

Chifley Investment Fund

ARSN 108 054 468

Consolidated Annual Report
for the year ended 30 June 2009



Advice | Superannuation | **Investments** | Insurance | Lending



Chifley
Financial Services

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For the year ended 30 June 2009

The directors of Chifley Financial Services Limited (ABN 75 053 704 706), the Responsible Entity of Chifley Investment Fund, present their report together with the financial report of Chifley Investment Fund ("the Fund" and the "Parent") and the consolidated financial report of the Fund and its controlled entities (collectively, "the consolidated entity") for the year ended 30 June 2009.

Principal activities

The Fund invests in equities and equity derivatives, unlisted unit trusts, fixed interest securities and cash and cash equivalents in accordance with the provisions of the Fund's Constitution.

The consolidated entity did not have any employees during the year (2008: nil).

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

Directors

The following persons held office as directors of Chifley Financial Services Limited during the year or since the end of the year and up to the date of this report:

Mr Mark Lennon (Appointed Acting Chairman from 1 April 2009 and appointed Chairman 11 May 2009)

Mr Bernard Riordan (Chairman to 1 April 2009)

Mr John Beacroft

Mr John Byrne

Mr John Whelan

Mr Leo Kelly

Review of operations

During the year, the Fund continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

Results

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

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Net operating profit/(loss)	(63,164)	(75,009)	(56,399)	(75,009)
Distributions				
Distributions paid and payable	51,408	70,502	50,388	70,502

Significant changes in state of affairs

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2009 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

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

Indemnification and insurance of officers and auditors

During the financial year, the Responsible Entity paid a premium in respect of a contract insuring the directors, the company secretary, the compliance committee members, and all executive officers of the Responsible Entity and of its wholly-owned subsidiary against a liability incurred as such a director, secretary, compliance committee member, or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Responsible Entity has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or any related body corporate against a liability incurred as such an officer or auditor.

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

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 15 of the financial statements.

The number of interests in the Fund held by the Responsible Entity and its associates as at the end of the year are also disclosed in Note 15 of the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 5 of the financial statements.

The value of the Fund's assets and liabilities is disclosed on the balance sheet and derived using the basis set out in Note 2 of the financial statements.

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

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

Options granted

No options were:

- (i) Granted over unissued units in the Fund during or since the end of the financial year; or
- (ii) Granted to the responsible entity.

No unissued units in the Fund were under option as at the date on which this report is made.

No units were issued in the Fund during or since the end of the financial year as a result of the exercise of an option over unissued units in the Fund.

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 pursuant to s.298(2) of the *Corporations Act 2001*.

Director  _____

Sydney
24th day of September 2009

The Board of Directors
Chifley Financial Services Limited
28 Margaret Street
Sydney NSW 2000

24 September 2009

Dear Board Members

Chifley Investment Fund

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Chifley Financial Services Limited, as Responsible Entity of the Chifley Investment Fund.

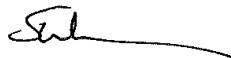
As lead audit partner for the audit of the financial statements of the Chifley Investment Fund for the financial year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



S C Woodhouse
Partner
Chartered Accountants

For the year ended 30 June 2009

	Notes	Consolidated		Parent	
		30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Investment income					
Interest income		6,078	8,063	6,043	5,790
Dividends		4,976	5,851	1,198	5,103
Trust distributions		24,758	41,545	26,633	41,741
Net gain/(loss) on financial instruments held at fair value through profit or loss	4	(96,309)	(125,469)	(88,254)	(123,267)
Other investment income		775	1,191	766	1,183
Total investment income/(loss)		<u>(59,722)</u>	<u>(68,819)</u>	<u>(53,614)</u>	<u>(69,450)</u>
Expenses					
Responsible Entity fees	15	2,462	3,981	2,462	3,981
Custody fees		90	667	-	487
Transaction costs		99	145	38	103
Auditor's remuneration	12	85	112	62	62
Other operating expenses		5	126	-	110
Investment manager fees		701	1,159	223	816
Total operating expenses		<u>3,442</u>	<u>6,190</u>	<u>2,785</u>	<u>5,559</u>
Net operating profit/(loss)		<u>(63,164)</u>	<u>(75,009)</u>	<u>(56,399)</u>	<u>(75,009)</u>
Financing costs attributable to unitholders					
Distributions to unitholders of the parent entity	3	(50,388)	(70,502)	(50,388)	(70,502)
Distributions to minority interests		(1,020)	-	-	-
(Increase)/decrease in net assets attributable to unitholders of the parent entity	6	106,787	145,511	106,787	145,511
(Increase)/decrease in net assets attributable to minority interests		<u>7,785</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net profit/(loss) for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The above income statements should be read in conjunction with the accompanying notes.

Balance sheets

As at 30 June 2009

	Notes	Consolidated		Parent	
		30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Assets					
Cash and cash equivalents	7	23,936	33,982	22,037	33,634
Deposits held with brokers for margin		241	1,130	219	1,130
Due from brokers - receivable for securities sold		46	811	-	287
Interest receivable		1,566	1,210	1,566	1,209
Receivables	10	9,113	22,379	9,229	22,429
Financial assets held at fair value through profit or loss	8	<u>656,726</u>	<u>881,270</u>	<u>633,056</u>	<u>881,654</u>
Total assets		<u>691,628</u>	<u>940,782</u>	<u>666,107</u>	<u>940,343</u>
Liabilities					
Distribution payable	3	360	182	99	182
Due to brokers - payable for securities purchased		3,437	778	2,221	407
Payables	11	317	496	248	428
Financial liabilities held at fair value through profit or loss	9	17	166	16	166
Net assets attributable to minority interests		<u>23,974</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities (excluding net assets attributable to unitholders of the parent entity)		<u>28,105</u>	<u>1,622</u>	<u>2,584</u>	<u>1,183</u>
Net assets attributable to unitholders of the parent entity - liability		<u>663,523</u>	<u>939,160</u>	<u>663,523</u>	<u>939,160</u>
Net assets attributable to unitholders of the parent entity					
Fair value of units on issue	5	816,231	985,081	816,231	985,081
Reserves	6	<u>(152,708)</u>	<u>(45,921)</u>	<u>(152,708)</u>	<u>(45,921)</u>
Net assets attributable to unitholders of the parent entity - liability		<u>663,523</u>	<u>939,160</u>	<u>663,523</u>	<u>939,160</u>

