

Navra Blue Chip Australian Share Wholesale Fund

ARSN 104 384 894

Financial Report - 30 June 2011

Navra Blue Chip Australian Share Wholesale Fund

ARSN 104 384 894

Financial Report - 30 June 2011

Contents

	Page
Directors' report	2
Auditor's independence declaration	4
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	23
Independent auditor's report to the unitholders of Navra Blue Chip Australian Share Wholesale Fund	24

These financial statements cover Navra Blue Chip Australian Share Wholesale Fund as an individual entity.

The Responsible Entity of Navra Blue Chip Australian Share Wholesale Fund is Navralinvest Limited (ABN 46 101 355 239). The Responsible Entity's registered office is Suite 203, Level 2, 21 Berry Street, North Sydney, NSW 2060.

Directors' report

The directors of NavraInvest Limited, the Responsible Entity of Navra Blue Chip Australian Share Wholesale Fund, present their report together with the financial statements of Navra Blue Chip Australian Share Wholesale Fund ("the Scheme") for the year ended 30 June 2011.

Responsible Entity

The Responsible Entity of Navra Blue Chip Australian Share Wholesale Fund is NavraInvest Limited (ABN 46 101 355 239). The Responsible Entity's registered office and principal place of business is Suite 203, Level 2, 21 Berry Street, North Sydney, NSW, 2060.

Directors

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

Bleddyn Gambold
 Edgar R Penter
 Louis Yu
 Stephen Navra
 William J Tootill

Principal activities

During the year, the Scheme invested in accordance with the provisions of the Scheme's Constitution and product disclosure statement. There were no significant changes in the nature of the Scheme's activities during the year.

Review and results of operations

During the year, the Scheme continued to invest in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

The following summarises the results of the Scheme's performance for the year ended 30 June 2011.

The Scheme's net profit from operations before finance costs for the current year was \$518,741 (2010: \$641,282).

Distributions paid or payable in respect of the financial year were:

	2011 \$	2011 Cents per unit	2010 \$	2010 Cents per unit
Interim distributions paid	290,235	3.00	1,397,009	6.30
Final distribution	111,486	1.51	40,587	0.32
Total	401,701		1,437,596	

Interests in the Scheme

The movement in units on issue in the Scheme during the year is disclosed in note 5 to the financial statements.

Significant changes in state of affairs

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

Directors' report (continued)

Likely developments and expected results of operations

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

Further information on likely developments in the operations of the Scheme 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 Scheme.

Matters subsequent to the end of the financial year

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

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

Environmental regulation

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

Fees paid to and interests held in the Scheme by the Responsible Entity or its related entities

Fees paid to the Responsible Entity and its related entities out of Scheme property during the year are disclosed in note 8 to the financial statements.

The number of interests in the Scheme held by the Responsible Entity or its related entities as at the end of the financial year are disclosed in note 8 to the financial statements.

Indemnity and insurance of officers

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of NavraInvest Limited or the auditors of the Scheme. So long as the officers of NavraInvest Limited act in accordance with the Scheme's Constitution and the law, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

Lead auditor's independence declaration

A copy of the Lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

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



Stephen Navra
Managing Director

Sydney
29 September 2011

NAVRA BLUE CHIP AUSTRALIAN SHARE WHOLESALE FUND

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of NavraInvest Limited as Responsible Entity for Navra Blue Chip Australian Share Wholesale Fund:

As lead auditor for the audit of Navra Blue Chip Australian Share Wholesale 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.



Mark D Muller
Partner

Sydney
29 September 2011

HLB Mann Judd (NSW Partnership) ABN 34 482 821 289

Level 19 207 Kent Street Sydney NSW 2000 Australia | Telephone +61 (0)2 9020 4000 | Fax +61 (0)2 9020 4190

Email: mailbox@hlbnsw.com.au | Website: www.hlb.com.au

Liability limited by a scheme approved under Professional Standards Legislation

Statement of comprehensive income

	Notes	30 June 2011 \$	30 June 2010 \$
Investment income			
Interest income		2,616	1,369
Distribution income		497,771	1,674,326
Net gains/(losses) on financial instruments held at fair value through profit or loss	3	<u>117,040</u>	<u>(795,824)</u>
Total income/(loss)		<u>617,427</u>	<u>879,871</u>
Expenses			
Responsible Entity's fees	8	74,041	187,422
Other expenses		<u>24,645</u>	<u>51,167</u>
Total expenses		<u>98,686</u>	<u>238,589</u>
Net profit / (loss) before finance costs		<u>518,741</u>	<u>641,282</u>
Finance costs attributable to unitholders			
Distributions to unitholders	4	(401,701)	(1,437,596)
Change in net assets attributable to unitholders	5	(117,040)	796,314
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>-</u>	<u>-</u>

