

Annual Financial Report

Dear Investor,

I am pleased to present the reports for the financial year ended 30 June 2014 for National Investment Trusts.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Dean Thomas', with a long horizontal flourish extending to the right.

Dean Thomas
General Manager
Retail Wealth Platforms, MLC

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

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 2014 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 Birkenleigh	Appointed 27 February 2012/Resigned 7 July 2014
P Coad	Appointed 22 August 2013/Resigned 7 July 2014
S Dave	Appointed 7 July 2014
J G Duffield	Appointed 24 August 2011
J Flavell	Appointed 7 July 2014
P Gupta	Appointed 1 September 2012
D M Hackett	Appointed 29 January 2014/Resigned 7 July 2014
A Hagger	Appointed 22 May 2013/Resigned 7 July 2014
G Mulcahy	Appointed 7 July 2014
A W Rothery	Appointed 14 April 2009
E Rubin	Appointed 22 May 2013/Resigned 7 July 2014
M F Snowden	Appointed 25 August 2009/Resigned 7 July 2014
G J Symons	Appointed 14 April 2009/Resigned 7 July 2014
G A Tomlinson	Appointed 19 February 2001
D West	Appointed 25 August 2011/Resigned 14 November 2013

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 (2013: Nil).

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 National website at national.com.au or alternatively in the Product Disclosure Statement.

Distributions

The distributions for the year ended 30 June 2014 were as follows:

	Entry Fee Units		Nil Entry Fee Units	
	\$'000	c/unit	\$'000	c/unit
Balanced Fund	540	2.50	449	1.59
Monthly Income Fund	451	3.25	668	3.03
Dividend Imputation Fund	4,944	13.78	1,759	12.71
	\$	c/unit	\$	c/unit
Property Fund	148,058	1.64	106,016	1.35

Units on issue

Units on issue as at year end and movements during the year are shown in Note 4 to the financial statements.

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 associates in the Schemes during the financial year ended 30 June 2014 are detailed in Note 10 to the financial statements.

Fees paid to the Responsible Entity during the financial year ended 30 June 2014 are detailed in Note 10 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 period 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 and legal expenses insurance contracts, and premiums in respect of such insurance contracts, for the financial period ended 30 June 2014. 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 Class Order 98/100 issued by the Australian Securities and Investments Commission, and in accordance with that Class Order, 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: GA Tomlinson

Signature: 

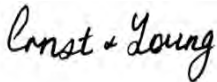
Dated at Sydney this 22. 8. 14

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

In relation to our audit of the financial report of the National Investment Trusts consisting of the Schemes listed below for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

National Australia Balanced Fund
National Australia Property Fund

National Australia Monthly Income Fund
National Australia Dividend Imputation Fund



Ernst & Young



Rita Da Silva
Partner
Sydney
22 August 2014

National Investment Trusts
Statements of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2014

	Notes	Balanced Fund		Monthly Income Fund	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Investment income					
Dividend and distribution income	2	2,765	2,815	1,706	1,424
Interest income		18	17	6	8
Changes in the fair value of financial assets and liabilities at fair value through profit or loss	13	<u>7,789</u>	<u>10,320</u>	<u>1,162</u>	<u>2,928</u>
Total investment income		<u>10,572</u>	<u>13,152</u>	<u>2,874</u>	<u>4,360</u>
Expenses					
Responsible Entity's fees	10(e)	1,541	1,538	312	337
Performance fees		5	-	-	-
Other expenses		-	-	-	-
Total operating expenses		<u>1,546</u>	<u>1,538</u>	<u>312</u>	<u>337</u>
Net operating profit		<u>9,026</u>	<u>11,614</u>	<u>2,562</u>	<u>4,023</u>
Financing costs					
Distributions	5	<u>989</u>	<u>1,257</u>	<u>1,119</u>	<u>1,095</u>
Net profit		<u>8,037</u>	<u>10,357</u>	<u>1,443</u>	<u>2,928</u>
Other comprehensive income		-	-	-	-
Items reclassified to profit or loss		-	-	-	-
Change in net assets attributable to unitholders	4	<u>8,037</u>	<u>10,357</u>	<u>1,443</u>	<u>2,928</u>
Property Fund					
Dividend Imputation Fund					
	Notes	2014 \$	2013 \$	2014 \$'000	2013 \$'000
Investment income					
Dividend and distribution income	2	409,131	356,957	3,676	3,891
Interest income		2,059	2,598	93	121
Changes in the fair value of financial assets and liabilities at fair value through profit or loss	13	<u>483,643</u>	<u>1,685,137</u>	<u>11,144</u>	<u>16,210</u>
Total investment income		<u>894,833</u>	<u>2,044,692</u>	<u>14,913</u>	<u>20,222</u>
Expenses					
Responsible Entity's fees	10(e)	166,292	176,181	1,885	1,848
Performance fees		-	-	-	-
Other expenses		-	-	-	-
Total operating expenses		<u>166,292</u>	<u>176,181</u>	<u>1,885</u>	<u>1,848</u>
Net operating profit		<u>728,541</u>	<u>1,868,511</u>	<u>13,028</u>	<u>18,374</u>
Financing costs					
Distributions	5	<u>254,074</u>	<u>193,696</u>	<u>6,703</u>	<u>2,281</u>
Net profit		<u>474,467</u>	<u>1,674,815</u>	<u>6,325</u>	<u>16,093</u>
Other comprehensive income		-	-	-	-
Items reclassified to profit or loss		-	-	-	-
Change in net assets attributable to unitholders	4	<u>474,467</u>	<u>1,674,815</u>	<u>6,325</u>	<u>16,093</u>

