

Portfolio Partners Australian Fixed Interest Trust
ARSN 090 395 592
ABN 79 384 422 756
AFSL 234483
Financial Report
For the period 1 July 2008 to 26 August 2008

Financial Report – For the period 1 July 2008 to 26 August 2008
Portfolio Partners Australian Fixed Interest Trust



**PORTFOLIO
PARTNERS**

Financial Report – For the period 1 July 2008 to 26 August 2008



Directors' Report

The Directors of Aviva Investors Australia Limited (ABN 85 066 081 114), previously Portfolio Partners Limited (ABN 85 066 081 114), the Responsible Entity of the Portfolio Partners Australian Fixed Interest Trust ("the Scheme"), present their report together with the financial statements of the Scheme for the period 1 July 2008 to 26 August 2008 and the auditor's report thereon.

Directors

The Directors during the period 1 July 2008 to 26 August 2008 (Portfolio Partners Limited) and until the date of this report (Portfolio Partners Limited to 29 September 2008 and then Aviva Investors Australia Limited) were:

Craig Bingham

Anthony Burrill

David Daynes (resigned 27 October 2008)

Allan Griffiths

Christopher Oglethorpe (resigned 24 October 2008)

Jeff Phillips (appointed 27 October 2008)

The Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

Principal Activities

The investment activities of the Scheme continued to be in accordance with the investment policy of the Scheme as outlined in the Scheme Constitution, until termination. The key asset category was Australian fixed income securities.

Scheme Information

The Portfolio Partners Australian Fixed Interest Trust is an Australian registered scheme, and was constituted on 31 August 1992. Aviva Investors Australia Limited, the Responsible Entity of the Scheme, was incorporated and domiciled in Australia.

The registered office and principal place of business of the Responsible Entity and the Scheme is Level 28 Freshwater Place, 2 Southbank Boulevard, Southbank, Victoria 3006.

Financial Report – For the period 1 July 2008 to 26 August 2008



Directors' Report (continued)

Review of Results and Operations

Results and distributions

The net profit attributable to unitholders for the period 1 July 2008 to 26 August 2008 was \$229,250 (30 June 2008: \$388,261). Distributions to unitholders for the period 1 July 2008 to 26 August 2008 totalled \$146,332 (30 June 2008: \$342,901).

A final distribution was declared for the period 1 July 2008 to 25 August 2008 of 2.15 cents per unit (Professional Selection), 96.77 cents per unit (Wholesale) and 1.90 cents per unit (Personal Choice) (30 June 2008: 1.60 cents per unit (Professional Selection), 71.93 cents per unit (Wholesale) and 1.27 cents per unit (Personal Choice)), paid on 25 August 2008.

Performance

The performance of the Scheme as at period end over the past five years is summarised in the following table:

Professional Selection units:	1 July to 26 August 2008 %	30 June 2008 %	30 June 2007 %	30 June 2006 %	30 June 2005 %
Growth return	1.07	(0.14)	(0.72)	(1.84)	(3.19)
Distribution return	2.19	4.87	4.25	5.32	11.00
Total return	3.26	4.73	3.53	3.48	7.81
Benchmark return	3.87	4.42	3.99	3.41	7.79

Wholesale units:	1 July to 26 August 2008 %	30 June 2008 %	30 June 2007 %	30 June 2006 %	30 June 2005 %
Growth return	1.07	(0.16)	(0.73)	(1.79)	(3.19)
Distribution return	2.20	4.85	4.25	5.27	11.00
Total return	3.27	4.69	3.52	3.48	7.81
Benchmark return	3.87	4.42	3.99	3.41	7.79

Personal Choice units:	1 July to 26 August 2008 %	30 June 2008 %	30 June 2007 %	30 June 2006 %	30 June 2005 %
Growth return	1.06	(0.31)	(0.73)	(2.06)	(3.41)
Distribution return	2.05	4.09	3.22	4.51	10.15
Total return	3.11	3.78	2.49	2.45	6.74
Benchmark return	3.87	4.42	3.99	3.41	7.79

The growth return is calculated as the return derived by a unitholder due to changes in capital value over the period. The distribution return is the return derived by a unitholder due to distributions paid by the Scheme. The total return is calculated after fees and assuming reinvestment of distributions, in accordance with IFSA Standard 6: *Product Performance – Calculation of Returns*.

Management costs include management fees and other expenses or reimbursements deducted in relation to the Scheme, but do not include transactional and operational costs such as brokerage. Management costs are not paid directly by the unitholders of the Scheme.

