



ANNUAL REPORT
30 June 2011



Australian Unity Property Securities Fund

ARSN 090 363 643

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These financial statements cover Australian Unity Property Securities Fund as an individual entity.

The Responsible Entity of Australian Unity Property Securities Fund is Australian Unity Funds Management Limited (ABN 60 071 497 115). The Responsible Entity's registered office is 114 Albert Road, South Melbourne, VIC 3205

Chairman's report

On behalf of the Directors of Australian Unity Funds Management Limited, I am pleased to present the Annual Report to 30 June 2011 for the Australian Unity Property Securities Fund.

During the 2010–11 financial year, the Fund invested in a portfolio of listed Australian Real Estate Investment Trusts (A-REITs) and unlisted property trusts, successfully generating both income and capital growth for investors. The Fund operates as a 'split trust' with three classes of units:

- Ordinary Units
- Income Units, and
- Growth Units.

For the 2010–11 financial year, all classes of units in the Fund outperformed the benchmark S&P/ASX 300 Property Trust Accumulation Index.

How the Fund performed

Growth Units achieved a total return of 6.04% for the 2010–11 financial year. This return consists of Distribution return of 0.83% and a Growth return of 5.21%. This return was attributed mainly to the strong run of the A-REIT sector during the first three quarters of the financial year. This also gave Growth Units some margin to offset a modest decline from the sector during the last quarter of the year.

Ordinary Units achieved a total return of 6.06% for the 2010–11 financial year. This return consists of Distribution return of 3.66% and a Growth return of 2.40%.

Income Units achieved a total return of 5.88% for the 2010-11 financial year. This return consists of Distribution return of 5.24% and a Growth return of 0.64%. As expected, Income Units recorded stable level of distributions throughout for the financial year, attributed to their larger exposure to the income that is produced by underlying investments and a lower exposure to their capital gains or losses.

In June 2011, the we terminated the investment mandate with Principal Global Investors (Australia) Limited. The Fund's actively managed A-REIT portfolio is now solely managed by Renaissance Property Securities Pty Ltd.



Outlook

Following on from the global financial crisis, our view is that most A-REITs are reverting to a more traditional model of delivering stable, predominantly rental income.

While there remain a smaller number of listed property trusts that seek earnings from ancillary activities such as property development and funds management, they now form a modest component of the A-REIT sector's activities and revenue.

Our view is that the A-REIT sector now presents good buying opportunities for solid long-term returns. Currently, the A-REIT sector is priced in a range which we would classify as fair value. We believe the gradual and sustained recovery in the commercial property market will drive a continued uplift in A-REIT prices, along with improving earnings growth.

To stay up-to-date with information about your investment, I encourage you to visit our website – australianunityinvestments.com.au – or speak with a member of our Investors Services team by calling **13 29 39**.

Thank you for investing with Australian Unity Investments.

Yours sincerely

A handwritten signature in dark ink, appearing to read "Alan Castleman".

Alan Castleman
Chairman

Your investment – Australian Unity Property Securities Fund

Investment objective

The Australian Unity Property Securities Fund aims to generate both income and capital growth for investors by investing predominately in Australian Real Estate Investment Trusts (A-REITs).

Investment strategy

The Australian Unity Property Securities Fund (the Fund) operates as a 'split trust' with three classes of units:

- AUI Property Securities Fund - Ordinary Units
- AUI Property Securities Fund - Income Units, and
- AUI Property Securities Fund - Growth Units.

The primary difference between the unit classes is their entitlement to income and capital gains or losses derived from the Fund's investments. The Fund primarily invests in a portfolio of listed A-REITs and unlisted property trusts, with some additional exposure to cash. It may also have a small allocation to international REITs.

Investment performance (at 30 June 2011)			
	1 year %	3 years % p.a.	5 years % p.a.
Ordinary units total return	6.06	(10.10)	(10.71)
Income units total return	5.88	1.70	2.25
Growth units total return	6.04	(42.27)	(42.07)

Returns are calculated after fees and expenses (excluding any entry fees) and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance.

Quick stats	
Date the Scheme was constituted	17 May 1985
Fund size (net asset value)	\$69.68 million
Income distributions	Quarterly

Asset allocation	
Asset class	Actual %
Listed Australian REITs	62.83
Unlisted property securities	36.37
Cash	0.80

Manager allocation			
Manager	Investment style	Actual % (at 30 June 2011)	Actual % (at 1 July 2011)
Renaissance Property Securities Pty Ltd	Active	38.34	62.83
Principal Global Investors (Australia) Ltd	Active	24.49	0.00
Australian Unity Investments	Unlisted Active	37.17	37.17

Top 10 A-REIT holdings	
A-REIT	Portfolio holding %
1. Westfield Group	16.35
2. Stockland	6.82
3. Westfield Retail Trust	6.37
4. Goodman Group	5.41
5. Mirvac Group Stapled Securities	4.33
6. Dexus Property Group	3.76
7. GPT Group	2.88
8. Tishman Speyer Office Fund	1.78
9. Investa Office Fund	1.57
10. Ardent Leisure Limited	1.35

Directors' report

The directors of Australian Unity Funds Management Limited (ABN 60 017 497 115), the Responsible Entity of Australian Unity Property Securities Fund, present their report together with the financial statements of Australian Unity Property Securities Fund ("the Scheme") for the year ended 30 June 2011 ("the reporting period").