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 2014

	Notes	Balanced Fund		Monthly Income Fund	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Assets					
Cash and cash equivalents	11(b)	781	2,410	329	1,674
Receivables	8	5	17	613	62
Financial assets designated as held at fair value through profit or loss	6	77,400	76,547	29,103	30,536
Financial assets held for trading	12(c)	-	-	-	-
Total assets		78,186	78,974	30,045	32,272
Liabilities					
Accounts payable and accrued expenses	9	609	391	81	85
Distributions payable	5	940	970	336	283
Total liabilities excluding net assets attributable to unitholders		1,549	1,361	417	368
Net assets attributable to unitholders	4	76,637	77,613	29,628	31,904
	Notes	Property Fund		Dividend Imputation Fund	
		2014 \$	2013 \$	2014 \$'000	2013 \$'000
Assets					
Cash and cash equivalents	11(b)	116,365	375,324	3,376	2,724
Receivables	8	-	-	1,111	1,051
Financial assets designated as held at fair value through profit or loss	6	9,087,652	9,309,996	81,372	81,542
Financial assets held for trading	12(c)	-	-	-	7
Total assets		9,204,017	9,685,320	85,859	85,324
Liabilities					
Accounts payable and accrued expenses	9	40,734	40,450	589	573
Distributions payable	5	59,902	107,800	4,977	436
Total liabilities excluding net assets attributable to unitholders		100,636	148,250	5,566	1,009
Net assets attributable to unitholders	4	9,103,381	9,537,070	80,293	84,315

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 2014

	Balanced Fund		Monthly Income Fund	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Net assets attributable to unitholders at the beginning of the financial year	77,613	78,351	31,904	34,068
Change in net assets attributable to unitholders	8,037	10,357	1,443	2,928
Applications for units	1,596	1,377	698	570
Redemptions of units	(10,609)	(12,472)	(4,417)	(5,662)
Net assets attributable to unitholders at the end of the financial year	76,637	77,613	29,628	31,904

	Property Fund		Dividend Imputation Fund	
	2014	2013	2014	2013
	\$	\$	\$'000	\$'000
Net assets attributable to unitholders at the beginning of the financial year	9,537,070	8,986,609	84,315	80,774
Change in net assets attributable to unitholders	474,467	1,674,815	6,325	16,093
Applications for units	199,530	190,096	2,469	2,237
Redemptions of units	(1,107,686)	(1,314,350)	(12,816)	(14,789)
Net assets attributable to unitholders at the end of the financial year	9,103,381	9,537,070	80,293	84,315

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 2014

	Notes	Balanced Fund		Monthly Income Fund	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Cash flows from operating activities					
Dividends received		20	-	-	-
Interest received		17	17	6	8
Responsible Entity's fees paid		(1,324)	(1,556)	(316)	(344)
Performance fees paid		(4)	-	-	-
Payment of other expenses		-	-	-	-
Net cash provided by/(used in) operating activities	11(a)	(1,291)	(1,539)	(310)	(336)
Cash flows from investing activities					
Proceeds from sale of investments		15,945	25,132	5,150	8,178
Purchases of investments		(6,250)	(9,193)	(1,400)	(51)
Net cash provided by/(used in) investing activities		9,695	15,939	3,750	8,127
Cash flows from financing activities					
Applications received		781	378	163	39
Redemptions paid		(10,609)	(12,472)	(4,417)	(5,662)
Distributions paid		(205)	(269)	(531)	(578)
Net cash provided by/(used in) financing activities		(10,033)	(12,363)	(4,785)	(6,201)
Net increase/(decrease) in cash and cash equivalents					
		(1,629)	2,037	(1,345)	1,590
Cash and cash equivalents at the beginning of the financial year		2,410	373	1,674	84
Cash and cash equivalents at the end of the financial year	11(b)	781	2,410	329	1,674
Property Fund					
		2014	2013	2014	2013
		\$	\$	\$'000	\$'000
Cash flows from operating activities					
Dividends received		-	-	3,645	3,901
Interest received		2,177	2,654	94	121
Responsible Entity's fees paid		(166,008)	(173,855)	(1,891)	(1,828)
Payment of other expenses		-	-	-	-
Net cash provided by/(used in) operating activities	11(a)	(163,831)	(171,201)	1,848	2,194
Cash flows from investing activities					
Proceeds from sale of investments		1,315,000	1,790,000	22,536	23,756
Purchases of investments		(200,000)	-	(11,223)	(10,883)
Net cash provided by/(used in) investing activities		1,115,000	1,790,000	11,313	12,873
Cash flows from financing activities					
Applications received		8,822	9,203	772	476
Redemptions paid		(1,107,686)	(1,314,350)	(12,816)	(14,789)
Distributions paid		(111,264)	(106,995)	(465)	(469)
Net cash provided by/(used in) financing activities		(1,210,128)	(1,412,142)	(12,509)	(14,782)
Net increase/(decrease) in cash and cash equivalents					
		(258,959)	206,657	652	285
Cash and cash equivalents at the beginning of the financial year		375,324	168,667	2,724	2,439
Cash and cash equivalents at the end of the financial year	11(b)	116,365	375,324	3,376	2,724

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 2014 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 22 August 2014.

(a) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board 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 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, which have been measured at fair value.

The Statement of Financial Position is 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. This represents a change in accounting policy in the current year which does not impact the financial position or performance of the Schemes. 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 price 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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial assets 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.

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.

