

ELSTREE ENHANCED INCOME FUND
ABN 31 455 193 963

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2009

ELSTREE ENHANCED INCOME FUND

ABN 31 455 193 963

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TRUSTEE'S REPORT

The directors of Elstree Investment Management Ltd, the trustee of Elstree Enhanced Income Fund ("the fund") present their report on the fund for the financial year ended 30 June 2009.

The names of the directors in office at any time during, or since the end of, the year are:

Campbell E Dawson	(Appointed 10 January 2003)
Norman St. G Derham	(Appointed 10 January 2003)
John P Abbott	(Appointed 2 April 2004)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

The loss of the fund for the financial year after providing for income tax amounted to \$6,282,614 including unrealised and realised changes in the net fair value of investments.

No significant changes in the fund's state of affairs occurred during the financial year.

The principal activities of the fund during the financial year were the investment of funds on the Australian Stock Exchange listed interest rate derivatives and hybrid debt/equity securities, in accordance with the trust deed.

No significant change in the nature of these activities occurred during the year.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the fund, the results of those operations, or the state of affairs of the fund in future financial years.

Likely developments in the operations of the fund and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the fund.

The fund's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Distributions paid or declared since the start of the financial year are as follows:

- a. A distribution to the unitholders for the 3 months ended 30 September 2008 of 2.5 cents per unit paid on 20 October 2008, including Dividend Reinvestment Plan (DRP) distributions.
- b. A distribution to the unitholders for the 3 months ended 31 December 2008 of 2.3 cents per unit paid on 16 January 2009, including DRP distributions.
- c. A distribution to the unitholders for the 3 months ended 31 March 2009 of 0.7 cents per unit paid on 17 April 2009, including DRP distributions.
- d. A final distribution was declared for the 3 months ended 30 June 2009 of 1.4 cents per unit and paid on 17 July 2009, including DRP distributions.

No options over issued shares or interests in the fund were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the fund.

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TRUSTEE'S REPORT

(Continued)

The ex-distribution exit prices and the highest and lowest exit prices for the fund calculated as at close of business on the last business day each month are shown below:

	2009 \$	2008 \$
As at 30 June	0.5983	0.8279
During the year to:		
- Highest	0.8396	0.9936
- Lowest	0.5209	0.8279

No person has applied for leave of Court to bring proceedings on behalf of the fund or intervene in any proceedings to which the fund is a party for the purpose of taking responsibility on behalf of the fund for all or any part of those proceedings.

The fund was not a party to any such proceedings during the year.

Details of Directors

	<i>Campbell E Dawson</i>	<i>Norman St. G Derham</i>	<i>John P Abbott</i>
Qualifications	Bachelor of Commerce Graduate Diploma of Applied Finance	Bachelor of Economics	Bachelor of Commerce
Experiences	26 years experience in funds management and banking	28 years experience in financial markets	19 years experience in fixed interest funds management
Special responsibilities	Nil	Nil	Nil
Directors' meetings attended	12	12	12

Signed in accordance with a resolution of the Board of Directors of the trustee:



Campbell Dawson

Director

Sydney, 17 December 2009

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INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 \$	2008 \$
Revenue	2	(9,504,736)	4,368,932
Other income	2	15,461	113,463
Investment managers fees	14	(136,480)	(459,567)
Fair value through profit and loss		3,343,141	(13,782,889)
(Loss)/Profit for the year		(6,282,614)	(9,760,061)
Distribution to unit holders	7(b)	(1,818,430)	(2,078,565)
Decrease in net assets attributable to unit holders		8,101,044	11,838,626
Net Profit		-	-

The accompanying notes form part of these financial statements

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BALANCE SHEET AS AT 30 JUNE 2009

