

# Wholesale Australian Monthly Income Fund

## Contents

- 1 Directors' report
- 4 Auditor's independence declaration
- 5 Independent auditor's report
- 7 Directors' declaration
- 8 Consolidated statement of comprehensive income
- 9 Consolidated statement of financial position
- 9 Consolidated statement of changes in equity
- 10 Consolidated statement of cash flows
- 11 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 Monthly Income 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 has investments in unlisted managed investment schemes and cash and cash equivalents.

The Fund's subsidiary has investments in unlisted managed investment schemes, interest bearing securities, mortgages, derivative financial instruments and cash and cash equivalents.

On 19 December 2008, the Responsible Entity introduced new withdrawal arrangements for the Fund. Under these new arrangements the Responsible Entity will notify unit holders of withdrawal offers. No other withdrawals are able to be made from the Fund except in circumstances where investors meet specific financial hardship criteria.

The Responsible Entity has since approved a proposal recommending the termination of the Fund. It is the Responsible Entity's intention to make capital repayments to investors every quarter based on each fund's available cash, asset sales and the timing of mortgage maturities in the portfolios. We will commence the windup process on 5 September 2011, and expect to complete the capital repayment process by mid 2014. The first capital repayment will be made in December 2011. As a consequence, the Fund is no longer considered a going concern.

There were no significant changes in the nature of the Fund's activities during the 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)

**Wholesale Australian Monthly Income 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 ensure consistency of income, taking into account prevailing market interest rates.

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	80,020,305	87,484,709	40,890,319	45,028,144

### Distributions

	Consolidated year ended		Parent year ended	
	30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
Distribution to unit holders of the parent entity	40,823,967	45,156,572	40,823,967	45,156,572

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

	Parent year ended	
	30 June 2011 \$	30 June 2010 \$
Net assets for unit pricing purposes	622,309,702	932,782,939
Reclassification of net assets attributable to unit holders to liabilities	(622,309,702)	(932,782,939)
<b>Net assets for financial reporting purposes</b>	<b>-</b>	<b>-</b>

## **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 below subsequent events disclosure, and to 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 13 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 13 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 10 to the consolidated 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  
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

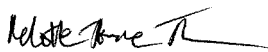
### **Wholesale Australian Monthly Income Fund**

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 Monthly Income Fund.

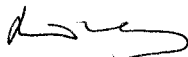
As lead audit partner for the audit of the financial statements of the Wholesale Australian Monthly Income Fund for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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 Monthly Income Fund**

We have audited the accompanying financial report of the Wholesale Australian Monthly Income 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 39.

#### *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.

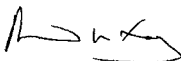
### *Opinion*

In our opinion:

- (a) the financial report of the Wholesale Australian Monthly Income 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 report also complies with International Financial Reporting Standards as disclosed in Note 1.



DELOITTE TOUCHE TOHMATSU



A H Young  
Partner  
Chartered Accountants  
Sydney, 23 September 2011

**Wholesale Australian Monthly Income Fund**  
Consolidated 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 consolidated financial statements are in compliance with International Financial Reporting Standards as they apply to a fund that is no longer a going concern, 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 as they apply to a fund that is no longer a going concern 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 section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors



**Daniel Craine**

Director  
Melbourne  
23 September 2011

**Wholesale Australian Monthly Income Fund**  
Consolidated financial statements 30 June 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 \$
<b>Investment income</b>					
Mortgage interest income		63,069,565	69,820,783	-	-
Interest income		13,820,605	16,785,464	116,848	118,495
Distribution income		7,795,093	8,898,565	36,549,508	38,810,682
Net gains on financial instruments held at fair value through profit or loss	8	7,153,274	6,488,139	-	-
Management fee rebate	13	-	-	4,006,081	5,587,334
Other investment income		399,139	1,112,278	254,439	558,923
<b>Total investment income</b>		<b>92,237,676</b>	<b>103,105,229</b>	<b>40,926,876</b>	<b>45,075,434</b>
<b>Expenses</b>					
Management fees	11, 13	10,441,234	13,276,523	-	-
Custodian fees		812,436	1,064,909	-	-
Auditor's remuneration	12	38,365	49,413	21,495	31,273
Other operating expenses		925,336	1,229,675	15,062	16,017
<b>Total operating expenses</b>		<b>12,217,371</b>	<b>15,620,520</b>	<b>36,557</b>	<b>47,290</b>
<b>Profit before finance costs attributable to unit holders</b>		<b>80,020,305</b>	<b>87,484,709</b>	<b>40,890,319</b>	<b>45,028,144</b>
<b>Finance costs attributable to unit holders</b>					
Distributions to unit holders of the parent entity	9	(40,823,967)	(45,156,572)	(40,823,967)	(45,156,572)
Distributions to non-controlling interests		(23,896,407)	(21,965,506)	-	-
(Increase)/decrease in net assets attributable to unit holders of the parent entity	10	(9,945,697)	(14,030,621)	(66,352)	128,428
Increase in net assets attributable to non-controlling interests		(5,354,234)	(6,332,010)	-	-
<b>Profit/(loss) for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other comprehensive income for the year		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

