

National Investment Trusts

Financial Report

For the year ended 30 June 2017

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15 September 2017

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MLC Investments Limited

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Financial Report

For the year ended 30 June 2017

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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 2017 and the independent audit report thereon.

The Schemes are disclosed in the National Investment Trusts Product Disclosure Statement and therefore they are presented together in this financial report and related notes in accordance with class order 10/654.

Directors of the Responsible Entity

The names of the persons who were Directors of MLC Investments Limited during or since the year ended 30 June 2017 are as follows:

Name	Appointment/Resignation Date
S C Birkenleigh	Appointed 9 September 2015/Resigned 3 October 2016
J G Duffield	Appointed 24 August 2011
P Gupta	Appointed 1 September 2012
C M Keating	Appointed 5 December 2016
G J Mulcahy	Appointed 7 July 2014
K A Watt	Appointed 5 December 2016

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 (2016: 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 Statements.

Distributions

The distributions for the year ended 30 June 2017 were as follows:

	Entry Fee Units		Nil Entry Fee Units	
	\$000	c/unit	\$000	c/unit
Balanced Fund	776	4.51	700	3.52
Monthly Income Fund	378	3.27	465	2.90
Dividend Imputation Fund	4,214	12.88	1,401	12.06
	Whole	c/unit	Whole	c/unit
	Dollars \$		Dollars \$	
Property Fund	168,509	2.54	99,037	2.06

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

During the year, the Schemes' Constitutions which are eligible to elect into the Attribution Managed Investment Trust ('AMIT') Regime were amended to allow election into the AMIT Regime when the Responsible Entity has determined that it is in the best interests of the investors of those relevant Schemes.

In the opinion of the Responsible Entity, there were no other significant changes in the state of affairs of the Schemes that occurred during the year end 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 2017 are detailed in Note 8(h) and Note 8(i) to the financial statements.

Fees paid to the Responsible Entity during the financial year ended 30 June 2017 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 2017. 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 Property Fund, the Schemes meet the criteria set out in Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission, and in accordance with that Corporations 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: CLAIRE KEATING

Signature: 

Dated at Sydney this 29th day of August 2017

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 2017, I declare to the best of my knowledge and belief, there have been:

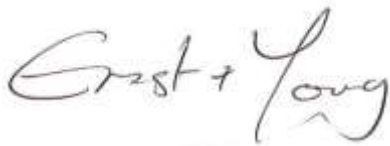
- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

National Australia Balanced Fund

National Australia Property Fund

National Australia Monthly Income Fund

National Australia Dividend Imputation Fund



Ernst & Young



Darren Handley-Greaves
Partner
29 August 2017

National Investment Trusts
Statements of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2017

		Balanced Fund		Monthly Income Fund		Property Fund		Dividend Imputation Fund	
		2017	2016	2017	2016	2017	2016	2017	2016
	Notes	\$'000	\$'000	\$'000	\$'000	Whole Dollars \$	Whole Dollars \$	\$'000	\$'000
Investment income									
Dividend and distribution income	2, 8(h)	3,011	7,026	1,306	1,646	415,552	465,099	2,594	3,159
Interest income		5	15	3	4	983	1,238	43	125
Changes in the fair value of financial assets and liabilities at fair value through profit or loss	11	3,685	(6,146)	72	(806)	(853,897)	1,506,035	8,343	(7,234)
Total investment income		6,701	895	1,381	844	(437,362)	1,972,372	10,980	(3,950)
Expenses									
Responsible Entity's fees	8(e)	1,110	1,342	210	262	147,088	162,759	1,134	1,427
Other expenses		-	1	-	-	11	125	-	1
Total operating expenses		1,110	1,343	210	262	147,099	162,884	1,134	1,428
Net operating profit/(loss)		5,591	(448)	1,171	582	(584,461)	1,809,488	9,846	(5,378)
Financing costs									
Distributions	4	1,476	4,160	843	1,038	267,546	274,148	5,615	7,340
Net profit/(loss)		4,115	(4,608)	328	(456)	(852,007)	1,535,340	4,231	(12,718)
Other comprehensive income		-	-	-	-	-	-	-	-
Change in net assets attributable to unitholders		4,115	(4,608)	328	(456)	(852,007)	1,535,340	4,231	(12,718)

