

Australian Equity – Growth Fund /

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Directors' report

The Directors of National Mutual Funds Management Limited (a wholly owned subsidiary of AXA Asia Pacific Holdings Limited), the 'Responsible Entity' of the Australian Equity – Growth Fund (the 'Fund'), present their report together with the financial statements of the Fund, and the consolidated financial statements of the Fund and its controlled entity (collectively, 'the consolidated entity') for the year ended 30 June 2011. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report as follows:

Principal activities

The principal activity of the Fund is to invest funds in accordance with its investment objectives and guidelines as set out in the current Product Disclosure Statement and in accordance with the provisions of the Fund Constitution.

The Fund invests predominantly in an unlisted managed investment scheme, the Wholesale Australian Equity – Growth Fund ARSN 089 808 248 ('Underlying Fund'), and cash and cash equivalents. The Underlying Fund holds a diversified portfolio of Australian stocks listed on the ASX and may invest in derivative instruments (such as futures and options) and cash and cash equivalents.

There were no significant changes in the nature of the Fund's activities during the financial year.

Directors

The following persons held office as Directors of National Mutual Funds Management Limited during the year or since the end of the year and up to the date of this report:

D S Craine
E A Foley (resigned on 17 November 2010)
W J Lee (resigned on 29 March 2011)
I C Campbell
P Sampson (resigned on 30 March 2011)
P E Akopiantz (resigned on 30 March 2011)
K W Keenan (resigned on 29 March 2011)
M J Royer (resigned on 30 June 2011)
J R Dawson (appointed on 29 March 2011)
S J P Dunne (appointed on 29 March 2011)
S M Burgess (appointed on 30 June 2011)

Australian Equity – Growth Fund

Consolidated financial statements 30 June 2011

Directors' report (continued)

Review and results of operations

The Fund maintains its investment strategy in unlisted managed investment schemes and cash and cash equivalents.

The Fund's subsidiary maintains its investment strategy to buy shares in Australian companies involved in a diverse range of business activities.

The investment policy of the Fund continues to be that detailed in the current Product Disclosure Statement and in accordance with the provisions of the Fund Constitution.

Results

The performance of the Fund and the consolidated entity, as represented by the results of its operations, was as follows:

	Consolidated year ended		Parent year ended	
	30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
Profit before finance costs attributable to unit holders	4,350,280	6,056,022	2,137,333	3,008,464

Distributions

	Consolidated year ended		Parent year ended	
	30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
Distributions to unit holders of the parent entity	1,218,179	357,297	1,218,179	357,297

The key differences between unit pricing and financial reporting have been outlined below:

	Parent as at	
	30 June 2011 \$	30 June 2010 \$
Net assets for unit pricing purposes	23,972,836	23,977,514
Adjustment for changes in valuation of financial assets held at fair value	(23,343)	(22,245)
Reclassification of net assets attributable to unit holders to liabilities	(23,949,493)	(23,955,269)
Net assets for financial reporting purposes	-	-

Directors' report (continued)

Significant changes in state of affairs

A significant event occurred during the year in relation to the change in ownership of the Responsible Entity's parent company. Effective 30 March 2011, AMP Limited acquired ownership of AXA Asia Pacific Holdings Limited from AXA SA. The Responsible Entity remains a wholly owned subsidiary of AXA Asia Pacific Holdings Limited. As of this date, the ultimate parent of the Responsible Entity is AMP Limited. There are no other changes to the state of affairs of the Fund other than that referred to in the financial statements or notes thereto.

Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

Future developments

The Fund will continue to be managed in accordance with its investment objectives and guidelines as set out in the current Product Disclosure Statement and in accordance with the provisions of the Fund Constitution. Future results will accordingly depend on the performance of the markets to which the Fund is exposed.

Options granted

No options were:

- (i) granted over unissued units in the Fund during or since the end of the financial year; or
- (ii) granted to the Responsible Entity.

No unissued units in the Fund were under option as at the date on which this report is made.

No units were issued in the Fund during or since the end of the financial year as a result of the exercise of an option over unissued units in the Fund.

Indemnification and insurance of officers and auditors

During or since the end of the financial year, the Responsible Entity has not indemnified or made a relevant agreement to indemnify an officer of the Responsible Entity or auditor of the Fund or of any related corporate body against a liability incurred by an officer of the Responsible Entity or auditor of the Fund. In addition, the Responsible Entity has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer of the Responsible Entity or auditor of the Fund.

Fund information in the financial report

Fees paid to the Responsible Entity and its associates out of the Fund property during the year are disclosed in Note 11 to the financial statements.

The number of units in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 11 to the financial statements.

The number of interests in the Fund issued during the financial year, withdrawals from the Fund during the financial year, and the number of interests in the Fund at the end of the financial year are disclosed in Note 8(a) to the financial statements.

The value of the Fund's assets as at the end of the financial year is disclosed in the statement of financial position as 'Total Assets' and the basis of valuation is included in Note 1 to the financial statements.

