

LIBERTY TERM INVESTMENT FUND

ARSN 141 340 454

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011

**LIBERTY TERM INVESTMENT FUND
DIRECTORS REPORT
FOR THE YEAR ENDED 30 JUNE 2011**

The Directors of Liberty Fiduciary Limited (the Responsible Entity), the responsible entity of Liberty Term Investment Fund (the Fund), present their report together with the financial report of the Fund for year ended 30 June 2011 and the auditors report thereon.

Responsible Entity

Liberty Fiduciary Limited (ACN 119 884 623) is the Responsible Entity of the Liberty Term Investment Fund. The directors of the Responsible Entity at any time during or since the end of the financial period were:

Richard Longes
Peter Hawkins
Sherman Ma
Peter Rollason

The registered office and principal place of business of the Responsible Entity and the Fund is Level 16, 535 Bourke Street, Melbourne, Victoria, 3000.

Principal activities

The Fund is a registered managed investment scheme domiciled in Australia. The Fund invests in consumer and business loans secured by residential and commercial property, motor vehicles, equipment and trade receivables.

As at 30 June 2010 the Fund had granted 100 units to the Class B Unitholder.

On 1 October 2010 the Fund commenced receiving applications and investments from investors.

The Fund did not have any employees during the period.

Results

The Fund's change in net assets attributable to unitholders for the period ended 30 June 2011 was nil.

Distributions paid or payable in respect of each class of unitholders during the financial year were:

	2011
Non Class B Unitholders:	\$
Interim distributions paid	591,391
Final distribution payable	77,608
Cents per Unit	0.882
Average Return	8.82%

Class B Unitholder distributions were \$166,292. There were nil distributions paid in the prior financial year.

The basis for the valuation of the Funds assets is disclosed in Note 3 to the financial statements.

No fees were paid to Liberty Fiduciary Limited during the financial period. Reimbursable expenses totalling \$15,388 were owed to Liberty Fiduciary Limited as at 30 June 2011.

**LIBERTY TERM INVESTMENT FUND
DIRECTORS REPORT
FOR THE YEAR ENDED 30 JUNE 2011**

Results (cont.)

In the opinion of the Responsible Entity, excluding the above there were no other significant changes in the state of affairs of the Fund that occurred during the financial year under review.

Events subsequent to balance date

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

Likely developments

The Fund will continue to pursue its policy of increasing returns through active investment selection.

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

Environmental regulation

The Fund's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Indemnification and insurance of officers and auditors

Under the Fund constitution, the Responsible entity, including its officers and employees, is indemnified out of the Funds assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Scheme.

The Fund has not indemnified any Auditor of the Fund.

This report is made with a resolution of the directors of Liberty Fiduciary Limited.



Sherman Ma
Director

Dated at Melbourne this 29th September 2011.



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Liberty Fiduciary Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

m Hinchliffe

Michelle Hinchliffe
Partner

Melbourne

21 September 2011

**LIBERTY TERM INVESTMENT FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011**

		Period From 7 January to 30 June 2010	
	Note	2011 \$	2010 \$
Income			
Finance income	5	990,185	-
Fee income		<u>16,375</u>	<u>60</u>
Total operating revenue		<u>1,006,560</u>	<u>60</u>
Expenses			
Management fee		(99,219)	-
Custodian fee		(17,894)	-
Advisor and consultancy fee	6	(52,500)	(60)
Other expenses		<u>(1,656)</u>	<u>-</u>
Total operating expenses		<u>(171,269)</u>	<u>(60)</u>
Profit from operating activities		<u>835,291</u>	<u>-</u>
Finance Costs			
Distribution to unitholders - Class B		166,292	-
Distribution to unitholders - Non Class B		<u>668,999</u>	<u>-</u>
		<u>835,291</u>	<u>-</u>
Changes in net assets attributable to unitholders		<u>-</u>	<u>-</u>

The Statement of Comprehensive Income is to be read in conjunction with the notes to the general purpose financial statements set out on pages 9 to 21.

**LIBERTY TERM INVESTMENT FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

The Funds's net assets attributable to unitholders are classified as a liability under AASB 132 Financial Instruments: Presentation. As such the Fund has no equity, and no items of changes in equity have been presented for the current period.