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of recognised income and expense

For the year ended 30 June 2009

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Net profit for the period	-	-	-	-
Total recognised income and expense for the year	-	-	-	-

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

Cash flow statements

For the year ended 30 June 2009

	Notes	Consolidated		Parent	
		30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Cash flows from operating activities					
Transaction costs on purchase of financial assets held at fair value through profit or loss		(99)	(145)	(38)	(103)
Custody fees paid		(97)	(667)	-	(487)
Dividends received		4,930	5,893	1,917	5,147
Interest received		5,722	8,232	5,686	5,960
Trust distributions received		24,196	7,805	24,103	7,784
Other income received		855	1,150	846	1,142
Responsible Entity fees paid		(2,640)	(3,954)	(2,640)	(3,954)
Payment of other expenses		(738)	(1,364)	(287)	(924)
GST received/(paid)		152	(77)	161	(107)
Withholding tax received		(8)	3	(3)	-
Net cash provided by/(used by) operating activities	16(a)	<u>32,273</u>	<u>16,876</u>	<u>29,745</u>	<u>14,458</u>
Cash flows from investing activities					
Proceeds from sale of financial assets held at fair value through profit or loss		785,989	379,325	694,488	344,279
Purchase of financial assets held at fair value through profit or loss		<u>(610,402)</u>	<u>(365,929)</u>	<u>(518,082)</u>	<u>(325,093)</u>
Net cash provided by/(used by) investing activities		<u>175,587</u>	<u>13,396</u>	<u>176,406</u>	<u>19,186</u>
Cash flows from financing activities					
Proceeds from applications by unitholders		166,325	63,047	166,325	63,047
Payments for redemptions by unitholders		(385,378)	(99,854)	(385,378)	(99,854)
Distributions paid		(862)	(91)	(268)	(91)
Net cash provided by/(used by) financing activities		<u>(219,915)</u>	<u>(36,898)</u>	<u>(219,321)</u>	<u>(36,898)</u>
Net (decrease)/increase in cash and cash equivalents		(12,055)	(6,626)	(13,170)	(3,254)
Cash and cash equivalents at beginning of the year		33,982	40,613	33,634	36,836
Effects of foreign currency exchange rate changes on cash and cash equivalents		<u>2,009</u>	<u>(5)</u>	<u>1,573</u>	<u>52</u>
Cash and cash equivalents at the end of the year	7	<u>23,936</u>	<u>33,982</u>	<u>22,037</u>	<u>33,634</u>
Non-cash financing activities	16(b)	<u>50,368</u>	<u>70,229</u>	<u>50,203</u>	<u>70,229</u>

The above cash flow statements should be read in conjunction with the accompanying notes.

For the year ended 30 June 2009

1 General information

The Responsible Entity of the Fund is Chifley Financial Services Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 12, 28 Margaret Street, Sydney NSW, 2000.

The parent entity within the consolidated entity is Chifley Investment Fund.

The financial statements were authorised for issue by the directors on the 24th day of September 2009.

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

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements and interpretations of the Australian Accounting Standards Board and the Corporations Act 2001 in Australia.

The financial report has been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRS ensures that the financial report of the parent entity and the consolidated entity, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Chifley Investment Fund (the "parent entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. Chifley Investment Fund and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all those entities over which the Fund 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 Fund controls another entity.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Fund.

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 Fund.

Minority interests in the results and net assets of subsidiaries are shown separately in the consolidated income statements and balance sheets respectively.

(c) Financial instruments

(i) Classification

The Fund's investments are categorised as at fair value through profit or loss which is comprised of:

▶ Financial instruments held for trading

These include derivative financial instruments including futures and currency contracts. All derivatives in a net receivable or payable position are shown gross and reported as either derivative financial assets or derivative financial liabilities. The Fund 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 debt and equity instruments, unlisted unit trusts, 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 Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis with other related financial information.

(ii) Recognition

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

(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 income statement.

▶ 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 balance sheet date 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.

▶ 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 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.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the balance sheet 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 the net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

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

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement.

(d) Investments in subsidiaries

Investments in subsidiaries are accounted for in accordance with Note 2(b).

(e) Business combinations

Business combinations relate to the acquisition by the Fund of controlling interests in other entities. The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the consideration given plus costs directly attributable to the acquisition.

(f) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance sheet date if unitholders exercised their right to put the units back to the Fund. As the Fund's redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference exists, which is treated as a separate component of net assets attributable to unitholders.

(g) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents include 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 as borrowings within liabilities on the balance sheet.

(h) Investment income

Interest income is recognised in the income statement for all debt instruments using the effective interest method.

Interest income is recognised in the income statement as it accrues, using the original effective interest rate of the instrument calculated at acquisition or origination date. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount calculated on an effective interest rate basis.

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 Fund estimate cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Trust distributions are recognised on an entitlement basis.

Dividend income is recognised on the ex-dividend date inclusive of any related foreign withholding tax.

