

# Concord Australian Equity Fund

## Annual report to investors

**Macquarie Adviser Services**



# Concord Australian Equity Fund

ARSN 116 355 465

## Annual report - 30 June 2009

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This financial report covers Concord Australian Equity Fund ("the Trust") as an individual entity.

The Responsible Entity of Concord Australian Equity Fund is Macquarie Investment Management Limited ("MIML") (ABN 66 002 867 003). The Responsible Entity's registered office is Mezzanine Level, 1 Martin Place, Sydney, NSW 2000.

Investments in the Trust are not deposits with or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 ("Macquarie Bank") or of any Macquarie Group company and are subject to investment risk, including possible delays in repayment and loss of income or principal invested. None of Macquarie Bank, MIML, or any other member company of the Macquarie Group guarantees any particular rate of return or the performance of the Trust, nor do they guarantee the repayment of capital from the Trust.

This report is not an offer or invitation for subscription or purchase or a recommendation of units. It does not take into account the investment objectives, financial situation and particular needs of the investor.

## Directors' report

The directors of Macquarie Investment Management Limited ("MIML") (a wholly owned subsidiary of Macquarie Group Limited ABN 94 122 169 279), the Responsible Entity of Concord Australian Equity Fund, present their report together with the financial report of Concord Australian Equity Fund ("the Trust"), for the year ended 30 June 2009.

### Principal activities

The Trust invests and trades in equities and equity derivatives in accordance with the Trust's current product disclosure statement and in accordance with the Trust's constitution. The overall investment strategy of the Trust is to invest in Australian equities to provide both capital growth and income returns.

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

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

### Directors

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

Peter James Maher (resigned 5 May 2009)  
 Bruce Neil Terry  
 Neil Roderick  
 Virginia Malley  
 Roger David Cartwright  
 Ben Bruck (resigned 18 August 2008)  
 Christian Vignes (appointed 18 August 2008)  
 Matthew Rady (appointed 13 October 2008)

### Review and results of operations

During the year, the Trust continued to invest in accordance with its investment strategy as set out in the current product disclosure statement of the Trust and in accordance with the provisions of the Trust's constitution.

#### Results

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

	<b>30 June 2009</b>	30 June 2008
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	<b>(29,880)</b>	(25,953)
Distributions paid and payable (\$'000)	<b>3,416</b>	5,716
Distributions (cents per unit)	<b>5.05</b>	4.10

The table below demonstrates the performance of the Trust as represented by the total return, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income. The total return is shown for the year ended 30 June 2009 and assumes that all distributions paid were re-invested during the year. These are calculated in accordance with Investment and Financial Services Association ("IFSA") Standard 6.0 Product Performance - calculation and presentation of returns.

	<b>2009 %</b>	<b>2008 %</b>
Capital growth	(18.75)	(16.26)
Distribution of income	<u>0.65</u>	<u>2.89</u>
Total return	<u>(18.10)</u>	<u>(13.37)</u>

**Directors' report (continued)**

The future performance of the Trust is not guaranteed and investors should not rely on past performance as an indicator of future performance.

*Unit redemption prices*

Unit redemption prices (quoted cum-distribution) are shown as follows:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
	\$	\$	\$
At 30 June	0.91	1.13	1.43
High during year	1.13	1.47	1.45
Low during year	0.68	1.10	1.09

**Impact of Australian Accounting Standards on unit pricing**

The key differences between net assets for unit pricing purposes and net assets as reported in the financial report prepared under Australian Accounting Standards have been outlined below:

	<b>Year ended</b>	<b>30 June</b>	<b>30 June</b>
	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Net assets for unit pricing purposes	<b>46,235</b>	157,211	
Difference between net market value (for unit pricing) and fair value (for financial reporting) of financial assets held at fair value through profit or loss	<b>(145)</b>	(281)	
Effect of classification of net assets attributable to unitholders as liabilities	<b>(46,090)</b>	(156,930)	
Net assets under Australian Accounting Standards	<u><b>-</b></u>	<u><b>-</b></u>	

**Significant changes in state of affairs**

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

**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 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.

**Likely developments and expected results of operations**

The Trust will continue to be managed in accordance with its investment strategy as set out in the current product disclosure statement of the Trust and in accordance with the provisions of the Trust's constitution.

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust 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 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.

## Directors' report (continued)

### Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to either the officers of MIML or the auditors of the Trust. So long as the officers of MIML act in accordance with the Trust's Constitution and the Law, 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 associates

Management fees paid to the Responsible Entity during the year are in accordance with the Trust Constitution and the Trust's product disclosure statement. Fees paid to the Responsible Entity are recognised as expenses in note 11 of the financial report.