The Statement of Changes in Equity is to be read in conjunction with the notes to the general purpose financial statements set out on pages 9 to 21.

**LIBERTY TERM INVESTMENT FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

	Note	2011 \$	2010 \$
Assets			
Financial assets measured at amortised cost	7	9,970,988	-
Cash and cash equivalents	8	1,370,865	240
Loans and receivables	9	244,509	100
Total Assets		11,586,362	340
Liabilities			
Loans and payables	10	87,135	240
Distribution payable	11	243,900	-
Unitholders	4	11,255,327	-
Total Liabilities		11,586,362	240
Net Assets attributable to unitholders		-	100

The Statement of Financial Position is to be read in conjunction with the notes to the general purpose financial statements set out on pages 9 to 21.

**LIBERTY TERM INVESTMENT FUND
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011	2010
Cash flows from operating activities			
Interest and fee income received		1,000,749	60
Operating expenses paid		(84,373)	(60)
		<u>916,376</u>	<u>-</u>
Net cash provided by operating activities			
Cash flows from investing activities			
Purchased financial assets		(9,970,988)	-
		<u>(9,970,988)</u>	<u>-</u>
Net cash used in investing activities			
Cash flows from financing activities			
Applications		10,665,019	100
Net cash distribution to unitholders		(1,183)	-
Movements in related parties		(238,599)	140
		<u>10,425,237</u>	<u>240</u>
Net cash provided by financing activities			
Net Increase in cash held		1,370,625	240
Opening cash at bank balance		<u>240</u>	<u>-</u>
Cash and cash equivalents at the end of the year	8	<u>1,370,865</u>	<u>240</u>

The Statement of Cash Flows is to be read in conjunction with the notes to the general purpose financial statements set out on pages 9 to 21.

LIBERTY TERM INVESTMENT FUND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2011

1 REPORTING ENTITY

Liberty Term Investment Fund (the Fund) is a registered managed investment scheme under the Corporations Act 2001. The address of the Fund's registered office is Level 16, 535 Bourke Street, Melbourne VIC 3000. The financial report of the Fund is for the year ended 30 June 2011.

2 BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASs") (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The financial report of the Fund complies with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors of the Responsible entity on 28 September 2011.

(b) Basis of measurement

The financial statements have been prepared on the basis of historical costs.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Fund's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future periods affected.

(e) Changes in Accounting Policy

There were no changes in the accounting policies of the Fund during the period.

**LIBERTY TERM INVESTMENT FUND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2011**

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the these financial statements.

The fund has not early adopted any accounting standard.

(a) Financial Instruments

(i) Recognition and initial measurement

Equitably assigned financial assets, comprising consumer and commercial loans secured by residential and commercial property, motor vehicles, equipment and trade receivables are initially recognised at fair value when the Fund becomes a party to the contract. They are subsequently measured at amortised cost using the effective interest rate method.

(ii) Classification

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment loss.

(iii) Measurement

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value.

Financial liabilities, other than those at fair value through profit and loss, are measured at amortised cost using the effective interest rate.

Financial liabilities arising from the redeemable units issued by the Fund are carried at the redemption amount representing the investors right to a residual interest in the Funds' assets, effectively measured at reporting date.

(iv) Specific Instruments - cash and cash equivalents

Cash comprises of current deposits at bank.

(v) Impairment

Financial assets are assessed continually throughout the financial year to determine whether there is any objective evidence they are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Loan provision - Collective assessment

AASB 139 requires that an entity first assess whether objective evidence of impairment exists individually for financial assets and collectively for assets where management believe that credit losses are latent in the portfolio, but are not able to be identified on an individual basis. The portion of the portfolio where a loss event has occurred, but management are unable to specifically identify which loans are affected, forms the basis on which the collective provision is calculated.

LIBERTY TERM INVESTMENT FUND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2011

3 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(v) Impairment (cont.)

In determining the collective provision, management consider historical loss data, the current economic cycle, inflation, unemployment, interest rates and their outlook to determine possible impact on serviceability and delinquency.