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Directors' Report (continued)

Indirect Cost Ratio

The Indirect Cost Ratio (ICR) is the ratio of the Scheme's management costs over the Scheme's average net assets attributable for the period, expressed as a percentage.

The ICR for the Scheme as at period end over the past two years is disclosed below:

Indirect Cost Ratio as at period end	1 July to 26 August 2008 % p.a.	30 June 2008 % p.a.
Professional Selection units:	0.36*	0.36
Wholesale units:	0.36*	0.36
Personal Choice units:	1.36*	1.36

* Pro-rata rates apply

Unit prices

The ex-distribution exit prices and the highest and lowest exit prices for the past five years are shown below. All exit prices are exclusive of exit fees.

Professional Selection units:	1 July to 26 August 2008 \$	30 June 2008 \$	30 June 2007 \$	30 June 2006 \$	30 June 2005 \$
As at period end	0.9892	0.9787	0.9801	0.9872	1.0057
Period to:					
High	0.9873	1.0055	1.0110	1.0285	1.1040
Low	0.9769	0.9005	0.9846	1.0030	1.0389

Wholesale units:	1 July to 26 August 2008 \$	30 June 2008 \$	30 June 2007 \$	30 June 2006 \$	30 June 2005 \$
As at period end	44.4709	43.9981	44.0677	44.3904	45.1972
Period to:					
High	44.3834	45.1980	45.4608	46.2247	46.7024
Low	43.9164	44.0772	44.2732	45.0745	43.9440

Personal Choice units:	1 July to 26 August 2008 \$	30 June 2008 \$	30 June 2007 \$	30 June 2006 \$	30 June 2005 \$
As at period end	0.9358	0.9260	0.9289	0.9357	0.9554
Period to:					
High	0.9337	0.9489	0.9553	0.9728	1.0429
Low	0.9242	0.9264	0.9301	0.9513	0.9892

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Directors' Report (continued)

Fees paid to and interests held by the Responsible Entity and Associates

The following fees were paid to Aviva Investors Australia Limited and its associates out of Scheme assets during the period:

	1 July to 26 August 2008 \$	30 June 2008 \$
Management fee for the period paid to the Responsible Entity	4,332	31,839

Units on issue

The movement in units on issue of the Scheme for the period was as follows:

	1 July to 26 August 2008 Units	30 June 2008 Units
Units issued	1,222	50,911
Units redeemed	(6,879,381)	(4,321,645)
Units on issue as at period end	-	6,878,159

Scheme Assets

	1 July to 26 August 2008 \$	30 June 2008 \$
Value of total scheme assets as at period end	-	11,734,874

The basis for valuation of the assets is disclosed in Note 2 to the financial statements.

Significant changes in the state of affairs

On 22 July 2008, the Responsible Entity notified unitholders the Scheme would be terminated on 26 August 2008. After 22 July 2008, unitholders were not entitled to make additional applications, redemptions or switches. A final distribution of \$140,265.67 (2.15 cents per unit) Professional Selection, \$5,086.29 (1.90 cents per unit) Personal Choice and \$979.81 (96.77 cents per unit) Wholesale was paid on 25 August 2008 and the final return of capital was paid on 26 August 2008. The Directors have determined the financial report of the Scheme has not been prepared as if a going concern as a result of the Scheme's termination. Subsequently the Scheme will be deregistered.



Directors' Report (continued)

Significant events after the balance date

On 29 September 2008, Portfolio Partners Limited changed its company name to Aviva Investors Australia Limited. Directors of Portfolio Partners Limited subsequently became directors of Aviva Investors Australia Limited and the Responsible Entity also changed to Aviva Investors Australia Limited for the Portfolio Partners Australian Fixed Interest Trust.

Likely developments and expected results

There has been no matter or circumstance that has arisen since the end of the period that has significantly affected the Scheme's termination.

Environmental regulation and performance

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

Indemnification and insurance of Directors and Officers

Indemnification

Under the Scheme Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Scheme's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Scheme.

Insurance premiums

During or since the period 1 July 2008 to 26 August 2008, the Responsible Entity has paid premiums in respect of a local Directors and Officers Liability contract insuring all directors and officers of Aviva Investors Australia Limited. The amount of the premium is, under the terms of the insurance contract, confidential.

