

# **Permanent Bond Fund**

ARSN 093 447 600

## **Annual financial report for the year ended 30 June 2009**

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## Annual financial report for the year ended 30 June 2009

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This financial report covers Permanent Bond Fund as an individual entity.

The Responsible Entity of Permanent Bond Fund is Permanent Investment Management Limited (ABN 45 003 278 831). The Responsible Entity's registered office is 35 Clarence Street, Sydney NSW 2000.

## Directors' report

The directors of Permanent Investment Management Limited, the Responsible Entity of Permanent Bond Fund, present their report together with the financial report of Permanent Bond Fund ("the Scheme") for the year ended 30 June 2009.

### Responsible entity

The Responsible Entity of Permanent Bond Fund is Permanent Investment Management Limited (ABN 45 003 278 831). The Responsible Entity's registered office is 35 Clarence Street, Sydney NSW 2000.

### Principal activities

The Scheme invests in money market securities and fixed interest securities in accordance with the provisions of the Scheme Constitution.

The Scheme did not have any employees during the year.

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

### Directors

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

Jonathan Sweeney (Director) (Resigned 31 December 2008)  
 Michael Britton (Director)  
 Eugene Quass (Director) (Resigned 13 February 2009)  
 David Grbin (Director) (Appointed 22 July 2008)  
 Vicki Allen (Director)  
 John Atkin (Managing Director) (Appointed 27 January 2009)  
 Geoffrey Corderoy (Secretary) (Resigned 15 May 2009)  
 Adrian Lucchese (Secretary)

### Review and results of operations

There have been no significant changes to the operations of the Scheme since the previous financial period. The Scheme continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme Constitution.

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

	<b>For the year ended</b>	
	<b>30 June</b>	30 June
	<b>2009</b>	2008
Net operating profit before financing costs attributable to unitholders (\$'000)	<u>4,520</u>	<u>3,726</u>
Distribution paid and payable (\$'000)	<b>3,620</b>	3,621
Distribution (cents per unit)	<b>5.75</b>	5.26

## Directors' report (continued)

### Indirect Cost Ratio (ICR)

The indirect cost ratio (ICR) represents the costs incurred in the running of the Scheme, such as the Management Fee, Expense Reimbursement Fee and the Custody Fee. Costs attributable directly to investors, such as the Buy/Sell Spread, are not included in the ICR. The ICR takes into account the net effect of the Goods and Services Tax (GST) and the benefits of Reduced Input Tax Credits (RITC).

The ICR of the Scheme is shown in the following table for the past three years.

	30 June 2009	30 June 2008	For the year ended 30 June 2007
<b>Wholesale class</b>			
ICR related expenses incurred by the Scheme \$'000	570	612	654
ICR %	0.8820	0.8721	0.8611

\*Prior to 2009 the ICR was known as the MER (Management Expense Ratio)

### Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Scheme that occurred during the 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 Scheme in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Scheme in future financial years.

### Likely developments and expected results of operations

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

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

### Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of Permanent Investment Management Limited or the auditors of the Scheme. So long as the officers of Permanent Investment Management Limited act in accordance with the Scheme Constitution and the Law, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

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

Fees paid to the Responsible Entity and its associates out of Scheme property during the year are disclosed in note 13 on page 30 of the financial statements.

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

The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 13 on page 30 of the financial statements.

## Directors' report (continued)

### Interests in the Scheme

The movement in units on issue in the Scheme during the year is disclosed in Note 6 of the financial report.

The value of the Scheme's assets and liabilities is disclosed on the balance sheet and derived using the basis set out in note 2 of the financial report.

### Environmental regulation

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

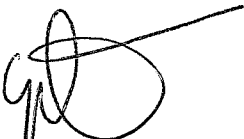
### Rounding of amounts to the nearest thousand dollars

The Scheme is an entity of the kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report 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 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.



John Atkin  
Director  
Sydney  
22 September 2009

The Board of Directors  
Permanent Investment Management Limited  
35 Clarence Street  
SYDNEY NSW 2001

25 September 2009

Dear Board Members

### Permanent Bond Fund

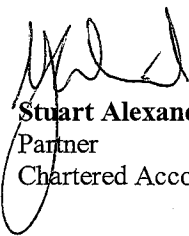
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Permanent Investment Management Limited ("the responsible entity").