Loan provision - Individual assessment

Specific provisions relate to loans that are currently known to be impaired, based on objective evidence as a result of one or more events that have occurred after the initial recognition of the asset, otherwise known as a loss event. For loans where a loss event has occurred, the provisioning process involves detailed review and analysis of individual loans. These loans are assessed for impairment based on security value, loan balance outstanding and other factors deemed relevant to collectability by management. Provisions are raised where objective evidence of impairment exists and the negative impact on estimated future cash flows of the asset can be reliably estimated.

Impairment charge in the Fund is ultimately borne by unitholders to the extent that the provisions exceed Distributions to the Class B Unitholders in any given year.

(b) Interest Income

Interest income and expense, including interest income from non-derivative financial assets, is recognised in the statement of comprehensive income as it accrues, using the effective interest method of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(c) Expenses

All expenses including management fee and custodian fee are recognised in the income statements on an accruals basis.

(d) Fee Income

Fee income relating to equitably assigned financial assets is recognised as the related service is provided.

(e) Distributions and taxation

Under current legislation the Fund is not subject to income tax as its taxable income (including assessable realised capital gains) is distributed in full to the unitholders. The Fund fully distributes its taxable income, calculated in accordance with the Fund Constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the constitution. All distributions made have been treated as an expense and are recognised when the holder of the residual income unit becomes presently entitled.

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

(f) Unit Prices

The unit price is based on the unit price accounting outlined in the Funds constitution and product disclosure statement.

**LIBERTY TERM INVESTMENT FUND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2011**

3 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(g) Finance Costs

Distributions paid and payable on units are recognised in the income statement as finance costs and as a liability where not paid. Distributions paid are included in cash flows from financing activities in the statement of cash flows unless reinvested.

(h) Financial Assets

The carrying amount of financial assets includes deferred fees and expenses accounted for using the effective interest yield method and are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest rate method net of provision.

The acquisition of loans that meet the Funds investment objectives occurs in the form of an equitable assignment by the financier and the responsible entity.

(j) Change in net assets attributable to unit holders

Non-distributable income, which may comprise unrealised changes in the fair value of investments, net capital losses, tax-deferred income, accrued income not yet assessable and non-deductible expenses are reflected in the profit and loss as change in net assets attributable to unitholders.

These items are included in the determination of distributable income in the period for which they assessable for taxation purposes.

(k) Goods and services tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

(l) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Fund in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this general purpose financial report:

- AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Funds' 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Fund has not yet determined the potential effect of the standard.

- AASB 13 -Fair Value Measurement includes a definition of fair value and provides guidance on fair value measurement. AASB 13 will become mandatory for the Fund's 30 June 2014 financial statements. This standard is applied prospectively. The Fund has not yet determined the potential effect of the standard.

**LIBERTY TERM INVESTMENT FUND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2011**

3 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(I) New standards and interpretations not yet adopted (cont.)

The revised AASB 124 simplifies and clarifies the intended meaning of the definition of a related party. The amendments will become mandatory for the Group's 30 June 2012 financial statements. The Fund has not yet determined the potential effect of the revised standard.

4 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The Fund manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

The objective of the Fund is to provide unitholders with returns in accordance with the Product Disclosure Statement (PDS). The Fund aims to deliver this objective through investing in a highly diversified portfolio in accordance with limitations set out in the PDS.

The Fund strives to invest in products that meet the Funds investment objectives while maintaining sufficient liquidity to meet unitholders' redemptions.

	No.	30 June 2011
		\$
Opening balance	100	100
Applications	10,665,019	10,665,019
Units issued upon reinvestment of distributions	590,208	590,208
Change in net assets attributable to unitholders	-	-
Closing balance		11,255,327
		\$
Cash distributions (not reinvested)	1,183	1,183
		30 June 2010
	No.	\$
Opening balance	-	-
Applications	100	100
Units issued upon reinvestment of distributions	-	-
Change in net assets attributable to unitholders	-	-
Closing balance		100
		\$
Cash distributions (not reinvested)	-	-

**LIBERTY TERM INVESTMENT FUND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2011**

	2011	7 January to 30 June 2010
	\$	\$
5 INTEREST INCOME		
Interest income on financial assets measured at amortised cost	956,024	
Interest on deposits	<u>34,161</u>	-
Total Interest Income	<u>990,185</u>	<u>-</u>
6 AUDITORS REMUNERATION		
Audit Services:		
Auditors of the Fund - KPMG		
Audit and review of financial reports	<u>22,500</u>	<u>5,000</u>
Other Services:		
Auditors of the Fund - KPMG		
Other audit related services	<u>30,000</u>	<u>4,000</u>
	2011	2010
	\$	\$
7 FINANCIAL ASSETS		
Assets		
Equitably assigned financial assets measured at amortised cost	<u>9,970,988</u>	-
	<u>9,970,988</u>	<u>-</u>