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 2017

		Balanced Fund		Monthly Income Fund		Property Fund		Dividend Imputation Fund	
		2017	2016	2017	2016	2017	2016	2017	2016
	Notes	\$'000	\$'000	\$'000	\$'000	Whole Dollars \$	Whole Dollars \$	\$'000	\$'000
Assets									
Cash and cash equivalents	10(b)	185	5,235	192	1,442	77,480	277,082	2,739	7,459
Receivables	6	198	72	562	761	72	106	564	740
Financial assets designated at fair value through profit or loss	5	61,293	58,841	21,951	22,084	7,815,720	9,391,065	59,357	54,451
Financial assets held for trading	9(c)	-	-	-	-	-	-	-	6
Total assets		<u>61,676</u>	<u>64,148</u>	<u>22,705</u>	<u>24,287</u>	<u>7,893,272</u>	<u>9,668,253</u>	<u>62,660</u>	<u>62,656</u>
Liabilities									
Accounts payable and accrued expenses	7	285	269	57	53	30,404	31,511	422	320
Financial liabilities held for trading	9(c)	-	-	-	-	-	-	9	-
Distribution payable	7	1,450	4,032	428	479	221,967	144,869	4,387	5,790
Total liabilities excluding net assets attributable to unitholders		<u>1,735</u>	<u>4,301</u>	<u>485</u>	<u>532</u>	<u>252,371</u>	<u>176,380</u>	<u>4,818</u>	<u>6,110</u>
Net assets attributable to unitholders		<u>59,941</u>	<u>59,847</u>	<u>22,220</u>	<u>23,755</u>	<u>7,640,901</u>	<u>9,491,873</u>	<u>57,842</u>	<u>56,546</u>

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 2017

	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 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
Applications	1,693	1,115	1,989	1,312	252	277	390	478
Redemptions	(2,912)	(1,828)	(4,791)	(3,024)	(835)	(944)	(1,670)	(1,940)
Change in net assets attributable to unitholders	1,905	-	2,210	-	138	-	190	-
Balance at 30 June 2017	27,758	17,184	32,183	19,874	9,368	10,926	12,852	14,995

	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 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
Applications	114,804	154,779	69,542	93,606	4,600	3,615	1,521	1,196
Redemptions	(717,701)	(1,017,000)	(465,610)	(646,414)	(7,394)	(5,358)	(1,662)	(1,212)
Change in net assets attributable to unitholders	(493,298)	-	(358,709)	-	3,139	-	1,092	-
Balance at 30 June 2017	4,423,055	6,543,656	3,217,846	4,791,977	42,497	32,177	15,345	11,530

No. = number of units issued

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 2017

	Balanced Fund		Monthly Income Fund		Property Fund		Dividend Imputation Fund	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	Whole Dollars \$	Whole Dollars \$	\$'000	\$'000
Cash flows from operating activities								
Dividend and distribution income received	-	-	-	-	-	-	2,594	3,159
Interest received	5	13	3	4	1,017	1,234	44	124
Responsible Entity's fees paid	(1,094)	(1,668)	(208)	(285)	(148,196)	(170,498)	(1,104)	(1,572)
Other expenses paid	-	(1)	-	-	(9)	(125)	-	(1)
Net cash (used in)/provided by operating activities	10(a) (1,089)	(1,656)	(205)	(281)	(147,188)	(169,389)	1,534	1,710
Cash flows from investing activities								
Proceeds from sale of investments	13,565	31,207	2,880	7,560	1,377,000	1,805,000	15,268	22,028
Purchases of investments	(9,447)	(15,407)	(1,170)	(1,610)	(240,000)	(40,000)	(11,568)	(12,407)
Net cash provided by/(used in) investing activities	4,118	15,800	1,710	5,950	1,137,000	1,765,000	3,700	9,621
Cash flows from financing activities								
Applications received	398	754	25	86	63,092	12,509	311	1,370
Redemptions paid	(7,704)	(9,996)	(2,502)	(4,359)	(1,183,312)	(1,345,783)	(9,058)	(8,305)
Distributions paid	(773)	(432)	(278)	(365)	(69,194)	(85,518)	(1,207)	(1,687)
Net cash (used in)/provided by financing activities	(8,079)	(9,674)	(2,755)	(4,638)	(1,189,414)	(1,418,792)	(9,954)	(8,622)
Net (decrease)/increase in cash and cash equivalents	(5,050)	4,470	(1,250)	1,031	(199,602)	176,819	(4,720)	2,709
Cash and cash equivalents at the beginning of the financial year	5,235	765	1,442	411	277,082	100,263	7,459	4,750
Cash and cash equivalents at end of financial year	10(b) 185	5,235	192	1,442	77,480	277,082	2,739	7,459