(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 12(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 requirements for further 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 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 managed investment schemes meet the definition of structured entities as the voting rights of these unlisted 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, futures margin and short term deposits at call.

(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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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) 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 managed investment schemes, are recognised on the date the shares or trust units are quoted ex dividend/distribution.

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. Auditor's remuneration has not been charged against the Schemes' income as this cost is borne by the Responsible Entity.

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

Unrealised gains and losses arising on movements in the fair value of 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.

(o) 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.

(p) Distributions to unitholders

The income of the Schemes is accumulated and reinvested or paid to unitholders on the last day of September, December, March and June. The income of Monthly Income Fund 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 2014 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.

For the remaining Schemes distributions are expressed as cents per unit for the distribution period.

(q) 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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.

(s) Capital management

The Responsible Entity manages its net assets attributable to unitholders as capital (refer note 4), 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 Scheme.

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.

(t) 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.

(u) Application of accounting standards

Changes in Accounting Policy

Since 1 July 2013, the Schemes have adopted the following mandatory new and amended Australian Accounting Standards, which may have an impact on the financial position or the performance of the Schemes:

AASB 10 Consolidated financial statements, AASB 127 separate financial statements (revised) and AASB 2013-5 (early adopted)

AASB 10 replaces the portion of AASB 127 that addresses the accounting for consolidated financial statements. AASB 10 establishes a new control model that applies to all entities. The model focuses on whether the Schemes have power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns.

The Schemes have elected to early adopt AASB 2013-5 which provides an exception to the consolidation requirement for entities that meet the definition of an "investment entity". Entities that meet the definition of an investment entity within AASB 10 are required to measure their controlled entities at fair value through profit or loss rather than consolidate them.

AASB 12 Disclosure of interest in other entities

AASB 12 sets out the disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Application of AASB 12 does not impact the financial position or performance of the Schemes. Investments of the Schemes in unlisted managed investment schemes have been assessed to be structured entities in accordance with the definition of the standard. The relevant disclosures are provided in Note 10(g).

AASB 7 Financial instruments: disclosures - offsetting financial assets and financial liabilities

AASB 7 introduces new disclosures for financial assets and liabilities that are offset against one another and that present the net amount in the Statements of Financial Position in accordance with AASB 132 Financial Instruments: Presentation. The disclosure requirements are applicable to derivative financial instruments that are subject to enforceable master netting arrangements or similar agreements, irrespective of whether the financial instruments are currently offset. As a result of the amendments to AASB 7, the Schemes have expanded disclosure requirements relating to offsetting financial assets and financial liabilities.

AASB 13 Fair value measurement

AASB 13 establishes a single source of guidance under AASB for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards. AASB 13 defines fair value as an exit price. As a result of the guidance in AASB 13, the Schemes have assessed their policies for measuring their valuation inputs such as non-performance risk for fair value measurement of liabilities.

Application of AASB 13 does not impact the Scheme's financial position or performance. However, the disclosure requirements are more comprehensive than the previously existing disclosure requirements. Additional disclosures where required, are provided in the individual notes related to the assets and liabilities whose fair values were determined. The fair value hierarchy is provided in Note 12(g).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Application of accounting standards (continued)

AASB 1053 Application of Tiers of Australian Accounting Standards

AASB 1053 establishes a differential financial reporting framework consisting of two tiers of reporting requirements for general purpose financial statements:

- (i) Tier 1: Australian Accounting Standards; and
- (ii) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

The Schemes prepare Tier 1 general purpose 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 2014. 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 2017 and will therefore apply to the Schemes from 1 July 2017. 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 2012-3 Amendments to Australian Accounting Standard – Offsetting Financial Assets and Financial Liabilities

This amendment clarifies the meaning of legally enforceable right to set-off. The amendments also clarify the application of the AASB 132 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Schemes' financial position or performance and become effective for annual reporting periods beginning on or after 1 January 2014 and will therefore apply to the Schemes from 1 July 2014.

NOTE 2 - DIVIDENDS AND DISTRIBUTIONS

	Balanced Fund		Monthly Income Fund	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Dividend/Scheme distribution income				
Listed equities and unit trusts	-	-	-	-
Unlisted managed investment schemes	<u>2,765</u>	<u>2,815</u>	<u>1,706</u>	<u>1,424</u>
	2,765	2,815	1,706	1,424
	Property Fund		Dividend Imputation Fund	
	2014	2013	2014	2013
	\$	\$	\$'000	\$'000
Dividend/Scheme distribution income				
Listed equities and unit trusts	-	-	3,676	3,891
Unlisted managed investment schemes	<u>409,131</u>	<u>356,957</u>	<u>-</u>	<u>-</u>
	409,131	356,957	3,676	3,891

NOTE 3 - AUDITOR'S REMUNERATION

	Balanced Fund		Monthly Income Fund	
	2014	2013	2014	2013
	\$	\$	\$	\$
Auditors of the Scheme:				
Ernst & Young audit and review of financial reports	11,000	10,081	11,000	10,081
Other assurance engagements	<u>2,034</u>	<u>2,034</u>	<u>2,034</u>	<u>2,034</u>
	13,034	12,115	13,034	12,115
	Property Fund		Dividend Imputation Fund	
	2014	2013	2014	2013
	\$	\$	\$	\$
Auditors of the Scheme:				
Ernst & Young audit and review of financial reports	11,000	10,081	11,000	10,081
Other assurance engagements	<u>2,034</u>	<u>2,034</u>	<u>4,534</u>	<u>4,534</u>
	13,034	12,115	15,534	14,615

Audit fees for the Schemes have been paid by MLC Investments Limited.

