

# Wholesale Australian Property 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 statements 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 Property 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 Fund invests primarily in direct property (office, industrial, and retail), and maintains an exposure to listed and/or unlisted property securities, derivatives, fixed interest securities and cash and cash equivalents in accordance with the provisions of the Fund Constitution.

On 28 November 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. In addition, the Fund is not accepting applications. Quarterly income distributions continue as normal.

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

### Directors

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

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

## Directors' report (continued)

### Review and results of operations

The Fund maintains its investment strategy in income producing commercial properties, fixed interest securities, unlisted managed investment schemes, derivatives and cash and cash equivalents.

The Fund's subsidiary maintains its investment strategy in income producing commercial properties in New Zealand.

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, 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	64,938,478	40,027,235	64,938,478	40,028,052

### Distributions

	Consolidated year ended		Parent year ended	
	30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
Distributions to unit holders of the parent entity	52,440,485	60,811,617	52,440,485	60,811,617

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

	Parent as at	
	30 June 2011 \$	30 June 2010 \$
Net assets for unit pricing purposes	787,169,148	861,858,402
Adjustment for changes in valuation of financial assets held at fair value	(2,500,439)	(4,188,001)
Reclassification of net assets attributable to unit holders to liabilities	(784,668,709)	(857,670,401)
Net assets for financial reporting purposes	-	-
<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 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 15 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 15 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 11(a) to the financial statements.

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

### **Independence declaration by Auditor**

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

Signed in accordance with a resolution of the 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

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19 September 2011

Dear Board Members

### **Wholesale Australian Property 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 Property Fund.

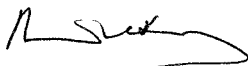
As lead audit partner for the audit of the financial statements of the Wholesale Australian Property Fund for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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

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

We have audited the accompanying financial report of the Wholesale Australian Property Fund, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration 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 44.

#### *Directors' Responsibility for the Financial Report*

The directors of National Mutual Funds Management Limited (the "Responsible Entity") are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

## Independent auditor's report (continued)

# Deloitte.

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

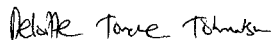
### *Auditor's Independence Declaration*

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

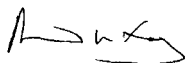
### *Opinion*

In our opinion:

- (a) the financial report of the Wholesale Australian Property 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

## Directors' declaration

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

The Directors of the Responsible Entity declare that:

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

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

On behalf of the Directors



**Daniel Craine**

Director  
Melbourne  
23 September 2011

## Consolidated statement of comprehensive income

For the year ended 30 June 2011

	Notes	Consolidated year ended		Parent year ended	
		30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
<b>Investment income</b>					
Rental income	12	71,608,452	83,057,515	61,724,579	66,994,885
Distribution income		5,967,674	4,375,121	9,335,902	11,102,209
Interest income		204,174	56,220	1,379,514	3,798,426
Net gains/(losses) on financial instruments held at fair value through profit or loss	10	4,619,237	(24,538)	(13,907,216)	(18,150,222)
Net unrealised gains/(losses) on investment property		37,048,304	(18,026,167)	12,048,456	1,444,005
Net realised gains/(losses) on disposal of investment properties		(38,078,465)	(6,733,584)	13,095,888	(6,733,584)
Net gains on foreign exchange		8,862,819	5,277,811	2,211,514	4,780,781
Other investment income		1,052,769	105,578	830,949	105,578
<b>Total investment income</b>		<b>91,284,964</b>	<b>68,087,956</b>	<b>86,719,586</b>	<b>63,342,078</b>
<b>Expenses</b>					
Property related expenses		18,192,743	20,565,031	14,741,601	15,875,378
Management fees	14, 15	5,866,336	6,198,271	5,866,336	6,198,271
Custodian fees	14, 15	336,509	351,866	336,509	351,866
Auditor's remuneration	13	40,723	52,433	26,079	44,237
Other operating expenses		1,910,175	893,120	810,583	844,274
<b>Total operating expenses</b>		<b>26,346,486</b>	<b>28,060,721</b>	<b>21,781,108</b>	<b>23,314,026</b>
<b>Profit before finance costs attributable to unit holders</b>		<b>64,938,478</b>	<b>40,027,235</b>	<b>64,938,478</b>	<b>40,028,052</b>
<b>Finance costs attributable to unit holders</b>					
Distributions to unit holders of the parent entity	9	(52,440,485)	(60,811,617)	(52,440,485)	(60,811,617)
Distributions to non-controlling interests		-	(214)	-	-
(Increase)/decrease in net assets attributable to unit holders of the parent entity	11(b)	(12,497,993)	20,783,565	(12,497,993)	20,783,565
(Increase)/decrease in net assets attributable to non-controlling interests		-	1,031	-	-
<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 Property 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		18,272,639	7,804,179	3,202,284	3,156,861
Receivables	6	4,148,489	4,881,013	3,954,356	6,696,436
Financial assets held at fair value through profit or loss	2	142,645,751	118,589,655	170,263,216	186,133,666
Investment property	4	638,578,218	752,808,954	611,250,000	631,708,000
Loan to subsidiary		-	-	14,287,014	54,447,015
<b>Total assets</b>		<b>803,645,097</b>	<b>884,083,801</b>	<b>802,956,870</b>	<b>882,141,978</b>
<b>Liabilities (excluding net assets attributable to unit holders of the parent entity)</b>					
Payables	7	6,190,723	9,439,012	5,655,681	7,729,374
Financial liabilities held at fair value through profit or loss	3	153,179	232,179	-	-
Distributions payable to unit holders of the parent entity	9	12,632,480	16,742,203	12,632,480	16,742,203
Net assets attributable to non-controlling interests		6	6	-	-
Total liabilities (excluding net assets attributable to unit holders of the parent entity)		18,976,388	26,413,400	18,288,161	24,471,577
<b>Net assets attributable to unit holders of the parent entity - liability</b>	11(b)	<b>784,668,709</b>	<b>857,670,401</b>	<b>784,668,709</b>	<b>857,670,401</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 statements of changes in equity

For the year ended 30 June 2011

The Fund's net assets attributable to unit holders are classified as a liability under AASB 132 - *Financial Instruments Presentation*. As such, the Fund has no equity and no items of changes in equity have been presented for the current or comparative year.

