

**Optimal Japan Trust**  
Unit trust

**Audited financial statements**  
**As at June 30, 2008**

# Optimal Japan Trust

## Unit Trust

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# **Optimal Japan Trust**

## **Unit Trust**

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### **Administration**

#### **Investment Manager and Trustee**

Optimal Fund Management Pty Limited  
Level 5  
175 Macquarie Street  
Sydney NSW 2000  
Australia

#### **Independent Auditor**

PricewaterhouseCoopers S.à r.l.  
Réviseur d'entreprises  
400, route d'Esch  
B.P. 1443  
L-1014 Luxembourg

#### **Registrar and Administrator**

European Fund Administration S.A.  
P.O. Box 1725  
2, rue d'Alsace  
L-1017 Luxembourg

#### **Legal Advisor**

Allens Arthur Robinson  
Level 28  
Deutsche Bank Place  
Corner of Hunter and Phillip Streets  
Sydney NSW 2000  
Australia

#### **Cash Custodian**

Kredietbank S.A.  
43, boulevard Royal  
L-2955 Luxembourg

#### **Prime Broker and Custodian Bank**

Goldman Sachs International  
Daniel House  
133 Fleet Street  
London EC4A 2BB  
England

## **Independent Auditor's report**

### **To the Unitholders and Trustee**

#### **Optimal Japan Trust (the "Fund")**

We have audited the accompanying financial statements of Optimal Japan Trust (the "Fund"), which comprise the balance sheet as at June 30, 2008 and the income statement, statement of changes in net assets attributable to Unitholders and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

#### **Responsibility of the Fund's Trustee for the financial statements**

The Fund's Trustee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 Fund's Trustee, as well as evaluating the overall presentation of the financial statements.


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, these financial statements give a true and fair view of the financial position of the Fund as of June 30, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers S.à r.l.  
Réviseur d'entreprises  
Represented by

Luxembourg, December 22, 2008



Claude Jacoby

**Optimal Japan Trust**  
**Unit Trust**

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**Balance sheet**  
**As at June 30, 2008**

	Notes	2008 AUD	2007 AUD
<b>Assets</b>			
<b>Current assets</b>			
Financial assets at fair value through profit or loss	2.2, 4	44,207,078	83,521,494
Other receivables and prepayments		45,503	34,862
Cash at bank		388,156	22,883,013
Cash accounts with the Prime Broker	5.2	24,848,209	6,449,966
<b>Total assets</b>		<b>69,488,946</b>	<b>112,889,335</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities at fair value through profit or loss	2.2, 4	8,282,642	15,699,478
Performance fee payable	6.2	829	2,887,342
Other payables and accrued expenses		132,107	538,934
Short term borrowings from the Prime Broker	5.2	4,690,431	381,492
<b>Liabilities (excluding net assets attributable to unitholders)</b>		<b>13,106,009</b>	<b>19,507,246</b>
<b>Net assets attributable to unitholders</b>		<b>56,382,937</b>	<b>93,382,089</b>
<b>Total liabilities</b>		<b>69,488,946</b>	<b>112,889,335</b>
Number of units in issue		4,639,987.877	5,302,225.867

  
 Trustee

  
 Manager

**Optimal Japan Trust**  
**Unit Trust**

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**Income statement**  
**For the year ended June 30, 2008**

	Notes	2008 AUD	2007 AUD
<b>Income</b>			
Bank interest		1,987,487	1,602,470
Dividends		872,365	710,160
Other income		224,772	314,667
Net realised (loss)/gain on financial assets/liabilities at fair value through profit or loss	4.2	(1,609,779)	14,734,362
Net change in unrealised (loss) on financial assets/liabilities at fair value through profit or loss	4.2	<u>(19,575,943)</u>	<u>(909,848)</u>
<b>Total investment (loss)/income</b>		<b>(18,101,098)</b>	<b>16,451,811</b>
<b>Expenses</b>			
Performance fee	6.2	829	2,887,342
Investment management fee	6.1	757,840	774,067
Goods and service tax on fee and expenses incurred in Australia		75,863	366,077
Dividend payments on securities sold, not yet purchased		191,508	189,997
Stock borrowing fee		66,418	87,471
Administration fee	6.4	96,821	110,162
Legal and professional fee		25,000	25,000
Audit fee		22,509	28,414
Safe custody and bank charges		8,508	6,979
Other operating expenses		<u>87,931</u>	<u>60,890</u>
<b>Total operating expenses</b>		<b>1,333,227</b>	<b>4,536,399</b>
<b>Operating (loss)/profit before finance cost and tax</b>		<b>(19,434,325)</b>	<b>11,915,412</b>
<b>Finance cost</b>			
Interest expenses		<u>(439,240)</u>	<u>(163,800)</u>
<b>(Loss)/profit before tax</b>		<b>(19,873,565)</b>	<b>11,751,612</b>
Withholding tax on dividends	7	<u>(61,141)</u>	<u>(49,689)</u>
<b>(Decrease)/increase in net assets attributable to unitholders from operations</b>		<b><u>(19,934,706)</u></b>	<b><u>11,701,923</u></b>

The accompanying notes form an integral part of these financial statements.

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**Optimal Japan Trust**  
**Unit Trust**

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**Statement of changes in net assets attributable to unitholders**  
**As at June 30, 2008**

	Note	2008 AUD	2007 AUD
Net assets attributable to unitholders at the beginning of the year		93,382,089	66,839,911
Units issued		47,747,542	44,446,674
Units redeemed		(51,943,566)	(24,545,370)
Distribution	9	<u>(12,868,422)</u>	<u>(5,061,049)</u>
Net (decrease)/increase from unit transactions		(17,064,446)	14,840,255
(Decrease)/increase in net assets attributable to unitholders from operations		<u>(19,934,706)</u>	<u>11,701,923</u>
<b>Net assets attributable to unitholders at the end of the year</b>		<b><u>56,382,937</u></b>	<b><u>93,382,089</u></b>

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The accompanying notes form an integral part of these financial statements.