NOTE 4 - NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Movements in number of units on issue and net assets attributable to unitholders during the year:

	Balanced Fund (Entry Fee)		Monthly Income Fund (Entry Fee)	
	\$'000	No. '000	\$'000	No. '000
Net assets attributable to unitholders				
Balance at 30 June 2012	33,289	27,226	13,439	17,927
Applications	715	559	181	234
Redemptions	(5,123)	(3,878)	(2,196)	(2,751)
Change in net assets attributable to unitholders	4,448	-	1,154	-
Balance at 30 June 2013	33,329	23,907	12,578	15,410
Applications	731	504	187	224
Redemptions	(4,318)	(2,894)	(2,026)	(2,409)
Change in net assets attributable to unitholders	3,405	-	550	-
Balance at 30 June 2014	33,147	21,517	11,289	13,225

	Balanced Fund (Nil Entry Fee)		Monthly Income Fund (Nil Entry Fee)	
	\$'000	No. '000	\$'000	No. '000
Net assets attributable to unitholders				
Balance at 30 June 2012	45,062	36,836	20,629	27,546
Applications	662	522	389	501
Redemptions	(7,349)	(5,547)	(3,466)	(4,337)
Change in net assets attributable to unitholders	5,909	-	1,774	-
Balance at 30 June 2013	44,284	31,811	19,326	23,710
Applications	865	601	511	609
Redemptions	(6,291)	(4,188)	(2,391)	(2,842)
Change in net assets attributable to unitholders	4,632	-	893	-
Balance at 30 June 2014	43,490	28,224	18,339	21,477

	Property Fund (Entry Fee)		Dividend Imputation Fund (Entry Fee)	
	\$	No.	\$'000	No. '000
Net assets attributable to unitholders				
Balance at 30 June 2012	4,443,410	10,073,082	56,959	44,943
Applications	107,163	238,526	1,745	1,250
Redemptions	(440,206)	(882,260)	(10,718)	(7,305)
Change in net assets attributable to unitholders	875,779	-	11,319	-
Balance at 30 June 2013	4,986,146	9,429,348	59,305	38,888
Applications	114,060	219,364	1,734	1,055
Redemptions	(467,380)	(881,417)	(7,654)	(4,552)
Change in net assets attributable to unitholders	228,876	-	4,778	-
Balance at 30 June 2014	4,861,702	8,767,295	58,163	35,391

	Property Fund (Nil Entry Fee)		Dividend Imputation Fund (Nil Entry Fee)	
	\$	No.	\$'000	No. '000
Net assets attributable to unitholders				
Balance at 30 June 2012	4,543,099	10,276,811	23,815	18,557
Applications	82,933	183,403	492	354
Redemptions	(874,144)	(1,753,160)	(4,071)	(2,850)
Change in net assets attributable to unitholders	799,036	-	4,774	-
Balance at 30 June 2013	4,550,924	8,707,054	25,010	16,061
Applications	85,470	164,704	735	448
Redemptions	(640,306)	(1,212,285)	(5,162)	(3,038)
Change in net assets attributable to unitholders	245,591	-	1,547	-
Balance at 30 June 2014	4,241,679	7,659,473	22,130	13,471

NOTE 5 - DISTRIBUTIONS

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

Balanced Fund	2014 \$'000	2014 c/unit	2013 \$'000	2013 c/unit
Entry Fee				
September	14	0.06	64	0.24
December	22	0.10	68	0.27
March	4	0.02	74	0.30
June - payable	<u>500</u>	<u>2.32</u>	<u>445</u>	<u>1.86</u>
	<u>540</u>	<u>2.50</u>	<u>651</u>	<u>2.67</u>
Nil Entry Fee				
September	-	-	18	0.05
December	3	0.01	27	0.08
March	6	0.02	36	0.11
June - payable	<u>440</u>	<u>1.56</u>	<u>525</u>	<u>1.65</u>
	<u>449</u>	<u>1.59</u>	<u>606</u>	<u>1.89</u>
Total Distributions	<u>989</u>		<u>1,257</u>	
	2014 \$'000	2014 c/unit	2013 \$'000	2013 c/unit
Monthly Income Fund				
Entry Fee				
July	31	0.20	33	0.19
August	31	0.20	33	0.19
September	30	0.20	32	0.19
October	30	0.21	32	0.19
November	30	0.21	32	0.19
December	29	0.21	32	0.19
January	29	0.21	33	0.20
February	28	0.21	31	0.20
March	28	0.21	31	0.20
April	28	0.21	27	0.17
May	28	0.21	27	0.17
June - payable	<u>129</u>	<u>0.97</u>	<u>117</u>	<u>0.76</u>
	<u>451</u>	<u>3.25</u>	<u>460</u>	<u>2.84</u>
Nil Entry Fee				
July	43	0.18	45	0.17
August	43	0.18	45	0.17
September	42	0.18	44	0.17
October	43	0.19	44	0.17
November	42	0.19	44	0.17
December	42	0.19	44	0.17
January	42	0.19	44	0.18
February	41	0.19	44	0.18
March	41	0.19	43	0.18
April	41	0.19	36	0.15
May	41	0.19	36	0.15
June - payable	<u>207</u>	<u>0.97</u>	<u>166</u>	<u>0.70</u>
	<u>668</u>	<u>3.03</u>	<u>635</u>	<u>2.56</u>
Total Distributions	<u>1,119</u>		<u>1,095</u>	
	2014 \$	2014 c/unit	2013 \$	2013 c/unit
Property Fund				
Entry Fee				
September	24,572	0.26	43,192	0.43
December	14,079	0.15	-	-
March	77,845	0.87	-	-
June - payable	<u>31,562</u>	<u>0.36</u>	<u>66,005</u>	<u>0.70</u>
	<u>148,058</u>	<u>1.64</u>	<u>109,197</u>	<u>1.13</u>
Nil Entry Fee				
September	9,217	0.11	42,704	0.43
December	10,455	0.13	-	-
March	58,004	0.74	-	-
June - payable	<u>28,340</u>	<u>0.37</u>	<u>41,795</u>	<u>0.48</u>
	<u>106,016</u>	<u>1.35</u>	<u>84,499</u>	<u>0.91</u>
Total Distributions	<u>254,074</u>		<u>193,696</u>	