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

Statement of financial position

	Notes	30 June 2011 \$	30 June 2010 \$
Assets			
Cash and cash equivalents	10(b)	62,404	46,142
Receivables	7	142,690	42,210
Financial assets held at fair value through profit or loss	6	<u>4,736,468</u>	<u>8,384,051</u>
Total assets		<u>4,941,562</u>	<u>8,472,403</u>
Liabilities			
Distributions payable	4	111,466	40,587
Payables		<u>10,660</u>	<u>80,007</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>122,126</u>	<u>120,594</u>
Net assets attributable to unitholders	5	<u>4,819,436</u>	<u>8,351,809</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

	30 June 2011 \$	30 June 2010 \$
Total equity at the beginning of the year	-	-
Profit/(loss) for the year	-	-
Total comprehensive income for the year	-	-
Total recognised Income and expense for the financial year	-	-
Transactions with owners in their capacity as equity holders	-	-
Total equity at the end of the financial year	-	-

Under Australian Accounting Standards, 'Net assets attributable to unitholders' is 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.

Statement of cash flows

	Notes	30 June 2011 \$	30 June 2010 \$
Cash flows from operating activities			
Distributions received		361,587	2,218,814
Interest received		2,597	1,416
Responsible Entity's fees paid		<u>(132,310)</u>	<u>(262,311)</u>
Net cash inflow from operating activities	10(a)	<u>231,874</u>	<u>1,957,919</u>
Cash flows from investing activities			
Proceeds from sale of investments designated at fair value through profit or loss		4,519,461	12,048,773
Payments for purchase of investments designated at fair value through profit or loss		<u>(730,502)</u>	<u>(1,613,957)</u>
Net cash inflow from investing activities		<u>3,788,959</u>	<u>10,434,816</u>
Cash flows from financing activities			
Proceeds from applications by unitholders		647,384	1,320,230
Payments for redemptions by unitholders		<u>(4,329,988)</u>	<u>(11,863,933)</u>
Distributions paid		<u>(321,967)</u>	<u>(1,884,387)</u>
Net cash outflow from financing activities		<u>(4,004,571)</u>	<u>(12,428,090)</u>
Net increase/(decrease) in cash and cash equivalents		16,262	(35,355)
Cash and cash equivalents at the beginning of the year		<u>46,142</u>	<u>81,497</u>
Cash and cash equivalents at the end of the year	10(b)	<u>62,404</u>	<u>46,142</u>

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

1 General information

These financial statements cover Navra Blue Chip Australian Share Wholesale Fund ("the Scheme") as an individual entity. The Scheme was constituted on 14 April 2003. The Scheme will terminate on 14 April 2083 unless terminated earlier in accordance with the provisions of the Scheme's Constitution. The Scheme is domiciled in Australia.

The Responsible Entity of the Scheme is NavraInvest Limited (the "Responsible Entity"). The Responsible Entity's registered office is Suite 203, Level 2, 21 Berry Street, North Sydney, NSW 2060.

The financial statements were authorised for issue by the directors of the Responsible Entity on 29 September 2011. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

The nature of the operating and principal activities of the Scheme are disclosed in the Directors' report.

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

The general purpose financial statements have been prepared in accordance with Australian Accounting Standards, the Scheme's constitution, and the *Corporations Act 2001* in Australia.

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

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 investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled in relation to these balances cannot be reliably determined.

Statement of Compliance

The financial statements of the Scheme have been prepared in accordance with the Australian Accounting Standards as issued by the Australian Accounting Standards Board and the International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) Financial instruments

(i) Classification

The Scheme'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

These include financial assets and liabilities that are not held for trading purposes and which may be sold. These are investments in managed investment schemes.

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 Scheme's documented investment strategy. The Scheme's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

(ii) Recognition/derecognition

The Scheme 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 cashflows from the investments has expired or the Scheme has transferred substantially all risks and rewards of ownership.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement

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

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.

- Fair value in an inactive or unquoted market

Investments in unlisted managed schemes are recorded at the redemption value per unit as reported by the managers of such schemes.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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 and are classified as financial liabilities due to mandatory distributions. The units can be put back to the Scheme at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to put the units back to the Scheme.