**Wholesale Australian Monthly Income 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 \$
<b>Assets</b>					
Cash and cash equivalents		59,703,257	23,156,498	3,812,356	4,044,212
Due from brokers - receivable for securities sold		1,145,910	3,468,398	-	-
Receivables	6	3,571,827	4,724,515	2,668,935	3,734,293
Financial assets held at fair value through profit or loss	2	246,550,977	380,798,990	618,512,483	928,927,245
Mortgages		753,308,812	1,068,355,707	-	-
<b>Total assets</b>		<b>1,064,280,783</b>	<b>1,480,504,108</b>	<b>624,993,774</b>	<b>936,705,750</b>
<b>Liabilities (excluding net assets attributable to unit holders of the parent entity)</b>					
Payables	7	1,419,897	2,278,160	4,311	12,182
Financial liabilities held at fair value through profit or loss	4	3,651,400	11,993,501	-	-
Distributions payable to unit holders of the parent entity	9	2,679,761	3,910,629	2,679,761	3,910,629
Distributions payable to non-controlling interests		1,802,136	1,971,407	-	-
Net assets attributable to non-controlling interest		436,364,125	541,393,055	-	-
<b>Total liabilities (excluding net assets attributable to unit holders of the parent entity)</b>		<b>445,917,319</b>	<b>561,546,752</b>	<b>2,684,072</b>	<b>3,922,811</b>
<b>Net assets attributable to unit holders of the parent entity - liability</b>	10	<b>618,363,464</b>	<b>918,957,356</b>	<b>622,309,702</b>	<b>932,782,939</b>
<b>Net assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

## Consolidated 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 AASB132 - *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.

**Wholesale Australian Monthly Income 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 \$
<b>Cash flows from operating activities</b>					
Interest received		78,129,726	87,710,675	117,255	107,016
Distribution received		7,892,649	8,283,786	37,495,115	38,702,854
Other income received		76,322	1,255,712	251,057	558,922
Custodian fees paid		(834,627)	(1,088,132)	-	-
Management fees (paid)/rebates received		(10,716,249)	(13,546,822)	4,128,807	5,721,166
Payment of other expenses		(1,524,758)	(1,166,960)	(44,428)	(45,731)
<b>Net cash provided by operating activities</b>	16(a)	<b>73,023,063</b>	81,448,259	<b>41,947,806</b>	45,044,227
<b>Cash flows from investing activities</b>					
Proceeds from sale of investments		801,663,076	518,385,405	318,174,550	374,981,621
Payments for purchase of investments		(351,096,114)	(243,438,678)	(7,759,788)	(55,947,160)
<b>Net cash provided by investing activities</b>		<b>450,566,962</b>	274,946,727	<b>310,414,762</b>	319,034,461
<b>Cash flows from financing activities</b>					
Proceeds from applications by unit holders		3,517,809	19,661,683	1,490,566	7,378,486
Payments for redemptions by unit holders		(437,526,767)	(450,358,760)	(320,107,519)	(334,902,989)
Distributions paid to unit holders of the parent entity		(33,977,471)	(32,571,497)	(33,977,471)	(32,571,497)
Distributions paid to non-controlling interest		(19,056,837)	(15,221,409)	-	-
<b>Net cash used in financing activities</b>		<b>(487,043,266)</b>	(478,489,983)	<b>(352,594,424)</b>	(360,096,000)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>36,546,759</b>	(122,094,997)	<b>(231,856)</b>	3,982,688
Cash and cash equivalents at the beginning of the year		23,156,498	145,251,495	4,044,212	61,524
<b>Cash and cash equivalents at the end of the year</b>	16(b)	<b>59,703,257</b>	23,156,498	<b>3,812,356</b>	4,044,212
Non-cash financing and investing activities	16(c)				

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

## Notes to the financial statements

Section	Page
1 Summary of significant accounting policies	11
2 Financial assets held at fair value through profit or loss	15
3 Mortgages	15
4 Financial liabilities held at fair value through profit or loss	15
5 Investments in subsidiaries	15
6 Receivables	15
7 Payables	16
8 Net gains on financial instruments held at fair value through profit or loss	16
9 Distributions to unit holders of the parent entity	16
10 Net assets attributable to unit holders of the parent entity	16
11 Expenses	17
12 Auditor's remuneration	17
13 Related party transactions	17
14 Derivative financial instruments	18
15 Financial risk management	19
16 Notes to the statement of cash flows	27
17 Events occurring after the reporting period	28
18 Additional information	28

### 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 as they both apply to a fund that is no longer a going concern 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 Dollar.

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 circumstance, 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(d)(iii) for details of the judgment 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 as they apply to a fund that is no longer a going concern.

#### (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) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiary of the Wholesale Australian Monthly Income Fund. The Wholesale Australian Monthly Income Fund (the 'parent entity') and its subsidiary together are referred to in these financial statements as the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Fund has the power to govern the financial and operating policies, generally accompanying a shareholding 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 on which control is transferred to the Fund. They are de-consolidated from the date that control ceases.

