

# ***i* Capital International Value Fund**

ARSN 134 578 180

## **Financial statements**

**For the year ended 30 June 2011**

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These financial statements cover *i* Capital International Value Fund as an individual entity.

The Responsible Entity of *i* Capital International Value Fund is Capital Dynamics (Australia) Limited (ABN 53 129 846 260) (AFSL 326283).

Responsible Entity's registered office is:  
Level 1, 61 York Street  
Sydney, NSW 2000.

## Directors' report

The directors of Capital Dynamics (Australia) Limited, the Responsible Entity of *i* Capital International Value Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2011.

### Principal activities

The Fund maintained its investment strategy in domestic and international equities in accordance with the provisions of the Fund's Constitution.

The Fund did not have any employees during the year.

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

Service	Provider
Responsible Entity	Capital Dynamics (Australia) Limited
Investment Manager	Capital Dynamics (Australia) Limited
Custodian and Administrator	BNP Paribas Fund Services Australasia Pty Limited
Registrar	Link Market Services Limited
Statutory Auditor	PricewaterhouseCoopers

### Directors

The following persons held office as directors of Capital Dynamics (Australia) Limited during the year or since the end of the year and up to the date of this report:

Tan Teng Boo  
 Andrew Slattery  
 Simon Meagher Dorahy

### Review and results of operations

During the year, the Fund continued to invest funds in accordance with target asset allocations as set out in the Product Disclosure Statement and in accordance with the provisions of the Fund's Constitution.

#### Results

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

	Year ended	
	30 June 2011	30 June 2010
Operating profit/(loss) before finance costs attributable to unitholders (\$)	<u>4,259,227</u>	<u>(2,034,004)</u>
Distributions paid and payable (\$)	<u>4,385,312</u>	<u>337,358</u>
Distributions (cents per unit)	<u>15.46</u>	<u>1.26</u>

### Significant changes in the state of affairs

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

## Directors' report (continued)

### Matters subsequent to the end of the financial year

#### *Decline in market value of investments*

The Fund holds investments in a portfolio of Australian and international listed equities and is consequently exposed to the market risk associated with these investments.

Since the balance date Australian and international share markets have experienced a period of significant falls, impacting on the valuation of the Fund's investment portfolio. In the period since 30 June up to 12 September 2011 the Fund's investment portfolio have fallen by 13.0%.

As the investments are measured at their 30 June 2011 fair values in the financial report, these subsequent falls in value are not reflected in the statement of comprehensive income or the balance sheet. As the Fund allocates all of its investment income to unitholders, the fall in value of investments have been reflected in the current unit price, resulting in a corresponding reduction in net assets attributable to unitholders.

No other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of the affairs of the Fund in future financial years.

### Likely developments and expected results of operations

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

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

### Indemnification and insurance of officers

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to the officers of Capital Dynamics (Australia) Limited. So long as the officers of Capital Dynamics (Australia) Limited act in accordance with the Fund's Constitution and the Law, the officers remain fully indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

### Indemnification of auditors

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

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

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 9 to the financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 9 to the financial statements.

### Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 6 to the financial statements.

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

## Directors' report (continued)

### Environmental regulation

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

### Auditor's independence declaration

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

This report is made in accordance with a resolution of the directors of Capital Dynamics (Australia) Limited.



Tan Teng Boo  
Director

Sydney  
12 September 2011



**Auditor's Independence Declaration**

As lead auditor for the audit of *i* Capital International Value Fund for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of *i* Capital International Value Fund during the year.

Shannon Maher  
Partner  
PricewaterhouseCoopers

12 September Sydney  
2011

**i Capital International Value Fund**  
**Statement of comprehensive income**  
**For the year ended 30 June 2011**

		Year ended	
	Notes	30 June 2011 \$	30 June 2010 \$
<b>Investment income</b>			
Dividend income		536,800	538,821
Interest income		249,446	181,936
Net foreign exchange loss		(389,042)	(67,165)
Net gains/(losses) on sale of financial instruments		5,867,032	619,698
Net losses on financial instruments held at fair value through profit or loss	5	(1,253,696)	(2,594,552)
Other investment income		40	-
<b>Total net investment income/(loss)</b>		<b>5,010,580</b>	<b>(1,321,262)</b>
<b>Expenses</b>			
Responsible Entity fees	9	455,060	375,795
Custody and registry fees		198,335	229,550
Auditor's remuneration	4	47,544	66,550
Withholding tax		20,442	39,913
Other operating expenses		29,972	934
<b>Total operating expenses</b>		<b>751,353</b>	<b>712,742</b>
<b>Operating profit/(loss)</b>		<b>4,259,227</b>	<b>(2,034,004)</b>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders		(4,385,312)	(337,358)
Decrease in net assets attributable to unitholders	6	126,085	2,371,362
<b>Profit/(loss) for the year</b>		-	-
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>