## 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>					
Property income received		72,542,721	81,693,109	61,911,447	66,066,266
Distributions received		1,132,997	1,538,784	1,132,997	1,538,784
Interest received		230,013	54,343	1,839,437	3,639,218
Other income received		950,736	15,808	755,868	15,808
Management fees paid		(5,920,133)	(6,228,164)	(5,920,133)	(6,228,164)
Custodian fees paid		(339,291)	(352,578)	(339,291)	(352,578)
Payment of other expenses		(23,438,684)	(19,417,949)	(17,698,710)	(14,905,432)
<b>Net cash provided by operating activities</b>	18(a)	<b>45,158,359</b>	57,303,353	<b>41,681,615</b>	49,773,902
<b>Cash flows from investing activities</b>					
Proceeds from sale of investment properties		125,169,319	29,323,041	53,484,734	29,323,041
Proceeds from sale of investments		116,564,171	76,617,670	180,072,564	76,617,670
Payments for purchase of investments		(125,251,229)	(89,635,107)	(125,251,229)	(86,272,779)
Capital expenditure on investment properties		(9,209,045)	(15,615,548)	(7,910,210)	(14,620,620)
<b>Net cash provided by investing activities</b>		<b>107,273,216</b>	690,056	<b>100,395,859</b>	5,047,312
<b>Cash flows from financing activities</b>					
Proceeds from applications by unit holders		42,653	-	42,653	-
Payments for redemptions by unit holders		(85,578,995)	(580,105)	(85,578,995)	(580,105)
Distributions paid to unit holders of the parent entity		(56,513,550)	(58,173,385)	(56,513,550)	(58,173,385)
<b>Net cash used in financing activities</b>		<b>(142,049,892)</b>	(58,753,490)	<b>(142,049,892)</b>	(58,753,490)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>10,381,683</b>	(760,081)	<b>27,582</b>	(3,932,276)
Cash and cash equivalents at the beginning of the year		7,804,179	8,566,829	3,156,861	7,089,137
Effects of foreign currency exchange rate changes on cash and cash equivalents		86,777	(2,569)	17,841	-
<b>Cash and cash equivalents at the end of the year</b>	18(b)	<b>18,272,639</b>	7,804,179	<b>3,202,284</b>	3,156,861
Non-cash financing and investing activities	18(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 Financial liabilities held at fair value through profit or loss	15
4 Investment property	15
5 Leases	18
6 Receivables	19
7 Payables	19
8 Investments in subsidiaries	19
9 Distributions to unit holders of the parent entity	19
10 Net gains/(losses) on financial instruments held at fair value through profit or loss	20
11 Net assets attributable to unit holders of the parent entity	20
12 Rental income	21
13 Auditor's remuneration	21
14 Expenses	21
15 Related party transactions	21
16 Derivative financial instruments	23
17 Financial risk management	23
18 Notes to the cash flows statement	31
19 Commitments for expenditure	31
20 Events occurring after the reporting period	32
21 Additional information	32

### 1 Summary of significant accounting policies

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

#### (a) Basis of preparation

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

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and 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 circumstances, the results of which form the basis of making judgments. Actual results may differ from these estimates.

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

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

#### Compliance with International Financial Reporting Standards (IFRS)

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

#### (b) Principles of consolidation

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

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

Subsidiaries are fully consolidated from the date control is transferred to the Fund. In this case, the parent entity acquired control on 24 July 2006, the date of commencement of the subsidiary. 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.

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

**(c) Financial instruments**

**(i) Classification**

The Fund's investments comprise:

**(a) Categorised as at fair value through profit or loss;**

- Financial instruments held for trading  
These include derivative financial instruments including forward currency contracts. All derivatives in a net receivable or payable position are reported as either derivative financial assets or derivative financial liabilities.  
The Fund's subsidiary holds currency contracts which were designated as hedging instruments.
- Financial instruments designated at fair value through profit or loss upon initial recognition  
These are investments in unlisted managed investment schemes.  
Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair-value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair-value basis together with other related financial information.

**(b) Loan to subsidiary**

This represents a loan to the Fund's subsidiary, the Wholesale Australian Property Fund (New Zealand).

**(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 profit or loss.

- 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 currency contract is determined as the net present value of estimated future cash flows, discounted at appropriate market rates 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 manager of such funds.

**(b) Loan to subsidiary**

The loan to subsidiary is recorded at amortised cost less impairment.

**(iv) Offsetting financial instruments**

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

**(d) Investment property**

Investment property is recognised at fair value in accordance with AASB 140 Investment Property. In accordance with the requirements of the Fund Constitution, the fair values of all investment properties are determined on the basis of current prices in an active market for similar properties in the same location and condition and subject to similar leases. These valuations are reflected in the financial statements of the Fund. It is the policy of the Responsible Entity to review the carrying value of each property annually to ensure that it is not materially different to the fair value. More frequent independent valuations are obtained where the Responsible Entity believes there may be a material change in the fair value of the investment property. Where a contract has been entered into for sale of a property investment, the fair value of the property has been determined based on its realisable value.

**(i) Lease incentives**

The aggregate cost of lease incentives has been recognised as a reduction in rental income over the lease term on a straight-line basis in accordance with Interpretation 115 Operating Leases – Incentives.

**(ii) Fixed Rental Increases**

Rental income from operating leases has been recognised in the statement of comprehensive income on a straight-line basis over the lease term in accordance with AASB 117 Leases.

**(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.

The Responsible Entity exercised its discretion and has 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.

# Wholesale Australian Property Fund

## Consolidated financial statements 30 June 2011

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

#### (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.

#### (g) Investment income

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

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

Rental income from investment properties, including any fixed rental increases, is recognised on a straight-line basis over the term of the lease in accordance with AASB 117. Profits from the sale of investment property are recognised when contractual duties are completed.

#### (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 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 on a quarterly basis.

#### (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) Foreign currency translation

All foreign currency transactions during the year have been brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

#### (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, custodian fees and other expenses are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Tax Office ('ATO') as the Fund qualifies for reduced input tax credit ('RITC') at a rate of at least 75%.

Accounts payable and accrued expenses are stated with the amount of GST included. The net amount of GST recoverable from or payable to, 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.

Financial assets, other than those at fair value through profit or loss, are assessed for indications of impairment at each balance date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the receivable the estimated future cash flows have been impacted. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables where the carrying amount of the receivable is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

**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) Fair-value hedges**

The consolidated entity designates certain derivative currency contracts as hedging instruments in a fair-value hedge relationship, with foreign exchange risk being the hedged risk.

At the inception of the hedging relationship, the consolidated entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge, and on an ongoing basis, the consolidated entity documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item.

Changes in the fair value of derivatives that are designated and qualify as fair-value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued when the consolidated entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any fair-value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Note 16 sets out details of the fair values of the derivative instruments used for hedging purposes.