	Note	2009 \$	2008 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9(b)	1,287,344	1,461,976
Trade and other receivables	4	144,744	4,851,917
Financial assets	5	10,749,187	44,815,612
TOTAL CURRENT ASSETS		12,181,275	51,129,505
TOTAL ASSETS		12,181,275	51,129,505
CURRENT LIABILITIES			
Trade and other payables	6	31,803	1,097,188
Distribution payable	7 (a)	285,166	418,649
TOTAL CURRENT LIABILITIES		316,969	1,515,837
TOTAL LIABILITIES (excluding net assets attributable to unit holders)		316,969	1,515,837
Net assets attributable to unit holders	8	11,864,306	49,613,668
TOTAL LIABILITIES		12,181,275	51,129,505

The accompanying notes form part of these financial statements

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**STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2009**

	Note	2009 \$	2008 \$
Net profit for the period		-	-
Total recognised income and expense for the period		<u>-</u>	<u>-</u>

Under IFRS net assets attributable to unitholders are classified as a liability rather than equity. Therefore the fund has no equity. Please refer to Note 8 for movements in net assets attributable to unitholders.

The accompanying notes form part of these financial statements

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CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2009

	Note	2009 \$	2008 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Distributions received		566,213	2,472,789
Sale of trading shares		31,128,138	44,124,186
Purchase of trading shares		(2,206,401)	(32,661,241)
Interest received		2,144,852	2,855,545
Fee rebates received		-	113,463
Other income		15,461	-
Other expenses paid		(222,667)	(494,316)
Net cash used in operating activities	9(a)	<u>31,425,596</u>	<u>16,410,426</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts from issue of units		6,109	5,936,330
Distributions paid		(799,849)	(935,962)
Redemption of units		(30,806,489)	(20,535,943)
Net cash provided by financing activities		<u>(31,600,229)</u>	<u>(15,535,575)</u>
Net increase (decrease) in cash held		(174,633)	874,851
Cash at beginning of year		<u>1,461,977</u>	<u>587,126</u>
Cash at end of year	9(b)	<u>1,287,344</u>	<u>1,461,977</u>

The accompanying notes form part of these financial statements

ELSTREE ENHANCED INCOME FUND

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the Funds Trust Deed (as amended), Accounting Standards, including Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers the fund of Elstree Enhanced Income Fund ("the fund") as an individual fund. The Fund is a unit trust, incorporated and domiciled in Australia.

The Fund was constituted on 12 August 2003 and will terminate on 11 August 2083 unless terminated earlier in accordance with the provision of the Trust Deed (as amended). The Fund commenced operations on 21 August 2003.

The financial report of the fund as an individual fund complies with all International Financial Reporting Standards (IFRS) in their entirety.

The financial statements are presented in Australian Dollars.

The following is a summary of the material accounting policies adopted by the fund in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of financial assets and financial liabilities for which the fair value basis of accounting has been applied.

a. Income Tax

Under current legislation the Fund is not subject to income tax provided the taxable income (including assessable realised capital gains) is distributed in full to the unit holders. It is the trustee's intention to fully distribute the taxable income. As such no provision for tax has been made in respect of income tax.

b. Financial Instruments

Recognition

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139 Financial Instruments: Recognition and Measurement. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Financial Instruments (Continued)

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the fund's intention to hold these investments to maturity. Any held-to-maturity investments held by the fund is stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Impairment

At each reporting date, the fund assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

c. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

d. Revenue

Revenue from security trading

Profit from security trading is determined as the difference between the revenue from sale of securities and the cost of those securities, at historical cost. Policy is to offset and show net of trading.

Dividends and distribution income

Dividends are recognised as income on the date the shares are quoted ex-dividend. Distributions are recognised as income on the date the units are quoted ex-distribution.

Interest income

Interest is recognised as income on an accruals basis.

All revenue is stated net of the amount of goods and services tax (GST).

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Reduced input tax credits (RITC) recoverable by the scheme from the ATO are recognised as receivables in the Balance Sheet.

f. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the fund.

g. Distributions

In accordance with the Trust Deed (as amended), the Fund fully distributes its Distributable Income to unit holders. Distributions are payable at the end of each half year or as determined by the Trustees.

h. Determination of Unit Exit Prices

The unit exit price is determined by the value of the assets of the Fund less its liabilities, adjusted for estimated transaction costs, divided by the number of units on issue.

i. Terms and Conditions on Units

Each unit issued confers upon the unit holder 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.