**Optimal Japan Trust  
Unit Trust**

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**Cash flow statement  
For the year ended June 30, 2008**

	Notes	2008 AUD	2007 AUD
<b>Cash flows from operating activities:</b>			
(Decrease)/increase in net assets attributable to unitholders from operations		(19,934,706)	11,701,923
<b>Adjustment for:</b>			
Dividend income		(872,365)	(710,160)
Dividend expense		191,508	189,997
Interest income		(1,987,487)	(1,602,470)
Interest expense		439,240	163,800
		<u>(22,163,810)</u>	<u>9,743,090</u>
<b>Changes in operating assets and liabilities:</b>			
Decrease/(increase) in financial assets at fair value through profit or loss		39,314,417	(27,442,774)
(Increase)/decrease in cash accounts with the Prime Broker		(18,398,243)	18,147,260
Decrease in amount due from the Prime Broker		-	8,586
(Increase) in other receivable and prepayments		(3,997)	(7,485)
(Decrease)/increase in financial liabilities at fair value through profit or loss		(7,416,836)	2,710,472
Increase/(decrease) in short term borrowings from the Prime Broker		4,308,939	(1,832,906)
(Decrease)/increase in performance fee payable		(2,886,513)	268,576
(Decrease)/increase in other payables and accrued interest		(404,865)	37,486
		<u>(7,650,908)</u>	<u>1,632,305</u>
<b>Cash (used in)/from operating activities</b>			
Dividend received		863,818	700,556
Dividend paid		(191,508)	(189,997)
Interest received		1,987,427	1,602,162
		<u>(4,991,171)</u>	<u>3,745,026</u>
<b>Net cash (used in)/from operating activities</b>			
<b>Cash flows provided by financing activities</b>			
Cash received on units issued		47,747,542	44,446,674
Cash paid out on units redeemed		(51,943,566)	(24,545,370)
Distribution	9	(12,868,422)	(5,061,049)
Interest paid		(439,240)	(163,800)
		<u>(17,503,686)</u>	<u>14,676,455</u>
<b>Net cash (used in)/provided by financing activities</b>			
<b>Net change in cash</b>			
		(22,494,857)	18,421,481
Cash at the beginning of the year		22,883,013	4,461,532
		<u>388,156</u>	<u>22,883,013</u>
<b>Cash at the end of the year</b>			

The accompanying notes form an integral part of these financial statements.

# Optimal Japan Trust

## Unit Trust

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### Notes to the financial statements

#### As at June 30, 2008

#### NOTE 1. GENERAL INFORMATION

Optimal Japan Trust (the “Trust”) is a unit trust which is governed by its Trust Deed dated November 12, 1999, as amended. The Trust is governed by, and construed in accordance with, the laws of New South Wales, Australia.

The objective of the Trust is to achieve above average returns through investing in quoted securities in Japan. In addition, up to 20 per cent of the Trust’s gross assets may be invested in quoted securities in Korea and Taiwan. Investments are predominantly in equities but may include fixed interest instruments, money market instruments, derivatives and foreign exchange contracts. The Trust may invest in ADRs and GDRs. The Trust may sell short equities that the Investment Manager believes are overvalued and with respect to which there is a strong likelihood of a price decline.

The Investment Manager of the Trust is Optimal Fund Management Pty Limited which is incorporated in Australia.

Whilst the Trust’s fund administrator is located in Luxembourg, unitholders should be aware that the Trust is not a Luxembourg Fund, and is not subject to Luxembourg law. It has not been authorised by any supervisory authority in the Grand Duchy of Luxembourg and is not subject to the supervision of any Luxembourg authority.

#### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss. Financial statements prepared in accordance with IFRS require the Trustee to make certain estimates and assumptions that affect the reported amounts in these financial statements.

*(i) Standards and Interpretations effective in the current period*

During the current year, the Trust has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after January 1, 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Trust’s financial instruments and management of capital (see note 5).

*(ii) Amendments not yet effective and relevant*

The following amendments are mandatory for accounting periods beginning on or after 1 January 2009 and are relevant to the Trust’s operations:

- IAS 1 “Statement of changes in equity”, “Statement of comprehensive income”
- IAS 32 “Puttable instruments and obligations arising on liquidation”.

# Optimal Japan Trust

## Unit Trust

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### Notes to the financial statements (continued)

#### As at June 30, 2008

#### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Investments consist principally of listed securities and derivative financial instruments. They are initially recognised at fair value based on the market price quoted on the relevant stock exchanges and subsequently re-measured at fair value and based on the last traded price as quoted on the relevant stock exchange at the close of business on the valuation day.

Under IFRS, investments should be valued at fair value, using bid pricing in case of long positions and offer pricing in case of short positions. However, under the valuation basis described above, listed investments are expected to be valued at the last traded price instead of bid pricing as required under IFRS which may lead to a different valuation had valuation been performed in accordance with IFRS. The Directors have considered the impact of such non-compliance and does not expect this issue to affect the results and net asset value of the Trust materially.

As at June 30, 2008, the impact of such non-compliance is not material. (0.27% of the net assets attributable to unitholders).

##### *(i) Classification*

The category of financial assets and liabilities at fair value through the profit or loss is sub-divided into two categories: financial assets and liabilities held for trading and those designated by the Trustee at fair value through profit or loss at inception.

Financial assets and liabilities held for trading (“trading securities”) are acquired or incurred principally for the purpose of generating a profit from short-term fluctuation in price.

All investments in listed securities have been designated by the Trustee as “financial assets and liabilities at fair value through profit or loss at inception”. Purchases and sales of investments are accounted for on a trade date basis. Realised and unrealised gains and losses on securities are recognised in the income statement as they arise.

Derivatives, including futures, options contracts and foreign exchange contracts, are categorised as held for trading as the Trust does not designate any derivatives as hedges for hedge accounting purposes as described under IAS 39. All derivatives are carried as assets when amounts are receivable by the Trust and as liabilities when amounts are payable by the Trust. Changes in fair value of derivatives and trading securities are included in the income statement as they arise.

##### *(ii) Initial measurement*

The Trust’s securities and derivatives are accounted for at trade date and are recognised at fair value at the time of acquisition.

**Notes to the financial statements (continued)**  
**As at June 30, 2008**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2 Financial assets and liabilities at fair value through profit or loss (continued)**

*(iii) Subsequent measurement*

The realised gains or losses resulting from the sales of investments are calculated on an average cost basis. Securities listed on a stock exchange or traded on a regulated market are valued at their fair value based on quoted prices. Should the Trust hold securities which are not freely transferable, or which are not regularly traded, or which for any other reason are subject to limited marketability, they may be valued at fair value as determined by the Trustee. In such circumstances, the Trustee would refer to quotes from external brokers. At reporting date, all investments were valued at quoted prices.