During or since the period 1 July 2008 to 26 August 2008, the ultimate parent company of the Responsible Entity, Aviva plc, has paid premiums in respect of a global Directors and Officers Liability contract insuring all directors and officers of Aviva Investors Australia Limited. It is not practicable to apportion the global premium to specifically attribute an amount of premium to Aviva Investors Australia Limited.

No insurance premiums are paid out of the Scheme assets in relation to insurance cover for the Responsible Entity, its officers and employees, the Compliance Committee or the auditors of the Scheme.



Directors' Report (continued)

Signed in accordance with a resolution of the Directors.

On behalf of the Board
Aviva Investors Australia Limited

A handwritten signature in black ink that reads "Craig Bingham".

Craig Bingham
Director of Aviva Investors Australia Limited
Date: 18 November 2008

Directors' Report (continued)

Auditor's Independence Declaration



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Auditor's Independence Declaration to the Directors of Aviva Investors Australia Limited, as Responsible Entity for Portfolio Partners Australian Fixed Interest Trust

In relation to our audit of the financial report of Portfolio Partners Australian Fixed Interest Trust for the period ended 26 August 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Martin Walsh
Partner
18 November 2008

Liability limited by a scheme approved
under Professional Standards Legislation

Financial Report – For the period 1 July 2008 to 26 August 2008



Income Statement For the period 1 July 2008 to 26 August 2008

	Notes	1 July to 26 August 2008 \$	30 June 2008 \$
Income			
Distribution revenue		-	6,619
Interest revenue		69,744	495,575
Changes in the fair value of investments			
Designated as at fair value through profit or loss		176,763	(80,659)
		<u>246,507</u>	<u>421,535</u>
Expenses			
Responsible entity fees	10(c)	(4,332)	(31,839)
Other expenses		(12,925)	(1,435)
		<u>(17,257)</u>	<u>(33,274)</u>
Net Profit Attributable to Unitholders		229,250	388,261
Finance costs			
Distributions to unitholders	3	146,332	(342,901)
Change in Net Assets Attributable to Unitholders		<u>82,918</u>	<u>45,360</u>

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

Financial Report – For the period 1 July 2008 to 26 August 2008



Balance Sheet As at 26 August 2008

		1 July to 26 August 2008	30 June 2008
	Notes	\$	\$
Assets			
Cash and cash equivalents	8	-	796,674
Trade and other receivables	4	-	206,645
Investments in financial assets			
Designated as at fair value through profit or loss	5	-	5,858,196
Total Assets		<u> </u>	<u>6,861,515</u>
Liabilities			
Trade and other payables	6	-	(2,481)
Distributions payable		-	(109,712)
Total Liabilities Excluding Net Assets Attributable to Unitholders		<u> </u>	<u>(112,193)</u>
Net Assets Attributable to Unitholders	7(b)	<u> </u>	<u>6,749,322</u>

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



**Statement of Changes in Net Assets
Attributable to Unitholders
For the period 1 July to 26 August 2008**

	Net Assets Attributable to Unitholders
	\$
At 1 July 2007	11,103,176
Net profit attributable to unitholders	388,261
Distributions to unitholders	(342,901)
Application for units	8,637
Redemption of units	(4,407,851)
	<hr/> 6,749,322
At 30 June 2008	
Net profit attributable to unitholders	229,250
Distributions to unitholders	(146,332)
Application for units	1,131
Redemption of units	(6,833,371)
At 26 August 2008	<hr/> <hr/> -

Financial Report – For the period 1 July 2008 to 26 August 2008



Cash Flow Statement For the period 1 July 2008 to 26 August 2008

	1 July to 26 August 2008	30 June 2008
Notes	\$'000	\$'000
Cash Flows from Operating Activities		
Dividends received	-	6,547
Interest received	69,744	513,412
Distributions received	-	6,619
Responsible entity fees paid	(6,814)	(32,498)
Other expenses paid	4,336	(1,435)
Net Cash Flows from Operating Activities	8(b) 67,266	492,645
Cash Flows from Investing Activities		
Proceeds from sale of investments designated as at fair value through profit or loss	9,288,882	22,442,441
Payments for purchase of investments designated as at fair value through profit or loss	(3,064,539)	(18,423,055)
Net Cash Flows from Investing Activities	6,224,343	4,019,386
Cash Flows from Financing Activities		
Receipts from issue of units	1,131	8,637
Payments for redemptions of units	(6,833,370)	(4,407,851)
Distributions paid	(256,044)	(366,325)
Net Cash Flows used in Financing Activities	7,088,283	(4,765,539)
Net Decrease in Cash and Cash Equivalents	(796,674)	(253,508)
Cash and cash equivalents at beginning of period	796,674	1,050,182
Cash and Cash Equivalents at end of Period	8(a) -	796,674

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



Notes to the Financial Statements

1. CORPORATE INFORMATION

The financial report of Portfolio Partners Australian Fixed Interest Trust for the period 1 July to 26 August 2008 was authorised for issue in accordance with a resolution of Directors of Aviva Investors Australia Limited on 18 November 2008.

