

**Northward Capital Australian Equity Trust**  
**(ARSN 130 170 973)**  
**Financial Report**  
**For the year ended 30 June 2011**

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## **Directors' report**

The Directors of MLC Investments Limited, the Responsible Entity of Northward Capital Australian Equity Trust ('the Scheme'), present their report together with the financial report of the Scheme for the year ended 30 June 2011 and the independent audit report thereon.

### **Directors of the Responsible Entity**

The names of the persons who were Directors of MLC Investments Limited during or since the end of the year are as follows:

<b>Name</b>	<b>Appointment / Resignation Date</b>
M H Codd	Appointed 1 February 1996
I K Crow	Appointed 29 November 2006
J G Duffield	Appointed 24 August 2011
A Hagger	Appointed 14 April 2009 / Resigned 1 October 2010
J Moule	Appointed 30 July 2003
A W Rothery	Appointed 14 April 2009
M F Snowden	Appointed 25 August 2009
G J Symons	Appointed 14 April 2009
G A Tomlinson	Appointed 19 February 2001
S J Tucker	Appointed 30 July 2003
W A H Webster	Appointed 6 January 2000
D West	Appointed 25 August 2011

The registered office of MLC Investments Limited is located at Ground Floor, MLC Building, 105-153 Miller St, North Sydney NSW 2060.

### **Principal activities**

The Scheme is an unlisted registered managed investment Scheme domiciled in Australia.

The Scheme invests and transacts in equities, in accordance with the provisions of the Constitution of the Scheme.

The Scheme did not have any employees during the year (2010: Nil).

There have been no significant changes to the activities of the Scheme during the year.

### **Results and review of operations**

The results of the operations of the Scheme are disclosed in the Statement of Comprehensive Income. The results are affected by the performance of the investments to which the Scheme has exposure.

### **Units on issue**

Units on issue as at year end and movements during the year are shown in Note 3 to the financial statements.

The total assets of the Scheme are set out in the Statement of Financial Position. The basis for valuation of the Scheme assets is disclosed in Note 1 to the financial statements.

### **State of affairs**

In the opinion of the Responsible Entity, there were no significant changes in the state of affairs of the Scheme that occurred during the year unless otherwise disclosed.

### **Likely developments**

The Scheme will continue to pursue its policy of competitive returns.

Further information about likely developments in the operations of the Scheme and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Scheme.

#### **Auditor's independence**

The Directors received a declaration of independence from the auditors of the Scheme, a copy of which is attached to the Directors' report on page 4.

#### **Events subsequent to the balance date**

Between the balance date and the date of approval of these financial reports certain markets to which the Scheme has investment exposure declined significantly. Movements in markets are reflected on a daily basis in unit prices.

Except for the above disclosure there has not arisen in the interval between the year end and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to significantly affect the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

#### **Interests of the Responsible Entity**

Units held by MLC Investments Limited and its related parties in the Scheme during the financial year ended 30 June 2011 are detailed in Note 8 to the financial statements.

Fees paid to the Responsible Entity during the financial year ended 30 June 2011 are detailed in Note 8 to the financial statements.

#### **Indemnities and insurance premiums for Officers or Auditors**

##### *Indemnification*

The Scheme has not indemnified or made a relevant agreement for indemnifying against a liability for any person who is or has been an officer of the Responsible Entity or an auditor of the Scheme during the year.

##### *Insurance premiums*


During the period the Responsible Entity has paid, or agreed to pay, premiums in respect of its officers for liability and legal expenses insurance contracts, and Scheme premiums in respect of such insurance contracts, for the financial year ended 30 June 2011. Such insurance contracts insure against certain liabilities (subject to specified exclusions) for persons who are or have been the officers of the Responsible Entity.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the contracts.

