

Global Masters Fund

ABN 84 109 047 618

Annual report for the financial year ended 30 June 2014

Index to the Financial Statements

	Page
Directors' Report	1
Independent Auditor's Report	4
Directors' Declaration	6
Statement of Comprehensive Income for the year ended 30 June 2014	7
Statement of Financial Position as at 30 June 2014	8
Statement of Changes in Net Assets Attributable to Unitholders for the year ended 30 June 2014	9
Statement of Cash Flows for the year ended 30 June 2014	10
 Notes to the Financial Statements	
1. General Information	11
2. Adoption of New and Revised Accounting Standards	11
3. Significant Accounting Policies	12
4. Investment in Financial Instruments	15
5. Other Expenses	17
6. Earnings per Unit	17
7. Net Assets Attributable to Unitholders	18
8. Capital Management	18
9. Segment information	18
10. Financial Assets Designated at Fair Value through Profit or Loss	18
11. Payables	19
12. Related Party Transactions	19
13. Cash and Cash Equivalents	20
14. Financial Risk Management Objectives and Policies	21
15. Auditor's Remuneration	23
16. Commitments and Contingencies	23
17. Subsequent Events	24

Directors' Report

The directors of EFG Capital Management Limited (ABN 35 624 903 081) ("EFGCML" or the "Trustee"), the trustee of Global Masters Fund ("GMF" or the "Fund"), submit herewith the annual report of the Fund for the financial year ended 30 June 2014.

Information about the Directors and Senior Management

The names of the directors of the Trustee in office during or since the end of the financial year are:

Name	Residency
Frank Tearle	Australia
Justin Epstein	Australia
Timothy Munro-Keene	New Zealand
Bin Lu	New Zealand

The directors are not remunerated by the Fund or the Trustee.

Principal Activities

The Fund is an Australian unit trust, listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") as a non-trading trust.

The investment manager of the Fund during the year was One Investment Management Pty Ltd ("OIMPL" or the "Manager"), a company incorporated in Australia and a wholly owned subsidiary of One Investment Group Pty Ltd ("OIG").

On 31 May 2012, EFGCML in its capacity as the trustee of the Fund, entered into a sub-participation agreement ("SPA") with One Managed Investment Funds Limited in its capacity as the trustee of the Everest Absolute Return Fund ("EARF"). In consideration of EFGCML contributing the Fund assets to, and agreeing to assume the risks in connection with the Fund assets under EARF's BNP option, One Managed Investment Funds Limited has agreed to pay EFGCML all proceeds it receives in respect of the Fund assets under EARF's BNP option in accordance with the terms of the SPA.

The Fund is exposed to the same investments (i.e. exposure to a notional portfolio of some of the leading international absolute return funds through call options) as it was prior to 31 May 2012; the only difference is that it has entered into the SPA.

The Fund did not have any employees during the year.

Review of Operations

Results

The results of the operations of the Fund are disclosed in the Statement of Comprehensive Income of these financial statements. The net loss attributable to unitholders for the year ended 30 June 2014 was US\$235,000 (2013 loss: \$153,000).

Distributions

No distributions were made during or since the end of financial year ended 30 June 2014 (2013: US\$ nil).

Directors' Report (continued)

Returns of capital

In light of the Fund's inability to liquidate sufficient assets to meet redemption requests, the Trustee determined that it would be in the best interests of all unitholders to refuse redemption requests from 31 March 2009 and suspend redemption requests until further notice. As at the date of this report, investor redemptions in the Fund continue to be suspended until further notice.

The Trustee has sought to create liquidity by lodging redemption requests with the underlying investment managers. However, due to several underlying investment managers restricting and/or delaying the payment of redemption proceeds, the Fund's receipt of these monies has been delayed. As a result, the Trustee expects there will be further delays in the payment of the balance of redemption proceeds from the underlying funds.

Following the repayment of the Leverage Facility during 2010, the Fund commenced the process of returning capital to unitholders, as permitted by liquidity.

Total returns of capital made during the year were US\$1,120,903 (US\$0.064 per unit) (2013: US\$438,000; US\$0.025 per unit).

To date the Fund has returned US\$0.418 per unit (US\$7,320,903) since May 2009.