The Portfolio Partners Australian Fixed Interest Trust is an Australian registered Scheme, constituted on 31 August 1992. Aviva Investors Australia Limited, the Responsible Entity of the Scheme, was incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 28 Freshwater Place, 2 Southbank Boulevard, Southbank, Victoria 3006.

The nature of the operations and principal activities of the Scheme are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This financial report is a general purpose financial report, which has been prepared in accordance with the Scheme Constitution and the requirements of the Corporations Act 2001, and Australian Accounting Standards.

The financial report has been prepared in accordance with the historical cost convention, except for the valuation of investments in financial assets which have been measured at fair value.

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.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) Investments in financial assets

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date ie. the date that the Scheme commits to purchase or sell the asset.

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit and loss, loans and receivables, held to maturity investments, or available for sale assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

Notes to the Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investments in financial assets (continued)

Designated as at fair value through profit or loss

All investments are initially recognised at fair value, being the fair value of the consideration paid excluding transaction costs. After initial recognition, the financial assets designated as at fair value through profit or loss are revalued to fair value at each reporting date.

For investments that are actively traded in organised financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the Balance Sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantively the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Movements in fair value on investments designated as at fair value through profit or loss are recognised in the Income Statement.

Investments of the Scheme that have been designated as at fair value through profit or loss include certain interest bearing securities that are not held for trading but for which there is no positive intention to hold to maturity.

These investments have been designated as at fair value through profit or loss as doing so results in more relevant information. These investments are part of the full group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Scheme, as disclosed in Note 11.

(d) Derivative financial instruments

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of share price index futures and options are determined by reference to market values for similar instruments. All derivatives do not qualify for hedge accounting.

(e) Revenue and income recognition

Revenue is recognised and measured at fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Scheme and the revenue can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

Dividends and distributions

Revenue is recognised when the right to receive the payment is established.

Interest

Revenue is recognised as interest accrues, (using the effective interest rate method which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Notes to the Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue and income recognition (continued)

Changes in the fair value of investments

Net gains or losses on investments designated as at fair value through profit or loss are calculated as the difference between the fair value at sale, or at period end, and the fair value at the previous valuation point. This includes both realised and unrealised gains and losses, but does not include interest or dividend income.

(f) Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank, deposits at call with a futures clearing house and short term deposits with an original maturity of three months or less.

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

(g) Trade and other receivables

Receivables are recognised and carried at original amounts, and an estimate for doubtful debts is made when an amount is no longer probable. Trade and other receivables include accrued dividends, distribution income and accrued income on interest-bearing securities from the date the security is quoted ex-coupon.

Sales of investments are recorded on trade date and normally settle within three business days. Sales of securities and investments that are unsettled at reporting date are included in trade and other receivables.

(h) Trade and other payables

Liabilities for payables are carried at cost, which is the fair value to be paid for goods and services received, whether or not billed to the Scheme. Trade and other payables include accrued expenses and distributions payable owing by the Scheme which are unpaid as at balance date.

Purchases of investments are recorded on trade date, and normally settle within three business days.

(i) Taxation

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

(j) Distributions

In accordance with the Scheme's Constitution, the Scheme fully distributes its distributable income to unitholders. Such distributions are determined by reference to the net taxable income of the Scheme. Distributable income includes capital gains arising from the disposal of investments. Unrealised gains and losses on investments 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.

Notes to the Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Foreign currency transactions

(i) Functional and presentation currency

Both the functional and presentation currency of the Scheme is Australian dollars (\$).

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Balance Sheet date.

Exchange differences arising on the settlement of monetary items, or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in a previous financial report, are recognised in profit or loss in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate ruling as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(l) Unit prices

Unit prices are determined in accordance with the Scheme's Constitution and are calculated as the net assets attributable to unitholders of the Scheme, less estimated costs, divided by the number of units on issue, on a forward pricing basis, determined by the Responsible Entity.

