

Investments

# Diversified Private Equity Fund

**Annual Financial Report 2009**



Dear Investor

**Your Annual Financial Report**

I am pleased to present the reports for the financial year ended 30 June 2009 for the Colonial First State Diversified Private Equity Fund.

This statement is the final component of the reporting information for the 2008–2009 financial year.

If you have any questions about the Annual Financial Report, please call Investor Services on **13 13 36** Monday to Friday, 8am to 7pm, Sydney time.

Yours sincerely,

A handwritten signature in blue ink that reads "Brian Bissaker". The signature is written in a cursive, flowing style.

**Brian Bissaker**

Chief Executive Officer

**COLONIAL FIRST STATE DIVERSIFIED  
PRIVATE EQUITY FUND**

**ARSN 096 425 302**

**ABN 38 864 889 603**

**FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2009**

**Responsible Entity of the Fund:**

**COLONIAL FIRST STATE  
INVESTMENTS LIMITED**

**ABN 98 002 348 352**

Level 29, 52 Martin Place  
SYDNEY NSW 2000

# COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND

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# COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2009

The Directors of Colonial First State Investments Limited, the Responsible Entity of the Colonial First State Diversified Private Equity Fund ("the Fund"), present their report together with the financial report of the Fund for the financial year ended 30 June 2009.

### Principal Activity

The Fund provides investors with access to a diversified portfolio of unlisted companies and aims to generate returns greater than traditional listed investments over a ten year period. The Responsible Entity has appointed Colonial First State Private Equity Limited (ABN 98 002 642 819) to manage the Fund's investments.

### Dates of Constitution and Registration of Fund

The dates of the Constitution and registration of the Fund with the Australian Securities & Investments Commission (ASIC) were 29 March 2001 and 11 April 2001, respectively.

### Review of Operations

#### Income

The annual income distribution per unit for the Fund for the years ended 30 June 2009 and 30 June 2008 are disclosed in Note 3 to the financial statements.

#### Exit Price

The exit price is the price at which unitholders realise an entitlement in the Fund and is calculated by taking the total fair value of all of the Fund's assets on a particular day, adjusting for any liabilities and then dividing the net Fund value by the total number of units held by unitholders on that day.

The unit price, representing the ex-distribution exit unit price as at 30 June 2009 was \$0.0118 (30 June 2008 : \$0.0070)

### Management fees for the Fund

Under clause 22.1 of the Constitution, the Responsible Entity is entitled to a management fee expressed as a percentage of outstanding capital which is defined as committed capital less capital returns. Management fees are paid directly by the Fund. The management fee is equal to 2.31% per annum of the outstanding capital.

As of 1 September 2007, the Responsible Entity has stopped charging management fees.

Details of management fees and performance charged to the Fund are disclosed in Note 7(c) to the financial statements.

#### Performance

The performance figures below have been calculated on an annual compound basis using exit prices and with no allowance made for the taxation of these returns.

	2009	2008
	%	%
Total performance	68.57	8.14

# COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2009

### Responsible Entity and Directors

The Responsible Entity of the Fund is Colonial First State Investments Limited. The ultimate holding company is the Commonwealth Bank of Australia (ABN 48 123 123 124).

The Directors of the Responsible Entity in office during the year and up to the date of the report are:

Grahame Anthony Petersen	
Michael John Venter	
Brian Vincent Bissaker	
Gregg Johnston	Appointed 04/08/2009
Peter Robert Winney	
Bradley Brian Massey	
Paul Alexander Rayson	Resigned 28/07/2009

The Responsible Entity is incorporated and domiciled in Australia and has its registered office at Level 29, 52 Martin Place, Sydney, New South Wales, 2000.

### Scheme Information

The Fund is a registered managed investment scheme domiciled in Australia and has its principal place of business at Level 29, 52 Martin Place, Sydney, New South Wales, 2000.

### Significant Changes in the State of Affairs

The investment portfolio of the Fund has been substantially reduced during the year. Proceeds from the disposal of investments was distributed to unitholders either as income or capital repayment.

With the exception of the above there were no other significant changes in the nature of the Fund's activities during the year.

### Matters Subsequent to the End of the Financial Year

No matters or circumstances have arisen since 30 June 2009 that have significantly affected, or may significantly affect:

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

### Likely Developments and Expected Results of Operations

The Fund is expected to continue to operate within the terms of its Constitution, and will continue to invest in accordance with the Fund's constitution.