Units on Issue

The following units of the Fund were on issue at year end:

	30 June 2014	30 June 2013
	Units on issue	Units on issue
Class A	17,514,105	17,514,105

Fund Assets

The total value of the Fund's assets at 30 June 2014 is US\$894,000 (2013: US\$2,266,000). The basis for valuation of the assets is disclosed in note 3 to the financial statements.

Fees Paid and Payable to the Trustee and Associates

The following fees were paid or payable to the Trustee and its associates out of the Fund's property during the period ended 30 June 2014:

- Management fees for the year ended 30 June 2014 were US\$14,000 (2013: US\$36,000) of which \$4,000 (2013: US\$8,000) was payable at year end.
- No performance fees were paid or payable for the year ended 30 June 2014 (2013: \$ nil).

Directors' Report (continued)

Changes in State of Affairs

During the financial year there were no other significant changes in the state of affairs of the Fund.

Subsequent Events

Other than the above there has not been any other matter or circumstances occurring subsequent to the end of the year that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

Future Developments

At this time, the directors are not aware of any developments likely to have a significant effect upon the operations or results of the Fund in the subsequent financial years which have not been dealt with in this report or in the financial report.

Indemnification of Directors, Officers and Auditors

During the financial year, the Trustee paid a premium in respect of a contract insuring the directors of EFG Capital Management Limited against a liability incurred as a director or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Trustee has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Trustee or of any related body corporate against a liability as such an officer or auditor.

On behalf of the directors of the Trustee, EFG Capital Management Limited.



Frank Tearle

Director

3 December 2014

Independent Auditor's Report to the Unitholders of Global Masters Fund

We have audited the accompanying financial report of Global Masters Fund, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of cash flows and the statement of changes in net assets attributable to unitholders for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration as set out on pages 6 to 24.

The Trustee's Responsibility for the Financial Report

The Trustee is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards as they apply a non-going concern basis as disclosed in Note 3(c) of the Financial Report and the Trust Deed, and for such internal control as the Trustee determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 3, the Trustee also states, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 Trustee, as well as evaluating the overall presentation of the financial report.

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



Opinion

In our opinion:

- (a) the financial report of the Global Masters Fund presents fairly, in all material respects, the fund's financial position as at 30 June 2014 and its financial performance for the year then ended in accordance with Australian Accounting Standards and the Trust Deed; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Significant Uncertainty in Relation to the Fair Value of Investments

Without qualifying our opinion, we draw attention to the following matter. As disclosed in Note 10 to the financial report, the assets of the fund include an Investment Portfolio held through a sub-participation agreement. These assets which total US\$514,000 for the fund as at 30 June 2014 are recorded at net realisable value. As disclosed in Note 3(c) there is significant uncertainty regarding the net realisable value of the assets, which in turn gives rise to significant uncertainty as to whether the fund will be able to realise its assets at the amount stated in the financial report.

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink that appears to read "Declan O'Callaghan".

Declan O'Callaghan
Partner
Chartered Accountants
Sydney, 4 December 2014

Directors' Declaration

The directors of the Trustee declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements are in compliance with Australian Accounting Standards, as they apply to a fund that is no longer a going concern (including the Australian Accounting Interpretations); and
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with International Financial Reporting Standards ("IFRS") as disclosed in note 3, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund.

Signed in accordance with a resolution of the directors of the Trustee.

On behalf of the directors of the Trustee, EFG Capital Management Limited.



Frank Tearle

Director

3 December 2014

Statement of Comprehensive Income for the year ended 30 June 2014

	Note	Year ended 30 June 2014 US\$'000	Year ended 30 June 2013 US\$'000
Income			
Change in value of financial assets designated at fair value through profit or loss	4	(100)	33
Total (loss)/income		(100)	33
Expenses			
Trustee fees	12(a)	14	36
Other expenses	5	121	150
Total expenses		135	186
Net loss attributable to unitholders before finance costs		(235)	(153)
Finance costs attributable to unitholders			
Distributions to unitholders		-	-
Decrease/(increase) in net assets attributable to unitholders		235	153
Net loss for the year		-	-
Other comprehensive income		-	-
Total comprehensive loss		-	-
		2014	2013
		Cents	Cents
Basic and diluted earnings per unit	6	(1.34)	(0.87)

The accompanying notes to the financial statements should be read in conjunction with this statement.