#### **Rounding**

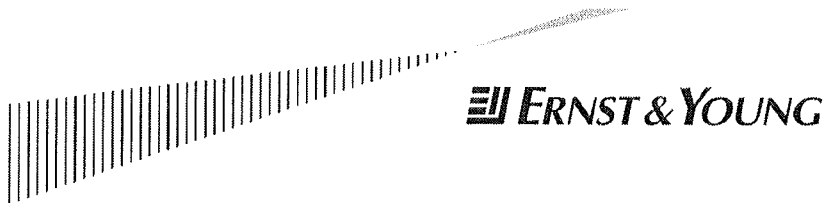
The Scheme meets the criteria set out in Class Order 98/100 issued by the Australian Securities and Investments Commission, and in accordance with that Class Order, amounts in the financial report and the Directors' report have been rounded off to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the Directors of MLC Investments Limited:



S J Tucker  
Director

Dated at Sydney this 25th day of August 2011



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## Auditor's Independence Declaration to the Directors of MLC Investments Limited

In relation to our audit of the financial report of the Northward Capital Australian Equity Trust for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized, handwritten signature of the Ernst &amp; Young firm, written in a cursive script.

Ernst & Young

A handwritten signature of Rita Da Silva, written in a cursive script.

Rita Da Silva  
Partner  
25 August 2011

**Northward Capital Australian Equity Trust**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2011**

	Notes	2011 \$'000	2010 \$'000
<b>Investment income</b>			
Dividend and distribution income		1,986	1,399
Interest income		276	110
Changes in the fair value of financial assets designated as held at fair value through profit or loss		1,538	2,524
Other revenue		-	3
<b>Total investment income</b>		<u>3,800</u>	<u>4,036</u>
<b>Expenses</b>			
Other expenses		-	-
Responsible Entity's fees	8(d)	623	436
Investment Advisor performance fee		-	1
<b>Total operating expenses</b>		<u>623</u>	<u>437</u>
<b>Net operating profit / (loss)</b>		<u>3,177</u>	<u>3,599</u>
<b>Financing costs</b>			
Distributions	4	<u>1,346</u>	<u>1,021</u>
<b>Net profit/(loss)</b>		<u>1,831</u>	<u>2,578</u>
Other comprehensive income		-	-
<b>Change in net assets attributable to unitholders</b>	3	<u>1,831</u>	<u>2,578</u>

The above Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

**Northward Capital Australian Equity Trust**  
**Statement of Financial Position**  
**As at 30 June 2011**

	Notes	2011 \$'000	2010 \$'000
<b>Assets</b>			
Cash and cash equivalents	9(b)	2,348	1,912
Receivables	6	1,337	313
Financial assets designated as held at fair value through profit or loss	5	<u>114,927</u>	<u>42,523</u>
<b>Total assets</b>		<u>118,612</u>	<u>44,748</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	7	615	249
Distribution payable	4	<u>497</u>	<u>415</u>
<b>Total liabilities excluding net assets attributable to unitholders</b>		<u>1,112</u>	<u>664</u>
<b>Net assets attributable to unitholders</b>	3	<u>117,500</u>	<u>44,084</u>

The above Statement of Financial Position is to be read in conjunction with the accompanying notes.

**Northward Capital Australian Equity Trust**  
**Statement of Changes in Net Assets Attributable to Unitholders**  
**For the year ended 30 June 2011**

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	<b>2011</b>	2010
	<b>\$'000</b>	\$'000
<b>Net assets attributable to unitholders at the beginning of the financial year</b>	<b>44,084</b>	33,992
Change in net assets attributable to unitholders	<b>1,831</b>	2,578
Applications for units	<b>75,462</b>	13,888
Redemptions of units	<b>(3,877)</b>	(6,374)
<b>Net assets attributable to unitholders at the end of the financial year</b>	<b><u>117,500</u></b>	<u>44,084</u>

The above Statement of Changes in Net Assets Attributable to Unitholders is to be read in conjunction with the accompanying notes.

