



# Core Property Fund

General purpose financial report  
for the year ended 30 June 2009



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Core Property Fund  
ARSN 114 235 326

**Manager**  
AMP Capital Investors Limited  
ACN 001 777 591  
ABN 59 001 777 591  
AFSL 232497

Level 24, 33 Alfred Street  
Sydney Cove NSW 2000

Issue date: 21st September 2009

**Responsible Entity**  
Permanent Investment  
Management Limited  
ABN 45 003 278 831

35 Clarence Street  
Sydney NSW 2000

The Directors of Permanent Investment Management Limited (ABN 45 003 278 831), the Responsible Entity of the Core Property Fund ("the Scheme"), present their report together with the financial report of the Scheme for the year ended 30 June 2009.

## Directors

The Directors of the Responsible Entity who, unless otherwise stated, have been in office at all times during and since the end of the year and the period for which they are a Director are:

Jonathan Sweeney (Resigned 31 December 2008)

Michael Britton

Vicki Allen

Eugene Quass (Resigned 13 February 2009)

David Grbin (Appointed 22 July 2008)

John Atkin (Appointed 27 January 2009)

## Scheme information

Core Property Fund is an Australian Registered Scheme. Permanent Investment Management Limited, the Responsible Entity of the Scheme, is incorporated and domiciled in Australia.

The registered office of the Responsible Entity is located at 35 Clarence Street, Sydney, NSW 2000.

The Manager of the Scheme is AMP Capital Investors Limited.

## Principal activity

The principal activity of the Scheme during the year was the investment of unitholders' funds in accordance with the Scheme mandate. There has been no significant change in the nature of this activity during the year.

## Review of results and operations

Core Property Fund incurred a net loss attributable to unitholders of \$(107,930,156) for the year ended 30 June 2009 (30 June 2008: \$(43,888,494)). Performance of the Scheme, as represented by the total return over the year of (25.8)% before fees, underperformed the benchmark return of (25.3)%. The Scheme's benchmark is a composite of the Mercer Unlisted Property Index (50%), S&P/ASX 300 Property Accumulation Index (25%) and UBS Global Real Estate Investors Index (25%).

On 9 March 2009, the Core Property Fund introduced a quarterly redemption processing regime and investors were advised that they may redeem units in the Core Property Fund by submitting a withdrawal request by one of the specified quarterly withdrawal dates. The specified withdrawal dates are 31 May, 31 August and 30 November 2009, and 28 February 2010, or the next business day if the specified withdrawal date is not a business day.

The first quarterly redemption window (being 31 May Sunday) closed on 1 June 2009 and the Scheme received approximately \$23million of redemption notices, representing 7.3% of the total Scheme, which were paid. Core Property Fund will continue to monitor the redemption period to determine the most appropriate method for unitholders and the Scheme.

## Distributions

Distributions paid and payable by the Scheme for the year ended 30 June 2009 were \$7,554,244 (30 June 2008: \$40,013,165).

## Significant Changes in the State of Affairs

In the opinion of the Directors, there have been no significant changes in the state of the Scheme's affairs during the financial year under review not otherwise stated in this report.

## 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.

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

## Environmental Regulation and Performance

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

#### Relevant information

Following is a list of relevant information required under the *Corporations Act 2001*:

**Fees paid to the Responsible Entity**

– Refer to Note 10 to the Financial Statements

**Units held by the Responsible Entity in the Scheme** – Refer to Note 10 to the Financial Statements

**Interests in the Scheme issued during the year**

– Refer to Note 8 to the Financial Statements

**Withdrawals from the Scheme during the year**

– Refer to Note 8 to the Financial Statements

**The value of Scheme assets and basis of valuation** – Refer to Balance Sheet and Note 2 respectively

**The number of interests in the Scheme as at 30 June 2009** – Refer to Note 8 to the Financial Statements

**Distributions payable to unitholders at balance date** – Refer to Balance Sheet

These notes have been presented in accordance with ASIC Class Order 98/2395.