Unit holders have various rights under the Trust Deed (as amended), including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unit holders; and
- participate in the termination and winding up of the Fund.

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

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

NOTE 2: REVENUE	Note	2009 \$	2008 \$
Other revenue			
Gross profit/(loss) from security trading		(11,428,495)	(1,191,147)
Distributions received		126,602	2,754,264
Interest received		1,797,157	2,805,815
Total Revenue		(9,504,736)	4,368,932
Other income			
Adjustment to Capital		10,884	100,463
Underwriting fees		4,577	13,000
Other Income		15,461	113,463
 NOTE 3: AUDITORS' REMUNERATION			
Remuneration of the auditor of the fund for:			
Auditing or reviewing the financial report		10,000	14,000
		10,000	14,000
 NOTE 4: TRADE AND OTHER RECEIVABLES			
CURRENT			
Distributions receivable		144,110	776,071
Outstanding settlements receivable		-	3,913,242
Sundry receivables		-	155,345
GST refundable		634	7,259
		144,744	4,851,917
 NOTE 5: FINANCIAL ASSETS			
Held for Trading financial assets			
Listed investments			
Shares in listed fixed interest corporations, at fair value		10,749,187	41,315,612
Unlisted investments			
Shares in unlisted fixed interest, at fair value		-	3,500,000
		10,749,187	44,815,612

Held for Trading financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

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

NOTE 6: TRADE AND OTHER PAYABLES	Note	2009 \$	2008 \$
CURRENT			
Investment management fees		9,303	102,113
Outstanding trades		-	972,575
Sundry payables		22,500	22,500
		31,803	1,097,188
 NOTE 7: DISTRIBUTIONS			
(a) Distributions paid			
Distributions paid during the year		1,533,264	1,659,916
Distribution payable at year end		285,166	418,649
Total distributions for the year		1,818,430	2,078,565
 (b) Per unit distribution			
2009 Distributions		\$	Cents per Unit
— Three months ended 30 September 2008		787,119	2.5
— Three months ended 31 December 2008		592,372	2.3
— Three months ended 31 March 2009		153,773	0.7
— Three months ended 30 June 2009		285,166	1.4
		1,818,430	6.9
 2008 Distributions			
— Three months ended 30 September 2007		724,317	1.0
— Three months ended 31 December 2007		501,684	0.7
— Three months ended 31 March 2008		433,915	0.7
— Three months ended 30 June 2008		418,649	0.7
		2,078,565	3.1

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

NOTE 8: NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

	Number of Units on Issue	Contributed Unit Capital	Retained Earnings	Total
Balance at 1 July 2007	73,983,528	73,774,299	-	73,774,299
Profit attributable to trust	-	-	(9,760,061)	(9,760,061)
Units issued during the reporting period:				
— Applications - cash	6,070,064	5,936,330	-	5,936,330
— Applications - DRP	2,361,487	2,277,608	-	2,277,608
Sub-total	82,415,079	81,988,237	(9,760,061)	72,228,176
— Transfers to Income Statement		(11,838,626)	11,838,626	-
Financing costs				
— Distributions paid or provided for	-	-	(2,078,565)	(2,078,565)
— Redemption of units for period – cash	(22,607,987)	(20,535,943)	-	(20,535,943)
Balance at 30 June 2008	59,807,092	49,613,668	-	49,613,668
Loss attributable to trust	-	-	(6,282,614)	(6,282,614)
Units issued during the reporting period:				
— Applications - cash	7,370	6,109	-	6,109
— Applications - DRP	1,638,814	1,152,064	-	1,152,064
Sub-total	61,453,276	50,771,841	(6,282,614)	44,489,227
— Transfers to Income Statement		(8,101,044)	8,101,044	-
Financing costs				
— Distributions paid or provided for	-	-	(1,818,430)	(1,818,430)
— Redemption of units for period – cash	(41,084,256)	(30,806,489)	-	(30,806,489)
Balance at 30 June 2009	20,369,020	11,864,308	-	11,864,308

Investors' contributed capital represents the net amount of actual cash paid into/(redeemed from) the Fund by unit holders, less any return of capital made to unit holders.