As lead audit partner for the audit of the financial statements of Permanent Bond 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 sincerely

  
DELOITTE TOUCHE TOHMATSU

  
**Stuart Alexander**  
Partner  
Chartered Accountants

## Income statement

		For the year ended	
		30 June	30 June
		2009	2008
	Notes	\$'000	\$'000
<b>Investment income</b>			
Interest income	3	3,260	3,825
Net gains on financial instruments held at fair value through profit or loss	4	1,830	490
Other income		-	23
<b>Total investment income</b>		<u>5,090</u>	<u>4,338</u>
<b>Expenses</b>			
Manager's fees	13	466	506
Custody fees		32	35
Auditor's remuneration	5	26	26
Other expenses		46	45
<b>Total expenses</b>		<u>570</u>	<u>612</u>
<b>Net operating profit</b>		<u>4,520</u>	<u>3,726</u>
<b>Financing costs attributable to unitholders</b>			
Distributions to unitholders	7	3,620	3,621
Increase in net assets attributable to unitholders	6	900	105
<b>Net profit/(loss) for the year</b>		<u>-</u>	<u>-</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	8	5,347	7,777
Receivables	10	639	1,043
Financial assets held at fair value through profit or loss	9	53,556	57,862
<b>Total assets</b>		<b>59,542</b>	66,682
<b>Liabilities</b>			
Distributions payable	7	467	681
Payables	11	161	115
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>628</b>	796
<b>Net assets attributable to unitholders - liability</b>	6	<b>58,914</b>	65,886

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

## Statement of recognised income and expenses

	For the year ended	
	30 June 2009 \$'000	30 June 2008 \$'000
Net profit/(loss) for the year	-	-
Net income recognised directly in equity	-	-
<b>Total recognised income and expenses for the year</b>	<b>-</b>	<b>-</b>

In accordance with AASB 132 'Financial Instruments: Presentation', net assets attributable to unitholders is classified as a liability rather than equity.

Changes in net assets attributable to unitholders are disclosed in Note 6.

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

## Cash flow statement

	For the 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	43,141	35,069
Purchase of financial instruments held at fair value through profit or loss	(37,005)	(25,530)
Interest received	3,663	3,709
Other income received	-	23
Custody fees paid	(32)	(38)
Management fee paid	(465)	(546)
Payment of other expenses	(65)	(60)
RITC received	39	42
<b>Net cash inflow from operating activities</b>	14(a) <u>9,276</u>	<u>12,669</u>
<b>Cash flows from financing activities</b>		
Proceeds from applications by unitholders	2,019	5,034
Payments for redemptions by unitholders	(9,896)	(10,558)
Distributions paid	(3,829)	(3,777)
<b>Net cash outflow from financing activities</b>	<u>(11,706)</u>	<u>(9,301)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>(2,430)</u>	<u>3,368</u>
Cash and cash equivalents at the beginning of the year	<u>7,777</u>	<u>4,409</u>
<b>Cash and cash equivalents at the end of the year</b>	14(b),8 <u>5,347</u>	<u>7,777</u>

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 Permanent Bond Fund (the "Scheme") as an individual entity.

The Responsible Entity of the Scheme is Permanent Investment Management Limited (the "Responsible Entity"). The Responsible Entity's registered office is 35 Clarence Street, Sydney NSW 2000.

The Responsible Entity is incorporated and domiciled in Australia.

The financial statements were authorised for issue by the directors on 25 September 2009. The directors of the Responsible Entity have the power to amend and reissue the financial report.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

### (a) Basis of preparation

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

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

The balance sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non current. All balances are generally expected to be recovered or settled within twelve months, except for financial assets and financial liabilities held at fair value through profit or loss. The amount expected to be recovered in relation to the balance for financial assets held at fair value through profit or loss cannot be reliably determined. The maturity analysis for financial liabilities at fair value through profit or loss is disclosed in the Financial Risk Management Note.

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

The financial report of the Scheme complies with International Financial Reporting Standards, Interpretations and other authoritative pronouncements as issued and/or adopted by the International Accounting Standards Board.