(m) Terms and conditions on units

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

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

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

Notes to the Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

(o) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Scheme 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.

(p) Application of Accounting Standards

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 26 August 2008:

Notes to the Financial Statements (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Application of Accounting Standards (continued)

AASB Amendment / Standard	Title	Nature of change to accounting policy	Application date of standard	Application date for the Scheme
2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, 6, 102, 107, 119, 127, 134, 136, 1023 & AASB 1038]	No change to accounting policy	1 January 2009	1 July 2009
2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, 101, 107, 111, 116 & AASB 138 and Interpretations 1 & 12]	No change to accounting policy	1 January 2009	1 January 2009
2007-8	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, 101, 107, 111, 116 & AASB 138 and Interpretations 1 & 12]	No change to accounting policy	1 January 2009	1 January 2009
2008-1	Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations [AASB 2]	No change to accounting policy	1 January 2009	1 January 2009
2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation [AASB 7, 101, 132, 139 & Interpretation 2]	Following this change, the 'Net assets attributable to unitholders' will be reclassified to equity and distributions will no longer impact on the Income Statement, but will rather be equity distributions.	1 January 2009	1 January 2009
2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]	No change to accounting policy	1 July 2009	1 July 2009

If these accounting standards had been adopted, we do not believe that there would have been a material impact to either the income statement for the period ending 26 August 2008 or the balance sheet as at 26 August 2008.

The following amendments are not applicable to the Scheme and therefore have no impact.

AASB Amendment	Title
2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, 117, 118, 120, 121, 127, 131 & AASB 139]
AASB 1004	Contributions
AASB 1049	Whole of Government and General Government Sector Financial Reporting
AASB 1050	Administered Items
AASB 1051	Land Under Roads
AASB 1052	Disaggregated Disclosures

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Notes to the Financial Statements (continued)

3. FINANCE COSTS

	1 July to 26 August 2008		30 June 2008	
	\$	Cents per unit	\$	Cents per unit
Professional Selection units				
Interim distribution paid – August period	140,266	2.15	-	-
Interim distribution paid – December period	-	-	121,686	1.65
Interim distribution paid – March period	-	-	102,650	1.47
Final distribution payable – June period	-	-	105,598	1.60
	<u>140,266</u>	<u>2.15</u>	<u>329,934</u>	<u>4.72</u>
Wholesale				
Interim distribution paid – August period	980	96.77	-	-
Interim distribution paid – December period	-	-	1,457	75.20
Interim distribution paid – March period	-	-	663	64.28
Final distribution payable – June period	-	-	728	71.93
	<u>980</u>	<u>96.77</u>	<u>2,848</u>	<u>211.41</u>
Personal Choice units				
Interim distribution paid – August period	5,086	1.90	1,435	-
Interim distribution paid – December period	-	-	2,601	1.25
Interim distribution paid – March period	-	-	3,121	1.24
Final distribution payable – June period	-	-	985	1.27
	<u>5,086</u>	<u>1.90</u>	<u>8,142</u>	<u>3.76</u>
Total				
Interim distribution paid – August period	146,332		-	
Interim distribution paid – December period	-		126,563	
Interim distribution paid – March period	-		106,626	
Final distribution payable – June period	-		109,712	
	<u>146,332</u>		<u>342,901</u>	

The component of the final distribution for the period end which was unpaid at balance date is shown in the Balance Sheet.



Notes to the Financial Statements (continued)

4. TRADE AND OTHER RECEIVABLES

	1 July to 26 August 2008 \$	30 June 2008 \$
Other receivables	-	17,261
Outstanding settlements receivable	-	189,384
	<u>-</u>	<u>206,645</u>

5. INVESTMENTS IN FINANCIAL ASSETS

Designated as at fair value through profit or loss

	1 July to 26 August 2008 \$	30 June 2008 \$
<i>i. Interest bearing securities</i>		
Floating rate notes	-	76,803
Corporate bonds	-	2,380,848
Government bonds	-	467,294
Semi government bonds	-	2,932,147
	<u>-</u>	<u>5,857,092</u>
<i>ii. Other</i>		
Share price index futures	-	1,104
	<u>-</u>	<u>1,104</u>
Total Investments in Financial Assets	<u>-</u>	<u>5,858,196</u>

6. TRADE AND OTHER PAYABLES

	1 July to 26 August 2008 \$	30 June 2008 \$
Responsible Entity fees payable	-	2,481
	<u>-</u>	<u>2,481</u>



Notes to the Financial Statements (continued)

7. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The terms and conditions attached to units in the Scheme can be found in note 2(l).