**Northward Capital Australian Equity Trust**  
**Statement of Cash Flows**  
**For the year ended 30 June 2011**

	Notes	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>			
Dividends received		1,524	1,312
Interest received		274	110
Other income received		-	-
Responsible Entity's fees paid		(577)	(455)
Payment of other expenses		<u>-</u>	<u>(15)</u>
<b>Net cash provided by/(used in) operating activities</b>	9(a)	<u>1,221</u>	<u>952</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		22,815	15,589
Purchases of investments		<u>(93,921)</u>	<u>(23,638)</u>
<b>Net cash provided by/(used in) investing activities</b>		<u>(71,106)</u>	<u>(8,049)</u>
<b>Cash flows from financing activities</b>			
Applications received		75,248	13,778
Redemptions paid		(3,878)	(6,374)
Distributions paid		<u>(1,050)</u>	<u>(808)</u>
<b>Net cash provided by/(used in) financing activities</b>		<u>70,320</u>	<u>6,596</u>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		435	(501)
Cash and cash equivalents at the beginning of the financial year		<u>1,912</u>	<u>2,413</u>
<b>Cash and cash equivalents at the end of the financial year</b>	9(b)	<u>2,347</u>	<u>1,912</u>

The above Statement of Cash Flows is to be read in conjunction with the following notes.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below.

The financial report of the Scheme for the financial year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 25 August 2011.

**(a) Basis of preparation**

The Scheme's financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and, except for financial assets and financial liabilities held at fair value, that have been measured at fair value.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial assets and liabilities at fair value and net assets attributable to unitholders.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

**(b) Statement of compliance**

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

**(c) Unit prices**

The unit price for the units of the Scheme is calculated at the close of business on each business day.

**(d) Terms and conditions on units**

Each unit issued confers upon the unitholder of the Scheme an equal interest in the Scheme, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Scheme. Unitholders have various rights under the Constitution and the *Corporations Act 2001*, including the right to:

- (i) have their units redeemed;
- (ii) receive income distributions;
- (iii) attend and vote at meetings of unitholders; and
- (iv) participate in the termination and winding up of the Scheme.

The rights, obligations and restrictions attached to any unit of the Scheme are identical in all respects.

**(e) Financial assets and liabilities held at fair value through profit or loss**

The Schemes have classified all of their investments as designated at fair value through profit or loss except derivatives which are held for trading. Securities designated as at fair value through profit or loss are initially recognised at fair value.

Investments are valued at their fair value as at reporting date. Gains and losses arising from changes in the fair value of the financial assets designated as held at fair value through profit or loss are included in the Statement of Comprehensive Income in the period in which they arise. The following represent the basis of valuation for financial reporting purposes:

- (i) Securities that are listed or traded on an exchange are fair valued based on quoted "bid" prices on securities.
- (ii) In the absence of quoted values, securities are valued using appropriate valuation techniques as reasonably determined by the Responsible Entity.

**(f) Cash and cash equivalents**

Cash and cash equivalents include deposits held at call in a bank or financial institution.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(g) Receivables**

Receivables may include amounts for interest and other income. Amounts are generally received within 30 days of being recorded as receivable.

**(h) Accounts payable and accrued expenses**

Payables include liabilities and accrued expenses owing by the Scheme which are unpaid as at balance date.

**(i) Income and expenses**

Changes in the fair value of investments are recognised as income and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or cost (if the investment was acquired during the year).

Expenses are brought to account on an accrual basis.

The Responsible Entity is entitled to be reimbursed, under the Scheme's Constitution, for certain expenses incurred in administering the Scheme. The basis on which the expenses are to be reimbursed is defined in the Scheme's Constitution. The amount reimbursed is disclosed in the Responsible Entity fees and has been calculated in accordance with the Scheme's Constitution.

Other expenses also include government duties and bank interest expense. Auditors' remuneration has not been charged against the Schemes' income as this cost is borne by the Responsible Entity.

