

Challenger Wholesale Property Securities Fund

Challenger Wholesale Property Securities Fund
(ARSN 090 577 825)

Responsible Entity
Challenger Managed Investments Limited
(ABN 94 002 835 592)
(AFSL 234668)



Challenger Wholesale Property Securities Fund

ARSN 090 577 825

Consolidated Annual report - 30 June 2011

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This financial report covers Challenger Wholesale Property Securities Fund as a consolidated entity consisting of Challenger Wholesale Property Securities Fund and its subsidiary.

The Responsible Entity of Challenger Wholesale Property Securities Fund is Challenger Managed Investments Limited (ABN 94 002 835 592). The Responsible Entity's registered office is Level 15, 255 Pitt Street, Sydney NSW 2000.

Financial highlights

Financial highlights for Challenger Wholesale Property Securities Fund (the 'Trust') include the following:

Performance

The table below shows historical discrete annual return performance of the Trust for the past five years. Calculation of performance is after all fees, except any entry fees that have been deducted, and assumes that all distributions were reinvested during that period. The total return is aggregate of capital growth and distribution returns.

	2011 %	2010 %	2009 %	2008 %	2007 %
Capital Growth	1.49	12.98	(40.62)	(42.00)	(0.20)
Distribution of income	5.30	6.84	3.73	4.87	24.63
Total return (%)	6.79	19.82	(36.89)	(37.13)	24.43

Consistent with the statements in the current product disclosure statement, future performance is not guaranteed. Investors should exercise care in using past performance as a predictor of future performance.

Indirect Cost Ratio (ICR)

The Indirect Cost Ratio (ICR) is the ratio of the Consolidated Entity's management costs over the Consolidated Entity's average net assets attributable for the year, expressed as a percentage. The ICR of the Consolidated Entity for the past five years has been:

	2011 %	2010 %	2009 %	2008 %	2007 %
	0.85	0.85	0.85	0.85	0.85

Management costs include management fees and other expenses or reimbursements deducted in relation to the Trust, but do not include transactional and operational costs such as brokerage. Management costs are not paid directly by the unitholders of the Trust.

Unit redemption prices

Unit redemption prices (quoted ex-distribution and exclusive of exit fees) are shown as follows:

	2011 \$	2010 \$
At 30 June	0.5178	0.5102
Year to 30 June:		
High	0.5538	0.5888
Low	0.5056	0.4348

Directors' report

The directors of Challenger Managed Investments Limited, the Responsible Entity of Challenger Wholesale Property Securities Fund, present their report together with the consolidated financial statements of Challenger Wholesale Property Securities Fund (the 'Trust') and its controlled entity (collectively, the 'Consolidated Entity') for the year ended 30 June 2011.

Directors

The following persons held office as directors of Challenger Managed Investments Limited during the year or since the end of the year and up to the date of this report:

BJ O'Connor
 BR Benari
 PD Rogan
 RJ Woods
 RW Adams (resigned 25 January 2011)
 R Willis (appointed 25 January 2011)

Principal activities

The principal activity of the Trust during the year was to invest in accordance with the provisions of the Trust Constitution.

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

The Asset Manager of the Trust is SG Hiscock & Company Limited.

The Board of Challenger Managed Investments Limited made a resolution to terminate the subsidiary, Challenger Global Property Securities Fund, on 13 September 2010. The subsidiary was deconsolidated on 7 October 2010 and effectively terminated on 14 January 2011. The consolidated financial statements, as described in note 2(b) to the financial statements, include the results of the subsidiary up until 6 October 2010.

Review and results of operations

During the year, the Trust continued to invest funds in accordance with target asset allocations as set out in the current product disclosure statement which continues to be adhered to. The Trust maintains its strategy of investing in securities listed on the Australian Securities Exchange either directly or indirectly through other wholesale unit trusts.

Results

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

	Consolidated	
	30 June	30 June
	2011	2010
	\$'000	\$'000
Net operating profit/(loss)	<u>9,979</u>	28,312
Distribution paid and payable	<u>6,927</u>	7,898
Distribution (cents per unit)	<u>2.67</u>	3.19

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Trust that occurred during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- (i) the operations of the Trust in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Trust in future financial years.

Directors' report (continued)

Likely developments and expected results of operations

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

Further information on likely developments in the operations of the Trust 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 Trust.