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.

# Wholesale Australian Monthly Income Fund

## Consolidated financial statements 30 June 2011

### 1 Summary of significant accounting policies (continued)

#### (d) Financial instruments

##### (i) Classification

Except for mortgages, 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 interest rate swaps. 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 unlisted managed investment schemes and interest bearing securities.  
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.  
Mortgage investments are classified as loans and receivables.

##### (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

###### (a) 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 the 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 a 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.  
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.

##### (b) Mortgage investments

Mortgage investments are recognised at amortised cost less impairment in the statement of financial position.

Investments in mortgages are assessed for indicators of impairment at each reporting date. The mortgages are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cashflows, discounted at the original effective interest rate.

##### (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.

##### (e) 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.

##### (f) Cash and cash equivalents

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

# Wholesale Australian Monthly Income Fund

## Consolidated financial statements 30 June 2011

### 1 Summary of significant accounting policies (continued)

#### (g) Investment income

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

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

#### (h) Expenses

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

#### (i) 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.

#### (j) 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 each month.

#### (k) 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.

#### (l) 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.

#### (m) 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.

#### (n) 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, custody 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.

#### (o) 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.

# Wholesale Australian Monthly Income Fund

## Consolidated financial statements 30 June 2011

### 1 Summary of significant accounting policies (continued)

#### (p) 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.

#### (q) 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.

#### (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 periods. The Responsible Entity's assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set 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.

# Wholesale Australian Monthly Income Fund

## Consolidated financial statements 30 June 2011

### 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 \$
<b>Held for trading</b>					
Derivatives	14	406,947	668,397	–	–
<b>Total held for trading</b>		<b>406,947</b>	<b>668,397</b>	<b>–</b>	<b>–</b>
<b>Designated at fair value through profit or loss</b>					
Interest bearing securities		106,302,267	200,288,828	–	–
Unlisted managed investment schemes	13	139,841,763	179,841,765	618,512,483	928,927,245
<b>Total designated at fair value through profit or loss</b>		<b>246,144,030</b>	<b>380,130,593</b>	<b>618,512,483</b>	<b>928,927,245</b>
<b>Total financial assets held at fair value through profit or loss</b>		<b>246,550,977</b>	<b>380,798,990</b>	<b>618,512,483</b>	<b>928,927,245</b>

As disclosed in Note 13 related party transactions, the Fund has a significant investment in the Australian Monthly Income Fund. Despite an immaterial shortfall in asset values supporting the unit price, the investments in Australian Monthly Income Fund continue to be valued at a \$1 in line with the provisions of its Constitution. The value attributed to the investment is considered justifiable on the basis that the current shortfall impacts the unit price by less than 1% and management believes the full price will be recouped.

### 3 Mortgages

The Fund's subsidiary invests in both commercial and residential fixed and floating rate mortgages ranging from 1 to 16 years. The servicing of these is outsourced to a mortgage administrator.

### 4 Financial liabilities 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 \$
<b>Held for trading</b>					
Derivatives	14	3,651,400	11,993,501	–	–
<b>Total held for trading</b>		<b>3,651,400</b>	<b>11,993,501</b>	<b>–</b>	<b>–</b>
<b>Total financial liabilities held at fair value through profit or loss</b>		<b>3,651,400</b>	<b>11,993,501</b>	<b>–</b>	<b>–</b>

### 5 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 Note 1(c). 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	
		2011 \$	2010 \$	2011 %	2010 %
Australian Monthly Income Fund	Australia	618,512,483	928,927,245	58.48	62.83

### 6 Receivables

	Consolidated as at		Parent as at	
	30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
Interest receivable	2,186,677	3,564,626	11,128	11,535
Distribution receivable	517,223	614,779	2,389,550	3,335,157
Management fee rebate receivable	–	–	263,875	386,601
Other receivables	867,927	545,110	4,382	1,000
	<b>3,571,827</b>	<b>4,724,515</b>	<b>2,668,935</b>	<b>3,734,293</b>

The Fund's receivables are categorised as loans and receivables.

**Wholesale Australian Monthly Income Fund**  
Consolidated financial statements 30 June 2011

**7 Payables**

	Consolidated as at		Parent as at	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	\$	\$	\$	\$
Management fee payable	789,603	1,064,618	-	-
Custodian fee payable	59,315	81,506	-	-
Other unsecured payable and accrued expenses	570,979	1,132,036	4,311	12,182
	<b>1,419,897</b>	<b>2,278,160</b>	<b>4,311</b>	<b>12,182</b>

**8 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
	\$	\$	\$	\$
<b>Financial assets</b>				
Net loss on financial assets held for trading	(299,991)	(193,512)	-	-
Net gain on financial assets designated at fair value through profit or loss	4,402,445	9,930,404	-	-
<b>Net gains on financial assets held at fair value through profit or loss</b>	<b>4,102,454</b>	<b>9,736,892</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>				
Net gain/(loss) on financial liabilities held for trading	3,050,820	(3,248,753)	-	-
<b>Net gains/(losses) on financial liabilities held at fair value through profit or loss</b>	<b>3,050,820</b>	<b>(3,248,753)</b>	<b>-</b>	<b>-</b>
<b>Total net gains on financial instruments held at fair value through profit or loss</b>	<b>7,153,274</b>	<b>6,488,139</b>	<b>-</b>	<b>-</b>

