

National Investment Trusts

Financial Report

For the year ended 30 June 2016

Preparation date
14 September 2016

Issued by MLC Investments Limited
ABN 30 002 641 661 **AFSL** 230705



Annual Financial Report

Dear Investor,

I am pleased to present the reports for the financial year ended 30 June 2016 for National Investment Trusts.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Kathy Vincent', with a stylized, cursive script.

Kathy Vincent
General Manager
Retail Super & Investment Platforms

If you have any questions about the Annual Financial Report, please call us on 132 652 Monday to Friday 8 am – 6 pm, AEST.

National Investment Trusts
Financial report
For the year ended 30 June 2016

Contents	Page
List of Schemes	2
Directors' report	3
Auditor's independence declaration	5
Statements of Profit or Loss and Other Comprehensive Income	6
Statements of Financial Position	7
Statements of Changes in Net Assets Attributable to Unitholders	8
Statements of Cash Flows	9
Notes to the financial statements	10
Directors' declaration	20
Independent auditor's report	21

The National Investment Trusts consists of 4 separate schemes:

National Australia Balanced Fund

ARSN 093 198 817

National Australia Monthly Income Fund

ARSN 093 198 684

National Australia Property Fund

ARSN 093 198 513

National Australia Dividend Imputation Fund

ARSN 093 198 602

Directors' report

The Directors of MLC Investments Limited, the Responsible Entity of the following schemes (the 'Schemes'):

National Australia Balanced Fund (Balanced Fund)	National Australia Monthly Income Fund (Monthly Income Fund)
National Australia Property Fund (Property Fund)	National Australia Dividend Imputation Fund (Dividend Imputation Fund)

present their report together with the financial report of the Schemes for the year ended 30 June 2016 and the independent audit report thereon.

Directors of the Responsible Entity

The names of the persons who were Directors of MLC Investments Limited during or since the end of the year are as follows:

Name	Appointment / Resignation Date
S C Birkensleigh	Appointed 9 September 2015
J G Duffield	Appointed 24 August 2011
P Gupta	Appointed 1 September 2012
G J Mulcahy	Appointed 7 July 2014

The registered office of MLC Investments Limited is located at Ground Floor, MLC Building, 105-153 Miller St, North Sydney NSW 2060.

Principal activities

The Schemes are unlisted registered managed investment schemes domiciled in Australia.

The Schemes invest and transact in listed equities, unlisted managed investment schemes and derivatives in accordance with the provisions of the Constitutions of the Schemes.

The Schemes did not have any employees during the year (2015: Nil).

There have been no significant changes to the activities of the Schemes during the year.

The Schemes are for profit entities for the purposes of preparing financial statements.

Results and review of operations

The results of the operations of the Schemes are disclosed in the Statements of Profit or Loss and Other Comprehensive Income. These results are affected by the performance of the markets to which the individual Schemes have exposure.

For details in relation to the Schemes' investment exposure and strategy, information can be obtained from the investment fund profiles located on the MLC website at mlc.com.au or alternatively in the Product Disclosure Statement.

Distributions

The distributions for the year ended 30 June 2016 were as follows:

	Entry Fee Units		Nil Entry Fee Units	
	\$000	c/unit	\$000	c/unit
Balanced Fund	1,987	11.07	2,173	10.06
Monthly Income Fund	454	3.82	584	3.35
Dividend Imputation Fund	5,545	16.16	1,795	15.29
	Whole Dollars	c/unit	Whole Dollars \$	c/unit
Property Fund	173,969	2.31	100,179	1.84

Units on issue

Units on issue as at year end and movements during the year are shown in Statements of Changes in Net Assets Attributable to Unitholders.

The total assets of the Schemes are set out in the Statements of Financial Position. The basis for valuation of the Schemes' assets is disclosed in Note 1 to the financial statements.

State of affairs

In the opinion of the Responsible Entity, there were no significant changes in the state of affairs of the Schemes that occurred during the year unless otherwise disclosed.

Likely developments

The Schemes will continue to pursue their policy of competitive returns through a selection process that identifies investment managers in each asset class.

Further information about likely developments in the operations of the Schemes and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Schemes.

Auditor's independence

The Directors received a declaration of independence from the auditor of the Schemes, a copy of which is attached to the Directors' report on page 5.

Events subsequent to the balance date

There has not arisen in the interval between the year end and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to significantly affect the operations of the Schemes, the results of those operations, or the state of affairs of the Schemes, in future financial years.

Interests of the Responsible Entity

Units held by MLC Investments Limited and its related parties in the Schemes during the financial year ended 30 June 2016 are detailed in Note 8(h) and 8(i) to the financial statements.

Fees paid to the Responsible Entity during the financial year ended 30 June 2016 are detailed in Note 8(e) to the financial statements.

Environmental regulation

The operations of the Schemes are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Indemnities and insurance premiums for Officers or Auditors*Indemnification*

The Schemes have not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer of the Responsible Entity or an auditor of the Schemes during the year.

Insurance premiums

During the year the ultimate parent company of the Responsible Entity, National Australia Bank Limited, has paid, or agreed to pay, premiums in respect of its officers for liability, legal expenses, insurance contracts, and premiums in respect of such insurance contracts, for the financial year ended 30 June 2016. Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been the officers of the Responsible Entity.


Details of the nature of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the contracts.

Rounding

With the exception of the Property Fund, the Schemes meet the criteria set out in Instrument 2016/191 issued by the Australian Securities and Investments Commission, and in accordance with that Corporate Instrument, amounts in the financial report and the Directors' report have been rounded off to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the Directors of MLC Investments Limited:

Director: SANDRA BIRKEN SUEIGIT

Signature: 

Dated at Sydney this 30th day of August 2016

Auditor's Independence Declaration to the Directors of MLC Investments Limited, as Responsible Entity for National Investment Trusts

As lead auditor for the audit of National Investment Trusts consisting of the Schemes listed below for the financial year ended 30 June 2016:

National Australia Balanced Fund

National Australia Property Fund

National Australia Monthly Income Fund

National Australia Dividend Imputation Fund

I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



Ernst & Young



Rita Da Silva
Partner
30 August 2016

National Investment Trusts
Statements of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016

