ASIA PACIFIC BASKET LIMITED

Report and Financial Statements

For the year ended 30 September 2012

ASIA PACIFIC BASKET LIMITED

REPORT AND FINANCIAL STATEMENTS
CONTENTS

ASIA PACIFIC BASKET LIMITED

REPORT AND FINANCIAL STATEMENTS
GENERAL INFORMATION

DIRECTORS:	C Hickling J Lewis D Stephenson
ADMINISTRATOR, SECRETARY AND REGISTRAR:	Praxis Fund Services Limited PO Box 296 Sarnia House Le Truchot St Peter Port Guernsey GY1 4NA
REGISTERED OFFICE:	Sarnia House Le Truchot St Peter Port Guernsey GY1 4NA
AUDITOR:	Saffery Champness PO Box 141 La Tonnelle House Les Banques St Sampson Guernsey GY1 3HS
BANKERS:	Investec Bank (Channel Islands) Limited PO Box 188 Glategny Court Glategny Esplanade St Peter Port Guernsey GY1 3LP
COMPANY REGISTRATION NO:	48918

ASIA PACIFIC BASKET LIMITED

REPORT OF THE DIRECTORS
For the year ended 30 September 2012

The Directors present their report and the audited financial statements for the year ended 30 September 2012.

Principal Activity

The principal activity of the Company is investment holding.

The Company is a Guernsey authorised closed-ended investment scheme and is subject to the Authorised Closed-Ended Investment Scheme Rules 2008.

Under the terms of the Company's prospectus, in the absence of a special resolution to extend the life of the Company, the Company's shares will be redeemed and the Company will terminate on 4 September 2013.

Results and Dividends

The profit and loss statement is set out on page 7. The Directors do not propose a dividend for the year (2011: Nil).

Directors

The Directors of the Company during the period and to the date of this report are detailed below.

J Lewis

C Hickling

D Stephenson

No Director had any beneficial interest in the shares of the Company.

Statement of Directors' Responsibilities

The Directors are responsible for preparating a Directors' Report and the financial statements in acccordance with The Companies (Guernsey) Law, 2008 and applicable regulations.

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Principles ('UK GAAP').

Under The Companies (Guernsey) Law, 2008 the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for the year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Directors' Responsibilities (continued)

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.
- the financial statements give a true and fair view and have been prepared in accordance with UK GAAP, with The Companies (Guernsey) Law, 2008 and with The Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Auditor

A resolution to re-appoint Saffery Champness as auditor will be put to the members at the Annual General Meeting.

By Order of the Board

Janine Lewis
Director
20 December 2012

INDEPENDENT AUDITOR'S REPORT
To the members of Asia Pacific Basket Limited

We have audited the financial statements of Asia Pacific Basket Limited (the "Company") for the year ended 30 September 2012, which comprise the Profit and Loss account, Statement of Total Recognised Gains and Losses, Balance Sheet, Reconciliation of Movements in Shareholders' Funds, Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (Generally Accepted Accounting Principles).

This report is made solely to the Company's members, as a body, in accordance with section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on pages 4 and 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the United Kingdom Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view;
- are in accordance with Generally Accepted Accounting Principles; and
- comply with The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company;
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

SAFFERY CHAMPNESS
CHARTERED ACCOUNTANTS
GUERNSEY
20 December 2012

ASIA PACIFIC BASKET LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2012

	Notes	**Year ended 30/9/2012 AUD**	Year ended 30/9/2011 AUD
REVENUE			
Interest income	3	**23,648**	38,899
GAIN/(LOSS) ON INVESTMENTS			
Investments at fair value through profit and loss	4	**(933,996)**	(4,779,589)
Available-for-sale investments - realised	5	**1,278,864**	-
		368,516	(4,740,690)
OPERATING EXPENSES	6	**(489,565)**	(454,652)
LOSS FOR THE YEAR		**(121,049)**	(5,195,342)
Loss per ordinary share			
Basic - ordinary shares	7	**AUD (4.18)**	AUD (170.55)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 30 September 2012

	Notes	**Year ended 30/9/2012 AUD**	Year ended 30/9/2011 AUD
LOSS FOR THE YEAR		**(121,049)**	(5,195,342)
GAIN ON INVESTMENTS			
Available-for-sale investments - unrealised	5	**1,509,307**	2,315,477
TOTAL RECOGNISED GAIN/(LOSS) FOR THE YEAR		**1,388,258**	(2,879,865)

The notes on pages 11 to 18 are an integral part of these financial statements.