**9 Distributions to unit holders of the parent entity**

	Parent year ended	
	30 June 2011	30 June 2010
	\$	\$
Distributions during the period	38,144,206	41,245,943
Distributions payable	2,679,761	3,910,629
	<b>40,823,967</b>	<b>45,156,572</b>

**10 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 number of units and net assets attributable to unit holders of the parent entity during the year were as follows:

	Parent year ended			
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	No.	No.	\$	\$
Opening balance	926,263,161	1,238,306,716	932,782,939	1,247,945,712
Applications	1,466,690	7,305,571	1,490,566	7,378,486
Redemptions	(317,498,067)	(331,753,205)	(320,107,519)	(334,902,989)
Units issued upon reinvestment of distributions	8,028,780	12,404,079	8,077,364	12,490,158
Increase/(decrease) in net assets attributable to unit holders of the parent entity	-	-	66,352	(128,428)
<b>Closing balance</b>	<b>618,260,564</b>	<b>926,263,161</b>	<b>622,309,702</b>	<b>932,782,939</b>

# Wholesale Australian Monthly Income Fund

## Consolidated financial statements 30 June 2011

### 10 Net assets attributable to unit holders of the parent entity (continued)

On 19 December 2008, the Responsible Entity introduced new withdrawal arrangements for the Fund. Under these new arrangements the Responsible Entity will notify unit holders of quarterly withdrawal offers. No other withdrawals are able to be made from the Fund.

The valuation of the Fund's assets for financial statement presentation purposes are calculated in accordance with AASB 139 *Financial Instruments: Measurement and Recognition*. AASB 139 requires assets to be held at fair value or amortised cost.

The consolidated entity net assets are less than the parent entity net assets disclosed. There is a difference recognised by the subsidiary between the unit price attributable to unit holders determined by the Responsible Entity and the application of accounting valuations of underlying net asset values which negatively impacts the net assets of the consolidated entity.

### 11 Expenses

In accordance with the Product Disclosure Statement, the ongoing management fee payable to the Responsible Entity is 0.60% (2010: 0.60%) per annum of the gross investment 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.

In accordance with the Product Disclosure Statement, the MER of the Fund is capped at an annual equivalent of 0.75% (2010: 0.75%). 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.

### 12 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	21,885	21,881	10,115	10,115
Other audit services	16,480	27,532	11,380	21,158
	<b>38,365</b>	<b>49,413</b>	<b>21,495</b>	<b>31,273</b>

The auditor of the Wholesale Australian Monthly Income Fund is Deloitte Touche Tohmatsu.

### 13 Related party transactions

#### Responsible Entity

The Responsible Entity of the Wholesale Australian Monthly Income 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 compensation of key management personnel.

#### 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*	106,073,825	187,118,694
N. M. Super Pty Ltd*	–	38,151,680
National Mutual Funds Management Limited	60,797	89,352

+ A related party of the Responsible Entity.

# Wholesale Australian Monthly Income Fund

## Consolidated financial statements 30 June 2011

### 13 Related party transactions (continued)

#### Transactions with related parties

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

Management fees of the parent \$Nil (2010: \$Nil), and consolidated entity \$10,441,234 (2010: \$13,276,523), calculated in accordance with Note 11, were paid or payable to the Responsible Entity.

The Fund invests in another unlisted managed investment scheme managed by the Responsible Entity. The Responsible Entity does not receive full management fees from both funds and an adjustment has been made to ensure that the total management fee does not exceed the management fee stated in the Fund Constitution. Consequently, the Fund has received/receivable a management fee rebate of \$4,006,081 (2010: \$5,587,334).

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

#### Investments

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

	Fair value of investment		Interest held		Distributions received/receivable	
	2011 \$	2010 \$	2011 %	2010 %	2011 \$	2010 \$
<b>Consolidated</b>						
Wholesale Cash Fund	139,841,763	179,841,765	11.89	14.68	7,795,093	8,898,565

	Fair value of investment		Interest held		Distributions received/receivable	
	2011 \$	2010 \$	2011 %	2010 %	2011 \$	2010 \$
<b>Parent</b>						
Australian Monthly Income Fund	618,512,483	928,927,245	58.48	62.83	36,549,508	38,810,682

Distributions received/receivable includes an amount of \$517,223 (2010: \$614,779) in respect of the Wholesale Cash Fund and \$2,389,550 (2010: \$3,335,157) in respect of the Australian Monthly Income Fund which remain unpaid at the reporting date.

### 14 Derivative financial instruments

In the normal course of business, the consolidated entity enters into transactions in various derivative financial instruments with 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 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 consolidated entity.