	Notes	Balanced Fund		Monthly Income Fund		Property Fund		Dividend Imputation Fund	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 Whole Dollars \$	2015 Whole Dollars \$	2016 \$'000	2015 \$'000
Investment income									
Dividend and distribution income	2, 8(h)	7,026	3,975	1,646	2,000	465,099	479,090	3,159	3,681
Interest income		15	6	4	5	1,238	1,568	125	92
Changes in the fair value of financial assets and liabilities at fair value through profit or loss	11	(6,146)	3,952	(806)	(141)	1,506,035	1,198,302	(7,234)	1,551
Total investment income		895	7,933	844	1,864	1,972,372	1,678,960	(3,950)	5,324
Expenses									
Responsible Entity's fees	8(e)	1,342	1,480	262	296	162,759	171,854	1,427	1,764
Performance fees	8(c)	-	5	-	-	-	-	-	-
Other expenses		1	-	-	-	125	14	1	-
Total operating expenses		1,343	1,485	262	296	162,884	171,868	1,428	1,764
Net operating profit/(loss)		(448)	6,448	582	1,568	1,809,488	1,507,092	(5,378)	3,560
Financing costs									
Distributions	4	4,160	2,126	1,038	1,280	274,148	329,147	7,340	9,043
Net profit/(loss)		(4,608)	4,322	(456)	288	1,535,340	1,177,945	(12,718)	(5,483)
Other comprehensive income		-	-	-	-	-	-	-	-
Change in net assets attributable to unitholders		(4,608)	4,322	(456)	288	1,535,340	1,177,945	(12,718)	(5,483)

The above Statements of Profit or Loss and Other Comprehensive Income are to be read in conjunction with the accompanying notes.

National Investment Trusts
Statements of Financial Position
As at 30 June 2016

		Balanced Fund		Monthly Income Fund		Property Fund		Dividend Imputation Fund	
	Notes	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 Whole Dollars \$	2015 Whole Dollars \$	2016 \$'000	2015 \$'000
Assets									
Cash and cash equivalents	10(b)	5,235	765	1,442	411	277,082	100,263	7,459	4,750
Receivables	6	72	10	761	895	106	102	740	583
Financial assets designated as held at fair value through profit or loss	5	58,841	73,822	22,084	27,060	9,391,065	9,184,931	54,451	71,610
Financial assets held for trading	9(c)	-	-	-	-	-	-	6	-
Total assets		64,148	74,597	24,287	28,366	9,668,253	9,285,296	62,656	76,943
Liabilities									
Accounts payable and accrued expenses	7	269	595	53	77	31,511	39,251	320	595
Financial liabilities held for trading	9(c)	-	-	-	-	-	-	-	12
Distributions payable	7	4,032	2,038	479	630	144,869	103,914	5,790	7,239
Total liabilities excluding net assets attributable to unitholders		4,301	2,633	532	707	176,380	143,165	6,110	7,846
Net assets attributable to unitholders		59,847	71,964	23,755	27,659	9,491,873	9,142,131	56,546	69,097

The above Statements of Financial Position are to be read in conjunction with the accompanying notes.

National Investment Trusts
Statements of Changes in Net Assets Attributable to Unitholders
For the year ended 30 June 2016

	Balanced Fund (Entry Fee)		Balanced Fund (Nil Entry Fee)		Monthly Income Fund (Entry Fee)		Monthly Income Fund (Nil Entry Fee)	
	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000
Net assets attributable to unitholders								
Balance at 30 June 2014	33,148	21,517	43,488	28,224	11,289	13,225	18,339	21,477
Applications	629	400	653	406	248	285	512	586
Redemptions	(4,673)	(2,904)	(5,603)	(3,446)	(807)	(918)	(2,210)	(2,528)
Change in net assets attributable to unitholders	1,851	-	2,471	-	110	-	178	-
Balance at 30 June 2015	30,955	19,013	41,009	25,184	10,840	12,592	16,819	19,535
Applications	1,110	683	1,377	850	372	431	539	629
Redemptions	(2,909)	(1,799)	(7,087)	(4,448)	(1,211)	(1,430)	(3,148)	(3,707)
Change in net assets attributable to unitholders	(2,084)	-	(2,524)	-	(188)	-	(268)	-
Balance at 30 June 2016	27,072	17,897	32,775	21,586	9,813	11,593	13,942	16,457
	Property Fund (Entry Fee)		Property Fund (Nil Entry Fee)		Dividend Imputation Fund (Entry Fee)		Dividend Imputation Fund (Nil Entry Fee)	
	Whole Dollars \$	No.	Whole Dollars \$	No.	\$'000	No. '000	\$'000	No. '000
Net assets attributable to unitholders								
Balance at 30 June 2014	4,861,702	8,767,295	4,241,679	7,659,473	58,163	35,391	22,130	13,471
Applications	106,303	178,112	104,668	172,579	4,744	2,865	1,562	944
Redemptions	(582,146)	(975,311)	(768,020)	(1,239,794)	(7,997)	(4,699)	(4,022)	(2,342)
Change in net assets attributable to unitholders	620,550	-	557,395	-	(4,079)	-	(1,404)	-
Balance at 30 June 2015	5,006,409	7,970,096	4,135,722	6,592,258	50,831	33,557	18,266	12,073
Applications	61,868	102,259	45,847	75,558	6,541	4,496	1,931	1,297
Redemptions	(441,927)	(666,478)	(851,386)	(1,323,031)	(5,740)	(4,133)	(2,565)	(1,824)
Change in net assets attributable to unitholders	892,900	-	642,440	-	(9,480)	-	(3,238)	-
Balance at 30 June 2016	5,519,250	7,405,877	3,972,623	5,344,785	42,152	33,920	14,394	11,546

The above Statements of Changes in Net Assets Attributable to Unitholders are to be read in conjunction with the accompanying notes.

National Investment Trusts
Statements of Cash Flows
For the year ended 30 June 2016

		Balanced Fund		Monthly Income Fund		Property Fund		Dividend Imputation Fund	
		2016	2015	2016	2015	2016	2015	2016	2015
	Notes	\$'000	\$'000	\$'000	\$'000	Whole Dollars \$	Whole Dollars \$	\$'000	\$'000
Cash flows from operating activities									
Dividends and distribution income received		-	-	-	-	-	-	3,159	3,829
Interest received		13	7	4	5	1,234	1,580	124	93
Responsible Entity's fees paid		(1,668)	(1,492)	(285)	(299)	(170,498)	(173,334)	(1,572)	(1,799)
Performance fees paid		-	(6)	-	-	-	-	-	-
Payment of other expenses		(1)	-	-	(1)	(125)	(17)	(1)	-
Net cash provided by/(used in) operating activities	10(a)	(1,656)	(1,491)	(281)	(295)	(169,389)	(171,771)	1,710	2,123
Cash flows from investing activities									
Proceeds from sale of investments		31,207	13,302	7,560	4,290	1,805,000	1,580,000	22,028	23,155
Purchases of investments		(15,407)	(1,804)	(1,610)	(670)	(40,000)	-	(12,407)	(11,410)
Net cash provided by/(used in) investing activities		15,800	11,498	5,950	3,620	1,765,000	1,580,000	9,621	11,745
Cash flows from financing activities									
Applications received		754	470	86	217	(39,960)	30,660	1,370	890
Redemptions paid		(9,996)	(10,276)	(4,359)	(3,017)	(1,293,314)	(1,350,166)	(8,305)	(12,019)
Distributions paid		(432)	(217)	(365)	(443)	(85,518)	(104,825)	(1,687)	(1,365)
Net cash provided by/(used in) financing activities		(9,674)	(10,023)	(4,638)	(3,243)	(1,418,792)	(1,424,331)	(8,622)	(12,494)
Net increase/(decrease) in cash and cash equivalents									
Cash and cash equivalents at the beginning of the financial year		765	781	411	329	100,263	116,365	4,750	3,376
Effects of exchange rate changes on cash		-	-	-	-	-	-	-	-
Cash and cash equivalents at the end of the financial year	10(b)	5,235	765	1,442	411	277,082	100,263	7,459	4,750