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

(i) Expenses

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

(j) Income tax

Under current legislation, the Fund is not subject to income tax provided the taxable income of the Fund is fully distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Fund).

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 Fund is not subject to capital gains tax.

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

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

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

(k) Distributions

In accordance with the Fund's Constitution, the Fund fully distributes its distributable income to unitholders by cash or reinvestment. The distributions are recognised in the income statement as financing costs attributable to unitholders.

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

Non-distributable income is included in net assets attributable to unitholders and may consist of unrealised changes in the fair value of financial instruments held at fair value through profit or loss, derivative financial instruments, accrued income not yet assessable, expenses provided or accrued for which are not yet deductible, net capital losses and tax free or tax deferred income. Net capital gains on the realisation of any financial instruments (including any adjustments for tax deferred income previously taken directly to net assets attributable to unitholders) and accrued income not yet assessable will be included in the determination of distributable income in the same year in which it becomes assessable for tax.

(m) Foreign currency translation

(i) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for capital and is regulated. The Australian dollar is also the Fund's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The Fund does not isolate that portion of gains or losses on securities and derivative financial instruments which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to net assets attributable to unitholders. When a foreign operation is sold or any borrowings forming part of the net investments are repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(n) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the balance sheet date.

(o) Receivables

Receivables are measured at amortised cost less impairment and may include amounts for dividends, trust distributions and interest. 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. Amounts are generally received within 30 days of being recorded as receivables.

(p) Payables

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

The distribution amount payable to unitholders as at the reporting date is recognised separately on the balance sheet as unitholders are presently entitled to the distributable income as at 30 June 2009 under the Fund's Constitution.

(q) Applications and redemptions

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

(r) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, custodial services and investment management fees, have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 75% hence investment management fees, custodial fees and other expenses have been recognised in the income statement 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 balance sheet. Cash flows relating to GST are included in the cash flow statement on a gross basis.

(s) Use of estimates

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

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2009 reporting period. Management's assessment of the impact of these standards (to the extent relevant to the consolidated entity) and interpretations are set out below:

- (i) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

The revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Fund will apply the revised standard from 1 July 2009.

- (ii) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed.

- (iii) AASB 132 Financial Instruments: Presentation and AASB 2008-2 Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations Arising on Liquidation (Revised AASB 132)

Revised AASB 132 is applicable for reporting periods beginning on or after 1 January 2009. The Fund has not adopted this standard early. Application of this standard will not affect any of the amounts recognised in the financial statements as the Fund is obligated to distribute all of its taxable income in accordance with the Fund's Constitution. Accordingly, there will be no change to classification of unitholders' funds as a liability and therefore no impact on profit or loss and equity.

- (iv) AASB 2009-2 Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments

AASB 2009-2 is applicable for reporting periods beginning on or after 1 January 2009. It amends to require enhanced disclosures about fair value measurements and liquidity risk to require enhanced disclosures about fair value measurements and liquidity risk.

Among other things, the amendments:

- ▶ clarify that the existing AASB7 fair value disclosures must be made separately for each class of financial instrument
- ▶ add disclosure of any change in the method for determining fair value and the reasons for the change
- ▶ establish a three-level hierarchy for making fair value measurements used in the disclosures
- ▶ clarify that the current maturity analysis for non-derivative financial instruments shouldn't include issued financial guarantee contracts and disclosure of a maturity analysis for derivative financial liabilities.

Comparative information is not required to be provided in the first year the amendments are applied. Application of this standard will affect the financial instruments disclosures provided in Note 14.

(u) Rounding of amounts

The Fund is an entity of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the

3 Distributions to unitholders

financial report. Amounts in the financial report have been rounded off in accordance with that Class Order, unless otherwise stated.

		Consolidated	
		30 June 2009 \$'000	30 June 2008 \$'000
Distributions paid			
	31 July	186	208
	31 August	20,044	206
	30 September	1,429	223
	31 October	187	206
	30 November	-	211
	31 December	2,914	9,575
	31 January	101	139
	28 February	100	29
	31 March	791	271
	30 April	-	183
	31 May	-	191
	30 June	25,296	58,878
Distribution payable			
	30 June	360	182
		<u>51,408</u>	<u>70,502</u>

		Parent	
		30 June 2009 \$'000	30 June 2008 \$'000
Distributions paid			
	31 July	186	208
	31 August	20,044	206
	30 September	1,293	223
	31 October	187	206
	30 November	-	211
	31 December	2,622	9,575
	31 January	101	139
	28 February	100	29
	31 March	625	271
	30 April	-	183
	31 May	-	191
	30 June	25,131	58,878
Distribution payable			
	30 June	99	182
		<u>50,388</u>	<u>70,502</u>

4 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		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Financial assets				
Net gain/(loss) on financial assets held for trading	(13,676)	15,789	(13,842)	15,752
Net gain/(loss) on financial assets designated as at fair value through profit or loss	<u>(82,339)</u>	<u>(130,652)</u>	<u>(74,118)</u>	<u>(128,407)</u>
Net gain/(loss) on financial assets held at fair value through profit or loss	<u>(96,015)</u>	<u>(114,863)</u>	<u>(87,960)</u>	<u>(112,655)</u>
Net realised gain/(loss) on financial assets held at fair value through profit or loss	(128,549)	29,709	(123,972)	29,527
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	<u>32,534</u>	<u>(144,572)</u>	<u>36,012</u>	<u>(142,182)</u>
Net gain/(loss) on financial assets held at fair value through profit or loss	<u>(96,015)</u>	<u>(114,863)</u>	<u>(87,960)</u>	<u>(112,655)</u>
Financial liabilities				
Net gain/(loss) on financial liabilities held for trading	(294)	(10,605)	(294)	(10,612)
Net gain/(loss) on financial liabilities designated as at fair value through profit or loss	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Net gain/(loss) on financial liabilities held at fair value through profit or loss	<u>(294)</u>	<u>(10,606)</u>	<u>(294)</u>	<u>(10,612)</u>
Net realised gain/(loss) on financial liabilities held at fair value through profit or loss	(444)	(10,467)	(444)	(10,474)
Net unrealised gain/(loss) on financial liabilities held at fair value through profit or loss	<u>150</u>	<u>(139)</u>	<u>150</u>	<u>(138)</u>
Net gain/(loss) on financial liabilities held at fair value through profit or loss	<u>(294)</u>	<u>(10,606)</u>	<u>(294)</u>	<u>(10,612)</u>
Total net gain/(loss) on financial instruments held at fair value through profit or loss	<u>(96,309)</u>	<u>(125,469)</u>	<u>(88,254)</u>	<u>(123,267)</u>