Directors

The following persons held office as directors of the Responsible Entity during the reporting period or since the end of the reporting period and up to the date of this report:

Alan Castleman (Chairman)
David Bryant (Chief Executive Officer and Chief Investment Officer)
Rohan Mead (Group Managing Director)
Glenn Barnes (Non-Executive Director)
Ian Ferres (Non-Executive Director)
Stephen Maitland (Non-Executive Director)
Warren Stretton (Non-Executive Director)
Anthony Connon (Chief Financial Officer)

Principal activities

The Scheme aims to generate income and capital growth. The Scheme primarily invests in listed property trusts, with some exposure to unlisted property trusts, syndicates and cash. The Scheme currently provides for three separate unit classes (ordinary, growth and income units). The primary difference between the unit classes is their entitlement to income and capital growth gains or losses derived from the Scheme's investments.

Review and results of operations

For the reporting period ended 30 June 2011, the Scheme's ordinary units posted a total return of 6.06% (split between a distribution return of 3.66% and a growth return of 2.40%). The income units posted a total return of 5.88% (split between a distribution return of 5.24% and a growth return of 0.64%) and the growth units posted a total return of 6.04% (split between a distribution return of 0.83% and a growth return of 5.21%).

Unit prices (ex distribution) as at 30 June 2011 (2010) are as follows:

Ordinary units \$0.3454 (\$0.3343)
Income units \$0.4286 (\$0.4210)
Growth units \$0.0943 (\$0.0885)

The performance of the Scheme, as represented by the results of its operations, was as follows:

	For the reporting period ended	
	30 June	30 June
	2011	2010
	\$'000	\$'000
Profit before finance costs attributable to unitholders	<u>4,777</u>	<u>11,458</u>
<i>Distributions - ordinary</i>		
Distributions paid and payable	<u>800</u>	<u>583</u>
<i>Distributions - income</i>		
Distributions paid and payable	<u>1,677</u>	<u>2,138</u>
<i>Distributions - growth</i>		
Distributions paid and payable	<u>146</u>	<u>186</u>

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Scheme that occurred during the reporting period.

Directors' report (continued)

Events occurring after the reporting period

Except as disclosed in note 13 in the financial statements, no other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- (i) the operations of the Scheme in future reporting periods, or
- (ii) the results of those operations in future reporting periods, or
- (iii) the state of affairs of the Scheme in future reporting periods.

Likely developments and expected results of operations

The Scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

Further information on likely developments in the operations of the Scheme and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Scheme.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of Australian Unity Funds Management Limited or the auditors of the Scheme. So long as the officers of Australian Unity Funds Management Limited act in accordance with the Scheme's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

Fees paid to and interests held in the Scheme by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Scheme property during the reporting period are disclosed in note 11 of the financial statements.

No fees were paid out of Scheme property to the directors of the Responsible Entity during the reporting period.

The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the reporting period are disclosed in note 11 of the financial statements.

Units in the Scheme

The movement in units on issue in the Scheme during the reporting period is disclosed in note 6 of the financial statements.

The value of the Scheme's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in note 2 of the financial statements.

Environmental regulation

The Scheme operations are not subject to environmental regulations under Australian Law.

Rounding of amounts to the nearest thousand dollars

The Scheme is an entity of the kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Directors' report (continued)

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Signed in accordance with a resolution of the directors of Australian Unity Funds Management Limited.



Director

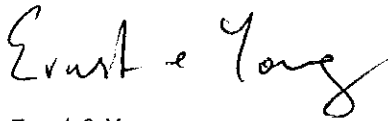


Director

12 September 2011

Auditor's Independence Declaration to the Directors of Australian Unity Funds Management Limited, as Responsible Entity for Australian Unity Property Securities Fund

In relation to our audit of the financial report of Australian Unity Property Securities Fund for the financial year ended 30 June 2011, 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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Tim Barber'.

Tim Barber
Partner
Melbourne

12 September 2011

Statement of comprehensive income

	Notes	For the reporting period ended	
		30 June 2011 \$'000	30 June 2010 \$'000
Investment income			
Interest income		38	38
Dividend/distribution income	3	6,530	4,988
Net gains/(losses) on financial instruments held at fair value through profit or loss	4	(671)	7,826
Other income		-	5
Total investment income		<u>5,897</u>	<u>12,857</u>
Expenses			
Responsible Entity's fees	11	1,064	1,270
Transaction costs		56	129
Total expenses		<u>1,120</u>	<u>1,399</u>
Profit before finance costs attributable to unitholders		<u>4,777</u>	<u>11,458</u>
Finance costs attributable to unitholders			
Distributions to unitholders	7	2,623	2,907
Increase in net assets attributable to unitholders	6	2,154	8,551
Other comprehensive income for the reporting period attributable to unitholders		-	-
Total comprehensive income for the reporting period attributable to unitholders		<u>-</u>	<u>-</u>

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

Statement of financial position

		As at	
	Notes	30 June 2011 \$'000	30 June 2010 \$'000
Assets			
Cash and cash equivalents	8	1,426	1,197
Receivables		3,664	1,263
Financial assets held at fair value through profit or loss	9	65,846	73,435
Total assets		70,936	75,895
Liabilities			
Distributions payable	7	985	857
Payables		268	687
Total liabilities (excluding net assets attributable to unitholders)		1,253	1,544
Net assets attributable to unitholders	6	69,683	74,351

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

Australian Unity Property Securities Fund
Statement of changes in net assets attributable to unitholders
For the reporting period ended 30 June 2011

Statement of changes in net assets attributable to unitholders

	For the reporting period ended	
	30 June	30 June
	2011	2010
	\$'000	\$'000
Net assets attributable to unitholders at the beginning of the reporting period	74,351	77,478
Profit before finance costs attributable to unitholders	4,777	11,458
Distributions to unitholders	(2,623)	(2,907)
Application for units	6,943	18,362
Redemption of units	(14,143)	(30,483)
Units issued upon re-investment of distributions	378	443
Net assets attributable to unitholders at the end of the reporting period	<u>69,683</u>	<u>74,351</u>

The above statement of changes in net assets attributable to unitholders should be read in conjunction with the accompanying notes.