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

i Capital International Value Fund  
 Balance sheet  
 As at 30 June 2011

		30 June 2011 \$	As at	30 June 2010 \$
	Notes			
<b>Assets</b>				
Cash and cash equivalents	7	15,386,609		1,098,570
Receivables		180,546		263,108
Financial assets held at fair value through profit or loss	8	<u>14,891,334</u>		<u>23,642,938</u>
<b>Total assets</b>		<u>30,458,489</u>		<u>25,004,616</u>
<b>Liabilities</b>				
Distribution payable		4,385,312		337,358
Due to brokers - payable for securities purchased		-		11,958
Payables		<u>320,208</u>		<u>249,180</u>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u>4,705,520</u>		<u>598,496</u>
<b>Net assets attributable to unitholders - liability</b>	6	<u>25,752,969</u>		<u>24,406,120</u>

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



	Year ended	
	30 June 2011	30 June 2010
	\$	\$
<b>Total equity at the beginning of the year</b>		
Profit/(loss) for the year	-	-
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>-</u>
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the year</b>	<u>-</u>	<u>-</u>

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

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

**i Capital International Value Fund**  
**Statement of cash flows**  
**For the year ended 30 June 2011**

		Year ended	
		30 June 2011	30 June 2010
Notes		\$	\$
<b>Cash flows from operating activities</b>			
	Proceeds from sale of financial instruments held at fair value through profit or loss	15,805,789	6,715,301
	Purchase of financial instruments held at fair value through profit or loss	(2,452,807)	(32,393,692)
	Dividends received	651,088	292,694
	Interest received	214,744	178,826
	GST received/(paid)	4,996	(30,857)
	Other income received	40	-
	Responsible Entity fees paid	(419,470)	(279,810)
	Auditor's remuneration paid	(46,444)	(33,550)
	Withholding tax paid	(22,462)	(8,187)
	Custody and registry fees paid	(163,997)	(124,095)
	Payment of other operating expenses	(29,972)	(934)
	<b>Net cash inflow/(outflow) from operating activities</b>	<u>13,541,505</u>	<u>(25,684,304)</u>
10			
<b>Cash flows from financing activities</b>			
	Proceeds from applications by unitholders	2,192,342	26,777,482
	Payments for redemptions by unitholders	(1,015,913)	-
	Distributions paid	(40,853)	-
	<b>Net cash inflow/(outflow) from financing activities</b>	<u>1,135,576</u>	<u>26,777,482</u>
<b>Net increase in cash and cash equivalents</b>			
		14,677,081	1,093,178
	Cash and cash equivalents at the beginning of the year	1,098,570	-
	Effect of foreign currency exchange rate changes on cash and cash equivalents	(389,042)	5,392
	<b>Cash and cash equivalents at the end of the year</b>	<u>15,386,609</u>	<u>1,098,570</u>
7			
	Non-cash financing activities	296,505	-
10			

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

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## 1 General information

This financial report covers i Capital International Value Fund ("the Fund") as an individual entity.

The Responsible Entity of the Fund is Capital Dynamics (Australia) Limited (ABN 53 129 846 260) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 61 York Street Sydney, NSW 2000.

The Fund mainly invests in domestic and international equities in accordance with the provisions of the Fund's Constitution.

The financial statements were authorised for issue by the directors on 12 September 2011. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the *Corporations Act 2001* in Australia.

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

The balance sheet 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 investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting year cannot be reliably determined.

*Compliance with International Financial Reporting Standards (IFRS)*

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

### (b) Financial instruments

#### (i) Classification

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

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

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

#### (ii) Recognition/derecognition

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

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

## 2 Summary of significant accounting policies (continued)

### (iii) Measurement

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

The carrying amount of the Fund's assets and liabilities at reporting date approximate their fair values. Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

At balance date, all international securities are translated to Australian currency using the rates of exchange prevailing at that date. The resulting unrealised exchange differences are recognised in the change in fair value of investments disclosed in the statement of comprehensive income in the period in which they arise.