As at 30 June 2011 the Fund held collateral valued at \$18,673,348. Collective provision charges for financial asset impairment for the year ended 30 June 2011 were \$53,755 (Specific provision - nil). Impairment charge in the Fund is ultimately borne by unitholders to the extent that the provisions exceed Distributions to the Class B unitholders in any given year.

LIBERTY TERM INVESTMENT FUND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2011

	2011	2010
	\$	\$
8 CASH AND CASH RESERVES		
Cash at bank	<u>1,370,865</u>	<u>240</u>
	<u>1,370,865</u>	<u>240</u>
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES		
(i) Reconciliation of cash		
Bank balance	<u>1,370,865</u>	<u>240</u>
(ii) Reconciliation of cash flows from operating activities		
Cash flows from operating activities		
Current year profit	-	-
Adjustments for:		
Non cash units issued upon reinvestment of distributions	590,208	-
Increase / (decrease) in distribution payable to unitholders	243,900	-
(Increase) / decrease in receivables	(5,811)	-
Increase / (decrease) in payables	<u>88,079</u>	<u>-</u>
Net cash from operating activities	<u>916,376</u>	<u>-</u>
9 LOANS AND RECEIVABLES		
Interest and other receivables	7,886	-
Receivable from related parties	<u>236,623</u>	<u>100</u>
	<u>244,509</u>	<u>100</u>
10 LOANS AND PAYABLES		
Payable to the Responsible Entity	15,388	240
Accrued expenses	<u>71,747</u>	<u>-</u>
	<u>87,135</u>	<u>240</u>
11 DISTRIBUTIONS PAID AND PAYABLE		
Opening balance	-	-
Add current year distributions	835,291	-
Less amount distributed relating to current period	<u>(591,391)</u>	<u>-</u>
Balance at the end of the financial year/period	<u>243,900</u>	<u>-</u>

**LIBERTY TERM INVESTMENT FUND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2011**

12 DETERMINATION OF FAIR VALUES

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Financial assets

The carrying amount of financial assets is measured at amortised cost using the effective interest rate method net of provisions for impairment and income yet to mature.

(b) Non derivative financial assets and liabilities

Fair value is calculated based on the present value of future principal and interest cash flows discounted at the market rate of interest at the reporting date.

For receivables and payables with a remaining life of less than one year, the notional amount is deemed to approximate the fair value.

The fair values of financial assets and liabilities together with the carrying amounts shown in the balance sheet are as follows:

	Carrying amount 2011 \$	Fair value 2011 \$
Cash & cash equivalents at bank	1,370,865	1,370,865
Trade receivables & other assets	244,509	244,509
Equitably assigned financial assets	9,970,988	10,950,387
Trade & other payables	(331,035)	(331,035)
	<hr/>	<hr/>
	11,255,327	12,234,726

Prior year receivables and payables are carried at their fair value. There were no equitably assigned financial assets in the prior period.

13 FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

(b) Risk management framework

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established a Risk, Audit and Compliance Committee (the "Committee") which is responsible for monitoring the emerging and changing risk profile of the Fund. The Committee is responsible for reviewing the adequacy of internal systems, controls and procedures in relation to the risk management framework and the risks faced by the Fund and Responsible Entity. The Committee is assisted in its oversight by the Risk Department which coordinates, sets policy and monitors the Group's effectiveness in credit risk, liquidity and market risk. The General Manager - Finance, Legal, Risk and Treasury reports regularly to the Committee and the Board. Risk management policies and systems are updated regularly to reflect changes in market conditions and the Fund's activities.

**LIBERTY TERM INVESTMENT FUND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2011**

13 FINANCIAL RISK MANAGEMENT (cont.)

(c) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from equitably assigned financial assets and cash and cash equivalents.

(d) Management of credit risk

The Fund's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards set out in the Fund's prospectus and by taking collateral as security.