Independence declaration by Auditor

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

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors



Daniel Craine
Director
Melbourne
23 September 2011

Auditor's independence declaration

Deloitte

The Board of Directors
National Mutual Funds Management Limited
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Docklands VIC 3008

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19 September 2011

Dear Board Members

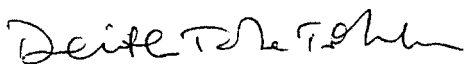
Australian Equity – Growth Fund

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of National Mutual Funds Management Limited, as Responsible Entity of the Australian Equity – Growth Fund.

As lead audit partner for the audit of the financial statements of the Australian Equity – Growth Fund for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



P A Caldwell
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited.

Independent auditor's report

Deloitte

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Independent Auditor's Report to the unitholders of the Australian Equity – Growth Fund

We have audited the accompanying financial report of the Australian Equity – Growth Fund, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the fund and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 8 to 35.

Directors' Responsibility for the Financial Report

The directors of National Mutual Funds Management 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 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation 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.

Independent auditor's report (continued)

Deloitte.

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

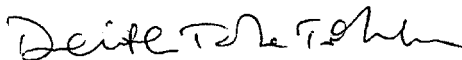
Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of National Mutual Funds Management Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of the Australian Equity – Growth Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the fund's and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.



DELOITTE TOUCHE TOHMATSU



P A Caldwell
Partner
Chartered Accountants
Melbourne, 23 September 2011

Australian Equity – Growth Fund

Consolidated financial statements 30 June 2011

Directors' declaration

The consolidated financial statements and the notes thereto of the Fund for the financial year ended 30 June 2011 have been prepared by the Responsible Entity in accordance with the *Corporations Act 2001*.

The Directors of the Responsible Entity declare that:

- (a) In the Directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (b) The attached consolidated financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements; and
- (c) In the Directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and *Corporations Regulations 2001*, and giving a true and fair view of the financial position and performance of the Fund and the consolidated entity.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors



Daniel Craine

Director
Melbourne
23 September 2011

Consolidated statement of comprehensive income

For the year ended 30 June 2011.

	Notes	Consolidated year ended		Parent year ended	
		30 June 2011	30 June 2010	30 June 2011	30 June 2010
		\$	\$	\$	\$
Investment income					
Dividend income		3,248,133	1,738,590	-	-
Distribution income		29,787	18,517	1,483,086	626,801
Interest income		9,599	8,280	3,890	3,176
Net gains on financial instruments held at fair value through profit or loss	7	1,810,857	5,112,717	919,226	2,650,642
Other investment income		17,302	520	-	-
Total investment income		5,115,678	6,878,624	2,406,202	3,280,619
Expenses					
Management fees	9, 11	621,374	621,599	251,262	244,705
Custodian fees		30,016	31,055	-	-
Auditor's remuneration	10	30,452	45,690	15,936	26,979
Other operating expenses		83,556	124,258	1,671	471
Total operating expenses		765,398	822,602	268,869	272,155
Profit before finance costs attributable to unit holders		4,350,280	6,056,022	2,137,333	3,008,464
Finance costs attributable to unit holders					
Distributions to unit holders of the parent entity	6	(1,218,179)	(357,297)	(1,218,179)	(357,297)
Distributions to non-controlling interests		(1,336,761)	(623,796)	-	-
Increase in net assets attributable to unit holders of the parent entity	8(a)	(919,154)	(2,651,167)	(919,154)	(2,651,167)
Increase in net assets attributable to non-controlling interest		(876,186)	(2,423,762)	-	-
Profit/(loss) for the year		-	-	-	-
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	-	-

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

Australian Equity – Growth Fund

Consolidated financial statements 30 June 2011

Consolidated statement of financial position

As at 30 June 2011

	Notes	Consolidated as at		Parent as at	
		30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
Assets					
Cash and cash equivalents		443,140	557,500	246,815	236,905
Margin accounts		9,287	8	-	-
Due from brokers – receivable for securities sold		1,030,928	7,438	-	-
Receivables	4	336,865	340,075	916,904	210,120
Financial assets held at fair value through profit or loss	2	45,565,592	45,231,717	23,611,878	23,620,315
Total assets		47,385,812	46,136,738	24,775,597	24,067,340
Liabilities (excluding net assets attributable to unit holders)					
Due to brokers – payable for securities purchased		725,565	-	-	-
Payables	5	113,798	112,735	42,556	41,073
Distributions payable to unit holders of the parent entity	6	783,548	70,998	783,548	70,998
Distributions payable to non-controlling interest		813,907	191,846	-	-
Net assets attributable to non-controlling interest		20,999,501	21,805,890	-	-
Total liabilities (excluding net assets attributable to unit holders of the parent entity)		23,436,319	22,181,469	826,104	112,071
Net assets attributable to unit holders of the parent entity liability	8(b)	23,949,493	23,955,269	23,949,493	23,955,269
Net assets		-	-	-	-

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

Consolidated statements of changes in equity

For the year ended 30 June 2011

The Fund's net assets attributable to unit holders 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 or comparative year.