(d) Investment income

Interest income and expense are recognised in the statement of comprehensive income for all debt instruments that are not held at fair value through profit or loss using the effective interest method. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Scheme estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Trust distributions are recognised on a present entitlements basis as the Scheme is presently entitled to the distributable income of its investee trusts.

Realised gains or losses are calculated as the difference between proceeds received from the sale of investments during the year (net of transaction costs) and their respective original costs. Unrealised gains or losses include all unrealised gains or losses recognised during the year on investments held at year end, adjusted for the reversal of previously recognised unrealised gains or losses on investments sold.

(e) Expenses

All expenses, including Responsible Entity's fees, are recognised in the statement of comprehensive income on an accruals basis.

2 Summary of significant accounting policies (continued)

(f) Income tax

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

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

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

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

(g) Distributions

In accordance with the Scheme's Constitution, the Scheme distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(h) Change in net assets attributable to unitholders

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

(i) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Scheme by third parties such as investment management fees have been passed onto the Scheme. The Scheme qualifies for Reduced Input Tax Credits (RITC) at a rate of 75% hence management fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown as a liability on the statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities designated at fair value are classified as cash flows from investing activities, as movements in the fair value of these securities represent the Scheme's investment activity.

(k) Unit price

The unit price is based on unit price accounting outlined in the Scheme's Constitution and product disclosure statement; and are calculated as the net assets attributable to unitholders of the Scheme, less estimated costs, divided by the number of units on issue, on a forward pricing basis, as determined by the Responsible Entity.

2 Summary of significant accounting policies (continued)

(l) Terms and conditions on units

Each unit issued confers upon the unitholder 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:

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

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

(m) Receivables

Receivables may include amounts for interest and trust distributions. Trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 2(d) above. Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as RITC and application monies receivable from unitholders.

(n) Payables

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

Trades are recorded on trade date, and normally settled within three business days. Purchases of financial instruments that are unsettled at the end of each reporting period are included in payables.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately in the statement of financial position when unitholders are presently entitled to the distributable income under the Scheme's Constitution.

(o) Applications and redemptions

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

Unit redemption prices are determined by reference to the net assets of the Scheme divided by the number of units on issue.

(p) Use of estimates

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

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

2 Summary of significant accounting policies (continued)

(q) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Scheme) 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 (effective from 1 January 2013)*

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013. The current four categories of financial assets, stipulated in AASB 139 *Financial Instruments: Recognition and Measurement*, will be replaced with two measurement categories: fair value and amortised cost. AASB 9 only permits the recognition of fair value gains/(losses) in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains/(losses) on debt investments, for example, will therefore have to be recognised directly in profit or loss. The Scheme does not expect any significant impact on the Scheme's financial statements arising from an adoption of the Standard.

(ii) *AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets (effective from 1 July 2011)*

In November 2010, the AASB made amendments to AASB 7 *Financial Instruments: 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 particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments will not have any impact on the Scheme's disclosures. The Scheme intends to apply the amendment from 1 July 2011.

(iii) *Amendments to AASB 2010-4 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective from 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 improvements project. The Scheme does not expect that any adjustments will be necessary as the result of applying the revised rules.

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

	30 June 2011 \$	30 June 2010 \$
Net unrealised gains/(losses) on financial instruments designated as at fair value through profit or loss	302,009	(1,096,315)
Net realised (losses)/gains on financial instruments designated at fair value through profit or loss	<u>(184,969)</u>	<u>300,491</u>
Net gains/(losses) on financial assets held at fair value through profit or loss	<u>117,040</u>	<u>(795,824)</u>

4 Distributions to unitholders

The distributions for the year were as follows:

	30 June 2011 \$	30 June 2011 CPU	30 June 2010 \$	30 June 2010 CPU
Distributions paid - September	153,768	1.50	464,658	1.80
Distributions paid - December	70,445	0.75	445,133	2.00
Distributions paid - March	66,022	0.75	487,218	2.50
Distributions payable - June	111,466	1.51	40,587	0.32
Total distributions	401,701		1,437,596	

5 Net assets attributable to unitholders

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

	30 June 2011 No.	30 June 2010 No.	30 June 2011 \$	30 June 2010 \$
Net assets attributable to unitholders				
Opening balance	12,683,540	27,047,795	8,351,809	19,673,454
Applications	937,768	1,736,589	644,401	1,309,578
Redemptions	(6,262,334)	(16,175,182)	(4,302,669)	(11,891,192)
Units issued upon reinvestment of distributions	13,052	74,338	8,855	56,283
Change in net assets attributable to unitholders	-	-	117,040	(796,314)
Closing balance	7,372,026	12,683,540	4,819,436	8,351,809

Included in applications are distributions paid of \$8,855 (13,052 units) (2010: \$56,283 (74,338 units)) reinvested in the Scheme.