A short sale is a transaction in which the Trust sells a security it does not own. The proceeds received for short sales are recorded as liabilities and the Trust records an unrealised gain or loss to the extent of the difference between the proceeds received and the market value of the open short position. The Trust records a realised gain or loss when the short position is closed. By entering into short sales, the Trust bears the market risk of an unfavourable change in the price of the security sold short in excess of the proceeds received.

The Trust enters into securities borrowing transactions with the Prime Broker to cover its short sales. Borrowed securities are not recognised in the financial statements unless they can be sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in income on investments.

*(iv) Derecognition*

Financial assets at fair value through profit or loss are derecognised when the contractual rights to the cash flows from the financial asset expires or if the Trust transfers substantially all risks and rewards of ownership.

Financial liabilities at fair value through profit or loss are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Realised gains and losses on derecognition are determined using the weighted average method and are included in profit or loss for the period in which they arise.

*(v) Offsetting*

The Trust offsets financial assets and financial liabilities at fair value through profit or loss if the Trust has a legally enforceable right to offset the recognised amounts and either intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

**2.3 Derivative financial instruments**

Derivative financial instruments, including forward foreign exchange contracts and futures contracts, are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value.

Open futures are valued at market closing prices at the valuation date, with the differences between the market closing prices and the contract prices being recognised as the unrealised profit or loss of that open position.

## **Optimal Japan Trust**

### **Unit Trust**

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#### **Notes to the financial statements (continued)**

#### **As at June 30, 2008**

#### **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.3 Derivative financial instruments (continued)**

Forward foreign exchange contracts are valued at the difference between forward rates ruling at the valuation date and the contract rates.

All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

##### **2.4 Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

##### **2.5 Foreign currencies**

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

Subscriptions and redemptions of the units are denominated in the Australian Dollar ("AUD"). Accordingly the Trustee considers the AUD to most faithfully represent the economic effects of the underlying transactions, events and conditions and have adopted the AUD as the functional currency for the Trust.

The financial statements are presented in AUD which is the Trust's presentation currency.

###### *(ii) Foreign currency transactions*

Foreign currency transactions during the year, including purchases and sales of securities and income and expenses, are translated at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities outstanding at year-end that are denominated in currencies other than AUD are translated into AUD at the closing rates of exchange at each year-end.

Foreign currency transaction gains and losses are included in net gains or losses on financial assets and liabilities at fair value through profit or loss.

##### **2.6 Income and expense**

All income and expenses are accounted for on an accrual basis.

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable where no ex-dividend date is quoted are brought into account when the Trust's right to receive payment is established. Dividends on shares sold short are accrued on the ex-date and paid to the Prime Broker on the payable date.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

All expenses, including stock borrowing fees, are accounted for on an accrual basis.

# Optimal Japan Trust

## Unit Trust

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### Notes to the financial statements (continued)

#### As at June 30, 2008

#### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.7 Units

Units are redeemable at the unitholder's option and are classified as financial liabilities.

The units can be redeemed by unitholders at any time (subject to notice and/or redemption date as defined in the Trust Deed) for cash equal to a proportionate share of the Trust's net asset value. The units are carried at the redemption amount that are payable at the balance sheet date if the unitholder exercised its right to redeem the unit.

#### NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

##### 3.1 Critical accounting and assumptions

###### *Fair value of financial instruments*

All of the Trust's financial assets and liabilities, including derivative financial instruments, were measured at fair value using, in full or in part, reference to published price quotations.

##### 3.2 Critical judgements

As described in Note 2.5, the Trustee considers AUD as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The AUD is the currency in which the Trust measures its performance and reports its results, as well as the currency in which it receives subscriptions from its investors. This determination also considers the competitive environment in which the Trust is compared.

#### NOTE 4. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

##### 4.1 Categories of financial instruments

	2008 AUD	2007 AUD
Listed equity securities	42,701,988	79,872,099
Derivatives	1,505,090	3,649,395
<b>Financial assets at fair value through profit or loss</b>	<b>44,207,078</b>	<b>83,521,494</b>
Listed equity securities, sold short	(8,282,642)	(15,699,478)
<b>Financial liabilities at fair value through profit or loss</b>	<b>(8,282,642)</b>	<b>(15,699,478)</b>

**Optimal Japan Trust**  
**Unit Trust**

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**Notes to the financial statements (continued)**  
**As at June 30, 2008**

**NOTE 4. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**

**4.2 Net gains/(losses) on financial assets and liabilities at fair value through profit or loss**

	<b>2008</b>	<b>2007</b>
	<b>AUD</b>	<b>AUD</b>
Held for trading	7,242,308	7,208,847
Designated as at fair value through profit or loss	<u>(8,852,087)</u>	<u>7,525,515</u>
<b>Net realised gains on financial assets and liabilities at fair value through profit or loss</b>	<b><u>(1,609,779)</u></b>	<b><u>14,734,362</u></b>
Held for trading	(2,144,305)	3,924,127
Designated as at fair value through profit or loss	<u>(17,431,637)</u>	<u>(4,833,974)</u>
<b>Net change in unrealised (losses) on financial assets and liabilities at fair value through profit or loss</b>	<b><u>(19,575,942)</u></b>	<b><u>(909,847)</u></b>

**4.3 Derivative instruments with off-balance sheet market risk**

Market risks associated with futures contracts arise due to the possible movements in indices and securities values underlying these instruments. Other market and credit risks include the possibility that there may be an illiquid market for the futures contracts, that the change in the value of the futures contract may not directly correlate with changes in the value of the underlying currencies, indices, or securities, or that the counterparty to a futures contract defaults on its obligation to perform under the terms of the contract.

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities; changes in the futures contracts' value are settled daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market. Futures are settled on a net basis.

The Trust's outstanding equity index futures contracts and forward foreign exchange contracts are as follows:

	<b>2008</b>	<b>2007</b>
	<b>Unrealised gain</b>	<b>Unrealised gain</b>
Equity index futures - short	AUD 670,949	-
Forward foreign exchange contracts	<u>AUD 834,141</u>	<u>AUD 3,649,395</u>

The Trust carried out index futures transactions with the Prime Broker.