The Fund's subsidiary holds interest rate swaps. An interest rate swap is an agreement between two parties to exchange their interest obligations (payments) or receipts at set intervals on a notional principal amount over an agreed time period. The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The consolidated entity's derivative financial instruments at year-end are detailed below:

	Contract/ notional \$	Fair values	
		Assets \$	Liabilities \$
<b>Consolidated 30 June 2011</b>			
Buy floating, sell fixed interest rate swaps	297,728,500	406,947	3,651,400
		<b>406,947</b>	<b>3,651,400</b>

	Contract/ notional \$	Fair values	
		Assets \$	Liabilities \$
<b>Consolidated 30 June 2010</b>			
Buy floating, sell fixed interest rate swaps	454,306,413	668,397	11,993,501
		668,397	11,993,501

# Wholesale Australian Monthly Income Fund

## Consolidated financial statements 30 June 2011

### 15 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.

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 distribution 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. Notwithstanding the fact that there are currently special withdrawal arrangements in place for the Fund, as detailed in Note 10, the amount of net assets attributable to unit holders can ordinarily change significantly as the Fund is subject to 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 investment 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, financial liabilities held at fair value through profit or loss which are disclosed in Note 4 and loans and receivables which are disclosed in Note 6.

#### Financial risk management objectives

The consolidated entity is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including 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 effect of these risks on the Fund's financial performance. These policies may include the use of certain financial derivative instruments.

The Fund's investment mandate is to invest in unlisted managed investment schemes and cash and cash equivalents. The Fund subsidiary's investment mandate is to invest in a diversified portfolio of Australian loans being first ranking mortgages (which may include development loans and illiquid mortgage backed securities), fixed interest securities (including but not limited to bonds, liquid mortgage backed securities and listed income securities), unlisted managed investment schemes, derivatives and cash and cash equivalents.

The consolidated entity does not enter into or trade financial instruments, including 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. Compliance with policies and exposure limits is reviewed by the Responsible Entity on a continuous basis.

The consolidated entity 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.

The consolidated entity 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 fund as prices in the future are uncertain. The units in the underlying fund 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 has investments in the underlying fund, which exposes it to price risk. The Investment Manager manages the performance of the underlying fund regularly in accordance with the Fund's investment objectives and policies, as detailed in the Product Disclosure Statement.

For the Fund subsidiary's investments which 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 majority of the Fund subsidiary's directly held financial assets are fixed interest securities that have exposure to interest rate movement and therefore have minimal exposure to price risk. As a result, there is little to no sensitivity to price risk.

An analysis of interest rate risk is provided in paragraph (iii) below.

**Wholesale Australian Monthly Income Fund**  
Consolidated financial statements 30 June 2011

**15 Financial risk management** (continued)

(a) Market risk (continued)

(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.

(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 consolidated entity to cash flow risk, whereas fixed interest rate instruments expose the consolidated entity to fair value interest rate risk. The Responsible Entity monitors the consolidated entity's exposures to interest rate risk.

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

<b>Consolidated 30 June 2011</b>	<b>Floating interest rate \$</b>	<b>Fixed interest rate \$</b>	<b>Non-interest bearing \$</b>	<b>Total \$</b>
<b>Assets</b>				
Cash and cash equivalents	59,703,257	-	-	59,703,257
Due from brokers - receivable for securities sold	-	-	1,145,910	1,145,910
Receivables	-	-	3,571,827	3,571,827
Financial assets held at fair value through profit or loss	83,785,049	22,517,217	140,248,711	246,550,977
Mortgages	753,308,812	-	-	753,308,812
<b>Total assets</b>	<b>896,797,118</b>	<b>22,517,217</b>	<b>144,966,448</b>	<b>1,064,280,783</b>
<b>Liabilities (excluding net assets attributable to unit holders of the parent entity)</b>				
Payables	-	-	1,419,897	1,419,897
Financial liabilities held at fair value through profit or loss	-	-	3,651,400	3,651,400
Distributions payable to unit holders of the parent entity	-	-	2,679,761	2,679,761
Distributions payable to non-controlling interest	-	-	1,802,136	1,802,136
Net assets attributable to non-controlling interest	-	-	436,364,125	436,364,125
<b>Total liabilities (excluding net assets attributable to unit holders of the parent entity)</b>	<b>-</b>	<b>-</b>	<b>445,917,319</b>	<b>445,917,319</b>
<b>Net assets attributable to unit holders of the parent entity - liability*</b>				<b>618,363,464</b>

<b>Parent 30 June 2011</b>	<b>Floating interest rate \$</b>	<b>Fixed interest rate \$</b>	<b>Non-interest bearing \$</b>	<b>Total \$</b>
<b>Assets</b>				
Cash and cash equivalents	3,812,356	-	-	3,812,356
Receivables	-	-	2,668,935	2,668,935
Financial assets held at fair value through profit or loss	-	-	618,512,483	618,512,483
<b>Total assets</b>	<b>3,812,356</b>	<b>-</b>	<b>621,181,418</b>	<b>624,993,774</b>
<b>Liabilities (excluding net assets attributable to unit holders)</b>				
Payables	-	-	4,311	4,311
Distributions payable to unit holders	-	-	2,679,761	2,679,761
<b>Total liabilities (excluding net assets attributable to unit holders)</b>	<b>-</b>	<b>-</b>	<b>2,684,072</b>	<b>2,684,072</b>
<b>Net assets attributable to unit holders - liability*</b>				<b>622,309,702</b>