The above Statements of Cash Flows are to be read in conjunction with the accompanying notes.

NOTE 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.

The financial report of the Schemes for the financial year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 30 August 2016.

(a) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board ('AASB') and International Financial Reporting Standards ('IFRS'), as issued by the International Accounting Standards Board.

(b) Basis of preparation

The Schemes' financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has been prepared on the basis of historical costs, except for financial assets and financial liabilities held at fair value and held for trading, that have been measured at fair value.

The Statements of Financial Position are presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial assets and liabilities at fair value and net assets attributable to unitholders.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

The financial statements are presented in Australian Dollars, and all values are rounded to the nearest \$'000 except where otherwise indicated.

(c) Basis of consolidation

The Schemes are investment entities and, as such, do not consolidate any entities subject to their control. Instead, interests in controlled entities are classified at fair value through profit or loss, and measured at fair value. The Schemes may hold a controlling interest in any of their underlying investments and therefore are required to provide additional disclosures as set out in Note 8.

(d) Unit prices

The unit price for the units of the Schemes is calculated as at the close of business on each business day.

(e) Terms and conditions on units

Each unit issued confers upon the unitholders of each Scheme an equal interest in the Scheme, and is of equal value. A unit does not confer any interest in any particular asset or investment of each Scheme. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- (i) have their units redeemed;
- (ii) receive income distributions;
- (iii) attend and vote at meetings of unitholders; and
- (iv) participate in the termination and winding up of the Scheme.

The rights, obligations and restrictions attached to any unit of a Scheme are identical in all respects.

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

The Schemes have classified all of their investments as designated at fair value through profit or loss except derivatives which are held for trading for risk management purposes. Securities designated as at fair value through profit or loss are initially recognised at fair value.

Investments are valued at their fair value as at reporting date. Gains and losses arising from changes in the fair value of the financial assets designated as held at fair value through profit or loss are included in the Statements of Profit or Loss and Other Comprehensive Income in the period in which they arise.

(g) Financial assets and liabilities held for trading

Derivative financial instruments are categorised for accounting purposes as held for trading, as the Schemes do not designate any derivatives as hedges in a hedging relationship. Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value with movements taken to the Statements of Profit or Loss and Other Comprehensive Income. Fair values are obtained from quoted market prices in active markets and valuation techniques, including discounted cash flow models and options pricing models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

(i) Futures contracts

Futures contracts are contractual obligations to buy or sell financial instruments on a future date at a specified price established on an organised market. Futures contracts are collateralised by cash and cash equivalents or by other assets ("initial margin"). Subsequent payments, known as "variation margin," are made or received by the Scheme each day, depending on the daily fluctuations in the fair value of the underlying security. The futures contracts are marked to market daily.

(h) Fair value measurement

Assets and liabilities measured at fair value in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement in its entirety as detailed below:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Significant accounting judgements, estimates, or assumptions

The Schemes may make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements.

Estimates and assumptions

Estimates are continually evaluated and based on historical experience, available information and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of financial assets and liabilities held through profit or loss

Fair value is the price that would be received from disposing an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

The Schemes measure investments in financial assets and financial liabilities at fair value through profit or loss. Management applies judgement in selecting valuation techniques where there is no market price available for an instrument. Further details on the determination of fair values of financial instruments is set out in Note 9(g).

Fair value of financial assets held for trading

The Schemes have assessed the impact of credit value adjustments to their derivative positions to comply with the requirements of AASB 13, and concluded that there are no adjustments to the valuation of derivatives.

Judgements

(i) The Schemes meet the definition criteria of an investment entity under AASB 10 and therefore are required to measure their interests in controlled entities at fair value through profit or loss. The criteria which define an investment entity are as follows:

- (a) An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- (b) An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- (c) An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

(ii) The Schemes have assessed whether their investments in unlisted registered managed investment schemes should be classified as structured entities. A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The Schemes have considered the voting rights and other similar rights and concluded on whether these rights are the dominant factor in determining control. The Schemes have concluded that their investments in unlisted registered managed investment schemes meet the definition of structured entities as the voting rights of these unlisted registered managed investment schemes are not substantive in nature.

(j) Cash and cash equivalents

Cash and cash equivalents in the Statements of Financial Position comprise cash at bank, demand deposits, futures margin, short term deposits and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, such as units held in a cash trust.

(k) Receivables

Receivables may include amounts for dividends, interest, distributions, outstanding settlements and other income and are measured initially at fair value plus transaction costs. Amounts are generally received within 30 days of being recorded as receivable. Given the short-term nature of most receivables, the recoverable amount approximates fair value.

(l) Accounts payable and accrued expenses

Payables include outstanding settlements and accrued expenses owing by the Schemes which are unpaid as at balance date. They are measured initially at fair value plus transaction costs. Given the short-term nature of most payables, the nominal amount payable approximates fair value.

(m) Foreign currency transactions

Transactions during the year denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Overseas investments and monetary items held, together with any accrued income, are translated at the exchange rate prevailing at the year end.

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in the Statements of Profit or Loss and Other Comprehensive Income as part of the 'Changes in the fair value of financial assets and liabilities at fair value through profit or loss'.

(n) Income and expenses

Revenue is brought to account on an accrual basis except where otherwise stated.

Dividend and distribution income, from listed securities and unlisted registered managed investment schemes, are recognised on the date the shares or trust units are quoted ex dividend/distribution. Income on fixed interest securities and money market securities is recognised on an ex interest accrual basis.