Statement of cash flows

	For the reporting period ended	
	30 June	30 June
	2011	2010
Notes	\$'000	\$'000
<i>Cash flows from operating activities</i>		
Proceeds from sale of financial instruments held at fair value through profit or loss	27,122	80,316
Purchase of financial instruments held at fair value through profit or loss	(20,257)	(68,156)
Transaction costs on financial instruments held at fair value through profit or loss	(62)	(137)
Interest received	38	38
Distributions received	3,778	4,232
Other income received	1	5
Responsible Entity's fees paid	(1,156)	(1,424)
RITC received	82	104
Net cash inflow from operating activities	9,546	14,978
12(a)	<u>9,546</u>	<u>14,978</u>
<i>Cash flows from financing activities</i>		
Proceeds from applications by unitholders	6,950	18,372
Payments for redemptions by unitholders	(14,150)	(30,483)
Distributions paid	(2,117)	(2,744)
Net cash (outflow) from financing activities	(9,317)	(14,855)
	<u>(9,317)</u>	<u>(14,855)</u>
Net increase in cash and cash equivalents	229	123
Cash and cash equivalents at the beginning of the reporting period	1,197	1,074
	<u>1,197</u>	<u>1,074</u>
Cash and cash equivalents at the end of the reporting period	1,426	1,197
8,12(b)	<u>1,426</u>	<u>1,197</u>

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

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1 General information

These financial statements cover Australian Unity Property Securities Fund ("the Scheme") as an individual entity. The Scheme was constituted on 17 May 1985.

The Responsible Entity of the Scheme is Australian Unity Funds Management Limited (ABN 60 071 497 115) ("the Responsible Entity"), a wholly owned subsidiary of Australian Unity Limited (ABN 23 087 648 888). The Responsible Entity's registered office is 114 Albert Road, South Melbourne, VIC 3205.

The Responsible Entity is incorporated and domiciled in Australia.

The financial statements are for the period from 1 July 2010 to 30 June 2011 ("the reporting period").

The financial statements were authorised for issue by the directors on 12 September 2011. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 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 reporting periods presented, unless otherwise stated.

(a) Basis of preparation

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

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

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 generally expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders where the amount expected to be recovered or settled within twelve months after the end of the reporting period cannot be reliably determined.

Compliance with International Financial Reporting Standards

The financial statements of the Scheme also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This financial statement is presented in the local reporting currency being Australian dollars.

(b) Financial instruments

(i) Classification

- *Financial assets and liabilities held at fair value through profit and loss*

The Scheme's investments are categorised as held at fair value through profit or loss. They comprise:

- *Financial instruments designated at fair value through profit or loss upon initial recognition*

These include financial assets and financial liabilities that are not held for trading purposes and which may be sold. These may include investments in exchange traded debt and equity instruments, unlisted trusts, unlisted equity instruments and commercial paper.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

The information on the fair value basis is provided internally to the Scheme's key management personnel. In addition, the designation of financial assets at fair value through profit or loss will reduce any measurement or recognition inconsistencies and any accounting mismatch that would otherwise arise.

- *Loans and receivables/payables*

Loans and receivables/payables are non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market. This category includes short-term receivables/payables.

(ii) Recognition/derecognition

The Scheme recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Scheme retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' agreement; or
- the Scheme has transferred its rights to receive cash flows from the asset and either:
 - (a) has transferred substantially all the risks and rewards of the asset; or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Any gains or losses arising on derecognition of the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) are included in the statement of comprehensive income in the reporting period the asset is derecognised as realised gains or losses on financial instruments.

(iii) Measurement

- *Financial assets and liabilities held at fair value through profit or loss*

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

- *Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

- Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such trusts.

(iv) Offsetting financial instruments

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

2 Summary of significant accounting policies (continued)

(c) 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 Scheme 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 Scheme. Because the Scheme's redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference exists, which has been treated as a separate component of net assets attributable to unitholders. Changes in the value of this financial liability are recognised in the statement of comprehensive income as they arise.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in the statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Scheme's main income generating activity.

(e) Investment income

Interest income and interest expenses are recognised in the statement of comprehensive income for all financial instruments on an accrual basis. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

Dividend income is recognised on the ex-dividend date.

Scheme distributions (including distributions from cash management trusts) are recognised on an entitlements basis.

Net gains/(losses) on financial assets and financial liabilities held at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at the end of the reporting period and the fair value at the previous valuation point. Net gains/(losses) do not include interest or dividend/distribution income. Realised and unrealised gains/(losses) are shown in the notes to the financial statements.

(f) Expenses

All expenses, including Responsible Entity's fees, are recognised in the statement of comprehensive income on an accruals basis.

(g) Income tax

Under current legislation, the Scheme is not subject to income tax as unitholders are presently entitled to the income of the Scheme.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Scheme to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

2 Summary of significant accounting policies (continued)

(h) Distributions

In accordance with the Scheme's Constitution, the Scheme distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(i) Increase/(decrease) in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

(j) Receivables

Receivables may include amounts for dividends, interest and securities sold where settlement has not yet occurred. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as Reduced Input Tax Credits (RITC) and application monies receivable from unitholders.