**Notes to the financial statements (continued)**  
**As at June 30, 2008**

**NOTE 5. FINANCIAL ASSETS AND LIABILITIES ANALYSIS – ASSOCIATED RISKS**

**5.1 Strategy in using financial instruments**

**Investment objectives**

The Trust's investment objective is capital appreciation and seeks to achieve this through investing primarily in listed Japanese equity securities and may also invest in convertible bonds and debt securities. In addition, the Trust may seek to enhance capital appreciation and reduce volatility with the use of short selling listed Japanese equity securities, derivative and currency contracts.

The Trust's investment activities expose it to various types of risks associated with the financial assets and liabilities and the Japanese market in which it invests. These risks include market risk (including market price risk, currency risk and interest rate risk), credit risk, and liquidity risks.

The Investment Manager expects to adopt the following investment policies and processes for managing the Trust's capital.

**Investment policies**

The Investment Manager's stock selection is based on the assessment of industry and company specific conditions with a view to constructing a portfolio with attractively valued businesses. A key part of the investment strategy is to sell short securities that the Investment Manager believes are overvalued and are likely to decline in price.

In addition, the Investment Manager seeks to enhance capital appreciation and reduce volatility with the use of derivative contracts and currency contracts. Financial futures are generally used for hedging purposes but may be used to gain market exposure quickly, as and when necessary.

A primary objective of the Trust is to enhance capital appreciation so preservation of capital is fundamental. As share price volatilities fluctuate with changing global market conditions, the Trust's positions are monitored on a regular basis. The investment mandate stipulates that the Trust may invest a maximum of 10% of its gross assets in the securities of any one company.



**Notes to the financial statements (continued)**  
**As at June 30, 2008**

**NOTE 5. FINANCIAL ASSETS AND LIABILITIES ANALYSIS – ASSOCIATED RISKS**  
**(CONTINUED)**

**5.1 Strategy in using financial instruments (continued)**

**Investment processes**

The Investment Manager's investment process relies on a variety of measures of value to quantify how equity is priced relative to its own history and relative to competing assets such as bonds and money market instruments. In addition to price-to-book and price-to-earnings ratios, a modified discounted cash flow model is used to test the Investment Manager's assumptions against the market consensus. This method is used to break down the market's apportionment of value in a security between earnings from existing assets and those from future investments also highlights disparities in value.

Although the investment decision-making process incorporates various quantitative valuation methods, the Investment Manager is committed to making regular contact with the management of target companies to help make subjective judgments on their business strategies and prospects. The Investment Manager believes this is vital in the competitive Asian business environment, as management ability and attitudes vary widely.

The risks and the respective risk management policies employed by the Trust to manage these risks are discussed below.

**5.2 Credit risk**

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment (including payment of amounts arising from derivative contracts) in full when due and cause the Trust to incur a financial loss.

The counterparty risk is the risk that the other party in an agreement will default.

Financial assets which potentially expose the Trust to credit risk and counterparty risk consist principally of securities and cash balances held with the prime broker and cash at banks.

The Trust has a Prime Brokerage Agreement with Goldman Sachs International (the 'Prime Broker'). The Prime Broker provides the clearing and depository operations for the Trust's security transactions as well as providing loans and finance. Short-term borrowings are \$4,690,431 (2007: \$381,492).

As continuing security for the payment and discharge of the Trust's liabilities, all assets held by the Prime Broker will be charged in its favour. Financial assets which potentially subject the Trust to concentrations of credit risk and counterparty risk consist principally of cash balances and assets held with the Prime Broker and derivatives where the Prime Broker is the counterparty. The Trust therefore has a significant credit risk and counterparty risk exposure to the Prime Broker as the majority of the Trust's assets are held by the Prime Broker.

## Optimal Japan Trust Unit Trust

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### Notes to the financial statements (continued) As at June 30, 2008

#### NOTE 5. FINANCIAL ASSETS AND LIABILITIES ANALYSIS – ASSOCIATED RISKS (CONTINUED)

##### 5.2 Credit risk (continued)

As at June 30, 2008, the Prime broker held the following net assets on behalf of the Trust:

	2008	2007
	AUD	AUD
Net financial assets at fair value	35,924,436	67,822,016
Net cash balances	20,157,778	6,068,474
	<u>56,082,214</u>	<u>73,890,490</u>

The Prime Broker is part of the Goldman Sachs Group Inc, which has a current credit rating issued by S&P of AA-.

The Trust also holds cash balances with Kredietbank SA Luxembourg (the 'Cash Custodian') who provides cash depository services. At 30 June 2008, the Cash Custodian held cash balances totaling \$388,156 (2007: \$22,883,013) on behalf of the Trust. Kredietbank SA Luxembourg is part of KBC Group, which has a current credit rating issued by S&P of A+.

All transactions in listed securities are settled/ paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal as delivery of securities sold is only made when the broker has received payment. Payment is made on a purchase when the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Trust limits its exposure to credit risk and counterparty risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges which the Trustee considers being of high credit ratings and well established.

The Investment Manager monitors the Trust's credit position on a quarterly basis.

There are no debt instruments that are past due (2007: nil).

##### 5.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in settling a liability or selling a financial asset quickly at close to its fair value.

The Trust is exposed to monthly cash redemptions of units subject to one month's prior notice. The Investment Manager manages the Trust's liquidity risk by predominantly investing in equity issued by listed Japanese companies traded on the Tokyo Stock Exchange which are considered readily realisable. The Trust also has the ability to borrow short-term funds from its Prime Broker to ensure settlement.