**(j) Transfers to/from net assets attributable to unitholders**

Unrealised gains and losses arising on movements in the fair value of assets, accrued dividends and interest not yet payable to the Scheme are transferred to net assets attributable to unitholders. They are included in the determination of distributable income when assessable for taxation purposes. The taxable portion of realised capital gains is included in distributable income (net of any realised capital losses) by transfer from net assets attributable to unitholders. Non assessable income and net capital losses carried forward are also reflected as movements against components of net assets attributable to unitholders for the current financial year.

**(k) Taxation**

Under current legislation the Scheme is not subject to income tax as unitholders are presently entitled to the taxable income which is distributed each year.

The unit price is based upon fair values of underlying assets and thus may include a share of unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed.

Net realised capital losses are not distributed to unitholders, but are retained to be offset against any future realised capital gains. Where realised assessable capital gains exceed realised capital losses, the excess is distributed to unitholders as assessable income for taxation purposes.

**(l) Goods and services tax**

Responsible Entity fees and other expenses are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Taxation Office ('ATO') as a reduced input tax credit ('RITC').

Creditors and accruals are stated with the amount of GST included.

The net amount of GST recoverable from the ATO is included in receivables in the Statement of Financial Position.

**(m) Derecognition of financial instruments**

The derecognition of financial instruments takes place when the Scheme no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(n) Capital management**

The Responsible Entity manages its net assets attributable to unitholders as capital, not withstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders.

The Responsible Entity monitors the level of daily applications and redemptions relative to the liquid assets in the Scheme.

**(o) Application of accounting standards**

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting year 30 June 2011.

Application of these standards will not affect any of the amounts recognised in the financial statements, but will result in changes to disclosures.

**(p) Accounting judgements and estimates**

The Schemes may make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates are continually evaluated and based on historical experience, available information and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**(q) Distributions to unitholders**

The income of the Schemes is accumulated and reinvested or paid to unitholders on the last day of December and June.

Undistributed income/(loss) includes realised capital losses which are retained to offset future realised capital gains. These are not distributed but held for distributions in future periods.

Distributable income does not include unrealised gains and losses arising on movements in the fair value of investments; as such, unrealised gains and losses are transferred to the asset revaluation component of net assets attributable to unitholders.

**NOTE 2 - AUDITOR'S REMUNERATION**

	2011	2010
	\$	\$
<b>Auditor of the Scheme:</b>		
Ernst & Young audit and review of financial reports	5,405	5,405
Other Ernst & Young services	<u>1,250</u>	<u>1,250</u>
	<u><b>6,655</b></u>	<u><b>6,655</b></u>

Audit fees for the Scheme have been paid by MLC Investments Limited.

**NOTE 3 - NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

**Movements in number of units on issue and net assets attributable to unitholders during the year:**

	\$'000	No. '000
<b>Net assets attributable to unitholders</b>		
<b>Balance at 30 June 2009</b>	<b>33,992</b>	44,600
Applications	13,888	16,434
Redemptions	(6,374)	(7,880)
Change in net assets attributable to unitholders	<u>2,578</u>	-
<b>Balance at 30 June 2010</b>	<b>44,084</b>	53,154
Applications	75,462	81,985
Redemptions	(3,877)	(4,334)
Change in net assets attributable to unitholders	<u>1,831</u>	-
<b>Balance at 30 June 2011</b>	<u><b>117,500</b></u>	<u>130,805</u>

**NOTE 4 - DISTRIBUTIONS**

Distributions paid during the year in the Scheme were as follows:

	\$'000	c/unit
<b>2011</b>		
December	849	1.52
June	<u>497</u>	<u>0.38</u>
	<u><b>1,346</b></u>	<u><b>1.90</b></u>
<b>2010</b>		
December 2009	606	1.19
June 2010	<u>415</u>	<u>0.78</u>
	<u><b>1,021</b></u>	<u><b>1.97</b></u>