### (b) Financial instruments

#### (i) Classification

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

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

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

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

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

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (ii) Recognition/derecognition

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

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

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

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

#### (iii) Measurement

##### (a) 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, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

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

For other pricing models, inputs are based on market data at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Scheme 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 determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the most appropriate option valuation model.

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

## 2 Summary of significant accounting policies (continued)

### **(iv) Offsetting financial instruments**

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

### **(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 Scheme at any time for cash equal to a proportionate share of the Scheme'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 Scheme. Because the Scheme's redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference exists, which has been treated as a separate component of net assets attributable to unitholders. Changes in the value of this financial liability are recognised in the income statement as they arise.

### **(d) Cash and cash equivalents**

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

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

### **(e) Investment income**

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

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

### **(f) Expenses**

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

## 2 Summary of significant accounting policies (continued)

### (g) Income tax

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

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

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

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

The Scheme may incur withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in the income statement.

### (h) Distributions

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

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

Movements in net assets attributable to unitholders are recognised in the income statement as part of finance costs. The movements include undistributable income which may consist of undistributable unrealised changes in fair value of financial instruments held at fair value through profit or loss and 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.

### (j) Receivables

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

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

### (k) Payables

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

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

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

## 2 Summary of significant accounting policies (continued)

### (l) Applications and redemptions

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

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

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

The GST incurred on the costs of various services provided to the Scheme by third parties such as custodial services and investment management fees have been passed onto the Scheme. The Scheme 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.

### (n) Use of estimates

The Scheme 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.

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

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

For the years ended 30 June 2008 and 30 June 2009, the Scheme did not include financial assets and financial liabilities that were determined using valuation techniques. The fair values of the Scheme's financial assets and liabilities for the years then ended were determined directly, in full or in part, by reference to quoted prices that were available from various sources, such as exchanges, dealers, brokers, industry groups or pricing services.

### (o) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods and have not yet been applied in the financial report. The directors' assessment of the impact of these new standards (to the extent relevant to the Scheme) and interpretations is set out below:

(i) *AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)*

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding on how to allocate resources to operating segments. The Scheme has not yet determined the potential effects of the amendments.

## 2 Summary of significant accounting policies (continued)

### (o) New accounting standards and interpretations (continued)

(ii) 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 a Scheme 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 Scheme will apply the revised standard from 1 July 2009. The Scheme has not yet determined the potential effects of the amendments.

(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) (effective from 1 January 2009)

Revised AASB 132 is applicable for reporting periods beginning on or after 1 January 2009. The Scheme has not adopted this standard early. Application of this standard will not affect any of the amounts recognised in the financial statements as the Scheme is obligated to distribute all of its taxable income in accordance with the Scheme'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) Improvements to Australian Accounting Standards: AASB 2008-5 and AASB 2008-6

In July 2008, the AASB issued a number of improvements to existing Australian Accounting Standards. The amendments will generally apply to financial reporting periods commencing on or after 1 January 2009, except for some changes to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* regarding the sale of the controlling interest in a subsidiary which will apply from 1 July 2009. The Scheme does not expect that any adjustments will be necessary as the result of applying the revised rules.

(v) 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 Scheme will apply the amendments from 1 July 2009. They will not affect any of the amounts recognised in the financial statements but will impact the current disclosures of the Scheme's financial instruments.

(vi) AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective from 1 January 2010)

In May 2009, the AASB issued a number of improvements to existing Australian Accounting Standards. The Scheme will apply the revised standards from 1 July 2009. The Scheme does not expect that any adjustments will be necessary as the result of applying the revised rules.

(vii) AASB 2009-6 *Amendments to Australian Accounting Standards* and AASB 2009-7 *Amendments to Australian Accounting Standards* (effective from 1 January 2009 and 1 July 2009, respectively)

In June 2009, the AASB issued AASB 2009-6 and AASB 2009-7. The Standards make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. AASB 2009-6 is applicable to annual reporting periods beginning on or after 1 January 2009 that end on or after 30 June 2009. AASB 2009-7 is applicable to annual reporting periods beginning on or after 1 July 2009. There are no changes to any of the accounting policies necessary as a result of these amendments.