Interest income on discount securities is brought to account on a straight line basis and is derived from interest earned and amortised premium or discount to face value on investments.

Changes in the fair value of investments are recognised as income and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or cost (if the investment was acquired during the year).

Expenses are brought to account on an accrual basis.

The Responsible Entity is entitled to receive a fee, calculated in accordance with the Schemes' Constitutions, for the provision of management services to the Schemes. The Responsible Entity is entitled to be reimbursed, under the Schemes' Constitutions, for certain expenses incurred in administering the Schemes. The amount reimbursed has been calculated in accordance with the Schemes' Constitutions.

Performance fees are incurred or paid by the Balanced Fund for its investment allocations into the Low Correlation Strategy Trust, as outlined in the Product Disclosure Statement.

Other expenses also include government duties and bank interest expense. Auditor's remuneration has not been charged against the Schemes' income as this cost is borne by the Responsible Entity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Transfers to/from net assets attributable to unitholders

Unrealised gains and losses arising on movements in the fair value of assets, unrealised foreign currency movements on other assets, accrued dividends and interest not yet payable to the Schemes are transferred to net assets attributable to unitholders. They are included in the determination of distributable income when assessable for taxation purposes. The taxable portion of realised capital gains is included in distributable income (net of any realised capital losses) by transfer from net assets attributable to unitholders. Non assessable income and net capital losses carried forward are also reflected as movements against components of net assets attributable to unitholders for the current financial year.

(p) Taxation

Under current legislation the Schemes are not subject to income tax as unitholders are presently entitled to the taxable income (including assessable realised net capital gains), which is distributed each year.

The unit price is based upon fair values of underlying assets and thus may include a share of unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed.

Net realised capital losses are not distributed to unitholders, but are retained to be offset against any future realised capital gains. Where realised assessable capital gains exceed realised capital losses, the excess is distributed to unitholders as assessable income for taxation purposes.

(q) Distributions to unitholders

The income of the Schemes is accumulated and reinvested or paid to unitholders on the last Sunday of September, December, March and June, except for the Monthly Income Fund which is accumulated and reinvested or paid on the last day of each month.

Undistributed income/(loss) includes income earned and expenses not yet paid at the last distribution day on 30 June 2016 and realised capital losses which are retained to offset future realised capital gains. These are not distributed but held for distributions in future periods.

Distributable income does not include unrealised gains and losses arising on movements in the fair value of investments; as such, unrealised gains and losses are transferred to net assets attributable to unitholders and are not assessable or distributable until realised.

The Schemes' distributions are expressed as cents per unit for the distribution period.

(r) Goods and services tax

Responsible Entity fees and other expenses are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Taxation Office ('ATO') as a reduced input tax credit ('RITC').

Creditors and accruals are stated with the amount of GST included.

The net amount of GST recoverable from the ATO is included in payables in the Statements of Financial Position.

(s) Derecognition of financial instruments

The derecognition of financial instruments takes place when the Schemes no longer control the contractual rights of the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(t) Capital management

The Responsible Entity manages its net assets attributable to unitholders as capital, notwithstanding that net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Schemes are subject to daily applications and redemptions at the discretion of unitholders.

The Responsible Entity monitors the level of daily applications and redemptions relative to the liquid assets in the Schemes.

In order to maintain or adjust the capital structure, the Responsible Entity may return capital to unitholders. The Schemes do not have any externally imposed capital requirements.

(u) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities due to mandatory distributions. The units can be put back to the Schemes at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to put the units back to the Schemes.

(v) Application of accounting standards

Changes in Accounting Policy

Since 1 July 2015, the Schemes have not adopted any mandatory new and amended Australian Accounting Standards that effect the financial statements.

Australian Accounting Standards issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Schemes for the annual reporting period ended 30 June 2016. The impact of these standards and interpretations has been assessed, to the extent applicable to the Schemes and are discussed below.

AASB 9 Financial Instruments

This standard makes changes to the way financial assets are classified for the purpose of determining their measurement basis. AASB 9 applies to annual reporting periods beginning on or after 1 January 2018 and will therefore apply to the Schemes from 1 June 2018. The Schemes do not intend to early adopt AASB 9 as permitted by the standard. The application of the standard is not expected to change the measurement basis of any of the Schemes current financial instruments.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure initiative: AASB 101 Presentation of Financial Statements

These amendments clarify the materiality requirements in AASB 101. These amendments also clarify that specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated and that the entities have flexibility as to the order in which they present the notes to financial statements. These amendments are not expected to impact the Schemes' financial position or performance and become effective for the annual periods beginning on or after 1 January 2016 and will therefore apply to the Schemes from 1 July 2016.

NOTE 2 - DIVIDEND AND DISTRIBUTION INCOME

The Schemes receive distribution income from their underlying investments in unlisted managed investment schemes, which is detailed in Note 8(h), except for Dividend Imputation Fund which received dividend income as detailed in the table below:

Dividend Imputation Fund

	2016	2015
	\$'000	\$'000
Dividend/Scheme distribution income:		
Listed equities and unit trusts	<u>3,159</u>	<u>3,681</u>
	3,159	3,681

NOTE 3 - AUDITOR'S REMUNERATION

The Schemes have regular audits on the financial reports. The Responsible Entity pays the cost of the audit fees being \$11,000 (2015: \$11,000) for audit and review of the financial reports, and \$2,374 (2015: \$2,374) for Compliance plan audits. The Dividend Imputation Fund has an additional audit being the Specified Assertions audit for their direct investments, as stated in the table below:

Dividend Imputation Fund

	2016	2015
	\$	\$
Auditor of the Scheme:		
Other assurance engagements	<u>2,500</u>	<u>2,500</u>
	2,500	2,500

NOTE 4 - DISTRIBUTIONS

Distributions paid during the year by the Schemes were as follows:

	Balanced Fund				Property Fund			
	2016	2016	2015	2015	2016	2016	2015	2015
	\$'000	c/unit	\$'000	c/unit	Whole Dollars \$	c/unit	Whole Dollars \$	c/unit
Entry Fee								
September	8	0.04	40	0.19	26,544	0.34	50,874	0.60
December	69	0.37	42	0.21	39,608	0.52	27,640	0.34
March	39	0.21	2	0.01	17,465	0.23	57,436	0.71
June - payable	<u>1,871</u>	<u>10.45</u>	<u>939</u>	<u>4.94</u>	<u>90,352</u>	<u>1.22</u>	<u>55,791</u>	<u>0.70</u>
Total distributions	1,987	11.07	1,023	5.35	173,969	2.31	191,741	2.35
Nil Entry Fee								
September	-	-	-	-	4,032	0.07	29,934	0.42
December	5	0.02	4	0.02	28,993	0.52	24,219	0.34
March	7	0.03	-	-	12,638	0.23	35,130	0.51
June - payable	<u>2,161</u>	<u>10.01</u>	<u>1,099</u>	<u>4.36</u>	<u>54,516</u>	<u>1.02</u>	<u>48,123</u>	<u>0.73</u>
Total distributions	2,173	10.06	1,103	4.38	100,179	1.84	137,406	2.00
	Monthly Income Fund (Entry Fee)				Monthly Income Fund (Nil Entry Fee)			
	2016	2016	2015	2015	2016	2016	2015	2015
	\$'000	c/unit	\$'000	c/unit	\$'000	c/unit	\$'000	c/unit
July	25	0.20	28	0.21	34	0.17	41	0.19
August	25	0.20	25	0.20	34	0.17	36	0.17
September	25	0.20	25	0.20	33	0.17	35	0.17
October	22	0.17	25	0.20	28	0.15	35	0.17
November	21	0.17	25	0.20	28	0.15	34	0.17
December	21	0.17	25	0.20	27	0.15	34	0.17
January	21	0.18	26	0.20	27	0.15	35	0.17
February	21	0.18	23	0.18	27	0.15	31	0.16
March	21	0.18	23	0.18	26	0.15	31	0.16
April	21	0.18	24	0.18	25	0.15	33	0.16
May	21	0.18	24	0.19	25	0.15	32	0.17
June - payable	<u>209</u>	<u>1.81</u>	<u>254</u>	<u>2.01</u>	<u>270</u>	<u>1.64</u>	<u>376</u>	<u>1.93</u>
Total distributions	454	3.82	527	4.15	584	3.35	753	3.79

NOTE 4 - DISTRIBUTIONS (continued)

	Dividend Imputation Fund (Entry Fee)				Dividend Imputation Fund (Nil Entry Fee)			
	2016	2016	2015	2015	2016	2016	2015	2015
Dividend Imputation Fund	\$'000	c/unit	\$'000	c/unit	\$'000	c/unit	\$'000	c/unit
September	659	1.83	549	1.52	204	1.61	169	1.26
December	492	1.38	516	1.46	146	1.17	162	1.22
March	39	0.11	323	0.94	11	0.09	85	0.68
June - payable	4,355	12.84	5,349	15.94	1,434	12.42	1,890	15.65
Total distributions	5,545	16.16	6,737	19.86	1,795	15.29	2,306	18.81

NOTE 5 - FINANCIAL ASSETS DESIGNATED AS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	Balanced Fund		Monthly Income Fund		Property Fund		Dividend Imputation Fund	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	Whole Dollars \$	Whole Dollars \$	\$'000	\$'000
Listed equities								
Shares and units listed on a stock exchange	-	-	-	-	-	-	54,451	71,610
Unlisted managed investment schemes								
Units held in unlisted managed investment schemes	58,841	73,822	22,084	27,060	9,391,065	9,184,931	-	-
Total financial assets designated as held at fair value through profit or loss	58,841	73,822	22,084	27,060	9,391,065	9,184,931	54,451	71,610

NOTE 6 - RECEIVABLES

	Balanced Fund		Monthly Income Fund		Property Fund		Dividend Imputation Fund	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	Whole Dollars \$	Whole Dollars \$	\$'000	\$'000
Outstanding settlements	-	-	-	-	-	-	141	-
Distribution receivables	71	10	761	895	-	-	597	583
Other receivables	1	-	-	-	106	102	2	-
	72	10	761	895	106	102	740	583

NOTE 7 - ACCOUNTS PAYABLE & ACCRUED EXPENSES

	Balanced Fund		Monthly Income Fund		Property Fund		Dividend Imputation Fund	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	Whole Dollars \$	Whole Dollars \$	\$'000	\$'000
Outstanding settlements	-	-	-	-	-	-	12	143
Amounts owing to Responsible Entity	269	595	53	77	31,511	39,251	308	452
Other payables	-	-	-	-	-	-	-	-
Distributions payable	4,032	2,038	479	630	144,869	103,914	5,790	7,239
	4,301	2,633	532	707	176,380	143,165	6,110	7,834

NOTE 8 - RELATED PARTIES

(a) Responsible Entity

The Responsible Entity of each of the Schemes is MLC Investments Limited ABN 30 002 641 661, whose immediate and ultimate holding companies are MLC Holdings Limited ABN 32 003 113 068 and National Australia Bank Limited ABN 12 004 044 937 respectively.
The Responsible Entity is incorporated and domiciled in Australia.

(b) Key management personnel

Directors

The names of persons who were Directors of MLC Investments Limited at any time during the financial year were as follows:

Name	Appointment / Resignation Date
S C Birkenleigh	Appointed 9 September 2015
J G Duffield	Appointed 24 August 2011
P Gupta	Appointed 1 September 2012
G J Mulcahy	Appointed 7 July 2014

In addition to the Directors noted above, the Responsible Entity is considered to be a Key Management Personnel of the Schemes.

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

(c) Other related party transactions with the Schemes

From time to time the Directors of MLC Investments Limited, or their Director related entities, may invest into or withdraw from the Schemes. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors. The performance fees are paid to related party.

(d) Amounts payable to/(receivable from) the Responsible Entity

The net amount of payables to MLC Investments Limited by the Schemes at balance date are shown in the table below:

	2016 \$	2015 \$
Balanced Fund	269,399	595,445
Monthly Income Fund	53,242	76,897
Property Fund	31,511	39,251
Dividend Imputation Fund	308,225	452,459

(e) Responsible Entity's fees

The Responsible Entity's fees have been calculated in accordance with the Schemes' Constitutions. Total fees paid and payable (net of rebates where applicable) are as follows:

	2016 \$	2015 \$
Balanced Fund	1,341,736	1,479,727
Monthly Income Fund	261,681	295,537
Property Fund	162,759	171,854
Dividend Imputation Fund	1,427,361	1,763,649

(f) Expense reimbursement

The Responsible Entity is entitled, under the Schemes' Constitutions, to be reimbursed for certain expenses incurred in administering the Schemes. The basis on which the expenses are reimbursable is defined in the Constitutions. There were no expense reimbursements during the year (2015:Nil).

(g) Interests in unconsolidated structured entities

The Schemes' maximum exposure to loss from their investments in unlisted managed investment schemes, which have been assessed to be structured entities, is restricted to their fair value which are disclosed in Note 8(h). The Schemes have not sponsored or provided support, financial or otherwise to the unlisted managed investment schemes they hold.