ASIA PACIFIC BASKET LIMITED

BALANCE SHEET
As at 30 September 2012

	Notes	**2012** AUD	**2012** AUD	2011 AUD	2011 AUD
FIXED ASSETS					
Investments at fair value through profit and loss	4	**-**		1,891,731	
Available-for-sale investments	5	**-**		27,444,117	
			-		29,335,848
CURRENT ASSETS					
Investments at fair value through profit and loss	4	**821,237**		-	
Available-for-sale investments	5	**24,768,053**		-	
Debtors and prepayments	8	**326,587**		390,680	
Cash at bank		**212,891**		634,156	
		26,128,768		1,024,836	
CREDITORS: amounts falling due within one year					
Creditors and accruals	9	**55,278**		9,678	
NET CURRENT ASSETS			**26,073,490**		1,015,158
			26,073,490		30,351,006
CAPITAL AND RESERVES					
Share capital	10		**268**		315
Share premium	11		**25,824,610**		30,414,470
Profit and loss account			**(7,239,453)**		(7,118,404)
Revaluation reserve	12		**7,488,065**		7,054,625
EQUITY SHAREHOLDERS' FUNDS			**26,073,490**		30,351,006
Number of fully paid Ordinary shares of AUD 0.01 each			**25,816.94**		30,462.65
Net Asset Value per Ordinary Share			**AUD 1,009.94**		AUD 996.34

The financial statements were approved and authorised for issue by the Board on 20 December 2012 and signed on its behalf by:

Janine Lewis
Director

The notes on pages 11 to 18 are an integral part of these financial statements.

ASIA PACIFIC BASKET LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 30 September 2012

	Management Shareholders	Ordinary Shareholders				Total
	Share Capital AUD	Share Capital AUD	Share Premium AUD	Profit and loss account AUD	Revaluation reserve AUD	Total AUD
Year ended 30 September 2011						
At 30 September 2010	10	305	30,414,470	(1,923,062)	4,739,148	33,230,871
Net loss for the year	-	-	-	(5,195,342)	-	(5,195,342)
Revaluation of available-for-sale investments (see notes 5,12)	-	-	-	-	2,315,477	2,315,477
At 30 September 2011	10	305	30,414,470	(7,118,404)	7,054,625	30,351,006
Year ended 30 September 2012						
Redemption of shares (see notes 10,11)	**-**	**(47)**	**(4,589,860)**	**-**	**-**	**(4,589,907)**
Net loss for the year	**-**	**-**	**-**	**(121,049)**	**-**	**(121,049)**
Recycling of prior year revaluation gains on investments disposed of during the year (see notes 5,12)	**-**	**-**	**-**	**-**	**(1,075,867)**	**(1,075,867)**
Revaluation of available-for-sale investments (see notes 5,12)	**-**	**-**	**-**	**-**	**1,509,307**	**1,509,307**
At 30 September 2012	**10**	**258**	**25,824,610**	**(7,239,453)**	**7,488,065**	**26,073,490**

The notes on pages 11 to 18 are an integral part of these financial statements.