(a) Units on issue	1 July to 26 August 2008 Number	30 June 2008 Number
Units on issue as at beginning of the financial year	6,878,159	11,148,893
Units issued during the period	1,222	50,911
Units redeemed or otherwise cancelled during the period	(6,879,381)	(4,321,645)
Units on issue as at end of the period	<u>-</u>	<u>6,878,159</u>

(b) Reconciliation of net assets attributable to unitholders to fair value	1 July to 26 August 2008 \$	30 June 2008 \$
Net assets attributable to unitholders (calculated in accordance with redemption requirements)	-	6,752,929
Adjustment from mid-market prices to bid-market prices	-	(3,607)
Net assets attributable to unitholders (calculated in accordance with Australian Accounting Standards)	<u>-</u>	<u>6,749,322</u>

(c) Components of net assets attributable to unitholders

Included within closing net assets attributable to unitholders are the following amounts:

	1 July to 26 August 2008 \$	30 June 2008 \$
Unrealised losses on interest bearing securities	-	(84,389)
Unrealised gains on derivatives	-	1,104

Unrealised gains/(losses) on investments represents the net unrealised gain/(loss) on investments held by the Scheme at balance date, which are not yet distributable to unitholders.

For movements in net assets attributable to unitholders funds refer to the Statement of Changes in Net Assets Attributable to Unitholders.



Notes to the Financial Statements (continued)

8. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

	1 July to 26 August 2008	30 June 2008
For the purposes of the Balance Sheet and Cash Flow Statement, cash and cash equivalents comprise:	\$	\$
Cash at bank and in hand	-	763,605
Deposits at call with a futures clearing house	-	33,069
	<u>-</u>	<u>796,674</u>

Cash at bank and in hand, and deposits at call with a futures clearing house, earn interest at floating rates based on daily bank deposit rates.

(b) Reconciliation of net profit attributable to unitholders to net cash flows from operating activities

	1 July to 26 August 2008	30 June 2008
	\$	\$
Net profit attributable to unitholders	229,250	388,261
<i>Adjustments for:</i>		
Unrealised component of changes in the fair value of investments	-	80,577
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in receivables	(159,502)	24,977
Decrease in payables	(2,482)	(1,170)
Net cash flows from operating activities	<u>67,266</u>	<u>492,645</u>

(c) Non-cash financing and investing activities

	1 July to 26 August 2008	30 June 2008
	\$	\$
Non-cash financing and investing activities carried out during the period on normal commercial terms and conditions included:		
Reinvestment of unitholder distributions	1,222	3,436



Notes to the Financial Statements (continued)

9. AUDITORS' REMUNERATION

Ernst and Young conducted the audit of the Scheme. Any amounts received and receivable by Ernst and Young are expenses of the Responsible Entity. During the year \$4,500 was paid for audit related services.

10. RELATED PARTY DISCLOSURES

(a) Responsible Entity

The Responsible Entity of the Portfolio Partners Australian Fixed Interest Trust is Aviva Investors Australia Limited, whose immediate holding company is Aviva Investors Holdings Limited and ultimate holding company is Aviva plc.

(b) Details of Key Management Personnel

(i) Directors

The Directors of Aviva Investors Australia Limited are considered to be Key Management Personnel of the Scheme. The Directors were in office during the period 1 July 2008 to 26 August 2008 (Portfolio Partners Limited) and up to the date of the report (Aviva Investors Australia Limited) are:

Craig Bingham

Anthony Burrill

David Daynes (resigned 27 October 2008)

Allan Griffiths

Christopher Oglethorpe (resigned 24 October 2008)

Jeff Phillips (appointed 27 October 2008)

Directors have been in office for the entire period unless otherwise disclosed.

(ii) Other Key Management Personnel

In addition to the Directors noted above Aviva Investors Australian Limited is considered to be Key Management Personnel with the authority for the strategic direction and management of the Scheme.

(iii) Compensation of Key Management Personnel

No amount is paid by the Scheme directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 "Related Party Disclosures" is paid by the Scheme to the Directors as Key Management Personnel.

Compensation is paid to the Responsible Entity in the form of fees and is disclosed in Note 10(c).



Notes to the Financial Statements (continued)

10. RELATED PARTY DISCLOSURES (continued)

(c) Fees

Aviva Investors Australia Limited provided investment management services to the Portfolio Partners Australian Fixed Interest Trust.