**(s) New accounting standards and interpretations**

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

- (i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)*
- AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013, but is available for early adoption. AASB 9 permits the recognition of fair-value gains and losses in other comprehensive income if they relate to equity investments that are not traded. The Fund has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Fund's financial statements as the Fund does not hold any available-for-sale investments.
- (ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards (effective from 1 January 2011)*
- In December 2009, the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the amended standard from 1 July 2011. The amendment will not have any effect on the Fund's financial statements.
- (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 issued 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 Property 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>Designated at fair value through profit or loss</b>					
Unlisted managed investment schemes	15	142,645,751	118,589,655	170,263,216	186,133,666
Total designated as at fair value through profit or loss		142,645,751	118,589,655	170,263,216	186,133,666
<b>Total financial assets held at fair value through profit or loss</b>		<b>142,645,751</b>	<b>118,589,655</b>	<b>170,263,216</b>	<b>186,133,666</b>

**3 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	16	153,179	232,179	-	-
<b>Total held for trading</b>		<b>153,179</b>	<b>232,179</b>	<b>-</b>	<b>-</b>
<b>Total financial liabilities held at fair value through profit or loss</b>		<b>153,179</b>	<b>232,179</b>	<b>-</b>	<b>-</b>

**4 Investment property**

	Consolidated as at		Parent as at	
	30 June 2011 \$	30 June 2010 \$	30 June 2011 %	30 June 2010 %
Investment property	638,578,218	752,808,954	611,250,000	631,708,000
	<b>638,578,218</b>	<b>752,808,954</b>	<b>611,250,000</b>	<b>631,708,000</b>

	Consolidated as at		Parent as at	
	30 June 2011 \$	30 June 2010 \$	30 June 2011 %	30 June 2010 %
<b>Investment property</b>				
Unwin St, Rosehill	17,250,000	16,950,000	17,250,000	16,950,000
Arndell Park	12,000,000	11,600,000	12,000,000	11,600,000
Casula Mall Shopping Centre	112,000,000	100,000,000	112,000,000	100,000,000
Greens Rd, Dandenong	18,800,000	17,100,000	18,800,000	17,100,000
Collins St, Hobart	-	23,000,000	-	23,000,000
Hay St, Subiaco	-	29,000,000	-	29,000,000
Waterloo Rd, North Ryde	16,000,000	16,500,000	16,000,000	16,500,000
Wesley Court Tally Ho Business Park, Burwood	14,000,000	13,000,000	14,000,000	13,000,000
Moore St, Canberra	47,250,000	47,000,000	47,250,000	47,000,000
Pound Rd, Dandenong	19,700,000	15,358,000	19,700,000	15,358,000
Evans Rd, Salisbury	26,000,000	24,600,000	26,000,000	24,600,000
Gauge Circuit, Canning Vale	21,850,000	20,000,000	21,850,000	20,000,000
Walker Street, North Sydney	67,100,000	64,200,000	67,100,000	64,200,000
Bond One, Hickson Road, Walsh Bay	72,000,000	68,000,000	72,000,000	68,000,000
North East Rd, Modbury	15,300,000	14,900,000	15,300,000	14,900,000
Distribution Drive, Laverton North	50,000,000	48,000,000	50,000,000	48,000,000
Vanessa St, Kingsgrove	51,000,000	52,500,000	51,000,000	52,500,000
St Kilda Road, Melbourne	51,000,000	50,000,000	51,000,000	50,000,000
Shortland St, Auckland, New Zealand	-	39,281,486	-	-
ANZ Tower, Wellington, New Zealand	-	24,423,722	-	-
Westpac Building, Wellington, New Zealand	-	24,830,784	-	-
The Plaza Whangaparaoa, Auckland, New Zealand	27,328,218	32,564,962	-	-
<b>Total</b>	<b>638,578,218</b>	<b>752,808,954</b>	<b>611,250,000</b>	<b>631,708,000</b>

**Wholesale Australian Property Fund**  
Consolidated financial statements 30 June 2011

**4 Investment property** (continued)

(a) Reconciliation of fair value

	Consolidated				Closing Balance \$
	Opening Balance \$	Additions \$	Disposals \$	Net gain/(loss) from fair value adjustment \$	
<b>2011</b>					
Unwin St, Rosehill	16,950,000	-	-	300,000	17,250,000
Arndell Park	11,600,000	55,947	-	344,053	12,000,000
Casula Mall Shopping Centre	100,000,000	372,879	-	11,627,121	112,000,000
Greens Rd, Dandenong	17,100,000	231,744	-	1,468,256	18,800,000
Collins St, Hobart	23,000,000	91,648	(24,710,568)	1,618,920	-
Hay St, Subiaco	29,000,000	5,890	(28,774,166)	(231,724)	-
Waterloo Rd, North Ryde	16,500,000	30,897	-	(530,897)	16,000,000
Wesley Court Tally Ho Business Park, Burwood	13,000,000	158,571	-	841,429	14,000,000
Moore St, Canberra	47,000,000	1,618,647	-	(1,368,647)	47,250,000
Pound Rd, Dandenong	15,358,000	2,185,667	-	2,156,333	19,700,000
Evans Rd, Salisbury	24,600,000	-	-	1,400,000	26,000,000
Gauge Circuit, Canning Vale	20,000,000	89,710	-	1,760,290	21,850,000
Walker St, North Sydney	64,200,000	1,740,856	-	1,159,144	67,100,000
Bond One, Hickson Road, Walsh Bay	68,000,000	431,121	-	3,568,879	72,000,000
North East Rd, Modbury	14,900,000	53,169	-	346,831	15,300,000
Distribution Drive, Laverton North	48,000,000	331,316	-	1,668,684	50,000,000
Vanessa St, Kingsgrove	52,500,000	122,390	-	(1,622,390)	51,000,000
St Kilda Road, Melbourne	50,000,000	389,758	-	610,242	51,000,000
Shortland St, Auckland, New Zealand	39,281,486	842,254	(32,908,488)	(7,215,252)	-
ANZ Tower, Wellington, New Zealand	24,423,722	-	(18,615,117)	(5,808,605)	-
Westpac Building, Wellington, New Zealand	24,830,784	-	(20,160,980)	(4,669,804)	-
The Plaza Whangaparaoa, Auckland, New Zealand	32,564,962	456,581	-	(5,693,325)	27,328,218
<b>Total</b>	<b>752,808,954</b>	<b>9,209,045</b>	<b>(125,169,319)</b>	<b>1,729,538</b>	<b>638,578,218</b>