Details on how the fair values of financial instruments are determined are disclosed in Note 3(e).

### (iv) Offsetting financial instruments

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

### (c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option but may only be redeemed after they have been held for a period of at least one year from issue. The units can then be put back into the Fund for cash equal to a proportionate share of the Fund's net asset value. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance sheet date if unitholders exercised their right to put the units back into the Fund. Because the Fund's redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference exists, which has been treated as a component of net assets attributable to unitholders.

### (d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

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

### (e) Investment income

Interest income is recognised on a time-proportion basis using the effective interest method. It includes interest income from cash and cash equivalents.

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

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

### (f) Expenses

All expenses are recognised in statement of comprehensive income on an accruals basis.

### (g) Income tax

Under current legislation, the Fund is not subject to income tax as unitholders are presently entitled to the taxable income of the Fund (including assessable realised net capital gains), which is distributed each tax year.

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

## 2 Summary of significant accounting policies (continued)

### (h) Distributions

In accordance with the Fund's Constitution, the Fund fully distributes its distributable income (if any) to unitholders each tax year. Such distributions are determined by reference to the taxable income of the Fund. Distributions are recognised in statement of comprehensive income as finance costs attributable to unitholders.

Distributable income includes capital gains arising from the disposal of assets.

Distributable income does not include unrealised gains and losses on the net value of investments, accrued income not yet assessable and expenses provided for or accrued but not yet deductible, tax free or deferred income and realised capital losses which are retained to offset future realised capital gains.

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

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

### (j) Foreign currency translation

#### *i) Functional and presentation currency*

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

#### *ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies on the balance sheet date are recognised in the statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

### (k) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and for equities normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, and the probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

### (l) Receivables

Receivables may include amounts for dividends and interest. Dividends are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

### (m) Payables

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

The distribution amount payable to unitholders at the end of each reporting year is recognised separately in the balance sheet as unitholders are presently entitled to the distributable income under the Fund's Constitution.

## 2 Summary of significant accounting policies (continued)

### (n) Applications and redemptions

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

Unit prices are determined monthly by reference to the net assets per the Fund's Constitution divided by the number of units on issue at month end.

### (o) Terms and Conditions of Units on Issue

Each unit confers upon the unitholder an equal interest in the Fund (subject to income entitlements), and is of equal value. A unit does not confer an interest in any particular asset or investment of the Fund.

Unitholders have various rights under the Fund Constitution and the *Corporations Act 2001*, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Fund.

The rights, obligations and restrictions attached to each unitholder class are identical in all respects.

### (p) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable, have been passed on to the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 75%. Hence fees for these services and any other expenses have been recognised in profit or loss net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheet. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

### (q) Use of estimates

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

### (r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting year. The Responsible Entity's assessment of the impact of these standards (to the extent relevant to the Fund) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.

AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded.

The Fund has not yet decided when to adopt AASB 9. The Responsible Entity does not expect this will have a significant impact on the Fund's financial statements as the Fund does not hold any available-for-sale investments.

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the amended standard from 1 July 2011. The amendment will not have any effect on the Fund's financial statements.

## 2 Summary of significant accounting policies (continued)

(iii) AASB 2010-6 *Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB issued AASB 2010-6 *Disclosures on Transfers of Financial Assets* which amends AASB 1 *First-time Adoption of Australian Accounting* and AASB 7 *Financial Instruments: Disclosures* to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particular entities that sell, factor, securitise, lend or otherwise transfer assets to other parties. The amendments will not have any impact on the Fund's disclosures. The Fund intends to apply the amendment from 1 July 2011.

(iv) *Amendments to AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual reporting periods beginning on or after 1 July 2010 / 1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvement project. The Fund does not expect that any adjustments will be necessary as the result of applying the revised rules.

## 3 Financial risk management

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

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ratings analysis for credit risk.

### (a) Market risk

#### (i) Price risk

The Fund is exposed to price risk of listed equity securities quoted on Australian and overseas stock exchanges. This arises from investments held by the Fund for which prices in the future are uncertain. These investments are classified on the balance sheet as at fair value through profit or loss. All equity security investments present a risk of loss of capital.

Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Paragraph (ii) below sets out how this component of price risk is managed and measured.