(k) Payables

Payables include liabilities and accrued expenses owing by the Scheme which are unpaid as at the end of the reporting period.

Trades are recorded on trade date, and normally settled within three business days. Purchases of financial instruments that are unsettled at the end of each reporting period are included in payables.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately in the statement of financial position when unitholders are presently entitled to the distributable income under the Scheme's Constitution.

(l) Applications and redemptions

Applications received for units in the Scheme are recorded net of any entry fees payable prior to the issue of units in the Scheme. Redemptions from the Scheme are recorded gross of any exit fees payable after the cancellation of units redeemed.

Unit redemption prices are determined in accordance with the Scheme's constitution by reference to the net assets of the Scheme divided by the number of units on issue.

(m) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Scheme by third parties such as Responsible Entity's fees, have been passed onto the Scheme. The Scheme qualifies for Reduced Input Tax Credits (RITC) at a rate of 75%; hence Responsible Entity's fee and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

2 Summary of significant accounting policies (continued)

(n) Use of estimates

The Scheme makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next reporting period. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(o) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period and have not yet been applied in the financial statements. The directors' assessment of the impact of these new standards (to the extent relevant to the Scheme) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. The Standard is not applicable until 1 January 2013. AASB 9 only permits the recognition of fair value gains/(losses) in other comprehensive income if they relate to equity investments that are not traded. Fair value gains/(losses) on debt investments are recognised directly in profit or loss. The Scheme does not expect any significant impact on the Scheme's financial statements arising from an adoption of the Standard.

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009, the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective from 1 January 2011. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The amendment will not have any effect on the Scheme's financial statements.

(iii) AASB 2010-4 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective from 1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Scheme does not expect that any adjustments will be necessary as the result of applying the revised rules.

(iv) AASB 2010-5 *Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]* (effective from 1 January 2011)

In October 2010, the AASB issued the above Standard. The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. These amendments have no major impact on the requirements of the amended pronouncements. The Scheme does not expect that any adjustments will be necessary as the result of applying the amendments.

(v) AASB 2010-6 *Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets* (effective from 1 July 2011)

In November 2010, the AASB issued the above Standard amending the disclosure requirements in AASB 7 *Financial Instruments: Disclosures*. The Standard introduces additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The Scheme will apply the amendment from 1 July 2011 with no comparative information being required for the reporting period ending on 30 June 2012. It does not expect any significant impact as the result of applying the amendments.

2 Summary of significant accounting policies (continued)

(o) New accounting standards and interpretations (continued)

(vi) IFRS 13 *Fair Value Measurement* (effective 1 January 2013)

IFRS 13 was released in May 2011. The AASB is expected to issue an equivalent Australian standard shortly. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Scheme has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Scheme does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(vii) AASB 1054 *Australian Additional Disclosures* and AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* (effective 1 July 2011)

The AASB and NZ FRSB have issued accounting standards that eliminate most of the existing differences between their local standards and IFRS. Where additional disclosures were considered necessary, they were moved to the new standard AASB 1054. Adoption of the new rules will not affect any of the amounts recognised in the financial statements, but may simplify some of the Scheme's current disclosures. The Scheme intends to adopt the standards from 1 July 2011.

(viii) Revised IAS 1 *Presentation of Financial Statements* (effective 1 July 2012)

In June 2011, the IASB made an amendment to IAS 1 *Presentation of Financial Statements*. The AASB is expected to make the equivalent changes to AASB 101 shortly. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to the statement of comprehensive income in the future. It will not affect the measurement of any of the items recognised in the statement of financial position or the statement of comprehensive income in the current period. The Scheme intends to adopt the new standard from 1 July 2012.

(p) Rounding of amounts

The Scheme is an entity of the kind referred to in Class Order 98/0100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated.

3 Dividend/distribution income

	For the reporting period ended	
	30 June 2011 \$'000	30 June 2010 \$'000
Listed property trusts	2,844	3,749
Related unlisted managed investment schemes	3,397	818
Non-related unlisted managed investment schemes	289	421
	6,530	4,988

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

	For the reporting period ended	
	30 June 2011 \$'000	30 June 2010 \$'000
Net unrealised gains/(losses) on financial instruments designated at fair value through profit or loss	<u>(4)</u>	<u>2,780</u>
Net realised gains/(losses) on financial instruments designated at fair value through profit or loss	<u>(667)</u>	<u>5,046</u>
Total net gains/(losses) on financial instruments held at fair value through profit or loss	<u>(671)</u>	<u>7,826</u>

5 Auditor's remuneration

The auditor's remuneration is paid directly by the Responsible Entity.

During the reporting period the following fees were paid or payable for services provided by the auditor of the Scheme:

	For the reporting period ended	
	30 June 2011 \$	30 June 2010 \$
(a) Audit services		
Audit services		
Audit and review of financial statements	<u>35,948</u>	<u>35,948</u>
Total remuneration for audit services	<u>35,948</u>	<u>35,948</u>
(b) Non-audit services		
Taxation services		
Tax fees	<u>2,900</u>	<u>3,198</u>
Total remuneration for taxation services	<u>2,900</u>	<u>3,198</u>

6 Net assets attributable to unitholders

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme. There are three classes of unitholders in the Scheme being ordinary, income and growth.