Statement of Financial Position as at 30 June 2014

	Note	30 June 2014 US\$'000	30 June 2013 US\$'000
Assets			
Cash and cash equivalents	13 (a)	372	1,449
Other assets		8	8
Financial assets at fair value through profit or loss	10	514	809
Total assets		894	2,266
Liabilities			
Payables	11	55	71
Total liabilities (excluding net assets attributable to unitholders)		55	71
Net assets attributable to unitholders		839	2,195

The accompanying notes to the financial statements should be read in conjunction with this statement.

Statement of Changes in Net Assets Attributable to Unitholders for the year ended 30 June 2014

	Note	Net assets attributable to unitholders of the Fund US\$'000
Balance as at 1 July 2013		2,195
Returns of capital		(1,121)
Total comprehensive loss		(235)
Balance as at 30 June 2014	5	839
Balance as at 1 July 2012		2,786
Returns of capital		(438)
Total comprehensive loss		(153)
Balance as at 30 June 2013	5	2,195

The accompanying notes to the financial statements should be read in conjunction with this statement.

Statement of Cash Flows for the year ended 30 June 2014

		Year ended 30 June 2014 US\$'000	Year ended 30 June 2013 US\$'000
	Note		
Cash flows from operating activities			
Management, administration and audit fees paid		(60)	(90)
Other payments		(23)	(74)
Net cash used in operating activities	13 (b)	(83)	(164)
Cash flows from investing activities			
Proceeds from sale of financial assets designated at fair value through profit or loss		127	1,559
Net cash provided by investing activities		127	1,559
Cash flows from financing activities			
Returns of capital		(1,121)	(438)
Net cash used in financing activities		(1,121)	(438)
Net (decrease)/increase in cash and cash equivalents		(1,077)	957
Cash and cash equivalents at the beginning of the year		1,449	492
Cash and cash equivalents at the end of the year	13 (a)	372	1,449

The accompanying notes to the financial statements should be read in conjunction with this statement.

Notes to the Financial Statements

1. General Information

Global Masters Fund ("GMF" or the "Fund") is an Australian unit trust, having its units listed on the SGX-ST as a non-trading trust. The Fund was constituted on 16 April 2007 and commenced operations on 2 July 2007.

The trustee of the Fund is EFG Capital Management Limited (the "Trustee"). The Trustee is a joint venture company owned by One Investment Group Pty Ltd ("OIG") and AFG Capital Management Limited (a company registered in Hong Kong).

The manager of the fund is One Investment Management Pty Ltd (the "Manager"), a company incorporated in Australia and a wholly owned subsidiary of OIG.

The principal activity of the Fund is to provide exposure to a notional portfolio of some of the leading international absolute return funds.

In light of the Fund's inability to liquidate sufficient assets to meet redemption requests, the Trustee determined that it would be in the best interests of all unitholders to refuse redemption requests from 31 March 2009 and suspend redemption requests until further notice. As at the date of this report, investor redemptions in the Fund continue to be suspended until further notice.

The Trustee has sought to create liquidity by lodging redemption requests with the underlying investment managers. However, due to several underlying investment managers restricting and/or delaying the payment of redemption proceeds, the Fund's receipt of these monies has been delayed. As a result, the Trustee expects there will be further delays in the payment of the balance of redemption proceeds from the underlying funds.

The financial statements were authorised for issue by the directors on 3 December 2014.

2. Adoption of New and Revised Accounting Standards

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015

Notes to the Financial Statements

3. Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements.

a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, as they apply to a fund which is no longer a going concern, other authoritative pronouncements and interpretations of the Australian Accounting Standards Board and the Fund's Trust Deed.

Compliance with Australian Accounting Standards, as issued by the Australian Accounting Standards Board ("AASB") ensures that the financial statements and notes thereto comply with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

b) Basis of preparation

This general purpose financial report has been prepared using historical cost convention, except for the revaluation of investments in financial assets and liabilities, which have been measured at fair value.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and net assets attributable to unitholders. The amounts expected to be received or settled in relation to these balances cannot be readily determined.