Indemnity and insurance of officers

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

Fees paid to and interests held in the Trust by the Responsible Entity or its related entities

Fees paid to the Responsible Entity and its related entities out of Trust property during the year are disclosed in note 11 to the financial statements.

No fees were paid out of Trust property to the directors of the Responsible Entity during the year.

The number of interests in the Trust held by the Responsible Entity or its related entities as at the end of the financial year are disclosed in note 11 to the financial statements.

Interests in the Trust

The movement in units on issue in the Trust during the year is further disclosed in note 5 to the financial statements.

The movement in units on issue in the Trust during the year is set out below:

	Parent	
	30 June 2011 No. '000	30 June 2010 No. '000
Units on issue - 1 July	254,212	239,498
Units issued	49,583	60,195
Units redeemed	<u>(49,464)</u>	<u>(45,481)</u>
Units on issue - 30 June	<u>254,331</u>	<u>254,212</u>
Value of assets	\$'000	\$'000
Value of Trust assets at 30 June	<u>133,613</u>	<u>132,663</u>
Value of the Consolidated Entity assets at 30 June	<u>186,057</u>	<u>168,002</u>

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

Environmental regulation

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

Directors' report (continued)

Rounding of amounts to the nearest thousand dollars

The Trust 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.

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 6.

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




BJ O'Connor
Director

Sydney
16 September 2011

Auditor's Independence Declaration to the Directors of Challenger Wholesale Property Securities Fund

In relation to our audit of the financial report of Challenger Wholesale 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 cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Clare Sporle'.

Clare Sporle
Partner
16 September 2011

Statement of comprehensive income

	Notes	Consolidated	
		30 June 2011 \$'000	30 June 2010 \$'000
Income			
Interest income		137	100
Dividend income		53	213
Distribution income		10,168	9,835
Net gains/(losses) on financial instruments held at fair value through profit or loss	3	1,053	19,757
Other income		12	42
Total income		<u>11,423</u>	<u>29,947</u>
Expenses			
Responsible Entity's fees	11	1,145	1,080
Transaction costs		247	477
Other expenses		52	78
Total expenses		<u>1,444</u>	<u>1,635</u>
Net profit / (loss) before finance costs		<u>9,979</u>	<u>28,312</u>
Finance costs attributable to unitholders			
Distributions to unitholders of the parent entity	6	(6,927)	(7,898)
Distributions to non-controlling interests		(2,124)	(2,881)
Change in net assets attributable to unitholders of the parent entity	5	(390)	(13,707)
Change in net assets attributable to non-controlling interests		(538)	(3,826)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>-</u>	<u>-</u>

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

Statement of financial position

		Consolidated	
	Notes	30 June 2011 \$'000	30 June 2010 \$'000
Assets			
Cash and cash equivalents	12(b)	4,422	1,638
Receivables		3,122	4,200
Financial assets held at fair value through profit or loss	7	<u>178,513</u>	<u>162,164</u>
Total assets		<u>186,057</u>	<u>168,002</u>
Liabilities			
Distributions payable	6	2,737	4,324
Payables		97	1,243
Financial liabilities held at fair value through profit or loss	8	-	465
Net assets attributable to non-controlling interests		<u>51,564</u>	<u>32,356</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>54,398</u>	<u>38,388</u>
Net assets attributable to unitholders	5	<u>131,659</u>	<u>129,614</u>

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

Statement of changes in net assets attributable to unitholders

	Consolidated	
	30 June 2011 \$'000	30 June 2010 \$'000
At 1 July - opening	161,970	139,264
Change in net assets attributable to unitholders	928	17,533
Application for units	52,445	35,062
Redemption of units	(32,098)	(29,889)
Adjustment on deconsolidation of subsidiary	(22)	-
At 30 June - closing	<u>183,223</u>	<u>161,970</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