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

**Wholesale Australian Monthly Income Fund**  
Consolidated financial statements 30 June 2011

**15 Financial risk management** (continued)

(a) Market risk (continued)

<b>Consolidated 30 June 2010</b>	<b>Floating interest rate \$</b>	<b>Fixed interest rate \$</b>	<b>Non-interest bearing \$</b>	<b>Total \$</b>
<b>Assets</b>				
Cash and cash equivalents	23,156,498	-	-	23,156,498
Due from brokers - receivable for securities sold	-	-	3,468,398	3,468,398
Receivables	-	-	4,724,515	4,724,515
Financial assets held at fair value through profit or loss	178,229,871	22,727,354	179,841,765	380,798,990
Mortgages	1,068,355,707	-	-	1,068,355,707
<b>Total assets</b>	<b>1,269,742,076</b>	<b>22,727,354</b>	<b>188,034,678</b>	<b>1,480,504,108</b>
<b>Liabilities (excluding net assets attributable to unit holders of the parent entity)</b>				
Payables	-	-	2,278,160	2,278,160
Financial liabilities held at fair value through profit or loss	-	-	11,993,501	11,993,501
Distributions payable to unit holders of the parent entity	-	-	3,910,629	3,910,629
Distributions payable to non-controlling interest	-	-	1,971,407	1,971,407
Net assets attributable to non-controlling interest	-	-	541,393,055	541,393,055
<b>Total liabilities (excluding net assets attributable to unit holders of the parent entity)</b>	<b>-</b>	<b>-</b>	<b>561,546,752</b>	<b>561,546,752</b>
<b>Net assets attributable to unit holders of the parent entity - liability*</b>				<b>918,957,356</b>

<b>Parent 30 June 2010</b>	<b>Floating interest rate \$</b>	<b>Fixed interest rate \$</b>	<b>Non-interest bearing \$</b>	<b>Total \$</b>
<b>Assets</b>				
Cash and cash equivalents	4,044,212	-	-	4,044,212
Receivables	-	-	3,734,293	3,734,293
Financial assets held at fair value through profit or loss	-	-	928,927,245	928,927,245
<b>Total assets</b>	<b>4,044,212</b>	<b>-</b>	<b>932,661,538</b>	<b>936,705,750</b>
<b>Liabilities (excluding net assets attributable to unit holders)</b>				
Payables	-	-	12,182	12,182
Distributions payable to unit holders	-	-	3,910,629	3,910,629
<b>Total liabilities (excluding net assets attributable to unit holders)</b>	<b>-</b>	<b>-</b>	<b>3,922,811</b>	<b>3,922,811</b>
<b>Net assets attributable to unit holders - liability*</b>				<b>932,782,939</b>

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

The table in Note 15(b) summarises the impact of an increase/decrease of interest rates on the Fund's operating profit and net assets attributable to unit holders through changes in fair value or changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/- 50 basis points (2010: +/- 50 basis points) from the year-end rates with all other variables held constant.

The sensitivity analysis has been determined based on the consolidated entity's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of instruments that have floating interest rates. A 50 basis points (2010: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Fund's subsidiary has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the valuation of certain assets that use interest rates as an input in their valuation model. Therefore, the sensitivity analysis in Note 15(b) may not fully indicate the total effect on the Fund's net assets attributable to unit holders of future movements in interest rates.

# Wholesale Australian Monthly Income Fund

## Consolidated financial statements 30 June 2011

### 15 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 interest rate 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 levels of changes in interest rates 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.

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

Consolidated	Interest rate risk	
	Impact on operating profit/Net assets attributable to unit holders	
	- 50 bps \$	+ 50 bps \$
30 June 2011	(4,558,227)	4,558,227
30 June 2010	(6,405,054)	6,405,054

#### (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.

Credit risk arising on investments is mitigated, where possible, by investing in debt securities which have a credit risk as rated by a well known rating agencies. For unrated debt securities, a rating is assigned by the Investment Manager using an approach that is consistent with the approach used by rating agencies. The following table details the aggregate credit risk of the debt instruments in the portfolio of the Fund's subsidiary.

Rating	Consolidated as at	
	30 June 2011 %	30 June 2010 %
AAA	0.80	0.01
AA	28.40	26.80
A	19.50	28.60
BBB	51.30	44.50
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

The Fund's subsidiary invests in mortgages that are secured by first ranking mortgages over property. The level of funds available under any mortgage will generally be restricted to 70 per cent of the value of the property held as security for the mortgage, or 80 per cent of total development costs. Property valuations are determined by qualified valuers at least every three years. Mortgages are provided on either a fixed or floating basis (or a combination of these) at the request of the borrower. There is no requirement for the mortgage property to be income producing; however, the capability for servicing of total loan commitments from current income is expected to be proven.

