INTERNATIONAL TITANS BASKET LIMITED

Report and Financial Statements

For the year ended 30 September 2012

INTERNATIONAL TITANS BASKET LIMITED

REPORT AND FINANCIAL STATEMENTS
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INTERNATIONAL TITANS BASKET LIMITED

REPORT AND FINANCIAL STATEMENTS
GENERAL INFORMATION

DIRECTORS:	J Lewis C Hickling D Stephenson
ADMINISTRATOR, SECRETARY, CUSTODIAN 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:	52616

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 registered closed-ended investment scheme and is subject to the Registered Collective 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 3 October 2016.

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 date 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 preparing 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 and with The Companies (Guernsey) Law, 2008.

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

Chris Hickling
Director
27 March 2013

INDEPENDENT AUDITOR'S REPORT
To the members of International Titans Basket Limited

We have audited the financial statements of International Titans 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
27 March 2013

INTERNATIONAL TITANS BASKET LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2012

	Notes	**Year ended 30/09/2012 AUD**	Period ended 30/09/2011* AUD
REVENUE			
Interest income	3	**213,356**	119,836
GAIN/(LOSS) ON INVESTMENTS			
Investments at fair value through profit and loss - unrealised	4	**5,061,215**	(5,559,570)
		5,274,571	(5,439,734)
OPERATING EXPENSES	6	**(1,012,284)**	(531,952)
PROFIT/(LOSS) FOR THE YEAR/PERIOD		**4,262,287**	(5,971,686)
Earnings/(loss) per ordinary share			
Basic and diluted earnings/(loss) per ordinary share	7	**70.33**	(98.54)

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

	Notes	**Year ended 30/09/2012 AUD**	Period ended 30/09/2012* AUD
PROFIT/(LOSS) FOR THE YEAR/PERIOD		**4,262,287**	(5,971,686)
GAINS ON INVESTMENTS			
Available-for-sale investments - unrealised	5	**5,441,880**	3,466,926
TOTAL RECOGNISED GAIN/(LOSS) FOR THE YEAR/PERIOD		**9,704,167**	(2,504,760)

All gains and losses are derived from continuing operations.

There are no recognised gains or losses for the year other than those reported above

*Please note that the comparative figures relate to the period from incorporation on 10 November 2010 to 30 September 2011

INTERNATIONAL TITANS 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	**14,324,405**		9,263,190	
Available-for-sale investments	5	**49,598,070**		44,156,190	
			63,922,475		53,419,380
CURRENT ASSETS					
Debtors and prepayments	8	**519,755**		471,276	
Cash at bank		**3,433,236**		4,218,930	
		3,952,991		4,690,206	
CREDITORS: amounts falling due within one year					
Creditors and accruals	9	**9,346**		9,678	
NET CURRENT ASSETS			**3,943,645**		4,680,528
CREDITORS: amounts falling due after more than one year					
Creditors and accruals	9		**(143,571)**		(37,709)
			67,722,549		58,062,199
CAPITAL AND RESERVES					
Share capital	10		**608**		608
Share premium	11		**60,522,534**		60,566,351
Profit and loss account			**(1,709,399)**		(5,971,686)
Revaluation reserve	12		**8,908,806**		3,466,926
EQUITY SHAREHOLDERS' FUNDS			**67,722,549**		58,062,199
Number of fully paid ordinary shares			**60,600**		60,600
Net Asset Value per ordinary share			**1,117.53**		958.12

The financial statements were approved and authorised for issue by the Board on 27 March 2013 and signed on its behalf by:

Chris Hickling
Director

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

INTERNATIONAL TITANS 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**
Period ended 30 September 2011*						
At 10 November 2010						
Issue of shares (see notes 10, 11)	2	606	60,566,351	-	-	60,566,959
Net loss for the period	-	-	-	(5,971,686)	-	(5,971,686)
Revaluation of available-for-sale investments (see note 12)	-	-	-	-	3,466,926	3,466,926
At 30 September 2011	2	606	60,566,351	- 5,971,686	3,466,926	58,062,199
Year ended 30 September 2012						
Setup costs incurred (see notes 10, 11)	**-**	**-**	**(43,817)**	**-**	**-**	**(43,817)**
Net profit for the year	**-**	**-**	**-**	**4,262,287**	**-**	**4,262,287**
Revaluation of available-for-sale investments (see note 12)	**-**	**-**	**-**	**-**	**5,441,880**	**5,441,880**
At 30 September 2012	**2**	**606**	**60,522,534**	**(1,709,399)**	**8,908,806**	**67,722,549**

*Please note that the comparative figures relate to the period from incorporation on 10 November 2010 to 30 September 2011