**Optimal Japan Trust**  
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**Notes to the financial statements (continued)**  
**As at June 30, 2008**

**NOTE 5. FINANCIAL ASSETS AND LIABILITIES ANALYSIS – ASSOCIATED RISKS**  
**(CONTINUED)**

**5.3 Liquidity risk (continued)**

The table below analyses the Trust's liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted gross cash flows on the financial liabilities that require gross settlement. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<b>Less than 1 month AUD</b>	<b>1-3 months AUD</b>
<b>30 June 2008</b>		
Listed equity securities sold short	8,282,642	-
Short term borrowings from Prime Broker	4,690,431	-
Performance fee payable	-	829
Other payables and accrued expenses	132,107	-
	<u>13,105,180</u>	<u>829</u>
Net assets attributable to unitholders	-	<u>56,382,937</u>
<b>30 June 2007</b>		
Listed equity securities sold short	15,699,478	-
Short term borrowings from the Prime Broker	381,492	-
Performance fee payable	-	2,887,342
Other payables and accrued expenses	538,934	-
	<u>16,619,904</u>	<u>2,887,342</u>
Net assets attributable to unitholders	-	<u>93,382,089</u>

The following table sets forth the details of shareholders with holdings greater than 10%:

**As of June 30, 2008**

Shareholder 1	29.54%
Shareholder 2	14.72%
Shareholder 3	13.00%
Other shareholders	42.74%
	<u>100.00%</u>

## Optimal Japan Trust

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#### Notes to the financial statements (continued)

#### As at June 30, 2008

#### NOTE 5. FINANCIAL ASSETS AND LIABILITIES ANALYSIS – ASSOCIATED RISKS (CONTINUED)

##### 5.4 Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

All securities investments and derivative financial instruments present a risk of loss of capital as they are susceptible to market price risk arising from uncertainties about future prices of the instruments.

The Investment Manager uses a number of measures to moderate the Trust's market price risk. The primary method is through the careful selection of securities and other financial instruments and the continuous monitoring of individual positions and net exposure. The Trust's market price risk is also managed through the diversification of the investment portfolio to different industry sectors in Japan. Further the Trust is limited to investing a maximum of 10% of its gross assets in the securities of any one company.

The table below analyses the investment portfolio by exposure to different industries, incorporating the underlying market risk through all financial assets and liabilities. The aggregate market exposure will not agree to the balance sheet as they include the gross market exposure through various forms of derivative contracts which are marked to market on the balance sheet.

Industry	Net exposure as a % of NAV	
	2008	2007
Industrials	29.0	26.7
Financials	18.0	16.6
Materials	7.7	13.3
Consumer Disc	4.6	12.1
Consumer staples	-	(2.9)
Technology	1.8	2.9
Total Equity	61.1	65.8
Index Futures*	(27.8)	-
<b>Net Exposure</b>	<b>33.3</b>	<b>65.8</b>

The Investment Manager does not manage the Trust's investment strategy against any particular index or external benchmark. For the purpose of determining and disclosing the sensitivity analysis as required under IFRS 7 - Financial Instruments: Disclosures", the Investment Manager has made reference to the Topix Index (the "Index") for the purpose of determining reasonable possible shift in the value of the investment portfolio.

The Investment Manager considers a reasonable possible shift based on the monthly change in the index in the last 12 months would be 5% lower (2007: 1% lower). At year-end, if the Index had been 5% lower with all other variables held constant, the decrease in the net assets attributable to unitholders would have been \$1,796,222 lower (2007: \$678,220 lower), arising due to the decrease in the fair value of the financial net assets at fair value through profit or loss and not taking into account any impact on management and performance fees.

## **Optimal Japan Trust Unit Trust**

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### **Notes to the financial statements (continued) As at June 30, 2008**

#### **NOTE 5. FINANCIAL ASSETS AND LIABILITIES ANALYSIS – ASSOCIATED RISKS (CONTINUED)**

##### **5.5 Short equity securities and derivative instruments with off-balance sheet market risk**

The Trust may sell borrowed securities which are subsequently repurchased and returned to the lender, thereby creating a liability to repurchase the security in the market at prevailing prices. Short selling allows the investor to profit from declines in market prices.

The liability for such securities sold short is marked to market based on the current value of the underlying security at the date of valuation. These transactions result in off-balance sheet risk as the Trust's ultimate obligation to satisfy the delivery of securities sold short may exceed the amount which may be reflected on the balance sheet. As June 30, 2008 the outstanding short sale position amounted to \$8,282,642 (2007: \$15,699,478).

The Trust may enter into equity index futures contracts which to varying degrees represent market risk in excess of the amount reflected on the balance sheet. The notional amount of the future contracts represents the Trust's participation in these financial instruments. Details of the outstanding equity index futures contracts are included in Note 4.3.

##### **5.6 Interest rate risk**

The majority of the Trust's financial assets and financial liabilities are non-interest bearing, as it mainly invests in listed equities except for its cash balances which are placed on deposit at short term interest rates. The interest rate risk exposure of the Trust to the fluctuations of market interest rates related to short term borrowing positions is considered to be limited. The majority of the Trust's cash balances are maintained in JPY which offer minimal rates of interest. As a result, the Trust is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

At the year-end, the Trust held one Japanese corporate convertible bond with a fair value of \$149,604 with a coupon rate of 1.9% pa (2007: nil) and the maturity date is December 26, 2008.

##### **5.7 Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates.

The Trust's assets and liabilities are mainly denominated in Australian Dollars and Japanese Yen. The Trust is therefore exposed to currency risk, as the value of the assets and liabilities denominated in Japanese Yen will fluctuate due to changes in exchange rates. The Trust hedges its foreign currency exposure to maintain limited exposure to currencies other than AUD by using foreign exchange forward contracts.

**Optimal Japan Trust**  
**Unit Trust**

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**Notes to the financial statements (continued)**  
**As at June 30, 2008**

**NOTE 5. FINANCIAL ASSETS AND LIABILITIES ANALYSIS – ASSOCIATED RISKS (CONTINUED)**

**5.7 Currency risk (continued)**

The table below summarises the Trust's net exposure to foreign currencies (including forward foreign currency exchange contracts), incorporating the underlying currency risk through all financial assets and liabilities held by it, both monetary and non-monetary. The AUD equivalent of the aggregate of the net currency exposures will not agree to the balance sheet as they reflect the currency exposure through derivative contracts, which are marked to market on the balance sheet. All exposures are stated in AUD equivalents.

<b>2008</b>	<b>Monetary assets</b>	<b>Monetary liabilities</b>	<b>Forward Fx Contracts</b>	<b>Net exposure</b>
JPY	35,131,294	(3,912,364)	(33,370,759)	(2,151,829)
USD	725,617	(20,890)	-	704,727
EURO	-	(8,540)	-	(8,540)
<b>2007</b>	<b>Monetary assets</b>	<b>Monetary liabilities</b>	<b>Forward Fx Contracts</b>	<b>Net exposure</b>
JPY	67,390,593	(136)	(63,891,063)	3,499,394
USD	-	(193,444)	-	(193,444)
EURO	-	(27,054)	-	(27,054)

The sensitivity analysis has been determined based on the sensitivity of the Trust's outstanding foreign currency denominated balances to movement in the AUD against the relevant foreign currencies translated at the balance sheet date.