Movements in number of units and net assets attributable to unitholders during the reporting period were as follows:

	For the reporting period ended			
	30 June 2011 No. '000	30 June 2010 No. '000	30 June 2011 \$'000	30 June 2010 \$'000
Opening balance	366,936	427,122	74,351	77,478
Net assets attributable to unitholders				
- ordinary				
Applications	18,823	52,405	6,458	17,806
Redemptions	(12,230)	(33,477)	(4,221)	(11,806)
Units issued upon re-investment of distributions	430	461	146	156
	<u>7,023</u>	<u>19,389</u>	<u>2,383</u>	<u>6,156</u>
Net assets attributable to unitholders				
- income				
Applications	622	1,134	264	332
Redemptions	(13,660)	(25,392)	(5,787)	(10,729)
Units issued upon re-investment of distributions	461	529	195	224
	<u>(12,577)</u>	<u>(23,729)</u>	<u>(5,328)</u>	<u>(10,173)</u>
Net assets attributable to unitholders				
- growth				
Applications	2,378	17,919	221	224
Redemptions	(43,780)	(74,516)	(4,135)	(7,948)
Units issued upon reinvestment of distributions	408	751	37	63
	<u>(40,994)</u>	<u>(55,846)</u>	<u>(3,877)</u>	<u>(7,661)</u>
Increase/(decrease) in net assets attributable to unitholders	-	-	<u>2,154</u>	8,551
Closing balance	<u>320,388</u>	<u>366,936</u>	<u>69,683</u>	<u>74,351</u>

Capital risk management

The Scheme considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a financial liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Scheme's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Scheme's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

7 Distributions to unitholders

Timing of distributions

The distributions for the reporting period were as follows:

	For the reporting period ended			
	30 June 2011 \$'000	30 June 2011 CPU	30 June 2010 \$'000	30 June 2010 CPU
Distributions - ordinary				
30 September	169	0.2646	147	0.3730
31 December	143	0.2151	94	0.1914
31 March	167	0.2510	150	0.2716
30 June (payable)	<u>321</u>	<u>0.4833</u>	<u>192</u>	<u>0.3988</u>
	<u>800</u>		<u>583</u>	
Distributions - income				
30 September	401	0.4884	686	0.6699
31 December	329	0.4091	363	0.3644
31 March	362	0.4509	490	0.4979
30 June (payable)	<u>585</u>	<u>0.8241</u>	<u>599</u>	<u>0.7087</u>
	<u>1,677</u>		<u>2,138</u>	
Distributions - growth				
30 September	29	0.0129	70	0.0277
31 December	13	0.0063	14	0.0035
31 March	25	0.0119	36	0.0143
30 June (payable)	<u>79</u>	<u>0.0429</u>	<u>66</u>	<u>0.0288</u>
	<u>146</u>		<u>186</u>	
Total distributions	<u>2,623</u>		<u>2,907</u>	

As unitholders are presently entitled to the distributable income of the Scheme, no income tax is payable by the Responsible Entity.

8 Cash and cash equivalents

	As at	
	30 June 2011 \$'000	30 June 2010 \$'000
Cash at bank	805	944
Cash management trusts	<u>621</u>	<u>253</u>
	<u>1,426</u>	<u>1,197</u>

For comparative purposes, the cash and cash equivalents for the year ended 30 June 2010 includes an adjustment of \$253,001 representing a change in the asset grouping of the cash management trust. This cash management trust has been moved from the 'related unlisted managed investment schemes' to the 'cash management trust' group. The Scheme believes that the change reflects more appropriately with the nature of the cash management trust. As a result of the change, the 2010 balance of the related unlisted managed investment schemes is \$253,001 lower than that was disclosed in the financial statements for 2010 and cash and cash equivalents is higher by the same amount for 2010. The net assets for 2010 remained the same.

9 Financial assets held at fair value through profit or loss

	As at	
	30 June 2011 \$'000	30 June 2010 \$'000
Designated at fair value through profit or loss		
Listed equities	-	239
Listed unit trusts	1,287	2,562
Listed property trusts	41,633	48,628
Related unlisted managed investment schemes	16,221	14,329
Non-related unlisted managed investment schemes	6,705	7,677
Total financial assets held at fair value through profit or loss	65,846	73,435

For comparative purposes, the cash and cash equivalents for the year ended 30 June 2010 includes an adjustment of \$253,001 representing a change in the asset grouping of the cash management trust. This cash management trust has been moved from the 'related unlisted managed investment schemes' group to the 'cash management trust' group. The Scheme believes that the change reflects more appropriately with the nature of the cash management trust. As a result of the change, the 2010 balance of the related unlisted managed investment schemes is \$253,001 lower than that was disclosed in the financial statements for 2010 and cash and cash equivalents is higher by the same amount for 2010. The net assets for 2010 remained the same.

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 10.

10 Financial risk management

(a) Objectives, strategies, policies and processes

The Scheme's activities may expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Scheme's overall risk management program focuses on ensuring compliance with the Scheme's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Scheme is exposed. Financial risk management is carried out by an Investment Manager ("the Investment Manager") under policies approved by the Board of Directors of the Responsible Entity ("the Board").

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

As part of its risk management strategy, the Scheme may use derivatives and other investments, including share price and bond futures, interest rate swaps and forward currency contracts, to manage exposures resulting from changes in interest rates, foreign currencies, equity price risks, and exposures arising from forecast transactions.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, foreign currency risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

The market risk disclosures are prepared on the basis of the Scheme's direct investments and not on a look-through basis for investments held in the Scheme.