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

INTERNATIONAL TITANS BASKET LIMITED

CASH FLOW STATEMENT
For the year ended 30 September 2012

	Notes	**Year ended 30/09/2012 AUD**	Period ended 30/09/2011* AUD
RECONCILIATION OF OPERATING GAIN/(LOSS) TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES			
Cash flows from operating activities			
Operating gain/(loss) for the year/period		**4,262,287**	(5,971,686)
Less:			
Interest income	3	**(213,356)**	(119,836)
Adjustments for non-cash items:			
(Gain)/loss on investments at fair value through profit and loss	4	**(5,061,215)**	5,559,570
Working capital adjustments:			
Increase in debtors and prepayments	8	**(48,479)**	(471,276)
Increase in creditors and accruals	9	**105,530**	47,387
Net cash outflow from operating activities		**(955,233)**	(955,841)

	Notes	**Year ended 30/09/2012 AUD**	Period ended 30/09/2011* AUD
CASH FLOW STATEMENT			
Net cash outflow from operating activities		**(955,233)**	(955,841)
Returns on investments and servicing of finance			
Interest income	3	**213,356**	119,836
Capital expenditure and financial investment			
Purchase of investments held at fair value through profit and loss	4	**-**	(14,822,760)
Purchase of available-for-sale investments	5	**-**	(40,689,264)
		-	(55,512,024)
Financing			
Receipts from issue of shares	10,11	**-**	60,566,959
Setup costs incurred	10,11	**(43,817)**	-
		(43,817)	60,566,959
Net (decrease)/increase in cash		**(785,694)**	4,218,930
Cash at the beginnig of the year/period		**4,218,930**	-
Cash at the end of the year/period		**3,433,236**	4,218,930

*Please note that the comparative figures relate to the period from incorporation on 10 November 2010 to 30 September 2011

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 International Titans Basket Limited, with domicile in Guernsey, have been prepared in accordance with UK Generally Accepted Accounting Principles.

Going concern
The financial statements have been prepared on a going concern basis.

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 designated 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 and the Company has transferred substantially all risks and rewards of ownership.

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

i) Investments held-for-trading and those designated to the category 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 investment 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.

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% per annum of the Company's funds (as reduced by any redemptions of Ordinary Shares prior to the Redemption Date). This fee is payable annually in advance each year until the termination date, the date of compulsory redemption of the ordinary shares. In addition the administrator is entitled to receive interest earned by the Company on the unpaid element of the fees.

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 0.6% per annum of the Company's funds (as reduced by any redemptions of Ordinary Shares prior to the Redemption Date) payable in advance on the first Business Day of each year, until the Termination Date. In addition the Advisor is entitled to receive interest earned by the Company on the unpaid element of the fees.

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 that portion of the Company's funds that is derived from the subscription amount subscribed for by Subscribers introduced by the Distributor (as reduced by any redemptions of such Ordinary Shares prior to the Redemption Date), or holders of existing issued Ordinary Shares introduced by the Distributor and who elect to remain invested in the Company (as reduced by any redemptions of such Ordinary Shares prior to the Redemption Date), payable in advance on the first Business Day of each year, until the Termination Date.

3. INTEREST INCOME

	Year ended 30 September 2012 AUD	Period ended 30 September 2011 AUD
Bank interest received	**213,356**	119,836

4. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2012 AUD	2011 AUD
JP Morgan Index Option		
Balance brought forward	**9,263,190**	-
Purchases during the year/period	**-**	14,822,760
Fair value adjustment for the year/period	**5,061,215**	(5,559,570)
Fair value carried forward	**14,324,405**	9,263,190

5. AVAILABLE-FOR-SALE INVESTMENTS

	2012 AUD	2011 AUD
Zero Coupon Bond issued by Investec plc		
Balance brought forward	**44,156,190**	-
Purchase during the year/period	**-**	40,689,264
Fair value adjustment for the year/period	**5,441,880**	3,466,926
Fair value carried forward	**49,598,070**	44,156,190

6. OPERATING EXPENSES

	Year ended 30 September 2012 AUD	Period ended 30 September 2011 AUD
Auditor's remuneration	**9,064**	9,678
Administration fees	**91,282**	48,679
Distribution fees	**424,543**	226,153
GFSC licence fees	**4,862**	3,561
Investment advisory fees	**365,129**	194,715
Interest payable	**105,862**	37,709
Listing fees	**2,586**	1,612
Legal and professional fees	**-**	1,363
Statutory fees	**1,666**	1,264
Sponsorship fees	**3,468**	2,238
Professional indemnity insurance	**1,601**	2,159
Sundry	**2,221**	2,821
	1,012,284	531,952

7. EARNINGS/(LOSS) PER ORDINARY SHARE

The calculation of basic and diluted earnings/(loss) per ordinary share is based on the following data:

	Year ended 30 September 2012	Period ended 30 September 2011
Earnings/(loss) attributable to ordinary shares:	**AUD**	AUD
Earnings/(loss) for purpose of basic and diluted earnings/(loss)per share being profit/(loss) for the year/period attributable to ordinary shareholders	**4,262,287**	(5,971,686)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**60,600**	60,600
Earnings/(loss) per ordinary share	**70.33**	(98.54)

A weighted average number of shares has been calculated to enable users to gain a fairer understanding of the earnings 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
Accrued bank interest	**111,736**	62,305
Prepaid administration fees	**41,839**	42,221
Prepaid distributor fees	**195,884**	194,846
Prepaid investment advisory fees	**167,356**	168,885
Other prepayments	**2,940**	3,019
	519,755	471,276