	Consolidated	
	30 June	30 June
	2011	2010
Notes	\$'000	\$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held for trading at fair value through profit and loss	1,319	2,082
Dividends received	79	164
Interest received	132	93
Trust distributions received	9,227	9,958
Other income received	12	41
Responsible Entity's fees paid	(1,147)	(1,058)
Payment of other expenses	(281)	(513)
Net cash inflow/(outflow) from operating activities	<u>12(a) 9,341</u>	<u>10,767</u>
Cash flows from investing activities		
Proceeds from sale of investments designated at fair value through profit or loss	64,707	115,927
Payments of investments designated at fair value through profit or loss	<u>(69,961)</u>	<u>(120,036)</u>
Net cash inflow/(outflow) from investing activities	<u>(5,254)</u>	<u>(4,109)</u>
Cash flows from financing activities		
Proceeds from applications by unitholders	37,966	27,189
Payments for redemptions by unitholders	(32,098)	(29,889)
Distributions paid	<u>(6,451)</u>	<u>(4,237)</u>
Net cash inflow/(outflow) from financing activities	<u>(583)</u>	<u>(6,937)</u>
Net increase/(decrease) in cash and cash equivalents	3,504	(279)
Cash and cash equivalents at the beginning of the year	1,638	2,067
Effects of foreign currency exchange rate changes on cash and cash equivalents	<u>(720)</u>	<u>(150)</u>
Cash and cash equivalents at the end of the year	<u>12(b) 4,422</u>	<u>1,638</u>

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

1 General information

These financial statements cover Challenger Wholesale Property Securities Fund (the 'Trust') as a consolidated entity consisting of Challenger Wholesale Property Securities Fund and its subsidiary. The Trust is an Australian registered managed scheme, and was constituted on 7 February 2002. The Trust will terminate on 7 February 2082 unless terminated earlier in accordance with the provisions of the Trust Constitution.

The financial statements were authorised for issue by the directors on 16 September 2011.

The nature of the operating and principal activities of the Trust are described in the Directors' Report.

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 years presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Trust's Constitution, Australian Accounting Standards, and the *Corporations Act 2001* in Australia.

The financial statements are presented in Australian dollars and 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 expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled in relation to these balances cannot be reliably determined.

Statement of compliance

The financial statements have been prepared in accordance with the Australian Accounting Standards as issued by the Australian Accounting Standards Board and the International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Challenger Wholesale Property Securities Fund (the 'Trust') as at 30 June 2011 and the results of its subsidiaries for the year then ended. Challenger Wholesale Property Securities Fund and its subsidiaries together are referred to in this financial report as the Consolidated Entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Trust. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for obtaining control of subsidiaries by the Trust.

All transactions (including gains and losses) and balances between entities in the consolidated group are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Trust.

Non-controlling interests in the results and net assets of subsidiaries are shown separately in the statement of comprehensive income and statement of financial position respectively.

2 Summary of significant accounting policies (continued)

(c) Parent entity financial information

The financial information for the parent entity, Challenger Wholesale Property Securities Fund, disclosed in note 14 has been prepared on the same basis as the consolidated financial statements.

(d) Financial instruments

(i) Classification

The Trust's investments are classified as at fair value through profit or loss. They comprise:

- Financial instruments held for trading

These include derivative financial instruments including options and forward currency contracts. The Trust does not designate any derivatives as hedges in a hedging relationship.

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

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

(ii) Recognition/derecognition

The Trust 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.

Investments are derecognised when the right to receive cash flows from the investments has expired or the Trust has transferred substantially all risks and rewards of ownership.

(iii) Measurement

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

Financial assets and liabilities held at fair value through profit and 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 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 the 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 reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices at the reporting date, while financial liabilities are priced at current offer prices.

- Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable pricing/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Trust would receive or pay to terminate the contract at the reporting date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Binominal Tree model.

(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.

(e) 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 Trust 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 redeem units in the Trust.

(f) Cash and cash equivalents

For the purpose of 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 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 are shown within borrowings in current liabilities on the statement of financial position.

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

Payments and receipts relating to the purchase and sale of investment securities designated at fair value are classified as cash flows from investing activities, as movements in the fair value of these securities represent the Trust's investment activity.

(g) Investment income

Interest income and expense are recognised in the statement of comprehensive income for all debt instruments, that are not held at fair value through profit or loss, using the effective interest method. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(d).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Trust estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Dividend income is recognised on the ex-dividend date when the right to receive payment is established with any related foreign withholding tax recorded as an expense.

Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date.

2 Summary of significant accounting policies (continued)

(g) Investment income (continued)

Trust distributions are recognised on an entitlements basis.

Trust distributions (including distributions from cash management trusts) are recognised on a present entitlements basis as the Trust is presently entitled to the distributable income of its investee trusts.

(h) Expenses

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

(i) Income tax

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

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 Trust is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Trust 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.