At the time of preparing this report the Responsible Entity is not aware of any likely developments which would impact upon the future operations of the Fund.

# COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2009

### **Indemnification and Insurance Premiums For Officers and auditors**

No insurance premiums are paid for out of the assets of the Fund in relation to insurance cover provided to Colonial First State Investments Limited or the auditors of the Fund. So long as the officers of Colonial First State Investments Limited act in accordance with the Constitution and the Corporations Act 2001, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditors of the Fund are in no way indemnified out of the assets of the Fund.

The Commonwealth Bank of Australia has paid insurance premiums for the benefit of the officers of the Responsible Entity and the Compliance Committee members. Details of the nature of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the insurance contracts.

### **Fees Paid to and Interest Held in the Fund By the Responsible Entity or its Associates**

Fees paid to the Responsible Entity and its associates out of the Fund's assets during the year are disclosed in the Income Statement.

No fees were paid to the Directors of the Responsible Entity during the year out of the Fund's assets.

The number of interests in the Fund held by the Responsible Entity or its associates at the end of the financial year are disclosed in Note 7(f) to the financial statements.

### **Interests in the Fund**

The units issued and redeemed in the Fund during the year and the number of units on issue at the end of the financial year are set out in Note 5(a) to the financial statements. The value of the Fund's assets at the end of the financial year are set out in the Balance Sheet.

### **Redemption Facility**

In accordance with the Constitution, unitholders are not able to redeem or otherwise withdraw units during the life of the Fund. The appointed nominee, Colonial First State Group Limited offers a limited liquidity facility only after 31 July 2005 for redemptions. After 31 July 2005 the nominee will offer to purchase fully paid units at 75% of their value based on the most recent valuation. The facility will be available twice a year.

### **Environmental Regulation**

The operations of the Fund are not subject to any particular environmental regulations under Commonwealth, State or Territory law. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

**COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2009**

**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.

Signed in accordance with a resolution of the Directors of Colonial First State Investments Limited.

A handwritten signature in black ink, appearing to read 'Bradley Massey', written in a cursive style.

Bradley Brian Massey  
Director  
Sydney  
31 August 2009

**Auditor's Independence Declaration**

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

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

This declaration is in respect of Colonial First State Diversified Private Equity Fund during the period.



A J Wilson  
Partner  
PricewaterhouseCoopers

Sydney  
1 September 2009

**COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND**

**INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2009**

		1/7/2008 - 30/06/2009 \$	1/7/2007 - 30/06/2008 \$
<b>Investment income</b>	Notes		
Interest income		26,177	188,829
Dividend Income		-	104,239
Net gains on financial instruments held at fair value through profit or loss		668,693	203,346
Other income		-	-
<b>Total investment income</b>		694,870	496,414
<b>Expenses</b>			
Responsible Entity's management fees	7(c)	-	44,052
Responsible Entity's performance fees	7(c)	122,793	314,070
Other expenses		11,328	106,198
<b>Total operating expenses</b>		134,121	464,320
<b>Operating profit attributable to unitholders</b>		560,749	32,094
Distributions to unitholders	3	-	(29,533,237)
(Increase)/Decrease in net assets attributable to unitholders from operations	5	(560,749)	29,501,143
<b>Profit/(Loss) for the year</b>		-	-

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

**COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND**

**BALANCE SHEET  
AS AT 30 JUNE 2009**

<b>Assets</b>	Notes	<b>30/06/2009</b> \$	<b>30/06/2008</b> \$
Cash and cash equivalents		1,004,701	508,489
Trade and other receivables:			
- outstanding sales settlement		150,000	200,000
- interests		2,980	2,670
Financial instruments held at fair value through profit or loss	4	434,368	259,799
<b>Total assets</b>		<b>1,592,049</b>	<b>970,958</b>
<b>Liabilities</b>			
Distribution payable		-	79,845
Fees due to Responsible Entity		44,052	48,052
Estimated performance fees payable to Responsible Entity		309,599	165,412
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>353,651</b>	<b>293,309</b>
<b>Net assets attributable to unitholders - liability</b>	5	<b>1,238,398</b>	<b>677,649</b>
<b>Represented by:</b>			
Fair value of outstanding units based on redemption value		1,214,450	721,191
Adjustments to year end accruals		23,948	(43,542)
<b>Net assets attributable to unitholders</b>		<b>1,238,398</b>	<b>677,649</b>

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

**COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2009**

	1/7/2008 - 30/06/2009 \$	1/7/2007 - 30/06/2008 \$
<b>Total equity at the beginning of the financial year</b>	-	-
Profit or loss for the year	-	-
Net income/(expense) recognised directly in equity	-	-
<b>Total recognised income and expenses for the year</b>	-	-
Transactions with equity holders in their capacity as equity holders	-	-
<b>Total equity at the end of the financial year</b>	-	-

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

The above Statement of Changes in Equity should be read in conjunction with Note 5(a).

**COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2009**

	Note	1/7/2008 - 30/06/2009 \$	1/7/2007 - 30/06/2008 \$
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial assets held at fair value through profit or loss		544,124	54,161,337
Payments for purchase of financial assets held ar fair value through profit or loss		-	-
Interest received		25,867	1,602,777
Dividends received		-	104,239
Other income received		-	-
Responsible Entity fee received/(paid)		17,394	(15,664,762)
Other expenses paid		(11,328)	(106,198)
<b>Net cash from operating activities</b>	6(a)	576,057	40,097,393
<b>Cash flows from financing activities</b>			
Distributions paid		(79,845)	(35,484,464)
Distribution of Capital paid		-	(13,192,176)
<b>Net cash used in financing activities</b>		(79,845)	(48,676,640)
<b>Net movement in cash and cash equivalents</b>		496,212	(8,579,247)
Add opening cash and cash equivalents brought forward		508,489	9,087,736
<b>Closing cash and cash equivalents carried forward</b>		1,004,701	508,489

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

# COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the Fund's Constitution and the requirements of the Corporations Act 2001, which includes Accounting Standards. Other mandatory professional reporting requirements have also been complied with.

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 expected to be settled within twelve months, except for financial assets held at fair value through profit or loss, loans and net assets attributable to unitholders. The amounts expected to be recovered or settled after more than twelve months in relation to these balances cannot be reliably determined, except as otherwise stated.

The financial report was authorised for issue by the Directors of the Responsible Entity on 28 August 2009.

Both the functional and presentation currency of the Fund is Australian dollars.

#### (b) Statement of Compliance

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

#### (c) Investments in Financial Assets Held at Fair Value through Profit or Loss

##### *Classification*

The Fund's investments are classified as held at fair value through profit or loss and initially recognised at fair value not including transaction costs, which are expensed in the income statement.

##### *Recognition/Derecognition*

The Fund 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.

The derecognition of a financial instrument takes place when the Fund no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

##### *Measurement*

After initial recognition, the financial assets held for trading are revalued to fair value at each reporting date.

Unlisted securities are valued at their fair value as determined by the Responsible Entity and are based upon the investment valuation guidelines of the Australian Venture Capital Association Limited (AVCAL).

The unlisted securities are valued after considering:

- current business operations, industry transactions, management and financial plans;
- whether the underlying business has achieved a sustainable level of performance which, in the context of the securities markets at balance date, warrants an increase in the value of the investments;
- whether the investee company has suffered any permanent diminution in value;
- recently executed financial transactions related to investee companies;
- independent third party valuations; and
- disposal value

# COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Investments in Financial Assets Held at Fair Value through Profit or Loss (continued)

Gains or losses on investments held at fair value through profit or loss are recognised in the Income Statement. Investments of the Fund which are considered to be held for trading are equity securities.

#### (d) Investment Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

##### *Distribution income*

Distribution income is recognised when the right to receive the payment is established.

##### *Interest income*

Interest income is brought to account on an accrual basis.

##### *Changes in fair value of financial assets held at fair value through profit or loss*

Gains or losses on investments held at fair value are calculated as the difference between the fair value at sale, or at year end, and the fair value at the previous valuation point. This includes both realised and unrealised gains and losses.

#### (e) Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank.

For the purposes of the Cash Flow Statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

#### (f) Trade and Other Receivables

Receivables are recognised and carried at the original invoice amount, less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of an amount is no longer probable. Bad debts are written off when identified.

Amounts are generally received within 30 days of being recorded as receivables.

#### (g) Trade and Other Payables

Liabilities for creditors are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Fund.

Payables include outstanding settlements on the purchase of financial assets held for trading and distributions payable. The carrying period is dictated by market conditions and is generally less than 30 days.

#### (h) Taxation

Under current legislation, the Fund is not subject to income tax provided the unitholders are presently entitled to the income of the Fund and the Fund fully distributes its taxable income.

# COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Distributions

In accordance with the Fund's Constitution, the Fund fully distributes its distributable income to unitholders. Distributions are payable at the end of each quarter. Such distributions are determined by reference to the taxable income of the Fund. Distributable income includes capital gains arising from the disposal of financial assets held at fair value through profit or loss. Unrealised gains and losses on financial assets held at fair value through profit or loss that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

#### (j) Unit Prices

Financial assets held at fair value through profit or loss are valued at their fair value as determined by the Responsible Entity and are based upon the investment valuation guidelines of the Australian Venture Capital Association Limited (AVCAL).

#### (k) Terms and Conditions on Units

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

- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Fund.

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

#### (l) Net Assets Attributable to Unitholders

Under AASB 132 "Financial Instruments: Disclosure and Presentation", contractual obligations are regarded as liabilities. All net assets attributable to unitholders have been recognised as liabilities of the Fund, rather than as equity. The classification of net assets attributable to unitholders does not alter the underlying economic interest of the unitholders in the net assets and net profit attributable to unitholders of the Fund.

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

Income, expenses and assets, with the exception of receivables and payables, are recognised net of the amount of GST to the extent that the GST is recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated inclusive of GST.

Reduced input tax credits (RITC) recoverable by the Fund from the Australian Taxation Authority are recognised as a receivable in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

#### (n) Expense Recognition

Expenses are recognised in the Income Statement when the Fund has a present obligation (legal or constructive) as a result of a past event that can be reliably measured. Expenses are recognised in the Income Statement if expenditure does not produce future economic benefits that qualify for recognition in the Balance Sheet.

# COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) New Application of Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The impact of these new standards and interpretations is set below:

- AASB 8 "Operating Segments" and AASB 2007-3 "Amendments to Australian Accounting Standards" arising from AASB 8.

AASB 8 and AASB 2007 - 3 are effective for annual reporting periods beginning on or after 1 January 2009. The Fund has not adopted these standards early. Application of these standards will not affect any of the amounts recognised in the financial statements, but may affect the segment disclosures provided in Note 8.

- Revised AASB 101 "Presentation of Financial Statements Revised" and AASB 2007-8 "Amendments to Australian Accounting Standards" arising from AASB 101.

AASB 101 (Revised) is applicable to annual reporting beginning on or after 1 January 2009. The Fund has not adopted this standard early. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity will not affect any amounts recognised in the financial statements. If a Fund has made a prior period adjustment or has re-classified items in the financial statement, it will need to disclose a third Balance Sheet, this one being at the beginning of the comparative period.

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

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

- AASB 7 Financial Instruments: Disclosure and AASB 2009-2 Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments

Revised AASB 7 is applicable for reporting periods beginning on or after 1 January 2009. The Fund has not adopted this standard early. 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 amendments will not affect any of the amounts recognised in the financial statements but may affect certain disclosures.

#### (p) Comparatives

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures and presentation in the current year.

### 2. AUDITOR'S REMUNERATION

Auditor's remuneration in respect of auditing the financial report is fully paid by the Responsible Entity.

Other services provided by the auditors are the audit of the compliance plan of the Fund and tax compliance services. The auditors' non-audit remuneration is not paid by the Fund.

**COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**3. DISTRIBUTIONS**

The Responsible Entity adopts the policy of distributing as a minimum the net income for tax purposes. The amount shown as "Distribution payable" in the Balance Sheet represents the component of the final distribution for the year which had not been paid at balance date.

The amounts distributed or proposed to be distributed in cents per unit (cpu) and dollars during the year were:

Period ended:	2009		2008	
	cpu	\$	cpu	\$
- 30 September	-	-	28.67	29,533,237
- 30 June	-	-	-	-
		-		29,533,237

**4. FINANCIAL INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2009	2008
	\$	\$
Unlisted securities	434,368	259,799
<b>Total Investments at Fair Value Through Profit or Loss</b>	434,368	259,799

**5. MOVEMENT IN NUMBER OF UNITS ATTRIBUTABLE TO UNITHOLDERS**

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

	1/7/2008 - 30/06/2009		1/7/2007 - 30/06/2008	
	No.	\$	No.	\$
Opening balance	103,027,279	677,649	103,027,279	43,370,968
Applications	-	-	-	-
Redemptions	-	-	-	-
(Decrease)/Increase in net assets attributable to unitholders from operations		560,749		(29,501,143)
Repayment of capital		-		(13,192,176)
Closing Balance	103,027,279	1,238,398	103,027,279	677,649

**(b) Capital Risk Management**

The Fund manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

In accordance with the Constitution, unitholders are not able to redeem or otherwise withdraw units during the life of the Fund. The appointed nominee, Colonial First State Group Limited offers a limited liquidity facility only after 31 July 2005 for redemptions. After 31 July 2005 the nominee will offer to purchase fully paid units at 75% of their value based on the most recent valuation. The facility will be available twice a year.

**COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**6. CASH AND CASH EQUIVALENTS**

**(a) Reconciliation of net profit attributable to unitholders to net cash from operating activities**

	1/7/2008 - 30/06/2009	1/7/2007 - 30/06/2008
	\$	\$
Net profit attributable to unitholders	560,749	32,094
Proceeds from sale of financial assets held at fair value through profit or loss	494,124	53,861,337
Purchase of financial assets held at fair value through profit or loss	-	-
Changes in fair value of financial assets held at fair value through profit of loss	(668,693)	(203,346)
Changes in assets and liabilities:		
Outstanding sales settlements	50,000	300,000
Interest receivable	(310)	1,413,948
Other receivables	-	19,741
Responsible Entity fees	140,187	(15,326,381)
<b>Net Cash From Operating Activities</b>	<b>576,057</b>	<b>40,097,393</b>

**(b) Terms and conditions on cash**

Cash at bank earns interest at a floating rate as determined by the financial institutions.

**7. RELATED PARTIES DISCLOSURES**

**(a) Responsible Entity**

The Responsible Entity of the Fund is Colonial First State Investments Limited. The ultimate holding company is the Commonwealth Bank of Australia (the Bank).

The Responsible Entity is incorporated and domiciled in Australia and has its registered office at Level 29, 52 Martin Place, Sydney, New South Wales, 2000.

**(b) Details of Key Management Personnel**

**(i) Key Management Personnel**

The Directors of Colonial First State Investments Limited are considered to be Key Management Personnel. The Directors of the Responsible Entity in office during the year and up to the date of the report are:

Grahame Anthony Petersen	
Michael John Venter	
Brian Vincent Bissaker	
Gregg Johnston	Appointed 04/08/2009
Peter Robert Winney	
Bradley Brian Massey	
Paul Alexander Rayson	Resigned 28/07/2009

# COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 7. RELATED PARTIES DISCLOSURES (continued)

#### (b) Details of Key Management Personnel (continued)

##### (ii) Compensation of key management personnel

No amounts are paid by the Fund directly to the Directors of the Responsible Entity of the Fund.

Any management fees paid or payable to Colonial First State Private Equity Limited are paid or payable by the Responsible Entity.

The Directors of the Responsible Entity receive compensation in their capacity as Directors of the Responsible Entity. Directors are employed as executives of the Commonwealth Bank of Australia, and in that capacity, part of their role is to act as a Director of the Responsible Entity. Consequently, no compensation as defined in AASB 124: Related Parties is paid by the Fund to the Directors as Key Management Personnel.

#### (c) Responsible Entity's Fees

Under clause 22.1 of the Constitution, the Responsible Entity is entitled to a management fee expressed as a percentage of outstanding capital which is defined as committed capital less capital returns. Management fees are paid directly by the Fund. The management fee is equal to 2.31% per annum of the committed capital less capital return. The amount of management fees charged for the year ended 30 June 2009 was nil (2008: \$ 44,052). This amount remained unpaid as at 30 June 2009 and 30 June 2008.

The Responsible Entity is also entitled to a performance fee, only after unitholders have received as distributions all of their total investment plus a unitholders' preferred return of 8% per annum, compounded quarterly. The Responsible Entity is then entitled to a once only performance fee of 25% of the unitholders' preferred return. On 4 September 2007, the Fund paid a distribution amounting to \$12,342,668 to unitholders which fully repaid to unitholders their total investment plus a unitholders' preferred return of 8% per annum, compounded quarterly. This once only performance fee amounting to \$7,889,584 was paid on 28 September 2007.

After payment of this performance fee, unitholders will then also receive, as a distribution (whether as capital, income or otherwise) 80%, and the Responsible Entity 20% of all amounts available for distribution after the above distributions and performance fee have been paid. The amount of estimated performance fees payable to the Responsible Entity as at 30 June 2009 is \$309,599 (2008 - \$165,412).

#### (d) Bank and Deposit Accounts

A bank account for the Fund is held with the Commonwealth Bank of Australia. Fees and expenses are negotiated on an arm's length basis.