(h) Related party investments

The Schemes may purchase and sell units in other unlisted managed investment schemes managed by MLC Investments Limited or its related parties in the ordinary course of business at application and redemption prices calculated in accordance with the Constitutions.

Details of both shares in National Australia Bank Limited and units in other managed investment schemes operated by the Responsible Entity held by the Schemes are set out below. Cash and cash equivalents in the Statements of Financial Position for all the Schemes are held with the National Australia Bank Limited.

The principal activities of all the below named Schemes are to invest and transact in money market securities, listed equities, fixed interest securities, unlisted managed investment schemes, unlisted property trusts, other debt instruments and derivatives in accordance with the provisions of the Schemes' Constitutions. Investment activities may include the use of hedging instruments to reduce the volatility of investment returns.

The Schemes are unlisted registered managed investment schemes and along with their related parties are domiciled in Australia.

MLC Investments Limited and its related parties	Number of unit/shares held	Interest held in the Scheme %	Fair value of investment \$	Distributions received \$
Balanced Fund				
2016				
Low Correlation Strategy Trust	1,982,691	0.21	2,195,042	-
WM Pool - Australian Equities No. 2	75,939	0.09	5,056,466	65,123
Antares Enhanced Cash Trust	2,619,508	0.04	2,672,357	43,517
WM Sector - Australian Equities - Diversified Strategy	118,586	0.25	11,841,650	1,090,845
WM Sector - Diversified Debt (All) Trust	49,151	0.21	5,148,093	403,809
WM Sector - Diversified Debt (Short) Trust	-	-	-	19,778
WM Pool - Equities Trust No. 18	-	-	-	-
WM Pool - Equities Trust No. 29	-	-	-	28,264
WM Pool - Equities Trust No. 37	-	-	-	33,926
WM Pool - Equities Trust No. 47	53,858	0.28	5,847,196	2,595,286
WM Pool - Equities Trust No. 59	35,071	0.29	3,582,510	143,501
WM Pool - Equities Trust No. 73	17,841	0.38	1,796,831	17,151
WM Pool Fixed Interest Trust No. 5	12,449	0.22	1,343,330	24,041
WM Pool - Global Properties Trust	23,303	0.34	2,542,715	222,414
WM Sector - Global Equities (Hedged) Trust	43,653	0.48	3,732,958	303,381
WM Sector - Global Equities (Unhedged) Trust	55,433	0.11	6,395,127	1,495,295
WM Pool - LTAR Part 1 NS Trust	34,368	0.58	2,896,613	331,516
WM Pool Fixed Interest Trust No. 23	37,672	0.21	3,789,723	188,332
WM Pool - NSIM Australian Fixed Interest (A) Trust	-	-	-	7,887
WM Pool - UBS Australian Fixed Interest (A) Trust	-	-	-	12,246
	5,159,523		58,840,611	7,026,312

NOTE 8 - RELATED PARTIES (continued)

(h) Related party investments (continued)

MLC Investments Limited and its related parties	Number of unit/shares held	Interest held in the Scheme %	Fair value of investment \$	Distributions received \$
Balanced Fund (continued)				
2015				
Low Correlation Strategy Trust	1,011,510	0.10	1,151,546	-
WM Pool - Australian Equities No. 2	-	-	-	-
Antares Enhanced Cash Trust	913,270	0.02	920,497	12,310
WM Sector - Australian Equities - Diversified Strategy	197,121	0.21	20,943,657	1,291,587
WM Sector - Diversified Debt (All) Trust	92,855	0.27	9,654,030	437,125
WM Sector - Diversified Debt (Short) Trust	23,336	0.09	2,380,928	40,989
WM Pool - Equities Trust No. 18	4,995	0.07	575,502	15,061
WM Pool - Equities Trust No. 29	6,562	0.17	712,862	65,115
WM Pool - Equities Trust No. 37	5,676	0.07	755,385	79,810
WM Pool - Equities Trust No. 47	45,231	0.24	7,513,594	801,637
WM Pool - Equities Trust No. 59	15,892	0.38	1,674,681	109,574
WM Pool - Equities Trust No. 73	5,888	0.26	591,896	16,712
WM Pool Fixed Interest Trust No. 5	16,158	0.28	1,760,657	109,620
WM Pool - Global Properties Trust	27,125	0.26	3,028,836	91,578
WM Sector - Global Equities (Hedged) Trust	48,492	0.52	4,544,662	46,323
WM Sector - Global Equities (Unhedged) Trust	58,920	0.10	8,660,201	199,425
WM Pool - LTAR Part 1 NS Trust	25,431	0.65	2,368,779	295,463
WM Pool Fixed Interest Trust No. 23	50,538	0.23	5,231,487	270,225
WM Pool - NSIM Australian Fixed Interest (A) Trust	6,431	0.04	659,520	51,738
WM Pool - UBS Australian Fixed Interest (A) Trust	679,291	0.04	693,670	41,139
	<u>3,234,722</u>		<u>73,822,390</u>	<u>3,975,431</u>
Monthly Income Fund				
2016				
Dividend Imputation Trust	5,927,577	17.47	7,366,444	977,839
WM Pool - NSIM Australian Fixed Interest (A) Trust	21,913	0.17	2,304,229	117,589
WM Pool - NSIM Australian Fixed Interest (S) Trust	33,610	0.18	3,442,148	113,675
WM Pool - Property Securities Trust	41,243	0.42	3,489,314	196,627
WM Pool - UBS Australian Fixed Interest (A) Trust	2,090,638	0.16	2,159,815	139,861
WM Pool - UBS Australian Fixed Interest (S) Trust	32,256	0.17	3,322,992	100,667
	<u>8,147,237</u>		<u>22,084,942</u>	<u>1,646,258</u>
2015				
Dividend Imputation Trust	5,626,301	16.77	8,510,326	1,133,280
WM Pool - NSIM Australian Fixed Interest (A) Trust	28,353	0.16	2,907,625	220,470
WM Pool - NSIM Australian Fixed Interest (S) Trust	41,975	0.21	4,284,795	146,673
WM Pool - Property Securities Trust	59,520	0.56	4,254,921	222,858
WM Pool - UBS Australian Fixed Interest (A) Trust	2,758,136	0.16	2,816,521	170,074
WM Pool - UBS Australian Fixed Interest (S) Trust	41,765	0.21	4,285,494	106,606
	<u>8,556,050</u>		<u>27,059,682</u>	<u>1,999,961</u>
Property Fund				
2016				
WM Sector - Property Securities Trust	111,001	1.13	9,391,065	465,099
2015				
WM Sector - Property Securities Trust	128,484	1.20	9,184,931	479,090
Dividend Imputation Fund				
2016				
National Australia Bank Limited	136,058	0.01	3,459,955	282,855
2015				
National Australia Bank Limited	158,071	0.01	5,265,345	329,866