Australian Equity – Growth Fund

Consolidated financial statements 30 June 2011

Consolidated statement of cash flows

For the year ended 30 June 2011

	Notes	Consolidated year ended		Parent year ended	
		30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
Cash flows from operating activities					
Distribution and dividend received		3,072,696	1,111,056	-	-
Interest received		9,687	8,163	3,898	3,058
Other income received		19,412	28	556	28
Management fees paid		(620,677)	(619,997)	(251,591)	(246,349)
Custodian fees paid		(30,110)	(30,620)	-	-
Payment of other expenses		(113,548)	(139,842)	(15,795)	(21,961)
Net cash provided by/(used in) operating activities	14(a)	2,337,460	328,788	(262,932)	(265,224)
Cash flows from investing activities					
Proceeds from sale of investments		62,703,494	78,228,470	2,941,400	2,229,400
Payments for purchase of investments		(61,327,479)	(77,653,943)	(1,237,999)	(1,013,801)
Net cash provided by investing activities		1,376,015	574,527	1,703,401	1,215,599
Cash flows from financing activities					
Proceeds from applications by unit holders		6,900,292	10,812,893	620,422	996,245
Payments for redemptions by unit holders		(9,894,239)	(11,315,867)	(1,856,302)	(1,893,625)
Distributions paid to unit holders of the parent entity		(833,888)	(513,628)	(194,679)	(32,845)
Net cash used in financing activities		(3,827,835)	(1,016,602)	(1,430,559)	(930,225)
Net (decrease)/increase in cash and cash equivalents		(114,360)	(113,287)	9,910	20,150
Cash and cash equivalents at the beginning of the year		557,500	670,787	236,905	216,755
Cash and cash equivalents at the end of the year	14(b)	443,140	557,500	246,815	236,905
Non-cash investing and financing activities	14(c)				

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

Notes to the financial statements

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1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements and interpretations of the Australian Accounting Standards Board and the Corporations Act 2001 in Australia.

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

In the application of Australian Accounting Standards, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Refer to Note 1(c)(iii) for details of the judgement exercised by management in determining the fair value of investments held by the consolidated entity.

Compliance with International Financial Reporting Standards (IFRS)

Compliance with Australian Accounting Standards ensures that the financial statements of the Fund comply with International Financial Reporting Standards.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities and results of the subsidiary of the Australian Equity – Growth Fund. The Australian Equity – Growth Fund (the 'parent entity') and its subsidiary together are referred to in this financial statements as the consolidated entity.

Subsidiaries are all those entities over which the Fund has the power to govern the financial and operating policies, generally accompanying a holding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity.

Subsidiaries are fully consolidated from the date control is transferred to the Fund. In this case, the parent entity acquired control of the Wholesale Australian Equity – Growth Fund on 1 April 2008. They are de-consolidated from the date that control ceased.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Fund.

All transactions (including gains and losses) and balances between entities in the consolidated group are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Fund.

Non-controlling interests in the results and net assets of subsidiaries are shown separately in the consolidated statement of comprehensive income and consolidated statement of financial position respectively.

Australian Equity – Growth Fund

Consolidated financial statements 30 June 2011

1 Summary of significant accounting policies (continued)

(c) Financial instruments

(i) Classification

The Fund's investments are classified as at fair value through profit or loss. They comprise:

- Financial instruments held for trading
These include derivative financial instruments including currency contracts. All derivatives in a net receivable or payable position are reported as either derivative financial assets or derivative financial liabilities. The Fund does not designate any derivatives as hedges in a hedging relationship.
- Financial instruments designated at fair value through profit or loss upon initial recognition
These are investments in equity securities and unlisted managed investment schemes.
Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair-value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets and financial liabilities on a fair-value basis together with other related financial information.

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

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

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in profit and loss.

- Fair value in an active market
The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.
For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

When the fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair value for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

- Fair value in an inactive or unquoted market
The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as the net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.
Investments in unlisted managed investment schemes are recorded at fair value represented by the redemption value per unit as reported by the managers of such funds.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(d) Net assets attributable to unit holders

Units are redeemable at the unit holder's option and are classified as financial liabilities due to mandatory distributions. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the reporting date if unit holders exercised their right to put the units back to the Fund.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, or other short-term highly liquid investments net of outstanding bank overdrafts.

(f) Investment income

Interest income is recognised on a time-proportionate basis taking into account the effective yield on the financial assets.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense.

Distributions from unlisted managed investment schemes are recognised as of the date the unit value is quoted ex-distribution.

(g) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

Australian Equity – Growth Fund

Consolidated financial statements 30 June 2011

1 Summary of significant accounting policies (continued)

(h) Income tax

Under current income tax legislation, the Fund is not liable to pay income tax as the net income of the Fund is assessable in the hands of the beneficiaries (the unit holders) who are 'presently entitled' to the income of the Fund. There is no income of the Fund to which the unit holders are not presently entitled and additionally, the Fund Constitution requires the distribution of the full amount of the net income of the Fund to the unit holders each period.

As a result, deferred taxes have not been recognised in the financial statements in relation to differences between the carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that taxable gains are realised by the Fund, these gains would be included in the taxable income that is assessable in the hands of the unit holders as noted above.

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

(i) Distributions

In accordance with the Fund Constitution, the Fund fully distributes its realised distributable taxable income to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

Distributions to unit holders comprise the taxable income of the Fund. The distributions are payable at the end of December and June each year.