ASIA PACIFIC BASKET LIMITED

CASH FLOW STATEMENT
For the year ended 30 September 2012

	Notes	**Year ended 30/9/2012 AUD**	Year ended 30/9/2011 AUD
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Cash flows from operating activities			
Operating loss		**(121,049)**	(5,195,342)
Less:			
Interest income	3	**(23,648)**	(38,899)
		(144,697)	(5,234,241)
Adjustments for non-cash items:			
Loss on investments at fair value through profit and loss	4	**933,996**	4,779,589
Gains on available-for-sale investments		**(1,278,864)**	-
Working capital adjustments:			
Decrease/(increase) in trade and other receivables		**64,093**	(16,404)
Increase/(decrease) in trade and other payables		**45,600**	(73)
Net cash outflow from operating activities		**(379,872)**	(471,129)
CASH FLOW STATEMENT			
Net cash outflow from operating activities		**(379,872)**	(471,129)
Returns on investments and servicing of finance			
Interest income	3	**23,648**	38,899
Capital expenditure and financial investment			
Disposals of investments held at fair value through profit or loss	4	**136,498**	-
Disposals of available-for-sale investments	5	**4,388,368**	-
		4,524,866	-
Financing			
Redemptions of ordinary share capital	10,11	**(4,589,907)**	-
Net decrease in cash and cash equivalents		**(421,265)**	(432,230)
Cash at the beginning of the year		**634,156**	1,066,386
Cash at the end of the year		**212,891**	634,156

The notes on pages 11 to 18 are an integral part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements of Asia Pacific Basket Limited have been prepared in accordance with United Kingdom Generally Accepted Accounting Principles.

Going concern

In the absence of a special resolution to extend the life of the Company, the Company's shares will be redeemed and the Company will terminate on 4 September 2013, hence these financial statements have been prepared on a break up basis.The Directors do not anticipate the costs of liquidation to be material.

The preparation of financial statements on a break up basis requires that assets are reduced to their recoverable amounts and that provisions are made for future losses. The Directors have considered whether there is any indication that the recoverable amount of the Company's assets is lower than the amount recorded as fair value at 30 September 2012. They have concluded that any post balance sheet changes in value reflect fair value changes and do not indicate a reduction in the recoverable amount at 30 September 2012 and, accordingly, that no adjustment is required to the carrying amount of the Company's assets or liabilities. In addition the Directors have considered whether any provision is required for future losses. The Company will continue to incur expenses up to the date of redemption of the Shares. However, the anticipated excess of redemption value over the fair value at 30 September 2012 of the Company's investments is expected to exceed the Company's estimated future expenses and, accordingly, the Directors do not consider that a provision for future losses is required.

Foreign exchange

Foreign currency assets and liabilities are translated into Australian Dollars at the rate of exchange ruling on the balance sheet date. Foreign currency transactions are translated into Australian Dollars at the rate of exchange ruling on the date of the transaction. Foreign exchange gains and losses are included in the profit and loss account in the period in which they arise.

Income

Bank interest is accounted for on an accruals basis.

Investments

The Company's option investments are designated as investments at fair value through profit or loss.

The Company's bond investments are classified as available-for-sale investments.

All investments are measured initially at cost, which is the fair value of whatever was paid to acquire them. Transaction costs are expensed as incurred in the profit and loss account. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

After initial recognition, the Company uses the following measurement basis for its investments:

i) Held-for-trading investments and those so designated at inception: Fair value through profit and loss;

ii) Available-for-sale investments: Fair value through equity.

Fair value is calculated using quoted market prices, independent appraisals, discounted cash flow analysis or other appropriate valuation models at the year end date. Gains arising on the disposal of investments are recognised in the profit and loss account, as are unrealised gains on investments at fair value through profit and loss. Unrealised gains on available-for-sale investments are recognised in the statement of total recognised gains and losses. All gains or losses are recognised in the period in which they arise. Prior year revaluation gains on available-for-sale investments disposed of during the year are recycled through profit and loss in the period in which the investments are disposed of.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Taxation

The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) Guernsey Ordinance 1989 and is charged an annual exemption fee of £600.

2. SIGNIFICANT AGREEMENTS

The following significant agreements have been entered into by the Company:

Administration, Custodian and Secretarial Agreement

Under the Administration, Custodian and Secretarial Agreement, the Company has agreed to pay or procure to be paid to the administrator, for its services as administrator, secretary, custodian and registrar, a fee of 0.15% of the Net Asset Value of the Fund per annum. This fee is payable annually in advance each year until the termination date, the date of compulsory redemption of the ordinary shares.