**NOTE 5 - INVESTMENTS**

	2011 \$'000	2010 \$'000
<b>Listed equities</b>		
Shares and units listed on a stock exchange	114,927	42,523
	114,927	42,523

**NOTE 6 - RECEIVABLES**

	2011 \$'000	2010 \$'000
Trade receivables	551	1
Other receivables	786	312
Amounts owing from Responsible Entity	-	-
	1,337	313

**NOTE 7 - ACCOUNTS PAYABLE & ACCRUED EXPENSES**

	2011 \$'000	2010 \$'000
Trade payables	517	207
Amounts owing to Responsible Entity	98	42
Other payables	-	-
	615	249

**NOTE 8 - RELATED PARTIES**

**(a) Responsible Entity**

The Responsible Entity of the Scheme is MLC Investments Limited ABN 30 002 641 661, whose immediate and ultimate holding companies are MLC Holdings Limited ABN 32 003 113 068 and National Australia Bank Limited ABN 12 004 044 937 respectively.

**(b) Key management personnel**

**Directors**

The names of persons who were Directors of MLC Investments Limited at any time during the financial year were as follows:

Name	Appointment / Resignation Date
M H Codd	Appointed 1 February 1996
I K Crow	Appointed 29 November 2006
J G Duffield	Appointed 24 August 2011
A Hagger	Appointed 14 April 2009 / Resigned 1 October 2010
J Moule	Appointed 30 July 2003
A W Rothery	Appointed 14 April 2009
M F Snowden	Appointed 25 August 2009
G J Symons	Appointed 14 April 2009
G A Tomlinson	Appointed 19 February 2001
S J Tucker	Appointed 30 July 2003
W A H Webster	Appointed 6 January 2000
D West	Appointed 25 August 2011

In addition to the Directors noted above, the Responsible Entity is considered to be a Key Management Personnel of the Scheme.

Key management personnel are paid by a related party of the Responsible Entity. Payments made from the Scheme to the Responsible Entity do not include any amounts directly attributable to Directors as key management personnel remuneration.

**(c) Other related party transactions with the Scheme**

From time to time the Directors of MLC Investments Limited, or their Director related entities, may invest or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors.

**NOTE 8 - RELATED PARTIES (continued)**

**(d) Responsible Entity's remuneration**

The Responsible Entity fees have been calculated in accordance with the Scheme's Constitution. Total fees paid and payable are as follows:

	2011	2010
	\$	\$
MLC Investments Limited	623,614	436,477

**(e) Interests of the Responsible Entity and its related parties**

The interest of MLC Investments Limited and its related parties in the Scheme at year end is set out below:

Unitholder	Number of units held	Interest held in the Scheme	Fair value of investment	Distributions paid/payable by the Scheme
	No.	%	\$	\$
<b>2011</b>				
MLC Investment Trust	2,623,664	2.00	2,363,947	66,242
MasterKey Custom	8,505,097	6.49	7,663,178	231,092
MLC Limited	10,557,851	8.06	9,512,730	258,779
Antares nabCapital Investment Trust	9,975,062	7.61	8,987,631	268,768
Nulis Nominees Limited A/c MLC Master Plan	288,423	0.22	259,872	1,474
MLC Navigator Investment Plan	95,100	0.07	85,686	486
<b>2010</b>				
MLC Investment Trust	2,192,588	4.13	1,820,438	38,244
MasterKey Custom	7,930,502	14.94	6,584,450	147,534
MLC Limited	7,751,121	14.60	6,435,516	142,830
Antares nabCapital Investment Trust	9,975,062	18.79	8,281,985	196,509
Nulis Nominees Limited A/c MLC Master Plan	-	-	-	-
MLC Navigator Investment Plan	-	-	-	-

**(f) Amounts (payable) to/receivable from the Responsible Entity**

The aggregate amounts of debts receivable from the Responsible Entity by the Scheme at balance date is shown in the table below:

	2011	2010
	\$	\$
MLC Investments Limited	(97,726)	-

**(g) Expense reimbursement**

The Responsible Entity is entitled, under the Scheme's Constitution, to be reimbursed for certain expenses incurred in administering the Scheme.