The Trust currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

(j) Distributions

In accordance with the Trust's Constitution, the Trust 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.

(k) Change 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.

(l) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Trust by third parties such as investment management fees have been passed onto the Trust. The Trust qualifies for Reduced Input Tax Credits (RITC) at a rate of 75% hence investment management fees 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)

(m) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 2(g) above. Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as RITC and application monies receivable from unitholders.

(n) Payables

Payables include liabilities and accrued expenses owing by the Trust which are unpaid as at the reporting date.

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

The distribution amount payable to unitholders as at the reporting date is recognised separately on the balance sheet when unitholders are presently entitled to the distributable income under the Trust's Constitution.

(o) Applications and redemptions

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

Unit redemption prices are determined by reference to the net assets of the Trust divided by the number of units on issue.

(p) Foreign currency

Transactions in foreign currencies are translated into presentation currency, Australian dollars, at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Australian dollars at the foreign exchange rate ruling at the reporting date.

Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the transaction. Non-monetary items measured at fair value in a foreign currency shall be translated to Australian dollars using the exchange rates ruling at the date when the fair value was determined.

(q) Use of estimates

For the majority of the Trust's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example, over-the-counter derivatives or unquoted securities are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them. Models are calibrated by back-testing to actual transactions to ensure that Trust outputs are reliable.

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. Models are calibrated by back-testing to actual transactions to ensure that Trust outputs are reliable.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

2 Summary of significant accounting policies (continued)

(r) Unit prices

Unit prices are determined in accordance with the Trust's Constitution and are calculated as the net assets attributable to unitholders of the Trust, less estimated costs, divided by the number of units on issue, on a forward pricing basis, as determined by the Responsible Entity.

(s) Terms and conditions on units

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

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding of the Trust.

The rights, obligations and restrictions attached to each unit are identical in all respects.

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Trust) 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 and measurement of financial assets. The standard is not applicable until 1 January 2013. The current four categories of financial assets, stipulated in AASB 139 *Financial Instruments: Recognition and Measurement*, will be replaced with two measurement categories: fair value and amortised cost. AASB 9 only permits the recognition of fair value gains/(losses) in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains/(losses) on debt investments, for example, will therefore have to be recognised directly in profit or loss. The Trust does not expect any significant impact on the Trust's financial statements arising from an adoption of the Standard.

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

In November 2010, the AASB made amendments to AASB 7 *Financial Instruments: Disclosures on Transfers of Financial Assets* which amends AASB 1 *First-time Adoption of Australian Accounting* and AASB 7 *Financial Instruments: Disclosures* to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments will not have any impact on the Trust's disclosures. The Trust intends to apply the amendment from 1 July 2011.

(iii) *Amendments to AASB 2010-4 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective from 1 July 2010 / 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 Trust does not expect that any adjustments will be necessary as the result of applying the revised rules.

2 Summary of significant accounting policies (continued)

(t) New accounting standards and interpretations (continued)

(iv) *IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities (effective from 1 January 2013)*

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities. IFRS 10 provides further clarity on the concept of control and IFRS 12 enhances disclosure requirements for subsidiaries. The AASB is yet to release Australian equivalent standards but the Trust is in the process of assessing the impact based on the international standards. From initial review of IFRS 10, application is not expected to result in any material impact for the Consolidated Entity based on the current group structure. With regards to IFRS 12, this is likely to lead to some increased disclosure around non - controlling interests.

(v) *IFRS 13 Fair value measurement (effective from 1 January 2013)*

In May 2011, the IASB issued IFRS 13 Fair value measurement, which establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value, including information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The valuation of a financial instrument will be assessed based on the facts at the date of initial application. The AASB is yet to release the Australian equivalent standard, but the Trust is in the process of assessing the impact based on the international standards.