5 Net assets attributable to unitholders

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

	Consolidated			
	30 June 2009 No. '000	30 June 2008 No. '000	30 June 2009 \$'000	30 June 2008 \$'000
Opening balance	1,004,787	965,190	985,081	951,659
Outstanding units issued in 2008	17,414	-	16,545	-
Applications	189,821	58,506	166,325	63,047
Redemptions	(457,963)	(94,660)	(401,923)	(99,854)
Units issued upon reinvestments of distributions	<u>59,040</u>	<u>75,751</u>	<u>50,203</u>	<u>70,229</u>
Closing balance	<u>813,099</u>	<u>1,004,787</u>	<u>816,231</u>	<u>985,081</u>

5 Net assets attributable to unitholders (continued)

	Parent			
	30 June 2009 No. '000	30 June 2008 No. '000	30 June 2009 \$'000	30 June 2008 \$'000
Opening balance	1,004,787	965,190	985,081	951,659
Outstanding units issued in 2008	17,414	-	16,545	-
Applications	189,821	58,506	166,325	63,047
Redemptions	(457,963)	(94,660)	(401,923)	(99,854)
Units issued upon reinvestments of distributions	59,040	75,751	50,203	70,229
Closing balance	813,099	1,004,787	816,231	985,081

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. Each unit has the same rights attaching to it as all other units of the Fund. The units are separated into the following strategies:

- ▶ Australian Equities
- ▶ International Equities
- ▶ Listed Property
- ▶ Australian Fixed Income (Composite)
- ▶ Australian Fixed Income (Sovereign)
- ▶ International Fixed Income (Composite)
- ▶ International Fixed Income (Credit)
- ▶ Cash
- ▶ Absolute Return
- ▶ Structured Bond

6 Reserves

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Opening Balance	(45,921)	99,590	(45,921)	99,590
Unrealised changes in the net fair value of investments	32,632	(144,711)	36,132	(142,320)
Tax timing/permanent reserve	(139,419)	(800)	(142,919)	(3,191)
Closing balance	(152,708)	(45,921)	(152,708)	(45,921)

7 Cash and cash equivalents

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Cash at bank	23,936	33,982	22,037	33,634
	23,936	33,982	22,037	33,634

The above figures are reconciled to cash as shown in the cash flow statement as follows:

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Balances as above	23,936	33,982	22,037	33,634
Balances as per cash flow statement	23,936	33,982	22,037	33,634

8 Financial assets held at fair value through profit or loss

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Held for trading				
Derivatives	2,545	978	2,529	978
Total held for trading	2,545	978	2,529	978
Designated as at fair value through profit or loss				
Equity securities	138,752	200,368	33,196	169,864
Fixed interest securities	118,959	77,160	118,959	77,160
Unlisted unit trusts	396,470	602,764	478,372	633,652
Total designated as at fair value through profit or loss	654,181	880,292	630,527	880,676
Total financial assets held at fair value through profit or loss	656,726	881,270	633,056	881,654
Derivatives				
Australian share price index futures	16	-	-	-
Australian fixed interest futures	7	18	7	18
Currency contracts	2,522	960	2,522	960
Total derivatives	2,545	978	2,529	978
Equity securities				
Australian equity securities listed on a prescribed stock exchange	103,754	105,070	225	105,070
International equity securities listed on a prescribed stock exchange	1,942	38,217	-	7,713
Units in trusts listed on a prescribed stock exchange	33,056	57,081	32,971	57,081
Total equity securities	138,752	200,368	33,196	169,864
Fixed interest securities				
Australian commonwealth government	45,293	32,846	45,293	32,846
Australian semi government	70,887	44,314	70,887	44,314
Corporate bond	2,779	-	2,779	-
Total fixed interest securities	118,959	77,160	118,959	77,160
Unlisted unit trusts				
Units in unlisted international equity trusts	29,631	43,295	29,631	42,623
Unlisted cash and fixed interest trusts	287,756	355,308	285,932	355,308
Unlisted equity trusts	79,083	204,161	162,809	235,721
Total unlisted unit trusts	396,470	602,764	478,372	633,652
Total financial assets held at fair value through profit or loss	656,726	881,270	633,056	881,654

9 Financial liabilities held at fair value through profit or loss

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Held for trading				
Derivatives	17	166	16	166
Total held for trading	17	166	16	166
Total financial liabilities held at fair value through profit or loss	17	166	16	166
Derivatives				
Australian share price index futures	16	88	16	88
Currency contracts	-	78	-	78
Equity swaps	1	-	-	-
Total derivatives	17	166	16	166
Total financial liabilities held at fair value through profit or loss	17	166	16	166

10 Receivables

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Dividends receivable	799	787	3	719
Unit trusts distributions receivable	8,124	21,157	9,048	21,291
RITC receivable	108	273	96	257
Other receivable	82	162	82	162
	9,113	22,379	9,229	22,429

11 Payables

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Responsible Entity fees payable	186	364	186	364
Other payable	131	132	62	64
	317	496	248	428

12 Auditor's remuneration

	Consolidated		Parent	
	30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$
Audit of the parent entity	34,394	33,994	34,394	33,994
Other audit services	16,538	16,538	16,538	16,538
Other auditors	34,389	61,153	11,541	11,298
	85,321	111,685	62,473	61,830

Other audit services relate to the audit of Chifley Investment Fund's compliance plan.