The table under (b) below summarises the impact of an increase/decrease of the MSCI World Index on the Fund's net assets attributable to unitholders at year end. The analysis is based on the assumption that the markets in which the Fund invests moved by +/-10% (2010: +/-10%) with all other variables held constant and that the fair value of the Fund's equity securities moved according to the historical correlation with the index. The impact mainly arises from reasonably possible change in fair value of securities.



### 3 Financial risk management (continued)

#### (ii) Foreign exchange risk

The Fund may hold both monetary and non-monetary assets and liabilities denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk, not foreign exchange risk. Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

The table below summarises the Fund's assets and liabilities that are denominated in Hong Kong Dollars, Indonesian Rupiah and all other foreign currencies, other than the Australian dollar.

30 June 2011	Hong Kong	Indonesian	Other currencies
	Dollars (HKD) A\$	Rupiah (IDR) A\$	A\$
Cash and cash equivalents	4,896,509	-	82,133
Receivables	15,099	-	23,035
Financial assets held at fair value through profit or loss	4,878,881	-	4,510,953
<b>Net assets attributable to unitholders - liability</b>	<b>9,790,489</b>	<b>-</b>	<b>4,616,121</b>

  

30 June 2010			
Cash and cash equivalents	68,449	-	10,583
Receivables	13,987	127,705	20,512
Financial assets held at fair value through profit or loss	8,603,129	5,566,982	3,784,835
<b>Net assets attributable to unitholders - liability</b>	<b>8,685,565</b>	<b>5,694,687</b>	<b>3,815,930</b>

The table under (b) below summarises the sensitivities of the Fund's monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the Australian dollar weakened/strengthened by 10% (2010: 10%) against the foreign currencies to which the Fund is exposed.

#### (b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to price risk and foreign exchange risk. The reasonably possible movements in the risk variables have been determined based on management's best estimates, having regard to a number of factors, including historical levels of changes in foreign exchange rates, historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of and/or correlation between the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

#### Impact on operating profit/Net assets attributable to unitholders

	Price risk		Foreign exchange risk					
	-10% (MSCI World Index)	+10%	-10% HKD	+10% HKD	-10% IDR	+10% IDR	-10% Other currencies	+10%
	\$	\$	\$	\$	\$	\$	\$	\$
30 June 2011	(1,489,133)	1,489,133	(489,651)	489,651	-	-	(8,213)	8,213
30 June 2010	(2,364,294)	2,364,294	(6,845)	6,845	-	-	(1,058)	1,058

#### (c) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due.

The main concentration of credit risk, to which the Fund is exposed arises from cash and cash equivalents and other receivables. Only the major banks and reputable counterparties are used.

### 3 Financial risk management (continued)

#### (d) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial assets and liabilities. Liquidity risk may result for an inability to sell a financial asset quickly or at the price the seller deems to be close to its fair value.

Financial liabilities of the Fund comprise trade and other payables, distributions payable and net assets attributable to unitholders. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days of the obligation arising.

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

	Less than 1 month	1-6 months	6-12 months	Over 12 months
	\$	\$	\$	\$
<b>At 30 June 2011</b>				
Payables	320,208	-	-	-
Distributions payable	4,385,312	-	-	-
Net assets attributable to unitholders - liability	<u>25,752,969</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contractual cash flows	<u>30,458,489</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Less than 1 month	1-6 months	6-12 months	Over 12 months
	\$	\$	\$	\$
<b>At 30 June 2010</b>				
Due to brokers	11,958	-	-	-
Payables	249,180	-	-	-
Distributions payable	337,358	-	-	-
Net assets attributable to unitholders - liability	<u>24,406,120</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contractual cash flows	<u>25,004,616</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### (e) Fair value estimation

The carrying amounts of the Fund's assets and liabilities at the end of each reporting year approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in fair value recognised in profit or loss.

##### i) Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs.

For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. A financial instrument is regarded as quoted in an investment market if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

##### ii) Fair value in an inactive or unquoted market

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting year taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties.

