

# Wholesale Australian Diversified Property Securities Fund

## Contents

- 1 Directors' report
- 3 Auditor's independence declaration
- 4 Independent auditor's report
- 6 Directors' declaration
- 6 Statement of comprehensive income
- 7 Statement of financial position
- 7 Statement of changes in equity
- 7 Statement of cash flows
- 8 Notes to the financial statements

## 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 Wholesale Australian Diversified Property Securities Fund (the 'Fund'), present their report together with the financial statements of the Fund 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 has investments in listed property securities, but may also hold unlisted property securities (most of which are 'initial public offerings'), derivative instruments 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)

### Review and results of operations

The Fund maintains its investment strategy to invest in trusts and companies involved in a diverse range of property sectors.

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.

# Wholesale Australian Diversified Property Securities Fund

Financial statements 30 June 2011

## Directors' report (continued)

### Results

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

|  | Year ended   |              |
|--|--------------|--------------|
|  | 30 June 2011 | 30 June 2010 |
|  | \$           | \$           |
| Profit before finance costs attributable to unit holders | 9,398,573    | 37,832,908   |

### Distributions

|                               | Year ended   |              |
|-------------------------------|--------------|--------------|
|                               | 30 June 2011 | 30 June 2010 |
|                               | \$           | \$           |
| Distributions to unit holders | 8,472,913    | 15,039,788   |

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

|  | Year ended    |               |
|--|---------------|---------------|
|  | 30 June 2011  | 30 June 2010  |
|  | \$            | \$            |
| Net assets for unit pricing purposes                                       | 167,778,862   | 173,072,477   |
| Adjustment for changes in valuation of financial assets held at fair value | (348,474)     | (127,073)     |
| Reclassification of net assets attributable to unit holders to liabilities | (167,430,388) | (172,945,404) |
| <b>Net assets for financial reporting purposes</b>                         | <b>-</b>      | <b>-</b>      |

### 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

The Responsible Entity approved a proposal recommending the termination of the Fund. As a consequence, the Fund will be wound up in the foreseeable future with applications to be closed to all clients on or about the 23 September 2011, and is therefore no longer considered a going concern (as disclosed in the notes to the financial statements). 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 10 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 is disclosed in Note 10 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 is disclosed in Note 7(a) to the financial statements.

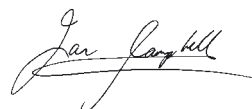
The value of the Fund's assets as at the end of the financial year is disclosed in the statement of financial position as 'Total Assets' and the basis of valuation is included in Note 1 to the financial statements.

### Independence declaration by Auditor

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

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



**Ian Campbell**

Director

Melbourne

19 September 2011

## Auditor's independence declaration

**Deloitte**

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

Deloitte Touche Tohmatsu  
A.B.N. 74 490 121 060

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1220 Australia

DX 10307SSE  
Tel: +61 (0) 2 9322 7000  
Fax: +61 (0) 2 9322 7001  
www.deloitte.com.au

19 September 2011

Dear Board Members

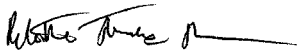
**Wholesale Australian Diversified Property Securities Fund**

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 Wholesale Australian Diversified Property Securities Fund.

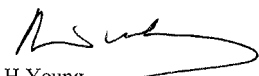
As lead audit partner for the audit of the financial statements of the Wholesale Australian Diversified Property Securities Fund for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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



A H Young  
Partner  
Chartered Accountants

## Independent auditor's report

# Deloitte

Deloitte Touche Tohmatsu  
A.B.N. 74 490 121 060

Grosvenor Place  
225 George Street  
Sydney NSW 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1220 Australia

DX 10307SSE  
Tel: +61 (0) 2 9322 7000  
Fax: +61 (0) 2 9322 7001  
www.deloitte.com.au

### **Independent Auditor's Report to the unitholders of the Wholesale Australian Diversified Property Securities Fund**

We have audited the accompanying financial report of the Wholesale Australian Diversified Property Securities Fund, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the 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 as set out on page 8 to 31.

#### *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 as they apply to an entity that is no longer a going concern 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 as they apply to an entity that is no longer a going concern.