At June 30 2008, if the AUD had weakened 10% (2007: 10% weakened) against the Yen, USD and Euro with all other variables held constant, the net assets attributable to unitholders would have decreased by approximately AUD 162,000 (2007: AUD 364,000 increase), arising as a result of an increase in the fair value of foreign currency denominated financial assets and liabilities.

**NOTE 6. SIGNIFICANT AGREEMENTS AND RELATED PARTY TRANSACTIONS WITH AFFILIATES**

**6.1 Investment management fee**

The Investment Manager is entitled to receive a fee, payable monthly in arrears, at the rate of 1% p.a. of the value of the Trust's net assets at each valuation point.

## Optimal Japan Trust Unit Trust

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### Notes to the financial statements (continued) As at June 30, 2008

#### NOTE 6. SIGNIFICANT AGREEMENTS AND RELATED PARTY TRANSACTIONS WITH AFFILIATES (CONTINUED)

##### 6.2 Performance fee

The Investment Manager is entitled to an annual performance fee equal to 20% of the increase in the net asset value per unit as at the balance sheet date point over the relevant performance benchmark multiplied by the average number of units in issue during the financial period.

Pursuant to the revised Trust Deed dated June 28, 2002, for subscriptions on or after June 28, 2002, a new series of units will be issued on each dealing day for the purpose of calculating the performance fee and on which the Investment Manager is entitled to receive a new investment performance fee. This new performance fee is calculated as 20% of the increase in the net asset value per unit of the relevant series as at the end of the financial year over the Performance Benchmark applicable to such series of units multiplied by the number of units of the relevant series in issue as at the valuation point of the relevant financial year.

The Performance Benchmark of the initial units (i.e. units issued prior to June 28, 2002) is equal to the net asset value per initial unit as at June 30, 2007 multiplied by 105% or, if higher, the highest net asset value per initial unit as at the last valuation point in any previous financial year.

In relation to new units (i.e. units issued on or after June 28, 2002), the Performance Benchmark is equal to the highest net asset value per unit of the relevant series as at the last valuation point in any previous financial year or, if higher, the subscription price per unit paid for the unit.

Performance fee I =  $[\text{NAV} - (\text{the higher of } 105\% \times \text{NAV } 2007 \text{ or } \text{NAV } p)] \times 20\% \times \text{number of units}$ .

Performance fee n =  $[\text{NAV} - (\text{the higher of } \text{NAV sub} \text{ or } \text{NAV } p)] \times 20\% \times \text{number of units}$ .

Where: Performance fee I is the performance fee for initial series  
Performance fee n is the performance fee for new series  
NAV is the net asset value at the year-end date  
NAV 2007 is the net asset value as at June 30, 2007  
NAV sub is subscription price per unit paid for the unit  
NAV p is the highest net asset value per unit of the relevant series as at the last valuation point in any previous financial year.

When an investor redeems units during the course of a financial year, the accrued performance fee in respect of the units redeemed will be paid to the Investment Manager.

As at June 30, 2008, the accrued performance fee is AUD 829 (June 2007: AUD: 2,887,342).

##### 6.3 Trustee fee

Effective from June 28, 2002, the Trust appointed Optimal Fund Management Pty Limited as the new Trustee who agreed to waive their fee effective from the date of appointment.

## **Optimal Japan Trust**

### **Unit Trust**

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#### **Notes to the financial statements (continued)**

##### **As at June 30, 2008**

#### **NOTE 6. SIGNIFICANT AGREEMENTS AND RELATED PARTY TRANSACTIONS WITH AFFILIATES (CONTINUED)**

##### **6.4 Administration fee**

The Administrator is entitled to receive fees in relation to its central administration and transfer agency services activities. This includes mainly NAV, bookkeeping and portfolio valuation fees, and management and performance fee calculations. The fee calculation can be transactions-based, progressive-based or flat.

##### **6.5 Related party transactions**

In addition to the fees paid by the Trust to the various services providers as stated in note 6 above, details of other related party transactions are as follows:

##### **Interests in the Trust's units**

Warwick Johnson, a director and shareholder of the Investment Manager, held 336,790.009 units as at June 30, 2008 (June 30, 2007: 195,471.355) units in the Trust.

#### **NOTE 7. TAXATION**

The Trust is not liable to any Australian income tax or capital gains tax. Overseas withholding tax was charged on certain dividend income received during the year.

Australian goods and service tax is payable on the fees charged by the Investment Manager and other fees and expenses incurred in Australia. This tax is disclosed separately in the income statement.

#### **NOTE 8. SHARE CAPITAL**

Pursuant to the revised Trust Deed dated June 28, 2002, for subscriptions on or after June 28, 2002, a new series of units will be issued on each dealing day for the purpose of calculating the performance fee.

In accordance with the information memorandum, as soon as practicable after the last valuation date in June in each year, all units in all series other than initial series which have borne a performance fee in respect of the relevant year will normally be consolidated to a single series, being the oldest series to have borne a performance fee in respect of the relevant year and carry the same performance benchmark. All units of the initial series will remain as a separate series.

Each unit of the initial series of units in issue represents one undivided unit in the Trust while the number of undivided units of the Trust represented by a unit of relevant series other than the initial units then in issue or deemed to be in issue shall be decreased or increased to take into account different performance fees and any other fees, outlays, costs and expenses borne by each series. Accordingly, such differences among different series are adjusted by issuing additional units or redemption of existing units of relevant series at unit consolidation.



**Optimal Japan Trust**  
**Unit Trust**

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**Notes to the financial statements (continued)**  
**As at June 30, 2008**

**NOTE 8. SHARE CAPITAL (CONTINUED)**

The movement in units is a follows:

	2008	2007
Number of units at the beginning of the year	5,302,225.867	4,018,495.158
Units issued during the year	3,041,578.092	2,739,587.473
Units redeemed during the year	<u>(3,703,816.082)</u>	<u>(1,455,856.764)</u>
Number of units at the end of the year	<u>4,639,987.877</u>	<u>5,302,225.867</u>

**NOTE 9. DISTRIBUTION**

On July 30, 2007, the annual dividend rate for 2007 has been calculated to be AUD 2.4179 per unit with a record date of June 30, 2007. The Trustee made a distribution in the amount of AUD 12,868,422 in relation to financial year-ended June 30, 2007. For 2008, no annual dividend has been declared.