**NOTE 8 - RELATED PARTIES (continued)**

**(h) Related party investments**

From time to time the Scheme may invest in listed equities issued by National Australia Bank Limited. These investments are in the normal course of business and on normal commercial terms and conditions in accordance with the provisions of the Scheme's Constitution. Details of these investments held by the Scheme are set out below:

	Number of shares held	Interest held in the company	Fair value of investment	Distributions received/receivable by the Scheme
	No.	%	\$	\$
<b>2011</b>				
National Australia Bank Limited	98,436	0.005	2,517,993	125,213
<b>2010</b>				
National Australia Bank Limited	83,093	0.004	1,934,405	53,421

**NOTE 9 - NOTES TO THE STATEMENTS OF CASH FLOWS**

2011  
\$'000                      2010  
\$'000

**(a) Reconciliation of operating profit to net cash flows from operating activities**

Net operating profit/(loss)	3,177	3,599
Changes in the fair value of investments	(1,538)	(2,524)
(Increase)/decrease in other receivables	(474)	(108)
Increase/(decrease) in other payables	56	(15)
<b>Net cash provided by/(used in) operating activities</b>	<b>1,221</b>	<b>952</b>

**(b) Components of cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, and short term deposits at call. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash at bank	572	357
Cash on deposit - domestic	1,776	1,555
	<b>2,348</b>	<b>1,912</b>

**(c) Non-cash financing and investing activities**

Distributions to unitholders reinvested	214	110
	<b>214</b>	<b>110</b>

**NOTE 9 - FINANCIAL RISK MANAGEMENT (continued)**

**(a) Financial risk management objectives, policies and processes**

The Schemes' activities expose them to a variety of financial risks: market risk (equity price risk), liquidity and cash flow risk. The Schemes' overall risk management programme is aligned to the investment strategy of the Scheme as detailed in its Constitution and Product Disclosure Statement. It focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Schemes' financial performance. Risk management monitoring is performed internally and reported on a quarterly basis to the WM Risk & Compliance Committee.

**(i) Equity and Other Price Risk**

Equity and other price risk is the risk that the fair value of equities and unit prices decrease as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market.

Changes in price as disclosed in this note are based on an analysis of the yearly change in relevant market indices over the last 10 years. These represent what is considered to be a reasonably possible change rather than extreme fluctuations that may occur from time to time. As such, actual future market movement may differ.

Category	2011				2010			
	Change in price		Effect on net profit attributable to unitholders \$'000		Change in price		Effect on net profit attributable to unitholders \$'000	
	+	-	+	-	+	-	+	-
Australian equities	28%	-14%	32,180	(16,090)	28%	-14%	11,906	(5,953)
Total			32,180	(16,090)			11,906	(5,953)

**(ii) Liquidity and cash flow risk**

The Scheme is exposed to daily cash redemptions of redeemable units. It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

In accordance with the Scheme's policy, the Scheme's liquidity position is monitored on a daily basis, and the Responsible Entity reviews this on a quarterly basis.

The following tables analyse the Schemes' financial liabilities, other than net assets attributable to unitholders, into relevant maturity groupings based on the remaining period at the year end date to the contractual maturity date.