(u) Rounding of amounts

The Trust 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 to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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

Net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	Consolidated	
	30 June	30 June
	2011	2010
	\$'000	\$'000
Designated at fair value	941	16,858
Held for trading	112	2,899
Net gains/(losses) on financial instruments held at fair value through profit or loss	<u>1,053</u>	<u>19,757</u>

4 Auditor's remuneration

The cost incurred for auditing the financial report of the Consolidated Entity is paid directly by the Responsible Entity. The audit fees paid/payable by the Responsible Entity for the year were as follows:

	Consolidated	
	30 June 2011 \$	30 June 2010 \$
Audit services		
Ernst & Young		
Audit and review of financial reports	16,000	21,000

5 Net assets attributable to unitholders

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

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

			Parent	
	30 June 2011 No. '000	30 June 2010 No. '000	30 June 2011 \$'000	30 June 2010 \$'000
Net assets attributable to unitholders				
Opening balance	254,212	239,498	129,614	108,070
Applications	49,583	60,195	25,927	32,497
Redemptions	(49,464)	(45,481)	(25,958)	(24,197)
Changes in net assets attributable to unitholders	-	-	2,076	13,244
Closing balance	254,331	254,212	131,659	129,614

	Parent	
	30 June 2011 \$'000	30 June 2010 \$'000
Total net assets attributable to unitholders	131,659	129,614

Capital risk management

Daily applications and redemptions are reviewed relative to the liquidity of the Trust's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Trust'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.

The Trust monitors the level of daily applications and redemptions relative to the liquid assets in the Trust. Sufficient liquid assets are maintained within the Trust. Liquid assets include cash and cash equivalents and listed equities included in the Stock Exchanges.

6 Distributions to unitholders

Timing of distributions

The distributions for the year were as follows:

	Parent			
	30 June 2011 \$'000	30 June 2011 CPU	30 June 2010 \$'000	30 June 2010 CPU
Distributions				
30 September quarterly paid	1,320	0.51	1,621	0.69
31 December quarterly paid	2,168	0.82	233	0.10
31 March quarterly paid	1,559	0.60	3,070	1.23
30 June quarterly payable	1,880	0.74	2,974	1.17
	<u>6,927</u>		<u>7,898</u>	

The component of the final distribution for the year which was unpaid at the reporting date is shown in the statement of financial position.

7 Financial assets held at fair value through profit or loss

	Note	Consolidated	
		30 June 2011 \$'000	30 June 2010 \$'000
Held for trading			
Derivatives	9	-	376
Total held for trading		<u>-</u>	<u>376</u>
Designated at fair value through profit or loss			
Equity securities		-	3,293
Listed property trusts		178,513	154,943
Listed unit trusts		-	3,552
Total designated at fair value through profit or loss		<u>178,513</u>	<u>161,788</u>
Total financial assets held at fair value through profit or loss		<u>178,513</u>	<u>162,164</u>

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

8 Financial liabilities held at fair value through profit or loss

	Note	Consolidated	
		30 June 2011 \$'000	30 June 2010 \$'000
Held for trading			
Derivatives	9	-	465
Total held for trading		<u>-</u>	<u>465</u>
Total financial liabilities held at fair value through profit or loss		<u>-</u>	<u>465</u>

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

9 Derivative financial instruments

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

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

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

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

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

The Consolidated Entity did not hold any derivative financial instruments at year end. Comparative information for derivative financial instruments is detailed below:

(a) Forward currency contracts

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

9 Derivative financial instruments (continued)

Consolidated
30 June 2010

	Fair Values		
	Contract/ notional \$'000	Assets \$'000	Liabilities \$'000
Forward currency contracts	(81)	376	463
Foreign currency forward contracts	(52)	-	2
	(133)	376	465

An overview of the risk exposures relating to derivatives is included in note 10.

10 Financial risk management

(a) Overview

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Consolidated Entity's overall risk management programme focuses on ensuring compliance with each entity's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Consolidated Entity is exposed. The Consolidated Entity may use derivative financial instruments to alter certain risk exposures. The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The allocation of assets between the various types of financial instruments is determined by the Consolidated Entity's Fund Manager who manages the Consolidated Entity's assets to achieve the Consolidated Entity's investment objectives.

Divergence from target allocations and the composition of the assets is monitored on a regular basis.

The Responsible Entity of the Consolidated Entity is aware of the risks associated with the business of investment management. A financial risk management framework has been established to ensure that procedures and controls adequately manage the risks arising from current business activities. Central control include (but are not limited to):

- clear policies and procedures covering operations;
- post-trade investment compliance monitoring;
- segregation of the dealing and investment management function from the administration and settlement function;
- an independent service provider for the valuation of securities; and
- a compliance function with a separate reporting line from the Funds Management team.