(i) Unitholder investing activities

Details of holdings in the Schemes by MLC Investments Limited and its related parties or other Schemes managed by MLC Investments Limited and its related parties are set out below:

MLC Investments Limited and its related parties	Number of unit/shares held	Interest held in the Scheme %	Fair value of investment \$	Distributions received \$
Dividend Imputation Fund				
2016				
Monthly Income Fund	5,927,577	17.47	7,366,444	977,839
2015				
Monthly Income Fund	5,626,301	16.77	8,510,326	1,133,280

NOTE 9 - FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Objectives, Policies and Processes

The Schemes' activities expose them to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk, equity price risk), liquidity and cash flow risk. The Schemes' overall risk management programme is aligned to the investment strategy of each Scheme as detailed in their Constitution and Product Disclosure Statement. It focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Schemes' financial performance. The Responsible Entity monitors the risk management framework, which is performed internally and reported on a quarterly basis. Certain Schemes may use derivative financial instruments to moderate certain risk exposures.

(b) Credit Risk

The Schemes take on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

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

The Schemes restrict their exposure to credit losses on trading derivative instruments by entering into master netting arrangements with counterparties (approved brokers). The credit risk associated with contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, there is the opportunity to settle outstandings on a net basis.

The Schemes minimise their exposure to credit risk on cash equivalents by only holding instruments with top-tier financial institutions.

In accordance with the Schemes' mandates, the Schemes' credit positions are monitored on a daily basis, and the Responsible Entity reviews this on a quarterly basis. Credit quality of debt instruments is managed using Standard & Poor's rating categories, in accordance with the investment mandates of the Schemes.

The carrying amounts of financial assets best represent the maximum credit risk exposures at the year end date.

NOTE 9 - FINANCIAL RISK MANAGEMENT (continued)

(c) Financial Assets and Liabilities Held for Trading

Financial assets and financial liabilities for the Dividend Imputation Fund are presented on a gross basis in the Statements of Financial Position as there is not an enforceable legal right to offset the recognised amounts. In the normal course of business, the Scheme also enters into various master netting agreements or other similar arrangements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be set off in certain circumstances, such as default on contracts.

Offsetting Financial Assets and Financial Liabilities

	2016			2015		
	Amounts not offset		Net amount	Amounts not offset		Net amount
	Other financial instruments	Cash collateral		Other financial instruments	Cash collateral	
Dividend Imputation Fund	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Futures Contracts	6	-	6	-	-	-
Closing balance	6	-	6	-	-	-
Financial liabilities						
Futures Contracts	-	-	-	12	-	12
Closing balance	-	-	-	12	-	12

(d) Market Risk

(i) Currency Risk

Currency risk is the risk that the fair value of future cash flows of the financial instrument will fluctuate due to changes in foreign exchange rates.

There was no significant foreign exchange risk in the Schemes as at 30 June 2016 (2015: Nil).

(ii) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

There was no significant direct interest rate risk in the Schemes as at 30 June 2016 (2015: Nil).

(iii) Equity and other price risk

Equity and other price risk is the risk that the fair value of equities and unit prices decrease as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market.

To mitigate the impact of equity and other price risk the investment process ensures there is diversification of equity exposures within the Schemes.

Changes in price as disclosed in this note are based on an analysis of the yearly change in relevant market indices over the last 10 years. These represent what is considered to be a reasonably possible change rather than extreme fluctuations that may occur from time to time. As such, actual future market movement may differ.

The effect on the Statements of Profit or Loss and Other Comprehensive Income due to reasonably possible changes in market factors, as represented by the equity indices, with all other variables held constant are indicated in the following tables:

Balanced Fund

Category	2016				2015			
	Change in price		Effect on net profit attributable to unitholders \$'000		Change in price		Effect on net profit attributable to unitholders \$'000	
	+	-	+	-	+	-	+	-
Australian equities funds	26%	-15%	5,036	(2,906)	28%	-15%	6,805	(3,645)
International equities funds	26%	-14%	4,680	(2,520)	26%	-14%	5,871	(3,162)
Property equities funds	34%	-26%	910	(696)	34%	-26%	1,142	(873)
Fixed interest funds	7%	-7%	1,316	(1,316)	7%	-7%	1,651	(1,651)
Total			11,942	(7,438)			15,469	(9,331)

Monthly Income Fund

Category	2016				2015			
	Change in price		Effect on net profit attributable to unitholders \$'000		Change in price		Effect on net profit attributable to unitholders \$'000	
	+	-	+	-	+	-	+	-
Australian equities funds	26%	-15%	2,010	(1,159)	28%	-15%	2,652	(1,421)
Property equities funds	34%	-26%	1,126	(861)	34%	-26%	1,380	(1,055)
Fixed interest funds	7%	-7%	773	(773)	7%	-7%	947	(947)
Total			3,909	(2,793)			4,979	(3,423)

Property Fund

Category	2016				2015			
	Change in price		Effect on net profit attributable to unitholders \$'000		Change in price		Effect on net profit attributable to unitholders \$'000	
	+	-	+	-	+	-	+	-
Property equities funds	34%	-26%	3,192,962	(2,441,677)	34%	-26%	3,122,877	(2,388,082)
Total			3,192,962	(2,441,677)			3,122,877	(2,388,082)

Dividend Imputation Fund

Category	2016				2015			
	Change in price		Effect on net profit attributable to unitholders \$'000		Change in price		Effect on net profit attributable to unitholders \$'000	
	+	-	+	-	+	-	+	-
Australian equities funds	26%	-15%	14,157	(8,168)	28%	-15%	20,051	(10,742)
Total			14,157	(8,168)			20,051	(10,742)

NOTE 9 - FINANCIAL RISK MANAGEMENT (continued)

(e) Liquidity and Cash Flow Risk

The Schemes are exposed to daily cash redemptions of redeemable units. Therefore, they invest the majority of their assets either in unlisted schemes with daily redemptions, or in investments that are readily disposed of in an active market, which under normal market conditions are readily convertible to cash.

Net assets attributable to unitholders are repayable on demand, subject to redemption freeze provisions. In addition the Schemes' policy is to maintain sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests.

In accordance with the Schemes' policies, the Schemes' liquidity position is monitored on a daily basis, and the Responsible Entity reviews this on a quarterly basis.

The Schemes' liabilities are expected to be settled within less than one month, except for amounts owing to the Responsible Entity which are expected to be settled within one to three months.