	Less than 1 month	1 to 3 months	3 to 12 months	12 to 60 months	No stated maturity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2011</b>					
Trade Payables	517	-	-	-	-
Amounts owing to Responsible Entity	98	-	-	-	-
Other Liabilities	-	-	-	-	-
<b>Total financial liabilities</b>	<b>615</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2010</b>					
Trade Payables	207	-	-	-	-
Amounts owing to Responsible Entity	42	-	-	-	-
Other Liabilities	-	-	-	-	-
<b>Total financial liabilities</b>	<b>249</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**NOTE 9 - FINANCIAL RISK MANAGEMENT (continued)**

**(f) Fair value of financial instruments**

The following tables show financial instruments recorded at fair value, analysed between those whose fair value is based on quoted markets prices, those involving valuation techniques where all the model inputs are observable in the market and those where the valuation technique involves the use of non-market observable inputs.

The level at which instruments are classified in the hierarchy is based on the lowest level input that is significant to the fair value measurement in its entirety. Assessment of the significance of an input requires judgment after considering factors specific to the instrument. These three levels are:

Level 1: Valued by reference to quoted prices in active markets for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: Valued using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), including: quoted prices in active markets for similar assets or liabilities, quoted prices in markets which there are a few transactions for identical or similar assets or liabilities, and other inputs that are not quoted prices but are observable for the asset or liability.

Level 3: Valued in whole or part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Unobservable inputs are determined based on the best information available, which might include the Scheme's own data, reflecting the Scheme's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available.

Financial Instruments	2011			2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Listed equity securities	104,780	1	-	38,821	-	-
Listed unit trusts	10,146	-	-	3,702	-	-
Unlisted managed investment funds	-	-	-	-	-	-
Derivative financial assets	-	-	-	-	-	-
<b>Total</b>	<b>114,926</b>	<b>1</b>	<b>-</b>	<b>42,523</b>	<b>-</b>	<b>-</b>

**NOTE 10 - EVENTS OCCURRING AFTER THE BALANCE DATE**

Between the balance date and the date of approval of these financial reports certain markets to which the Scheme has investment exposure declined significantly. Movements in markets are reflected on a daily basis in unit prices.

Except for the above disclosure there has not arisen in the interval between the year end and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to significantly affect the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

**NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES**

The Scheme had no known commitments or contingent liabilities as at 30 June 2011 (2010: Nil).

**Northward Capital Australian Equity Trust**  
**Directors' declaration**  
**For the year ended 30 June 2011**

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In the opinion of the Directors of MLC Investments Limited, the Responsible Entity of the Scheme:

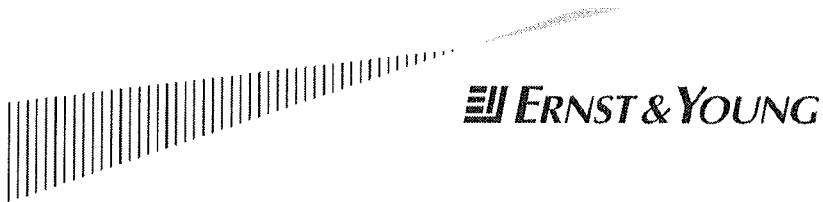
- 1 the financial statements and notes set out on pages 5 to 16, are in accordance with the *Corporations Act 2001*, including:
- (a) giving a true and fair view of the financial position of the Scheme as at 30 June 2011 and of its performance for the year ended on that date; and
  - (b) complying with Accounting Standards and Corporations Regulations 2001; and
  - (c) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Director  
S J Tucker

Dated at Sydney this 25th day of August 2011



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## Independent auditor's report to the unitholders of the Northward Capital Australian Equity Trust

We have audited the accompanying financial report of the Northward Capital Australian Equity Trust (the 'Scheme'), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration.

### Directors' Responsibility for the Financial Report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(b), 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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. 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.

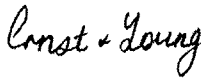
### Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is attached to the directors' report.

## Auditor's Opinion

In our opinion:

1. the financial report of the Scheme is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of the Scheme as at 30 June 2011 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(b).

A stylized, handwritten signature of the Ernst & Young firm, written in a cursive script.

Ernst & Young

A handwritten signature of Rita Da Silva, written in a cursive script.

Rita Da Silva  
Partner  
25 August 2011