Audit fees of the parent entity are paid by Chifley Financial Services Pty Limited on behalf of the Parent. The auditor of the Chifley Investment Fund is Deloitte Touche Tohmatsu.

13 Derivative financial instruments

In the normal course of business, the Fund enters into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date whose value changes in response to a 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.

Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- ▶ hedging to protect assets or liabilities of the Fund against a fluctuation in market values or to reduce volatility
- ▶ a substitution for trading of physical securities
- ▶ 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 Fund.

The Fund held the following derivative financial instruments during the year:

(a) Forward currency contracts

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

(b) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contract values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rate at a future date at a specified price, established in an organised financial market.

Notional Principal Amounts

At the reporting date, the notional principal amounts of derivative financial instruments, excluding foreign exchange instruments, held by the Fund were as follows:

	Consolidated		Parent	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	Contract/ notional \$'000	Contract/ notional \$'000	Contract/ notional \$'000	Contract/ notional \$'000
Buy				
Australian fixed interest futures	850	1,868	850	1,868
Forward currency contracts	21,453	64,282	21,453	64,282
Australian share price index futures	2,952	1,048	1,001	1,048
Equity Options	23	-	-	-
	<u>25,278</u>	<u>67,198</u>	<u>23,304</u>	<u>67,198</u>
Sell				
Forward currency contracts	-	6,402	-	6,402
	<u>-</u>	<u>6,402</u>	<u>-</u>	<u>6,402</u>

14 Financial risk management

(a) Financial instruments management

The investments of the Fund are invested on behalf of the Responsible Entity by investment managers. The investment managers are required to invest the assets allocated for discrete management in accordance with the terms of a written investment management agreement; or through a pooled vehicle managed on the terms disclosed within the information memorandum. The Responsible Entity of Chifley Investment Fund has determined that the appointment of these managers is appropriate for the Fund and is in accordance with the Fund's investment strategy.

J P Morgan acts as master custodian on behalf of the Responsible Entity and as such provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 2 to the financial statements.

(c) Capital risk management

The capital structure of the Fund consists of cash and cash equivalents and the proceeds from the issue of units of the Fund.

The Responsible Entity of the Fund holds an Australian Financial Services license (AFSL), but there is no capital requirement stipulated by the license.

(d) Categories of financial instruments

The majority of the assets and liabilities of the Fund are recognised at fair value as at the reporting date. Changes in fair value are recognised through the income statement.

(e) Financial risk management objectives

The Fund is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including currency risk, fair value and variable interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Fund's risk management and investment policies, approved by the Responsible Entity, seek to minimise the potential adverse effects of these risks on the Fund's financial performance and financial position.

The Fund outsources the investment management to specialist managers, who provide services to the Fund, co-ordinate access to domestic and international markets, and manage the financial risks relating to the operations of the Fund in accordance with an investment mandate set out in accordance with the Fund's Constitution and information memorandum. The Fund's investment mandates will invest across a number of specific asset class strategies, these will in turn create diversified portfolios by using instruments that are approved for inclusion through nominated investment universes. These may include such assets as stocks listed on the ASX and international stock exchanges, fixed interest securities and it may also invest in derivative instruments such as futures and options.

The Fund does not enter into or trade derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Fund's investment policies, which provide written principles on the use of financial derivatives. These principles permit the use of derivatives to change the Fund's exposure to particular assets. Derivatives are not used to gear the Fund and the Fund's effective market exposure will not exceed its market value. Compliance with policies and exposure limits is reviewed by the Responsible Entity on a continuous basis.

(f) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange (currency risk), market interest rates (interest rate risk) and market prices (price risk).

Whilst market risk is unavoidable the Fund will look to minimise the volatility and absolute return fluctuations through thoughtful and well diversified portfolio construction. The relationships that varying asset classes display during volatile market conditions are critical in this construction process. The Fund manages this risk via outsourcing its investment management; the Investment Manager manages the financial risks relating to the operations of the Fund in accordance with an investment mandate set out in accordance with the Fund's Constitution and product disclosure statement.

The carrying amounts of financial assets best represent the maximum market risk exposure at the balance sheet date.

There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk.

(i) Interest Rate Risk Management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund has significant investments which have exposure to the interest rate markets. The Fund invests in these financial assets for the primary purpose of obtaining a return on investments on behalf of its members. The Fund's investments are subject to interest rate risks and the return on the investments will fluctuate in accordance with movements in market interest rates.

These investments involve cash and cash equivalents, longer dated fixed interest instruments and credit instruments. Longer dated fixed interest instruments result in the fund having exposure to interest rate movements. The Fund manages this risk by investing in diverse exposures through both floating interest rate instruments and fixed interest rate instruments. The Responsible Entity monitors its exposures to interest rate

risk. The Fund's overall strategy to interest rate risk management has not changed from the previous year.

(ii) Foreign Currency Risk Management

The Fund is exposed to foreign exposure risk as a result of investments in financial instruments denominated in foreign currencies. Exchange rate exposure is managed within approved policy parameters utilising forward exchange rate contracts. The forward exchange rate contracts are designed to hedge 50% of its exposure to foreign currency for all international equities and 100% of all other international assets.

