 2016 \$'000	30 June 2015 \$'000
Ordinary class				
Opening balance	18,331	20,615	18,751	17,556
Applications	505	263	527	248
Redemptions	(1,995)	(2,547)	(2,065)	(2,377)
Units issued upon reinvestment of distributions	6	-	6	-
Increase/(decrease) in net assets attributable to unitholders from operations	-	-	(286)	3,324
Closing balance	<u>16,847</u>	<u>18,331</u>	<u>16,933</u>	<u>18,751</u>
	30 June 2016 No. '000	30 June 2015 No. '000	30 June 2016 \$'000	30 June 2015 \$'000
Wholesale class				
Opening balance	14,968	18,186	15,397	15,549
Applications	300	469	325	430
Redemptions	(2,885)	(3,689)	(3,033)	(3,397)
Units issued upon reinvestment of distributions	6	2	6	2
Increase/(decrease) in net assets attributable to unitholders from operations	-	-	(172)	2,813
Closing balance	<u>12,389</u>	<u>14,968</u>	<u>12,523</u>	<u>15,397</u>
Total net assets attributable to unitholders			<u>29,456</u>	<u>34,148</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 two classes of unitholders in the Fund being ordinary and wholesale.

8 Net assets attributable to unitholders (continued)

(a) Capital risk management

Management 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.

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

(b) Realised capital losses

At the end of the reporting period, the Fund had total realised capital losses of \$160,433,000 (2015: \$163,991,000) available to offset against future net capital gains.

Net realised capital losses are not finalised for taxation purposes, are unaudited and may change due to calculation adjustment, denial, offset or recoupment.

9 Distributions to unitholders

	Year ended			
	30 June 2016 \$'000	30 June 2016 CPU	30 June 2015 \$'000	30 June 2015 CPU
Ordinary class				
Distribution payable				
– 30 June	<u>65</u>	<u>0.3859</u>	<u>8</u>	<u>0.0453</u>
	<u>65</u>	<u>0.3859</u>	<u>8</u>	<u>0.0453</u>

	Year ended			
	30 June 2016 \$'000	30 June 2016 CPU	30 June 2015 \$'000	30 June 2015 CPU
Wholesale class				
Distribution payable				
– 30 June	<u>157</u>	<u>1.2705</u>	<u>133</u>	<u>0.8884</u>
	<u>157</u>	<u>1.2705</u>	<u>133</u>	<u>0.8884</u>
Total distributions	<u>222</u>		<u>141</u>	

10 Cash and cash equivalents

	As at	
	30 June 2016 \$'000	30 June 2015 \$'000
Cash at bank	261	64
Foreign currency holdings	<u>174</u>	<u>271</u>
Total cash and cash equivalents	435	335
Bank overdraft *	<u>-</u>	<u>(127)</u>
Total cash	<u>435</u>	<u>208</u>

* As at 30 June 2015, the negative cash at bank position was due to the timing of financial activities.

11 Financial assets held at fair value through profit or loss

	As at	
	30 June 2016	30 June 2015
	Fair value \$'000	Fair value \$'000
Designated at fair value through profit or loss		
Equity securities	<u>29,102</u>	<u>33,959</u>
Total designated at fair value through profit or loss	<u>29,102</u>	<u>33,959</u>
Total financial assets held at fair value through profit or loss	<u>29,102</u>	<u>33,959</u>
Comprising:		
Equity securities		
Australian equity securities listed on a prescribed stock exchange	314	-
International equity securities listed on a prescribed stock exchange	<u>28,788</u>	<u>33,959</u>
Total equity securities	<u>29,102</u>	<u>33,959</u>
Total financial assets held at fair value through profit or loss	<u>29,102</u>	<u>33,959</u>

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in note 3 and note 5.

12 Derivative financial instruments

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

No derivative transactions were entered into during the year (2015: \$Nil).

13 Related party transactions

(a) Responsible Entity

The Responsible Entity of the Fund is Advance Asset Management Limited (ABN 98 002 538 329), a wholly owned subsidiary of Westpac Financial Services Group Limited (ABN 50 000 326 312). The ultimate parent entity is Westpac Banking Corporation (ABN 33 007 457 141). The registered office of the Responsible Entity and the Fund is Level 20, 275 Kent Street, Sydney, NSW 2000.

(b) Directors

The directors of Advance Asset Management Limited during the financial year or since the end of the year and up to the date of this report were as follows:

J Shuttleworth (appointed 25 February 2009)

D Lees (appointed 1 June 2015, resigned 31 December 2015)

V Allen (appointed 1 June 2015)

A Cameron (appointed 1 June 2015)

S Thomas (appointed 1 June 2015)

A Walker (appointed 14 March 2016)

13 Related party transactions (continued)

(c) Other key management personnel

Name	Position	Employer
B Cooper	CEO, BT Financial Group	Westpac Banking Corporation
M Howes	General Manager, Superannuation, BT Financial Group	Westpac Banking Corporation

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

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

For the year ended 30 June 2016, in accordance with the Fund's governing documents, the Fund incurred a total fee (inclusive of GST, net of RITC available to the Fund) as follows:

- (i) ordinary class: 2.05% per annum (2015: 2.05%)
- (ii) wholesale class: 1.18% per annum (2015: 1.18%)

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/(receivable) at the end of each reporting period between the Fund and the Responsible Entity are as follows:

	30 June 2016 \$'000	30 June 2015 \$'000
Management fees for the year paid/(received) by the Fund to/(from) the Responsible Entity	550	555
Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the end of the reporting period	42	48

(e) Related party unitholdings

Other funds managed by the Responsible Entity hold units in the Fund but these funds do not meet the definition of related parties under the Australian Accounting Standards and such unitholdings are not required to be disclosed.

(f) Transactions with key management personnel

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

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

Key management personnel unitholdings

At 30 June 2016 no key management personnel held units in the Fund (2015: Nil).

(g) Investments

The Fund did not hold any investments in the Responsible Entity or its related parties during the year (2015: Nil).

(h) Other transactions within the Fund

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

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

	Year ended	
	30 June 2016 \$'000	30 June 2015 \$'000
(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities		
Operating profit/(loss) for the year	(236)	6,278
Proceeds from sale of financial instruments held at fair value through profit or loss	20,518	23,913
Purchase of financial instruments held at fair value through profit or loss	(16,109)	(19,211)
Net (gains)/losses on financial instruments held at fair value through profit or loss	439	(6,138)
Net change in accrued income and receivables	(13)	(26)
Net change in payables	(6)	1
Income reinvested	-	(22)
Net cash inflow/(outflow) from operating activities	<u>4,593</u>	<u>4,795</u>
(b) Non-cash financing activities		
Distribution payments satisfied by the issue of units under the distribution reinvestment plan	<u>12</u>	<u>2</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 Fund disclosed in the balance sheet as at 30 June 2016 or on the results and cash flows of the Fund for the year ended on that date.

16 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2016 and 30 June 2015.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 23 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2016 and of its 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

23 September 2016



Independent auditor's report to the members of Advance International Sharemarket Fund

Report on the financial report

We have audited the accompanying financial report of Advance International Sharemarket Fund (the "Fund"), which comprises the balance sheet as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of Advance Asset Management Limited (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 also state, in accordance with 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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

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Auditor's opinion

In our opinion:

- (a) the financial report of Advance International Sharemarket Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund's financial position as at 30 June 2016 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 Fund's financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

PricewaterhouseCoopers

PricewaterhouseCoopers

JA Dunning

JA Dunning
Partner

Sydney
23 September 2016