## 2 Summary of significant accounting policies (continued)

### (p) Rounding of amounts

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

## 3 Interest income

	For the year ended	
	30 June 2009 \$'000	30 June 2008 \$'000
Cash and deposits	325	372
Fixed interest securities	<u>2,935</u>	<u>3,453</u>
	<u>3,260</u>	<u>3,825</u>

## 4 Net gains on financial instruments held at fair value through profit or loss

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

	For the year ended	
	30 June 2009 \$'000	30 June 2008 \$'000
Net unrealised gains on financial instruments designated as at fair value through profit or loss	<u>1,145</u>	<u>31</u>
Net realised gains on financial instruments designated as at fair value through profit or loss	<u>685</u>	<u>459</u>
Total net gains on financial instruments held at fair value through profit or loss	<u>1,830</u>	<u>490</u>

## 5 Auditor's remuneration

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

	For the year ended	
	30 June 2009 \$	30 June 2008 \$
<b>(a) Audit services</b>		
Deloitte Touche Tohmatsu		
Audit of financial reports	14,800	14,800
Half year review <i>Corporations Act 2001</i>	5,400	5,400
Compliance plan audit	5,400	5,400
<b>Total remuneration to auditor</b>	<b>25,600</b>	<b>25,600</b>

## 6 Net assets attributable to unitholders

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

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

	For the year ended			
	30 June 2009 No. '000	30 June 2008 No. '000	30 June 2009 \$'000	30 June 2008 \$'000
<b>Net assets attributable to unitholders</b>				
Opening balance	66,216	71,722	65,886	71,296
Applications	1,988	5,033	2,019	5,034
Redemptions	(9,702)	(10,548)	(9,896)	(10,558)
Units issued upon reinvestment of distributions	4	9	5	9
Increase in net assets attributable to unitholders	-	-	900	105
Closing balance	<b>58,506</b>	66,216	<b>58,914</b>	65,886

## 6 Net assets attributable to unitholders (continued)

### Capital risk management

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

The Scheme's strategy was to hold a certain portion of the net assets attributable to unitholders in liquid investments. Liquid assets include cash and cash equivalents. The ratio of liquid assets to net assets attributable to unitholders at 30 June 2009 and 30 June 2008 were as follows:

	As at	
	30 June 2009 \$'000	30 June 2008 \$'000
Liquid assets of the fund	5,347	7,777
Net assets attributable to unitholders	58,914	65,886
Ratio of liquid assets to net assets attributable to unitholders	9.08%	11.80%

## 7 Distributions to unitholders

### Timing of distributions

The distributions for the year were as follows:

	For the year ended			
	30 June 2009 \$'000	30 June 2009 CPU	30 June 2008 \$'000	30 June 2008 CPU
<b>Distributions</b>				
30 September	1,204	1.84	982	1.37
31 December	922	1.43	743	1.06
31 March	1,027	1.68	1,215	1.80
30 June (payable)	467	0.80	681	1.03
	3,620		3,621	

## 8 Cash and cash equivalents

	As at	
	30 June 2009 \$'000	30 June 2008 \$'000
Cash at bank	5,347	7,777

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

	As at	
	30 June 2009 \$'000	30 June 2008 \$'000
<b>Designated at fair value through profit or loss</b>		
Fixed interest bonds	41,189	41,236
Discount securities	9,872	7,862
Floating rate notes	2,495	8,764
Total designated at fair value through profit or loss	<u>53,556</u>	<u>57,862</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>53,556</u>	<u>57,862</u>

## 10 Receivables

	As at	
	30 June 2009 \$'000	30 June 2008 \$'000
Accrued interest	623	1,026
GST receivable	16	17
	<u>639</u>	<u>1,043</u>

## 11 Payables

	As at	
	30 June 2009 \$'000	30 June 2008 \$'000
Other payables	11	11
Accrued expenses	150	104
	<u>161</u>	<u>115</u>

## 12 Financial risk management

### (a) Objectives, strategies, policies and processes

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

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

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

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

### (b) Market risk

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

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

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

Net assets attributable to unitholders may include investments in debt and equity securities and related derivatives. At 30 June 2009, the overall market exposures were as follows:

	<b>As at</b>	
	<b>30 June</b>	30 June
	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
Securities designated at fair value through profit or loss	<b>53,556</b>	57,862
	<b>53,556</b>	57,862

#### (i) Price risk

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

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

## 12 Financial risk management (continued)

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

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

### (ii) Foreign exchange risk

There was no significant direct foreign exchange risk in this Scheme as at 30 June 2009 (2008: Nil).