#### Indemnification and insurance of Directors, Officers and Auditors

No insurance premiums are paid out of the assets of the Scheme in regard to indemnifying against a liability any person who is or has been an officer of the Responsible Entity or an auditor of the Scheme. So long as the Responsible Entity acts in accordance with the Scheme Constitution and Law, the Responsible Entity remains fully indemnified out of the assets of the Scheme against any losses incurred while acting on behalf of the Scheme.

#### 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 4.

Signed in accordance with a resolution of the Directors of Permanent Investment Management Limited:



**Michael Britton**  
Director

Dated this 21st day of September 2009, Sydney

PricewaterhouseCoopers  
ABN 52 780 433 767

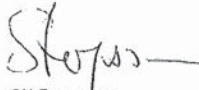
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**Auditor's Independence Declaration**

As lead auditor for the audit of Core Property 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 Core Property Fund during the period.



SK Ferguson  
Partner  
PricewaterhouseCoopers

Sydney  
21 September 2009

**FOR THE YEAR ENDED 30 JUNE 2009**

	Notes	2009 \$	2008 \$
<b>INVESTMENT INCOME</b>			
Distribution income		21,304,644	24,767,188
Interest		573,537	437,137
Rental income		977,695	494,130
Loss on disposal of investment property	6(b)	(2,150,000)	–
Net losses on financial instruments held at fair value through profit or loss	12	(124,784,184)	(66,370,388)
Other operating income		372,522	408,810
<b>Total net investment loss</b>		<b>(103,705,786)</b>	<b>(40,263,123)</b>
<b>EXPENSES</b>			
Interest expense		–	312,601
Management fees	10(b)	3,014,251	2,820,850
Direct Property expenses	6(c)	106,847	111,276
Withholding tax		935,888	245,498
Non-recoverable GST		87,156	65,531
Other expenses		80,228	69,615
<b>Total operating expenses</b>		<b>4,224,370</b>	<b>3,625,371</b>
<b>OPERATING LOSS</b>		<b>(107,930,156)</b>	<b>(43,888,494)</b>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders		7,554,244	40,013,165
<b>Decrease in net assets attributable to unitholders</b>	8(b)	<b>(115,484,400)</b>	<b>(83,901,659)</b>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>-</b>	<b>-</b>

The above Income Statement should be read in conjunction with the accompanying notes.

AS AT 30 JUNE 2009

	Notes	2009 \$	2008 \$
<b>ASSETS</b>			
Cash and cash equivalents	9(a)	1,379,851	18,074,545
Receivables	4	10,095,566	4,742,731
Financial assets held at fair value through profit or loss			
<i>Designated at fair value through profit or loss:</i>			
Unlisted managed investment funds	5	275,840,603	366,860,680
Investment property	6	–	10,150,000
<b>TOTAL ASSETS</b>		<b>287,316,020</b>	<b>399,827,956</b>
<b>LIABILITIES</b>			
Payables	7	228,931	680,753
Distribution payable		2,289,953	26,822,601
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>		<b>2,518,884</b>	<b>27,503,354</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS – LIABILITY</b>	8(b)	<b>284,797,136</b>	<b>372,324,602</b>

The above Balance Sheet should be read in conjunction with the accompanying notes.

FOR THE YEAR ENDED 30 JUNE 2009

	2009 \$	2008 \$
Total equity at the beginning of the financial year	—	—
Profit/(loss) for the year	—	—
Net income/(expense) recognised directly in equity	—	—
<b>Total recognised income and expense for the financial year</b>	<b>—</b>	<b>—</b>
Transactions with owners in their capacity as owners	—	—
<b>Total equity at the end of the financial year</b>	<b>—</b>	<b>—</b>

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than an 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.

## FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 \$	2008 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from sales of financial instruments held at fair value through profit or loss		35,650,000	–
Purchase of financial instruments held at fair value through profit or loss		(58,043,060)	(257,416,864)
Distributions received		12,783,512	5,418,950
Interest received		573,537	437,137
Interest expense paid		–	(312,601)
GST paid		(126,039)	(102,331)
Other income received		354,429	473,102
Rental income received		957,434	494,130
Management fees paid		(3,439,103)	(2,479,386)
Withholding tax paid		(935,888)	(245,498)
Direct property expenses paid		(259,330)	(82,542)
Other expenses paid		(80,228)	(69,616)
<b>Net cash outflow from operating activities</b>	9(b)	<b>(12,564,736)</b>	<b>(253,885,519)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for purchase of investment property		–	(10,733,814)
<b>Net cash outflow from investing activities</b>		<b>–</b>	<b>(10,733,814)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from applications by unitholders		134,603,281	352,517,744
Payments for redemptions by unitholders		(109,996,477)	(56,565,892)
Distributions paid		(28,736,762)	(17,863,634)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(4,129,958)</b>	<b>278,088,218</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>(16,694,694)</b>	<b>13,468,885</b>
Cash and cash equivalents at beginning of year		18,074,545	4,605,660
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	9(a)	<b>1,379,851</b>	<b>18,074,545</b>
Non-cash financing and operating activities	9(c)	14,595,664	22,545,024

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1. GENERAL INFORMATION

The Core Property Fund (“the Scheme”) is an Australian Registered Scheme. Permanent Investment Management Limited, the Responsible Entity of the Scheme, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at 35 Clarence Street, Sydney, NSW 2000.

The Manager of the Scheme is AMP Capital Investors Limited.

The principal activity for the Scheme during the year was the investment of unitholders’ funds in accordance with the Scheme mandate. There has been no significant change in the nature of this activity during the year.

NOTE 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, 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.

The Balance Sheet is presented on a liquidity basis.

Assets and liabilities are presented in a decreasing order of liquidity and are not distinguished between current and non current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled in relation to these balances cannot be reliably determined.

Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with

AIFRS ensures that the financial report of the Scheme, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards.

(b) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Directors’ assessment of the impact of these new standards (to the extent relevant to the Scheme) and interpretations are set out below:

(i) AASB 8 Operating Segments and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* (effective for reporting periods beginning on or after 1 January 2009):

AASB 8 will result in a significant change in the approach to segment reporting, as it required 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 how to allocate resources to operating segments. The Scheme will adopt AASB 8 from 1 July 2009. 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.

(ii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* (effective for reporting periods beginning on or after 1 January 2009):

The revised AASB 101 requires the presentation of a Statement of Comprehensive Income and makes changes to the Statement of Changes in Equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third Balance Sheet (Statement of Financial Position), this one being as at the beginning of the comparative period. The Scheme will apply the revised standard from 1 July 2009.

(iii) Revised AASB3 *Business Combinations*, AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from*

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 3 and AASB 127 (effective for reporting periods beginning on or after 1 July 2009):

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

(iv) 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 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 net assets attributable to unitholders as a liability and therefore no impact on profit or loss and equity.

(v) AASB 2009-2 *Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments* (effective for annual periods beginning on or after 1 January 2009):

In April 2009, the AASB published amendments to AASB 7 *Financial Instruments: Disclosure* 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 has not early adopted the amendments. The amendments will not affect any of the amounts recognised in the financial statements but may affect certain disclosures.

(c) Financial instruments

(i) Classification

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

- Financial instruments held for trading  
These include derivative financial instruments including forward foreign currency contracts. The Scheme 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 unlisted managed investment funds. 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 Manager of the Scheme is responsible for evaluating the information about financial assets and financial liabilities on a fair value basis and making recommendations to the Directors of the Responsible Entity on the fair value basis.

(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 financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cashflows from the investments have expired or the Scheme has transferred substantially all risks and rewards of ownership.

(iii) Measurement

The carrying amount of the Scheme's assets and liabilities at reporting 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.