### 3 Financial risk management (continued)

#### (f) Fair value hierarchy

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

The determination of what constitutes "observable" requires significant judgement by the Investment Manager. The Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and not provided by independent sources that are actively involved in the relevant market.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The Fund has investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1 as set out in table below, measured at fair value according to the fair value hierarchy at 30 June 2011.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>At 30 June 2011</b>				
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Listed equity securities	14,891,334	-	-	14,891,334
<b>Total</b>	<b>14,891,334</b>	<b>-</b>	<b>-</b>	<b>14,891,334</b>
<b>At 30 June 2010</b>				
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Listed equity securities	23,642,938	-	-	23,642,938
<b>Total</b>	<b>23,642,938</b>	<b>-</b>	<b>-</b>	<b>23,642,938</b>

#### 4 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

	Year ended	
	30 June 2011	30 June 2010
	\$	\$
<b>PricewaterhouseCoopers</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial statements - current year	25,874	22,550
Audit and review of financial statements - prior year	-	9,350
Other audit work under the <i>Corporations Act 2001</i>	13,750	24,750
Total remuneration for audit and other assurance services	39,624	56,650
 <i>Taxation services</i>		
Tax compliance services	7,920	6,050
Other	-	3,850
Total remuneration for taxation services	7,920	9,900
 Total remuneration of PricewaterhouseCoopers	 47,544	 66,550

#### 5 Net gains on financial instruments held at fair value through profit or loss

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

	Year ended	
	30 June 2011	30 June 2010
	\$	\$
<b>Financial instruments</b>		
Net loss on financial instruments designated as at fair value through profit or loss	(1,253,696)	(2,594,552)
Total net losses on financial instruments held at fair value through profit or loss	(1,253,696)	(2,594,552)

## 6 Net assets attributable to unitholders

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

	Year ended			
	30 June 2011 No.	30 June 2010 No.	30 June 2011 \$	30 June 2010 \$
Opening balance	26,816,197	-	24,406,120	-
Applications	2,195,936	26,816,197	2,192,342	26,777,482
Redemptions	(970,483)	-	(1,015,913)	-
Units issued upon reinvestment of distributions	323,167	-	296,505	-
Increase/(decrease) in net assets attributable to unitholders			<u>(126,085)</u>	<u>(2,371,362)</u>
Closing balance	<u>28,364,817</u>	<u>26,816,197</u>	<u>25,752,969</u>	<u>24,406,120</u>

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

### Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a monthly basis as the Fund is subject to monthly applications and redemptions at the discretion of unitholders, after they have been held for a period of at least one year.

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

## 7 Cash and cash equivalents

	As at	
	30 June 2011 \$	30 June 2010 \$
Cash at bank	<u>15,386,609</u>	<u>1,098,570</u>
	<u>15,386,609</u>	<u>1,098,570</u>

These accounts are bearing floating interest rates between 0% and 4.40% (2010: 1.87% and 4.70%).

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

	30 June 2011 \$	As at 30 June 2010 \$
<b>Designated at fair value through profit or loss</b>		
Listed equity securities	<u>14,891,334</u>	<u>23,642,938</u>
Total designated at fair value through profit or loss	<u>14,891,334</u>	<u>23,642,938</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>14,891,334</u>	<u>23,642,938</u>

An overview of the risk exposures relating to financial assets held at fair value through profit or loss is included in Note 3.

## 9 Related party transactions

### Responsible Entity

The Responsible Entity of *i* Capital International Value Fund is Capital Dynamics (Australia) Limited (ABN 53 129 846 260) (AFSL 326283). Accordingly, transactions with entities related to Capital Dynamics (Australia) Limited are disclosed below.

The Responsible Entity has contracted services to Capital Dynamics (Australia) Limited, to act as investment manager and BNP Paribas Fund Services Australasia Pty Limited to act as custodian for the Fund. The contracts are on normal commercial terms and conditions.

### Holding Company

The holding company of Capital Dynamics (Australia) Limited is Capital Dynamics (Singapore) Pte Ltd.

### Key management personnel

#### (a) Directors

Key management personnel includes persons who were directors of Capital Dynamics (Australia) Limited during the financial year or since the end of the year end and up to the date of this report:

#### Capital Dynamics (Australia) Limited

Tan Teng Boo  
Andrew Slattery  
Simon Meagher Dorahy

#### Capital Dynamics (Singapore) Pte Ltd

Tan Teng Boo  
Chew Poh Imm

#### (b) Other key management personnel

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

## 9 Related Party Transactions (continued)

### Key management personnel unit holdings

The key management personnel of the Responsible Entity and its holding company held units in the Fund as follows:

30 June 2011	Number of units held (opening)	Number of units acquired	Number of units held (closing)	Interest held %	Distribution payable by the Fund \$
The Slattery Super Fund <sup>(1)</sup>	19,879	-	19,879	0.07	3,073
SM Dorahy Superannuation Fund <sup>(2)</sup>	19,879	273	20,152	0.07	3,115
Chew Poh Imm	30,000	405	30,405	0.11	4,701
30 June 2010	Number of units held (opening)	Number of units acquired	Number of units held (closing)	Interest held %	Distribution payable by the Fund \$
The Slattery Super Fund <sup>(1)</sup>	-	19,879	19,879	0.07	250
SM Dorahy Superannuation Fund <sup>(2)</sup>	-	19,879	19,879	0.07	250
Chew Poh Imm	-	30,000	30,000	0.11	371

<sup>(1)</sup> Andrew Slattery is a joint beneficial holder of this fund.