### (iii) Interest rate risk

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

The Scheme's interest-bearing financial assets and financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Scheme has established limits on investments in interest-bearing assets, which are monitored on a daily basis. The Scheme may use derivatives to hedge against unexpected increases in interest rates and/or multiple rollover dates for debt instruments to manage repricing risk. The interest rate risk is measured using sensitivity analysis.

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

The table below summarises the Scheme's exposure to interest rate risks. It includes the Scheme's assets and liabilities at fair values, categorised by the maturity dates:

30 June 2009	Floating interest rate	Fixed interest rate				Non-inter est bearing	Total
	\$'000	3 months or less \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	\$'000	
<b>Assets</b>							
Cash and cash equivalents	5,347	-	-	-	-	-	5,347
Receivables	-	-	-	-	-	639	639
Fixed interest bonds	-	6,515	3,542	31,132	-	-	41,189
Floating rate note	2,495	-	-	-	-	-	2,495
Discount securities	-	2,979	6,893	-	-	-	9,872
<b>Total assets</b>	<b>7,842</b>	<b>9,494</b>	<b>10,435</b>	<b>31,132</b>	<b>-</b>	<b>639</b>	<b>59,542</b>
<b>Liabilities</b>							
Distributions payable	-	-	-	-	-	467	467
Payables	-	-	-	-	-	161	161
<b>Total liabilities</b> (excluding net assets attributable to unitholders)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>628</b>	<b>628</b>
<b>Net assets attributable to unitholders</b>	<b>7,842</b>	<b>9,494</b>	<b>10,435</b>	<b>31,132</b>	<b>-</b>	<b>11</b>	<b>58,914</b>

## 12 Financial risk management (continued)

30 June 2008	Floating interest rate	Fixed interest rate			Over 5 years	Non-interest bearing	Total
	3 months or less	4 to 12 months	1 to 5 years	Over 5 years			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>							
Cash and cash equivalents	7,774	-	-	-	-	3	7,777
Receivables	-	-	-	-	-	1,043	1,043
Convertible notes	-	10,966	17,676	12,594	-	-	41,236
Discount securities	-	-	7,862	-	-	-	7,862
Floating rate note	8,764	-	-	-	-	-	8,764
<b>Total assets</b>	<b>16,538</b>	<b>10,966</b>	<b>25,538</b>	<b>12,594</b>	<b>-</b>	<b>1,046</b>	<b>66,682</b>
<b>Liabilities</b>							
Distributions payable	-	-	-	-	-	681	681
Payables	-	-	-	-	-	115	115
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>796</b>	<b>796</b>
<b>Net assets attributable to unitholders</b>	<b>16,538</b>	<b>10,966</b>	<b>25,538</b>	<b>12,594</b>	<b>-</b>	<b>250</b>	<b>65,886</b>

At 30 June 2009, should interest rates have lowered by 50 basis points (2008: 50 basis points) with all other variables held constant, the increase in net assets attributable to unitholders (and in net operating profit/(loss)) for the year would have amounted to approximately \$299,168 (2008: \$209,531). If interest rates had risen by 50 basis points (2008: 50 basis points), the decrease in net assets attributable to unitholders (and in net operating profit/(loss)) would have amounted to approximately \$299,134 (2008: \$209,531). These increases/(decreases) in net assets attributable to unitholders are calculated on an undiscounted basis. The analysis is performed on the same basis for 2008.

### (c) Credit risk

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

Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, and deposits with banks and other financial institutions.