#### *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.

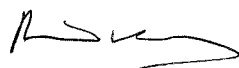
*Opinion*

In our opinion:

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



DELOITTE TOUCHE TOHMATSU



A H Young  
Partner  
Chartered Accountants  
Sydney, 19 September 2011

# Wholesale Australian Diversified Property Securities Fund

Financial statements 30 June 2011

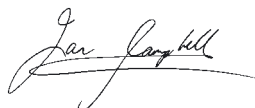
## Directors' declaration

The 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 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 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.

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



**Ian Campbell**

Director  
Melbourne  
19 September 2011

## Statement of comprehensive income

For the year ended 30 June 2011

|  | Notes | Year ended        |                   |
|--|-------|-------------------|-------------------|
|  |       | 30 June 2011      | 30 June 2010      |
|  |       | \$                | \$                |
| <b>Investment income</b>   |       |                   |                   |
| Dividend and distribution income   |       | 10,534,048        | 16,286,775        |
| Interest income  |       | 8,705             | 12,777            |
| Net gains on financial instruments held at fair value through profit or loss | 6     | 462,409           | 23,762,009        |
| Other investment income  |       | 32,056            | 9                 |
| <b>Total investment income</b>   |       | <b>11,037,218</b> | <b>40,061,570</b> |
| <b>Expenses</b>  |       |                   |                   |
| Management fees  | 8, 10 | 1,517,452         | 2,040,008         |
| Auditor's remuneration   | 9     | 15,567            | 25,769            |
| Transaction costs  |       | 104,232           | 154,881           |
| Other operating expenses   |       | 1,394             | 8,004             |
| <b>Total operating expenses</b>  |       | <b>1,638,645</b>  | <b>2,228,662</b>  |
| <b>Profit before finance costs attributable to unit holders</b>              |       | <b>9,398,573</b>  | <b>37,832,908</b> |
| <b>Finance costs attributable to unit holders</b>                            |       |                   |                   |
| Distributions to unit holders  | 5     | (8,472,913)       | (15,039,788)      |
| Increase in net assets attributable to unit holders                          | 7(b)  | (925,660)         | (22,793,120)      |
| <b>Profit/(loss) for the year</b>  |       | <b>-</b>          | <b>-</b>          |
| Other comprehensive income for the year                                      |       | -                 | -                 |
| <b>Total comprehensive income for the year</b>                               |       | <b>-</b>          | <b>-</b>          |

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

# Wholesale Australian Diversified Property Securities Fund

Financial statements 30 June 2011

## Statement of financial position

As at 30 June 2011

|  | Notes | As at              |                    |
|--|-------|--------------------|--------------------|
|  |       | 30 June 2011<br>\$ | 30 June 2010<br>\$ |
| <b>Assets</b>  |       |                    |                    |
| Cash and cash equivalents  |       | 356,572            | 282,482            |
| Due from brokers - receivable for securities sold                            |       | 13,460,819         | 1,994,603          |
| Receivables  | 3     | 2,836,828          | 2,776,178          |
| Financial assets held at fair value through profit or loss                   | 2     | 166,269,838        | 170,542,637        |
| <b>Total assets</b>  |       | <b>182,924,057</b> | 175,595,900        |
| <b>Liabilities (excluding net assets attributable to unit holders)</b>       |       |                    |                    |
| Due to brokers - payable for securities purchased                            |       | 605,373            | 254,564            |
| Payables   | 4     | 12,773,907         | 208,042            |
| Distributions payable  | 5     | 2,114,389          | 2,187,890          |
| <b>Total liabilities (excluding net assets attributable to unit holders)</b> |       | <b>15,493,669</b>  | 2,650,496          |
| <b>Net assets attributable to unit holders - liability</b>                   | 7(b)  | <b>167,430,388</b> | 172,945,404        |
| <b>Net assets</b>  |       | <b>-</b>           | -                  |