Transactions between the Portfolio Partners Australian Fixed Interest Trust and Aviva Investors Australia Limited resulted from normal dealings with the company as the Scheme's Responsible Entity. Aviva Investors Australia Limited is an Australian Financial Services License holder.

The Responsible Entity, Aviva Investors Australia Limited, received all management fees that have been paid by the Scheme during the period. The Responsible Entity is entitled to receive a management fee of 1.36% p.a. (Personal Choice units) (2007: 1.36% p.a.), 0.36% p.a. (Wholesale units) (2007: 0.36% p.a.) and 0.36% p.a. (Professional Selection units) (2007: 0.36% p.a.) of the total assets of the Scheme under the terms of the Constitution. The fees are paid on a monthly basis. Total fees paid to the Responsible Entity during the period 1 July 2008 to 26 August 2008 for management of the Scheme were \$4,332 (30 June 2008: \$31,839).

(d) Related Party Transactions

Related parties

Transactions between the Scheme and the Responsible Entity during the period 1 July 2008 to 26 August 2008 are outlined in note 10(c) above.

Transactions between the Scheme and other managed investment schemes also managed by the Responsible Entity consisted of the sale of units in the Scheme 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.

Transactions between the Scheme and other registered Schemes also managed by the Responsible Entity are outlined in note 10(e).

Terms and conditions of transactions with related parties

All related party transactions are made in arms length transactions on normal commercial terms and conditions.

(e) Investments

(i) Related party investments of the Scheme

The Scheme has no investment in the Responsible Entity or any Schemes for which Aviva Investors Australia Limited acts as Responsible Entity.

(ii) Related party investments in the Scheme

Aviva Investors Australia Limited and Schemes for which it acts as Responsible Entity have no interests in the units of the Scheme.

Notes to the Financial Statements (continued)

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial Risk Management Objectives, Policies and Processes

Risks arising from holding financial instruments are inherent in the Scheme's activities, and are managed through a process of ongoing identification, measurement and monitoring. The Scheme was exposed to credit risk, liquidity risk and market risk.

Financial instruments of the Scheme comprise investments in financial assets for the purpose of generating a return on the investment made by unitholders, in addition to derivatives, cash and cash equivalents, net assets attributable to unitholders, and other financial instruments such as trade debtors and creditors, which arise directly from its operations.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The 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 possible 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, with additional emphasis on selected industries.

This information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate, including the fund manager, compliance manager, other key management personnel, Credit Committees, and ultimately the Board of Directors.

As part of its risk management strategy, the Scheme uses derivatives and other investments, including bond futures, interest rate swaps to manage exposures resulting from changes in interest rates, equity risks and exposures arising from forecast transactions.

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 concentrations of risk, the Scheme monitors its exposure to ensure concentrations of risk remain within acceptable levels and either reduces exposure or uses derivative instruments to manage the excessive risk concentrations when they arise.



Notes to the Financial Statements (continued)

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Scheme to incur a financial loss.

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

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

The Scheme holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated. The Scheme minimises its exposure to credit risk on derivatives by only trading with top-tier financial institutions and has limits on the level of instruments that it holds with each counterparty.

Credit risk is not considered to be significant to the Scheme except in relation to investments in debt securities.

Credit quality per class of debt instruments

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

26 August 2008	AAA to AA- \$	A+ to A- \$	BBB+ to BBB- \$	Total \$
Floating rate notes	-	-	-	-
Corporate bonds	-	-	-	-
Government bonds	-	-	-	-
Semi government bonds	-	-	-	-
	-	-	-	-

30 June 2008	AAA to AA- \$	A+ to A- \$	BBB+ to BBB- \$	Total \$
Floating rate notes	-	-	76,803	76,803
Corporate bonds	2,145,798	235,050	-	2,380,848
Government bonds	467,294	-	-	467,294
Semi government bonds	2,932,148	-	-	2,932,148
	5,545,240	235,050	76,803	5,857,093

Notes to the Financial Statements (continued)

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit Risk (continued)

Risk concentrations of credit risk exposure

Concentration of credit risk is managed by counterparty, by geographical region and by industry sector. With the exception of securities issued by the governments of Australia, exposure to any issue or issuer of debt securities is limited to 5% of the value of the portfolio at the time of purchase.