#### (e) Related Party Transactions

##### *Related parties*

Transactions between the Fund and other registered schemes also managed by the Responsible Entity consisted of the sale of units in the Fund to related managed investment schemes, purchases of units in related managed investment schemes, and receipt and payment of distributions on normal commercial terms and conditions.

##### *Terms and conditions of transactions with related parties*

All related party transactions are made in arms length transactions on normal commercial terms and conditions. Outstanding balances at year end are unsecured and settlement occurs in cash.

There have been no guarantees provided or received for any related party receivables.

# COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 7. RELATED PARTIES DISCLOSURES (continued)

#### (f) Unitholder Investing Activities

The interests of Colonial First State Investments Limited and its associates in the Fund are as follows:

	2009 Units	2008 Units
The Trustee for CFCL Structured Investment Fund	25,030,000	25,030,000
Officers' Superannuation Fund	15,000,000	15,000,000

### 8. SEGMENT INFORMATION

The Fund operates in one business segment, being investment management. The Fund operates from one geographic location being Australia, from where its investing activities are managed. Revenue is derived from distributions, interest, gains on the sale of investments, and unrealised changes in the value of investment.

# COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 9. FINANCIAL RISK MANAGEMENT

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

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Constitution and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by the investment management department (Investment Manager) and regularly monitored by the Compliance Department of the Responsible Entity.

The Fund 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 and other price risks.

#### (a) Market Risk

##### (i) Price Risk

The Fund's financial assets are indirectly exposed to price risk. This arises from investments held by the Fund for which prices in the future are uncertain. They are classified on the balance sheet at fair value through profit or loss. All investments present a risk of loss of capital.

The Fund primarily invests in unlisted securities. Unlisted securities are valued at their fair value as determined by the Responsible Entity and are based upon the investment valuation guidelines of the Australian Venture Capital Association Limited (AVCAL). See Note 1(c) for further details. The maximum risk of the unlisted security of the Fund is full impairment.

##### (ii) Interest rate risk

The Fund's exposure to interest rate risk is limited to its cash and cash equivalents, which earns a floating rate of interest.

#### (b) Summarised Sensitivity Analysis

The following table summarises the sensitivity of the Fund's operating profit or loss and net assets attributable to unitholders to interest rate risk. The reasonably possible movements in the risk variables has been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates. However, actual movements in the risk variables may be greater than anticipated due to a number of factors. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Interest rate risk	
	Impact on Operating Profit/(Loss) and Net Assets Attributable to Unitholders	
	-50 basis points \$	50 basis points \$
30/06/2009	(7,535)	7,535
	-75 basis points \$	75 basis points \$
30/06/2008	(3,814)	3,814

# COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 9. FINANCIAL RISK MANAGEMENT

#### (c) Credit risk

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of AA or higher (as determined by the Standard and Poor's or equivalent agency).

### 10. CONTINGENT LIABILITIES AND COMMITMENTS

The Fund has no contingent liabilities or commitments as at 30 June 2009 (2008: nil).

### 11. EVENTS AFTER BALANCE SHEET DATE

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

# COLONIAL FIRST STATE DIVERSIFIED PRIVATE EQUITY FUND

## DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2009

In the opinion of the Directors of Colonial First State Investments Limited:

- a) the financial statements and notes to the financial statements of the Colonial First State Diversified Private Equity Fund ("the Fund") are in accordance with the Corporations Act 2001, including:
  - i) giving a true and fair view of the Fund's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
  - ii) complying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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



Bradley Brian Massey  
Director  
Sydney  
31 August 2009

## Independent auditor's report to the unitholders of Colonial First State Diversified Private Equity Fund

### Report on the financial report

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

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

The directors of the Colonial First State Investments Limited (the responsible entity) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal 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 1, 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.

## Independent auditor's report to the unitholders of Colonial First State Diversified Private Equity Fund (continued)

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

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

### *Independence*

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

### *Auditor's opinion*

In our opinion:

- (a) the financial report of Colonial First State Diversified Private Equity Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Fund's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1

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

This auditor's report relates to the financial report of Colonial First State Diversified Private Equity Fund (the Fund) for the year ended 30 June 2009 included on Colonial First State Investments Limited (the responsible entity) web site. The responsible entity's directors are responsible for the integrity of the Colonial First State Investments Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.



PricewaterhouseCoopers



A.J. Wilson  
Partner

Sydney  
1 September 2009



## Enquiries

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13763/FS931/0809

The Colonial First State Diversified Private Equity Fund prospectus was issued on 1 May 2001 and the offer closed 31 July 2001.

We want what you want

**Colonial**  
First State