Credit risk is monitored on a monthly basis by the investment manager in accordance with policies and procedures in place. The Fund's credit risk is monitored on a monthly basis by the board of directors.

(e) Exposure to credit risk

The Fund's maximum credit risk exposure (without taking into account collateral and other credit enhancements) at the reporting date is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position.

The carrying amount of financial assets held by the Fund that would be otherwise past due or impaired is nil. As such no financial assets were subject to renegotiated terms during the current year (2010: nil)

Impairment charge in the Fund is ultimately borne by unitholders to the extent that the provisions exceed Distributions to the Class B Unitholders in any given year.

(f) Past due and impaired assets

No financial assets carried at amortised cost were past due or impaired at 30 June 2011.

(g) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivery of cash or other financial assets, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

**LIBERTY TERM INVESTMENT FUND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2011**

13 FINANCIAL RISK MANAGEMENT (cont.)

(h) Management of liquidity risk

The Fund's policy and the investment manager's approach to managing liquidity is to have sufficient liquidity to meet its liabilities, including estimated redemptions of units, as and when due without incurring undue losses or risking damage to the Fund's reputation.

The Fund produces cash flow estimates to ensure that at all times the Fund has cash or cash equivalents sufficient to meet its projected cash needs over the next three months. The above cash flow benchmark addresses the Fund's ability to satisfy withdrawal requests and other short term operational commitments.

Management does not expect all current unitholders to redeem their units in the short term, and as such has sufficient liquid assets to meet its commitments.

CONSOLIDATED 2011	Note	Carrying amount	Contractual cash flows	<1 year	1-3 years	> 3 years
Unitholders	4	11,255,327	11,255,327	11,213,000	42,327	-

CONSOLIDATED 2011	Note	Carrying amount	Contractual cash flows	<1 year	1-3 years	> 3 years
Financial Assets	7	9,970,988	9,970,988	3,562,980	1,052,680	5,355,328

(i) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

(j) Management of market risk

The Fund's strategy for the management of market risk is driven by the Fund's investment objective. The Fund's market risk is managed on a daily basis by the investment manager in accordance with policies and procedures in place.

**LIBERTY TERM INVESTMENT FUND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2011**

13 FINANCIAL RISK MANAGEMENT (cont.)

(k) Exposure to interest rate risk

Changes to interest rates can directly and indirectly impact investment returns. The Fund is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates.

At reporting date the interest rate profile of the Fund's interest bearing financial instruments was as follows:

	2011	2010
	\$	\$
Fixed rate instruments		
Financial assets	4,366,840	-
	4,366,840	-
Variable rate instruments		
Financial assets	5,604,148	-
	5,604,148	-

The return on financial liabilities varies depending upon the performance of the fund, and are therefore not directly linked to interest rate movements.

Sensitivity analysis

The Fund is not materially impacted by changes in interest rates, furthermore, the Fund's exposure to basis risk is minimised as the Fund actively manages its cost of funding and reprices its loan portfolio in response to changes in cost of funds within a short timeframe.

A change in market interest rates affects the value placed on future cash flows. A movement in the variable interest rate of +1% would result in an increase in profit of \$55,503.

Substantially all of the assets of the Fund are held by Perpetual Nominees in their capacity as Custodian of the Fund. Bankruptcy or insolvency of the Fund's custodian may cause the Fund's rights with respect to the securities held by the custodian to be delayed or limited. The investment manager monitors credit ratings and capital adequacy of its custodian.

(l) Capital management

The Fund manages its capital to ensure that it will be able to continue as a going concern while maximising the return to unitholders and maintaining investor, creditor and market confidence.

The Fund maintains a minimum level of capital in liquid form to support future operational initiatives, expected short term cash outflows and unexpected asset impairment. The Fund manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. Withdrawals are required to be in line with each investment term, and the Fund monitors and projects these cashflows on a monthly basis.

There have been no significant changes to the Fund's capital management strategy.

**LIBERTY TERM INVESTMENT FUND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2011**

13 FINANCIAL RISK MANAGEMENT (cont.)

(m) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

14 RELATED PARTIES

(a) Responsible Entity

The Responsible Entity of Liberty Term Investment Fund is Liberty Fiduciary Limited (ACN 119 884 623) in its capacity as trustee of the Liberty Term Investment Fund.