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

Capital risk management

The Scheme 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 daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders.

The Scheme considers the level of daily applications and redemptions relative to the liquid assets in the Scheme. Liquid assets include cash and cash equivalents. The ratio of liquid assets to net assets attributable to unitholders at 30 June 2011 and 30 June 2010 were as follows:

	30 June 2011 \$	30 June 2010 \$
Liquid assets of the fund	62,404	46,142
Net assets attributable to unitholders	4,819,436	8,351,809
Ratio of liquid assets to net assets attributable to unitholders	1.29%	0.55%

6 Financial assets held at fair value through profit or loss

	30 June 2011 \$	30 June 2010 \$
Designated at fair value through profit or loss		
Managed investment schemes	<u>4,736,468</u>	<u>8,384,051</u>
Total financial assets held at fair value through profit or loss	<u>4,736,468</u>	<u>8,384,051</u>

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 11.

7 Receivables

	30 June 2011 \$	30 June 2010 \$
Interest receivable	155	136
Distribution receivable	136,184	-
Other	<u>6,351</u>	<u>42,074</u>
Total receivables	<u>142,690</u>	<u>42,210</u>

8 Related party transactions

Responsible Entity

The Responsible Entity of Navra Blue Chip Australian Share Wholesale Fund is NavraInvest Limited (ABN 72 092 743 096).

Key management personnel

(a) Directors

Key management personnel includes persons who were directors of NavraInvest Limited at any time during the financial year as follows:

Bleddyn Gambold
Edgar R Penter
Louis Yu
Stephen Navra
William J Tootill

(b) Other key management personnel

In addition to the disclosure noted above, the Responsible Entity is considered to pass key management personnel with the authority for the strategic direction and management of the Scheme.

Key management personnel loan disclosures

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period (2010:\$Nil).

Other transactions within the Scheme

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

8 Related party transactions (continued)

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Scheme since the end of the previous financial year and there were no material contracts involving director's interests subsisting at year end.

Key management personnel unitholdings

As at 30 June 2011 no key management personnel held units in the Scheme.

Related party unitholdings

The Scheme held investments in the following Schemes which are also managed by NavraInvest Limited or its related parties:

2011

Managed Investment Schemes	Number of units held (Units)	Fair value of investment (\$)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Scheme (\$)
Navra Blue Chip Australian Income Fund	<u>5,080,957</u>	<u>4,736,468</u>	18.95	<u>738,386</u>	<u>4,557,696</u>	<u>497,771</u>
Total	<u>5,080,957</u>	<u>4,736,468</u>		<u>738,386</u>	<u>4,557,696</u>	<u>497,771</u>

2010

Managed Investment Schemes	Number of units held (Units)	Fair value of investment (\$)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Scheme (\$)
Navra Blue Chip Australian Income Fund	<u>8,900,267</u>	<u>8,384,051</u>	18.58	<u>1,488,204</u>	<u>11,493,760</u>	<u>1,674,326</u>
Total	<u>8,900,267</u>	<u>8,384,051</u>		<u>1,488,204</u>	<u>11,493,760</u>	<u>1,674,326</u>

Responsible Entity's fees and other transactions

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

	30 June 2011	30 June 2010
	\$	\$
Fees earned by the Responsible Entity in respect of investments by the Scheme in other schemes managed by the Responsible Entity	<u>74,041</u>	<u>187,422</u>
Fees payable to the Responsible Entity as at reporting date (included in payables)	<u>6,578</u>	<u>45,623</u>

9 Auditor's remuneration

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

	30 June 2011 \$	30 June 2010 \$
HLB Mann Judd		
Audit services	9,560	8,050
Taxation Services	6,282	2,167
Total	<u>15,842</u>	<u>10,217</u>

10 Reconciliation of profit/(loss) attributable to unitholders to net cash flows from operating activities

	30 June 2011 \$	30 June 2010 \$
(a) Reconciliation of net profit/(loss) attributable to unitholders to net cash flows from operating activities		
Net profit attributable to unitholders	518,741	641,282
Net change in income receivables	(100,480)	532,022
Net change in expense payable	(69,347)	(11,209)
Net (losses)/gains on financial instruments held at fair value through profit or loss	(117,040)	795,824
Net cash inflow from operating activities	<u>231,874</u>	<u>1,957,919</u>
(b) Components of cash and cash equivalents		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Cash at bank	62,404	46,142
Total cash and cash equivalents	<u>62,404</u>	<u>46,142</u>
(c) Non-cash financing and investing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	<u>8,855</u>	<u>56,283</u>

11 Financial risk management

The Scheme's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Scheme's financial performance. The Scheme does not use derivative financial instruments to moderate certain risk exposures.