9. CREDITORS AND ACCRUALS

	2012 AUD	2011 AUD
Due within one year		
Audit fees	**9,346**	9,678
Due after more than one year		
Interest payable	**143,571**	37,709

10. SHARE CAPITAL

	2012 AUD	2011 AUD
Authorised:		
10 management shares of AUD 1.00 each	**10**	10
999,000 ordinary shares of AUD 0.01 each	**9,990**	9,990
	10,000	10,000

	2012 AUD	2011 AUD
Issued and fully paid:		
2 management shares of AUD 1.00 each	**2**	2
60,600 ordinary shares of AUD 0.01 each	**606**	606
	608	608

No ordinary shares were issued or redeemed during the year.

Ordinary shares are entitled to 1 vote each at a general meeting of the Company. The ordinary shares may be compulsorily redeemed on the Redemption Date, 3 October 2016. Ordinary shareholders are entitled to receive any dividends or distributions from the Company and any surplus arising on the winding up of the Company after the payment of creditors and redemption of the management shares at their nominal value.

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 14) or its nominee. Management shareholders are not entitled to receive any dividends or distributions from the Company nor any surplus arising on the winding up of the Company in excess of the nominal value of the management shares.

11. SHARE PREMIUM

	2012 AUD	2011 AUD
Balance brought forward	**60,566,351**	-
Ordinary shares issued during the year/period	**-**	60,599,440
Setup costs incurred	**(43,817)**	(33,089)
Balance carried forward	**60,522,534**	60,566,351

The setup costs paid in the current year relate to marketing and media costs incurred in relation to the launch of the Company. These charges were not invoiced to the Company until the current year.

12. REVALUATION RESERVE

	2012 AUD	2011 AUD
Balance brought forward	**3,466,926**	-
Revaluation of available-for-sale investments during the year/period	**5,441,880**	3,466,926
Balance carried forward	**8,908,806**	3,466,926

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 91,282 (2011: AUD 48,679) for their services as administrator, whilst IFML received AUD Nil (2011: AUD 10,928) for their services as administrator. At the year end date administration fees of AUD 41,839 had been paid to PFSL in advance (2011: AUD 42,221).

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 transactions are in Australian Dollars. The Company's management monitors exchange rate fluctuations on an ongoing basis.

The Company has no material currency exposures at either 30 September 2012 or 30 September 2011.

(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 call account of AUD 133,236 (2011: AUD 296,176), which earns interest at floating rates. The company also held AUD 3,300,000 (2011: AUD 3,922,754) on fixed deposit, which earns interest at a fixed rate.

Had these balances existed for the whole of the period, the effect on the Profit and Loss Account of an increase/decrease in short term interest rates of 0.5% per annum would have been an increase/decrease in post-tax profit for the year of AUD 17,166 (2011: AUD 10,782).

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.

The Company has no other material interest rate exposures at 30 September 2012.

14. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(i) Market risk (continued)

(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 a call option on a basket of indices, with an international bank, JP Morgan. At the balance sheet date JP Morgan 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 plc. At the balance sheet date Investec plc has a long-term Fitch credit rating of BBB- (2011: BBB).

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	2011
	AUD	AUD
Index call option with JP Morgan	**14,324,405**	9,263,190
Investec plc Zero Coupon Bonds	**49,598,070**	44,156,190
	63,922,475	53,419,380

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 429,732 (2011: AUD 277,896).

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 1,487,942 (2011: AUD 1,324,686).

(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, having consulted with 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 plc, which has a Fitch long-term rating of BBB- (2011: BBB) at the balance sheet date. The investments at fair value through profit and loss are held with JP Morgan, which has a Fitch long-term rating of A+ (2011: AA-) at the balance sheet date.

14. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(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 of the Company every quarter and will subsequently move monies from the direct reserve to the call account to meet its short term investments. At 30 September 2012 the cash on call to be applied to short term obligations was AUD 133,236 (2011: AUD 296,176), which is considered by the Board to be sufficient to meet all the Company's short term obligations.

The following table 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 to 12 months AUD**	**1 to 5 years AUD**
Trade and other payables	**9,346**	-	**143,571**
Net exposure	**9,346**	-	**143,571**

30 September 2011	Less than 6 months AUD	6 to 12 months AUD	1 to 5 years AUD
Trade and other payables	9,678	-	37,709
Net exposure	9,678	-	37,709

(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	**-**	**14,324,405**	**-**	**14,324,405**
Available-for-sale investments	**-**	**49,598,070**	**-**	**49,598,070**
	-	**63,922,475**	**-**	**63,922,475**

14. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(iv) Fair value hierarchy (continued)

As at 30 September 2011	Level 1	Level 2	Level 3	Total
	AUD	AUD	AUD	AUD
Investments at fair value through profit and loss	-	9,263,190	-	9,263,190
Available-for-sale investments	-	44,156,190	-	44,156,190
	-	53,419,380	-	53,419,380

(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 to 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

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