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 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.

	Consolidated year ended		Parent year ended	
	30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
Cash and cash equivalents	59,703,257	23,156,498	3,812,356	4,044,212
Due from brokers – receivable for securities sold	1,145,910	3,468,398	–	–
Receivables	3,571,827	4,724,515	2,668,935	3,734,293
Financial assets held at fair value through profit or loss	246,550,977	380,798,990	618,512,483	928,927,245
Mortgages	753,308,812	1,068,355,707	–	–
<b>Total</b>	<b>1,064,280,783</b>	<b>1,480,504,108</b>	<b>624,993,774</b>	<b>936,705,750</b>

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

# Wholesale Australian Monthly Income Fund

## Consolidated financial statements 30 June 2011

### 15 Financial risk management (continued)

#### (d) Liquidity risk

The consolidated entity invests in underlying funds which currently have suspended withdrawals. As a result, the Fund is unable to liquidate its investments and is subject to liquidity risk. In order to manage this liquidity risk, the Responsible Entity has exercised its discretion and suspended withdrawals from the Fund. Withdrawals are only permitted from the Fund when the Responsible Entity makes a Withdrawal Offer. The Responsible Entity manages the timing and amount of any withdrawal offers so that the total value of funds able to be withdrawn does not exceed available liquid assets.

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 for 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.

Consolidated	Due on demand \$	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	5+ years \$
<b>As at 30 June 2011</b>					
Payables	1,419,897	-	-	-	-
Distributions payable to unit holders of the parent entity	-	2,679,761	-	-	-
Distributions payable to non-controlling interest	-	1,802,136	-	-	-
Net assets attributable to non-controlling interest	436,364,125	-	-	-	-
Net assets attributable to unit holders of the parent entity	618,363,464	-	-	-	-
<b>Total</b>	<b>1,056,147,486</b>	<b>4,481,897</b>	-	-	-
<b>As at 30 June 2010</b>					
Payables	2,664,761	-	-	-	-
Distributions payable to unit holders of the parent entity	-	3,910,629	-	-	-
Distributions payable to non-controlling interest	-	1,971,407	-	-	-
Net assets attributable to non-controlling interest	541,393,055	-	-	-	-
Net assets attributable to unit holders of the parent entity	918,957,356	-	-	-	-
<b>Total</b>	<b>1,463,015,172</b>	<b>5,882,036</b>	-	-	-
<b>Parent</b>					
	Due on demand \$	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	5+ years \$
<b>As at 30 June 2011</b>					
Payables	4,311	-	-	-	-
Distributions payable to unit holders of the parent entity	-	2,679,761	-	-	-
Net assets attributable to unit holders of the parent entity	622,309,702	-	-	-	-
<b>Total</b>	<b>622,314,013</b>	<b>2,679,761</b>	-	-	-
<b>As at 30 June 2010</b>					
Payables	12,182	-	-	-	-
Distributions payable to unit holders of the parent entity	-	3,910,629	-	-	-
Net assets attributable to unit holders of the parent entity	932,782,939	-	-	-	-
<b>Total</b>	<b>932,795,121</b>	<b>3,910,629</b>	-	-	-

As at 30 June 2011, current liabilities of the Fund include distribution payable of \$2,679,761 (2010: \$3,910,629). Of the total distribution payable, \$151,813 (2010: \$981,612) was reinvested into the Fund on 1 July 2011 (2010: 1 July 2010) via the purchase of additional units in the Fund. The remaining distribution payable was funded from the Fund's current assets.

## Wholesale Australian Monthly Income Fund

### Consolidated financial statements 30 June 2011

#### 15 Financial risk management (continued)

##### (d) Liquidity risk (continued)

The tables below analyse the consolidated entity's net settled derivative financial instruments in a loss position for which the contractual maturities are considered to be essential to an understanding of the timing of cash flows based on the Fund's investment strategy.

Consolidated As at 30 June 2010	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	5+ years \$
Net settled derivatives				
Interest rate swaps	165,750	533,625	2,952,025	-
<b>Total</b>	<b>165,750</b>	<b>533,625</b>	<b>2,952,025</b>	<b>-</b>
<b>As at 30 June 2010</b>				
Net settled derivatives				
Interest rate swaps	-	-	11,993,501	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>11,993,501</b>	<b>-</b>

##### (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.

##### (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.

**Wholesale Australian Monthly Income Fund**  
Consolidated financial statements 30 June 2011

**15 Financial risk management** (continued)

(f) Fair-value hierarchy (continued)

The table below sets out the Fund's and 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.