All amounts are presented in United States dollars ("US Dollars") as the functional and presentational currency of the Fund.

c) Non-going concern basis

As a result of the decision to undertake an orderly realisation of assets, this financial report has not been prepared on a going concern basis, but instead on a liquidation basis. As the only significant assets of the Fund are its cash balances and investments in the SPA, the net realisable value of the Fund's assets is equivalent to their fair value. Due to the inherent uncertainty of valuation, the value of the investments held by the Fund may differ significantly from the values that would have been used, had a ready market for the investments existed, and these differences could be material to the value of the Fund.

d) Revenue and income recognition

Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured.

Distributions

Distributions from investments are recognised when the right to receive the payment is established.

Interest income

Interest income is recognised as the interest accrues (using the effective interest rate method, which is the rate that exactly discounts future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and cash balances held with brokers.

Notes to the Financial Statements

3. Significant Accounting Policies (continued)

f) Investments in financial instruments

Investments in financial instruments, as defined by AASB 132 'Financial Instruments: Presentation', are categorised in accordance with AASB 139 'Financial Instruments: Recognition and Measurement'. This classification is determined by the purpose underpinning the acquisition of the investment. The classification of each financial instrument is re-evaluated at each financial year end.

Designated at fair value through profit or loss

Investments of the Fund that have been designated at fair value through profit or loss include securities that are held for trading but for which there is no positive intention to hold to maturity. All investments are initially recognised at fair value of the consideration paid excluding transaction costs. After initial recognition, the financial assets that are designated at fair value through profit or loss are revalued to fair value at each reporting date.

The Fund carries its investments in the sub-participation agreement ("SPA") at fair value based on financial data supplied by the managers of the underlying funds. Changes in the fair value of the investments are included in the Statement of Comprehensive Income as unrealised appreciation or depreciation on investments. Due to the inherent uncertainty of valuation, the value of the investments held by the Fund may differ significantly from the values that would have been used, had a ready market for the investments existed, and these differences could be material to the value of the Fund.

The investments held by the Fund have been designated at fair value through profit or loss as doing so results in more relevant information. These investments are part of a full group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund.

Held for Trading

The Fund may enter into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk. These include forward foreign exchange contracts.

Derivatives are categorised as held for trading and are initially recognised at fair value on the date a derivative contract is entered into. The derivatives are subsequently revalued to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. In this instance, the timing of the recognition of profit or loss depends on the nature of the hedge relationship. As at 30 June 2014 (2013: \$ nil), the Fund did not hold derivative contracts for hedging purposes.

g) Taxation

Under the current legislation, the Fund is not subject to income tax provided that the unitholders are presently entitled to the income of the Fund and that the Fund entirely distributes its taxable income.

There is no income of the Fund to which the unitholders are not currently entitled and additionally, the Fund's Trust Deed requires the distribution of the full amount of the net taxable income of the Fund to the unitholders each year. As a result, deferred taxes have not been recognised in the financial statements in relation to the differences between carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that the taxable gains are realised by the Fund, these gains would be included in the taxable income that is assessable in the hands of the unitholders.

h) Distributions

In accordance with the Fund's Trust Deed, the Fund distributes all distributable income to unitholders.

Distributable income includes capital gains arising from the disposal of investments and foreign exchange gains. Unrealised gains or losses on investments that are recognised in the Statement of Comprehensive Income are not distributed until realised. Capital losses are not distributed to unitholders and are retained to be offset against future realised capital gains.

Notes to the Financial Statements

3. Significant Accounting Policies (continued)

i) Foreign currency transactions

The functional and presentation currency for the Fund is US Dollars. Transactions in foreign currencies are brought to account at the prevailing exchange rates at the date of the transaction. Foreign currency monetary items are translated at the exchange rate existing on reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The differences arising from these foreign currency translations are recognised in the Statement of Comprehensive Income in the year in which they arise.

j) Payables

Trade and other payables are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

k) Rounding

The amounts contained in the financial report have been rounded to the nearest US\$1,000, except if stated otherwise.

l) 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. The application and redemptions prices are determined as the net asset value of the Fund adjusted for the estimated transaction costs, divided by the number of units on issue on the date of the application or redemption.