NOTE 5 - DISTRIBUTIONS (continued)

Dividend Imputation Fund	2014 \$'000	2014 c/unit	2013 \$'000	2013 c/unit
Entry Fee				
September	683	1.81	699	1.63
December	565	1.53	605	1.44
March	47	0.13	77	0.19
June - payable	<u>3,649</u>	<u>10.31</u>	<u>338</u>	<u>0.87</u>
	<u>4,944</u>	<u>13.78</u>	1,719	4.13
Nil Entry Fee				
September	240	1.56	256	1.44
December	190	1.28	206	1.22
March	1	0.01	2	0.01
June - payable	<u>1,328</u>	<u>9.86</u>	<u>98</u>	<u>0.61</u>
	<u>1,759</u>	<u>12.71</u>	562	3.28
Total Distributions	<u>6,703</u>		<u>2,281</u>	

NOTE 6 - FINANCIAL ASSETS DESIGNATED AS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	Balanced Fund		Monthly Income Fund	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Unlisted managed investment schemes				
MLC Low Correlation Strategy Trust	800	493	-	-
WM Pool - Fixed Interest Trust No.23	5,184	4,123	-	-
WM Pool - LTAR Part 1 NS Trust	2,345	2,775	-	-
WM Sector - Diversified Debt (All) Trust	11,261	10,637	-	-
WM Sector - Australian Equities - Diversified Strategy	22,695	23,646	-	-
Antares Enhanced Cash Trust	374	1,168	-	-
WM Pool - NSIM Australian Fixed Interest (A) Trust	860	809	2,941	2,992
WM Pool - NSIM Australian Fixed Interest (S) Trust	-	-	4,455	4,487
WM Sector - Diversified Debt (Short) Trust	1,727	2,785	-	-
WM Pool Fixed Interest Trust No.5	1,766	1,885	-	-
WM Pool - Global Properties Trust	3,139	2,714	-	-
WM Sector - Global Equities (Hedged) Trust	4,736	5,865	-	-
WM Sector - Global Equities (Unhedged) Trust	9,440	8,543	-	-
WM Pool - Equities Trust No. 47	7,643	7,821	-	-
WM Pool - UBS Australian Fixed Interest (A) Trust	862	811	2,983	3,002
WM Pool - UBS Australian Fixed Interest (S) Trust	-	-	4,436	4,509
WM Pool - Equities Trust No. 37	799	712	-	-
Dividend Imputation Fund	-	-	9,763	10,881
WM Pool - Equities Trust No. 29	768	953	-	-
WM Pool - Equities Trust No. 18	840	807	-	-
WM Pool - Equities Trust No. 59	1,586			
WM Pool - Equities Trust No. 73	575			
WM Sector - Property Securities Trust	-	-	4,525	4,665
Total financial assets designated as held at fair value	<u>77,400</u>	<u>76,547</u>	<u>29,103</u>	<u>30,536</u>

	Property Fund		Dividend Imputation Fund	
	2014 \$	2013 \$	2014 \$'000	2013 \$'000
Listed equities				
Shares and units listed on a stock exchange	-	-	81,372	81,542
Unlisted managed investment schemes				
WM Sector - Property Securities Trust	<u>9,087,652</u>	9,309,996	-	-
Total financial assets designated as held at fair value	<u>9,087,652</u>	<u>9,309,996</u>	<u>81,372</u>	<u>81,542</u>

NOTE 8 - RECEIVABLES

	Balanced Fund		Monthly Income Fund	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Outstanding settlements	-	-	-	-
Distributions receivable	-	-	613	62
Other receivables	<u>5</u>	<u>17</u>	<u>-</u>	<u>-</u>
	<u>5</u>	<u>17</u>	<u>613</u>	<u>62</u>

	Property Fund		Dividend Imputation Fund	
	2014	2013	2014	2013
	\$	\$	\$'000	\$'000
Outstanding settlements	-	-	275	245
Distributions receivable	-	-	834	804
Other receivables	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
	<u>-</u>	<u>-</u>	<u>1,111</u>	<u>1,051</u>

NOTE 9 - ACCOUNTS PAYABLE & ACCRUED EXPENSES

	Balanced Fund		Monthly Income Fund	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Outstanding settlements	-	-	-	-
Amounts owing to Responsible Entity	608	391	81	85
Amounts owing for performance fees	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>609</u>	<u>391</u>	<u>81</u>	<u>85</u>

	Property Fund		Dividend Imputation Fund	
	2014	2013	2014	2013
	\$	\$	\$'000	\$'000
Outstanding settlements	-	-	102	80
Amounts owing to Responsible Entity	40,734	40,450	487	493
Amounts owing for performance fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>40,734</u>	<u>40,450</u>	<u>589</u>	<u>573</u>