Investors' contributed securities represent fixed interest securities contributed by investors in order to become a unit holder in the fund.

Investors' application via DRP represents Dividend Reinvestment Plan from distribution paid by unit holders.

2009
\$ **2008**
\$

NOTE 9: CASH FLOW INFORMATION

(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax

Loss after income tax	(6,282,614)	(9,760,061)
Non-cash flows in profit		
Transfers from unit holders funds	-	-
Dividend reinvestment plan	-	-
(Increase)/Decrease in trade and term debtors	793,931	(3,622,612)
(Increase)/Decrease in net fair value of investments	(3,343,141)	13,782,889
(Decrease)/Increase in trade and other payables	(92,810)	719,163
Loss on disposal of financial assets	11,428,495	
Decrease/(Increase) in financial assets	28,921,735	15,291,046
	<u>31,425,596</u>	<u>16,410,425</u>

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

	2009	2008
	\$	\$

NOTE 9: CASH FLOW INFORMATION (cont)

(b) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cashflows is reconciled to the items in the balance sheet as follows:

Cash and cash equivalents	1,287,344	1,461,976
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NOTE 10: EVENTS AFTER THE BALANCE SHEET DATE

(a) Since the end of the financial year, there has been volatility in financial markets. As at 31 October 2009 the All Ordinaries Index on the Australian Securities Exchange had increased by 17.7% since 30 June 2009. As such, the value of price sensitive investments would have increased since balance date.

Apart from the above, there has not been any matter or circumstances not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Fund.

NOTE 11: RELATED PARTY TRANSACTIONS

Management fees received by Elstree Investment Management Ltd are at normal commercial terms and are disclosed in Note 14 of this report.

NOTE 12: INDUSTRY SEGMENTS

The Funds operations relate solely to investment activity.

The geographical location of the investment activity is Australia.

NOTE 13: KEY MANAGEMENT PERSONEL COMPENSATION

No management personnel are paid out of the Fund.

NOTE 14: INVESTMENT MANAGEMENT FEES

Elstree Investment Management Ltd (manager and custodian) is paid the investment management fee of 0.7% per annum of the net asset value of the Fund for the period ended 30 June 2009 totalling \$136,480 (2008: \$459,567). Under the Trust Deed (as amended) and Information Memorandum, the Manager is entitled to receive a Management fee of up to 3% per annum of the net asset value of the Fund.

NOTE 15: FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The Fund's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable.

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

NOTE 15: FINANCIAL INSTRUMENTS (Continued)

(b) Market Risk

Market risk represents the risk that a financial instrument's value will fluctuate as a result of changes in the market.

Market risk is minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

(c) Liquidity and Cash Flow Risk

The liquidity risks associated with the need to satisfy unit holders' requests for redemptions are mitigated by maintaining a constant pool of cash to satisfy usual levels of demand and restricting the investment activities of the Fund to securities that are actively traded and highly liquid.

The risk management guidelines adopted by the manager require sufficient funds on not more than 24 hour call to ensure the maintenance of the Fund's asset liquidity.

Maturities of financial liabilities:

The below table analyses the Fund's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 30 June 2009	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets) / liabilities
	\$	\$	\$	\$	\$	\$	\$
Non-Derivatives							
Non-interest bearing	31,803	-	-	-	-	31,803	31,803
Total non-derivatives	<u>31,803</u>	=	=	=	=	<u>31,803</u>	<u>31,803</u>

As at 30 June 2008	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets) / liabilities
	\$	\$	\$	\$	\$	\$	\$
Non-Derivatives							
Non-interest bearing	1,097,188	-	-	-	-	1,097,188	1,097,188
Total non-derivatives	<u>1,097,188</u>	=	=	=	=	<u>1,097,188</u>	<u>1,097,188</u>

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

NOTE 15: FINANCIAL INSTRUMENTS (Continued)

(d) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

The Fund's deposit at call assets have limited exposure to credit risk as the majority of deposited amounts are held by a banking institution that holds an independently rated credit rating of AA.