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 2017 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 29 August 2017.

(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 ('IASB').

(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 designated at fair value through profit or loss 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, as they are expected to be recovered or settled within twelve months, except for financial assets and liabilities designated at fair value through profit or loss 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

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 do not hold a controlling interest in any of their underlying investments and therefore are not required to provide additional disclosures.

(d) Unit prices

The unit prices for the units of the Schemes are 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 designated 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 and liabilities designated at fair value through profit or loss are included in the Statements of Profit or Loss and Other Comprehensive Income in the year 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.

Financial assets and liabilities held for trading are offset and the net amount reported in the Statements 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.

(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 Schemes 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 designated at fair value 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 liabilities designated 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 and liabilities 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 at call 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 a 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

(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 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.

Other expenses also include government duties and bank interest expense. Auditors' 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, 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 since the last distribution day on 30 June 2017 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.

(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 that comprise 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 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 financial year, 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 2016, the Statements adopted the following Australian Accounting Standard:

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 Statements of Profit or Loss and Other Comprehensive Income and the Statements 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 did not impact the Schemes' financial position or performance and became effective for the annual periods beginning on or after 1 January 2016 and therefore applied to the Schemes from 1 July 2016.

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 year ended 30 June 2017. 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 and liabilities 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 July 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 15 Revenue from Contracts with Customers

This standard requires an entity to measure revenue from contracts with customers at the amount of consideration to which the entity expects to be entitled in exchange for transferring promised goods or services. AASB 15 applies to annual reporting periods beginning on or after 1 January 2018 and will therefore apply to the Schemes from 1 July 2018. The Schemes do not intend to early adopt AASB 15 as permitted by the standard. The application of the standard is still being assessed, but it is expected that it will have no significant changes to the Schemes' current financial instruments.

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 the Dividend Imputation Fund which received dividend income as detailed in the table below:

	Dividend Imputation Fund	
	2017	2016
	\$'000	\$'000
Dividend/Scheme distribution income:		
Listed equities and unit trusts	<u>2,594</u>	<u>3,159</u>
	<u>2,594</u>	<u>3,159</u>

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 (2016: \$11,000) per Scheme for audit and review of the financial reports and \$2,374 (2016: \$2,374) for Compliance plan audits. The Scheme listed in the table below has an additional cost for the Specified Assertions audit of its direct investments.

	Dividend Imputation Fund	
	2017	2016
	\$	\$
Auditor of the Scheme:		
Other assurance engagements	<u>2,500</u>	<u>2,500</u>
	<u>2,500</u>	<u>2,500</u>