The Scheme's investments in financial assets can be analysed by the following geographic regions:

	26 August 2008	30 June 2008
	\$	\$
Australia	-	5,858,196
Total	-	5,858,196

An industry sector analysis of the Scheme's investments in financial assets is as follows:

	26 August 2008	30 June 2008
	\$	\$
Financials	-	5,858,196
Total	-	5,858,196

(c) Liquidity Risk

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

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 7 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 for 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.

Bond futures may be used by the Scheme to hedge against adverse price movements in the value of financial assets.

Notes to the Financial Statements (continued)

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Market risk (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Scheme has established limits on investments in interest bearing assets, which are monitored on a daily basis. The Scheme may use derivatives to hedge against unexpected increases in interest rates.

The table below demonstrates the sensitivity of the Scheme's income statement to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on:

- the interest income for one year, based on the floating rate financial assets held at period end; and
- changes in fair value of investments for the year, based on revaluing fixed rate financial assets at period end.

Accounting Assumptions-Variability of interest rates

The basis points sensitivity is based on the volatility of a reasonably possible change in the global interest rates based upon the Responsible Entity's internal assessment over the next financial year.

26 August 2008

International Interest Rate	Change in basis points Increase/decrease	Sensitivity of interest income \$ Increase/decrease	Sensitivity of changes in fair value of investments \$ Increase/decrease
AUD	25 / (50)	- / -	- / -

30 June 2008

International Interest Rate	Change in basis points Increase/decrease	Sensitivity of interest income \$ Increase/decrease	Sensitivity of changes in fair value of investments \$ Increase/decrease
AUD	25 / (50)	18 / (36)	(55,330) / 110,659

Equity price risk

Equity price risk is the risk that fair value of equities will fluctuate because 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. Equity price risk exposure arises from the Scheme's investment portfolio.

The effect on the net assets attributable to unitholders and operating profit before distribution due to reasonably possible changes in market factors, as represented by the equity indices, with all other variables held constant is indicated in the table below.



Notes to the Financial Statements (continued)

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Market risk (continued)

Accounting Assumptions-Variability of interest rates

The sensitivity illustrates the effect on the net profit attributable to unitholders from a reasonably possible change in the benchmark index based upon the Responsible Entity's internal assessment over the next financial year.

Index	26 August 2008		30 June 2008	
	Change in equity price %	Effect on net profit attributable to unitholders \$	Change in equity price %	Effect on net profit attributable to unitholders \$
ASX 200	10 / (15)	- / -	10 / (15)	- / -

12. FAIR VALUES

The Scheme's financial assets and liabilities included in the Balance Sheet are carried at their fair value as disclosed by class of financial assets at Note 5 or at amounts that approximate their fair values, other than net assets attributable to unitholders as disclosed in Note 8(b).

Refer to Note 2 for the methods and assumptions adopted in determining fair values of investments.

13. SEGMENT INFORMATION

The Scheme operated in one business segment, being investment management. The Scheme also operated from one geographic location, being Australia, from where its investing activities were managed. Revenue was derived from dividends, distributions and interest.

14. COMMITMENTS AND CONTINGENCIES

No commitments and contingencies have arisen for the period ended 26 August 2008.

15. EVENTS AFTER THE BALANCE SHEET DATE

On 29 September 2008, Portfolio Partners Limited changed its company name to Aviva Investors Australia Limited.



Director's Declaration

In accordance with a resolution of the Directors of Aviva Investors Australia Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Scheme are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Scheme's financial position as at 26 August 2008 and of its performance for the period ended on that date; and
 - ii. complying with Accounting Standards and the Corporations Regulations 2001; 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; and
- (c) the financial statements are in accordance with the provisions of the Scheme's Constitution.

On behalf of the Board
Aviva Investors Australia Limited

A handwritten signature in black ink that reads "Craig Bingham".

Craig Bingham
Director of Aviva Investors Australia Limited
Date: 18 November 2008

Independent auditor's report to the unitholders of Portfolio Partners Australian Fixed Interest Trust

We have audited the accompanying financial report of Portfolio Partners Australian Fixed Interest Trust ("Trust"), which comprises the balance sheet as at 26 August 2008 and the income statement, statement of changes in net assets attributable to unitholders and cash flow statement for the period ended on that date, other selected explanatory notes and the directors' declaration.

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.

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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. 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.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.


Auditor's Opinion

In our opinion the financial report of Portfolio Partners Australian Fixed Interest Trust is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Trust's financial position as at 26 August 2008 and of its performance for the period ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Martin Walsh'.

Martin Walsh
Partner
Melbourne
18 November 2008