No fees were paid out of Trust property to the directors of the Responsible Entity or its associates during the year (2008: nil).

No interests in the Trust were held by the Responsible Entity or its associates as at the date of this report (2008: nil).

### Interests in the Trust

The movement in units on issue in the Trust during the year is disclosed in note 5 of the financial report.

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

### 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 5.

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

Matthew Rady  
Director

Sydney  
21 September 2009

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### **Auditor's independence declaration**

As lead auditor for the audit of Concord Australian Equity Fund for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Concord Australian Equity Fund.

Ewan Barron  
Partner  
PricewaterhouseCoopers

Sydney  
21 September 2009

## Income statement

		Year ended	
		30 June 2009 \$'000	30 June 2008 \$'000
	Notes		
<b>Investment income</b>			
Interest income		39	142
Dividend income		3,336	5,526
Other operating income		4	-
Other investment income		7	-
Net gains/(losses) on financial instruments held at fair value through profit or loss	3	<u>(32,111)</u>	<u>(29,623)</u>
<b>Total net investment income</b>		<u><b>(28,725)</b></u>	<u><b>(23,955)</b></u>
<b>Expenses</b>			
Responsible entity's fees		901	1,676
Withholding taxes on foreign dividends and interest		-	39
Other expenses		<u>254</u>	<u>283</u>
<b>Total operating expenses</b>		<u><b>1,155</b></u>	<u><b>1,998</b></u>
<b>Operating profit/(loss)</b>		<u><b>(29,880)</b></u>	<u><b>(25,953)</b></u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	6	<u>(3,416)</u>	<u>(5,716)</u>
(Increase)/decrease in net assets attributable to unitholders	5	<u><b>33,296</b></u>	<u><b>31,669</b></u>
<b>Profit/(loss) for the year</b>		<u><b>-</b></u>	<u><b>-</b></u>

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

**Balance sheet**

		As at	
	Notes	30 June 2009 \$'000	30 June 2008 \$'000
<b>Assets</b>			
Cash and cash equivalents	7	9,446	192
Other receivables		334	1,320
Due from brokers - receivable for securities sold		1,083	3,222
Financial assets held at fair value through profit or loss	8	<u>45,158</u>	<u>159,261</u>
<b>Total assets</b>		<u>56,021</u>	<u>163,995</u>
<b>Liabilities</b>			
Payables		53	175
Due to brokers - payable for securities purchased		401	3,417
Distributions payable		115	3,473
Unitholder redemptions payable		<u>9,362</u>	-
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u>9,931</u>	<u>7,065</u>
<b>Net assets attributable to unitholders - liability</b>	5	<u>46,090</u>	<u>156,930</u>

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

**Statement of changes in equity**

		Year ended	
		30 June 2009	30 June 2008
	Notes	\$'000	\$'000
<b>Total equity at the beginning of the financial year</b>		-	-
Profit/(loss) for the year		-	-
Net income/(expense) recognised directly in equity		-	-
<b>Total recognised income and expense for the financial year</b>		-	-
Transactions with equity holders in their capacity as equity holders		-	-
<b>Total equity at the end of the financial year</b>		-	-

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or end of the year.

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

## Cash flow statement

		Year ended	
		30 June 2009 \$'000	30 June 2008 \$'000
	Notes		
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		156,274	82,695
Purchase of financial instruments held at fair value through profit or loss		(75,175)	(144,502)
Transaction costs on purchase of financial instruments at fair value through profit or loss		(254)	(283)
Dividends received		4,290	4,944
Interest received		43	145
Responsible entity's fees received/(paid)		(1,074)	(1,765)
Other income received		121	116
<b>Net cash inflow/(outflow) from operating activities</b>	12(a)	<u>84,225</u>	<u>(58,650)</u>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		17,175	74,431
Payments for redemptions by unitholders		(91,037)	(17,037)
Distributions paid		(1,109)	(824)
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(74,971)</u>	<u>56,570</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>9,254</b>	<b>(2,080)</b>
Cash and cash equivalents at the beginning of the year		<u>192</u>	<u>2,272</u>
<b>Cash and cash equivalents at the end of the year</b>	7	<u>9,446</u>	<u>192</u>
Non-cash financing activities	12(b)	(5,665)	(11,699)

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

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## 1 General information

This financial report covers Concord Australian Equity Fund (the "Trust") as an individual entity.