**Wholesale Australian Property Fund**  
Consolidated financial statements 30 June 2011

**4 Investment property** (continued)

**(a) Reconciliation of fair value** (continued)

	Consolidated				Closing Balance \$
	Opening Balance \$	Additions \$	Disposals \$	Net gain/(loss) from fair value adjustment \$	
<b>2010</b>					
Unwin St, Rosehill	17,600,000	-	-	(650,000)	16,950,000
Arndell Park	12,500,000	79,001	-	(979,001)	11,600,000
Casula Mall Shopping Centre	92,900,000	346,804	-	6,753,196	100,000,000
Springvale Rd, Keysborough	8,400,000	-	(9,108,962)	708,962	-
Greens Rd, Dandenong	15,000,000	190,646	-	1,909,354	17,100,000
Collins St, Hobart	19,000,000	4,561,098	-	(561,098)	23,000,000
Hay St, Subiaco	27,000,000	-	-	2,000,000	29,000,000
Waterloo Rd, North Ryde	11,850,000	3,474,667	-	1,175,333	16,500,000
Wesley Court Tally Ho Business Park, Burwood	13,100,000	16,106	-	(116,106)	13,000,000
Moore St, Canberra	52,300,000	455,176	-	(5,755,176)	47,000,000
Pound Rd, Dandenong	12,500,000	1,294,797	-	1,563,203	15,358,000
Evans Rd, Salisbury	22,300,000	1,086,721	-	1,213,279	24,600,000
Market St, Mudgee	8,700,000	-	(9,101,004)	401,004	-
Darwin St, Cessnock	10,900,000	7,402	(11,113,075)	205,673	-
Gauge Circuit, Canning Vale	20,000,000	1,469	-	(1,469)	20,000,000
Walker St, North Sydney	66,000,000	1,269,322	-	(3,069,322)	64,200,000
Bond One, Hickson Road, Walsh Bay	69,300,000	1,184,278	-	(2,484,278)	68,000,000
North East Road, Modbury	14,700,000	209,685	-	(9,685)	14,900,000
Distribution Drive, Laverton North	47,500,000	204,118	-	295,882	48,000,000
Vanessa St, Kingsgrove	54,500,000	-	-	(2,000,000)	52,500,000
St Kilda Road, Melbourne	55,650,000	239,330	-	(5,889,330)	50,000,000
Shortland St, Auckland, New Zealand	44,631,667	436,676	-	(5,786,857)	39,281,486
ANZ Tower, Wellington, New Zealand	31,730,952	218,785	-	(7,526,015)	24,423,722
Westpac Building, Wellington, New Zealand	26,923,232	-	-	(2,092,448)	24,830,784
The Plaza Whangaparaoa, Auckland, New Zealand	33,734,168	339,467	-	(1,508,673)	32,564,962
<b>Total</b>	<b>788,720,019</b>	<b>15,615,548</b>	<b>(29,323,041)</b>	<b>(22,203,572)</b>	<b>752,808,954</b>

**Wholesale Australian Property Fund**  
Consolidated financial statements 30 June 2011

**4 Investment property** (continued)

**(b) Details of property investments**

	Acquisition date	Valuation date	Valuer	Latest Independent valuation \$	Fair Value 2011 \$
Unwin St, Rosehill	Mar 98	May 11	Jones Lang LaSalle	17,250,000	17,250,000
Arndell Park	Dec 99	May 11	Jones Lang LaSalle	12,000,000	12,000,000
Casula Mall Shopping Centre	Dec 88	May 11	Jones Lang LaSalle	112,000,000	112,000,000
Greens Rd, Dandenong	Nov 99	May 11	Jones Lang LaSalle	18,800,000	18,800,000
Waterloo Rd, North Ryde	Jun 04	May 11	Jones Lang LaSalle	16,000,000	16,000,000
Wesley Court Tally Ho Business Park, Burwood	Jul 04	May 11	Jones Lang LaSalle	14,000,000	14,000,000
Moore St, Canberra	Aug 04	May 11	Jones Lang LaSalle	47,250,000	47,250,000
Pound Rd, Dandenong	Mar 06	May 11	Jones Lang LaSalle	19,700,000	19,700,000
Evans Rd, Salisbury	Aug 06	May 11	Jones Lang LaSalle	26,000,000	26,000,000
Gauge Circuit, Canning Vale	Oct 06	May 11	Jones Lang LaSalle	21,850,000	21,850,000
Walker St, North Sydney	Jan 07	May 11	Jones Lang LaSalle	67,100,000	67,100,000
Bond One, Hickson Road, Walsh Bay	May 07	May 11	Jones Lang LaSalle	72,000,000	72,000,000
North East Rd, Modbury	Oct 07	May 11	Jones Lang LaSalle	15,300,000	15,300,000
Distribution Drive, Laverton North	Aug 07	May 11	Jones Lang LaSalle	50,000,000	50,000,000
Vanessa St, Kingsgrove	Nov 07	May 11	Jones Lang LaSalle	51,000,000	51,000,000
St Kilda Road, Melbourne	Jan 08	May 11	Jones Lang LaSalle	51,000,000	51,000,000
The Plaza Whangaparaoa, Auckland, New Zealand	Nov 07	May 11	Jones Lang LaSalle	NZ\$ 35,500,000	27,328,218
<b>Total</b>					<b>638,578,218</b>

**(c) Valuation basis**

The basis of the valuation of the property investments are at fair value. This represents the amounts for which the properties could be exchanged between willing parties in an arm's length transaction. The 2011 revaluations were based on independent assessments made by a member of the Australian Property Institute.

**5 Leases**

**Operating leases**

Leasing arrangements

All of the properties owned by the Fund are leased to third parties under operating leases at the end of the reporting period. The gross amount of leased assets as at reporting date is disclosed in Note 4. Future minimum rental revenues under non-cancellable leases at the end of the reporting period are as follows:

	Consolidated as at		Parent as at	
	30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
<b>Non cancellable operating leases</b>				
Not longer than 1 year	49,809,297	60,999,699	46,902,336	47,342,975
Longer than 1 year and not longer than 5 years	154,000,260	160,622,519	146,516,828	143,574,046
Longer than 5 years	79,873,522	95,561,982	78,846,334	94,359,311
<b>Future lease income</b>	<b>283,683,079</b>	<b>317,184,200</b>	<b>272,265,498</b>	<b>285,276,332</b>

**Wholesale Australian Property Fund**  
Consolidated financial statements 30 June 2011

**6 Receivables**

	Notes	Consolidated as at		Parent as at	
		30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
Distributions receivable	15	711,423	689,204	1,312,904	3,586,607
Rent receivable		1,841,240	3,507,012	1,683,235	2,601,606
Allowance for doubtful accounts		(1,111,500)	(1,946,336)	(1,111,500)	(1,946,336)
Interest receivable		–	2,892	56,865	493,841
Other receivables		2,707,326	2,628,241	2,012,852	1,960,718
		<b>4,148,489</b>	<b>4,881,013</b>	<b>3,954,356</b>	<b>6,696,436</b>

The consolidated entity's receivables are categorised as Loans and Receivables.