NOTE 10 - 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 Birkensleigh	Appointed 27 February 2012/Resigned 7 July 2014
P Coad	Appointed 22 August 2013/Resigned 7 July 2014
S Dave	Appointed 7 July 2014
J G Duffield	Appointed 24 August 2011
J Flavell	Appointed 7 July 2014
P Gupta	Appointed 1 September 2012
D M Hackett	Appointed 29 January 2014/Resigned 7 July 2014
A Hagger	Appointed 22 May 2013/Resigned 7 July 2014
G Mulcahy	Appointed 7 July 2014
A W Rothery	Appointed 14 April 2009
E Rubin	Appointed 22 May 2013/Resigned 7 July 2014
M F Snowden	Appointed 25 August 2009/Resigned 7 July 2014
G J Symons	Appointed 14 April 2009/Resigned 7 July 2014
G A Tomlinson	Appointed 19 February 2001
D West	Appointed 25 August 2011/Resigned 14 November 2013

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 Directors as 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 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 the Responsible Entity

The net amounts of debts payable to MLC Investments Limited by the Schemes at balance date are shown in the table below:

	2014	2013
	\$	\$
Balanced Fund	608,214	390,660
Monthly Income Fund	81,234	84,782
Property Fund	40,734	40,450
Dividend Imputation Fund	487,363	492,758

(e) Responsible Entity's remuneration

The Responsible Entity fees have been calculated in accordance with the Schemes' Constitutions. Total fees paid and payable are as follows:

	2014	2013
	\$	\$
Balanced Fund	1,540,580	1,537,977
Monthly Income Fund	311,878	337,163
Property Fund	166,292	176,181
Dividend Imputation Fund	1,885,267	1,847,828

NOTE 10 - RELATED PARTIES (continued)

(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.

(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, are restricted to their fair value; which are disclosed in Note 10(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 exit 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 is to invest and transact in listed equities, unlisted managed investment schemes, unlisted property trusts and derivatives in accordance with the provisions of those 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.

Balanced Fund	Number of units/shares held	Interest held in the Scheme %	Fair value of investment \$	Distributions received/ receivable \$
2014				
MLC Low Correlation Strategy Trust	729,010	0.10	800,253	22,627
Antares Enhanced Cash Trust	373,058	0.01	373,773	17,476
WM Sector - Australian Equities - Diversified Strategy	213,706	0.23	22,694,741	1,116,399
WM Sector - Diversified Debt (All) Trust	108,518	0.28	11,261,160	331,533
WM Sector - Diversified Debt (Short) Trust	17,081	0.07	1,726,738	60,990
WM Pool - Equities Trust No. 18	8,019	0.13	839,931	-
WM Pool - Equities Trust No. 29	7,270	0.20	768,123	25,865
WM Pool - Equities Trust No. 37	6,517	0.11	798,603	63,143
WM Pool - Equities Trust No. 47	52,172	0.25	7,642,519	577,187
WM Pool - Equities Trust No. 59	15,649	0.58	1,586,272	28,318
WM Pool - Equities Trust No. 73	5,721	0.27	575,196	-
WM Pool Fixed Interest Trust No.5	15,462	0.31	1,766,019	76,515
WM Pool - Global Properties Trust	30,733	0.29	3,139,234	38,795
WM Sector - Global Equities (Hedged) Trust	54,750	0.71	4,735,529	41,590
WM Sector - Global Equities (Unhedged) Trust	78,117	0.11	9,439,512	151,778
WM Pool - LTAR Part 1 NS Trust	25,711	0.92	2,345,087	63,436
WM Pool Fixed Interest Trust No.23	49,837	0.23	5,184,445	74,147
WM Pool - Inflation Linked Securities Trust	-	-	-	-
WM Pool - NSIM Australian Fixed Interest (A) Trust	8,210	0.05	860,161	36,206
WM Pool - UBS Australian Fixed Interest (A) Trust	832,356	0.05	861,914	43,379
2013				
MLC Low Correlation Strategy Trust	477,857	0.08	492,869	-
Antares Enhanced Cash Trust	1,145,159	0.03	1,168,490	12,482
WM Sector - Australian Equities - Diversified Strategy	249,100	0.26	23,646,017	1,099,364
WM Sector - Diversified Debt (All) Trust	105,744	0.23	10,636,297	583,827
WM Sector - Diversified Debt (Short) Trust	27,917	0.08	2,784,633	93,859
WM Pool - Equities Trust No. 18	8,019	0.16	807,351	21,559
WM Pool - Equities Trust No. 29	9,369	0.24	953,390	48,231
WM Pool - Equities Trust No. 37	6,005	0.12	711,921	33,011
WM Pool - Equities Trust No. 47	58,847	0.28	7,821,252	130,412
WM Pool Fixed Interest Trust No.5	17,319	0.29	1,885,232	99,057
WM Pool - Global Properties Trust	30,343	0.24	2,713,721	52,128
WM Sector - Global Equities (Hedged) Trust	82,564	0.82	5,864,886	6,334
WM Sector - Global Equities (Unhedged) Trust	82,865	0.10	8,542,632	123,083
WM Pool - LTAR Part 1 NS Trust	32,715	1.42	2,775,432	42,569
WM Pool Fixed Interest Trust No.23	41,786	0.29	4,122,865	-

NOTE 10 - RELATED PARTIES (continued)

(h) Related party investments (continued)