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

## Statement 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.

## Statement of cash flows

For the year ended 30 June 2011

|   | Notes | Year ended         |                    |
|---|-------|--------------------|--------------------|
|   |       | 30 June 2011<br>\$ | 30 June 2010<br>\$ |
| <b>Cash flows from operating activities</b>                 |       |                    |                    |
| Dividend and distribution received                          |       | 9,796,484          | 12,009,864         |
| Interest received   |       | 8,953              | 12,662             |
| Other income received                                       |       | 84,713             | -                  |
| Management fees paid  |       | (1,511,810)        | (2,067,712)        |
| Payment of other expenses                                   |       | (195,970)          | (219,929)          |
| <b>Net cash provided by operating activities</b>            | 13(a) | <b>8,182,370</b>   | 9,734,885          |
| <b>Cash flows from investing activities</b>                 |       |                    |                    |
| Proceeds from sale of investments                           |       | 79,637,594         | 222,152,416        |
| Payments for purchase of investments                        |       | (85,393,784)       | (152,956,799)      |
| <b>Net cash (used in)/ provided by investing activities</b> |       | <b>(5,756,190)</b> | 69,195,617         |
| <b>Cash flows from financing activities</b>                 |       |                    |                    |
| Proceeds from applications by unit holders                  |       | 13,489,568         | 93,933,271         |
| Payments for redemptions by unit holders                    |       | (14,140,097)       | (170,529,799)      |
| Distributions paid  |       | (1,701,561)        | (2,271,320)        |
| <b>Net cash used in financing activities</b>                |       | <b>(2,352,090)</b> | (78,867,848)       |
| <b>Net increase in cash and cash equivalents</b>            |       | <b>74,090</b>      | 62,654             |
| Cash and cash equivalents at the beginning of the year      |       | 282,482            | 219,828            |
| <b>Cash and cash equivalents at the end of the year</b>     | 13(b) | <b>356,572</b>     | 282,482            |
| Non-cash operating, investing and financing activities      | 13(c) |                    |                    |

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

# Wholesale Australian Diversified Property Securities Fund

Financial statements 30 June 2011

## Notes to the financial statements

| Section  | Page |
|--|------|
| 1 Summary of significant accounting policies                                   | 8    |
| 2 Financial assets held at fair value through profit or loss                   | 11   |
| 3 Receivables  | 11   |
| 4 Payables   | 11   |
| 5 Distributions to unit holders  | 11   |
| 6 Net gains on financial instruments held at fair value through profit or loss | 11   |
| 7 Net assets attributable to unit holders                                      | 12   |
| 8 Expenses   | 12   |
| 9 Auditor's remuneration   | 12   |
| 10 Related party transactions  | 13   |
| 11 Derivative financial instruments  | 14   |
| 12 Financial risk management   | 14   |
| 13 Notes to the statement of cash flows  | 20   |
| 14 Events occurring after the reporting period                                 | 20   |
| 15 Additional information  | 20   |

### 1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these 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 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 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 judgment exercised by management in determining the fair value of investments held by the Fund.

#### 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) Going concern

As a result of a decision by the Responsible Entity to approve the termination and eventual wind up of the Fund, the financial statements have not been prepared on the basis the Fund is a going concern as there is no longer an intention for the Fund to continue its operations in the foreseeable future.

#### (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 futures. 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.

# Wholesale Australian Diversified Property Securities Fund

Financial statements 30 June 2011

## 1 Summary of significant accounting policies (continued)

### (c) Financial instruments (continued)

#### (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 or 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.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

#### (iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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 units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. 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.

### (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 September, December, March and June each year.

# Wholesale Australian Diversified Property Securities Fund

Financial statements 30 June 2011

## 1 Summary of significant accounting policies (continued)

### (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 dividends, distributions and interest. Dividends and 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) 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 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 financial statements.