**7 Payables**

	Consolidated as at		Parent as at	
	30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
Management fee payable	507,367	561,166	507,367	561,166
Custodian fee payable	28,865	31,647	28,865	31,647
Accrued property expenses	3,423,180	6,326,086	3,423,180	5,723,569
Other unsecured payables and accrued expenses	2,231,311	2,520,113	1,696,269	1,412,992
	<b>6,190,723</b>	<b>9,439,012</b>	<b>5,655,681</b>	<b>7,729,374</b>

**8 Investments in subsidiaries**

Name of entity	Country of domicile	Fair value		Ownership interest	
		2011 \$	2010 \$	2011 \$	2010 \$
Wholesale Australian Property Fund (New Zealand)	Australia	27,617,465	67,544,011	99.99	99.99

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

	Parent year ended	
	30 June 2011 \$	30 June 2010 \$
Distributions during the period	39,808,005	44,069,414
Distributions payable	12,632,480	16,742,203
	<b>52,440,485</b>	<b>60,811,617</b>

**Wholesale Australian Property Fund**  
Consolidated financial statements 30 June 2011

**10 Net gains/(losses) on financial instruments held at fair value through profit or loss**

Net gains/(losses) 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 gain on financial assets held for trading	9,571,759	9,479,570	21,386	9,151,246
Net gain/(loss) on financial assets designated at fair value through profit or loss	(4,945,574)	597,044	(13,842,654)	(20,442,502)
<b>Net gains/(losses) on financial assets held at fair value through profit or loss</b>	<b>4,626,185</b>	<b>10,076,614</b>	<b>(13,821,268)</b>	<b>(11,291,256)</b>
<b>Financial liabilities</b>				
Net loss on financial liabilities held for trading	(6,948)	(10,101,152)	(85,948)	(6,858,966)
Net losses on financial liabilities held at fair value through profit or loss	(6,948)	(10,101,152)	(85,948)	(6,858,966)
<b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<b>4,619,237</b>	<b>(24,538)</b>	<b>(13,907,216)</b>	<b>(18,150,222)</b>

The consolidated entity designates certain derivative currency contracts as hedging instruments in a fair-value hedge relationship, with foreign exchange risk being the hedged risk.

The net loss on derivative currency contracts that are in a designated hedge relationship are \$9,629,374 (2010: \$2,913,862). The net gain/(loss) on the hedged item, being the foreign exchange risk of the investment properties, is \$11,269,382 (2010: -\$2,556,178).

**11 Net assets attributable to unit holders of the parent entity**

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

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

**(a) Units on issue**

	Parent year ended			
	30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
Opening balance	765,496,281	765,983,144	1,146,464,521	1,147,118,577
Applications	37,763	-	42,653	-
Redemptions	(75,090,960)	(503,040)	(106,931,159)	(672,571)
Units issued upon reinvestment of distributions	30,737	16,177	36,658	18,515
<b>Closing balance</b>	<b>690,473,822</b>	<b>765,496,281</b>	<b>1,039,612,673</b>	<b>1,146,464,521</b>

**(b) Movements in undistributed loss attributable to unit holders**

	Parent year ended	
	30 June 2011 \$	30 June 2010 \$
Opening balance	(288,794,120)	(268,103,021)
Net liabilities redeemed	21,352,163	92,466
Increase/(decrease) in net assets attributable to unit holders of the parent entity	12,497,993	(20,783,565)
<b>Closing balance</b>	<b>(254,943,964)</b>	<b>(288,794,120)</b>
<b>Total net assets attributable to unit holders</b>	<b>784,668,709</b>	<b>857,670,401</b>

On 28 November 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. In addition, the Fund is not accepting applications. Quarterly income distributions continue as normal.

# Wholesale Australian Property Fund

## Consolidated financial statements 30 June 2011

### 12 Rental income

	Consolidated year ended		Parent year ended	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	\$	\$	\$	\$
Gross rental income	71,608,452	83,057,515	61,724,579	66,994,885
	<b>71,608,452</b>	<b>83,057,515</b>	<b>61,724,579</b>	<b>66,994,885</b>

### 13 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	21,345	21,341	13,145	13,145
Other audit services	19,378	31,092	12,934	31,092
	<b>40,723</b>	<b>52,433</b>	<b>26,079</b>	<b>44,237</b>

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

### 14 Expenses

In accordance with the Product Disclosure Statement, the ongoing management fee payable to the Responsible Entity is 0.45% (2010: 0.45%) per annum of the total gross asset value of the Fund plus 4.5% per annum (2010: 4.5% per annum) of the Fund's gross income, and it is assessed daily and payable on a quarterly basis. Management fees are separately disclosed in the statement of comprehensive income.

In accordance with the Custodian Agreement, the custodian fee payable is 0.04% (2010: 0.04%) of total gross investments of the Fund, and payable on a semi-annual basis. Custodian fees are separately disclosed in the statement of comprehensive income.

### 15 Related party transactions

#### Responsible Entity

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

#### Key management personnel

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

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

#### Key management personnel compensation

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

#### 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 parties 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 Funds Management Limited	406,032	465,751
Australian Property Fund <sup>o</sup>	120,032,004	90,993,198
National Mutual Life Association of Australasia Limited <sup>a</sup>	35,541,955	42,345,918
National Mutual Life Nominees <sup>a</sup>	49,345,550	58,792,000
IPAC MMP Property Sector Fund <sup>b</sup>	42,152,531	44,221,271

+ A related party of the Responsible Entity.

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

<sup>b</sup> Fund managed by IPAC Asset Management, a related party of the Responsible Entity.

**Wholesale Australian Property Fund**  
Consolidated financial statements 30 June 2011

**15 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 and consolidated entity \$5,866,336 (2010: \$6,198,271) calculated in accordance with Note 14, were paid or payable to the Responsible Entity.

Custodian fees of the parent and consolidated entity \$336,509 (2010: \$351,866) calculated in accordance with Note 14, were paid or payable to the Responsible Entity.

The Fund entered into a loan agreement with its subsidiary, the Wholesale Australian Property Fund (New Zealand). At 30 June 2011, the outstanding loan balance is \$14,287,014 (2010: \$54,447,015). The loan is in the New Zealand Dollar. The loan, which has matured and is now classified as payable on demand, carries an interest rate based on the New Zealand 90 days bank bill rate plus 0.5% per annum. The Fund recorded interest income of \$1,175,340 (2010: \$3,742,206) during the year, of which \$56,856 (2010: \$490,949) was receivable at 30 June 2011.