(b) Key management personnel

Key management personnel are remunerated by a related entity. Payments made from the Fund to the responsible entity do not include any amount that is directly attributable to key management personnel remuneration.

Key management personnel of the Fund are the Directors of the responsible entity.

(c) Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time Liberty Fiduciary Limited may invest in or withdraw from the Fund.

A management fee is payable to the Investment Manager (Liberty Financial Pty Ltd) for administering and managing the Fund and its investments. This is an ongoing fee of 1.375% per annum (inc GST) of the gross asset value of the Fund.

(d) Related party investments held by the Fund

The Fund has a policy on related party transactions, including arrangements to manage conflicts of interest, and it monitors these regularly. The Responsible Entity, the Investment Manager, and their related parties may hold Units in the Fund from time to time.

(d) Directors

The directors of the Responsible Entity at any time during or since the end of the financial period were:

Richard Longes
Peter Hawkins
Sherman Ma
Peter Rollason

**LIBERTY TERM INVESTMENT FUND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2011**

14 RELATED PARTIES (cont.)

(e) Units in the Fund held by related parties

Liberty Fiduciary Limited, its controlled entities and related parties as at 30 June 2011 hold the following units in the Fund:

	Unitholding	Interest held	Units issued	Units redeemed	Distribution paid / payable
	\$	%	\$	\$	\$
Minerva Holding Trust	10,735,972	95%	10,149,614	-	827,636

(f) Units in the Fund held by other related parties

As at 30 June 2011 no directors of the Responsible Entity held units in the Fund (2010: nil).

15 CONTINGENCIES

There are no outstanding commitments or contingencies.

16 EVENTS SUBSEQUENT

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

**LIBERTY TERM INVESTMENT FUND
DIRECTORS DECLARATION
FOR THE PERIOD ENDED 30 June 2011**

In the opinion of the directors of Liberty Fiduciary Limited, the responsible entity of the Liberty Term Investment Fund, we report that:

- (a) the financial statements and notes, set out on page 5 to 21, are in accordance with the Corporations Act 2001, including
 - (i) giving a true and fair view of the Fund's financial position as at 30 June 2011 and of its performance, for the financial period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of Liberty Fiduciary Ltd in their capacity as Responsible Entity of the Liberty Term Investment Fund:


Sherman Ma

Dated at Melbourne this 29th September 2011.

**LIBERTY TERM INVESTMENT FUND
DIRECTORY
FOR THE YEAR ENDED 30 JUNE 2011**

Fund

Liberty Term Investment Fund
Registered Office and Principal Place of Business
Level 16, 535 Bourke Street
Melbourne Vic 3000

Investment Manager

Liberty Financial Pty Ltd (ABN 55 077 248 983)
Level 16, 535 Bourke Street
Melbourne Vic 3000
Ph: 03 8635 8888
Fax: 03 8635 9988

Trustee

Liberty Fiduciary Ltd (ABN 80 119 884 623)
Level 16, 535 Bourke Street
Melbourne Vic 3000
Ph: 03 8635 8888
Fax: 03 8635 9988

Manager, Originator and Servicer

Liberty Financial Pty Ltd (ABN 55 077 248 983)
Level 16, 535 Bourke Street
Melbourne Vic 3000
Ph: 03 8635 8888
Fax: 03 8635 9988

Custodian

Perpetual Trustee Company Limited (ABN 42 000 001 007)
Level 7, 39 Hunter Street
Sydney NSW 2000
Ph: 02 9229 9000
Fax: 02 9221 7870



Independent auditor's report to the unitholders of Liberty Term Investment Fund

Report on the financial report

We have audited the accompanying financial report of Liberty Term Investment 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 statement of cash flows for the year ended on that date, notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of Liberty Fiduciary Limited (the Responsible Entity) 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 of the Responsible Entity also state, in accordance with Australian 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 of the financial report that gives a true and fair view 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.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards and the provisions of the constitution dated 17 August 2010, a true and fair view which is consistent with our understanding of the Scheme's financial position, and of its performance.



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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Liberty Term Investment 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*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

KPMG

KPMG

Michelle Hinchliffe
Partner

Melbourne

29 September 2011