(j) Applications and redemptions

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

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

(k) Increase/decrease in net assets attributable to unit holders

Non-distributable income is transferred directly to net assets attributable to unit holders. This balance represents unrealised gains and losses due to the change in the fair value of investments. These gains and losses have been recognised in the statement of comprehensive income in either the current or a previous period, and have not been distributed to unit holders.

Once the gains and losses have been realised, these items are distributed to unit holders. Income recognition differences consist of accrued income not yet assessable, expenses provided or accrued which are not yet deductible, net capital losses and tax free or tax deferred income.

(l) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired.

(m) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management fees, custodian fees and other expenses are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Tax Office ('ATO') as the Fund qualifies for reduced input tax credit ('RITC') at a rate of at least 75%.

Accounts payable and accrued expenses are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included as a current asset in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis.

The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the taxation authority is classified as operating cash flows.

(n) Receivables

Receivables are recorded at amortised cost less impairment and may include amounts for distributions and interest. Distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables.

(o) Payables

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

(p) Provisions

Provisions are recognised when the Fund has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(q) Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions. The cash is held by the broker and is only available to meet margin calls.

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1 Summary of significant accounting policies (continued)

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are relevant to the Fund but are not mandatory for the 30 June 2011 reporting period. The Responsible Entity's assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

- (i) AASB 9 *Financial Instruments* and AASB 2009 11 *Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)*
AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013, but is available for early adoption. AASB 9 permits the recognition of fair-value gains and losses in other comprehensive income if they relate to equity investments that are not traded.
The Fund has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Fund's Consolidated financial statements as the Fund does not hold any available-for-sale investments.
- (ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009 12 *Amendments to Australian Accounting Standards (effective from 1 January 2011)*
In December 2009, the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must

be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the amended standard from 1 July 2011. The amendment will not have any effect on the Fund's Consolidated financial statements.

- (iii) AASB 2010 6 *Amendments to Australian Accounting Standards Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)*

In November 2010, the AASB made amendments to AASB 2010 6 *Disclosures on Transfers of Financial Assets* which amends AASB 1 *First-time Adoption of Australian Accounting* and AASB 7 *Financial Instruments: Disclosures* to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments will not have any impact on the Fund's disclosures. The Fund intends to apply the amendment from 1 July 2011.

- (iv) Amendments to AASB 2010 4 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual reporting periods beginning on or after 1 January 2011)*

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Fund does not expect that any adjustments will be necessary as the result of applying the revised rules.

2 Financial assets held at fair value through profit or loss

Notes	Consolidated as at		Parent as at	
	30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
Designated at fair value through profit or loss				
Equity securities	45,565,542	44,799,081	-	-
Unlisted managed investment schemes	11 50	432,636	23,611,878	23,620,315
Total designated at fair value through profit or loss	45,565,592	45,231,717	23,611,878	23,620,315
Total financial assets held at fair value through profit or loss	45,565,592	45,231,717	23,611,878	23,620,315

3 Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in 1(b). Subsidiaries are recorded in the parent entity within financial assets held at fair value through profit or loss.

Name of entity	Country of domicile	Fair value		Ownership interest	
		30 June 2011 \$	30 June 2010 \$	30 June 2011 %	30 June 2010 %
Wholesale Australian Equity Growth Fund	Australia	23,611,878	23,620,315	52.93	52.00

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4 Receivables

	Consolidated as at		Parent as at	
	30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
Dividend receivables	323,420	322,654	-	-
Distributions receivable	7	1,785	915,158	207,810
Interest receivable	461	549	269	277
Other receivables	12,977	15,087	1,477	2,033
	336,865	340,075	916,904	210,120

The Fund's receivables are categorised as Loans and Receivables.

5 Payables

	Consolidated as at		Parent as at	
	30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
Management fee payable	49,373	48,676	18,213	18,542
Custodian fee payable	2,492	2,586	-	-
Other unsecured payable and accrued expenses	61,933	61,473	24,343	22,531
	113,798	112,735	42,556	41,073

6 Distributions to unit holders of the parent entity

	Parent year ended	
	30 June 2011 \$	30 June 2010 \$
Distributions paid	434,631	286,299
Distributions payable	783,548	70,998
	1,218,179	357,297

7 Net gains on financial instruments held at fair value through profit or loss

Net gains recognised in relation to financial instruments held at fair value through profit or loss:

	Consolidated year ended		Parent year ended	
	30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
Financial assets				
Net gain on financial assets held for trading	13,085	185,232	-	-
Net gain on financial assets designated at fair value through profit or loss	1,867,641	5,023,881	919,226	2,650,642
Net gains on financial assets held at fair value through profit or loss	1,880,726	5,209,113	919,226	2,650,642
Financial liabilities				
Net loss on financial liabilities held for trading	(69,869)	(96,396)	-	-
Net losses on financial liabilities held at fair value through profit or loss	(69,869)	(96,396)	-	-
Total net gains on financial instruments held at fair value through profit or loss	1,810,857	5,112,717	919,226	2,650,642

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8 Net assets attributable to unit holders of the parent entity

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

Movements in units on issue and undistributed loss attributable to unit holders during the year were as follows:

(a) Units on issue

	Parent year ended			
	30 June 2011 No.	30 June 2010 No.	30 June 2011 \$	30 June 2010 \$
Opening balance	31,492,799	32,068,225	30,851,258	32,044,377
Applications	753,885	1,231,913	620,422	996,245
Redemptions	(2,262,676)	(2,340,986)	(2,567,173)	(2,606,051)
Units issued upon reinvestment of distributions	382,685	533,647	310,950	416,687
Closing balance	30,366,693	31,492,799	29,215,457	30,851,258

(b) Movement in undistributed loss attributable to unit holders of the parent entity

	Year ended	
	30 June 2011 \$	30 June 2010 \$
Opening balance	(6,895,989)	(10,259,582)
Net liabilities redeemed	710,871	712,426
Increase in net assets attributable to unit holders	919,154	2,651,167
Closing balance	(5,265,964)	(6,895,989)
Total net assets attributable to unit holders	23,949,493	23,955,269

9 Expenses

In accordance with the Product Disclosure Statement, the MER of the Fund is capped at an annual equivalent of 1.90% (2010: 1.90%). To the extent that the MER cap would be exceeded, the Responsible Entity has waived its management fees to ensure the MER remains below the cap.

10 Auditor's remuneration

	Consolidated year ended		Parent year ended	
	30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
Audit of the financial statements	18,075	18,073	8,990	8,988
Other audit services	12,377	27,617	6,946	17,991
	30,452	45,690	15,936	26,979

The auditor of the Australian Equity – Growth Fund is Deloitte Touche Tohmatsu.

Australian Equity – Growth Fund

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11 Related party transactions

Responsible Entity

The Responsible Entity of the Australian Equity – Growth Fund is National Mutual Funds Management Limited. The Responsible Entity is a wholly owned subsidiary of AXA Asia Pacific Holdings Limited whose ultimate parent entity is AMP Limited. Accordingly, transactions with entities related to AMP Limited are disclosed below.

Key management personnel

Key management personnel includes persons who were Directors of National Mutual Funds Management Limited at any time during the financial year as follows:

D S Craine
 E A Foley (resigned on 17 November 2010)
 W J Lee (resigned on 29 March 2011)
 I C Campbell
 P Sampson (resigned on 30 March 2011)
 P E Akopiantz (resigned on 30 March 2011)
 K W Keenan (resigned on 29 March 2011)
 M J Royer (resigned on 30 June 2011)
 J R Dawson (appointed on 29 March 2011)
 S J P Dunne (appointed on 29 March 2011)
 S M Burgess (appointed on 30 June 2011)

Key management personnel compensation

Key management personnel are paid by a related party of the Responsible Entity. Payments made from the Fund to the Responsible Entity do not include any amounts directly attributable to the compensation of key management personnel.

Investments

The Fund and the consolidated entity held investments in the following schemes which are also managed by the National Mutual Funds Management Limited or its related parties:

	Consolidated					
	Fair value of investment		Interest held		Distributions received/receivable	
	2011 \$	2010 \$	2011 %	2010 %	2011 \$	2010 \$
Wholesale Cash Management Trust ^o	50	432,636	0.00	0.06	29,787	18,517

	Parent					
	Fair value of investment		Interest held		Distributions received/receivable	
	2011 \$	2010 \$	2011 %	2010 %	2011 \$	2010 \$
Wholesale Australian – Equity Growth Fund ^o	23,611,878	23,620,315	52.93	52.00	1,483,086	626,801

^o Fund managed by National Mutual Funds Management Limited, the Responsible Entity.

Distribution received/receivable includes an amount of \$7 (2010: \$1,785) in respect of the Wholesale Cash Management Trust and \$915,158 (2010: \$207,810) in respect of the Wholesale Australian Equity – Growth Fund which remains unpaid at the reporting date.

Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly, during the financial year.

Holdings of units

During or since the end of the financial year, none of the key management personnel and/or their related entities held units in the Fund, either directly, indirectly, or beneficially (2010: Nil).

Holdings of units by related parties

	Parent as at	
	30 June 2011	30 June 2010
National Mutual Life Association of Australasia Ltd ⁺	10,965,482	10,885,248

⁺ A related party of the Responsible Entity.

Transactions with related parties

Transactions with related parties are conducted on normal commercial terms and conditions.

Management fees of \$251,262 (2010: \$244,705), and consolidated fund \$621,374 (2010: \$621,599), calculated in accordance with Note 9, were paid or payable to the Responsible Entity.

No amounts were paid by the Fund directly to Directors of National Mutual Funds Management Limited.

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12 Derivative financial instruments

In the normal course of business, the consolidated entity enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments, such as forwards, futures, options and swaps. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multi-faceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund and the consolidated entity.

As at the reporting date, there were no derivative financial instruments held by the Fund (2010: \$Nil).

13 Financial risk management

Management of financial instruments

The investments of the Fund (other than cash held for meeting daily administrative expenses) are managed by National Mutual Funds Management Limited, the Responsible Entity. The investments of the subsidiary are managed on behalf of the Responsible Entity by AllianceBernstein Australia Limited, a former related party, who are required to invest the assets allocated for management in accordance with the terms of a written investment management agreement. The Responsible Entity has determined that the appointment of this manager is appropriate for the subsidiary and is in accordance with the subsidiary's investment strategy.