# Wholesale Australian Diversified Property Securities Fund

Financial statements 30 June 2011

## 1 Summary of significant accounting policies (continued)

### (q) New accounting standards and interpretations (continued)

- (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

|   | As at              |                    |
|---|--------------------|--------------------|
|   | 30 June 2011<br>\$ | 30 June 2010<br>\$ |
| <b>Designated at fair value through profit or loss</b>                  |                    |                    |
| Equity securities   | 164,690,713        | 167,938,123        |
| Unlisted managed investment schemes                                     | 1,579,125          | 2,604,514          |
| Total designated at fair value through profit or loss                   | 166,269,838        | 170,542,637        |
| <b>Total financial assets held at fair value through profit or loss</b> | <b>166,269,838</b> | <b>170,542,637</b> |

## 3 Receivables

|  | As at              |                    |
|--|--------------------|--------------------|
|  | 30 June 2011<br>\$ | 30 June 2010<br>\$ |
| Dividends and distributions receivable | 2,794,514          | 2,680,959          |
| Interest receivable                    | 454                | 702                |
| Other receivables                      | 41,860             | 94,517             |
|  | <b>2,836,828</b>   | <b>2,776,178</b>   |

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

## 4 Payables

|   | As at              |                    |
|---|--------------------|--------------------|
|   | 30 June 2011<br>\$ | 30 June 2010<br>\$ |
| Redemption payable                            | 12,635,000         | -                  |
| Management fee payable                        | 132,713            | 127,071            |
| Other unsecured payables and accrued expenses | 6,194              | 80,971             |
|   | <b>12,773,907</b>  | <b>208,042</b>     |

## 5 Distributions to unit holders

|                                 | Year ended         |                    |
|---------------------------------|--------------------|--------------------|
|                                 | 30 June 2011<br>\$ | 30 June 2010<br>\$ |
| Distributions during the period | 6,358,524          | 12,851,898         |
| Distributions payable           | 2,114,389          | 2,187,890          |
|                                 | <b>8,472,913</b>   | <b>15,039,788</b>  |

## 6 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:

|   | Year ended         |                    |
|---|--------------------|--------------------|
|   | 30 June 2011<br>\$ | 30 June 2010<br>\$ |
| <b>Financial assets</b>   |                    |                    |
| Net gain on financial assets held for trading   | -                  | 293,854            |
| Net gain on financial assets designated at fair value through profit or loss              | 462,409            | 23,512,456         |
| <b>Net gains on financial assets held at fair value through profit or loss</b>            | <b>462,409</b>     | <b>23,806,310</b>  |
| <b>Financial liabilities</b>  |                    |                    |
| Net loss on financial liabilities held for trading  | -                  | (44,301)           |
| Net losses on financial liabilities held at fair value through profit or loss             | -                  | (44,301)           |
| <b>Total net gains on financial instruments held at fair value through profit or loss</b> | <b>462,409</b>     | <b>23,762,009</b>  |

# Wholesale Australian Diversified Property Securities Fund

Financial statements 30 June 2011

## 7 Net assets attributable to unit holders

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

|   | Year ended          |                     | Year ended         |                    |
|---|---------------------|---------------------|--------------------|--------------------|
|   | 30 June 2011<br>No. | 30 June 2010<br>No. | 30 June 2011<br>\$ | 30 June 2010<br>\$ |
| Opening balance                                 | 318,448,467         | 448,288,636         | 229,361,207        | 547,122,576        |
| Applications                                    | 24,190,052          | 175,537,581         | 13,489,568         | 93,933,271         |
| Redemptions                                     | (48,241,532)        | (329,811,797)       | (32,689,889)       | (425,510,884)      |
| Units issued upon reinvestment of distributions | 12,435,075          | 24,434,047          | 6,844,853          | 13,816,244         |
| <b>Closing balance</b>                          | <b>306,832,062</b>  | <b>318,448,467</b>  | <b>217,005,739</b> | <b>229,361,207</b> |

### (b) Movement in undistributed loss attributable to unit holders

|  | Year ended          |                     |
|--|---------------------|---------------------|
|  | 30 June 2011<br>\$  | 30 June 2010<br>\$  |
| Opening balance                                      | (56,415,803)        | (328,925,828)       |
| Net liabilities redeemed                             | 5,914,792           | 249,716,905         |
| Increase in net assets attributable to unit holders  | 925,660             | 22,793,120          |
| <b>Closing balance</b>                               | <b>(49,575,351)</b> | <b>(56,415,803)</b> |
| <b>Total net assets attributable to unit holders</b> | <b>167,430,388</b>  | <b>172,945,404</b>  |

## 8 Expenses

In accordance with the Product Disclosure Statement, the ongoing management fee payable to the Responsible Entity is 0.80% (2010: 0.80%) per annum of the gross asset value of the Fund and it is assessed daily and payable on a monthly basis. Management fees are separately disclosed in the statement of comprehensive income.