<b>Consolidated As at 30 June 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets held for trading:				
Derivatives	-	406,947	-	406,947
Financial assets designated at fair value through profit or loss:				
Interest bearing securities	-	106,302,267	-	106,302,267
Unlisted managed investment schemes	-	139,841,763	-	139,841,763
<b>Total</b>	<b>-</b>	<b>246,550,977</b>	<b>-</b>	<b>246,550,977</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	-	3,651,400	-	3,651,400
<b>Total</b>	<b>-</b>	<b>3,651,400</b>	<b>-</b>	<b>3,651,400</b>
<b>Consolidated As at 30 June 2010</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets held for trading:				
Derivatives	-	668,397	-	668,397
Financial assets designated at fair value through profit or loss:				
Interest bearing securities	-	200,288,828	-	200,288,828
Unlisted managed investment schemes	-	179,841,765	-	179,841,765
<b>Total</b>	<b>-</b>	<b>380,798,990</b>	<b>-</b>	<b>380,798,990</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	-	11,993,501	-	11,993,501
<b>Total</b>	<b>-</b>	<b>11,993,501</b>	<b>-</b>	<b>11,993,501</b>
<b>Parent As at 30 June 2011</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted managed investment schemes	-	-	618,512,483	618,512,483
<b>Total</b>	<b>-</b>	<b>-</b>	<b>618,512,483</b>	<b>618,512,483</b>
<b>Parent As at 30 June 2010</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted managed investment schemes	-	-	928,927,245	928,927,245
<b>Total</b>	<b>-</b>	<b>-</b>	<b>928,927,245</b>	<b>928,927,245</b>

**Wholesale Australian Monthly Income Fund**  
Consolidated financial statements 30 June 2011

**15 Financial risk management** (continued)

(f) Fair-value hierarchy (continued)

There are no investments classified as level 1 and 3 within the consolidated entity as at 30 June 2011 and 30 June 2010.

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, investment-grade corporate bonds and 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**

The following table presents the movement in level 3 instruments for the year ended 30 June 2011 and 30 June 2010 by class of financial instrument.

<b>Parent As at 30 June 2011</b>	<b>Unlisted managed investment schemes \$</b>
Opening balance	928,927,245
Purchases	7,759,788
Sales	(318,174,550)
<b>Closing balance</b>	<b>618,512,483</b>
<b>Total gains or losses for the year included in the consolidated statement of comprehensive income for financial assets and liabilities held at the end of the year</b>	<b>-</b>

<b>Parent As at 30 June 2010</b>	<b>Unlisted managed investment schemes \$</b>
Opening balance	1,247,961,706
Purchases	55,947,160
Sales	(374,981,621)
<b>Closing balance</b>	<b>928,927,245</b>
<b>Total gains or losses for the year included in the consolidated statement of comprehensive income for financial assets and liabilities held at the end of the year</b>	<b>-</b>

**Wholesale Australian Monthly Income Fund**  
Consolidated financial statements 30 June 2011

**16 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
		\$	\$	\$	\$
<b>(a) Reconciliation of profit/(loss) to net cash provided by operating activities</b>					
Profit/(loss) for the year		-	-	-	-
Increase/(decrease) in net assets attributable to unit holders of the parent entity	10	9,945,697	14,030,621	66,352	(128,428)
Increase in net assets attributable to non-controlling interest		5,354,234	6,332,010	-	-
Distributions to unit holders of the parent entity	9	40,823,967	45,156,572	40,823,967	45,156,572
Distributions to non-controlling interest		23,896,407	21,965,506	-	-
Net gains on financial instruments held at fair value through profit or loss	8	(7,153,274)	(6,488,139)	-	-
Distribution income reinvested	16(c)	-	(744,887)	-	-
Interest (sold)/bought		(138,393)	530,947	-	-
Net changes in receivables		1,152,688	980,855	1,065,358	14,524
Net change in payables		(858,263)	(315,226)	(7,871)	1,559
<b>Net cash provided by operating activities</b>		<b>73,023,063</b>	<b>81,448,259</b>	<b>41,947,806</b>	<b>45,044,227</b>
<b>(b) Components of cash and cash equivalents</b>					
Cash and cash equivalents 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		19,703,257	23,156,498	3,812,356	4,044,212
Deposit at call		40,000,000	-	-	-
<b>Cash at bank</b>		<b>59,703,257</b>	<b>23,156,498</b>	<b>3,812,356</b>	<b>4,044,212</b>
<b>(c) Non-cash financing and investing activities</b>					
Income distributions reinvested by unit holders for additional units in the Fund	10	13,086,205	18,938,321	8,077,364	12,490,158
Distribution received from investments reinvested in unlisted managed investment schemes	16(a)	-	744,887	-	-

# Wholesale Australian Monthly Income Fund

Annual financial report 30 June 2011

## 17 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 5 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).

The decision to terminate the fund has not had any impact to managements' assessment of the fair value of the assets, despite the existence of a marginal asset shortfall. As the mortgage investments are not impaired and are either floating rate mortgages or fixed interest mortgages hedged with floating rate interest swaps, the existence of fair value risk and the effect of discounting is considered immaterial.

There are no other significant events which have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the consolidated statement 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.

## 18 Additional information

National Mutual Funds Management Limited, a public company incorporated and operating in Australia, is the Responsible Entity of the Wholesale Australian Monthly Income 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**