The board of directors have not approved any financial guarantees in favour of another entity during the 2009 financial year.

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Market prices generally incorporate credit assessments into their value and risk of loss is implicitly provided for in the carrying value of financial assets and liabilities including securities and is therefore limited to the amount carried on the Balance Sheet.

The Fund minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties on recognised and reputable exchanges.

The Fund is not materially exposed to any individual counterparty or individual security.

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

NOTE 15: FINANCIAL INSTRUMENTS (Continued)

(e) Interest Rate Risk

The Fund's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non Interest Bearing		Total	
	2009 %	2008 %	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
Financial Assets:								
Cash and cash equivalents	4.34	6.10	1,287,344	1,461,976			1,287,344	1,461,976
Trade and other receivables				-	144,745	4,851,917	144,744	4,851,917
Investments				-	10,749,187	44,815,612	10,749,187	44,815,612
Total Financial Assets			1,287,344	1,461,976	10,893,932	49,667,529	12,181,275	51,129,505
Financial Liabilities:								
Trade and other payables			-	-	31,803	1,097,188	31,803	1,097,188
Distribution payable			-	-	285,166	418,649	285,166	418,649
Total Financial Liabilities			-	-	316,969	1,515,837	316,969	1,515,837

The Fund's interest rate risk arises from cash equivalents and other receivables with variable interest rates. At 30 June 2009, if interest rates had changed by +/- 100 basis points from the year-end interest rates with all other variables held constant, post-tax profit would have been \$1,2871 lower/higher (2008 – change of 100 bps: \$4,616 lower/higher) as a result of lower interest income from these financial assets.

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

NOTE 15: FINANCIAL INSTRUMENTS (Continued)

(f) Price Risk

During the current financial year, the Fund was exposed to equity securities price risk. This arises from investments held by the Fund and classified on the balance sheet as fair value through profit or loss.

To manage the Fund's price risk arising from investments in equity securities, all investment activities are undertaken in accordance with established mandate limits and investment strategies.

The majority of the Fund's equity investments are publicly traded on the Australian Stock Exchange.

(g) Summarised Sensitivity Analysis

The following table summarises the sensitivity of the Fund's financial assets and financial liabilities to interest rate risk and other price risk.

30 June 2009	Carrying Amount	Interest Rate Risk				Other Price Risk			
		- 100 bps		+ 100 bps		- 10%		+ 10%	
		Profit	Other Equity	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity
		\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets									
Cash and Cash Equivalents	1,287,344	(12,873)	-	12,873	-	-	-	-	-
Trade and Other Receivables	144,110		-	-	-	-	-	-	-
Financial Assets at FVTPL	10,749,187		-	-	-	(1,074,919)	-	1,074,919	-
Financial Liabilities									
Trade and Other Payables	31,803		-	-	-	-	-	-	-
Total increase / decrease		(12,873)	-	12,873	-	(1,074,919)	-	1,074,919	-

ELSTREE ENHANCED INCOME FUND

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

NOTE 15 : FINANCIAL INSTRUMENTS (Continued)

(g) Summarised Sensitivity Analysis (continued)

30 June 2008	Carrying Amount	Interest Rate Risk				Other Price Risk			
		- 100 bps		+ 100 bps		- 10%		+ 10%	
		Profit	Other Equity	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity
		\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets									
Cash and Cash Equivalents	1,461,976	(14,619)	-	14,619	-	-	-	-	-
Trade and Other Receivables	4,851,917	-	-	-	-	-	-	-	-
Financial Assets at FVTPL	44,815,612	-	-	-	-	(4,481,561)	-	4,481,561	-
Financial Liabilities									
Trade and Other Payables	1,097,188	-	-	-	-	-	-	-	-
Total increase / decrease		<u>(14,619)</u>	≡	<u>14,619</u>	≡	<u>(4,481,561)</u>	≡	<u>4,481,561</u>	≡

(h) Net Fair Values

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the fund intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date.