In light of the Fund's inability to liquidate sufficient assets to meet redemption requests, the Trustee determined that it would be in the best interests of all unitholders to refuse redemption requests from 31 March 2009 and suspend redemption requests until further notice. As at the date of this report, investor redemptions in the Fund continue to be suspended until further notice.

The Trustee has sought to create liquidity by lodging redemption requests with the underlying investment managers. However, due to several underlying investment managers restricting and/or delaying the payment of redemption proceeds, the Fund's receipt of these monies has been delayed. As a result, the Trustee expects there will be further delays in the payment of the balance of redemption proceeds from the underlying funds.

Following the repayment of the Leverage Facility during 2010, the Fund has begun the process of returning capital to unitholders as permitted by available liquidity.

m) Critical accounting judgements and key sources of estimation uncertainty

Management has adhered to the Fund's Unit pricing policy which sets out the basis upon which the units of the Fund have been valued, a copy of which is available upon request.

In the application of the accounting policies, management are required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The assumptions and methods used in the determination of the value of investments are outlined in notes 3c) and 3f) of these financial statements.

Notes to the Financial Statements

3. Significant Accounting Policies (continued)

n) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the amount of GST is not recoverable from the taxation authority, it is recognised as part of acquisition of an asset or part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to the tax authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flow.

4. Investment in Financial Instruments

	30 June 2014 US\$'000	30 June 2013 US\$'000
Financial assets held at fair value through profit or loss		
Over-the-counter option	514	809
	514	809

Financial instruments carried at fair value are categorised under a three level hierarchy. Financial instruments are categorised based on the observable market inputs when estimating their fair value. If different levels of inputs are used to measure a financial instrument's fair value, the instrument's classification within the hierarchy is based on the lowest level of input that was significant to the fair value measurement.

Level 1:

Financial instruments are valued by reference to quoted prices in an active market(s) for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2:

Financial instruments are valued using inputs other than quoted prices covered in Level 1. These other inputs include quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The inputs included in this level encompass quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities. Financial instruments that are valued using other inputs that are not quoted prices but are observable for the assets or liabilities also fall into this categorisation.

Level 3:

Financial instruments that have been valued, in whole or in part, by using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

Unobservable valuation inputs are determined based on the best information available, which might include the entity's own data, reflecting its assumptions as well as best practices carried out or undertaken by other market participants. These valuation techniques are used to the extent that observable inputs are not available.

Notes to the Financial Statements

4. Investments in Financial Instruments (continued)

The following table shows an analysis of financial instruments held at 30 June 2014, recorded at fair value and presented by level of the fair value hierarchy:

	Year ended 30 June 2014			Total US\$'000
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	
Financial assets				
Over-the-counter option	-	-	514	525
Total financial assets designated at fair value through profit or loss	-	-	514	525

	Year ended 30 June 2013			Total US\$'000
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	
Financial assets				
Over-the-counter option	-	-	809	809
Total financial assets designated at fair value through profit or loss	-	-	809	809

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year. The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Valuation techniques used to derive level 1, level 2 and level 3 fair values

Level 1

The fair value of financial instruments that are traded in an active market (for example, listed equities) is determined using the last traded quoted price in an active market. As at 30 June 2014 the Fund had \$ nil (2013: \$ nil) financial assets held at fair value through profit or loss included in level 1.

Level 2

The fair value of financial instruments that are not traded in an active market (for example, unlisted investments) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at 30 June 2014 the Trust had \$ nil (2013: \$ nil) financial instruments in level 2.

Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at 30 June 2014 the Fund had \$514,000 (2013: \$809,000) financial assets held at fair value through profit or loss included in level 3. The instrument is valued by using the latest available statement received from the custodian.