Balanced Fund (continued)	Number of units/shares held	Interest held in the Scheme %	Fair value of investment \$	Distributions received/ receivable \$
2013				
WM Pool - Inflation Linked Securities Trust	-	-	-	386,311
WM Pool - NSIM Australian Fixed Interest (A) Trust	7,858	0.05	809,384	40,829
WM Pool - UBS Australian Fixed Interest (A) Trust	789,823	0.05	810,830	42,395

Monthly Income Fund	Number of units/shares held	Interest held in the Scheme %	Fair value of investment \$	Distributions received/ receivable \$
2014				
Dividend Imputation Trust	5,950,544	16.81	9,763,139	840,685
WM Pool - NSIM Australian Fixed Interest (A) Trust	28,073	0.16	2,941,221	129,525
WM Pool - NSIM Australian Fixed Interest (S) Trust	43,690	0.34	4,455,260	184,857
WM Sector - Property Securities Trust	72,022	0.62	4,525,319	207,562
WM Pool - UBS Australian Fixed Interest (A) Trust	2,880,530	0.16	2,982,821	156,199
WM Pool - UBS Australian Fixed Interest (S) Trust	43,362	0.34	4,435,817	187,116

2013				
Dividend Imputation Trust	7,097,814	18.25	10,881,499	334,349
WM Pool - NSIM Australian Fixed Interest (A) Trust	29,044	0.18	2,991,714	217,631
WM Pool - NSIM Australian Fixed Interest (S) Trust	44,030	0.40	4,487,125	237,647
WM Sector - Property Securities Trust	78,372	0.64	4,664,810	187,359
WM Pool - UBS Australian Fixed Interest (A) Trust	2,923,954	0.18	3,001,719	205,463
WM Pool - UBS Australian Fixed Interest (S) Trust	43,965	0.40	4,508,903	241,940

Property Fund	Number of units/shares held	Interest held in the Scheme %	Fair value of investment \$	Distributions received/ receivable \$
2014				
WM Sector - Property Securities Trust	144,631	1.25	9,087,652	409,131
2013				
WM Sector - Property Securities Trust	156,411	1.29	9,309,996	356,957

Dividend Imputation Fund	Number of units/shares held	Interest held in the Scheme %	Fair value of investment \$	Distributions received/ receivable \$
2014				
National Australia Bank Limited	167,895	0.01	5,503,598	329,074
2013				
National Australia Bank Limited	199,110	0.01	5,905,603	412,298

(i) Unitholder investing activities

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

Dividend Imputation Fund	Number of units held	Interest held in the Scheme %	Fair value of investment \$	Distributions paid/payable \$
2014				
Monthly Income Fund	5,950,544	16.81	9,763,139	840,685
2013				
Monthly Income Fund	7,097,814	18.25	10,881,499	334,349

NOTE 11 - NOTES TO THE STATEMENTS OF CASH FLOWS

	Balanced Fund		Monthly Income Fund	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
(a) Reconciliation of operating profit to net cash flows from operating activities				
Net operating profit	9,026	11,614	2,562	4,023
Income reinvested	(2,758)	(2,809)	(1,155)	(1,423)
Changes in the fair value of investments	(7,789)	(10,320)	(1,162)	(2,928)
Changes in assets and liabilities during the financial year:				
(Increase)/decrease in other receivables and distributions receivable	12	(8)	(551)	(2)
(Decrease)/increase in Responsible Entity's fees payable and performance fees payable	218	(16)	(4)	(6)
Net cash provided by/(used in) operating activities	(1,291)	(1,539)	(310)	(336)

(b) Components of cash

For the purposes of the Statements of Cash Flows, cash includes cash at bank, futures margin 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	781	2,410	329	1,674
Cash on deposit - domestic	-	-	-	-
Futures margin	-	-	-	-
	<u>781</u>	<u>2,410</u>	<u>329</u>	<u>1,674</u>

(c) Non-cash financing and investing activities

Distributions to unitholders reinvested	814	1,000	535	533
	<u>814</u>	<u>1,000</u>	<u>535</u>	<u>533</u>

	Property Fund		Dividend Imputation Fund	
	2014	2013	2014	2013
	\$	\$	\$'000	\$'000

(a) Reconciliation of operating profit to net cash flows from operating activities

Net operating profit	728,541	1,868,511	13,028	18,374
Income reinvested	(409,013)	(357,007)	-	-
Changes in the fair value of investments	(483,643)	(1,685,137)	(11,144)	(16,210)
Changes in assets and liabilities during the financial year:				
(Increase)/decrease in other receivables and distributions receivable	-	-	(30)	11
(Decrease)/increase in Responsible Entity's fees payable and performance fees payable	284	2,432	(6)	19
Net cash provided by/(used in) operating activities	(163,831)	(171,201)	1,848	2,194

(b) Components of cash

For the purposes of the Statements of Cash Flows, cash includes cash at bank, futures margin 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	116,365	375,324	1,497	1,214
Cash on deposit - domestic	-	-	1,792	1,410
Futures margin	-	-	87	100
	<u>116,365</u>	<u>375,324</u>	<u>3,376</u>	<u>2,724</u>

(c) Non-cash financing and investing activities

Distributions to unitholders reinvested	190,708	180,894	1,697	1,760
	<u>190,708</u>	<u>180,894</u>	<u>1,697</u>	<u>1,760</u>

NOTE 12 - 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 and other 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. Risk management monitoring 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 they hold 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.

(c) Financial Assets and Liabilities Held for Trading

Financial assets and financial liabilities 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 Statements of Financial Position but still allow for the related amounts to be set off in certain circumstances, such as default on contracts.