10 Financial risk management (continued)

The sensitivity of the Scheme's net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) to price risk, foreign exchange risk and interest rate risk is measured by the reasonably possible movements approach. This approach is determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of the Scheme's investments with the relevant benchmarks and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Scheme invests. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

At 30 June 2011, the overall market exposures were as follows:

	As at	
	30 June 2011 \$'000	30 June 2010 \$'000
Securities designated at fair value through profit or loss	65,846	73,435

(i) *Price risk*

Price risk is the risk that the fair value of equities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Price risk exposure arises from the Scheme's investment portfolio. The investments are classified on the statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

The Investment Manager mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board.

The Scheme's overall market positions are monitored on a regular basis by the Scheme's Investment Manager. This information and the compliance with the Scheme's Product Disclosure Statement are reported to the relevant parties on a regular basis as deemed appropriate such as compliance manager, other key management personnel, compliance committees and ultimately the Board.

At 30 June 2011, if the equity prices had increased/(decreased) by the percentage indicated below, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) would have changed by the following amounts, approximately and respectively:

	As at 30 June 2011		As at 30 June 2010	
	Increased by 15%	Decreased by 15%	Increased by 10%	Decreased by 10%
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)	9,876,842	(9,876,842)	7,343,497	(7,343,497)

These changes are calculated on an undiscounted basis. The analysis is performed on the same basis for 2011 and 2010.

(ii) *Foreign exchange risk*

There was no significant direct foreign exchange risk in this Scheme as at 30 June 2011 (2010: Nil).

(iii) *Interest rate risk*

There was no significant direct interest rate risk in this Scheme as at 30 June 2011 (2010: Nil).

10 Financial risk management (continued)

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from cash and cash equivalents, and deposits with banks and other financial institutions.

With respect to credit risk arising from the financial assets of the Scheme, other than derivatives, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these investments as disclosed in the statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the end of the reporting period.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

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

The Scheme holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired.

Counterparty credit limits and the list of authorised brokers are reviewed by the relevant parties within the Responsible Entity on a regular basis as deemed appropriate.

In accordance with the Scheme's policy, the Investment Manager monitors the Scheme's credit position on a regular basis. This information and the compliance with the Scheme's policy are reported to the relevant parties on a regular basis as deemed appropriate such as compliance manager, other key management personnel, compliance committees and ultimately the Board. All contracts are with counterparties included in the Board's Approved Counterparties list.

(d) Concentrations of risk

Concentrations of risk arise when a number of financial instruments are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic conditions. These similarities would cause the counterparties' liabilities to meet the contractual obligations to be similarly affected by certain changes in the risk variables.

The concentrations of risk are monitored by the Investment Manager to ensure they are within acceptable limits by reducing the exposures or by other means as deemed appropriate.

Concentrations of risk are managed by industry sector for equity instruments and by counterparty for debt instruments and selected derivatives.

Based on the concentrations of risk that are managed by industry sector and/or counterparty, the following investments can be analysed by the industry sector and/or counterparty as at 30 June 2011 and 30 June 2010:

	\$'000
As at 30 June 2011	
Financials	42,920
Unlisted managed investment scheme property - retail	12,985
Unlisted managed investment scheme property - wholesale	9,941
	\$'000
As at 30 June 2010	
Financials	51,429
Unlisted managed investment scheme property - wholesale	13,135
Unlisted managed investment scheme property - retail	8,871

10 Financial risk management (continued)

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. This risk is controlled through the Scheme's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Scheme may be exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. It therefore primarily holds investments that are traded in active markets and can be readily disposed of.

The Scheme's investments may include listed securities that are considered readily realisable, as they are listed on recognised stock exchanges.

The Scheme may invest in investments in unlisted unit trusts that expose the Scheme to the risk that the Scheme or Investment Manager of those trusts may be unwilling or unable to fulfil the redemption requests within the timeframe requested by the Scheme.

The Scheme's policy is to hold a significant proportion of its investments in liquid assets.

Under the terms of its constitution, the Scheme has the ability to manage liquidity risk by delaying redemptions to unitholders, if necessary, until the funds are available to pay them.

Units are redeemed on demand at the unitholder's option. However, the Board of Directors does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

In accordance with the Scheme's policy, the Investment Manager monitors the Scheme's liquidity position on a regular basis. This information and the compliance with the Scheme's policy are reported to the relevant parties on a regular basis as deemed appropriate such as compliance manager, other key management personnel, compliance committees and ultimately the Board.

The table below analyses the Scheme's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	More than 12 months \$'000
At 30 June 2011				
Distributions payable	985	-	-	-
Payables	268	-	-	-
Net assets attributable to unitholders	<u>69,683</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial liabilities	<u>70,936</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	More than 12 months \$'000
At 30 June 2010				
Distributions payable	857	-	-	-
Payables	687	-	-	-
Net assets attributable to unitholders	<u>74,351</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial liabilities	<u>75,895</u>	<u>-</u>	<u>-</u>	<u>-</u>

As disclosed above, the Scheme manages its liquidity risk by investing predominantly in liquid assets that it expects to be able to liquidate within 7 days or less. Liquid assets include cash and cash equivalents and listed equities. As at 30 June 2011, these assets amounted to \$44,345,191 (2010: \$52,626,805).

Investment in the Australian Unity Wholesale Cash Fund is included in the liquid assets of the Scheme above.

10 Financial risk management (continued)

(f) Estimation of fair values of financial assets and financial liabilities

The carrying amounts of all the Scheme's financial assets and financial liabilities at the end of the reporting period approximated their fair values.