Investment Advisory Agreement

Under the Investment Advisory Agreement, the Company has agreed to pay or procure to be paid to the advisor, for its services as advisor, a fee of 0.55% per annum of the Company's funds, payable in advance on the anniversary of the first business day following the closing date, until the termination date as defined above.

Distribution Agreement

Under the Distribution Agreement, the Company has agreed to pay or procure to be paid to the Distributors a fee of 0.7% per annum of the Company's funds payable in advance on the first Business Day of each year, until the Termination Date.

3. INTEREST INCOME

	2012 AUD	2011 AUD
Bank interest receivable	**23,648**	38,899

4. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2012 AUD	2011 AUD
Deutsche Bank AG index basket call option		
Fair value brought forward	**1,891,731**	6,671,320
Disposals during the year	**(136,498)**	-
Losses on disposals and fair value adjustment for the year	**(933,996)**	(4,779,589)
Fair value carried forward	**821,237**	1,891,731

5. AVAILABLE-FOR-SALE INVESTMENTS

	2012 AUD	2011 AUD
Zero Coupon Bonds issued by Investec Bank plc		
Fair value brought forward	**27,444,117**	25,128,640
Disposals during the year	**(4,388,368)**	-
Gains on disposals during the year	**1,278,864**	-
Recycling of prior year revaluation gains	**(1,075,867)**	-
Fair value adjustment for the year	**1,509,307**	2,315,477
Fair value carried forward	**24,768,053**	27,444,117

6. OPERATING EXPENSES

	2012 AUD	2011 AUD
Distributor fees	**209,651**	215,471
Investment advisory fees	**164,726**	167,952
Administration fees	**44,925**	47,182
Auditor's remuneration	**8,592**	9,353
Guernsey Financial Services Commission licence fees	**4,908**	5,058
Listing & sponsorship fees	**5,770**	5,123
Statutory fees	**1,688**	1,795
Professional indemnity insurance	**1,601**	1,835
Interest payable	**45,932**	-
Sundry expenses	**1,772**	883
	489,565	454,652

7. LOSS PER ORDINARY SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	2012 AUD	2011 AUD
Loss attributable to Ordinary shares:		
Loss for purpose of calculation of basic and diluted loss per share being loss for the year attributable to ordinary shareholders	**(121,049)**	(5,195,342)
Number of shares:		
Weighted average number of Ordinary shares for the purpose of basic loss per share	**28,926.05**	30,462.65
Loss per share attributable to Ordinary shares	**AUD (4.18)**	AUD (170.55)

A weighted average number of shares has been calculated to enable users to gain a fairer understanding of the loss generated per share through the year. The weighted average has been calculated with reference to the number of days shares have actually been in issue and hence their ability to influence income generated.

8. DEBTORS AND PREPAYMENTS

	2012 AUD	2011 AUD
Bank interest receivable	**163**	6,466
Prepaid administration fees	**34,375**	40,575
Prepaid distributor fees	**160,419**	189,351
Prepaid investment advisory fees	**126,043**	148,776
Other prepayments	**5,587**	5,512
	326,587	390,680

9. CREDITORS AND ACCRUALS

	2012 AUD	2011 AUD
Interest payable	**45,932**	-
Audit fee	**9,346**	9,678
	55,278	9,678

10. SHARE CAPITAL

	2012 AUD	2011 AUD
Authorised:		
10 management shares of AUD 1 each	**10**	10
999,000 ordinary shares of AUD 0.01 per share	**9,990**	9,990
	10,000	10,000

	2012 AUD	2011 AUD
Issued:		
10 management shares of AUD 1 each	**10**	10
25,816.94 ordinary shares of AUD 0.01 each	**258**	305
	268	315

Ordinary shares are entitled to 1 vote each at a general meeting of the Company. In the absence of a special resolution to extend the life of the Company, the ordinary shares will be compulsorily redeemed on the Redemption Date, 4 September 2013.