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

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

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

## 12 Financial risk management (continued)

### *Credit quality per class of instrument*

The credit quality of financial assets is managed by the Scheme using Standard & Poor's rating categories, in accordance with the investment mandate of the Scheme. The Scheme's exposure in each grade is monitored on a daily basis. This review process allows the Responsible Entity to assess the potential loss as a result of risks and take corrective action. The table below shows the credit quality by class of assets:

	AAA	AA	A	A1
	\$'000	\$'000	\$'000	\$'000
<b>At 30 June 2009</b>				
Fixed interest bonds	6,051	24,980	5,148	-
Discount securities	-	-	-	7,897
Floating Rate Notes	-	2,495	-	-
	AAA	AA	A	BBB
	\$'000	\$'000	\$'000	\$'000
<b>At 30 June 2008</b>				
Fixed interest bonds	4,925	22,573	1,998	2,898
Floating rate notes	-	4,796	-	3,968

### **(d) Concentrations of risk**

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

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

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

## 12 Financial risk management (continued)

Based on the concentrations of risk that are managed by counterparty, the following investments can be analysed by the industry sector and/or counterparty as at 30 June 2009 and 30 June 2008:

	\$'000
<b>At 30 June 2009</b>	
Australia & New Zealand Banking Group	6,128
Rabobank Australia Ltd	6,050
Macquarie Bank Limited	5,933
Westpac Banking Corporation	5,718
St George Bank Ltd	5,088
National Australia Bank Limited	5,046
Commonwealth Bank of Australia	4,470
HSBC Bank Australia Limited	3,000
Telstra Corp	2,034
Esanda Finance Corporation Limited	2,000
Bank of Queensland	1,508
Adelaide Bank Ltd	1,503
Other	5,078
<b>Total</b>	<b>53,556</b>

	\$'000
<b>At 30 June 2008</b>	
National Australia Bank Limited	6,897
Australia & New Zealand Banking Group	6,157
Rabobank Australia Ltd	4,926
Westpac Banking Corporation	4,926
St George Bank Ltd	4,880
Commonwealth Bank of Australia	3,948
Bank of Queensland	3,435
Adelaide Bank Ltd	3,431
Esanda Finance Corporation Limited	2,977
Macquarie Bank Limited	2,898
Telstra Corp	1,998
HSBC Australia Bank Limited	1,940
Other	9,449
<b>Total</b>	<b>57,862</b>

### (e) Liquidity risk

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

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

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

The Scheme may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Scheme may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as a deterioration in the creditworthiness of any particular issuer. No such investments were held at the balance sheet date.

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

## 12 Financial risk management (continued)

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

### *Maturity analysis for financial liabilities*

The table below analyses the Scheme's financial liabilities, excluding gross settled derivative financial liabilities, into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month '000	1-3 months '000	3-12 months '000	12-60 months '000
<b>At 30 June 2009</b>				
Distribution payable	467	-	-	-
Payables	161	-	-	-
Net assets attributable to unitholders	58,914	-	-	-
<b>Total financial liabilities - Contractual cash flows</b> (excluding gross settled derivatives)	<u>59,542</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Less than 1 month '000	1-3 months '000	3-12 months '000	12-60 months '000
<b>At 30 June 2008</b>				
Distribution payable	681	-	-	-
Payables	115	-	-	-
Net assets attributable to unitholders	65,886	-	-	-
<b>Total financial liabilities - Contractual cash flows</b> (excluding gross settled derivatives)	<u>66,682</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

The carrying amounts of all the Scheme's financial assets and financial liabilities at the balance sheet date approximated their fair values.

As a result of the developments in global markets, generally known as the global financial crisis, liquidity in some investment markets has decreased significantly. As a result, the volume of trading in many of the investments held by the Scheme has decreased significantly, and accordingly the valuation of those investments is subject to a greater uncertainty and requires greater judgement than would be the case in normal investment market circumstances.

For the years ended 30 June 2009 and 30 June 2008, the Scheme did not include financial assets and financial liabilities that were determined using valuation techniques. The fair values of the Scheme's financial assets and liabilities for the years then ended were determined directly, in full or in part, by reference to quoted prices that were available from various sources, such as exchanges, dealers, brokers, industry groups and pricing services.

## 13 Related party transactions

### Responsible entity

The Responsible Entity of Permanent Bond Fund is Permanent Investment Management Limited (ABN 45 003 278 831) to whom management fees are paid.