The Scheme's overall risk management programme focuses on ensuring compliance with the Scheme's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Scheme is exposed. Financial risk management is carried out by the investment management department of the Responsible Entity under policies approved by the Board of Directors of the Responsible Entity (the Board).

(a) Overview

The allocation of assets between the various types of financial instruments is determined by the Scheme's asset manager who manages the Scheme's assets to achieve the Scheme's investment objectives.

11 Financial risk management (continued)

(a) Overview (continued)

Divergence from target asset allocations and the composition of the assets is monitored by the Scheme's asset manager on at least a regular basis.

NavraInvest Limited, as Responsible Entity of the Scheme, is aware of the risks associated with the business of investment management. A financial risk management framework has been established within NavraInvest Limited which incorporates a regular assessment process to ensure that procedures and controls adequately manage the risks arising from current business activities. Central controls include (but are not limited to):

- integrated computer systems and processes with checks and balances;
- clear policies and procedures covering operations;
- post-trade investment compliance monitoring by outsourced arrangement;
- segregation of the dealing and investment management function from the administration and settlement function;
- an independent service provider for the valuation of securities;
- a compliance function within NavraInvest Limited with a separate reporting line from the Asset Management team; and
- a half-yearly self-assessment process.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Board of Directors of NavraInvest Limited has overall responsibility for the establishment and oversight of the Scheme's financial risk management framework.

A risk management framework is in operation in NavraInvest Limited. As part of this framework, NavraInvest Limited is subject to regular reporting and committee meetings regarding risk and compliance issues. The purpose is to facilitate a flow of information between the business and the NavraInvest Limited Board and Committees. Any material matters identified are promptly investigated and reported as outlined in the procedures.

The Board of Directors oversees how management monitors compliance with the Scheme's financial risk management policies and procedures. The Board of Directors ensures the continued adequacy of the financial risk management framework.

There are no changes in the strategies used to manage the financial risks from the previous period.

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Scheme's income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Scheme is exposed to market risks influencing investment valuations. The Scheme may utilise derivatives to manage this risk however at 30 June 2011 and 30 June 2010 derivatives were not used.

11 Financial risk management (continued)

(b) Market risk (continued)

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Scheme's financial instruments are non-interest bearing with only cash and cash equivalents being directly subject to interest rate risk.

Sensitivity analysis

An increase of 1% in interest rates applicable at reporting date would have increased profit from operating activities by \$624 (2010: \$461). This analysis assumes that all variables, in particular foreign currency rates, remain constant. A decrease of 1% would have the equal, but opposite effect to the amounts shown above on the basis that all other variables remain constant.

(ii) Price risk

Price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. Investments are classified in the statement of financial position as at fair value through profit or loss. All the Scheme's investments present a risk of loss of capital.

As the majority of the Scheme's investments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect net investment income.

Risk management techniques are used in the selection of investments. Securities/investments (including derivatives) are only purchased that meet investment criteria.

Daily monitoring of trade restrictions and derivative exposure against limits is undertaken with any breach of these limit restrictions reported.

Sensitivity analysis

An increase of 10% at the reporting date of the underlying investments' prices would have increased profit from operating activities by \$473,647 (2010: \$838,405). This analysis assumes that all other variables remain constant. A decrease of 10% would have the equal, but opposite effect to the amounts shown above on the basis that all other variables remain constant.

(c) Credit risk

Credit risk represents the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the Scheme to incur a financial loss.

With respect to credit risk arising from the financial assets of the Scheme, other than derivatives, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed on the statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk is not considered to be significant to the Scheme, as the settlement of all trades are made on a delivery against payment basis and the Scheme does not hold any investments in debt securities or have significant receivables.

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A-1 (as determined by Standard & Poor's rating agency) or higher.

11 Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due.

The Scheme's Product Disclosure Statement provides for daily redemption of units and it is therefore exposed to liquidity risk of meeting unitholders' redemption at any time.