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 Australian Diversified Properties Securities Fund <sup>o</sup>	23,776,513	23,631,965	14.19	13.67	1,133,892	1,523,666
Wholesale Cash Management Trust <sup>o</sup>	118,869,238	94,957,690	17.41	14.19	4,833,782	2,851,455
	<b>142,645,751</b>	118,589,655			<b>5,967,674</b>	4,375,121
<b>Parent</b>						
Wholesale Australian Diversified Properties Securities Fund <sup>o</sup>	23,776,513	23,631,965	14.19	13.67	1,133,892	1,523,666
Wholesale Cash Management Trust <sup>o</sup>	118,869,238	94,957,690	17.41	14.19	4,833,782	2,851,455
Wholesale Australian Property Fund (New Zealand) <sup>o</sup>	27,617,465	67,544,011	99.99	99.99	3,368,228	6,727,088
	<b>170,263,216</b>	186,133,666			<b>9,335,902</b>	11,102,209

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

Distributions received/receivable includes an amount of \$711,423 (2010: \$689,204), which remains unpaid at the reporting date in the consolidated entity.

Distributions received/receivable includes an amount of \$1,312,904 (2010: \$3,586,607), which remains unpaid at the reporting date in the parent entity.

# Wholesale Australian Property Fund

## Consolidated financial statements 30 June 2011

### 16 Derivative financial instruments

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

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

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

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

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

The Fund holds the following derivative instruments:

#### (a) Currency contracts

Currency contracts are primarily used by the Fund to hedge against foreign currency exchange rate risks on its non-Australian Dollar denominated trading securities. The Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Currency contracts are valued at the prevailing bid price at the end of each reporting period. The Fund recognises a gain or loss equal to the change in fair value at the end of each reporting period.

#### Consolidated

	Contract/ notional \$	Fair Values	
		Assets \$	Liabilities \$
<b>30 June 2011</b>			
Currency contract in designated hedging relationship	27,412,492	-	153,179
<b>30 June 2010</b>			
Currency contract in designated hedging relationship	121,094,330	-	232,179

There were no derivative financial instruments held by the parent entity as at 30 June 2011 and 2010.

The notional value of contracts disclosed above has been recorded on an absolute basis ie buy and sell trades between the same currencies have not been netted off against each other.

### 17 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 distributions and accounting for investment transactions.

#### Significant accounting policies

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

#### Capital risk management

The Fund considers its net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders are classified as a liability. Notwithstanding the fact that there are currently special withdrawal arrangements in place for the Fund, as detailed in Note 11, 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 investments in cash and cash equivalents.

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

#### Categories of financial instruments

The categories of financial instruments are financial assets held at fair value through profit or loss which are disclosed in Note 2, financial liabilities held at fair value through profit or loss which are disclosed in Note 3, and loans and receivables which are disclosed in Note 6 and Note 15.

#### Financial risk management objectives

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

The Fund's investment mandate is to invest primarily in direct property (office, industrial and retail), and maintains an exposure to listed and/or unlisted property securities, derivatives, fixed interest securities and cash and cash equivalents. The subsidiary's investment mandate is to invest in income producing commercial properties, derivative financial instruments and cash and cash equivalents.

**17 Financial risk management (continued)**

**Financial risk management objectives (continued)**

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

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

**(a) Market risk**

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

**(i) Price risk**

The Fund is exposed to price risk in relation to its investments in unlisted managed investment schemes as prices in the future are uncertain. The units in unlisted managed investment schemes 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 Responsible Entity monitors the performance of the unlisted managed investment schemes and reviews audited annual financial statements of the unlisted managed investment schemes in order to assess their compliance with their respective Product Disclosure Statement.

The value of the Fund's investment in the underlying funds will move in direct correlation to the performance of the underlying funds. Price risk disclosures have not been prepared on a look through basis for investments held indirectly through the underlying funds.

As the majority of the Fund's investments are investment properties carried at fair value with changes in fair value recognised in the profit or loss, all changes in market conditions will directly affect investment income.

**(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 is exposed to foreign exchange risk as a result of investments denominated in foreign currencies.

The Fund undertakes certain transactions denominated in foreign currencies, hence is exposed to the effects of exchange rate fluctuations. Exchange rate exposures are managed within approved policy parameters. The Fund enters into foreign currency contracts designed to hedge some or all of its exposure to foreign currencies. This exchange rate exposure is managed in line with the Fund's investment policies, as detailed in the Product Disclosure Statement. The Fund's overall strategy for foreign currency risk management remains unchanged from 2010.

The Fund does not have any direct exposure to foreign exchange risk based on the Fund's direct investment in the underlying funds, which issue units denominated in Australian Dollar. However, the underlying funds may hold investments denominated in foreign currencies in accordance with their respective constitution. The Responsible Entity monitors the performance of the underlying funds and reviews audited annual financial statements in order to assess their compliance with their respective constitution.

The foreign exchange risk disclosures have not been prepared on a look-through basis for investments held indirectly through underlying funds. Consequently, the disclosure of foreign exchange risk in the note may not represent the true foreign exchange risk profile of the Fund where the Fund has significant investments in underlying funds which also have exposure to foreign exchange risk.

The consolidated entity's significant exposure to foreign currency exchange at the reporting date was as follows:

<b>Consolidated</b>	<b>2011 A\$</b>	<b>2010 A\$</b>
New Zealand Dollar	27,435,733	67,544,017

The figure above summarises the consolidated entity's exposure to foreign exchange risk, without taking into account the effects of hedging instruments held at year end.

The table in Note 17(b) summarises the sensitivities of the consolidated entity's monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the Australian Dollar weakened/strengthened by 5% (2010: 5%) against the New Zealand Dollar, to which the Fund is exposed.

5% (2010: 5%) against the New Zealand Dollar is the sensitivity rate used when reporting foreign exchange risk internally to the key management personnel and represents management's assessment of the possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the year end for 5% (2010: 5%) against the New Zealand Dollar. A positive number indicates an increase in operating profit and net assets attributable to unit holders where the Australian Dollar weakens against the respective currency. For a strengthening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the operating profit and net assets attributable to unit holders balances, and the amounts would be negative.

There have been no changes in the methods and assumptions used to prepare the foreign currency sensitivity analysis from the prior year.