NOTE 4 - DISTRIBUTIONS

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

	Balanced Fund				Property Fund			
	2017	2017	2016	2016	2017	2016	2016	2016
	\$'000	c/unit	\$'000	c/unit	Whole Dollars \$	Whole Dollars \$	Whole Dollars \$	c/unit
Entry Fee								
September	18	0.10	8	0.04	18,317	0.25	26,544	0.34
December	2	0.01	69	0.37	703	0.01	39,608	0.52
March	2	0.01	39	0.21	16,653	0.25	17,465	0.23
June - payable	754	4.39	1,871	10.45	132,836	2.03	90,352	1.22
Total distributions	<u>776</u>	<u>4.51</u>	<u>1,987</u>	<u>11.07</u>	<u>168,509</u>	<u>2.54</u>	<u>173,969</u>	<u>2.31</u>
Nil Entry Fee								
September	-	-	-	-	4,125	0.08	4,032	0.07
December	2	0.01	5	0.02	-	-	28,993	0.52
March	2	0.01	7	0.03	5,781	0.12	12,638	0.23
June - payable	696	3.50	2,161	10.01	89,131	1.86	54,516	1.02
Total distributions	<u>700</u>	<u>3.52</u>	<u>2,173</u>	<u>10.06</u>	<u>99,037</u>	<u>2.06</u>	<u>100,179</u>	<u>1.84</u>
	Monthly Income Fund (Entry Fee)				Monthly Income Fund (Nil Entry Fee)			
	2017	2017	2016	2016	2017	2017	2016	2016
	\$'000	c/unit	\$'000	c/unit	\$'000	c/unit	\$'000	c/unit
July	18	0.16	25	0.20	22	0.13	34	0.17
August	18	0.16	25	0.20	22	0.13	34	0.17
September	18	0.16	25	0.20	22	0.13	33	0.17
October	18	0.16	22	0.17	22	0.14	28	0.15
November	18	0.16	22	0.17	22	0.14	28	0.15
December	18	0.16	21	0.17	22	0.14	27	0.15
January	16	0.15	21	0.18	19	0.12	27	0.15
February	16	0.15	21	0.18	19	0.12	27	0.15
March	16	0.15	21	0.18	18	0.12	26	0.15
April	17	0.15	21	0.18	19	0.12	25	0.15
May	17	0.15	21	0.18	19	0.12	25	0.15
June - payable	188	1.56	209	1.81	239	1.49	270	1.64
Total distributions	<u>378</u>	<u>3.27</u>	<u>454</u>	<u>3.82</u>	<u>465</u>	<u>2.90</u>	<u>584</u>	<u>3.35</u>

NOTE 4 - DISTRIBUTIONS (continued)

	Dividend Imputation Fund (Entry Fee)				Dividend Imputation Fund (Nil Entry Fee)			
	2017 \$'000	2017 c/unit	2016 \$'000	2016 c/unit	2017 \$'000	2017 c/unit	2016 \$'000	2016 c/unit
Dividend Imputation Fund								
September	493	1.39	659	1.83	146	1.20	204	1.61
December	326	0.95	492	1.38	90	0.76	146	1.17
March	144	0.44	39	0.11	28	0.24	11	0.09
June - payable	3,251	10.10	4,355	12.84	1,137	9.86	1,434	12.42
Total distributions	4,214	12.88	5,545	16.16	1,401	12.06	1,795	15.29

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

	Balanced Fund		Monthly Income Fund		Property Fund		Dividend Imputation Fund	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 Whole Dollars \$	2016 Whole Dollars \$	2017 \$'000	2016 \$'000
Listed equities								
Shares and units listed on a stock exchange	-	-	-	-	-	-	59,357	54,451
Unlisted managed investment schemes								
Units held in unlisted managed investment schemes	61,293	58,841	21,951	22,084	7,815,720	9,391,065	-	-
Total financial assets designated at fair value through profit or loss	61,293	58,841	21,951	22,084	7,815,720	9,391,065	59,357	54,451

NOTE 6 - RECEIVABLES

	Balanced Fund		Monthly Income Fund		Property Fund		Dividend Imputation Fund	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 Whole Dollars \$	2016 Whole Dollars \$	2017 \$'000	2016 \$'000
Outstanding settlements	-	-	-	-	-	-	81	141
Distribution receivables	198	71	562	761	-	-	482	597
Other receivables	-	1	-	-	72	106	1	2
	198	72	562	761	72	106	564	740