Management shares are entitled to 10,000 votes each at a general meeting of the Company. Management shares may only be owned by The Basket Trust (see note 13) or its nominee.

During the year a total of 4,645.71 ordinary shares were redeemed at an average price of AUD 987.99 per share.

11. SHARE PREMIUM

	2012 AUD	2011 AUD
Balance brought forward	**30,414,470**	30,414,470
Ordinary shares redeemed	**(4,589,860)**	-
Balance carried forward	**25,824,610**	30,414,470

12. REVALUATION RESERVE

	2012 AUD	2011 AUD
Balance brought forward	**7,054,625**	4,739,148
Recycling of prior year revaluation gains	**(1,075,867)**	-
Revaluation of available-for-sale investments in the year	**1,509,307**	2,315,477
Balance carried forward	**7,488,065**	7,054,625

13. ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

The immediate controlling party at the year end date is Praxis Fiduciaries Limited as trustee of The Basket Trust, which owns the Management shares in the Company, and the ultimate controlling party is Praxis Holdings Limited, a company incorporated in Guernsey.

Praxis Fund Services Limited ('PFSL') (the administrator of the Company with effect from 1 May 2011) is deemed to be a related party, as Janine Lewis and Chris Hickling are Directors of the Company and of PFSL and David Stephenson is a Director of the Company and an employee of PFSL. During the prior year International Fund Management Limited ('IFML') (formerly Praxis Property Fund Services Limited, the administrator of the Company until 30 April 2011) was deemed to be a related party as Janine Lewis and Chris Hickling are Directors of the Company and of IFML and David Stephenson is a Director of the Company and was an employee of IFML until 30 April 2011. During the year PFSL received AUD 44,925 (2011: AUD 19,619) for their services as administrator, whilst IFML received AUD Nil (2011: AUD 27,438) for their services as administrator. At the year end date administration fees of AUD 34,375 had been paid to PFSL in advance (2011: AUD 40,575).

14. FINANCIAL INSTRUMENT RISK FACTORS

The Company is exposed to market risk, credit risk and liquidity risk from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

(i) Market risk

(a) Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is not materially exposed to foreign exchange risk as most of its significant transactions are in Australian Dollars. The Company's management monitors the exchange rate fluctuations on an on-going basis.

The Company has no material currency exposures as at 30 September 2012.

(b) 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 Company is exposed to interest rate risk as it invests cash and bank balances at short term interest rates. At 30 September 2012, the Company held cash on a call account of AUD 212,891 (2011: AUD 634,156), which earns interest at a floating rate.

Had these balances existed for the whole of the period, the effect on the Profit and Loss Account of a increase/decrease in short term interest rates of 0.5% per annum would have been a decrease/increase in the loss for the year of AUD 1,064 (2011: AUD 3,179).

The available-for-sale investments are exposed to fair value interest rate risk. However, whilst changes in market interest rates may give rise to short-term fluctuations in fair value, if the bonds are held to maturity their maturity value is fixed and therefore not subject to interest rate risk.

(c) Price risk
Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Company’s investments at fair value through profit and loss are directly affected by changes in market prices.

Price risk is managed by investing in an index basket call option on a basket of indices, with an international bank, Deutsche Bank AG. The bank has a Fitch long-term credit rating of A+ (2011: AA-).

Price risk is managed by investing in a zero coupon bond, with an international bank, Investec Bank plc. The bank has a long-term Fitch credit rating of BBB- (2011: BBB).

14. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(i) Market risk (continued)

(c) Price risk (continued)

The investments at fair value through profit and loss and available-for-sale investments expose the Company to price risk. The details are as follows:

	2012 AUD	2011 AUD
Deutsche Bank AG index basket call option	**821,237**	1,891,731
Investec Bank plc zero coupon bond	**24,768,053**	27,444,117
	25,589,290	29,335,848

A 3 per cent increase/decrease in the value of the investments at fair value through profit and loss at 30 September 2012 would have increased/decreased the Net Asset Value of the Company by AUD 24,637 (2011: AUD 56,752).