The Responsible Entity uses a currency external overlay manager to manage its exposures to foreign currency risk. The Fund's overall strategy to foreign currency risk management has not changed from the previous year.

(iii) Other Market Risk

Market price risk is the risk that the value of the Fund's investment portfolio will fluctuate as a result of changes in market prices. This risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. Market price risk analysis is conducted regularly on a total portfolio basis which includes the effect of derivatives. The Fund's overall strategy to market price risk management has not changed from the previous year.

The price risk disclosures have been prepared on the basis of the Fund's direct investment and not on a look-through basis for investments held indirectly through unlisted unit trusts. Consequently, the disclosure of price risk in the note may not represent the true price risk profile of the Fund where the Fund has significant investments in unlisted managed investment schemes which also have exposure to price risk.

(iv) Interest Income

The Fund recorded interest income of \$6,042,752 for the year (2008: \$5,790,378) for financial assets held at fair value through profit or loss.

The consolidated entity recorded interest income of \$6,078,427 for the year (2008: \$8,062,782) for financial assets held at fair value through profit or loss.

(g) Value-at-Risk (VaR) Analysis

The VaR measure estimates the potential loss in pre-taxation profit over a given holding period for the specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recording offsetting positions and correlations between products and markets. Our assumed volatilities and correlations of assets are based on the observed patterns of returns over the period from 1980 to the balance sheet date. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one year 95% VaR number is based on a one tail test. This reflects that there is a 5 % probability over a one year period the portfolio will perform at or worse than the stated VaR based on the assumptions made. These assumptions are detailed after the table below.

The relative asset weightings utilised for the VaR calculation was at 30 June for each financial year end. These were calculated from the Registry data maintained for the holdings in each sector. In cases where cash assets were held in the relevant sector these were judged as likely to be invested in that asset class and so included as that asset class.

The Fund's VaR should be interpreted in light of the limitations of the methodologies used. These limitations include the following:

- ▶ Historical data may not provide the best estimate of the joint distribution of risk factor changes in the future and may fail to capture the risk of possible extreme adverse market movements which have not occurred in the historical window used in the calculations;
- ▶ VaR using a 95 per cent confidence level does not reflect the extent of potential losses beyond that percentile.

These limitations and the nature of the VaR measure mean that the Fund can neither guarantee that losses will not exceed the VaR amounts indicated nor that losses in excess of the VaR amounts will not occur more frequently than is stipulated by the model.

The following table summarises the estimated market risk impact to the profitability of the Fund. The estimated impact has been calculated on the basis of a VaR number incorporating market price, currency and interest rate factors into an overall return risk.

		Consolidated	
		Financial assets held at fair value through profit or loss	Estimated impact of Financial assets held at fair value through profit or loss (+/-)
VaR Factor	%	\$'000	\$'000
30 June 2009	2.17%	656,726	14,251
30 June 2008	3.25%	881,270	28,641

		Parent	
		Financial assets held at fair value through profit or loss	Estimated impact of Financial assets held at fair value through profit or loss (+/-)
VaR Factor	%	\$'000	\$'000
30 June 2009	2.17%	633,056	13,737
30 June 2008	3.25%	881,654	28,654

A number of assumptions have been used in setting a strategic asset allocation for the Fund. These assumptions have been provided by the Investment Consultant.

The assumptions are expressed in terms of an expected annual return for each asset class, expected annual volatility of return for each asset class and correlations between asset class returns.

The assumptions are based on a combination of financial theory, historical returns over recent and long historical periods, current interest rates and market expectation of inflation. They are also based on a three year time horizon and before tax.

The two key elements of the underlying structure of the assumptions are a model of bond yield (nominal and real) movements and a system of equations that relates returns for other asset classes to changes in bond yields.

Summarising the assumptions specific to asset classes:-

Australian Equities

Expected returns for the equity classes include a premium over fixed interest return. The Responsible Entity expects equities to outperform bonds in the long run.

International Equities

Expected returns for the international equities has been set equal to that of domestic equities.

Australian and International Property

As with equity asset classes, the expected return for property includes a premium over the fixed interest return.

Australian and International Fixed Interest

For setting the fixed interest assumptions, the Responsible Entity has assumed a duration equal to that of the average UBS Australia Composite Bond Index which was 3.5 years. The assumed return is then based on the long term history of these securities relationship with both the real (CPI) and relative (cash) rates.

Inflation Linked Bonds

As opposed to Fixed Interest, the expected inflation is extracted from the difference between nominal yields on conventional bonds and real yields on inflation-linked bonds.

Cash

Cash returns are assumed to represent a discount relative to the expected domestic bond yields.

Absolute Return (Hedge)

As with equity asset classes, the expected return for Absolute Return (Hedge) includes a premium over the fixed interest return.

(h) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract resulting in financial loss to the Fund. Concentrations of credit risk are minimised primarily by the following techniques:

- ▶ ensuring counterparties, together with their respective credit limits are approved;
- ▶ ensuring that transactions are undertaken with a number of counterparties; and
- ▶ ensuring that the majority of transactions are undertaken on recognised exchanges.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This also relates to financial assets carried at amortised cost as they have a short term to maturity.

The Fund has a number of exposures to investments greater than 5% of the total value of the Fund. The Fund manages exposure to any individual counterparty or industry by investing the assets of the Fund in a number of underlying investments trusts. The credit risk is managed not only by diversifying across Investment Managers but also by the Investment Managers having diversified portfolios, thus minimising the counterparty risk.