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 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.

**(d) Investment Property**

It is the Responsible Entity's policy to value direct property investments with such frequency as is appropriate under prevailing market conditions. The current policy of the Responsible Entity is to revalue direct property investments at least every twelve months based upon the reports of an independent qualified valuer. A valuation is to be carried out if there is reason to believe that there has been a significant change in the value of a property.

The Responsible Entity assesses the carrying value at each reporting period end to ensure carrying values do not materially differ from fair values. When carrying values differ from the fair value, those assets are adjusted to fair value.

The valuation methodologies adopted by the independent valuers include the discounting of expected net cash flows using a market based risk adjusted discounted rate, the capitalisation of current market rents and an analysis of recent comparable sales.

Expenditure capitalised to properties includes the cost of acquisition, refurbishment costs and capital additions.

**(e) Use of Estimates**

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

**(f) Investment Income**

Interest income on cash and cash equivalents is recognised in the Income Statement using the accruals method.

Trust distributions are recognised on an entitlements basis.

Rental income is recognised on an accruals basis when it is legally due. Rental income is raised

on terms in accordance with individual leases, however, it is generally due on the first day of each month.

**(g) Expenses**

All expenses are recognised in the Income Statement on an accruals basis.

**(h) 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

Payments and receipts relating to the purchase and sale of financial instruments 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.

**(i) 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 the 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.

**(j) Payables**

Payables include liabilities and accrued expenses owing by the Scheme 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 Scheme's Constitution.

**(k) 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 into the Scheme at any time for cash based on the redemption price.

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 into the Scheme.

**(l) Income Tax**

Under current legislation, the Scheme is not subject to income tax provided the taxable income of the Scheme is fully distributed either by way of cash or reinvestment (i.e. 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 benefits of imputation credits and foreign tax paid are passed on to unitholders.

The Scheme currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Income Statement.

**(m) Distributions**

In accordance with the Scheme Constitution, the Scheme fully distributes its distributable (taxable) income, and any other 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.

**(n) Foreign Currency Translation**

*(i) Functional and presentation currency*

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

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates

prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies on the Balance Sheet are recognised in the Income Statement.

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

**(o) Unit Classes**

The Scheme contains multiple unit classes reflecting the different servicing requirements of various unitholders. Due to the additional services required by some unitholder classes, different management fees apply to different unit classes. These management fees, expressed as a ratio, as at 30 June 2009 are as follows:

A Class units	1.1000% p.a.
AMPCI Retail Class units	1.4000% p.a.

**(p) Unit Exit Prices**

Unit exit prices are determined in accordance with the Scheme Constitution and are calculated on a historic pricing basis as the net assets attributable to unitholders of the Scheme less estimated transaction costs divided by the number of units on issue.

**(q) Applications and redemptions**

The rights, obligations and restrictions attached to each unitholder class are identical in all respects other than the minimum investment requirements and/or fee structures applicable to each class.

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 prices are determined by reference to the net assets per the Scheme Constitution divided by the number of units on issue at or immediately prior to the close of each business day.

**(r) 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 on to the Scheme. The Scheme qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 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.

**NOTE 3: AUDITOR'S REMUNERATION**

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

	2009 \$	2008 \$
<b>Audit services</b>		
PricewaterhouseCoopers Australian firm		
Audit of the financial statements of the Scheme	8,960	6,625
<b>Total remuneration for audit services</b>	<b>8,960</b>	<b>6,625</b>

Fees are stated net of GST. Fees in both periods were paid by the Manager or a related entity of the Manager of the Scheme.