NOTE 7 - ACCOUNTS PAYABLE & ACCRUED EXPENSES

	Balanced Fund		Monthly Income Fund		Property Fund		Dividend Imputation Fund	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 Whole Dollars \$	2016 Whole Dollars \$	2017 \$'000	2016 \$'000
Outstanding settlements	-	-	-	-	-	-	84	12
Amounts owing to Responsible Entity	285	269	57	53	30,404	31,511	338	308
Distributions payable	1,450	4,032	428	479	221,967	144,869	4,387	5,790
	1,735	4,301	485	532	252,371	176,380	4,809	6,110

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 holding company is National Wealth Management Services Limited ABN 97 071 514 264 and the ultimate parent company is National Australia Bank Limited ABN 12 004 044 937.

The Responsible Entity is incorporated and domiciled in Australia.

(b) Key management personnel

Directors

The names of the 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/Resigned 3 October 2016
J G Duffield	Appointed 24 August 2011
P Gupta	Appointed 1 September 2012
C M Keating	Appointed 5 December 2016
G J Mulcahy	Appointed 7 July 2014
K A Watt	Appointed 5 December 2016

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.

(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.

	2017	2016
	\$	\$
Balanced Fund	285,433	269,399
Monthly Income Fund	56,967	53,242
Property Fund	30,404	31,511
Dividend Imputation Fund	337,694	308,225

(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:

	2017	2016
	\$	\$
Balanced Fund	1,109,575	1,341,736
Monthly Income Fund	210,431	261,681
Property Fund	147,088	162,759
Dividend Imputation Fund	1,133,760	1,427,361

(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 (2016: 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 listed equities, unlisted managed investment schemes 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.

NOTE 8 - RELATED PARTIES (continued)

(h) Related party investments (continued)

MLC Investments Limited and its related parties	Number of units/shares held	Interest held in the Scheme/Entity	Fair value of investment	Distributions/ Dividends received
		%	\$	\$
Balanced Fund				
2017				
Low Correlation Strategy Trust	1,703,230	0.17	1,968,765	-
WM Pool - Australian Equities Trust No.2	70,144	0.08	4,941,455	337,383
Antares Enhanced Cash Trust	2,081,102	0.03	2,129,681	41,892
WM Sector - Australian Equities - Diversified Strategy	112,732	0.25	12,164,133	830,364
WM Sector - Diversified Debt (All) Trust	53,807	0.14	5,462,282	260,907
WM Pool - Equities Trust No. 47	53,475	0.28	6,267,065	556,360
WM Pool - Equities Trust No. 59	36,762	0.31	3,852,863	124,651
WM Pool - Equities Trust No. 73	18,146	0.33	1,840,173	30,660
WM Pool - Fixed Interest Trust No. 5	11,551	0.04	1,280,630	41,123
WM Pool - Global Properties Trust	20,285	0.19	2,349,402	68
WM Sector - Global Equities (Hedged) Trust	41,239	0.41	4,306,766	79,139
WM Sector - Global Equities (Unhedged) Trust	51,536	0.11	6,640,331	411,325
WM Pool - LTAR Part 1 NS Trust	35,837	0.51	3,063,266	185,335
WM Pool - Fixed Interest Trust No. 23	-	-	-	49,976
WM Pool - Fixed Interest Trust No. 24	30,620	0.23	3,097,388	12,029
WM Pool - Inflation Linked Securities Trust	1,649,633	0.09	1,928,858	49,764
	<u>5,970,099</u>		<u>61,293,058</u>	<u>3,010,976</u>
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. 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
	<u>5,159,523</u>		<u>58,840,611</u>	<u>7,026,312</u>
Monthly Income Fund				
2017				
Dividend Imputation Trust	5,562,911	17.29	7,350,079	735,642
WM Pool - NSIM Australian Fixed Interest (A) Trust	21,844	0.18	2,217,008	93,179
WM Pool - NSIM Australian Fixed Interest (S) Trust	32,626	0.19	3,323,974	89,473
WM Pool - Property Securities Trust	43,626	0.46	3,347,374	171,627
WM Pool - UBS Australian Fixed Interest (A) Trust	2,301,159	0.19	2,282,602	114,673
WM Pool - UBS Australian Fixed Interest (S) Trust	33,430	0.20	3,429,595	100,945
	<u>7,995,596</u>		<u>21,950,632</u>	<u>1,305,539</u>
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>