Notes to the Financial Statements

4. Investments in Financial Instruments (continued)

Reconciliation level 3 fair values

Financial assets measured on a recurring basis using significant unobservable inputs (Level 3) are shown below:

	Year ended 30 June 2014 US\$'000	Year ended 30 June 2013 US\$'000
Opening balance	809	2,335
Change in value of financial assets designated at fair value through profit or loss	(100)	33
Net sales	(195)	(1,559)
Closing balance	514	809

5. Other Expenses

	Year ended 30 June 2014	Year ended 30 June 2013
Administrative and custody services	60,000	83,000
Audit fees	12,826	11,817
Other operating expenses	48,093	54,713
Total other expenses	120,919	149,530
Total other expenses (US\$'000)	121	150

6. Earnings per Unit

Basic and diluted earnings per unit are profit/(loss) attributable to unitholders in the Fund divided by the weighted number of units on issue.

	Year ended 30 June 2014	Year ended 30 June 2013
Net (loss)/gain attributable to unitholders (US\$'000)	(235)	(153)
Basic and diluted earnings per unit (cents)	(1.34)	(0.87)
Weighted average number of units used as denominator ('000 units)	17,514	17,514

Notes to the Financial Statements

7. Net Assets Attributable to Unitholders

The following table shows the changes in net assets attributable to unitholders for the year ended 30 June 2014 and 30 June 2013 respectively:

Year ended 30 June 2014

	No. of Units '000	US\$'000
Opening balance as at 1 July 2013	17,514	2,195
Returns of capital	-	(1,121)
Total comprehensive income	-	(235)
Closing balance as at 30 June 2014	17,514	839

Year ended 30 June 2013

	No. of Units '000	US\$'000
Opening balance as at 1 July 2012	17,514	2,786
Returns of capital	-	(438)
Total comprehensive income	-	(153)
Closing balance as at 30 June 2013	17,514	2,195

8. Capital Management

The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue, repurchase or resale of redeemable units. The Fund's objectives for managing capital are:

- to maintain sufficient liquidity to meet the expenses of the Fund; and
- to maintain sufficient size to make the operation of the Fund cost-efficient.

In light of the Fund's inability to liquidate sufficient assets to meet redemption requests, the Trustee determined that it would be in the best interests of all unitholders to suspend redemption requests from 31 March 2009 until further notice. As at the date of this report, unitholder redemptions in the Fund continue to be suspended, until further notice.

9. Segment information

The Fund operated in one business segment, being investment management. The Fund operated from one geographic location, being Australia, from where its investing activities are managed. All assets of the Fund are held in the US geographic region.

10. Financial Assets Designated at Fair Value through Profit or Loss

	Year ended 30 June 2014 US\$'000	Year ended 30 June 2013 US\$'000
Investment in SPA - EARF	514	809
Financial assets designated at fair value through profit or loss	514	809

Notes to the Financial Statements

11. Payables

	Year ended 30 June 2014 US\$	Year ended 30 June 2013 US\$
Trustee fees	3,723	8,255
Administrative and custody fees	18,483	33,483
Audit fees	12,826	2,213
Other	19,694	27,086
Total payables	54,726	71,037
Total payables (US\$'000)	55	71

12. Related Party Transactions

(a) Trustee fees

The trustee of the Fund is EFG Capital Management Limited ("EFGCML" or the "Trustee"). The Trustee entered into an agreement under which One Investment Management Pty Limited (the "Manager") will provide administrative and management services to the Fund.

In accordance with the Trust Deed, the Trustee received a total fee of 1.5% (exclusive of GST), per annum on the Fund's total asset value.

All related party transactions are conducted on an arm's length basis in the ordinary course of business. The transactions during the year ended and amounts payable at year end between the Fund and the Trustee were as follows:

	Year ended 30 June 2014 US\$	Year ended 30 June 2013 US\$
Trustee fees paid by the Fund to the Trustee	14,350	35,572
Trustee fees payable by the Fund to the Trustee	3,723	8,255

(b) Key management personnel

The key management personnel of the Trustee are:

Name	Residency
Frank Tearle	Australia
Justin Epstein	Australia
Timothy Munro-Keene	New Zealand
Bin Lu	New Zealand

No amounts were paid by the Fund directly to the directors of EFGCML.

Key management personnel of the Trustee did not hold any units in the Fund as at 30 June 2014 (2013: nil).

Notes to the Financial Statements

There were no distributions paid or payable to either the key management personnel of the trustee for the year ended 30 June 2014 (2013: nil).