The Responsible Entity of the Trust is MIML (the "Responsible Entity"). The Responsible Entity's registered office is Mezzanine Level, 1 Martin Place, Sydney, NSW 2000.

The financial statements were authorised for issue by the directors on 21 September 2009. The directors of the responsible entity have the power to amend and reissue the financial report.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

## 2 Summary of significant accounting policies

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001* in Australia.

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

#### *Compliance with International Financial Reporting Standards*

The financial report of the Trust also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### *Early adoption of standards*

The Trust has early adopted AASB 8 *Operating Segments* in the year ended 30 June 2009. The application of AASB 8 will not impact the Trust as the Trust is outside the scope of AASB 8 because it does not have debt or equity instruments traded in a public market, or files its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market. Following the early adoption of AASB 8, the Trust has omitted the segment disclosure previously required under AASB 114 *Segment Reporting*.

### (b) 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

Derivative financial instruments such as futures, forward contracts, options and interest rate swaps are included under this classification. 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 and liabilities 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 cashflows from the investments have expired or the Trust has transferred substantially all risks and rewards of ownership.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (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.

Details on how the fair values of financial instruments are determined is disclosed in note 10(e).

- 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.

### (c) 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 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 balance sheet date if unitholders exercised their right to redeem units in the Trust.

### (d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments.

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

### (e) Investment income

Interest income is recognised in the income statement for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense.

Trust distributions are recognised on an entitlements basis.

### (f) Expenses

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

### (g) Income tax

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

## 2 Summary of significant accounting policies (continued)

### (g) Income tax (continued)

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 income statement.

### (h) 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 income statement as finance costs attributable to unitholders.

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

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

### (j) Due from/to brokers

Amounts due from/to brokers represent payables for securities purchased and receivables for securities sold that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Trust will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

### (k) 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(e) above. Amounts are generally received within 30 days of being recorded as receivables.

### (l) Payables

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

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.

### (m) 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.

## 2 Summary of significant accounting policies (continued)

### (n) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Trust by third parties such as custodial services and 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, 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.

### (o) Use of estimates

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

### (p) New accounting standards and interpretations

(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 Trust 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 Trust will apply the revised standard from 1 July 2009.

(ii) 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) (effective from 1 January 2009)

Revised AASB 132 is applicable for reporting periods beginning on or after 1 January 2009. The Trust has not adopted this standard early. Application of this standard will not affect any of the amounts recognised in the financial statements as the Trust is obligated to distribute all of its taxable income in accordance with the Trust'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.

(iii) AASB 2009-2 *Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments* (effective from 1 January 2009)

In April 2009, the AASB published amendments to AASB 7 *Financial Instruments: Disclosures* to improve the information that entities report about their liquidity risk and the fair value of their financial instruments. The amendments require fair value measurement disclosures to be classified into a new three-level hierarchy and additional disclosures for items whose fair value is determined by valuation techniques rather than observable market values. The AASB also clarified and enhanced the existing requirements for the disclosure of liquidity risk of derivatives. The Trust will apply the amendments from 1 July 2009. They will not affect any of the amounts recognised in the financial statements.

### (q) 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 report. Amounts in the financial report 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:

	Year ended	
	30 June 2009 \$'000	30 June 2008 \$'000
<b>Financial assets</b>		
Net gain/(loss) on financial instruments designated as at fair value through profit or loss	(32,111)	(29,623)
Total net gains/(losses) on financial instruments held at fair value through profit or loss	(32,111)	(29,623)

### 4 Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Trust:

	Year ended	
	30 June 2009 \$	30 June 2008 \$
<b>(a) Audit services</b>		
PricewaterhouseCoopers Australian firm		
Audit and review of financial report	15,050	13,548
Total remuneration for audit services	15,050	13,548

Audit fees are paid by the Responsible Entity.

### 5 Net assets attributable to unitholders

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

	Year ended			
	30 June 2009 No. '000 Liability	30 June 2008 No. '000 Liability	30 June 2009 \$'000 Liability	30 June 2008 \$'000 Liability
Opening balance	141,973	90,562	156,930	119,522
Applications	18,840	56,825	17,175	74,431
Redemptions	(115,558)	(14,225)	(100,384)	(17,053)
Units issued upon reinvestment of distributions	6,007	8,811	5,665	11,699
Increase/(decrease) in net assets attributable to unitholders	-	-	(33,296)	(31,669)
Closing balance	51,262	141,973	46,090	156,930

## 5 Net assets attributable to unitholders (continued)

### Capital risk management

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

The Trust monitors the level of daily applications and redemptions relative to the liquid assets in the Trust. During 2009, the Trust's strategy, which was unchanged from 2008, was to hold approximately 100% of the net assets attributable to unitholders in liquid investments. Liquid assets include cash and cash equivalents, Australian equity securities listed on a prescribed stock exchange and derivatives listed on the Sydney Futures Exchange.