**Wholesale Australian Property Fund**  
Consolidated financial statements 30 June 2011

**17 Financial risk management** (continued)

(a) Market risk (continued)

(iii) Interest rate risk

The consolidated entity's activities expose it to the financial risk of changes in interest rates. Floating rate instruments expose the 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 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	18,272,639	-	-	18,272,639
Receivables	-	-	4,148,489	4,148,489
Financial assets held at fair value through profit or loss	-	-	142,645,751	142,645,751
Investment property	-	-	638,578,218	638,578,218
<b>Total assets</b>	<b>18,272,639</b>	<b>-</b>	<b>785,372,458</b>	<b>803,645,097</b>
<b>Liabilities (excluding net assets attributable to unit holders)</b>				
Payables	-	-	6,190,723	6,190,723
Financial liabilities held at fair value through profit or loss	-	-	153,179	153,179
Distributions payable to unit holders of the parent entity	-	-	12,632,480	12,632,480
Net assets attributable to non-controlling interests	-	-	6	6
<b>Total liabilities (excluding net assets attributable to unit holders of the parent entity)</b>	<b>-</b>	<b>-</b>	<b>18,976,388</b>	<b>18,976,388</b>
<b>Net assets attributable to unit holders - liability *</b>				<b>784,668,709</b>

<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	7,804,179	-	-	7,804,179
Receivables	-	-	4,881,013	4,881,013
Financial assets held at fair value through profit or loss	-	-	118,589,655	118,589,655
Investment property	-	-	752,808,954	752,808,954
<b>Total assets</b>	<b>7,804,179</b>	<b>-</b>	<b>876,279,622</b>	<b>884,083,801</b>
<b>Liabilities (excluding net assets attributable to unit holders)</b>				
Payables	-	-	9,439,012	9,439,012
Financial liabilities held at fair value through profit or loss	-	-	232,179	232,179
Distributions payable to unit holders of the parent entity	-	-	16,742,203	16,742,203
Net assets attributable to non-controlling interests	-	-	6	6
<b>Total liabilities (excluding net assets attributable to unit holders)</b>	<b>-</b>	<b>-</b>	<b>26,413,400</b>	<b>26,413,400</b>
<b>Net assets attributable to unit holders - liability*</b>				<b>857,670,401</b>

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

**Wholesale Australian Property Fund**  
Consolidated financial statements 30 June 2011

**17 Financial risk management** (continued)

(a) Market risk (continued)

<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	3,202,284	-	-	3,202,284
Receivables	-	-	3,954,356	3,954,356
Financial assets held at fair value through profit or loss	-	-	170,263,216	170,263,216
Investment property	-	-	611,250,000	611,250,000
Loan to subsidiary	14,287,014	-	-	14,287,014
<b>Total assets</b>	<b>17,489,298</b>	<b>-</b>	<b>785,467,572</b>	<b>802,956,870</b>
<b>Liabilities (excluding net assets attributable to unit holders)</b>				
Payables	-	-	5,655,681	5,655,681
Distributions payable to unit holders	-	-	12,632,480	12,632,480
<b>Total liabilities (excluding net assets attributable to unit holders)</b>	<b>-</b>	<b>-</b>	<b>18,288,161</b>	<b>18,288,161</b>
Net assets attributable to unit holders – liability*				<b>784,668,709</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	3,156,861	-	-	3,156,861
Receivables	-	-	6,696,436	6,696,436
Financial assets held at fair value through profit or loss	-	-	186,133,666	186,133,666
Investment property	-	-	631,708,000	631,708,000
Loan to subsidiary	54,447,015	-	-	54,447,015
<b>Total assets</b>	<b>57,603,876</b>	<b>-</b>	<b>824,538,102</b>	<b>882,141,978</b>
<b>Liabilities (excluding net assets attributable to unit holders)</b>				
Payables	-	-	7,729,374	7,729,374
Distributions payable to unit holders	-	-	16,742,203	16,742,203
<b>Total liabilities (excluding net assets attributable to unit holders)</b>	<b>-</b>	<b>-</b>	<b>24,471,577</b>	<b>24,471,577</b>
Net assets attributable to unit holders – liability*				<b>857,670,401</b>

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

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

The table in Note 17(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 impact mainly arises from the possible changes in the fair value of loan to subsidiary and cash and cash equivalents.

The sensitivity analysis has been determined based on the Fund'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 interest rate risk disclosures have been prepared on the basis of the Fund's direct investment and not on a look-through basis for investments held indirectly through unlisted managed investment schemes. Consequently, the disclosure of interest rate risk in the note may not represent the true interest rate risk profile of the Fund where the Fund has significant investments in underlying funds which also have exposure to interest rate risk.

**Wholesale Australian Property Fund**  
Consolidated financial statements 30 June 2011

**17 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 foreign exchange risk and the Fund's operating profit and net assets attributable to unit holders to foreign exchange risk and 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 foreign exchange rates. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Foreign exchange risk	
	Impact on operating profit/Net assets attributable to unit holders	
	-5% NZD \$	+5% NZD \$
<b>Consolidated</b>		
<b>30 June 2011</b>	(657,436)	657,436
30 June 2010	(799,720)	799,720

	Impact on operating profit/ Net assets attributable to unit holders			
	Interest rate risk		Foreign exchange risk	
	-50 bps \$	+50 bps \$	-5% NZD \$	+5% NZD \$
<b>Parent</b>				
<b>30 June 2011</b>	87,466	(87,466)	(1,371,787)	1,371,787
30 June 2010	(248,998)	248,998	(3,377,201)	3,377,201

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The Fund has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from default. The Fund measures credit risk on a fair-value basis.

The Fund is exposed to credit risk in relation to its units in unlisted managed investment schemes and to its rent receivable from property tenants. The Fund is also exposed to credit risk in relation to its loan to its subsidiary. The Fund's subsidiary is exposed to credit risk in relation to its rent receivable from property tenants. The Fund monitors the financial position, payments history and other factors of property tenants to further mitigate the risk.

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.

	Consolidated as at		Parent as at	
	30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
Cash and cash equivalents	18,272,639	7,804,179	3,202,284	3,156,861
Receivables	4,148,489	4,881,013	3,954,356	6,696,436
Financial assets held at fair value through profit or loss	142,645,751	118,589,655	170,263,216	186,133,666
Loan to subsidiary	-	-	14,287,014	54,447,015
<b>Total</b>	<b>165,066,879</b>	<b>131,274,847</b>	<b>191,706,870</b>	<b>250,433,978</b>

Provision for rent receivable of \$1,111,500 (2010: \$1,946,336) is included in the receivables balance.