State Street Australia Limited acts as master custodian on behalf of the Responsible Entity and, as such, provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability, are disclosed in Note 1 to the financial statements.

Capital risk management

The Fund considers its net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders are classified as a liability. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unit holders.

The Investment Manager aims to ensure that there is sufficient capital for possible redemptions by unit holders by maintaining a minimum of its total investments in cash and cash equivalents.

The Fund's overall investment strategy remains unchanged from the prior year.

Categories of financial instruments

The categories of financial instruments are financial assets held at fair value through profit or loss which are disclosed in Note 2 and loans and receivables which are disclosed in Note 4.

Australian Equity – Growth Fund

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13 Financial risk management (continued)

Financial risk management objectives

The Fund is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Fund's risk management and investment policies, approved by the Responsible Entity, seek to minimise the potential adverse effects of these risks on the Fund's financial performance.

The Fund's investment mandate is to invest in unlisted managed investment schemes and cash and cash equivalents. The Fund's subsidiary's investment mandate is to invest in a diversified portfolio of Australian stocks listed on the ASX and may invest in derivative instruments (such as futures and options) and cash and cash equivalents.

The consolidated entity does not enter into or trade derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Fund's investment policies, which provide written principles on the use of financial derivatives. These principles permit the use of derivatives to change the Fund's exposure to particular assets. Derivatives are not used to gear the Fund and the Fund's effective market exposure does not exceed its market value. Compliance with policies and exposure limits is reviewed by the Responsible Entity on a continuous basis.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and rating analysis for credit risk.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: market prices (price risk), foreign exchange (currency risk) and market interest rates (interest rate risk). There has been no change in the period to the Fund's exposure to market risks or the manner in which it manages and measures the risk.

The Fund is exposed to currency risk, interest rate risk and price risk indirectly via its investments in unlisted managed investment schemes. The impact of possible changes in market risk on operating profit and net assets attributable to unit holders will depend on the particular asset allocations of these managed investment schemes.

(i) Price risk

The Fund is exposed to the price risk in relation to its units in the underlying funds as prices in the future are uncertain. The units in the underlying funds are classified on the statement of financial position as at fair value through profit or loss.

Price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Fund's subsidiary has investments in equity instruments, which exposes it to price risk. The Investment Manager manages the Fund's subsidiary's market risk on a daily basis in accordance with the Fund's subsidiary's investment objectives and policies, as detailed in the Product Disclosure Statement.

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

The Investment Manager mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board. The majority of the consolidated entity's equity investments are publicly traded. Compliance with the Fund's Product Disclosure Statement and the Fund's tracking error with reference to the S&P/ASX 300 Accumulation Index, which is the Fund's target benchmark, is reported to the Board on a monthly basis.

The table in Note 13(b) summarises the impact of an increase/decrease of the S&P/ASX 300 Accumulation Index on the Fund's operating profit and net assets attributable to unit holders at 30 June 2011 and 2010. The analysis is based on the assumptions that the index increased/decreased by 10% (2010: 10%) with all other variables held constant and that the fair value of the Fund's portfolio of equity securities and derivatives moved according to the historical correlation with the index. The impact mainly arises from the reasonably possible change in the fair value of listed equities and unlisted managed investment schemes.

The methods and assumptions used to prepare the sensitivity analysis remain unchanged from the prior year, other than detailed above.

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the market value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The consolidated entity has no significant direct foreign exchange risk exposure as the consolidated entity operates solely in Australia and the majority of the consolidated entity's assets and liabilities are denominated in Australian currency.

Australian Equity – Growth Fund

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13 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk

The consolidated entity's activities expose it to the financial risk of changes in interest rates. Floating rate instruments expose the Fund to cash flow risk, whereas fixed interest rate instruments expose the Fund to fair value interest rate risk. The Responsible Entity monitors the Fund's exposures to interest rate risk.

The table below summarises the Fund's and the consolidated entity's exposure to interest rate risks.

Consolidated 30 June 2011	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
Assets				
Cash and cash equivalents	443,140	-	-	443,140
Margin accounts	9,287	-	-	9,287
Due from brokers – receivable for securities sold	-	-	1,030,928	1,030,928
Receivables	-	-	336,865	336,865
Financial assets held at fair value through profit or loss	-	-	45,565,592	45,565,592
Total assets	452,427	-	46,933,385	47,385,812
Liabilities (excluding net assets attributable to unit holders)				
Due to brokers – payable for securities purchased	-	-	725,565	725,565
Payables	-	-	113,798	113,798
Distributions payable to unit holders of the parent entity	-	-	783,548	783,548
Distributions payable to non-controlling interest	-	-	813,907	813,907
Net assets attributable to non-controlling interests	-	-	20,999,501	20,999,501
Total liabilities (excluding net asset attributable to unit holders)	-	-	23,436,319	23,436,319
Net assets attributable to unit holders – liability*				23,949,493