<sup>(2)</sup> Simon Meagher Dorahy is a joint beneficial holder of this fund.

### Key management personnel compensation

Key management personnel are paid by the Responsible Entity. Payments made from the Fund to the Responsible Entity do not include any amounts directly attributable to the compensation of key management personnel.

### Key management personnel loan disclosures

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

### Other transactions within the Fund

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

### Responsible Entity's fees and other transactions

Under the terms of the Fund's Constitution and the Product Disclosure Statement for the Fund, the Responsible Entity is entitled to receive management fees, calculated at month end and invoiced quarterly. The calculations are as disclosed in the Product Disclosure Statement.

Under the terms of the Fund's Constitution, the Responsible Entity is also entitled to receive a performance fee if the performance of the Fund exceeds its benchmark and conditions as disclosed in the Product Disclosure Statement. No performance fee was paid in the current or previous year.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts at year end between the Fund and the Responsible Entity were as follows:

## 9 Related Party Transactions (continued)

	Year ended	
	30 June 2011	30 June 2010
	\$	\$
Management fees paid by the Fund to the Responsible Entity	455,060	375,795
	As at	
	30 June 2011	30 June 2010
	\$	\$
Aggregate amounts payable to the Responsible Entity at the end of the reporting period	140,332	104,742

### Investments

The Fund did not hold any investments in Capital Dynamics (Australia) Limited or its related parties during the year.

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

	Year ended	
	30 June 2011	30 June 2010
	\$	\$
<b>Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Profit/(loss) for the year	-	-
Decrease in net assets attributable to unitholders	(126,085)	(2,371,362)
Distributions to unitholders	4,385,312	337,358
Proceeds from sale of financial instruments held at fair value through profit or loss	15,805,789	6,715,301
Purchase of financial instruments held at fair value through profit or loss	(2,452,807)	(32,393,692)
Net (gains)/losses on sale of financial instruments	(5,867,032)	(619,698)
Net losses/(gains) on financial instruments held at fair value through profit or loss	1,253,696	2,594,552
Net foreign exchange (gain)/loss	389,042	67,165
Net change in receivables	82,562	(263,108)
Net change in payables	71,028	249,180
<b>Net cash inflow/(outflow) from operating activities</b>	<u>13,541,505</u>	<u>(25,684,304)</u>
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	<u>296,505</u>	-
	<u>296,505</u>	-

As described in Note 2(i), income not distributed is included in net assets attributable to unitholders. The change in this amount each year represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.



## 11 Events occurring after the reporting year

### *Decline in market value of investments*

The Fund holds investments in a portfolio of Australian and international listed equities and is consequently exposed to the market risk associated with these investments.

Since the balance date Australian and international share markets have experienced a period of significant falls, impacting on the valuation of the Fund's investment portfolio. In the period since 30 June up to 12 September 2011 the Fund's investment portfolio have fallen by 13.0%.

As the investments are measured at their 30 June 2011 fair values in the financial report, these subsequent falls in value are not reflected in the statement of comprehensive income or the balance sheet. As the Fund allocates all of its investment income to unitholders, the fall in value of investments have been reflected in the current unit price, resulting in a corresponding reduction in net assets attributable to unitholders.

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

## 12 Contingent assets and liabilities or commitments

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

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 - 24 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2011 and of its performance for the financial year ended on that date.
- (b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- (c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Tan Teng Boo  
Director

Sydney

12 September 2011



Independent auditor's report to the members of  
**i Capital International Value Fund**

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

We have audited the accompanying financial report of *i Capital International Value Fund* (the fund), which comprises the balance sheet as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

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

The directors of the fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the fund'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 fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report

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



*Independence*

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

*Auditor's opinion*

In our opinion:

(a) the financial report of *i Capital International Value Fund* is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the fund's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the fund's financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'S.T. Maher'.

Shannon Maher  
Partner

Sydney  
12 September 2011