(f) Derivatives

The Schemes' derivative financial instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments.

As at 30 June 2016, the overall direct market exposures were as follows:

Dividend Imputation Fund

	30 June 2016		30 June 2015	
	Contract amount \$'000	Fair value \$'000	Contract amount \$'000	Fair value \$'000
Derivative instruments held for trading:				
- Futures Contracts	259	6	551	(12)
	<u>259</u>	<u>6</u>	<u>551</u>	<u>(12)</u>

(g) Fair value of financial instruments

The Schemes' financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table details how the fair values of these financial assets and financial liabilities are determined in particular, the valuation techniques applied where valuation techniques involve the use of non-market observable inputs.

Financial assets / (financial liabilities)	Fair Value Hierarchy	Valuation Techniques
Unlisted managed investment funds	2	Valued at redemption price as established by the Responsible Entity of the underlying trust.
Unlisted equities (suspended/stale priced)	3	Valued based on last available price at the date of delisting.

All Schemes, except listed separately below, invest only in unlisted managed investment schemes which are classified as level 2, and there have been no transfers between level during the year.

Dividend Imputation Fund

Financial Instruments	2016			2015		
	Level 1	Level 2	Level 3*	Level 1	Level 2	Level 3*
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Listed equity securities	54,451	-	-	71,610	-	-
Futures Contracts	6	-	-	(12)	-	-
Total	<u>54,457</u>	<u>-</u>	<u>-</u>	<u>71,598</u>	<u>-</u>	<u>-</u>

* Level 3 for the year ended 30 June 2016 and 30 June 2015 contain investments in BGP Holdings PLC, AET&D Holdings No.1 Pty Ltd, and Virgin Australia International Holdings Pty Ltd which have a nil market value. Level 3 investments are assessed for sensitivity to their unobservable inputs, and as the market value for these investments are nil, there is no impact to their fair value.

There have been no movements into or out of Level 2 and Level 3 for the year ended 30 June 2016 or 30 June 2015 except as disclosed above.

NOTE 10 - NOTES TO THE STATEMENTS OF CASH FLOWS

	Balanced Fund		Monthly Income Fund		Property Fund		Dividend Imputation Fund	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	Whole Dollars \$	Whole Dollars \$	\$'000	\$'000
(a) Reconciliation of operating profit to net cash flows from operating activities								
Net operating profit/(loss)	(448)	6,448	582	1,568	1,809,488	1,507,092	(5,378)	3,560
Income reinvested	(7,108)	(3,969)	(1,779)	(1,718)	(465,098)	(479,089)	-	-
Changes in the fair value of investments	6,146	(3,952)	806	141	(1,506,035)	(1,198,302)	7,234	(1,551)
Changes in assets and liabilities during the financial year:								
(Increase)/decrease in distribution receivables	81	-	134	-	-	-	-	-
(Increase)/decrease in other receivables	(1)	(6)	-	(282)	(4)	11	(2)	149
(Decrease)/increase in other accounts payable	(326)	(12)	(24)	(4)	(7,740)	(1,483)	(144)	(35)
Net cash provided by/(used in) operating activities	<u>(1,656)</u>	<u>(1,491)</u>	<u>(281)</u>	<u>(295)</u>	<u>(169,389)</u>	<u>(171,771)</u>	<u>1,710</u>	<u>2,123</u>
(b) Cash and cash equivalents								
For the purposes of the Statements of Cash Flows, cash includes cash at bank, units in the Cash Fund and short term deposits at call. Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Statements of Financial Position as follows:								
Cash at bank	5,235	765	1,442	411	277,082	100,263	6,246	2,223
Cash on deposit - domestic	-	-	-	-	-	-	911	2,463
Futures margin	-	-	-	-	-	-	302	64
	<u>5,235</u>	<u>765</u>	<u>1,442</u>	<u>411</u>	<u>277,082</u>	<u>100,263</u>	<u>7,459</u>	<u>4,750</u>
(c) Non-cash financing and investing activities								
Distributions to unitholders reinvested	1,734	811	824	543	147,675	180,310	7,102	5,416
	<u>1,734</u>	<u>811</u>	<u>824</u>	<u>543</u>	<u>147,675</u>	<u>180,310</u>	<u>7,102</u>	<u>5,416</u>

NOTE 11 - CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Dividend Imputation Fund	
	2016	2015
	\$'000	\$'000
Net changes in fair value on financial assets through profit or loss	18	(59)
Held for trading		
Designated at fair value through profit or loss	<u>(7,252)</u>	<u>1,610</u>
	<u>(7,234)</u>	<u>1,551</u>

The changes in fair value relate to instruments designated at fair value through profit or loss for all other Schemes.

NOTE 12 - EVENTS OCCURRING AFTER THE BALANCE DATE

There has not arisen in the interval between the year end and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to significantly affect the operations of the Schemes, the results of those operations, or the state of affairs of the Schemes, in future financial years.

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES

The Schemes had no known commitments or contingent liabilities as at 30 June 2016 (2015: Nil).

Directors' declaration

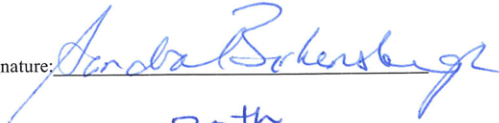
In the opinion of the Directors of MLC Investments Limited, the Responsible Entity of the Schemes:

The financial statements and notes set out on pages 6 to 19, are in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the financial positions of the Schemes as at 30 June 2016 and of their performance for the year ended on that date;
- (b) complying with Accounting Standards and Corporations Regulations 2001;
- (c) there are reasonable grounds to believe that the Schemes will be able to pay their debts as and when they become due and payable; and
- (d) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

This declaration is made in accordance with a resolution of the Directors.

Director: SANDRA BIRKENSUEIGH

Signature: 

Dated at Sydney this 30th day of August 2016

Independent auditor's report to the unitholders of the National Investment Trusts:

National Australia Balanced Fund

National Australia Property Fund

National Australia Monthly Income Fund

National Australia Dividend Imputation Fund

We have audited the accompanying financial report of the National Investment Trusts consisting of the schemes listed above (the 'Schemes') which comprises the statements of financial position as at 30 June 2016, the statements of profit or loss and other comprehensive income, statements of changes in net assets attributable to unitholders and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), 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 judgment, 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 controls 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 controls. 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.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is attached to the directors' report.

Opinion

In our opinion:

1. the financial report of the Schemes is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Schemes' financial position as at 30 June 2016 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).



Ernst & Young



Rita Da Silva
Partner
Sydney
30 August 2016

Your notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



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from anywhere in Australia
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