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/Entity %	Fair value of investment \$	Distributions/ Dividends received \$
Property Fund				
2017				
WM Sector - Property Securities Trust	<u>101,862</u>	<u>1.06</u>	<u>7,815,720</u>	<u>415,552</u>
2016				
WM Sector - Property Securities Trust	<u>111,001</u>	<u>1.13</u>	<u>9,391,065</u>	<u>465,099</u>
Dividend Imputation Fund				
2017				
National Australia Bank Limited	<u>126,339</u>	<u>0.01</u>	<u>3,738,371</u>	<u>263,088</u>
2016				
National Australia Bank Limited	<u>136,058</u>	<u>0.01</u>	<u>3,459,955</u>	<u>284,697</u>

(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/Entity %	Fair value of investment \$	Distributions paid \$
Dividend Imputation Fund				
2017				
Monthly Income Fund	<u>5,562,911</u>	<u>17.29</u>	<u>7,350,079</u>	<u>735,642</u>
2016				
Monthly Income Fund	<u>5,927,577</u>	<u>17.47</u>	<u>7,366,444</u>	<u>977,839</u>

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 Statement 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

	2017			2016		
	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	302	308
Closing balance	-	-	-	6	302	308
Financial liabilities						
Futures Contracts	(9)	76	67	-	-	-
Closing balance	(9)	76	67	-	-	-

(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 2017 (2016: 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 2017 (2016: 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	2017				2016			
	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	21%	-15%	4,450	(3,178)	26%	-15%	5,036	(2,906)
International equities funds	25%	-14%	5,297	(2,966)	26%	-14%	4,680	(2,520)
Property equities funds	29%	-26%	878	(787)	34%	-26%	910	(696)
Fixed interest funds	11%	-11%	1,748	(1,748)	7%	-7%	1,316	(1,316)
Total			12,373	(8,679)			11,942	(7,438)

Monthly Income Fund

Category	2017				2016			
	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	21%	-15%	1,613	(1,152)	26%	-15%	2,010	(1,159)
Property equities funds	29%	-26%	955	(856)	34%	-26%	1,126	(861)
Fixed interest funds	11%	-11%	1,207	(1,207)	7%	-7%	773	(773)
Total			3,775	(3,215)			3,909	(2,793)

NOTE 9 - FINANCIAL RISK MANAGEMENT (continued)

(d) Market Risk (continued)

(iii) Equity and other price risk (continued)

Property Fund

Category	2017				2016			
	Change in price		Effect on net profit attributable to unitholders \$		Change in price		Effect on net profit attributable to unitholders \$	
	+	-	+	-	+	-	+	-
Property equities funds	29%	-26%	2,266,559	(2,032,087)	34%	-26%	3,192,962	(2,441,677)
Total			2,266,559	(2,032,087)			3,192,962	(2,441,677)

Dividend Imputation Fund

Category	2017				2016			
	Change in price		Effect on net profit attributable to unitholders \$'000		Change in price		Effect on net profit attributable to unitholders \$'000	
	+	-	+	-	+	-	+	-
Australian equities	18%	-13%	12,471	(8,908)	26%	-15%	14,157	(8,168)
Total			12,471	(8,908)			14,157	(8,168)

(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 2017, the overall direct market exposures were as follows:

Dividend Imputation Fund

	30 June 2017		30 June 2016	
	Contract amount	Fair value	Contract amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Derivative instruments held for trading:				
- Futures Contracts	433	(9)	259	6

(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
Listed equities	1	Valued from independent valuations based on observable market data provided by pricing vendors.
Unlisted managed investment schemes	2	Valued at redemption price as established by the Responsible Entity of the underlying trust.
Foreign Exchange Forward Contracts	2	Valued based on observable market data i.e broker quoted prices.
Unlisted equities (suspended/stale priced)	3	Valued based on last available price at the date of delisting or based on selling price determined by fund manager.