Consolidated 30 June 2010	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
Assets				
Cash and cash equivalents	557,500	-	-	557,500
Margin accounts	8	-	-	8
Due from brokers – receivable for securities sold	-	-	7,438	7,438
Receivables	-	-	340,075	340,075
Financial assets held at fair value through profit or loss	-	-	45,231,717	45,231,717
Total assets	557,508	-	45,579,230	46,136,738
Liabilities (excluding net assets attributable to unit holders)				
Due to brokers – payable for securities purchased	-	-	-	-
Payables	-	-	112,735	112,735
Distributions payable to unit holders of the parent entity	-	-	70,998	70,998
Distributions payable to non-controlling interest	-	-	191,846	191,846
Net assets attributable to non-controlling interests	-	-	21,805,890	21,805,890
Total liabilities (excluding net assets attributable to unit holders)	-	-	22,181,469	22,181,469
Net assets attributable to unit holders – liability*				23,955,269

* Total net assets attributable to unit holders are non-interest bearing.

Australian Equity – Growth Fund

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13 Financial risk management (continued)

(a) Market risk (continued)

Parent 30 June 2011	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
Assets				
Cash and cash equivalents	246,815	-	-	246,815
Receivables	-	-	916,904	916,904
Financial assets held at fair value through profit or loss	-	-	23,611,878	23,611,878
Total assets	246,815	-	24,528,782	24,775,597
Liabilities (excluding net assets attributable to unit holders)				
Payables	-	-	42,556	42,556
Distributions payable to unit holders	-	-	783,548	783,548
Total liabilities (excluding net assets attributable to unit holders)	-	-	826,104	826,104
Net assets attributable to unit holders – liability*				23,949,493

Parent 30 June 2010	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
Assets				
Cash and cash equivalents	236,905	-	-	236,905
Receivables	-	-	210,120	210,120
Financial assets held at fair value through profit or loss	-	-	23,620,315	23,620,315
Total assets	236,905	-	23,830,435	24,067,340
Liabilities (excluding net assets attributable to unit holders)				
Payables	-	-	41,073	41,073
Distributions payable to unit holders	-	-	70,998	70,998
Total liabilities (excluding net assets attributable to unit holders)	-	-	112,071	112,071
Net assets attributable to unit holders – liability*				23,955,269

* Total net assets attributable to unit holders are non-interest bearing.

The majority of the consolidated entity's directly held financial assets are non-interest bearing securities that have no exposure to interest rate movement and therefore have minimal exposure to interest rate risk. As a result, there is little to no sensitivity to interest rate risk.

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13 Financial risk management (continued)

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the consolidated entity's operating profit and net assets attributable to unit holders to price risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical correlation of the consolidated entity's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

The parent entity only invests in unlisted managed investment schemes. As a result, there is little to no sensitivity to price risk.

Consolidated	Price risk	
	Impact on operating profit/Net assets attributable to unit holders	
	-10%	+10%
	\$	\$
30 June 2011	(4,556,554)	4,556,554
30 June 2010	(4,479,908)	4,479,908

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from default. The consolidated entity measures credit risk on a fair-value basis. The consolidated entity's exposure and the credit rating of its counterparties are continuously monitored by the Responsible Entity.

Credit risk associated with receivables is considered minimal.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The table below shows the maximum exposure to credit risk at the reporting date. It is the opinion of the Responsible Entity that the carrying amounts of these financial assets represent the maximum credit risk exposure at the reporting date. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the end of the reporting period.

	Consolidated as at		Parent as at	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	\$	\$	\$	\$
Cash and cash equivalents	443,140	557,500	246,815	236,905
Margin accounts	9,287	8	-	-
Due from brokers – receivable for securities sold	1,030,928	7,438	-	-
Receivables	336,865	340,075	916,904	210,120
Financial assets held at fair value through profit or loss	45,565,592	45,231,717	23,611,878	23,620,315
Total	47,385,812	46,136,738	24,775,597	24,067,340

None of these assets are impaired or past due but not impaired.

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13 Financial risk management (continued)

(d) Liquidity risk

The consolidated entity's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. Unit holders are able to withdraw their units at any time and the consolidated entity is therefore exposed to the liquidity risk of meeting unit holder's withdrawals at any time.

The Fund's subsidiary's listed equities are considered to be readily realisable.

The consolidated entity's liquidity risk is managed in accordance with the consolidated entity's investment strategy. The consolidated entity manages liquidity risk by maintaining adequate banking facilities and through the continuous monitoring of forecast and actual cash flows. The consolidated entity's overall strategy to liquidity risk management remains unchanged from 2010.

The following tables summarise the maturity profile of the Fund's and the consolidated entity's non-derivative financial liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the consolidated entity can be required to pay. Balances due within 12 months equal their carrying value as the impact of discounting is not significant.