**NOTE 4: RECEIVABLES**

	2009 \$	2008 \$
Distributions receivable	1,955,510	4,679,912
Rental income receivable	20,261	—
Outstanding settlements receivable	8,000,000	—
GST receivable	94,767	55,884
Other receivables	25,028	6,935
<b>Total receivables</b>	<b>10,095,566</b>	<b>4,742,731</b>

**NOTE 5: FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2009 \$	2008 \$
<i>Designated at fair value through profit or loss</i>		
<b>Unlisted managed investment funds</b>		
Registered managed investment schemes	275,840,603	366,860,680
<b>Total financial assets held at fair value through profit or loss</b>	<b>275,840,603</b>	<b>366,860,680</b>

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 6: INVESTMENT PROPERTY

In accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards, the following information is provided by the Responsible Entity in respect of the Core Property Fund.

(a) Investment Property

	Date acquired	Acquisition cost \$	Independent valuation amount \$	Independent valuation date	Book value June 2009 \$	Book value June 2008 \$
10 Carter Street, Hombush	December 2007	10,150,000	–	December 2007	–	10,150,000

The basis of valuation of Investment Properties is discussed in Note 2(d) to the financial statements.

(b) Reconciliation of carrying amount of investment property

Reconciliation of the carrying amount of investment property at the beginning and end of the financial year are set out below:

	2009 \$	2008 \$
Carrying amount at beginning of financial year	10,150,000	–
Acquisitions	–	10,740,749
Disposals	(8,000,000)	–
Valuation decrement	(2,150,000)	(590,749)
<b>Carrying amount at end of financial year</b>	<b>–</b>	<b>10,150,000</b>

(c) Property outgoings

The amounts disclosed as direct property expenses in the Income Statement comprise the following amounts:

	2009 \$	2008 \$
Rates, taxes and other property outgoings	78,758	37,561
Legal fees	–	13,773
Other	28,089	59,942
	<b>106,847</b>	<b>111,276</b>

(d) Leasing arrangements

All directly held properties of the Scheme were leased to third parties under non cancellable operating leases. Leases varied between tenants based upon the nature of the rental market at the time of rental negotiations.

NOTE 7: PAYABLES

	2009 \$	2008 \$
Management fees payable	227,167	652,019
Direct property expenses payable	1,764	28,734
	<b>228,931</b>	<b>680,753</b>

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 8. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The movement in number of units on issue and net assets attributable to unitholders during the year was as follows:

	2009 Units	2008 Units
<b>(a) Units on issue</b>		
Opening balance	377,753,626	129,374,803
Applications	153,302,178	295,230,681
Reinvested distributions	3,536,472	2,668,863
Redemptions	(132,722,780)	(49,520,721)
<b>Closing balance</b>	<b>401,869,496</b>	<b>377,753,626</b>
<b>Represented by:</b>		
<b>A Class</b>		
Opening balance	349,251,635	109,072,197
Applications	149,397,526	278,032,130
Reinvested distributions	2,822,424	1,914,222
Redemptions	(124,117,623)	(39,766,914)
<b>Closing balance</b>	<b>377,353,962</b>	<b>349,251,635</b>
<b>AMPCI Retail Class</b>		
Opening balance	28,501,991	20,302,606
Applications	3,904,652	17,198,551
Reinvested distributions	714,048	754,641
Redemptions	(8,605,157)	(9,753,807)
<b>Closing balance</b>	<b>24,515,534</b>	<b>28,501,991</b>
	2009 \$	2008 \$
<b>(b) Net assets attributable to unitholders</b>		
Opening balance	372,324,602	157,130,494
Applications	134,603,281	352,517,744
Reinvested distributions	3,350,130	3,143,915
Redemptions	(109,996,477)	(56,565,892)
	<b>400,281,536</b>	<b>456,226,261</b>
Change in net assets attributable to unitholders	(115,484,400)	(83,901,659)
<b>Closing balance</b>	<b>284,797,136</b>	<b>372,324,602</b>

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 9. CASH AND CASH EQUIVALENTS

