

## **Independent audit report by the auditor to the Board of Directors of Navigator Australia Limited on internal controls and other relevant accounting procedures as they relate to the specified annual investor statements for the year ended 30 June 2012**

We have audited the internal controls and other relevant accounting procedures of Navigator Australia Limited ("the Operator"), including any other relevant person acting on behalf of the Operator, relating to the preparation of annual investor statements given to the clients of Navigator Australia Limited ("the clients") for the year ended 30 June 2012. These internal controls and accounting procedures are hereafter referred to as "the internal controls".

### **Director's and Management's Responsibility**

The directors and management of the Operator are responsible for maintaining an effective internal control structure including the internal controls in relation to the preparation of annual investor statements of the clients, which comprise for each client a statement of the quantity and value of assets and liabilities held through the Operator by the client as at 30 June 2012 and the corresponding revenue and expenses of the client for the year ended on that date. We have conducted an independent audit of these internal controls.

### **Auditor's Responsibility**

Our audit has been conducted in accordance with AUS 810 *Special Purpose Reports on the Effectiveness of Control Procedures* and other Australian Auditing Standards applicable to performance audits and accordingly included such tests and procedures as we considered necessary in the circumstances. These procedures included testing that the aggregates of assets (other than assets held by a client), liabilities, revenue and expenses shown collectively in the annual investor statements were properly reconciled in all material respects by the Operator as at 30 June 2012 to the corresponding amounts shown in reports prepared by the Operator which have been independently audited.

These procedures have been undertaken to express an opinion whether:

1. the Operator maintained internal controls and other relevant accounting procedures in relation to the preparation of annual investor statements, including any other relevant person acting on behalf of the Operator, that were suitably designed and operated effectively in all material respects to provide reasonable but not absolute assurance that the annual investor statements for the year ended 30 June 2012 are or have been given to clients without material misstatements; and
2. the aggregates of assets (other than assets held by a client), liabilities, revenue and expenses shown in the clients' annual investor statements for the year ended 30 June 2012 have been properly reconciled in all material respects by the Operator as at 30 June 2012 to the corresponding amounts shown in reports prepared by the Operator, which have been independently audited.

This report has been prepared to meet the requirements of Australian Securities & Investments Commission Class Order 02/294 "Investor directed portfolio services" (as amended). No responsibility will be accepted for any reliance on this report for any other purpose.

## **Inherent limitations**

Because of the inherent limitations in any internal control structure it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the internal controls that we have audited operate, has not been audited and no opinion is expressed as to its effectiveness.

An audit is not designed to detect all weaknesses in internal control and other accounting procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis.

Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

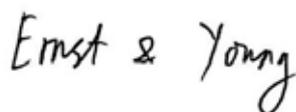
## **Finding - Monthly Reconciliations between administrative and the general ledger**

Without qualifying our opinion, we draw attention to the fact that during the period from September 2011 to April 2012 one of the key internal controls, monthly reconciliations between the administration system and the general ledger, was not being performed in a timely manner and contained some significant reconciling items. The Operator has subsequently addressed the effectiveness of key reconciliations between the administration system and the general ledger for the period September 2011 to April 2012 and has assessed that there was no impact on members balances throughout the period or for members statements as at 30 June 2012.

## **Auditor's Opinion**

In our opinion:

1. the Operator maintained internal controls and other relevant accounting procedures in relation to the preparation of annual investor statements, including any other relevant person acting on behalf of the Operator, that were suitably designed and operated effectively, in all material respects, to provide reasonable but not absolute assurance that the annual investor statements for the year ended 30 June 2012 are or have been given to clients without material misstatements; and
2. the aggregates of assets (other than assets held by a client), liabilities, revenue and expenses shown in the clients' annual investor statements for the year ended 30 June 2012 have been properly reconciled in all material respects by the Operator as at 30 June 2012 to the corresponding amounts shown in reports prepared by the Operator, which have been independently audited.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young  
Melbourne  
10 August 2012

## Independent review report by the auditor to the Board of Directors of Navigator Australia Limited on the specified annual investor statements for the year ended 30 June 2012

We have reviewed the annual investor statements given to the clients of Navigator Australia Limited ("the clients") for the year ended 30 June 2012 prepared by Navigator Australia Limited ("the Operator").

### Director's and Management's Responsibility

The directors and management of the Operator are responsible for the annual investor statements of the clients, which comprise for each client a statement of the quantity and value of assets and liabilities held through the Operator by the client as at 30 June 2012 and the corresponding revenue and expenses of the client for the year ended on that date.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the annual investor statements based on our review. We have conducted a review in accordance with Standard on Review Engagements ASRE 2405 *Review of Historical Financial Information Other than a Financial Report* in order to state whether, on the basis of the procedures described, anything has come to our attention that would cause us to believe that any client's annual investor statement is materially misstated.

A review is limited primarily to inquiries of the Operator's personnel and analytical procedures applied to the financial data. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. We have also performed an independent audit of internal controls and other relevant accounting procedures of the Operator, including those over its custodian(s) and any other relevant person acting on behalf of the Operator as they relate to the preparation of the annual investor statements ("the internal controls") and have issued a separate unqualified audit opinion to provide reasonable, but not absolute, assurance that the internal controls implemented by the Operator were suitably designed and operated effectively to ensure that there are no material misstatements in the clients' annual investor statements for the year ended 30 June 2012.

This report has been prepared to meet the requirements of Australian Securities & Investments Commission Class Order 02/294 "Investor directed portfolio services" (as amended). No responsibility will be accepted for any reliance on this report for any other purpose.

## **Inherent limitations**

Because of the inherent limitations in any internal control structure it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the internal controls that we have reviewed operate, has not been reviewed and no view is expressed as to its effectiveness.

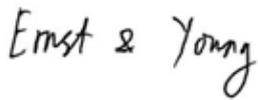
A review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis. Also, a review does not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit of any individual annual investor statement and, accordingly, we do not express an audit opinion in relation to any client's individual annual investor statement.

Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The Statement provided below has been prepared on the above basis.

## **Statement**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that any annual investor statement for the year ended 30 June 2012 which has been given to any client is materially misstated.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young  
Melbourne  
10 August 2012