Credit risk arising on investments is mitigated by investing primarily in rated instruments or instruments issued by rated counterparties of credit ratings of at least 'BBB+' or better as determined by Standard and Poor's; unless these securities form part of the profile of specifically permitted market benchmarks within mandated or pooled investments as in the case of Emerging Market Debt, High Yield Bonds or as part of the exposure to Structured Products, Private Equity or Semi Liquid Assets. Regarding the less liquid assets, there is more risk than those securities rated BBB+, however this is managed by external professional Investment Managers. Their exposure to risk is undertaken when they believe the premium being paid is more than sufficient to cover the default risk on the debt. The risk is further mitigated by the diversification of the exposure across a range of Investment Managers.

(i) Liquidity risk

The Fund's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. The Fund allows unitholders to withdraw units and it is therefore exposed to the liquidity risk of meeting unitholders withdrawals any time. The Fund's listed securities and unit trust investments are considered to be readily realisable. The Fund's financial instruments include investments in unlisted investments, direct property and private equity, which are not traded in an organised market and which generally may be illiquid. As a result, there is a risk that the Fund may not be able to liquidate all of these investments at their fair value in order to meet its liquidity requirements.

The Fund's liquidity risk is managed in accordance with the Fund's investment strategy. The Fund has a high level of net inward cash flows (through new applications) which provides capacity to manage liquidity risk. The Fund also manages liquidity risk by maintaining adequate banking facilities and through the continuous monitoring of forecast and actual cash flows. As a further risk mitigation strategy, it is the Responsible Entity's policy that the Fund must have a minimum of 70% of assets invested in liquid asset classes at any one point in time. The Responsibility Entity has incorporated an exposure to more liquid assets to assist in the management of the Fund's liquidity risk. This is the only change in the Fund's overall strategy to liquidity risk management from the prior year.

The following tables summarise the maturity profile of the Fund's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay. The tables include both interest and principal cash flows.

	Consolidated				
	At call \$'000	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000
30 June 2009					
Distribution payable	-	360	-	-	-
Due to brokers	-	3,437	-	-	-
Payables	-	317	-	-	-
Net assets attributable to unitholders	<u>663,523</u>	-	-	-	-
Total financial liabilities	<u>663,523</u>	<u>4,114</u>	-	-	-
30 June 2008					
Distribution payable	-	182	-	-	-
Due to brokers	-	778	-	-	-
Payables	-	496	-	-	-
Net assets attributable to unitholders	<u>939,160</u>	-	-	-	-
Total financial liabilities	<u>939,160</u>	<u>1,456</u>	-	-	-

	Parent				
	At call \$'000	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000
30 June 2009					
Distribution payable	-	99	-	-	-
Due to brokers	-	2,221	-	-	-
Payables	-	248	-	-	-
Net assets attributable to unitholders	<u>663,523</u>	-	-	-	-
Total financial liabilities	<u>663,523</u>	<u>2,568</u>	-	-	-
30 June 2008					
Distribution payable	-	182	-	-	-
Due to brokers	-	407	-	-	-
Payables	-	428	-	-	-
Net assets attributable to unitholders	<u>939,160</u>	-	-	-	-
Total financial liabilities	<u>939,160</u>	<u>1,017</u>	-	-	-

The table below analyses the Fund's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period to the contractual maturity date at the year end date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Consolidated				
	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000
30 June 2009					
Foreign currency forward contracts					
Inflows	21,453	-	-	-	21,453
(Outflows)	-	-	-	-	-
Interest rate futures					
Inflows	-	850	-	-	850
(Outflows)	-	-	-	-	-
Share price index futures					
Inflows	-	2,952	-	-	2,952
(Outflows)	-	-	-	-	-
Equity options					
Inflows	-	23	-	-	23
(Outflows)	-	-	-	-	-
30 June 2008					
Foreign currency forward contracts					
Inflows	19,551	44,731	-	-	64,282
(Outflows)	(2,790)	(3,612)	-	-	(6,402)
Interest rate futures					
Inflows	-	1,868	-	-	1,868
(Outflows)	-	-	-	-	-
Share price index futures					
Inflows	-	1,048	-	-	1,048
(Outflows)	-	-	-	-	-

	Parent				
	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000
30 June 2009					
Foreign currency forward contracts					
Inflows	21,453	-	-	-	21,453
(Outflows)	-	-	-	-	-
Interest rate futures					
Inflows	-	850	-	-	850
(Outflows)	-	-	-	-	-
Share price index futures					
Inflows	-	1,001	-	-	1,001
(Outflows)	-	-	-	-	-
30 June 2008					
Foreign currency forward contracts					
Inflows	19,551	44,731	-	-	64,282
(Outflows)	(2,790)	(3,612)	-	-	(6,402)
Interest rate futures					
Inflows	-	1,868	-	-	1,868
(Outflows)	-	-	-	-	-
Share price index futures					
Inflows	-	1,048	-	-	1,048
(Outflows)	-	-	-	-	-

15 Related party transactions **Parent entity**

The parent entity is Chifley Investment Fund.

Responsible Entity

The Responsible Entity is Chifley Financial Services Limited (ABN 75 053 704 706).

Key management personnel

(a) Directors

The following persons are considered the key management personnel of the consolidated entity and held office as directors of Chifley Financial Services Limited during the year or since the end of the year and up to the date of this report:

Mr Mark Lennon (Appointed Acting Chairman from 1 April 2009 and appointed Chairman 11 May 2009)

Mr Bernard Riordan (Chairman to 1 April 2009)

Mr John Beacroft

Mr John Byrne

Mr John Whelan

Mr Leo Kelly

(b) Other key management personnel

The Responsible Entity of the Fund is Chifley Financial Services Limited. No other person had authority and responsibility for planning, directing, and controlling the activities of the Fund, directly or indirectly during the period.