## 9 Auditor's remuneration

|                                   | Year ended         |                    |
|-----------------------------------|--------------------|--------------------|
|                                   | 30 June 2011<br>\$ | 30 June 2010<br>\$ |
| Audit of the financial statements | 9,785              | 9,785              |
| Other audit services              | 5,782              | 15,984             |
|                                   | <b>15,567</b>      | <b>25,769</b>      |

The auditor of the Wholesale Australian Diversified Property Securities Fund is Deloitte Touche Tohmatsu.

# Wholesale Australian Diversified Property Securities Fund

Financial statements 30 June 2011

## 10 Related party transactions

### Responsible Entity

The Responsible Entity of the Wholesale Australian Diversified Property Securities 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

|                                 | Fair value of investment |            | Interest held |           | Distributions received/receivable |            |
|---------------------------------|--------------------------|------------|---------------|-----------|-----------------------------------|------------|
|                                 | 2011<br>\$               | 2010<br>\$ | 2011<br>%     | 2010<br>% | 2011<br>\$                        | 2010<br>\$ |
| Wholesale Cash Management Trust | 1,579,125                | 2,604,514  | 0.23          | 0.39      | 44,957                            | 125,031    |

Distributions received/receivable includes an amount of \$5,465 (2010: \$10,700), 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

|  | As at        |              |
|--|--------------|--------------|
|  | 30 June 2011 | 30 June 2010 |
| NMFM Superannuation Fund*  | –            | 1,784,707    |
| NMFM Managed Stable Fund*  | –            | 1,009,873    |
| Wholesale Australian Property Fund <sup>^</sup>                  | 43,525,362   | 43,525,362   |
| National Mutual Life Association of Australasia Ltd <sup>+</sup> | 240,076,790  | 248,023,152  |

+ A related party to the Responsible Entity.

<sup>^</sup> Fund managed by National Mutual Funds Management Limited, the Responsible Entity.

\* Fund managed by N.M. Super Proprietary Limited, 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 \$1,517,452 (2010: \$2,040,008), calculated in accordance with Note 8, were paid or payable to the Responsible Entity.

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

# Wholesale Australian Diversified Property Securities Fund

Financial statements 30 June 2011

## 11 Derivative financial instruments

In the normal course of business, the Fund 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 and options. 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 multifaceted 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.

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

## 12 Financial risk management

### Management of financial instruments

The investments of the Fund (other than cash held for meeting daily administrative expenses) 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 Fund and is in accordance with the Fund'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/or distributions 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 3.

# Wholesale Australian Diversified Property Securities Fund

Financial statements 30 June 2011

## 12 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. These policies may include the use of certain financial derivative instruments.

The Fund outsources the investment management to AllianceBernstein Australia Limited, a former related party, who provide services to the Fund, coordinate access to domestic financial markets, and manage the financial risks relating to the operations of the Fund in accordance with an investment mandate set out in accordance with the Fund Constitution and Product Disclosure Statement.

The Fund 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 will 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). The Investment Manager manages the financial risks relating to the operations of the Fund in accordance with an investment mandate set out in accordance with the Fund Constitution and Product Disclosure Statement. 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.

#### (i) Price risk

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 has investments in equity instruments, which exposes it to price risk. The Investment Manager manages the Fund's market risk on a daily basis in accordance with the Fund'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 profit or loss, 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 Fund'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/ASX300 Property Trusts Accumulation Index, which is the Fund's target benchmark, is reported to the Board on a continued basis.

The table in Note 12(b) summarises the impact of an increase/decrease of the S&P/ASX300 Property Trusts 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 possible changes in the fair value of listed equities and equity derivatives.