As part of the risk management framework, the Responsible Entity is subject to regular reporting and committee meetings regarding risk and compliance issues. The purpose is to facilitate a flow of information between the business and the Responsible Entity's Board and Committees. Any material matters identified are promptly investigated and reported.

There are no changes in the strategies used to manage the financial risks from the previous reporting period.

10 Financial risk management (continued)

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Consolidated Entity's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Consolidated Entity is exposed to market risks influencing investment valuations. The Consolidated Entity may utilise derivatives to manage this risk.

(i) Price risk

Price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. Note (c) below sets out how this component of price risk is managed and measured. Investments are classified in 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.

As the majority of the Consolidated Entity's investments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market conditions will directly affect net investment income.

The fund manager mitigates this price risk through diversification and a rigorous selection of securities and other financial instruments within specified limits set by the Board. Part (c) of this note summarises the impact of an increase/decrease of the S&P/ASX 300 A-REIT Accumulation Index on the Consolidated Entity's net assets attributable to unitholders at 30 June 2011. The analysis is based on the assumptions that the index increased by 10% (2010: 10%) and decreased by 10% (2010: 10%) with all other variables held constant and that the fair value of the Trust's portfolio of equity securities and derivatives moved according to the historical correlation with the index. The impact mainly arises from the reasonably possible change in the fair value of listed equities, unlisted unit trusts and equity derivatives.

Daily monitoring of trade restrictions and derivative exposure against limits is undertaken with any breach of these limit restrictions reported.

(ii) Foreign exchange risk

Consolidated Entities that invest in international assets are exposed to foreign exchange risk. Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Fund managers may enter into derivatives contracts (such as forwards, swaps, options and futures) through approved foreign exchange dealers to minimise risk. However, the use of these contracts must be consistent with the investment strategy and restrictions of each Consolidated Entity, and agreed acceptable level of foreign exchange risk.

The Consolidated Entity holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

The table in part (c) of this note demonstrates the sensitivity of the Consolidated Entity's income statement to reasonably possible changes in foreign exchange rates, with all other variables held constant.

There is no significant direct foreign exchange risk in this Consolidated Entity.

(iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The majority of the Consolidated Entity's financial instruments are non-interest bearing with only cash and cash equivalents being directly subject to interest rate risk.

10 Financial risk management (continued)

(c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Consolidated Entity's operating profit and net assets attributable to unitholders to price risk for financial assets and liabilities held at the reporting date, and foreign exchange risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates and historical correlation of the Consolidated Entity's investments with the relevant benchmark, that is the S&P/ASX 300 A-REIT Accumulation Index. 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 Consolidated Entity invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

Consolidated	Price risk Impact on operating profit/Net assets attributable to unitholders	
	-10%	+10 %
	\$'000	\$'000
30 June 2011	(13,003)	13,003
30 June 2010	(16,578)	16,578

Consolidated	Foreign exchange risk Impact on operating profit/Net assets attributable to unitholders					
	-10%	+10 %	-10%	+10 %	-10%	+10 %
	USD	USD	CAD	CAD	CHF	CHF
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2011	-	-	-	-	-	-
30 June 2010	(362)	473	(30)	44	(11)	5

Consolidated	Foreign exchange risk Impact on operating profit/Net assets attributable to unitholders					
	-10%	+10 %	-10%	+10 %	-10%	+10 %
	EUR	EUR	GBP	GBP	OTHER	OTHER
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2011	-	-	-	-	-	-
30 June 2010	(60)	80	(44)	42	(151)	82

(d) Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Consolidated Entity to incur a financial loss.

With respect to credit risk arising from the financial assets of the Consolidated Entity, other than derivatives, the Consolidated Entity's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments 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 reporting date.

Credit risk is not considered to be significant to the Consolidated Entity as the Consolidated Entity does not hold any direct investment in debt securities or have significant receivables.

10 Financial risk management (continued)

(e) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due.

The Trust's Product Disclosure Statement provides for daily redemption of units and it is therefore exposed to liquidity risk of meeting unitholders' redemption at any time.

This risk is controlled through the Consolidated Entity investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition the Consolidated Entity maintains sufficient cash and cash equivalents to meet normal operating requirements.