12. Related Party Transactions (continued)

(c) Other fees paid to related parties

During the course of the financial year ended 30 June 2014, an entity which shares a common director with the Trustee, Unity Fund Services Pty Limited ("UFS") and its wholly owned subsidiary, Unity Taxation Services Pty Limited ("UTS"), provided administration and taxation services to the Fund. The amounts of fees and the amounts payable at year end are:

	Year ended 30 June 2014 US\$	Year ended 30 June 2013 US\$
Expenses incurred by the Fund in relation to:		
- Administration services to UFS	30,000	38,000
- Preparation of statutory accounts by UFS	4,125	4,125
- Taxation services to UTS	11,356	4,519
Total Expenses	45,481	46,644
Total Expenses (US\$'000)	45	47
Amounts due and payable in relation to:		
- Administration services to UFS	3,483	3,483
- Preparation of statutory accounts by UFS	4,125	4,125
- Taxation services to UTS	11,934	10,521
Total Payables	19,542	18,129
Total Payables (US\$'000)	20	18

13. Cash and Cash Equivalents

- (a) Cash and cash equivalents include cash on hand and in banks net of outstanding bank and broker overdrafts and cash balances held with brokers. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Year ended 30 June 2014 US\$'000	Year ended 30 June 2013 US\$'000
Cash and cash equivalents	372	1,449
	372	1,449

Notes to the Financial Statements

13. Cash and Cash Equivalents (continued)

(b) Reconciliation of total comprehensive income for the period to net cash flows used in operating activities:

	Year ended 30 June 2014 US\$'000	Year ended 30 June 2013 US\$'000
Total comprehensive loss	(235)	(153)
Change in fair value of financial assets held at fair value through profit or loss	100	(33)
Portfolio related expenses	68	-
Change in assets and liabilities:		
Decrease/(Increase) in other assets	-	(3)
(Decrease)/increase in trade and other payables	(16)	25
Net cash used in operating activities	(83)	(164)

14. Financial Risk Management Objectives and Policies

The Manager continues to manage the disposal of the underlying portfolio investments in an orderly fashion. Redemption notices for all underlying investments were submitted in prior years. Until such time as those underlying investments are realised, the purpose of the Fund is to meet its investment objective of generating strong, risk-adjusted, absolute investment returns over the medium to long term and in all market conditions, through exposure to a portfolio of international absolute return funds ("Investment Portfolio").

On 31 May 2012, EFGCML in its capacity as the trustee of the Fund, entered into a sub-participation agreement ("SPA") with One Managed Investment Funds Limited in its capacity as the trustee of the Everest Absolute Return Fund ("EARF"). In consideration of EFGCML contributing the Fund assets to, and agreeing to assume the risks in connection with the Fund assets under the Investment Portfolio, One Managed Investment Funds Limited has agreed to pay EFGCML all proceeds it receives in respect of the Fund assets under the Investment Portfolio, as defined in the SPA.

The Manager is responsible for the ongoing monitoring of the Investment Portfolio and ensuring that it complies with agreed guidelines, as set out in the "Resettable strike equity option transaction linked to a basket" agreement dated 29 June 2007.

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement and monitoring.

Financial instruments of the Fund comprise investment in financial assets for the purpose of generating a return on the investment made by unitholders, in addition to derivatives, cash and cash equivalents, net assets attributable to unitholders, and other financial assets such as trade debtors and creditors, which arise directly from its operations.

The Trustee is responsible for identifying and controlling the risks that arise from these financial instruments.

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

Notes to the Financial Statements

14. Financial Risk Management Objectives and Policies (continued)

(a) Credit risk

Credit risk is the risk that counterparty will fail to perform contractual obligations, either in whole or in part, under a contract and cause the Fund to incur a financial loss.

In relation to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. This risk may be minimised by:

- ensuring counterparties, together with the respective credit limits are approved;
- ensuring that the transactions are undertaken with a variety of counterparties; and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

The financial instruments of the Fund are not transacted on recognised exchanges and in fact are transacted with a single counterparty. The Fund therefore has concentration of credit risk to the counterparty.