	2009 \$	2008 \$
<b>(a) Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents at the end of the year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:		
Cash on deposit	1,379,851	18,074,545
	<b>1,379,851</b>	<b>18,074,545</b>
<b>(b) Reconciliation of operating profit/(loss) to net cash inflow/outflow from operating activities</b>		
Profit/(loss) for the year	–	–
Decrease in net assets attributable to unitholders	(107,930,156)	(43,888,494)
Proceeds from sale of financial instruments held at fair value through profit or loss	35,650,000	–
Purchase of financial instruments held at fair value through profit or loss	(58,043,060)	(257,416,864)
Net losses on financial instruments held at fair value through profit or loss	124,784,184	66,370,388
Investment income reinvested	(11,245,534)	(19,401,109)
Loss on disposal of investment property	2,150,000	–
Changes in assets and liabilities:		
Decrease in receivables	2,647,165	80,363
Increase/(decrease) in payables	(577,335)	370,197
<b>Net cash outflow from operating activities</b>	<b>(12,564,736)</b>	<b>(253,885,519)</b>
<b>(c) Non-cash financing and operating activities</b>		
Non cash financing and operating activities carried out during the year on normal commercial terms and conditions included:		
Reinvestment of unitholder distributions	3,350,130	3,143,915
Participation in reinvestment plans	11,245,534	19,401,109
	<b>14,595,664</b>	<b>22,545,024</b>

NOTE 10: RELATED PARTY TRANSACTIONS

(a) General information

The Responsible Entity of the Scheme is Permanent Investment Management Limited, a wholly owned subsidiary of Trust Company Limited. The Manager of the Scheme is AMP Capital Investors Limited, a wholly owned subsidiary of AMP Limited.

(b) Transactions with the Responsible Entity

Trust Company Limited (TCL) has a number of clients that have invested in the AMP Core Property Fund through the TCL Portfolio Management Services which is an IDPS like scheme of which TCL is the Trustee of the scheme. TCL in its capacity as Trustee for its private clients holds 1,163,635 units in AMP Core Property Fund. TCL is the parent company of the Responsible Entity, Permanent Investment Management Limited.

All transactions between the Scheme and related parties have been at market value on normal commercial terms and conditions. This includes purchases and sales of investments as well as applications and redemptions of units.

In accordance with the Scheme Constitution, the Responsible Entity is entitled to receive fees for the provision of services to the Scheme and to be reimbursed for certain expenditure incurred in the administration of the Scheme.

There were no Responsible Entity fees paid by the Scheme for the year ended 30 June 2009 (30 June 2008: nil).

In accordance with the Scheme Constitution, the Manager is entitled to receive fees for the provision of services to the Scheme and to be reimbursed for certain expenditure incurred in the administration of the Scheme.

	2009 \$	2008 \$
Management fees expensed during the year	3,014,251	2,820,850

During the year the Manager has incurred certain expenses on behalf of the Scheme. It is the Manager's intention not to seek reimbursement of these expenses from the Scheme.

(c) Key management personnel

AASB 124 "Related Party Disclosures" defines key management personnel (KMP) as including all non executive directors, executive directors and any other persons having authority or responsibility for planning, directing and controlling the activities of the entity. The Scheme has no direct employees, however the Non-executive Directors and the Executive Directors of the Responsible Entity have been deemed to be Directors of the Scheme. These individuals and the Responsible Entity comprise the KMP of the Scheme.

The names of each person holding the position of Director of the Responsible Entity at any time during the year and until the date of this report are as follows:

Name	Position	
Jonathan Sweeney	Chairman	Resigned 31 December 2008
Michael Britton	Executive director	
Vicki Allen	Executive director	
Eugene Quass	Executive director	Resigned 13 February 2009
David Grbin	Executive director	Appointed 22 July 2008
John Atkins	Executive director	Appointed 27 January 2009

Remuneration paid to the Responsible Entity is detailed in Note 10(b) above. No Director of the Responsible Entity was paid any remuneration by the Scheme during the year and their compensation paid by the Responsible Entity or related entities of the Responsible Entity is not related to services they render to the individual scheme.

**FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 11: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**(a) Financial risk management objectives, policies and processes**

The Scheme is exposed to credit risk, liquidity risk and market risk arising from the financial instruments it holds. The Manager is responsible for managing these risks and does so through a process of ongoing identification, measurement and monitoring. The Responsible Entity is responsible for monitoring compliance with these processes.

Risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Scheme from reasonably foreseeable changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Responsible Entity. These mandate limits reflect the investment strategy and market environment of the Scheme, as well as the level of risk that the Scheme is willing to accept.

This information is prepared by the Manager and regularly reported to the Manager's key management personnel and to relevant parties within the Responsible Entity.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentration of risk, the Manager monitors the Scheme's exposure to ensure concentrations of risk remain within acceptable levels.

**(b) Credit risk**

Credit risk represents the risk that a counterparty will fail to perform contractual obligations under a contract.

The Scheme's maximum credit risk exposure at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated 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.

There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

Credit risk is not considered to be significant to the Scheme except in relation to investments in debt securities. This Scheme does not have an investment in debt securities.

**(c) Liquidity and cash flow risk**

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow risk is the risk that future cash flows associated with financial instruments will fluctuate in amount or timing.

These risks are 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.

**FOR THE YEAR ENDED 30 JUNE 2009**

**Maturity analysis for financial liabilities**

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

Net assets attributable to unitholders are entirely payable on demand.

**(d) Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

**Price risk**

Price risk is the risk that the fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. Price risk exposure arises from the Scheme's investment portfolio.

The analysis below demonstrates the impact of a 20% movement in equities. This sensitivity analysis has been performed to assess the direct risk of holding equity instruments with all other variables held constant. It is assumed that the relevant change occurs at reporting date.

	Price risk	
	-20%	+20%
	\$	\$
30 June 2009	(55,168,121)	55,168,121
30 June 2008	(73,372,136)	73,372,136

**NOTE 12. NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2009	2008
	\$	\$
Net unrealised loss on financial instruments designated as at fair value through profit or loss	(97,079,822)	(66,139,544)
Net realised loss on financial instruments designated as at fair value through profit or loss	(27,704,362)	(230,844)
<b>Total net losses on financial instruments held at fair value through profit or loss</b>	<b>(124,784,184)</b>	<b>(66,370,388)</b>

**FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 13. SEGMENT INFORMATION**

The Scheme operates solely in the business of investment management.

The Scheme operates from and is domiciled in Australia.

**NOTE 14. COMMITMENTS AND CONTINGENCIES**

The Scheme had no commitments or contingencies at 30 June 2009 (30 June 2008: nil) other than those specified in the Financial Report.

**NOTE 15. AUTHORISATION OF FINANCIAL REPORT**

The financial report of the Core Property Fund for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors of Permanent Investment Management Limited on the 21st day of September 2009.

**NOTE 16. EVENTS SUBSEQUENT TO BALANCE DATE**

Since 30 June 2009 there have been no matters or circumstances not otherwise dealt with in the Financial Report that have significantly affected or may significantly affect the Scheme.

**DIRECTORS' DECLARATION**

In the opinion of the Directors of the Responsible Entity:

- (a) The financial statements of the Scheme and notes set out on pages 5-20 are in accordance with the requirements of 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 Scheme'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 Scheme 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.



**Michael Britton**  
Director

Dated this 21st day of September 2009, Sydney

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**Independent auditor's report to the unitholders of  
Core Property Fund**

**Report on the financial report**

We have audited the accompanying financial statements of Core Property Fund (the Scheme), which comprise the statement of financial position as at 30 June 2009, and the income statement, statement of changes in equity and statement of cash flow for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Scheme.

*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 controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, 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 of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

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

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

Liability limited by a scheme approved under Professional Standards Legislation



Independent auditor's report to the unitholders of  
Core Property Fund (continued)

*Independence*

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 Core Property 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.

PricewaterhouseCoopers

Scott Fergusson  
Partner

Sydney  
21 September 2009

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