The investment management process includes the consideration of liquidity, both in terms of market quality and cash flow. In asset construction, securities/investments (including derivatives) are only purchased that meet investment criteria and this includes the assessment of saleability in different market conditions. Before entering into a transaction, consideration is given (among others):

- whether the purpose of the investment is consistent with the investment strategy of the Consolidated Entity;
- the ease of selling the security should market conditions change unfavourably;
- whether there are sufficient assets to cover the underlying liabilities of that transaction; and
- the overall liquidity level for the Consolidated Entity.

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

Maturity analysis for financial liabilities

Financial liabilities of the Consolidated Entity comprise trade and other payables, distributions payable, and net assets attributable to unitholders. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days.

Net assets attributable to unitholders are entirely payable on demand.

(f) Fair value estimation

All financial assets and financial liabilities included in the statement of financial position are carried at fair value.

The carrying amounts of all the Consolidated Entity's financial assets and financial liabilities at the reporting date approximated their fair values.

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.

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

The quoted market price used for financial assets held by the Consolidated Entity is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Consolidated Entity holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair value for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

10 Financial risk management (continued)

(g) Fair value hierarchy

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

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

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

The determination of what constitutes 'observable' requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be 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 Consolidated Entity's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy.

Consolidated - 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	<u>178,513</u>	-	-	<u>178,513</u>
Total	<u>178,513</u>	<u>-</u>	<u>-</u>	<u>178,513</u>
Consolidated - as at 30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets held for trading:				
Forward currency contracts	-	<u>376</u>	-	<u>376</u>
	-	376	-	376
Financial assets designated at fair value through profit or loss at inception:				
Equity securities	3,293	-	-	3,293
Listed unit trusts	3,552	-	-	3,552
Listed property trusts	<u>154,943</u>	-	-	<u>154,943</u>
Total	<u>161,788</u>	<u>376</u>	<u>-</u>	<u>162,164</u>
Financial liabilities				
Financial liabilities held for trading:				
Forward currency contracts	-	463	-	463
Options	-	<u>2</u>	-	<u>2</u>
Total	<u>-</u>	<u>465</u>	<u>-</u>	<u>465</u>

10 Financial risk management (continued)

(g) Fair value hierarchy (continued)

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

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include investments in unlisted unit trusts and over-the-counter derivatives (list will be updated based on final information on level 2 and 3). 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.

The fair value of units in unlisted investment trusts (including investments in trusts that have suspended daily redemptions) is determined by reference to published bid prices at the close of business on the reporting date, being the redemption price as established by the underlying Trust's Responsible Entity.

11 Related party transactions

Parent entity

The parent entity within the group is Challenger Wholesale Property Securities Fund. Challenger Wholesale Property Securities Fund at 30 June 2011 owns 71.77% (2010: 80.54%) of the units of Challenger Premier Property Securities Fund and owns nil% (2010: 49.52%) of the units of Challenger Global Property Securities Fund.

Responsible Entity

The Responsible Entity of Challenger Wholesale Property Securities Fund is Challenger Managed Investments Limited whose immediate parent company is Challenger Funds Management Holdings Pty Limited and ultimate parent company is Challenger Limited.

Key management personnel

(a) Directors

Key management personnel includes persons who were directors of Challenger Managed Investments Limited at any time during the year and up to the date of the report as follows:

BJ O'Connor
BR Benari
PD Rogan
RJ Woods
RW Adams (resigned 25 January 2011)
R Willis (appointed 25 January 2011)

(b) Other key management personnel

In addition to the directors noted above, the Responsible Entity is considered to be key management personnel with authority for the strategic direction and management of the Trust.

Key management personnel unitholdings

At 30 June 2011 no key management personnel held units in the Trust (2010: Nil).

Key management personnel compensation

No amount is paid by the Trust to the directors of the Responsible Entity.

Compensation is paid to the Responsible Entity in the form of fees and is disclosed below.

11 Related party transactions (continued)

Responsible Entity's fees and other transactions

For the year ended 30 June 2011, in accordance with the Trust's Deed, the Responsible Entity received a total fee of 0.85% (inclusive of GST, net of RITC available to the Trust) per annum (2010: 0.85%).

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Trust and the Responsible Entity were as follows:

	Consolidated	
	30 June 2011	30 June 2010
	\$	\$
Management fees for the year paid directly to the Responsible Entity	<u>1,144,999</u>	1,080,346
Aggregate amounts payable to the Responsible Entity at the reporting date	<u>105,389</u>	<u>106,905</u>

Related party unitholdings

Parties related to the Trust (including Challenger Managed Investments Limited, its related parties and other schemes managed by Challenger Managed Investments Limited) hold no units in the Trust.