The Investment Manager uses the S&P/ASX 300 Property Trusts Accumulation Index as a reference point in making investment decisions. The sensitivity analysis presented is based upon the portfolio composition as at 30 June and the historical correlation of the securities comprising the portfolio to the S&P/ASX 300 Property Trusts Accumulation Index. The composition of the Fund's investment portfolio, including the use of leverage, and the correlation thereof to the S&P/ASX 300 Property Trusts Accumulation Index, is expected to change over time. The sensitivity analysis prepared as of 30 June is not necessarily indicative of the effect on the Fund's net assets attributable to unit holders of future movements in the level of the S&P/ASX 300 Property Trusts Accumulation Index.

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

# Wholesale Australian Diversified Property Securities Fund

Financial statements 30 June 2011

## 12 Financial risk management (continued)

(a) Market risk (continued)

### (iii) Interest rate risk

The Fund'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 exposure to interest rate risks.

| <b>30 June 2011</b>   | <b>Floating<br/>interest rate<br/>\$</b> | <b>Fixed<br/>interest rate<br/>\$</b> | <b>Non-interest<br/>bearing<br/>\$</b> | <b>Total<br/>\$</b> |
|---|--|---------------------------------------|--|---------------------|
| <b>Assets</b>   |  |                                       |  |                     |
| Cash and cash equivalents   | 356,572                                  | -                                     | -                                      | 356,572             |
| Due from brokers – receivable for securities sold                           | -  | -                                     | 13,460,819                             | 13,460,819          |
| Receivables   | -  | -                                     | 2,836,828                              | 2,836,828           |
| Financial assets held at fair value through profit or loss                  | -  | -                                     | 166,269,838                            | 166,269,838         |
| <b>Total assets</b>   | <b>356,572</b>                           | <b>-</b>                              | <b>182,567,485</b>                     | <b>182,924,057</b>  |
| <b>Liabilities (excluding net assets attributable to unit holders)</b>      |  |                                       |  |                     |
| Due to brokers – payable for securities purchased                           | -  | -                                     | 605,373                                | 605,373             |
| Payables  | -  | -                                     | 12,773,907                             | 12,773,907          |
| Distributions payable   | -  | -                                     | 2,114,389                              | 2,114,389           |
| <b>Total liabilities (excluding net asset attributable to unit holders)</b> | <b>-</b>                                 | <b>-</b>                              | <b>15,493,669</b>                      | <b>15,493,669</b>   |
| <b>Net assets attributable to unit holders – liability*</b>                 |  |                                       |  | <b>167,430,388</b>  |

| <b>30 June 2010</b>   | <b>Floating<br/>interest rate<br/>\$</b> | <b>Fixed<br/>interest rate<br/>\$</b> | <b>Non-interest<br/>bearing<br/>\$</b> | <b>Total<br/>\$</b> |
|---|--|---------------------------------------|--|---------------------|
| <b>Assets</b>   |  |                                       |  |                     |
| Cash and cash equivalents   | 282,482                                  | -                                     | -                                      | 282,482             |
| Due from brokers – receivable for securities sold                           | -  | -                                     | 1,994,603                              | 1,994,603           |
| Receivables   | -  | -                                     | 2,776,178                              | 2,776,178           |
| Financial assets held at fair value through profit or loss                  | -  | -                                     | 170,542,637                            | 170,542,637         |
| <b>Total assets</b>   | <b>282,482</b>                           | <b>-</b>                              | <b>175,313,418</b>                     | <b>175,595,900</b>  |
| <b>Liabilities (excluding net assets attributable to unit holders)</b>      |  |                                       |  |                     |
| Due to brokers – payable for securities purchased                           | -  | -                                     | 254,564                                | 254,564             |
| Payables  | -  | -                                     | 208,042                                | 208,042             |
| Distributions payable   | -  | -                                     | 2,187,890                              | 2,187,890           |
| <b>Total liabilities (excluding net asset attributable to unit holders)</b> | <b>-</b>                                 | <b>-</b>                              | <b>2,650,496</b>                       | <b>2,650,496</b>    |
| <b>Net assets attributable to unit holders – liability*</b>                 |  |                                       |  | <b>172,945,404</b>  |

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

The majority of the Fund'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.