### Key management personnel

#### (a) Directors

Key management personnel includes persons who were directors of Permanent Investment Management Limited at any time during the financial year as follows:

Jonathan Sweeney (Director) (Resigned 31 December 2008)  
Michael Britton (Director)  
Eugene Quass (Director) (Resigned 13 February 2009)  
David Grbin (Director) (Appointed 22 July 2008)  
Vicki Allen (Director)  
John Atkin (Director) (Appointed 27 January 2009)  
Geoffrey Corderoy (Secretary) (Resigned 15 May 2009)  
Adrian Lucchese (Secretary)

#### (b) Specified Executive Officer of the Responsible Entity

Name	Position
Steven Marsh	Senior Investment Manager

### Key management personnel unitholdings

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

### Key management personnel compensation

Key management personnel are paid by Trust Company Limited, the ultimate parent entity of Permanent Investment Management Limited. Payments made from the Scheme to Permanent Investment Management Limited do not include any amounts attributable to the compensation of key management personnel.

### Key management personnel loan disclosures

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

### Other transactions within the Scheme

From time to time key management personnel of Permanent Investment Management Limited, or their key management personnel related entities, may invest in or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors and are trivial in nature.

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

### 13 Related party transactions (continued)

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

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

	As at
30 June 2009	30 June 2008
\$	\$

Management fees for the year paid by the Scheme to the Responsible Entity	<u>465,555</u>	505,517
Aggregate amounts payable to the Responsible Entity at the reporting date	<u>76,611</u>	<u>42,248</u>

#### Related party schemes' unitholdings

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

##### 2009

Unitholder	Interest held (%)	(Units)	Number of units acquired	Number of units disposed	Number of units held closing	Distributions paid/payable by the Scheme (\$')
Permanent Trustee Company Limited ATF CTF15	79.76	53,104,921	27,715	6,517,255	46,615,381	2,936,319

##### 2008

Unitholder	Interest held (%)	Number of units held opening (Units)	Number of units acquired (Units)	Number of units disposed (Units)	Number of units held closing (Units)	Distributions paid/payable by the Scheme (\$)
Permanent Trustee Company Limited ATF CTF15	80.20	56,073,061	1,818,603	4,786,743	53,104,921	2,904,270

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

	For the year ended	
	30 June 2009 \$'000	30 June 2008 \$'000
<b>(a) Reconciliation of net profit/(loss) to net cash inflow from operating activities</b>		
Net profit/(loss) for the year	-	-
Increase in net assets attributable to unitholders	900	105
Proceeds from sale of financial instruments held at fair value through profit or loss (including net realised gains/(losses))	43,141	35,069
Purchase of financial instruments held at fair value through profit or loss and derivative financial instruments	(37,005)	(25,530)
Net change in accrued income and prepaid expenses	404	(115)
Net change in accounts payable and accrued liabilities	46	9
Net losses on financial instruments held at fair value through profit or loss	(1,830)	(490)
Distribution to unitholders	3,620	3,621
<b>Net cash inflow from operating activities</b>	<b>9,276</b>	<b>12,669</b>
<b>(b) Components of cash and cash equivalents</b>		
Cash as at the end of the financial year as shown in the cash flow statement is reconciled to the balance sheet as follows:		
Cash and cash equivalents	<u>5,347</u>	<u>7,777</u>
<b>(c) Non-cash financing and investing activities</b>		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	<u>5</u>	<u>9</u>

## 15 Segment information

The Scheme is organised into one main segment which operates solely in the business of investment management within Australia. Consequently, no detailed segment reporting is provided in the Scheme's financial statements.

While the Scheme operates from Australia only (the geographical segment), the Scheme may have investment exposures in different countries and across different industries.

## 16 Events occurring after the balance sheet date

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

## 17 Contingent assets and liabilities and commitments

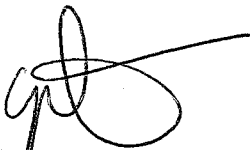
There are no outstanding contingent assets or liabilities as at 30 June 2009 and 30 June 2008.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 29 are in accordance with the *Corporations Act 2001*, including
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true view of the Scheme's financial position as at 30 June 2009 and of its performance, as represented by the results of their operations and cash flows for the year ended on that date.
- (b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.
- (c) the financial statements are in accordance with the Scheme Constitution.

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



John Atkin  
Director

25 September 2009

## Independent Auditor's Report to the Unitholders of Permanent Bond Fund

We have audited the accompanying financial report of Permanent Bond 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 as set out on pages 6 to 30.

### *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 a 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.

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

# Deloitte.

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

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Stuart Alexander

Partner

Chartered Accountants

Sydney, 25 September 2009