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

NOTE 15 : FINANCIAL INSTRUMENTS (Continued)

(h) Net Fair Values (continued)

	2009		2008	
	Carrying Amount \$	Net Fair Value \$	Carrying Amount \$	Net Fair Value \$
Financial Assets:				
Cash and cash equivalents	1,287,344	1,287,344	1,461,976	1,461,976
Trade and other receivables	144,744	144,774	4,851,917	4,851,917
Investments	10,749,187	10,749,187	44,815,612	44,815,612
Total Financial Assets	12,181,275	12,181,275	51,129,505	51,129,505
Financial Liabilities:				
Trade and other payables	31,803	31,803	1,097,188	1,097,188
Distribution payable	285,166	285,166	418,649	418,649
Total Financial Liabilities	316,969	316,969	1,515,837	1,515,837

ELSTREE ENHANCED INCOME FUND

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

NOTE 16: CHANGE IN ACCOUNTING POLICY

- (a) The following Australian Accounting Standards issued or amended which are applicable to the entity but are not yet effective and have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of the Standard	Application Date for the Group
AASB 2007-3 Amendments to Australian Accounting Standards	AASB 5 AASB 102 AASB 107 AASB 134 AASB 136	Non-current Assets Held for Sale and Discontinued Operations Inventories Cash Flow Statements Interim Financial Reporting Impairment of Assets	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Segment Reporting in February 2007. These amendments will have no changes to segment reporting disclosures within the financial report.	1 Jan 2009 1 Jul 2009
AASB 8: Operating Segments	AASB 114	Segment Reporting	As above.	1 Jan 2009 1 Jul 2009
AASB 2007-6 Amendments to Australian Accounting Standards	AASB 1 AASB 101 AASB 107	First time adoption of AIFRS Presentation of Financial Statements Cash Flow Statements	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will have no impact on the financial report.	1 Jan 2009 1 Jul 2009
AASB 123 Borrowing Costs	AASB 123	Borrowing Costs	As above	1 Jan 2009 1 Jul 2009
AASB 2007-8 Amendments to Australian Accounting Standards	AASB 101	Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity.	1 Jan 2009 1 Jul 2009
AASB 101	AASB 101	Presentation of Financial Statements	As above	1 Jan 2009 1 Jul 2009

All other pending standards issued between the previous financial report and current reporting dates have no application to the fund.

ELSTREE ENHANCED INCOME FUND

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

NOTE 17: Capital Risk Management

- (a) The directors' objectives when managing capital was to safeguard the Fund's ability to continue as a going concern, so that the Fund could continue to provide returns for unitholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

During 2009, the directors' strategy was to maintain a minimal or zero amount of interest bearing debt in the Fund. This strategy minimises the degree of capital risk by specifically focusing on protecting unitholders' funds and reducing the cost of capital for the Fund.

NOTE 18 FUND'S DETAILS

The registered office and principle place of business of the fund is:

Elstree Enhanced Income Fund
Level 15, 333 Collins Street
Melbourne VIC 3000

ELSTREE ENHANCED INCOME FUND

ABN 31 455 193 963

DIRECTORS' DECLARATION

The Directors of the Trustee declare that:

1. The financial statements and notes, as set out in pages 3 to 21 are in accordance with the Funds trust deed (as amended) and:
 - a. are in accordance with the accounting policies described in Note 1 to the financial statements: and
 - b. present fairly of the Fund's financial position as at 30 June 2009 and of its performance for the year ended on that date.
2. In the Directors' opinion 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 Board of Directors of the Trustee.



Campbell Dawson
Director

Sydney, 17 December 2009