# Wholesale Australian Diversified Property Securities Fund

Financial statements 30 June 2011

## 12 Financial risk management (continued)

### (b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund'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 Fund'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 should not be used to predict future variations in the risk variables.

|                     | Price risk   |            |
|---------------------|--|------------|
|                     | Impact on operating profit/Net assets attributable to unit holders |            |
|                     | -10%   | +10%       |
|                     | \$   | \$         |
| <b>30 June 2011</b> | (16,469,071)   | 16,469,071 |
| 30 June 2010        | (16,793,812)   | 16,793,812 |

### (c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The Fund 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 Fund measures credit risk on a fair-value basis. The Fund'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 Fund 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 end of the reporting period. 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.

|  | As at              |                    |
|--|--------------------|--------------------|
|  | 30 June 2011       | 30 June 2010       |
|  | \$                 | \$                 |
| Cash and cash equivalents                                  | 356,572            | 282,482            |
| Due from brokers - receivable for securities sold          | 13,460,819         | 1,994,603          |
| Receivables  | 2,836,828          | 2,776,178          |
| Financial assets held at fair value through profit or loss | 166,269,838        | 170,542,637        |
| <b>Total</b>   | <b>182,924,057</b> | <b>175,595,900</b> |

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

### (d) Liquidity risk

The Fund'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 Fund is therefore exposed to the liquidity risk of meeting unit holders' withdrawals at any time. It therefore primarily holds investments that are traded in an active market and can be readily disposed.

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

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

Units are redeemable on demand at the unit holder's option. However, the Investment Manager does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

# Wholesale Australian Diversified Property Securities Fund

Financial statements 30 June 2011

## 12 Financial risk management (continued)

### (d) Liquidity risk (continued)

The following tables summarise the maturity profile of the Fund'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 Fund can be required to pay. Balances due within 12 months equal their carrying value as the impact of discounting is not significant.

|   | Due on<br>demand<br>\$ | Less than<br>3 months<br>\$ | 3 months<br>to 1 year<br>\$ | 1-5<br>years<br>\$ | 5+<br>years<br>\$ |
|---|------------------------|-----------------------------|-----------------------------|--------------------|-------------------|
| <b>At 30 June 2011</b>  |                        |                             |                             |                    |                   |
| Due to brokers – payable for securities purchased               | -                      | 605,373                     | -                           | -                  | -                 |
| Payables  | 12,773,907             | -                           | -                           | -                  | -                 |
| Distributions payable   | -                      | 2,114,389                   | -                           | -                  | -                 |
| Net assets attributable to unit holders – liability             | 167,430,388            | -                           | -                           | -                  | -                 |
| <b>Total</b>  | <b>180,204,295</b>     | <b>2,719,762</b>            | <b>-</b>                    | <b>-</b>           | <b>-</b>          |
| <b>At 30 June 2010</b>  |                        |                             |                             |                    |                   |
| Payables  | -                      | 254,564                     | -                           | -                  | -                 |
| Financial liabilities held at fair value through profit or loss | 208,042                | -                           | -                           | -                  | -                 |
| Distributions payable   | -                      | 2,187,890                   | -                           | -                  | -                 |
| Net assets attributable to unit holders – liability             | 172,945,404            | -                           | -                           | -                  | -                 |
| <b>Total</b>  | <b>173,153,446</b>     | <b>2,442,454</b>            | <b>-</b>                    | <b>-</b>           | <b>-</b>          |

### (e) Fair value of financial assets and financial liabilities

The Fund'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.

### (f) Fair-value hierarchy

#### (i) Classification of financial assets and financial liabilities

The Fund 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 Fund 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.

# Wholesale Australian Diversified Property Securities Fund

Financial statements 30 June 2011

## 12 Financial risk management (continued)

### (f) Fair-value hierarchy (continued)

The table below sets out the Fund'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.