The Fund has credit exposure to the amount of the intrinsic value of the SPA note of US\$514,000 being the Investment Portfolio (2013: US\$809,000). The SPA is backed by the Fund assets held in the EARF BNP Option. The counterparty to the BNP Option agreement has a Standard & Poor's long term credit rating of A+ (2013: A+).

(b) Liquidity and cash flow risk

Liquidity risk is the risk that the Fund will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments and/or redemptions. Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate.

As at 30 June 2014, the Fund's exposure is concentrated with the following counterparties:

- BNP Paribas via Everest Absolute Return Fund;
- Everest Absolute Return Fund; and
- J.P. Morgan is the banker of the Fund.

Net assets attributable to unitholders are classified as debt and are ordinarily included in a maturity grouping based on the fact that they may become payable when a unitholder submits their redemption request in accordance with the Fund's Trust Deed.

However, in light of the Fund's inability to liquidate sufficient assets to meet redemption requests, the Trustee determined that it would be in the best interests of all unitholders to refuse redemption requests for 31 March 2009 and suspend redemption requests until further notice. As at the date of this report, investor redemptions in the Fund continue to be suspended until further notice.

The Trustee has sought to create liquidity by lodging redemption requests with the underlying investment managers. However, due to several underlying investment managers restricting and/or delaying the payment of redemption proceeds, the Fund's receipt of these monies has been delayed. As a result, the Trustee expects there will be further delays in the payment of the balance of redemption proceeds from the underlying funds.

Following the repayment of the Leverage Facility during 2010, the Fund has begun the process of returning capital to unitholders as permitted by available liquidity.

Due to the uncertainty of the timing of the redemptions from the underlying funds as well as the suspension of redemptions by the Trustee, it is not possible to determine the timing in which net assets attributable to unitholders will be paid to unitholders. As such, no maturity analysis is being conducted on the net assets attributable to unitholders. As at 30 June 2014, net assets attributable to unitholders amounted to US\$839,000 (2013: US\$2,195,000). All other payables of the Fund are due within 3 months.

Notes to the Financial Statements

14. Financial Risk Management Objectives and Policies (continued)

(c) Market risk

Market price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in fair value. Investment markets can be affected by factors such as investor sentiment, interest rates, government actions, economic growth, inflation, industrial disruption and world events, and these are beyond the Manager's control. Market risk is minimised by ensuring that all investment activities are undertaken in accordance with agreed investment and leverage guidelines, and meet the Manager's selection, analysis and due diligence criteria.

(d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund has not had any significant exposure to interest rate risk during the financial year ended 30 June 2014.

All financial assets and financial liabilities included in the Statement of Financial Position are carried at fair value.

The carrying amounts of all the Fund's financial assets and financial liabilities at the Statement of Financial Position date approximated their fair values as all financial assets and liabilities not fair valued are short-term in nature.

(e) Price risk

Price risk is the risk that the fair value of investments decreases as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. The Fund is not directly correlated with any particular stock market indices. Price risk exposure arises from the Fund's holding in the SPA for 2014 and 2013 and the exposure to underlying investment funds under the SPA for 2014. The sensitivity analysis below is undertaken to reflect the fact that the Trustee does not benchmark the performance of the Fund against any stock indices.

As at 30 June 2014, a positive 10% sensitivity would have had an impact in the Fund's Statement of Comprehensive Income in the amount of US\$51,000 (2013: US\$81,000). A negative sensitivity would have equal but opposite impact.

(f) Foreign exchange risk

Foreign exchange risk is the risk that the fair value of investments decreases as a result of changes in the foreign currency exchange rates. The Fund is not exposed to significant foreign exchange risk as its presentation as well as operational currency is in US dollars.

15. Auditor's Remuneration

	Year ended 30 June 2014 US\$'000	Year ended 30 June 2013 US\$'000
Audit of the financial report	13	12

The auditor of the Fund is Deloitte Touche Tohmatsu.

16. Commitments and Contingencies

There are no commitments or contingencies at 30 June 2014 (2013: US\$ nil).

Notes to the Financial Statements

17. Subsequent Events

Other than the above there has not been any other matter or circumstances occurring subsequent to the end of the year that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.