	Due on demand \$	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	5+ years \$
Consolidated					
At 30 June 2011					
Due to brokers – payable for securities purchased	-	725,565	-	-	-
Payables	113,798	-	-	-	-
Distributions payable to unit holders of the parent entity	-	783,548	-	-	-
Distributions payable to non-controlling interest	-	813,907	-	-	-
Net assets attributable to unit holders – non-controlling interest	20,999,501	-	-	-	-
Net assets attributable to unit holders – parent entity	23,949,493	-	-	-	-
Total	45,062,792	2,323,020	-	-	-
At 30 June 2010					
Payables	112,735	-	-	-	-
Distributions payable to unit holders of the parent entity	-	70,998	-	-	-
Distributions payable to non-controlling interest	-	191,846	-	-	-
Net assets attributable to unit holders – non-controlling interest	21,805,890	-	-	-	-
Net assets attributable to unit holders – parent entity	23,955,269	-	-	-	-
Total	45,873,894	262,844	-	-	-
Parent					
At 30 June 2011					
Payables	42,556	-	-	-	-
Distributions payable to unit holders	-	783,548	-	-	-
Net assets attributable to unit holders – parent entity	23,949,493	-	-	-	-
Total	23,992,049	783,548	-	-	-
At 30 June 2010					
Payables	41,073	-	-	-	-
Distributions payable to unit holders	-	70,998	-	-	-
Net assets attributable to unit holders – parent entity	23,955,269	-	-	-	-
Total	23,996,342	70,998	-	-	-

(e) Fair value of financial assets and financial liabilities

The consolidated entity's financial assets and financial liabilities included in the statement of financial position are carried at amounts that approximate fair value. The fair value of financial assets and financial liabilities has been determined in accordance with Note 1.

Australian Equity – Growth Fund

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13 Financial risk management (continued)

(f) Fair-value hierarchy

(i) Classification of financial assets and financial liabilities

The consolidated entity classifies fair-value measurements using a fair-value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair-value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair-value hierarchy within which the fair-value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair-value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair-value measurement in its entirety. If a fair-value measurement uses observable inputs

that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

Assessing the significance of a particular input to the fair-value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The valuation techniques used by the consolidated entity to measure fair-value maximise the use of observable inputs and minimise the use of unobservable inputs.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

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

Consolidated As at 30 June 2011	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets designated at fair value through profit or loss:				
Equity securities	45,565,542	-	-	45,565,542
Unlisted managed investment schemes	-	50	-	50
Total	45,565,542	50	-	45,565,592

Consolidated As at 30 June 2010	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets designated at fair value through profit or loss:				
Equity securities	44,799,081	-	-	44,799,081
Unlisted managed investment schemes	-	432,636	-	432,636
Total	44,799,081	432,636	-	45,231,717

Parent As at 30 June 2011	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted managed investment schemes	-	23,611,878	-	23,611,878
Total	-	23,611,878	-	23,611,878

Parent As at 30 June 2010	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted managed investment schemes	-	23,620,315	-	23,620,315
Total	-	23,620,315	-	23,620,315

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13 Financial risk management (continued)

(f) Fair-value hierarchy (continued)

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include unlisted managed investment schemes, over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. As observable prices are not available for these securities, the Responsible Entity has used valuation techniques to derive fair value.

(ii) Transfers between levels

There were no transfers between the levels in the fair-value hierarchy in 2011 and 2010.

(iii) Movement in level 3 instruments

There are no investments classified as level 3 within the consolidated entity as at 30 June 2011 and 30 June 2010.

14 Notes to the statement of cash flows

	Notes	Consolidated year ended		Parent year ended	
		30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
(a) Reconciliation of profit/(loss) to net cash provided by/(used in) operating activities					
Profit/(loss) for the year		–	–	–	–
Increase in net assets attributable to unit holders of the parent entity	8(b)	919,154	2,651,167	919,154	2,651,167
Increase in net assets attributable to non-controlling interest		876,186	2,423,762	–	–
Distributions to unit holders of the parent entity	6	1,218,179	357,297	1,218,179	357,297
Distribution to non-controlling interest		1,336,761	623,796	–	–
Net gains on financial instruments held at fair value through profit or loss	7	(1,810,857)	(5,112,717)	(919,226)	(2,650,642)
Dividend income reinvested	14(c)	(206,236)	(592,291)	–	–
Distribution income reinvested	14(c)	–	–	(775,738)	(685,511)
Net change in receivables		3,210	(60,568)	(706,784)	58,620
Net change in payables		1,063	38,342	1,483	3,845
Net cash provided by/(used in) operating activities		2,337,460	328,788	(262,932)	(265,224)
(b) Components of cash and cash equivalents					
Cash and cash equivalents as at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:					
Cash at bank		443,140	557,500	246,815	236,905
		443,140	557,500	246,815	236,905
(c) Non-cash investing and financing activities					
Income distributions reinvested by unit holders for additional units in the Fund	8(a)	386,441	416,687	310,950	416,687
Dividend received from investments reinvested in listed equities	14(a)	206,236	592,291	–	–
Distributions received from investments reinvested in unlisted managed investment schemes	14(a)	–	–	775,738	685,511

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15 Events occurring after the reporting period

Between the balance date and the date of approval of these financial statements, certain markets to which the Fund has investment exposures may have moved. Movements in markets are reflected on a daily basis in unit prices.

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the consolidated statements of financial position as at 30 June 2011 or on the results and cash flows of the Fund for the year ended on that date.

16 Additional information

National Mutual Funds Management Limited, a public company incorporated and operating in Australia, is the Responsible Entity of the Australian Equity – Growth Fund.

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