**NOTE 10. EVENTS AFTER BALANCE SHEET DATE**

The crisis and related turmoil in the global financial system has had and may continue to have an impact on the Fund's financial condition and results of operations. The Fund's net asset value decreased from AUD 56,382,937 as of June 30, 2008 to AUD 48,812,846 as of November 28, 2008 as a result of a decrease in the fair value of the portfolio and net redemptions.

Except for the matter described above, there has been no significant event after balance sheet date which in the opinion of the Board of Directors requires disclosure in the financial statements.

**NOTE 11. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Trustee on December 22, 2008.

**Optimal Japan Trust**  
Unit Trust

**Investment portfolio (unaudited)**  
As at June 30, 2008

Quantity	Description	Ccy	Fair value	% of net assets
<b>Financial assets held at fair value through profit or loss</b>				
<b>Equities</b>				
95,000	Asahi Glass Co Ltd	AUD	1,197,225	2.12
67,500	Bridgestone Corp	AUD	1,075,250	1.91
23,300	Fanuc Ltd	AUD	2,371,493	4.21
10,000	Hirose Electric Co Ltd	AUD	1,046,271	1.86
64,000	Hitachi Construct Machinery Co	AUD	1,868,763	3.32
33,500	JFE Holdings Inc	AUD	1,759,081	3.12
32,000	Kyoei Steel Ltd	AUD	634,437	1.13
44,000	Makino Milling Machine Co Ltd	AUD	288,912	0.51
58,000	Mitsubishi Corp	AUD	1,992,431	3.53
140,000	Mitsubishi Electric Corp	AUD	1,573,333	2.79
132,000	Mitsubishi Material Corp	AUD	588,189	1.04
251,000	Mitsubishi UFJ Fin Group Inc	AUD	2,318,198	4.11
38,130	Mitsubishi UFJ Lease Fin Co Ltd	AUD	1,725,261	3.06
87,000	Mitsui Fudosan Co Ltd	AUD	1,938,350	3.44
194,000	Nachi Fujikoshi Corp	AUD	786,392	1.39
106,900	Nomura Holdings Inc	AUD	1,650,417	2.93
95,000	Okuma Corp	AUD	983,701	1.74
146,000	Press Kogyo Co Ltd	AUD	684,964	1.21
90,000	Riken Corp	AUD	420,472	0.75
68,100	Star Micronics	AUD	1,116,222	1.98
23,800	Sumco Corp	AUD	548,949	0.97
165,500	Sumitomo Corp	AUD	2,265,997	4.02
224,000	Sumitomo Metal Industries Ltd	AUD	1,026,720	1.82
274	Sumitomo Mitsui Fin Group Inc	AUD	2,148,743	3.81
74,900	Suzuki Motor Corp	AUD	1,845,197	3.27
93,000	Tadano Ltd	AUD	1,041,492	1.85
549,000	Taiheiyo Cement Corp	AUD	1,147,728	2.04
226,000	Tokyo Tatemono Company	AUD	1,523,886	2.70
258,000	Tokyu Corp	AUD	1,395,271	2.48
82,500	Ushio Inc	AUD	1,404,884	2.49
22,150	Yamada Denki Co Ltd	AUD	1,643,549	2.92
	<b>Total equities</b>	<b>AUD</b>	<b>42,011,778</b>	<b>74.52</b>
<b>Bonds</b>				
13,000,000	Asahi Glass Co Ltd 1.9% Conv Series 5 93/26.12.08	AUD	149,604	0.27
	<b>Total bond</b>	<b>AUD</b>	<b>149,604</b>	<b>0.27</b>
<b>Investment funds</b>				
90	Japan Retail Fund Inv Corp	AUD	540,606	0.96
	<b>Total investment fund</b>	<b>AUD</b>	<b>540,606</b>	<b>0.96</b>
<b>Futures contracts</b>				
(107)	Nikkei 225 Index Sept 08 OSE	AUD	670,949	1.19
	<b>Total futures contracts</b>	<b>AUD</b>	<b>670,949</b>	<b>1.19</b>

**Optimal Japan Trust**  
Unit Trust

**Investment portfolio (unaudited)**  
As at June 30, 2008 (continued)

Quantity	Description	Ccy	Fair value	% of net assets
<b>Financial assets held at fair value through profit or loss (continued)</b>				
<b>Forward foreign exchange contracts</b>				
	Buy 34,573,927 AUD, Sell 3,400,000,000 JPY 29/08/2008	AUD	834,141	1.48
	<b>Total forward foreign exchange contracts</b>	AUD	<b>834,141</b>	<b>1.48</b>
	<b>Total financial assets held at fair value through profit or loss</b>	AUD	<b>44,207,078</b>	<b>78.42</b>
<b>Financial liabilities held at fair value through profit or loss</b>				
<b>Equities short</b>				
(19,700)	Aeon Mall Co Ltd	AUD	(607,132)	(1.08)
(6,100)	Autobacs Seven Co Ltd	AUD	(177,817)	(0.32)
(8,600)	Fast Retailing Holdings Co Ltd	AUD	(849,148)	(1.51)
(144,000)	Kajima Corp	AUD	(524,353)	(0.93)
(141,000)	Mitsui Engineering & Shipbuild	AUD	(464,992)	(0.82)
(9,800)	Nidec Corp	AUD	(680,037)	(1.21)
(20,000)	Nikon Corp	AUD	(608,526)	(1.08)
(20,400)	Nitto Denko Corp	AUD	(816,916)	(1.45)
(34,700)	Seiko Epson Corp	AUD	(994,488)	(1.76)
(51,000)	Sharp Corp	AUD	(865,471)	(1.54)
(11,000)	Shimano Inc	AUD	(575,449)	(1.02)
(54,000)	Sumitomo Realty & Dev Co Ltd	AUD	(1,118,313)	(1.98)
	<b>Total equities short</b>	AUD	<b>(8,282,642)</b>	<b>(14.69)</b>
	<b>Total financial liabilities held at fair value through profit or loss</b>	AUD	<b>(8,282,642)</b>	<b>(14.69)</b>
	<b>Total financial assets and liabilities held at fair value through profit or loss</b>	AUD	<b>35,924,436</b>	<b>63.72</b>
	Net current assets	AUD	20,458,501	36.28
	<b>Total net assets</b>	AUD	<b>56,382,937</b>	<b>100.00</b>