| <b>As at 30 June 2011</b>   | <b>Level 1</b>     | <b>Level 2</b>   | <b>Level 3</b> | <b>Total</b>       |
|---|--------------------|------------------|----------------|--------------------|
|   | <b>\$</b>          | <b>\$</b>        | <b>\$</b>      | <b>\$</b>          |
| <b>Financial assets</b>   |                    |                  |                |                    |
| Financial assets designated at fair value through profit or loss: |                    |                  |                |                    |
| Equity securities   | 164,690,713        | -                | -              | 164,690,713        |
| Unlisted managed investment                                       | -                  | 1,579,125        | -              | 1,579,125          |
| <b>Total</b>  | <b>164,690,713</b> | <b>1,579,125</b> | <b>-</b>       | <b>166,269,838</b> |
| <hr/>   |                    |                  |                |                    |
| <b>As at 30 June 2010</b>   | <b>Level 1</b>     | <b>Level 2</b>   | <b>Level 3</b> | <b>Total</b>       |
|   | <b>\$</b>          | <b>\$</b>        | <b>\$</b>      | <b>\$</b>          |
| <b>Financial assets</b>   |                    |                  |                |                    |
| Financial assets designated at fair value through profit or loss: |                    |                  |                |                    |
| Equity securities   | 167,938,123        | -                | -              | 167,938,123        |
| Unlisted managed investment                                       | -                  | 2,604,514        | -              | 2,604,514          |
| <b>Total</b>  | <b>167,938,123</b> | <b>2,604,514</b> | <b>-</b>       | <b>170,542,637</b> |

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 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 Fund as at 30 June 2011 and 2010.

# Wholesale Australian Diversified Property Securities Fund

Financial statements 30 June 2011

## 13 Notes to the statement of cash flows

|  | Notes | Year ended       |                  |
|--|-------|------------------|------------------|
|  |       | 30 June 2011     | 30 June 2010     |
|  |       | \$               | \$               |
| <b>(a) Reconciliation of profit/(loss) to net cash provided by operating activities</b>  |       |                  |                  |
| Profit/(loss) for the year   |       | -                | -                |
| Increase in net assets attributable to unit holders  | 7(b)  | 925,660          | 22,793,120       |
| Distributions to unit holders  | 5     | 8,472,913        | 15,039,788       |
| Net gains on financial instruments held at fair value through profit or loss   | 6     | (462,409)        | (23,762,009)     |
| Dividend income reinvested   | 13(c) | (624,009)        | (5,447,721)      |
| Net change in receivables  |       | (60,650)         | 1,137,682        |
| Net change in payables   |       | (69,135)         | (25,975)         |
| <b>Net cash provided by operating activities</b>   |       | <b>8,182,370</b> | <b>9,734,885</b> |
| <b>(b) Components of cash and cash equivalents</b>   |       |                  |                  |
| 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   |       | 356,572          | 282,482          |
|  |       | <b>356,572</b>   | <b>282,482</b>   |
| <b>(c) Non-cash investing and financing activities</b>   |       |                  |                  |
| Income distributions reinvested by unit holders for additional units in the Fund   | 7(a)  | 6,844,853        | 13,816,244       |
| Dividends received from investments reinvested in listed equities  | 13(a) | 624,009          | 5,447,721        |
| During the year, the following redemptions were satisfied by in specie assets transfers  |       | -                | 5,264,180        |

## 14 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.

In the interim period between 30 June 2011 and prior to the Director's approving these financial statements, the Responsible Entity approved a proposal recommending the termination of the Fund. It is expected the Fund will be in a position to be wound up in the foreseeable future, with applications being closed to all clients from 23 September 2011. As a consequence, the financial statements of the Fund for the current year have not been prepared on a going concern basis (as disclosed in Note 1).

## 15 Additional information

National Mutual Funds Management Limited, a public company incorporated and operating in Australia, is the Responsible Entity of the Wholesale Australian Diversified Property Securities Fund.

### Principal Registered Office and Unit Registry

AXA Centre  
750 Collins Street  
DOCKLANDS VIC 3008  
Tel: (03) 8688 3911

### AXA Customer Service Centre

PO Box 14330 Melbourne Victoria 8001 Telephone **131 737** Facsimile (03) 9287 3389  
For daily unit price information (Toll Free Australia-wide) **1800 780 085**  
Email: [client.enquiry@axa.com.au](mailto:client.enquiry@axa.com.au)

**axa.com.au**

The National Mutual Life Association of Australasia Limited  
ABN 72 004 020 437 AFS Licence No. 234649



**redefining / investments**