A 3 per cent increase/decrease in the value of the available-for-sale investments at 30 September 2012 would have increased/decreased the Net Asset Value of the Company by AUD 743,042 (2011: AUD 823,324).

(ii) Credit risk

Credit risk arises when a failure by counter-parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the year end date. These financial assets include cash and cash equivalents, debtors, available-for-sale investments and investments at fair value through profit and loss. The Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying value or fair value of these instruments.

The Company aims to manage credit risk by holding its securities and cash assets with reputable banking institutions with an investment grade long-term credit rating, ie a Fitch rating in the range AAA+ to BBB-. In the event of any downgrading in the long-term credit rating of any issuer below this level, the Company in its absolute discretion would consider the following courses of action: selling the relevant securities to third party purchasers and reinvesting the proceeds in the purchase of securities of another issuer, such that the new securities would replicate as closely as possible the terms and conditions of the original securities; and transferring cash to another banking institution. The Directors would only seek to sell the relevant securities or transfer cash if they consider on the advice of the investment advisor that such would be in the best interests of the Company and its shareholders.

The Company monitors the creditworthiness of its counterparties on an ongoing basis.

The majority of the Company's trade and receivables consist of prepayments and there is no credit risk associated with these balances.

The available-for-sale investments are held with Investec Bank plc, which has a Fitch long term rating of BBB- (2011: BBB). The investments at fair value through profit and loss are held with Deutsche Bank AG, which has a Fitch long-term rating of A+ (2011:AA-).

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet financial liability obligations as they fall due, which may cause financial losses to the Company. The Company places its cash and cash equivalents with financial institutions on a short-term basis in order to maintain a high level of liquidity. This ensures that the Company is able to complete transactions in a timely manner, thus minimising the Company's exposure to such losses.

The Board reviews the cash resources of the Company every quarter and ensures that sufficient monies are held on call account to meet its short term obligations. At 30 September 2012 the cash on call was AUD 212,891 (2011: AUD 634,156), which is considered by the Board to be sufficient to meet all the Company's short term obligations.

14. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(iii) Liquidity risk (continued)

The table below analyses the Company's financial liabilities, which will be settled on a net basis, into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

30 September 2012	**Less than 6 months AUD**	**6-12 months AUD**	**1 - 5 years AUD**
Trade and other payables	**9,346**	**45,932**	**-**
Net exposure	**9,346**	**45,932**	**-**

30 September 2011	Less than 6 months AUD	6-12 months AUD	1 - 5 years AUD
Trade and other payables	9,678	-	-
Net exposure	9,678	-	-

(iv) Fair value hierarchy

The table below analyses instruments carried at fair value, by level of the fair value hierarchy. The different levels have been defined as follows:

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

As at 30 September 2012	**Level 1 AUD**	**Level 2 AUD**	**Level 3 AUD**	**Total AUD**
Investments at fair value through profit and loss	**-**	**821,237**	**-**	**821,237**
Available-for-sale investments	**-**	**24,768,053**	**-**	**24,768,053**
	-	**25,589,290**	**-**	**25,589,290**

As at 30 September 2011	Level 1 AUD	Level 2 AUD	Level 3 AUD	Total AUD
Investments at fair value through profit and loss	-	1,891,731	-	1,891,731
Available-for-sale investments	-	27,444,117	-	27,444,117
	-	29,335,848	-	29,335,848

14. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(v) Capital risk management
The Company's capital comprises the funds it has raised through the issue of share capital.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to ensure that the Company will be able to continue as a going concern, the Board continuously monitors forecast and actual cash flows and matches the maturity profiles of assets and liabilities. The Company has no external borrowings.

15. POST BALANCE SHEET EVENTS

Since the year end 60 ordinary shares have been redeemed at a price of AUD 985.06 per share.

There were no significant post year end events requiring disclosure in these financial statements.