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

**Wholesale Australian Property Fund**  
Consolidated financial statements 30 June 2011

**17 Financial risk management (continued)**

(d) Liquidity risk

The Fund's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. 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 Fund invests in direct property which generally may be illiquid. As a result, there is a risk that the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

The Fund may, from time to time, invest in financial instruments traded over the counter, or which are not traded in an organised market and which generally may be illiquid. As a result, there is a risk that the Fund may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

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

The Investment Manager does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

The following tables summarise the maturity profile of 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>At 30 June 2011</b>					
Payables	5,916,691	274,032	-	-	-
Distributions payable to unit holders of the parent entity	-	12,632,480	-	-	-
Net assets attributable to non-controlling interests	6	-	-	-	-
Net assets attributable to unit holders of the parent entity	784,668,709	-	-	-	-
<b>Total</b>	<b>790,585,406</b>	<b>12,906,512</b>	-	-	-
<b>At 30 June 2010</b>					
Payables	8,872,668	566,344	-	-	-
Distributions payable to unit holders of the parent entity	-	16,742,203	-	-	-
Net assets attributable to non-controlling interests	6	-	-	-	-
Net assets attributable to unit holders of the parent entity	857,670,401	-	-	-	-
<b>Total</b>	<b>866,543,075</b>	<b>17,308,547</b>	-	-	-
<b>Parent</b>					
Parent	Due on demand \$	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	5+ years \$
<b>At 30 June 2011</b>					
Payables	5,429,426	226,255	-	-	-
Distributions payable to unit holders of the parent entity	-	12,632,480	-	-	-
Net assets attributable to unit holders of the parent entity	784,668,709	-	-	-	-
<b>Total</b>	<b>790,098,135</b>	<b>12,858,735</b>	-	-	-
<b>At 30 June 2010</b>					
Payables	7,299,269	430,105	-	-	-
Distributions payable to unit holders of the parent entity	-	16,742,203	-	-	-
Net assets attributable to unit holders of the parent entity	857,670,401	-	-	-	-
<b>Total</b>	<b>864,969,670</b>	<b>17,172,308</b>	-	-	-

**Wholesale Australian Property Fund**  
Consolidated financial statements 30 June 2011

**17 Financial risk management** (continued)

(d) Liquidity risk (continued)

The tables below analyse the consolidated entity's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period to the contractual maturity date at the year end date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Consolidated	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	5+ years \$
<b>At 30 June 2011</b>				
Foreign currency forward contracts				
Inflows	-	27,412,492	-	-
(Outflows)	-	(27,565,671)	-	-
	-	<b>(153,179)</b>	-	-
<b>At 30 June 2010</b>				
Foreign currency forward contracts				
Inflows	24,367,521	96,726,809	-	-
(Outflows)	(24,425,281)	(96,901,228)	-	-
	(57,760)	(174,419)	-	-

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

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

The level in the fair-value hierarchy within which the fair-value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair-value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair-value measurement in its entirety. If a fair-value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair-value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

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

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

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

**Wholesale Australian Property Fund**  
Consolidated financial statements 30 June 2011

**17 Financial risk management** (continued)

(f) Fair-value hierarchy (continued)

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

Consolidated	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>As at 30 June 2011</b>				
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted managed investment schemes	-	142,645,751	-	142,645,751
<b>Total</b>	<b>-</b>	<b>142,645,751</b>	<b>-</b>	<b>142,645,751</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	-	153,179	-	153,179
<b>Total</b>	<b>-</b>	<b>153,179</b>	<b>-</b>	<b>153,179</b>
<b>As at 30 June 2010</b>				
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted managed investment schemes	-	118,589,655	-	118,589,655
<b>Total</b>	<b>-</b>	<b>118,589,655</b>	<b>-</b>	<b>118,589,655</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	-	232,179	-	232,179
<b>Total</b>	<b>-</b>	<b>232,179</b>	<b>-</b>	<b>232,179</b>
<b>Parent</b>				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>As at 30 June 2011</b>				
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted managed investment schemes	-	170,263,216	-	170,263,216
<b>Total</b>	<b>-</b>	<b>170,263,216</b>	<b>-</b>	<b>170,263,216</b>
<b>As at 30 June 2010</b>				
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
Unlisted managed investment schemes	-	186,133,666	-	186,133,666
<b>Total</b>	<b>-</b>	<b>186,133,666</b>	<b>-</b>	<b>186,133,666</b>

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 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. Level 3 instruments include certain unlisted unit trusts. As observable prices are not available for these securities, the Responsible Entity has used valuation techniques to derive fair value.

**(ii) Transfers between levels**

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

**(iii) Movement in level 3 instruments**

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

**Wholesale Australian Property Fund**  
Consolidated financial statements 30 June 2011

**18 Notes to the cash flows statement**

	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	11(b)	12,497,993	(20,783,565)	12,497,993	(20,783,565)
Decrease in net assets attributable to non-controlling interests		-	(1,031)	-	-
Distributions to unit holders of the parent entity	9	52,440,485	60,811,617	52,440,485	60,811,617
Distributions to non-controlling interests		-	214	-	-
Net (gains)/losses on financial instruments held at fair value through profit or loss	10	(4,619,237)	24,538	13,907,216	18,150,222
Net unrealised (gain)/loss on investment property		(37,048,304)	18,026,167	(12,048,456)	(1,444,005)
Net realised losses on disposal of investment properties		38,078,465	6,733,584	(13,095,888)	6,733,584
Net gains on foreign exchange		(8,862,819)	(5,277,811)	(2,211,514)	(4,780,781)
Distribution income reinvested	18(c)	(4,812,459)	(2,661,383)	(10,476,608)	(7,557,618)
Amortisation of lease incentives		-	(2,485,227)	-	(2,077,748)
Net change in receivables		732,524	(17,364)	2,742,080	(1,705,656)
Net change in payables		(3,248,289)	2,933,614	(2,073,693)	2,427,852
<b>Net cash provided by operating activities</b>		<b>45,158,359</b>	<b>57,303,353</b>	<b>41,681,615</b>	<b>49,773,902</b>
<b>(b) Components of cash and cash equivalents</b>					
Cash and cash equivalents as at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:					
Cash and cash equivalents		18,272,639	7,804,179	3,202,284	3,156,861
		<b>18,272,639</b>	<b>7,804,179</b>	<b>3,202,284</b>	<b>3,156,861</b>
<b>(c) Non-cash investing and financing activities</b>					
Income distributions reinvested by unit holders for additional units in the Fund	11(a)	36,658	18,790	36,658	18,515
Distribution received from investments reinvested in unlisted managed investment schemes	18(a)	4,812,459	2,661,383	10,476,608	7,557,618

**19 Commitments for expenditure**

The consolidated entity has commitments for future capital expenditures in relation to future refurbishments as follows:

	Consolidated as at		Parent as at	
	30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
Not longer than 1 year	275,245	2,544,895	275,245	2,053,845
<b>Total</b>	<b>275,245</b>	<b>2,544,895</b>	<b>275,245</b>	<b>2,053,845</b>

# Wholesale Australian Property Fund

Consolidated financial statements 30 June 2011

## 20 Events occurring after the reporting period

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

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

## 21 Additional information

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

### Principal Registered Office and Unit Registry

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