## 6 Distributions to unitholders

### Timing of distributions

The distributions for the year were as follows:

	30 June 2009 \$'000	Year ended 30 June 2009 CPU	30 June 2008 \$'000	30 June 2008 CPU
Distributions paid/payable	<u>3,416</u>	<u>5,050</u>	<u>5,716</u>	<u>4,100</u>

## 7 Cash and cash equivalents

	As at 30 June 2009 \$'000	30 June 2008 \$'000
Cash at bank	<u>9,446</u>	<u>192</u>
	<u>9,446</u>	<u>192</u>

## 8 Financial assets held at fair value through profit or loss

	As at 30 June 2009 Fair value \$'000	30 June 2008 Fair value \$'000
<b>Held for trading</b>		
Derivatives (note 9)	<u>1</u>	<u>-</u>
Total held for trading	<u>1</u>	<u>-</u>

## 8 Financial assets held at fair value through profit or loss (continued)

	As at	
	30 June 2009	30 June 2008
	Fair value \$'000	Fair value \$'000
<b>Designated at fair value through profit or loss</b>		
<b>Equity securities:</b>		
Listed securities:	44,966	157,293
Listed unit trusts	191	1,968
Total designated at fair value through profit or loss	45,157	159,261
<b>Total financial assets held at fair value through profit or loss</b>	<b>45,158</b>	<b>159,261</b>

## 9 Derivative financial instruments

In the normal course of business the Trust 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.

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 Trust.

The Trust holds the following derivative instruments:

### 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 contracts' values are usually settled net daily with the exchange.

## 10 Financial risk management

### (a) Strategy in using financial instruments

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

The Trust's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Trust's financial performance.

### (b) Market risk

#### (i) Price Risk

Market price risk is the risk that the value of the Trust's investment portfolio will fluctuate as a result of changes in market prices. The Trust is exposed to equity securities and derivative securities price risk. This risk arises from investments held by the Trust for which prices in the future are uncertain. All securities investments present a risk of loss of capital.

## 10 Financial risk management (continued)

### (b) Market risk (continued)

The investment manager moderates this risk through a careful selection of equity securities and derivative securities within specified limits. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Trust's overall market positions are monitored on a daily basis by the Trust's investment manager, in accordance with the Trust's policy. This is done by:

- ensuring the Trust is invested according to the product disclosure statement and in accordance with the Trust's investment management agreement (IMA)
- ensuring any derivative positions held are backed by a matched amount of liquid assets such as cash

At 30 June 2009, if the S&P/ASX 200 Accumulation Index increased by 15%, and the value of securities held in the Trust also increased by 15%, this would have increased net assets attributable to unitholders by approximately 15%, or \$6,744,900 (2008:\$23,889,300). Conversely, if the S&P/ASX 200 Accumulation Index had decreased by 15%, and the value of securities held in the Trust also decreased by 15%, this would also have decreased the net assets attributable to unitholders by approximately 15%, or \$6,744,900 (2008:\$23,889,300).

#### (ii) Foreign exchange risk

The Trust has no exposure to foreign exchange risk.

#### (iii) Interest rate risk

The majority of the Trust's financial assets and liabilities are non-interest bearing. As a result, the Trust is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

### (c) Credit risk

The Trust is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due.

Credit risk arises solely from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. None of these assets are impaired nor past due but not impaired.

### (d) Liquidity risk

The Trust is exposed to daily cash redemptions of redeemable shares. It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of; it invests only a limited proportion of its assets in investments not actively traded on a stock exchange.

In accordance with the Trust's policy, the Investment Manager and MIML's risk management area monitor the Trust's liquidity position on a daily basis. This is managed by:

- monitoring exposure to illiquid or thinly traded financial instruments and
- applying limits to control liquidity risk to a particular counterparty or market in accordance with the IMA.

Redeemable units are redeemed on demand at the holder's option. All other liabilities are payable within 30 days.

### (e) Fair value estimation

The carrying amounts of the Trust's assets and liabilities at the balance sheet date approximate 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 income statement.

- Fair value in an active market

## 10 Financial risk management (continued)

### (e) Fair value estimation (continued)

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.