**Optimal Japan Trust**  
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**Investment portfolio (unaudited)**  
As at June 30, 2007

Quantity	Description	Ccy	Fair value	% of net assets
<b>Financial assets held at fair value through profit or loss</b>				
<b>Equities</b>				
202,000	Bosch Corp	AUD	1,176,950	1.26
114	Central Japan Railway Co	AUD	1,413,232	1.51
75,000	Chiyoda Corp	AUD	1,680,716	1.80
29,200	Fanuc Ltd	AUD	3,541,892	3.79
11,500	Hirose Electric Co Ltd	AUD	1,778,746	1.90
54,300	Hitachi Construct Machinery Co	AUD	2,221,378	2.38
9,300	Intage Inc	AUD	249,647	0.27
330,000	Isuzu Motors Ltd	AUD	2,102,111	2.25
40,900	JFE Holdings Inc	AUD	2,991,465	3.20
100,000	JSR Corp	AUD	2,836,954	3.04
110,400	Komatsu Ltd	AUD	3,768,924	4.04
31,400	Kyoei Steel Ltd	AUD	1,015,067	1.09
80,000	Makino Milling Machine Co Ltd	AUD	1,342,666	1.44
275	Mitsubishi UFJ Fin Group Inc	AUD	3,566,456	3.82
46,560	Mitsubishi UFJ Lease Fin Co Ltd	AUD	2,459,733	2.63
103,000	Mitsui Fudosan Co Ltd	AUD	3,398,432	3.64
158,000	Mitsukoshi Ltd	AUD	929,625	1.00
470	Mizuho Financial Group Inc	AUD	3,823,070	4.09
237,000	Nachi Fujikoshi Corp	AUD	1,430,597	1.53
24,100	Noritsu Koki Co Ltd	AUD	579,139	0.62
42,000	Okuma Corp	AUD	781,397	0.84
85,300	OSG Corp	AUD	1,381,186	1.48
181,000	Press Kogyo Co Ltd	AUD	900,978	0.97
107,000	Riken Corp	AUD	669,349	0.72
571,000	Showa Denko KK	AUD	2,428,490	2.60
91,500	Star Micronics	AUD	2,870,664	3.07
196,900	Sumitomo Corp	AUD	4,224,677	4.52
77,900	Suzuki Motor Corp	AUD	2,599,985	2.78
59,000	Tadano Ltd	AUD	1,034,663	1.11
534,000	Taiheiyo Cement Corp	AUD	2,780,348	2.98
40,300	Taikisha Ltd	AUD	664,455	0.71
398,000	Teijin Ltd	AUD	2,558,046	2.74
223,000	Tokyo Tatemono Company	AUD	3,268,467	3.50
415,000	Tokyu Corp	AUD	3,260,923	3.49
41,300	Topcon Corp	AUD	809,333	0.87
48,500	Toyota Motor Corp	AUD	3,607,461	3.86
83,200	Ushio Inc	AUD	2,169,932	2.32
12,660	Yamada Denki Co Ltd	AUD	1,554,945	1.67
	<b>Total equities</b>	<b>AUD</b>	<b>79,872,099</b>	<b>85.53</b>

**Optimal Japan Trust**  
**Unit Trust**

**Investment portfolio (unaudited)**  
**As at June 30, 2007 (continued)**

Quantity	Description	Ccy	Fair value	% of net assets
<b>Financial assets held at fair value through profit or loss</b>				
<b>Forward foreign exchange contracts</b>				
	Buy 68,172,568 AUD, Sell 6,700,000,000 JPY 31/08/2007	AUD	3,649,395	3.91
	<b>Total forward foreign exchange contracts</b>	<b>AUD</b>	<b>3,649,395</b>	<b>3.91</b>
	<b>Total financial assets held at fair value through profit or loss</b>	<b>AUD</b>	<b>83,521,494</b>	<b>89.44</b>
<b>Financial liabilities held at fair value through profit or loss</b>				
<b>Equities short</b>				
(57,000)	Dai Nippon Printing Co Ltd	AUD	(999,590)	(1.07)
(7,500)	Funai Electric Co Ltd	AUD	(514,228)	(0.55)
(276,000)	Ishikawajima-harima Heavy Ind	AUD	(1,184,369)	(1.27)
(80,000)	JGC Corp	AUD	(1,762,249)	(1.89)
(33,900)	Lawson Inc	AUD	(1,377,129)	(1.48)
(26,200)	Leopalace21 Corp	AUD	(1,051,838)	(1.13)
(12,700)	Murata Manufacturing Co Ltd	AUD	(1,125,084)	(1.20)
(111,600)	Nippon Suisan Kaisha Ltd	AUD	(839,666)	(0.90)
(24,300)	Nitto Denko Corp	AUD	(1,441,325)	(1.54)
(129,000)	Oji Paper Co Ltd	AUD	(736,855)	(0.79)
(57,000)	Sharp Corp	AUD	(1,271,909)	(1.36)
(21,000)	Shiseido Co Ltd	AUD	(526,672)	(0.56)
(21,100)	Sony Corp	AUD	(1,273,654)	(1.36)
(7,900)	Tokyo Electron Ltd	AUD	(684,034)	(0.73)
(24,000)	Trend Micro Inc	AUD	(910,876)	(0.98)
	<b>Total equities short</b>	<b>AUD</b>	<b>(15,699,478)</b>	<b>(16.81)</b>
	<b>Total financial liabilities held at fair value through profit or loss</b>	<b>AUD</b>	<b>(15,699,478)</b>	<b>(16.81)</b>
	<b>Total financial assets and liabilities held at fair value through profit or loss</b>	<b>AUD</b>	<b>67,822,016</b>	<b>72.63</b>
	Net current assets	AUD	25,560,073	27.37
	<b>Total net assets</b>	<b>AUD</b>	<b>93,382,089</b>	<b>100.00</b>