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 levels during the year.

NOTE 9 - FINANCIAL RISK MANAGEMENT (continued)

(g) Fair value of financial instruments (continued)

Dividend Imputation Fund

Financial Instruments	2017			2016		
	Level 1	Level 2	Level 3*	Level 1	Level 2	Level 3*
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Listed equity securities	59,350	1	-	54,446	5	-
Unlisted equity securities	-	-	6	-	-	-
Futures Contract	(9)	-	-	6	-	-
Total	59,341	1	6	54,452	5	-

* Level 3 for the years ended 30 June 2017 and 30 June 2016 contain investments in BGP Holdings PLC, Virgin Australia International Holdings Pty Ltd, AET & D Holdings No 1 Pty Ltd and Jacana Minerals. They all have nil market values, except for BGP Holdings PLC which revised their price in February 2017 to reflect the expected distribution from its sale of assets, and Jacana Minerals. These investments are assessed for sensitivity to their unobservable inputs, and as the market value for these investments are nil or small, there is no impact to their fair value.

NOTE 10 - NOTES TO THE STATEMENTS OF CASH FLOWS

	Balanced Fund		Monthly Income Fund		Property Fund		Dividend Imputation Fund	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$'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)	5,591	(448)	1,171	582	(584,461)	1,809,488	9,846	(5,378)
Income reinvested	(3,011)	(7,108)	(1,505)	(1,779)	(415,552)	(465,099)	-	-
Changes in the fair value of investments	(3,685)	6,146	(72)	806	853,897	(1,506,035)	(8,343)	7,234
Changes in assets and liabilities during the financial year:								
Decrease/(increase) in distribution receivables	-	81	198	134	-	-	-	-
Decrease/(increase) in other receivables	-	(1)	-	-	35	(4)	2	(2)
Increase/(decrease) in other accounts payable	16	(326)	3	(24)	(1,107)	(7,739)	29	(144)
Net cash (used in)/provided by operating activities	(1,089)	(1,656)	(205)	(281)	(147,188)	(169,389)	1,534	1,710
(b) Cash and cash equivalents								
For the purposes of the Statements of Cash Flows, cash includes cash at bank, future margin. 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	185	5,235	192	1,442	77,480	277,082	636	6,246
Cash on deposit - domestic	-	-	-	-	-	-	2,027	911
Futures margin	-	-	-	-	-	-	76	302
	185	5,235	192	1,442	77,480	277,082	2,739	7,459
(c) Non-cash financing and investing activities								
Distributions to unitholders reinvested	3,285	1,734	372	824	121,254	147,675	1,435	7,102
	3,285	1,734	372	824	121,254	147,675	1,435	7,102

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

	Dividend	
	Imputation Fund	
	2017	2016
	\$'000	\$'000
Net changes in fair value on financial assets through profit or loss:		
Held for trading	(9)	18
Designated at fair value through profit or loss	<u>8,352</u>	<u>(7,252)</u>
	<u>8,343</u>	<u>(7,234)</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 2017 (2016: 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 21, 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 2017 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: CLARE KEATING

Signature: 

Dated at Sydney this 29th day of August 2017

Independent Auditor's Report to the Unitholders of National Investment Trusts:

National Australia Balanced Fund
National Australia Monthly Income Fund

National Australia Property Fund
National Australia Dividend Imputation Fund

Opinion

We have audited the financial report of National Investment Trust consisting of the schemes listed above (the 'Schemes'), which comprises the statements of financial position as at 30 June 2017, 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 to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Schemes is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Schemes' financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Schemes in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Schemes 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Schemes' ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Schemes or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

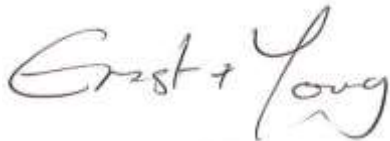
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young



Darren Handley-Greaves
Partner
Sydney
29 August 2017