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

## 11 Related party transactions

### Responsible entity

The Responsible Entity of Concord Australian Equity Fund is Macquarie Investment Management Limited (MIML), a wholly owned subsidiary of Macquarie Group Limited. The registered office of the Responsible Entity is located at Mezzanine Level, 1 Martin Place, Sydney, NSW 2000.

### Key management personnel

#### (a) Directors

Key management personnel includes persons who were directors of MIML at any time during the financial year as follows:

Peter James Maher (resigned 5 May 2009)  
Bruce Neil Terry  
Neil Roderick  
Virginia Malley  
Roger David Cartwright  
Ben Bruck (resigned 18 August 2008)  
Christian Vignes (appointed 18 August 2008)  
Matthew Rady (appointed 13 October 2008)

### Key management personnel unitholdings

The key management personnel of MIML held units in the Trust as follows:

#### 2009

Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Trust (\$)
Neil Roderick	60,642	60,642	0.118	-	-	3,076

#### 2008

Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Trust (\$)
Neil Roderick	59,880	60,642	0.043	762	-	2,468

### Key management personnel compensation

Key management personnel are paid by MIML. Payments made from the Trust to MIML do not include any amounts attributable to the compensation of key management personnel.

## 11 Related party transactions (continued)

### Key management personnel loan disclosures

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

### Other transactions within the Trust

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Trust since the end of the previous financial year and there were no material contracts involving director's interests subsisting at year end.

### Responsible Entity's/manager's fees and other transactions

In accordance with the Trust's Constitution and the terms of its current product disclosure statement, the Responsible Entity is entitled to receive management fees at a rate of 1.08% p.a. (2008: 1.08%) of the net asset value of the Trust, calculated daily and payable monthly in arrears.

The Trust's bank accounts are held with Macquarie Bank Limited. The Trust may use Macquarie Capital Securities (Australia) Limited or Macquarie Bank Limited (Macquarie Group entities) for broking services.

For all transactions with related parties, the fees and expenses are negotiated on an arm's length basis.

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

	Year ended	
	30 June 2009 \$'000	30 June 2008 \$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unitholders	(33,296)	(31,669)
Net (gains)/losses on financial instruments held at fair value through profit or loss	32,111	29,623
Distributions to unitholders	3,416	5,716
Proceeds from sale of financial instruments held at fair value through profit or loss (including net realised gains/(losses))	156,274	82,695
Purchase of financial instruments held at fair value through profit or loss and derivative financial instruments	(75,175)	(144,502)
Decrease/(increase) in receivables	1,003	(547)
Increase/(decrease) in payables	(108)	34
<b>Net cash inflow/(outflow) from operating activities</b>	<b>84,225</b>	<b>(58,650)</b>
<b>(b) Non-cash financing activities</b>		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	<b>(5,665)</b>	<b>(11,699)</b>

As described in note 2(i), non-distributable income is included in net assets attributable to unitholders. The change in this amount each year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

## 13 Events occurring after the balance sheet date

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

#### **14 Contingent assets and liabilities and commitments**

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2009 (2008: nil).

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial report and notes set out on pages 6 to 21 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 Trust's financial position as at 30 June 2009 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Trust 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.

Matthew Rady  
Director

Sydney  
21 September 2009



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## **Independent auditor's report to the unitholders of Concord Australian Equity Fund**

### **Report on the financial report**

We have audited the accompanying financial report of Concord Australian Equity Fund, which comprises the balance sheet as at 30 June 2009, the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Concord Australian Equity Fund (the "Trust").

#### *Directors' responsibility for the financial report*

The directors of the responsible entity are responsible for the preparation and fair presentation of the financial report in accordance with 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(a), 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 report 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 Trust'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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of the business decisions made by the directors or management.

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

**Independent auditor's report to the unitholders of Concord Australian Equity Fund  
(continued)**

*Matters relating to the electronic presentation of the audited financial report*

The audit report relates to the financial report of Concord Australian Equity Fund (the "Trust") for the financial year ended 30 June 2009 included on the Concord Australian Equity Fund's web site. The responsible entity's directors are responsible for the integrity of the Concord Australian Equity Fund web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

*Independence*

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

*Auditor's opinion on the financial report*

In our opinion:

- (a) the financial report of Concord Australian Equity Fund is in accordance with the *Corporation Act 2001*, including:
  - (i) giving a true and fair view of the Trust's financial position as at 30 June 2009 and its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

PricewaterhouseCoopers

Ewan Barron  
Partner

Sydney  
21 September 2009