The Scheme values its investments in accordance with the accounting policies set out in note 2. For the majority of its investments, the Scheme relies on information provided by independent pricing services for the valuation of its investments.

For the reporting period ended 30 June 2011 and 30 June 2010, the Scheme did not include financial assets that were determined using valuation techniques. The fair values of the Scheme's financial assets for the years then ended were determined directly, in full or in part, by reference to quoted prices that were available from various sources, such as exchanges, dealers, brokers, industry groups and pricing services.

(g) Fair value hierarchy

The Scheme is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

The table below sets out the Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at the reporting date.

As at 30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets designated at fair value through profit or loss at inception:				
Listed property trusts	41,633	-	-	41,633
Listed unit trusts	1,287	-	-	1,287
Related unlisted managed investment schemes	-	16,221	-	16,221
Non-related unlisted managed investment schemes	-	5,862	843	6,705
Total	42,920	22,083	843	65,846

10 Financial risk management (continued)

(g) Fair value hierarchy (continued)

As at 30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets designated at fair value through profit or loss at inception:				
Listed equities	239	-	-	239
Listed property trusts	48,628	-	-	48,628
Listed unit trusts	2,562	-	-	2,562
Related unlisted managed investment schemes	-	14,329	-	14,329
Non-related unlisted managed investment schemes	-	6,320	1,357	7,677
Total	<u>51,429</u>	<u>20,649</u>	<u>1,357</u>	<u>73,435</u>

The pricing for the majority of the Scheme's investments is generally sourced from independent pricing sources, the relevant Investment Managers or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets, eg recognised stock exchanges, and therefore classified within level 1, include active listed equities and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices. The level 2 instruments include investment-grade corporate bonds, and over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include certain unlisted unit trusts and corporate debt securities. As observable prices are not available for these securities, the Scheme has used valuation techniques to derive fair value.

Where a valuation model technique is used, the Scheme considers other liquidity, credit and market risk factors, and adjusts the model as deemed necessary.

The following table presents the transfers between levels as at the reporting date.

As at 30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Transfers into/(out of) level 3:			
Non-related unlisted managed investment schemes	-	(1,529)	1,529

The investments transferred into level 3 had their trading either halted, restricted or infrequently traded. Accordingly, the valuation inputs for them were not based on market observable inputs and therefore resulted in the reclassification into level 3.

10 Financial risk management (continued)

(g) Fair value hierarchy (continued)

The following table presents the movement in level 3 instruments as at the reporting date by class of financial instrument.

	Opening balance	Purchases	Sales	Transfers into level 3	Transfers out of level 3	Gains/(losses) recognised in profit or loss	Closing balance	Gains/(losses) included in the statement of comprehensive income for financial assets/liabilities held at the reporting period-end
As at 30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-related unlisted managed investment schemes	1,357	-	(565)	-	-	51	843	-
Total	1,357	-	(565)	-	-	51	843	-

	Opening balance	Purchases	Sales	Transfers into level 3	Transfers out of level 3	Gains/(losses) recognised in profit or loss	Closing balance	Gains/(losses) included in the statement of comprehensive income for financial assets/liabilities held at the reporting period-end
As at 30 June 2010	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-related unlisted managed investment schemes	-	-	-	1,529	-	(172)	1,357	-
Total	-	-	-	1,529	-	(172)	1,357	-

11 Related party transactions

Responsible Entity

The Responsible Entity of Australian Unity Property Securities Fund is Australian Unity Funds Management Limited (ABN 60 071 497 115) whose immediate and ultimate Parent Entity is Australian Unity Limited (ABN 23 087 648 888).

Key management personnel

(a) Directors

Key management personnel includes persons who were directors of Australian Unity Funds Management Limited at any time during the reporting period as follows:

Alan Castleman (Chairman)
David Bryant (Chief Executive Officer and Chief Investment Officer)
Rohan Mead (Group Managing Director)
Glenn Barnes (Non-Executive Director)
Ian Ferres (Non-Executive Director)
Stephen Maitland (Non-Executive Director)
Warren Stretton (Non-Executive Director)
Anthony Connon (Chief Financial Officer)

(b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Scheme, directly or indirectly during the reporting period.

Key management personnel unitholdings

From time to time, key management personnel may purchase or subscribe to the various products offered by its related entities. These transactions are on similar terms and conditions as those entered into by other employees or customers and are trivial or domestic in nature.

Key management personnel compensation

Key management personnel are paid by Australian Unity Funds Management Limited. Payments made from the Scheme to Australian Unity Funds Management Limited do not include any amounts directly attributable to the compensation of key management personnel.

Key management personnel loan disclosures

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Other transactions within the Scheme

From time to time directors of Australian Unity Funds Management Limited, or their director related entities, may invest in or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors and are trivial in nature.

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Scheme during the reporting period and there were no material contracts involving key management personnel's interests existing at reporting period end.