Related party transactions

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 Fund and the Responsible Entity were as follows:

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Management fee for the year paid by the Fund to the Responsible Entity	2,462	3,981	2,462	3,981

Related party schemes' unit holdings

Parties related to the Fund including the Responsible Entity, its affiliates or other schemes managed by the Responsible Entity held units in the Fund as follows:

	Parent		
	Number of units held '000	Interest held %	Distributions paid/payable by the Fund \$'000
30 June 2009			
Entity Name			
Chifley Financial Services Limited (CFS Limited)	4,779	0.67	281
Energy Industries Superannuation Scheme Pty Ltd*	426	0.06	26
FuturePlus Financial Services Pty Ltd**	10,992	1.54	810
FuturePlus Super***	342,662	40.02	18,681
	<u>358,859</u>	<u>42.29</u>	<u>19,798</u>

	Parent		
	Number of units held '000	Interest held %	Distributions paid/payable by the Fund \$'000
30 June 2008			
Entity Name			
Chifley Financial Services Limited (CFS Limited)	4,209	0.42	441
Energy Industries Superannuation Scheme Pty Ltd*	398	0.04	32
FuturePlus Financial Services Pty Ltd**	13,241	1.32	915
FuturePlus Super***	305,329	29.87	20,373
	<u>323,177</u>	<u>31.65</u>	<u>21,761</u>

* Common directors Bernard Riordan and John Whelan

** Common directors Bernard Riordan, John Whelan and Peter Woods

*** Common directors Bernard Riordan and John Whelan and CFS Limited is the approved trustee of FuturePlus Super

Key management personnel unit holdings

At 30 June 2009 no key management personnel held units in the Fund (2008: Nil).

Key management personnel remuneration

Key management personnel are paid by the Responsible Entity. Payments made from the Fund to the Responsible Entity do not include any amounts directly attributable to key management personnel remuneration.

Key management personnel loan disclosures

The Fund 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.

Investments

The Fund did not hold any investment in the Responsible Entity or its affiliates during the year (2008: Nil).

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

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
(a) Reconciliation of net operating profit/(loss) to net cash inflow/(outflow) from operating activities				
Net operating profit/(loss)	(63,164)	(75,009)	(56,399)	(75,009)
Net (gain)/loss on financial assets held at fair value through profit or loss	96,309	125,469	88,254	123,267
Net change in receivables	12,855	24,153	12,843	27,403
Net change in payables	(132)	60	(180)	91
Trust distributions reinvested	(13,595)	(57,797)	(14,773)	(61,294)
Net cash inflow/(outflow) from operating activities	<u>32,273</u>	<u>16,876</u>	<u>29,745</u>	<u>14,458</u>
(b) Non cash financing activities				
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan.	<u>50,368</u>	<u>70,229</u>	<u>50,203</u>	<u>70,229</u>

17 Events occurring after the balance sheet date

No significant events have occurred since the balance sheet date which would impact on the financial position of the Fund disclosed in the balance sheet as at 30 June 2009 or on the results and cash flows of the Fund for the year ended on that date.

18 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2009.

19 Controlled entities

On 19 December 2008, the Fund acquired 97.65% of Karara Australian Equities Fund for an amount of \$39,214,050 and 64.01% of Blackrock Australian Quantitative Equities Fund for an amount of \$39,500,600.

The following investments are consolidated in the accounts as controlled entities:

Fund Name	% Holdings at 30 June 2009	% Holdings at 30 June 2008
BNY Mellon Global Equities Trust	-	100.00
Karara Australian Equities Fund	98.41	-
Blackrock Australian Quantitative Equities Fund	64.16	-

20 Disposal of controlled entity

On 2 February 2009, the 57.11% ownership in BNY Mellon Global Equity Trust was disposed. Consideration for the disposal of BNY Mellon Global Equity Trust was to the value of \$14,288,657.94. Details of the disposal are as follows (in aggregate):

	Consolidated 31 January 2009 \$'000
Consideration received	14,289
Net assets of entity disposed of:	
Cash	278
Receivables	68
Deposits held with brokers for margin	8,320
Financial assets held at fair value through profit or loss	16,628
Loan held with brokers for margin	(114)
Payables	(93)
	25,087
Interest held after disposal	Nil

Directors' declaration

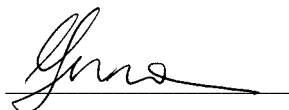
Chifley Investment Fund

In the opinion of the directors of the Responsible Entity :

- (a) the financial statements and notes set out on pages 5 to 30 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's and the consolidated entity's financial position as at 30 June 2009 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors pursuant to s.295(5) of the Corporations Act 2001.

Director



Sydney

Dated this 24th day of September 2009

Independent Audit Report to the unitholders of the Chifley Investment Fund

Deloitte

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Independent Audit Report to the unitholders of the Chifley Investment Fund

We have audited the accompanying financial report of the Chifley Investment Fund (“the fund”), which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors’ declaration of the consolidated entity comprising the fund and the entities it controlled at the year’s end or from time to time during the financial year as set out on pages 5 to 31.

Directors’ Responsibility for the Financial Report

The directors of Chifley Financial Services Limited (the “Responsible Entity”) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control 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, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. 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 the auditor’s judgement, 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 control 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 control. 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.

Member of
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

Independent Audit Report to the unitholders of the Chifley Investment Fund

Deloitte.

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

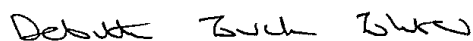
Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- a) the financial report of the Chifley Investment Fund is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the fund's and consolidated entity's financial position as at 30 June 2009 and of their 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*; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.



DELOITTE TOUCHE TOHMATSU



S C Woodhouse
Partner
Chartered Accountants
24 September 2009