Investments

The Trust held investments in the following entities which are also managed by Challenger Managed Investments Limited or its related parties:

	Fair value of investment		Parent Interest held		Distributions received/receivable	
	2011	2010	2011	2010	2011	2010
	\$	\$	%	%	\$	\$
Challenger Premier Property Securities Fund	<u>131,254,796</u>	129,123,849	71.77	80.54	<u>8,007,827</u>	8,899,823

12 Reconciliation of net profit/(loss) attributable to unitholders to net cash flows from operating activities

	Consolidated	
	30 June 2011 \$'000	30 June 2010 \$'000
(a) Reconciliation of net profit/(loss) attributable to unitholders to net cash flows from operating activities		
Net profit attributable to unitholders	9,979	28,312
Proceeds from sale of financial instruments held for trading at fair value through profit and loss	156	588
Changes in the fair value of financial assets	(1,053)	(19,757)
Net change in receivables and other assets	(902)	106
Net foreign exchange gain/(loss)	1,163	1,494
Net change in payables and other liabilities	(2)	24
Net cash inflow/(outflow) from operating activities	9,341	10,767
(b) Components of cash and cash equivalents		
Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Cash at bank	<u>4,422</u>	<u>1,638</u>
Cash and cash equivalents	4,422	1,638
(c) Non-cash financing activities		
- reinvestment of unitholder distributions	12,999	7,874
- participation in distribution and dividend re-investment plans	<u>2,000</u>	<u>4,881</u>

13 Events occurring after the reporting period

No other significant events have occurred since the reporting date which would impact on the financial position of the Trust as at 30 June 2011 or on the results and cash flows of the Trust for the year ended on that date.

14 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Parent	
	30 June 2011 \$'000	30 June 2010 \$'000
Balance sheet		
Assets	133,613	132,663
Liabilities (excluding net assets attributable to unitholders)	<u>1,954</u>	<u>3,049</u>
Net assets attributable to unitholders	<u>131,659</u>	<u>129,614</u>
Profit for the year	9,003	21,142
Total comprehensive income	<u>-</u>	<u>-</u>

14 Parent entity financial information (continued)

(b) Guarantees entered into by the parent entity

	30 June 2011 \$'000	30 June 2010 \$'000
Carrying amount included in liabilities	-	-

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011 (2010: \$nil)

15 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2011 (2010: \$nil).

Directors' declaration

In accordance with the resolution of the Directors of Challenger Managed Investments Limited, I state that:

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 29 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Trust's financial position as at 30 June 2011 and of its performance for the financial year ended on that date;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a); and
- (c) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

On behalf of the Board of Directors of Challenger Managed Investments Limited.



BJ O'Connor
Director

Sydney
16 September 2011

Independent auditor's report to the unitholders of Challenger Wholesale Property Securities Fund

We have audited the accompanying financial report of Challenger Wholesale Property Securities Fund (the Trust), which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in net assets attributable to unitholders and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(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 about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Responsible 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

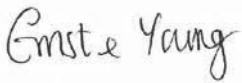
In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is attached to the directors' report.

Opinion

In our opinion:

- a. the financial report of Challenger Wholesale Property Securities Fund is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

- ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

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

Ernst & Young

A handwritten signature in cursive script that reads 'Clare Sporle'.

Clare Sporle
Partner
Sydney
16 September 2011

Directory

Responsible Entity

Challenger Managed Investments Limited
ABN 94 002 835 592
AFSL 234668

Registered office and principal place of business

Level 15
255 Pitt Street
SYDNEY NSW 2000

Custodian

JP Morgan Chase Bank, N.A.
259 George Street
SYDNEY NSW 2000

Auditor

For the Responsible Entity and the Trust
Ernst & Young
680 George Street
SYDNEY NSW 2000

Level 15
255 Pitt Street
Sydney NSW 2000
telephone 02 9994 7000
facsimile 02 9994 7777

Level 19
31 Queen Street
Melbourne VIC 3000
telephone 02 9994 7000
facsimile 02 9994 7777

Level 7
320 Adelaide Street
Brisbane QLD 4000
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facsimile 07 3136 5407

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Investor services
13 35 66

Adviser services
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