	2014			2013		
	Amounts not offset		Net amount	Amounts not offset		Net amount
	Other financial instruments	Cash collateral received/(pledged)		Other financial instruments	Cash collateral received/(pledged)	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Dividend Imputation Fund						
Financial assets						
Futures contracts	-	-	-	7	-	7
Closing balance	-	-	-	7	-	7
Financial liabilities						
Futures contracts	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-
Net Position	-	-	-	7	-	7

(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 direct foreign exchange risk in the Schemes as at 30 June 2014 (2013: 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 2014 (2013: 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 detailed in the following tables.

NOTE 12 - FINANCIAL RISK MANAGEMENT (continued)

(d) Market Risk (continued)

(iii) Equity and Other Price Risk (continued)

Balanced Fund

Category	2014				2013			
	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	28%	-15%	6,718	(3,599)	28%	-15%	6,644	(3,559)
International equities funds	26%	-14%	6,842	(3,684)	24%	-14%	6,246	(3,644)
Property equities funds	33%	-26%	1,022	(805)	33%	-26%	1,010	(796)
Fixed interest funds	7%	-7%	1,680	(1,680)	7%	-7%	1,661	(1,661)
Total			16,262	(9,768)			15,561	(9,660)

Monthly Income Fund

Category	2014				2013			
	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	28%	-15%	2,934	(1,572)	28%	-15%	3,078	(1,649)
Property equities funds	33%	-26%	1,441	(1,135)	33%	-26%	1,512	(1,191)
Fixed interest funds	7%	-7%	998	(998)	7%	-7%	1,047	(1,047)
Total			5,373	(3,705)			5,637	(3,887)

Property Fund

Category	2014				2013			
	Change in price		Effect on net profit attributable to unitholders \$		Change in price		Effect on net profit attributable to unitholders \$	
	+	-	+	-	+	-	+	-
Property equities funds	33%	-26%	2,998,925	(2,362,790)	33%	-26%	3,072,299	(2,420,599)
Total			2,998,925	(2,362,790)			3,072,299	(2,420,599)

Dividend Imputation Fund

Category	2014				2013			
	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	28%	-15%	22,784	(12,206)	28%	-15%	22,832	(12,231)
Total			22,784	(12,206)			22,832	(12,231)

(e) Liquidity and Cash Flow Risk

The Schemes are exposed to daily cash redemptions of redeemable units. They therefore invest the majority of their assets in investments that are traded in an active market and can be readily disposed of or in unlisted managed investment schemes with daily redemptions.

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.

NOTE 12 - FINANCIAL RISK MANAGEMENT (continued)

(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 2014, the overall direct market exposures were as follows:

Dividend Imputation Fund

	30 June 2014		30 June 2013	
	Contract	Fair value	Contract	Fair value
	amount	\$'000	amount	\$'000
Derivative instruments held for trading				
- Futures contracts	<u>268</u>	-	238	7
	<u>268</u>	-	<u>238</u>	7

(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 schemes	2	Valued at redemption price as established by the Responsible Entity of the underlying trust.
Unlisted equities (suspended/stale priced)	3	Valued based on non-observable inputs not quoted in an active market.

The investments by the Schemes in unlisted managed investment schemes are classified as Level 2 and there have been no transfers between the levels during the year. The investments for the Dividend Imputation Fund are detailed in the below table.

Dividend Imputation Fund

Financial Instruments	2014			2013		
	Level 1	Level 2	Level 3*	Level 1	Level 2	Level 3*
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Listed equity securities	81,372	-	-	81,542	-	-
Futures contracts	-	-	-	7	-	-
Total	<u>81,372</u>	-	-	81,549	-	-

* Level 3 for the year ended 30 June 2013 and 30 June 2014 contain investments in BGP Holdings PLC, AET&D Holdings No.1 Pty Ltd, Gunns Ltd and Virgin Australia International Holdings Pty Ltd DDL which have a nil market value. Level 3 for the year ended 30 June 2014 also contains an investment in Forge Group Ltd, this investment was acquired for \$14,519 during the current year at which time it was assessed to be a Level 1 investment, at year end this investment was written down to 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 2013 or 30 June 2014 except as disclosed above.

NOTE 13 - CHANGES IN FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Dividend Imputation Fund

	2014	2013
	\$'000	\$'000
Net changes in fair value on financial assets and liabilities through profit or loss:		
Held for trading	40	75
Designated at fair value through profit or loss	<u>11,104</u>	16,135
	<u>11,144</u>	16,210

Please note that for all other Schemes, all of the changes in fair value relate to instruments designated at fair value through profit or loss.

NOTE 14 - 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 15 - COMMITMENTS AND CONTINGENT LIABILITIES

The Schemes had no known commitments or contingent liabilities as at 30 June 2014 (2013: 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 25, 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 2014 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: G A Tomlinson

Signature: 

Dated at Sydney this 22. 8. 14

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 2014, the statements of 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, 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 the 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, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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.

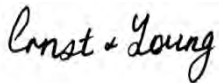
Independence

In conducting our audit we have met 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.

Auditor's 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 financial position of the Schemes as at 30 June 2014 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).



Ernst & Young



Rita Da Silva
Partner
Sydney
22 August 2014



**For more information call MLC
from anywhere in Australia
on 132 652 or contact your
financial adviser.**

Postal address

PO Box 200
North Sydney NSW 2059

Registered office

Ground Floor, MLC Building
105–153 Miller Street
North Sydney NSW 2060

mlc.com.au

a NAB company