The Scheme's financial instruments include unlisted investments which are not traded in an organised public market and which generally may be illiquid. As a result, the Scheme may not be able to liquidate quickly some of its investments in these instruments at an amount close to their fair value in order to meet its liquidity.

The investment management process includes the consideration of liquidity, both in terms of market quality and cash flow. In asset construction, securities/investments (including derivatives) are only purchased that meet investment criteria and this includes the assessment of saleability in different market conditions. Before entering into a transaction, consideration is given to (among others):

- whether the purpose of the investment is consistent with the investment strategy of the Scheme;
- the ease of selling the security should market conditions change unfavourably;
- whether there are sufficient assets to cover the underlying liabilities of that transaction, and;
- the overall liquidity level for the Scheme.

The following table represents the contractual maturities of financial liabilities, including interest payments where applicable:

	Carrying amount	Contractual cash flow	At call	6 months or less
	\$	\$	\$	\$
30 June 2011				
Non-derivative financial liabilities				
Distributions payable to unitholders of the Scheme	111,466	111,466	-	111,466
Payables	10,660	10,660	-	10,660
Net assets attributable to unitholders	<u>4,819,436</u>	<u>4,819,436</u>	<u>4,819,436</u>	<u>-</u>
Total	<u>4,941,562</u>	<u>4,941,562</u>	<u>4,819,436</u>	<u>122,126</u>
30 June 2010				
Non-derivative financial liabilities				
Distributions payable to unitholders of the Scheme	40,587	40,587	-	40,587
Payables	80,007	80,007	-	80,007
Net assets attributable to unitholders	<u>8,351,499</u>	<u>8,351,499</u>	<u>8,351,499</u>	<u>-</u>
Total	<u>8,472,093</u>	<u>8,472,093</u>	<u>8,351,499</u>	<u>120,594</u>

Financial instruments at fair value through profit or loss where there are no contractual cash flows are disclosed based on the financial instruments' fair value at 30 June and their expected maturity at this date. In management's view the contractual and expected maturities are the same.

11 Financial risk management (continued)

(e) Fair value estimation

All financial assets and financial liabilities included in the statement of financial position are carried at fair value.

The carrying amounts of the Scheme's assets and liabilities at the end of each 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.

(f) Fair value hierarchy

The Scheme 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 Responsible Entity. The Responsible Entity considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2011 and 30 June 2010.

As at 30 June 2011	Level 2 \$	Total \$
Financial assets		
Financial assets designated at fair value through profit or loss at inception:		
Managed investment scheme	<u>4,736,468</u>	<u>4,736,468</u>
Total	<u>4,736,468</u>	<u>4,736,468</u>
As at 30 June 2010	Level 2 \$	Total \$
Financial assets		
Financial assets designated at fair value through profit or loss at inception:		
Managed investment scheme	<u>8,384,051</u>	<u>8,384,051</u>
Total	<u>8,384,051</u>	<u>8,384,051</u>

Directors' declaration

In the opinion of the directors of NavraInvest Limited, the Responsible Entity of the Navra Blue Chip Australian Share Wholesale Fund:

- (a) the financial statements and notes set out on pages 5 to 22 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, (including the Australian Accounting interpretations), and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Scheme'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 Scheme will be able to pay its debts as and when they become due and payable; and
- (c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a).

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



Stephen Navra
Managing Director

Sydney
29 September 2011

**NAVRA BLUE CHIP AUSTRALIAN SHARE WHOLESALE FUND
ARSN 104 384 894**

INDEPENDENT AUDITOR'S REPORT

To the unitholders of Navra Blue Chip Australian Share Wholesale Fund

We have audited the accompanying financial report of Navra Blue Chip Australian Share Wholesale Fund ("the Scheme"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Navra Blue Chip Australian Share Wholesale Fund.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity, NavraInvest Limited, 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 report of Navra Blue Chip Australian Share Wholesale Fund complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

**NAVRA BLUE CHIP AUSTRALIAN SHARE WHOLESALE FUND
ARSN 104 384 894**

INDEPENDENT AUDITOR'S REPORT (continued)

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Navra Blue Chip Australian Share Wholesale Fund for the financial year ended 30 June 2011 included on NavraInvest Limited's website. The company's directors are responsible for the integrity of the NavraInvest Limited website. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Responsible Entity, NavraInvest Limited on 29 September 2011, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

- (a) the financial report of Navra Blue Chip Australian Share Wholesale Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Scheme'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 and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).



**HLB MANN JUDD
Chartered Accountants**



**Mark D Muller
Partner**

**Sydney
30 September 2011**