11 Related party transactions (continued)

Responsible Entity's fees and other transactions

Under the terms of the Scheme's Constitution, the Responsible Entity is entitled to receive Responsible Entity's fees, calculated by reference to the average daily net assets (excluding net assets attributable to unitholders) of the Scheme as follows:

	30 June 2011 \$	As at 30 June 2010 \$
Responsible Entity fees for the reporting period paid by the Scheme to the Responsible Entity	<u>1,064,150</u>	<u>1,270,421</u>
Aggregate amounts payable to/(receivable from) the Responsible Entity at the reporting date	<u>92,153</u>	<u>106,581</u>

Related party unitholdings

Parties related to the Scheme (including Australian Unity Funds Management Limited, its related parties and other schemes managed by Australian Unity Funds Management Limited), held units in the Scheme as follows:

30 June 2011

Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment (\$)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Scheme (\$)
Australian Unity Property Income Fund	186,900,401	171,591,913	29,740,671	46.76	12,057,145	(27,365,633)	1,032,360
Australian Unity Education Savings Plan Short Term	55,529	56,721	13,104	0.02	1,192	-	398
Australian Unity Education Savings Plan Medium Term	688,026	771,379	157,267	0.21	289,000	(205,647)	3,762
Australian Unity Conservative Growth Portfolio	2,250,904	-	-	-	11,758	(2,262,662)	1,779
Australian Unity Balanced Growth Portfolio	15,218,332	-	-	-	77,720	(15,296,052)	14,593
Australian Unity Conservative Growth Bond	6,448,056	-	-	-	52,440	(6,500,496)	5,097
Australian Unity Balanced Growth Bond	11,296,710	19,698,671	4,243,412	5.37	8,635,948	(233,987)	63,451
Australian Unity Foundation Fund	229,942	237,741	81,260	0.06	7,799	-	2,862
LAFS Ltd (Taxsmart Growth Option)	178,653	184,673	63,121	0.05	6,020	-	2,223

11 Related party transactions (continued)

Related party unitholdings (continued)

30 June 2010

Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment (\$)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Scheme (\$)
Australian Unity Property Income Fund	244,955,436	186,900,401	30,990,806	50.94	48,606,002	(106,661,037)	1,119,085
Australian Unity Education Savings Plan Short Term	93,268	55,529	12,379	0.02	21,857	(59,596)	461
Australian Unity Education Savings Plan Medium Term	651,071	688,026	125,414	0.19	182,570	(145,615)	3,098
Australian Unity Conservative Growth Portfolio	4,013,295	2,250,904	253,666	0.61	204,858	(1,967,249)	4,156
Australian Unity Balanced Growth Portfolio	17,546,314	15,218,332	1,790,350	4.15	4,082,842	(6,410,824)	32,081
Australian Unity Conservative Growth Bond	9,108,329	6,448,056	732,784	1.76	809,131	(3,469,404)	11,151
Australian Unity Balanced Growth Bond	11,578,682	11,296,710	1,331,356	3.08	3,023,754	(3,305,726)	24,130
Australian Unity Foundation Fund	139,586	229,942	76,754	0.06	147,794	(57,438)	2,395
LAFS Ltd (Taxsmart Growth Option)	-	178,653	59,634	0.05	178,653	-	1,251

Investments

The Scheme held investments in the following schemes which are also managed by Australian Unity Funds Management Limited or its related parties:

	Fair value of investment		Interest held		Distributions received/receivable	
	2011 \$	2010 \$	2011 %	2010 %	2011 \$	2010 \$
Australian Unity Wholesale Cash Fund	621,242	253,001	0.08	0.03	33,301	26,489
Australian Unity Property Syndicate No. 1	-	2,041,529	-	17.08	1,782,766	-
Australian Unity Property Syndicate No. 4	3,235,842	3,415,715	18.76	18.82	812,513	238,688
Australian Unity Retail Property Fund	12,984,904	8,871,323	7.15	5.70	768,163	554,699
	16,841,988	14,581,568			3,396,743	819,876

12 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	For the reporting period ended	
	30 June	30 June
	2011	2010
	\$'000	\$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the reporting period attributable to unitholders	-	-
Increase/(decrease) in net assets attributable to unitholders	2,154	8,551
Proceeds from sale of financial instruments held at fair value through profit or loss	27,122	80,316
Purchase of financial instruments held at fair value through profit or loss	(20,257)	(68,156)
Net gains/(losses) on financial instruments held at fair value through profit or loss	671	(7,826)
Net change in accrued income and receivables	(1,894)	271
Net change in payables and other liabilities	(16)	(60)
Distributions to unitholders	2,623	2,907
Reinvested income	(857)	(1,025)
Net cash inflow/(outflow) from operating activities	9,546	14,978
(b) Components of cash and cash equivalents		
Cash as at the end of the reporting period as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Cash and cash equivalents	<u>1,426</u>	<u>1,197</u>
	1,426	1,197
(c) Non-cash financing and investing activities		
During the reporting period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan		
	<u>378</u>	<u>443</u>
	378	443

13 Events occurring after the reporting period

The return of high market volatility may have affected the value of Scheme assets in the time subsequent to 30 June 2011.

14 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2011 and 30 June 2010.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 30 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2011 and of its performance, as represented by the results of its operations and cash flows, for the reporting period ended on that date; and
- (b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.
- (c) the financial statements are in accordance with the Scheme's Constitution.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Director



Director

12 September 2011

Independent auditor's report to the unitholders of Australian Unity Property Securities Fund

We have audited the accompanying financial report of Australian Unity Property Securities Fund, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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. These Auditing 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 our 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.

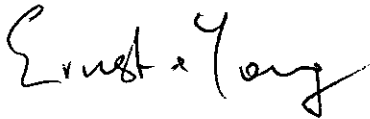
Independence

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 an Auditor's Independence Declaration, a copy of which is included in the directors' report.

Auditor's Opinion

In our opinion:

1. The financial report of Australian Unity Property Securities Fund is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the financial position of Australian Unity Property Securities Fund as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Tim Barber'.

Tim Barber
Partner
Melbourne

12 September 2011



Contact Australian Unity Investments

Call **13 29 39** (Australia-wide or contact your financial adviser)

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